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September 26, 1944

Last night I called Miss 'lully' twice, once from here and once from the house, and the second time I said was she sure that she understood me, namely, that the so-called black book which I gave to the President on Germany and which he took to Quebec with him was the one that I was proposing that he permit me to show to the newspaper men, the idea being that this would be a sort of red herring to get them to be discussing this book rather than the split in the Cabinet. She said she had not understood it from my first conversation but she understood it now.

Then I said I have given a copy of this so-called black book to Lord Cherwell and I would like to give a copy of it to the Russian Ambassador. She said she would let me know.

September 26, 1944

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Copy of Black
Book on Germany
enclosed

Dear Lord Cherwell:

I am sending you, enclosed herewith, a very confidential document, and I would appreciate it if you would not show it to any one with the exception, of course, of Prime Minister Churchill.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Lord Cherwell,
British Ministry of Supply,
Willard Hotel,
Washington, D.C.

Copy of Black Book on Germany enclosed.

STRICTLY CONFIDENTIAL

September 26, 1944
10:30 a.m.

PRESS LEAK

Present: Mr. White
Mr. Gaston
Mr. Smith
Mr. Shaeffer
Mr. Perlmeter
Mr. Pehle
Mrs. Klotz

H.M.JR: Look, this is one of the most unpleasant tasks I have ever had. Somebody in this meeting yesterday talked to newspapermen afterwards.

MR. SMITH: That is perfectly obvious.

MR. WHITE: I just mentioned outside - I was trying to think of anybody, possibly, outside this group. I mentioned to John Pehle when we were talking in the afternoon, and he was saying we ought to get our case before the public. I said there had been a meeting and we decided not to. So I would like to get him in here, because he would be the only one, to my knowledge, outside of this group who would have known anything about it.

MR. SMITH: You didn't talk to any of your own people - Luxford or anybody?

MR. WHITE: I don't think I saw Luxford.

H.M.JR: Have all of you people a clear conscience?

MR. GASTON: I didn't talk to anybody even in my own office.

MR. SHAEFFER: When I left here the newspapermen were in my office and they said, "Will there be a press conference?"

I said no, and they asked why not.

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"The Secretary has nothing to talk about."

"How about this German business?"

I said, "It is a White House matter and he wouldn't talk about that."

I talked to no one from the Herald Tribune.

H.M.JR: Did you tell anybody we were having a meeting down here?

MR. SHAEFFER: No, sir.

H.M.JR: You are sure?

MR. SHAEFFER: Yes, sir. I said there was nothing you had to tell them. They asked me about post-war Germany and I said no, that it was a White House matter.

H.M.JR: Even by inference?

MR. SHAEFFER: No, sir.

MR. SMITH: There is Perlmeter.

H.M.JR: What about you?

MR. SMITH: I talked to the AP man after Hull's conference and said we weren't saying anything about it and it was the President's business.

(The Secretary sends for Mr. Pehle)

H.M.JR: I am asking you, too, Mrs. Dickinson. I have asked Mrs. Klotz and Miss Chauncey, also.

MRS. DICKINSON: I haven't mentioned it, Mr. Secretary. Mrs. Haynie and Mrs. Shippee in my office transcribed the notes and I have complete confidence in them.

MR. WHITE: I don't think I told enough to Pehle so he could repeat that story. But I did say a decision had been made not to talk about it.

H.M.JR: It describes a meeting that takes place.

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MR. SMITH: But right up at the beginning it talks about its not being a question of a hard or soft peace, but a question of degree, which was what I said before we left. That could be - I mean, other people could possibly say that.

MR. GASTON: That is a part of the general talk that is going around.

(Mrs. Klotz enters the conference)

MR. WHITE: Looks as though that last part was added on to what the fellow already had.

MR. SMITH: I think you will find it was somebody who was told by somebody who heard it.

(Mr. Pehle enters the conference)

H.M. JR: John, sit down a minute. White wants to ask you a question.

MR. WHITE: John, when you were in the office yesterday - it was in the afternoon, as I remember, because we had tea, wasn't it?

MR. PEHLE: Yes.

MR. WHITE: Didn't I mention to you, or tell you that we had had a meeting and we decided not to state our case before the public? I am not quite sure.

MR. PEHLE: No, my recollection is you said something about talking to the Secretary and that you were thinking of getting the United Press man in and explaining to him just what the situation was, and that you had talked to somebody from News Week.

MR. WHITE: From U.S. News.

MR. PEHLE: You didn't tell me, as I recall.

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MR. WHITE: About a meeting here?

MR. PEHLE: No, I don't think so.

H.M.JR: John, did you see any newspapermen yesterday?

MR. PEHLE: No, sir, not yesterday or any other day on the German thing. The only thing I did do is this, when we were talking about the speech out at Chicago, after we got done talking about it Alan Barth and I were chatting about the German problem and he reacted very strongly against any tough line with Germany. But I haven't seen any newspaper people at all.

H.M.JR: This is copyright with the New York Tribune.

MR. WHITE: It is in the Tribune. It is by-lined in the Tribune.

MR. PEHLE: This Hightower story?

MR. SHAEFFER: Don Cook?

MR. WHITE: Yes, it was the name of the by-line in the Tribune. The story is identical.

MR. SMITH: Is he our man?

MR. SHAEFFER: I think he comes from the White House. The Tribune has no one over here.

H.M.JR: That is all?

MR. WHITE: (To Pehle) I didn't know but what you might have mentioned it because there is a story in there of a meeting we had yesterday. I thought I might have mentioned it to you and you might have inadvertently mentioned it to somebody.

MR. PEHLE: I didn't mention it to anybody.

MR. WHITE: I don't know that I mentioned the meeting, but I did know when I talked to you we were going to try to make a case.

(Mr. Pehle leaves the conference)

H.M.JR: "...there was strong support for telling the Treasury's side of the story."

MR. WHITE: Yes, that couldn't have been deduced.

H.M.JR: "Mr. Morgenthau decided in favor of secrecy and clamped a like ban on all his staff."

Now, somebody talked, because, as you remember, I said I would do this thing and go out for a walk and I would come back and decide. We were all in favor of doing this thing. Then I came back.

MR. WHITE: That is right. That decision wasn't made until about five o'clock, which - now that I think of it - was after I saw Pehle.

H.M.JR: Now, Perlmeter wasn't here.

MR. SMITH: That is right.

H.M.JR: So unless somebody told him - so it gets right down to people in this room.

MR. WHITE: You will have to get a rooster.

H.M.JR: Did you tell Perlmeter what my decision was?

MR. SHAEFFER: No, sir.

H.M.JR: When he left here, you see, he didn't know. I came back here about five.

MRS. KLOTZ: That is right.

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MR. SMITH: Of course, that could be deduced. I mean, they knew there was strong support, and if it didn't come out--

H.M.JR: How would he know whether it was out or not?

MR. WHITE: I guess, in any case, Mr. Secretary, the decision was not to give it out, the decision was whether or not we should let it leak, so that that story would have been correct on the basis of the first interview.

H.M.JR: I mean, as it turns out, the story in itself doesn't do me any harm, I simply decided in favor of secrecy and clamped a like ban - that is all right. I have had this happen with the Federal Reserve President. I mean, we would have meetings with them and, blow by blow, what took place in my office would appear.

MR. GASTON: Oh, yes, just like an Executive Session of the Senate Committee.

H.M.JR: But never my own staff. In the eleven years we have been here, have you ever heard of anything like this?

MRS. KLOTZ: Never.

MR. SMITH: Who up in your office would know about it?

MR. SHAEFFER: No, they didn't know specifically. They knew I was down here yesterday. The people from the press were up waiting for me when I got back. They wanted to know where I was. They said, "Will there be a press conference?" I said no. But the Herald Tribune man was not there. And they couldn't have told it because they had written it themselves.

H.M.JR: Did you tell them what we were doing?

MR. SHAEFFER: No, sir.

H.M.JR: But the boys were waiting upstairs for you?

MR. SHAEFFER: They always are. They wait up there every morning to find out what story there is. There is Wilcox and the AP and the UP and this girl, Barbara Thomas.

MR. WHITE: Somebody knew who was in at this meeting. They don't mention the other names.

H.M.JR: Another thing which I didn't want, I didn't want Harry dragged into this thing.

MR. WHITE: It certainly is no pleasure to me.

H.M.JR: I mean, I was very happy that he wasn't - I mean, this is something that I should take. But it says, "...Harry D. White ... who was largely responsible for the preparation of the plan."

MR. WHITE: Now, who could have said that? That is something that, right or wrong, is not the point. I mean, who knew I was here at this particular meeting at which it was discussed? That couldn't be deduced from general discussion.

MR. SHAEFFER: Didn't one of the first stories say that you and the Secretary went to see the President?

MRS. KLOTZ: Yes.

MR. WHITE: Yes, they could obviously tie it, but how did they know I was at this meeting?

H.M.JR: Of course, White never did go with me. That story that Drew Pearson wrote is wholly untrue. He wrote the story that White went with me and I threw this on the President's desk. I didn't, and White wasn't with me. As a matter of fact, I saw the President in the bedroom, alone. Nobody accompanied me.

MR. SHAEFFER: I didn't know that.

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H.M.JR: But I am just saying, somebody guessed White was with me but he wasn't.

MR. GASTON: They knew White was with you at Quebec?

MR. WHITE: Oh, yes - Crider.

H.M.JR: Who was the other fellow?

MR. WHITE: I don't know who he was. I knew him by face, but I didn't know what paper he was with.

H.M.JR: When we went out - the one and only day we took a half an hour to go shopping - we bumped into Crider and some other man on the street corner.

MR. WHITE: Some other man whom you knew. I recognized his face, but didn't know his name.

H.M.JR: I was thinking, after that, the only person that I talked to was Miss Tully, and I didn't tell her we had this discussion.

MRS. KLOTZ: Did you say anything last night?

H.M.JR: No. To Miss Tully?

MRS. KLOTZ: No, to your guests

H.M.JR: No, they didn't leave until ten-thirty. You couldn't catch this. If somebody had called up last night at eleven o'clock on the phone, they couldn't catch this, could they?

MR. SHAEFFER: No.

H.M.JR: I mean, supposing somebody left my house at eleven o'clock last night and called up - but I didn't tell them.

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MR. SMITH: The answer to your first question, though, is yes, on a story like this.

MR. GASTON: Not in this edition, Fred.

H.M.JR: The answer is, I didn't tell them.

MR. GASTON: Oh, this is the Post; yes, it could be in the Post.

MR. WHITE: It is in the Herald Tribune.

MR. GASTON: The same as it is there. And that is the first edition of the Herald Tribune. It goes to press around ten o'clock.

H.M.JR: Well, Robert Sherwood was at my house. He is not going to call up the Herald Tribune.

MR. GASTON: How about the security of your telephones?

H.M.JR: I didn't talk on the phone.

MR. GASTON: You just put in a call?

MRS. KLOTZ: He called from home.

H.M.JR: When I call from home I talked direct to the White House. I have a White House telephone. I talked directly on my White House phone to the White House switchboard, but I didn't tell Miss Tully.

I wouldn't say we sat around and discussed it - should I give a leak, or talk to the President first?

MR. GASTON: Did you talk to the President?

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H.M.JR: No, I talked to Miss Tully twice. I simply said I felt that I would like the President's permission to show the so-called "black book" to the press and to the Russian Ambassador, and I have had no answer yet. But I didn't say we sat around and discussed this thing.

(Mr. Perlmeter enters the conference.)

H.M.JR: Hello, Irving. Sit down. This isn't directed at you, but there is this story in this morning's Tribune and Post which says, "As for further overtones of the split on German policy, Mr. Morgenthau, it was learned, called together his staff yesterday morning to decide what the department's next move would be, in view of the widespread publication of his plan, and the upshot of it was cancellation of his press conference later in the day. Present at the meeting was Harry D. White, chief adviser to the Secretary, who was largely responsible for the preparation of the plan, and other aides, and although there was strong support for telling the Treasury's side of the story, Mr. Morgenthau decided in favor of secrecy, and clamped a like ban on all his staff."

Now, I have asked everybody in this room, Mrs. Dickinson, Mrs. Klotz, Miss Chauncey, if there is any chance of anybody in this room having given this. Now I am asking you.

MR. PERLMETER: I certainly didn't.

H.M.JR: Did you talk to anybody after you left?

MR. PERLMETER: I did talk to some of the newspaper men, but never once did I, or they for that matter, ever mention this.

H.M.JR: Did you tell them you were in my office?

MR. PERLMETER: No.

H.M.JR: You didn't say, "I have just been over to the Secretary's office"?

MR. PERLMETER: No.

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H.M.JR: Are you sure?

MR. PERLMETER: Yes, sir.

H.M.JR: Did you talk about the German thing at all?

MR. PERLMETER: No.

H.M.JR: Somebody here in this room talked. Now, I don't know who it was. I don't suppose I ever will know, but it gives me a very uncomfortable feeling. It is the first time it has happened in twelve years.

MR. PERLMETER: I don't blame you for that, but--

H.M.JR: You see, they have it correct. I mean, the story doesn't hurt me as a story, but it makes everybody in this room feel damned uncomfortable.

MR. PERLMETER: The story isn't correct in that you over-ruled any move to say anything or do anything.

MR. WHITE: I think that is correct.

H.M.JR: I came back at five o'clock; I took a little walk, came back, and decided that I would not do anything without consultation.

MR. WHITE: I think more than that. Am I not correct that in the early meeting you didn't want anybody to say anything about it? Maybe I am wrong; maybe I am just implying that.

H.M.JR: I said, "Let's just hold everything until I come back." Herbert, your memory is particularly good.

MR. GASTON: Yes, you said that you had to think this thing out; you were going to go for a walk and think it out, and, "Let's just hold everything until I come back."

MR. PERLMETER: The point that I meant, Mr. Secretary, was that practically the only subject of conversation that I recall, at least, was whether or not it was worth while

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to hold a press conference, and if so, what, if anything, should be said. My recollection is that we were for all practical purposes unanimous that it was not worth while to hold a press conference since it was impractical to say anything. And in that sense there was no strong support for telling the Treasury side of the story.

MR. WHITE: Well, I think, speaking for myself, I remember definitely that I thought the position of the Treasury ought to be defended, or the position of the Treasury plan ought to be more adequately explained because injustice was being done to our position.

MR. PERLMETER: You did say that, Mr. White, but not in connection with the discussion. As I recall, you didn't advocate that the Secretary hold a press conference yesterday and tell everything he knew.

MR. GASTON: The first was the press conference; then the second thing that was discussed was the question of having--was that a second meeting? It was, wasn't it? Did we have three meetings?

✓ MR. SHAEFFER: We had three meetings.

MRS. KLOTZ: Mr. Perlmeter was only at the first. He wasn't at the second.

H.M.JR: Were you here when we discussed whether we should give it out through AP or UP?

MR. PERLMETER: I wasn't here.

MR. GASTON: We discussed the question of whether we should tell this UP boy?

MRS. KLOTZ: He wasn't at that meeting.

MR. PERLMETER: That is why I was saying--at the meeting I was at the only question was a press conference. We were unanimous about that. Mr. White did say at some time that the Treasury's position was worth telling about, but I gather that was sort of a vague in-the-future sort of thing.

*Only the first recorded.
per Mrs. Channery 2/5/45*

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MRS. KLOTZ: It was at that meeting that they asked questions.

H.M.JR: (To Mr. Fitzgerald on phone) What time did Mr. Perlmeter come over yesterday?

MR. FITZGERALD: Nine forty-five.

H.M.JR: You weren't at the second meeting, so you are excused.

It was the four o'clock meeting at which this was discussed.

MR. PERLMETER: At four o'clock I was at the Government Printing Office.

(Mr. Perlmeter leaves the conference.)

H.M.JR: We will never find out. The Tribune will never say where they got it from.

MRS. KLOTZ: You know what I was thinking? Of course, I am getting down to Harry. You spoke to Pehle, and Pehle saw Barth; Barth is connected with the Washington Post. I am just running it down.

MR. WHITE: Except, the Post copied this from the Tribune.

MR. SMITH: What Pehle was talking about was the other day when he was working on the Chicago speech.

MR. WHITE: Now, Pehle reminded me--I didn't tell him of the meeting. We were talking about the general tenor of discussions and thought the Treasury's position ought to be defended. I said, "It may be, because we may let the thing go to a UP man."

MRS. KLOTZ: Believe me, then, it is one of us!

MR. WHITE: This is time for me to leave.

MR. SMITH: Are you sure Luxford doesn't know?

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MR. WHITE: Possibly. I may have mentioned it during the day. Let's get him in.

MR. SMITH: Luxford has a brain trust.

MR. SHAEFFER: I talked to an awful lot of newspapermen yesterday, but I am innocent. I didn't talk to the Herald Tribune.

(The Secretary holds a telephone conversation with Miss Grace Tully, as follows:)

September 26, 1944
10:54 a.m.

Operator: Yes, sir.

HMJr: Go ahead.

Operator: All right. There you are.

HMJr: Hello.

White House
Operator: Mr. Secretary, Miss Tully.

HMJr: Yes.

Operator: There you are, sir.

Grace Tully: Hello.

HMJr: Yes.

T: Good morning, Mr. Secretary.

HMJr: Good morning to you.

T: Mr. Secretary, Number One, the Boss says because that plan is still secret and so forth he would prefer that you not give a copy to Gromyko.

HMJr: He'd prefer that I do not?

T: Do not.

HMJr: All right.....

T: On the handling of the story, he says he'll handle it at his next press conference.

HMJr: He's going to handle it?

T: Yes, sir.

HMJr: Well, that will be perfect.

T: All right.

HMJr: He's going to handle it.

T: Yes, sir.

HMJr: And -- well, that's that.

T: Yeah.

HMJr: You

T: Maybe you might have some suggestions. You might want to send over a memorandum as to what you think in the handling of it

HMJr: Yeah.

T: at the next conference.

HMJr: Right.

T: All right.

HMJr: What about that -- is he disturbed about this at all?

T: He doesn't seem to be terribly -- no.

HMJr: He doesn't?

T: No.

HMJr: I see. And what about the -- that suggestion I made on politics?

T: He hasn't -- I don't think he's seen that memo yet and I didn't -- I dictated the memo which is here and I'll see if I can check up on it.

HMJr: Yes.

T: But I don't think he's seen it yet.

HMJr: Yes. Now, you know the one on the State Department and that Committee, nothing has ever happened on that.

T: That finance thing?

HMJr: Yeah.

T: Yeah, I called them before I left and they

HMJr: I know.

T: told me that -- that it -- they -- it had been in Dean Acheson's office, I think, or some place and that they were checking up on it and I said, well, we understood it was just ready for initialing about three weeks ago....

HMJr: Yeah.

T: and they said that they would look into it again so -- as yet I have seen nothing.

HMJr: Well, when you have time would you give them another push?

T: Yeah.

HMJr: And as long as I've got you, what about this thing -- what's the President going to do about a proclamation for Italy?

T: Proclamation for Italy?

HMJr: Yeah.

T: Well, you know, he said he was holding that up because they were waiting -- they were going to make a joint statement

HMJr: Yes.

T: I heard him say.

HMJr: Yeah, he was -- would you -- would you inquire about that?

T: Yes, sir.

HMJr: Right. How's the weather?

T: Beautiful today.

HMJr: Thank you.

T: It's a lovely day.

HMJr: Thank you.

T: All right, Mr. Secretary. Good bye.

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H.M.JR: Maybe I will read about it in the Tribune tomorrow, but the President said that he doesn't want me to give anything to Gromyko; it is still secret, and he will handle this thing himself at the press conference tomorrow, but if we have any suggestions about how to handle it, please write them out and send them over.

Now, look, gentlemen, may I just say this for my own peace of mind and everybody in this room. If anybody during the day remembers how they did it, we are all human, we all can make slips--they would be doing me and everybody else in this room a great favor if they remembered that they made a slip and told someone. Just come in and tell me, and that will be that. If each of you will reconstruct what you did yesterday from five o'clock on--really, from four o'clock on--did you see anybody, and so forth? And if in thinking the matter over after going back in your own room and sitting down, "What did I do from four o'clock on until I left the Treasury?"--and if you think about it and can remember what you did--we are all human and all make slips. Think about it, and come in and tell me, will you?

MRS. KLOTZ: Innocently, we may have mentioned it.

MR. GASTON: That is the presumption. I am just racking my brains to think if I could have seen anybody.

H.M.JR: It gets to from four o'clock on.

MR. WHITE: It is possible I will go back and find out what boys I talked to.

H.M.JR: Whom did you see? It shows how difficult it is. I would have sworn that Perlmeter was here. He wasn't.

MR. GASTON: No, and there were three meetings, not two.

H.M.JR: And it was the four o'clock meeting where we discussed whether we would do it. You didn't, for instance, tell somebody to stand by because there might be a story?

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MR. SHAEFFER: No, sir. I do recall, since, that Warren of the New York Times called me about five-fifteen and said the State Department informed him there was a meeting over here in your office from outside the Treasury. I said, "I don't think so." I checked with Mr. Smith, and told him I would call him back. I checked with Mr. Smith; he didn't know. I called Doctor White, and he said definitely not. Then I called Warren back, but it couldn't have been that, because I called Warren at the New York Times. I have a witness, Mr. Smith's secretary. I said definitely there was no meeting of outsiders in your office.

H.M.JR: But was there somebody in your room while you were sitting around up there?

MR. SHAEFFER: No.

MR. WHITE: If it was done, Mr. Secretary, it was done inadvertently, and since it happens so seldom--it was one of those curious things. When I caught it this morning I was under the impression that you had released it.

H.M.JR: But, Harry, I am saying somebody--just to cast suspicion makes me feel very uncomfortable.

MR. WHITE: I may have talked to Bill Taylor or Luxford. I don't remember, but I will check.

MR. SMITH: I didn't talk to anybody from four o'clock on. I worked on the speech until my girls went home, and then listened to the London broadcast until seven o'clock.

H.M.JR: Was there anybody waiting in your outer office?

MR. SMITH: No, I didn't have anybody to talk to.

H.M.JR: No, but was anybody waiting to see you?

MR. SMITH: No, I didn't see anybody yesterday afternoon at all. The only outside call that I had was the one right after noon with the AP man who told me about the Hull thing. He asked me if there was any news over here, and I told him there wasn't. He told me what Hull had said.

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H.M.JR: Somebody has inadvertently talked.

MRS. KLOTZ: Definitely.

H.M.JR: And it would make everybody much more comfortable if each person would reconstruct what they did just from memory. The only person I talked to, as I say, was Miss Tully, and I wasn't going to sit around and tell Tully we were arguing here. Should I or should I not let something leak, and we decided we wouldn't, and we decided we would ask the President first. I didn't tell my guests that last night, either.

MR. WHITE: Apparently this is a one-paper story. Am I correct?

MR. SHAEFFER: It is one syndicate, one man.

MR. GASTON: However, he need not, himself, have dug the story up. He may have put together something from what he heard other newspaper people say.

MR. WHITE: It is not impossible, but it would be quite curious.

H.M.JR: Did you ask Fitz outside whether any newspapermen were outside? Fitz said no. We have checked with Miss Chauncey--so I mean, I have checked my office.

MR. SHAEFFER: It would be possible for a newspaperman to be in the corridor, see us all go out, and draw a conclusion.

H.M.JR: Fitz said nobody was hanging around. But look, supposing there was somebody. They couldn't say there was strong support for telling the Treasury side, "Morgenthau decided in favor of secrecy, and clamped a like ban on all his staff."

If anybody has a bright idea, please tell me.

MR. WHITE: I have one right now, I think.

H.M.JR: Somebody has done it inadvertently. So if they will do it so we can all get this cloud off of us.

23
September 26, 1944
12:05 p.m.

HMJr: Hello.

Operator: Mr. Crowley.

HMJr: Hello.

Leo
Crowley: Hello.

HMJr: Leo.

C: Yeah.

HMJr: Harry Hopkins has just been here for an hour
talking about Army and Navy Lend-Lease.

C: Yeah.

HMJr: And I told him that Lord Cherwell had told
me that they can't possibly get the British
Army figures ready before the fourteenth.

C: Yeah.

HMJr: And Harry says that as far as he's concerned
he's going to not let anything come up on the
Munitions Assignment Board on their agenda for
the British.

C: That's good.

HMJr: And he just -- we wanted to make sure that
anything that comes up for Lend-Lease non-
military after the first of January, that
you do the same -- that you'd hold off.

C: Yeah, we'll do that.

HMJr: Because that puts the heat on these fellows
and then they're going to have to come through.

C: All right. We'll do that.

HMJr: I mean, so that -- otherwise, if they can, you
know, run around the corner, we'll never get the
thing.

C: That's right. That's right. Well, we'll

HMJr: Now, they -- they've promised me all of the figures by the fourteenth.

C: Fine. And after you get those figures, you'll give us a little bit of chance to work on them, won't you?

HMJr: Oh, of course.

C: Fine.

HMJr: And Harry says he's going to just tell them and then he's -- some General -- somebody -- British General -- Macready.

C: Yeah.

HMJr: He says he'll just have to pipe down and wait.

C: That's right. That's right. Because they always pull that rush act on us, you know.

HMJr: Yeah. And Harry is now -- Hopkins is now convinced that they can wait.

C: Fine and dandy.

HMJr: Okay?

C: Fine.

HMJr: Thank you.

.....

September 26, 1944
12:10 a.m.

CONFERENCE WITH MR. HOPKINS

Present: Dr. White
Mrs. Klotz

H.M.JR: Mr. Hopkins came over here about eleven, and he said that he wanted the President at his press conference to say to them that the War Department had ready a Directive to General Eisenhower on Germany, and that State and Treasury had concurred.

I told the President that to say that alone wouldn't take care of the situation, and I reviewed the whole thing, going back to the first article from Drew Pearson for him and bringing him down to date.

I then said what I thought the President should do would be two things: One, that he had recommendations from Hull, Stimson, and myself as to the future treatment of Germany and those things were under consideration; and, also, he had the Directive which had been agreed upon by all departments and that it was on its way to Eisenhower.

Then if some unfriendly soul (UFS!) in the Administration who knew about the signed document at Quebec on the future treatment of Germany would let that get out in the paper, it wouldn't make a liar of Roosevelt; and he agreed that was the way to do it.

He asked me to repeat it in front of Mr. Hopkins, which I did, and I said that Miss Tully had suggested we might send something over for the President's press conference, but if Mr. Hopkins would do it, it would be much better. He said he would, and he would send me a copy.

Then he said he wanted to talk about the Lend-Lease, and he said tomorrow at the Joint Munitions Assignment

Board there was on the agenda a number of requests for munitions for the British and that they considered these things most pressing and that some of our factories were beginning to run out of orders and that the Army and Navy were taking a very unfriendly attitude towards the British; when the war stopped in Germany, that we should not lend-lease them anything that they could make for themselves.

I also added, from information I had from King, that we shouldn't make anything for them unless it could be completed within the time we thought the Japanese war would last. He said that of course on that basis--these two "ifs"--England wouldn't get anything.

So I then, in a very nice way, said, "Well, look, Harry, if you are going to do this on the Munitions Board, this job which the President has given me to do, we can't do it. The English will drive a horse and wagon right through the departments the way they always have, and Lord Cherwell has said that he will have the final British military figures for us on the 14th, and I think we ought to wait."

"Well," he said, "a lot of factories may run out of orders."

So I said, "Well, Cherwell said they won't, and White reminded me that I had asked that question of McCloy twice, and McCloy said they wouldn't."

Well, he said McCloy didn't know. Then he went on to say that Somervell and others were doing a lot of economic planning, and this General Macready, who seems to be the number one Britisher--that the Army wanted to do all of this and they would be loath to give it up.

But I repeated that we ought to have a united front. Then he said, "Well, I'll have this thing all struck off the Minutes tomorrow," showing that if he hadn't come over here I think he would have gone ahead.

Now, to give the devil his due, maybe he did come over to find out where I stood, and if it wasn't right he was going to have it struck off; but I think he resents that I

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am going to be the number one man, because he said in the final analysis I'll have to decide what the British get and what they don't get, and I think he resents that, because up to now he has been the person. Whether he will play ball, time will only tell.

Then he suggested that I make sure that Crowley doesn't lend-lease anything to the British which will become effective after January 1, and I called up Crowley and told him that.

I am going back on the Germany business and who should be the head of it. Were you here when he talked about that?

DR. WHITE: Yes.

H.M.JR: Does this take care of that?

DR. WHITE: Of the part I heard, yes. It is a good summary.

H.M.JR: While we were here, Hopkins called up McCloy to make sure that this Directive to Eisenhower would be cleaned up, and White has certain things to do to make sure that it is all cleared between Treasury, State, and War today yet.

Can I have a copy of that afterwards?

DR. WHITE: Yes.

H.M.JR: Now, during the course of the conversation, I know Hopkins so well, he always has so many things you never know really what he is aiming at--but he said he had talked to Churchill and Churchill had given him to understand at Hyde Park that the Allied armies would be in Germany for at least a year, and they would be in charge of the German government for a year, which put quite a different light on the situation in regard to the High Commissioner - but if we didn't do something, the thing would go by the board and we would wake up and find some Army officers like General Julius Holmes or somebody running the show. He thought some

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top-flight civilian should be put in uniform and given the job and he would do the Army job now and later on do the civilian job. And he sort of raised the question of who would be doing it now.

I said any one of three people: General Holmes, General Wickersham, or General McSherry - and we all agreed that none of those three would be any good.

Now, whether Hopkins still wants this job for himself, I don't know.

Then I reminded him that the best person was a person that he recommended - Bob Patterson - and he agreed.

Oh, before that he said if it was an Army man he should send Hilldring, and White said, "Well, he has heart trouble."

DR. WHITE: No, he said, "He has heart trouble, but we all have to die sometime."

H.M.JR: And he said, "Supposing he dies?"

DR. WHITE: That made me think that maybe he still does--

H.M.JR: "Supposing he does die," he said, "we all have to die sometime."

But whether Hopkin's real reason for coming over here was trying to interest me in his candidacy for this job of being High Commissioner--first a Lieutenant General and then High Commissioner--I don't know. But certainly he got no encouragement from either White or me.

DR. WHITE: He also mentioned the fact that Murphy will not--I thought he said, "Certainly should not."

H.M.JR: "Should not." He said, "If we don't do something, Murphy will be running this show, and he shouldn't." Isn't that what he said?

DR. WHITE: And he said that Civil Affairs have some people lower down who will be running the show.

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H.M.JR: He said, "I know Civil Affairs right now is very fluid, and this is the time to stick somebody in there."

DR. WHITE: That is what he said. He certainly is unwise if he is looking for that job. It will certainly finish him off.

H.M.JR: And in the discussion of handling the munitions he said, "After all, the State Department really has nothing to do with this, because they don't have any money. The people who have the money to give can control this thing, and that is why I have such an important role to play in this."

Then I said to him, "Now, Harry, I'd be honored if you would sit in with me when I consider this matter." He protested gently against it, but he will sit in!

Is that about it?

DR. WHITE: That is very good. You do these things very well. I have more trouble with them than that.

September 26, 1944
3:49 p.m.

HMJr: Hello.

Operator: General Somervell. Go ahead.

HMJr: Hello.

General Somervell: This is Somervell.

HMJr: Hello.

S: This is General Somervell.

HMJr: Hello, Somervell. Morgenthau.

S: I wondered if you'd seen this blast -- dollar bill blast the Germans are dropping all over France about you.

HMJr: Oh, yes.

S: All right.

HMJr: Is that all?

S: That's all. I just thought I'd send one over if you hadn't seen it.

HMJr: Well, I -- I picked one up in Normandy.

S: Oh, yes.

HMJr: Nice people.

S: Yeah.

HMJr: (Laughs)

S: Nice fellows. Nice fellows.

HMJr: What?

S: Nice fellows.

HMJr: That's right. Thank you.

S: I didn't know whether you'd seen them or not.

HMJr: Yeah. Then General Lee sent me one the other day.

S: All right. Well, I just wanted to know if you had one.

HMJr: Got any other really good news?

S: No, I haven't any news at all as a matter of fact.

HMJr: They -- also the radio -- German radio has been devoting considerable time to me the last couple of days.

S: Oh, they have?

HMJr: Yeah.

S: Well, that just shows you're popular somewhere.

HMJr: (Laughs) That's good. Thank you.

S: (Laughs) All right, sir.

September 26, 1944
3:53 p.m.

HMJr: Hello.

Operator: Mr. Meyer.

HMJr: Hello.

Eugene Meyer: Hello.

HMJr: Eugene.

M: Yes, Henry.

HMJr: How are you?

M: How's that?

HMJr: Henry talking.

M: Yes, Henry.

HMJr: Look, Eugene, if you don't mind my saying it, I think your editorial today about me kind of went the limit. May I read you one sentence? Hello?

M: Yeah.

HMJr: "To our view the plan, whatever its origin, is the product of a fevered mind from which all sense of reality has fled."

M: Yeah.

HMJr: That's me.

M: Well, I didn't agree with the editorial when I saw it. I was away for ten days and got back late last night and I said I hadn't seen your views expressed by you

HMJr: That's right.

M: and that all we're dealing with is with rumor.

HMJr: That's right.

M: And therefore, I'm being frank with you but I don't want you to quote me.

HMJr: (Laughs)

M: I've criticized it myself.

HMJr: Yeah. Well, I

M: Now, on the industrialization and how to treat Germany, my own idea is they've got to be deprived of certain industries.

HMJr: Yeah.

M: And furthermore, I think they have to be treated industrially, economically, politically, on all fronts.

HMJr: Yeah.

M: And furthermore, I think Russia is going to have something to say about how they are treated.

HMJr: That's right.

M: Now

HMJr: Well, you don't

M: I'm talking just to you.

HMJr: Well, I don't think that you and I are apart at all and you don't sound like a fevered mind.

M: No, I don't think my mind is very feverish. I've spent a lot of time thinking about the Germans. I've had to fight the German industrialist, imperialist, ~~piquely~~ ^{amply} backed by their Government.

HMJr: Yeah.

M: And I hope -- I hope you'll be tough but intelligent.

HMJr: Well, I just

M: Of course, I think one big problem

HMJr: Yeah.

M: unfortunately, we can't do to them what they did to their neighbors

HMJr: Yes.

M: decimate the population, but that's what ought to be done to them.

HMJr: Yeah. Yeah. But, Eugene, you and I seem to be thinking along the same lines but that -- that's a terrific editorial your paper wrote.

M: Well

HMJr: And

M: I don't

HMJr: Well, I'm

M: I don't think it's so -- quite so terrific.

HMJr: Well, after all, if somebody wrote about you -- "the product of a fevered mind from which all sense of reality has fled" -- that's going pretty far. It's practically saying I'm crazy.

M: (Laughs)

HMJr: And if I'm crazy, you're just as crazy as I am.

M: Well, I think

HMJr: And don't quote me.

M: I think what you ought to do, Henry.

HMJr: Eugene, don't quote me!

M: No, I won't. But I'll tell you what I do think you might do.

HMJr: Yeah.

M: I think at the proper time you've got to say what you think.

HMJr: Well

M: Having been rumored about so much -- I don't know how all that rumor stuff started.

HMJr: Well, if -- I wondered if -- if there's any way that you -- very much -- for me could find out where all of this stuff is coming from.

M: I don't know. I haven't the faintest idea.

HMJr: Well, see if you could find out. Because somebody is working very hard at planting all of this stuff all over Washington.

M: Uh huh.

HMJr: And I consider that my job is to give the President information and then it becomes his information and I can't discuss it publicly.

M: Well, I think you ought to get permission to make a statement from him.....

HMJr: Yeah.

M: if that's all that's required.

HMJr: Well

M: Because I think it's -- apart from this editorial, it was -- it's gained world-wide currency.

HMJr: Yeah, but this is the worst that's appeared about me.

M: Well

HMJr: And that's saying a lot.

M: it's nothing personal.

HMJr: Well, my God, it couldn't be any more personal.

M: Well, we all get a little hot in the collar at times, you know.

HMJr: Yeah.

M: So, Henry

HMJr: Well, anyway, I thought

M: I have already criticized the editorial myself. I can't be less than honest with you.

HMJr: Right.

M: Because you're always so honest with me.

HMJr: Well, I try to be.

M: I think you

HMJr: Well, what I'm going to

M: succeed admirably.

HMJrL Well, Eugene, the first

M: I will try to find out what it's all about.

HMJr: See if you can.

M: I will.

HMJr: And if I can get a

M: In other words, this de-industrialization and everybody-to-be-a-farmer is not exactly your program?

HMJr: No, I don't want to say that, but I -- all -- I don't want to say that but somebody -- starting in with Drew Pearson and then Arthur Krock has done a beautiful job trying to discredit me.

M: Yeah.

HMJr: And I don't know where it comes from.

M: Well, I suppose there's where they started.

HMJr: Yeah.

M: I didn't even know that Drew Pearson and Arthur Krock had been previously writing.

HMJr: Yeah, very much so.

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M: Well, you know when you read the editorial you ought to go and -- you ought to have had Huey Long on your back the way I had for a year or two because I wouldn't do something that would have led to my impeachment properly that he wanted done.

HMJr: My dear Eugene, when I came up for confirmation at the Senate, Senator Long appeared before the Committee of Finance and for three hours cross-examined me and -- trying to keep me from being confirmed.

M: That's nothing to what he did to me. He used to speak about me for an hour, an hour and a half to two hours day after day in the Senate.

HMJr: Well

M: Not in the Committee.

HMJr: We, evidently, have a lot in common.

M: (Laughs) Anyway, I assure you it was not malevolence but I will try to find out if I can anything to add to your Drew Pearson and Arthur Krock stuff.

HMJr: Right.

M: Okay.

HMJr: Thank you.

.....

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
September 26, 1944

TO Secretary Morgenthau
FROM Mr. White

Messrs. Pehle, Luxford, Taylor and myself have gone over this document carefully with a view to the wisdom of its publication and what would have to be eliminated if it were to be published.

We are unanimously and strongly of the opinion that it would be a master stroke for the President to publish the document as soon as he has obtained whatever clearance he regards as necessary. We feel, even, that it will be reassuring at this time to the German people, as distinct from their leaders, so that if it would be made available to the German masses -- as it might well be -- instead of increasing opposition to our soldiers it might well weaken the authority of present German leadership over the masses and over the rank and file of the soldiers.

We have deleted in red the two paragraphs which could easily be stricken. The only other item upon which there is any doubt is Paragraph 1 of the Economic Directive. While State has approved the whole Directive, including this particular paragraph, we understand that they are transmitting a letter to the War Department on this particular paragraph, noting a reservation. We are told that they are having some difficulty in wording their reservation but the sum total of the objection will be that they do not want this paragraph understood to mean that we are introducing economic chaos into Germany. In our opinion the paragraph in question does not suggest that we are intending to introduce economic chaos into Germany.

P. S.

I've just seen H.'s suggestion
for to-morrow's press conference - and I
don't like it *you*

DIRECTIVE TO SCAEF REGARDING THE MILITARY GOVERNMENT OF GERMANY IN
THE PERIOD IMMEDIATELY FOLLOWING THE CESSATION OF ORGANIZED RESISTANCE
(POST-DEFEAT)

1. In the event that RANKIN "C" conditions obtain in Germany or that the German forces are either defeated or surrender before you have received a directive containing policies agreed upon by the three governments of the U.S., U.K., and U.S.S.R., you will be guided by the following policies, principles and instructions.

2. Prior to the defeat or surrender of Germany the primary objective of your civil affairs administration has been to aid and support your military objective: the prompt defeat of the enemy. Your objective now is primarily the occupation and administration of a conquered country with such military operations as are necessary for the complete elimination of all resistance.

3. Pending the receipt of directives containing long range policies, your objectives must be of short term and military character, in order not to prejudice whatever ultimate policies may be later determined upon. Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. The clear fact of German military defeat and the inevitable consequences of aggression must be appreciated by all levels of the German population. The German people must be made to understand that all necessary steps will be taken to guarantee against a third attempt by them to conquer the world. Your aim is not oppression, but to prevent Germany from ever again becoming a threat to the peace of the world. In the accomplishment of this objective the elimination of Nazism and militarism in any of their forms and the immediate apprehension of war criminals for punishment are essential steps.

4. Your occupation and administration will be just, but firm and distant. You will strongly discourage fraternization between Allied troops and the German officials and population.

5. You will establish military government over all parts of Germany under your command. Your rights, powers and status in Germany are as follows:

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6. a. By virtue of your position you are clothed with supreme legislative, executive and judicial authority in the areas occupied by forces under your command. This authority will be broadly construed and includes authority to take all measures deemed by you necessary, desirable or appropriate in relation to military exigencies and the objectives of a firm military government.

b. You are authorized at your discretion to delegate the authority herein granted to you in whole or in part to members of your command and further to authorize them at their discretion to make appropriate sub-delegations.

c. You should take the necessary measures to enforce the terms of surrender and complete the disarmament of Germany.

d. The Military Government shall be a military administration which, until you receive further advices, will show the characteristics of an Allied undertaking acting in the interests of the United Nations.

7. The administrative policies shall be uniform throughout those parts of Germany occupied by forces under your command subject to any special requirements due to local circumstances.

8. Representatives of civilian agencies of the U.S., U.K. and U.S.S.R. governments shall not participate unless and until you consider such participation desirable. Representatives of the civilian agencies of other Allied Governments or of UNRRA may participate only upon your recommendation and the approval of the Combined Chiefs of Staff.

9. It is contemplated that a tripartite administration by the U. S., U. K. and U. S. S. R., covering the whole of Germany will be established. You have previously received advices in this connection.

10. You are authorized as SCANT to enter into arrangements with

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11. Military administration shall be directed toward the promotion of the decentralization of the political structure of Germany. In the administration of areas under your command, all dealings in so far as possible should be with municipal and provincial government officials rather than with Central government officials.

12. Appendix "A", Political Directive; Appendix "B", Financial Directive; Appendix "C", Economic Directive; and Appendix "D", Relief Directive, are attached hereto. At Appendix "E" there is a chart suggestive of the tripartite form which military government for Germany might take. At Appendix "F", there is attached the draft instrument of unconditional surrender for Germany.

~~TOP SECRET~~

APPENDIX "A"

POLITICAL DIRECTIVE

1. You will search out, arrest, and hold, pending receipt by you of further instructions as to their disposition, Adolf Hitler, his chief Nazi associates, all persons suspected of having committed war crimes, and all persons who, if permitted to remain at large, would endanger the accomplishment of your objectives. The following is a list of the categories of persons to be arrested in order to carry out this policy. If after you have entered the country and in the light of conditions which you encounter there you do not believe all of these persons should be subjected immediately to this treatment, you should report back giving your recommendations and the reasons therefor.

- (a) Officials of the Nazi party and of units or branches of the Nazi party, down to and including the leaders of local party units, as well as officials of equivalent stature in associations affiliated with the Nazi party;
- (b) All political police, including the Gestapo and Sicherheitsdienst der S.S.;
- (c) The officers and non-commissioned officers of the Waffen S.S. and all members of the other branches of the S.S.
- (d) All high officials of the police and of the SA;
- (e) The leading officials of all ministries and other high political officials of Germany and those persons who have held high positions, either civil

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other organizations in which the government has a major financial interest; (3) industry; (4) finance; (5) education; (6) judiciary; (7) the press, publishing houses and other agencies disseminating news and propaganda. It may generally be assumed in the absence of evidence to the contrary that any persons holding such positions are Nazis or Nazi sympathizers;

- (g) All judges, prosecutors and officials of the People's Court;
- (h) Any national of any of the United Nations who is believed to have committed offenses against his national law in support of the German war effort;
- (i) Any other person whose name or designation appears on lists to be submitted to you or whose name may be notified to you separately.

Of equal, if not greater importance in the ultimate destruction of German Militarism is the elimination of the German Professional Officer Corps as an institution. All General Staff Corps officers who are not taken into custody as prisoners of war should therefore be arrested and held pending receipt of further instructions as to their disposition. You will receive further instructions as to how to deal with other members of the German Officers Corps.

2. If in your opinion it would be of aid in carrying out the above program and the other purposes of your occupation, you may issue such regulations dealing with the registration and identification of persons within Germany as you deem advisable.

3. You will issue a proclamation dissolving the Nazi party

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~~TOP SECRET~~

National Socialism and will take all necessary measures to uproot and discredit Nazi doctrines. No secret organizations or societies of any kind shall be permitted. Property, real and personal, of the Nazi party and its affiliates, wherever found, shall be taken into custody and may be used for such purposes as you may direct. You may require health or welfare organizations which were set up by the Party but which are of direct benefit to the people to transfer their functions and personnel, purged of Nazi elements and practices, to new organizations formed to carry out such functions.

4. You will make special efforts to preserve from destruction all records and plans of the following:

- (a) The central German government, German military organizations, organizations engaged in military research, and such other governmental agencies as you may deem advisable.
- (b) The Nazi party and affiliated organizations.
- (c) All police organizations, including security and political police.
- (d) Nazi economic organizations and industrial establishments.
- (e) Institutes and special bureaus established in Germany, devoting themselves to race, political, or similar research.

You may seize and remove such of these records as you may deem desirable or as you may be instructed by subsequent directive.

5. You will take immediate steps to abrogate all laws

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basis of race, color, creed, or political opinions. All persons who are detained or placed in custody by the Nazis on these grounds will be released, subject to the interests of the individuals concerned. You will take steps to insure that such people, if not released, are provided with adequate clothing, food and quarters.

6. The criminal and civil courts of Germany will be closed. After the elimination of all Nazi elements, at such time and under such regulations, supervision and control as you may determine, you may permit the courts to resume functioning. You will retain full power of review and veto of all courts which are allowed to function. All politically objectionable courts; e.g., People's Courts, will be abolished. Criminal and ordinary police, and such others as it may be proper to retain, under appropriate supervision, must be purged of Nazi or otherwise undesirable elements, who will also be arrested and held for disposition.

7. No person in Germany, other than United Nations nationals as authorized by you, shall be permitted to possess arms of any character except that such local police as you may utilize to maintain order may be armed with such law enforcement weapons as you may deem appropriate.

8. a. All members of the Nazi party and ardent supporters of Nazism will be removed immediately from all government positions (other than clerks and non-policy making functionaries) and from all leading positions in industry, banking, education, judiciary, and other public services. Under no circumstances shall such persons be retained in such offices for the purpose of administrative convenience or expediency.

b. You will decide whether the objectives of military

government are better served by the appointment of officers of the occupation forces or by the use of the services of Germans who have been cleared by the security branches of the Allied armies. Failure by such Germans as are permitted to fill Government posts to conform with Allied directives and instructions will be cause for removal and such punishment as you may deem advisable.

9. Subject to the provisions of paragraph 11 and to the extent that military interests are not prejudiced, freedom of speech and press, and of religious worship, will be permitted. Consistent with military necessity, all religious institutions will be respected and all efforts will be made to preserve historical archives. Classical monuments and fine arts, except that all archives, monuments and museums of Nazi inception, or which are devoted to the perpetuation of German militarism shall be seized, closed and their properties held pending further instructions.

10. a. Prisoners of war belonging to the forces of the United Nations and associated Nations will be freed from confinement and placed under military control or restriction as may be appropriate pending other disposition.

b. All allied nations nationals who have been removed to Germany under duress to serve in labor battalions, or any other units organized by the Nazis, after identification will be repatriated in accordance with the regulations to be established after consultation with the government of the country concerned. Pending repatriation, such persons should be adequately taken care of and, if you deem it advisable, their freedom of movement restricted. Former prisoners of war released by the Axis may be found among the

~~TOP SECRET~~

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forced laborers. They should be identified and requests addressed to their respective military commands for instructions as to their disposition.

c. All allied civilians resident or interned in Germany as a result of their presence in that country upon the outbreak of war shall be identified, examined closely and may, if you deem it advisable, be placed under restricted residence. These people will be dealt with in accordance with instructions to be furnished you by their respective governments. In general, all practical measures will be taken to insure the health and welfare of United Nations nationals, including provision for employment as authorized and practicable, and repatriation should be undertaken as rapidly as military conditions permit.

d. All Japanese diplomatic and consular officials will be taken into protective custody and held for further disposition. All other Japanese nationals will be interned. All nationals of other countries with which any of the United Nations are or have been at war (except Germany) will be identified and registered and may be interned or their activities curtailed as may be necessary under the circumstances. Diplomatic and consular officials of such countries will be taken into protective custody and held for further disposition.

e. All German diplomats and consular officials and other agents will be recalled. If their recall cannot be effected or if their recall is not practicable by reasons of nationality, their authority as agents for Germany will be terminated. All records and files of these agents and officers will be ordered

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~~TOP SECRET~~

returned to Germany or otherwise made available for appropriate inspection.

f. Nationals of neutral countries must register with the appropriate military authorities. Every facility and encouragement will be given these people to return to their home countries, except those neutrals who have actively participated in any way in the war against any one of the United Nations in which event they will be detained, pending receipt by you of further instructions as to their disposition. Neutral nationals will be accorded no special privileges of communication or business relationships with their home countries or people resident outside Germany. You shall place such restrictions on neutrals entering Germany as you deem advisable. Diplomatic and consular officials of neutrals are to be dealt with in accordance with instructions which will hereafter be issued.

11. a. Propagation of Nazi doctrines and Nazi propaganda in any form shall be prohibited. All schools and universities will be closed. Elementary schools should be reopened as soon as Nazi personnel have been eliminated and text books and curricula provided which are free of Nazi or militaristic doctrines. Steps should be initiated to prepare satisfactory text-books and curricula and obtain teaching personnel free of any taint of Naziism or militarism for secondary schools. You should report to the C.C.S. prior to reopening secondary schools. Further guidance on German education and schools will be given to you in a separate directive.

b. No political activities of any kind shall be countenanced unless authorized by you. No political personalities or organized political groups shall have any part in determining the policies of the military administration. It is essential to avoid any commitments to any political elements.

~~TOP SECRET~~

- 11 -

and other publications and the operation of all German radio stations and the dissemination of news or information by mail, movies, telephone, cable or other means throughout the area under your command will be suspended. Thereafter, you will permit the dissemination of news or information subject to such censorship and control as you consider necessary in the interests of military security and intelligence and to carry out the principles laid down in this directive.

12. No person shall be permitted to leave or enter the area under your command without your authority.

13. No German parades, military or political, civilian or sports, shall be permitted anywhere in Germany. No German military music, or German national or Nazi anthems shall be placed or sung in public or before any groups or gatherings. Public display of German national or Nazi flags and other paraphernalia of Nazi or affiliated organizations shall be prohibited. All flags, publications, other paraphernalia, records, documents and publications in the offices of the Nazi party or affiliated organizations shall be seized and amounts shall be set aside to distribute to approved foreign museums and the remainder will be held for disposition under the direction of the Combined Chiefs of Staffs.

~~TOP SECRET~~

22 September 1944

APPENDIX "B"FINANCIAL DIRECTIVE

1. United States, British and other Allied forces will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at a rate of 1 Allied Military mark for 1 Reichsmark. Records will be kept of the amounts of the German marks used by the forces of each nation. Reichskreditkassenscheine and other German Military currency will not be legal tender in Germany.

2. In the event, however, that for any reason adequate supplies of Allied Military marks and/or Reichsmarks are not available, the United States forces will use yellow seal dollars and regular United States coins and the British forces will use British Military authority notes and regular British coins. Records will be kept of the amounts of currencies used by the United States and British forces.

3. If it is found necessary to use U. S. yellow seal dollars and BMA notes, the following provisions will apply to such use:

a. The rate of exchange between the U. S. yellow seal dollar and the BMA notes will be 4.035 dollars to one pound, and the two currencies will be interchangeable at that rate. The United States Treasury will make the necessary arrangements with the British Treasury.

b. You will issue a proclamation, if necessary, requiring all persons to accept U. S. yellow seal dollars and BMA notes at the decreed rates. Transactions at any other rates will be

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d. U. S. yellow seal dollars and BMA notes will be withdrawn from circulation as soon as such withdrawal can be satisfactorily accomplished.

e. Records will be kept of the amounts of such currencies used by the United States, British and other Allied forces.

4. The rate of exchange to be used exclusively for pay of troops and military accounting purposes will be ___ marks to the dollar and ___ marks to the pound sterling. A general rate of exchange may be furnished to you later. Holders of mark currency or deposits will not be entitled to purchase foreign exchange without special permission. They will obtain dollars or pounds, or any other foreign currency or foreign exchange credits, only in accordance with exchange regulations issued by you.

5. The Financial Division of the Civil Affairs Section for Germany will include in its functions the control of all funds to be used by the Allied Military Forces within the area, except yellow seal dollars and BMA notes which will be under the control of U.S. and British forces respectively. It will maintain all the accounts and records necessary to indicate the supply, control, and movement of these currencies including yellow seal dollars and BMA notes, and other funds, as well as financial data required for the determination of expenditures arising out of operations or activities involving participation of Allied Military forces.

a. Insofar as operations relate to the provisions of currencies for the pay and other case requirements of military components of the Allied forces, the Financial Division will supply Allied Military marks from currency on hand and will record the debit against the military force concerned at the rate of exchange prescribed in paragraph 4 above.

b. Insofar as operations relate to the provision of our currency for the Civil Administration, the Finance Division will supply Allied Military marks from currency on hand and will

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record the debit against the Allied Military Government.

c. If found practicable and desirable, you will designate, under direct military control and supervision, the Reichsbank, or any branch thereof, or any other bank satisfactory to you, as agent for the Financial Division of the Civil Affairs Section. When satisfied that the Reichsbank, or any branch thereof, or other designated bank, is under adequate military control and supervision, you may use that bank for official business. It is not anticipated that you will make credits available to the Reichsbank or any other bank. However, if in your opinion, such action becomes essential, you should report the facts to the C.C.S. for further instructions.

d. The records of the Financial Division of the Civil Affairs Section established within the area will indicate in all cases in what currency receipts were obtained or disbursements made by the Financial Division.

6. You will take the following steps and will put into effect only such further financial measures as you may deem to be necessary from a strictly military occupation standpoint:

a. Banks should be placed under such control as deemed necessary by you in order that adequate facilities for military needs may be provided and to insure that instructions and regulations issued by military authorities will be fully complied with. Banks should be closed only long enough to introduce satisfactory control, to remove Nazi elements and other objectionable personnel, and to issue instructions for the determination of accounts to be blocked under paragraph c below.

b. You may at your discretion close all stock exchanges and similar financial institutions for such period as you may

deem desirable.

c. Pending determination of future disposition, all gold, foreign currencies, foreign securities, accounts in financial institutions, credits, valuable papers and all similar assets held by or on behalf of the following, will be impounded or blocked and will be used or otherwise dealt with only as permitted under licenses or other instructions which you may issue:

(1) German national, state, provincial, and local governments, and agencies and instrumentalities thereof.

(2) Other enemy governments, the agencies and instrumentalities thereof and their Nationals.

(3) Owners and holders, including neutral and United Nations Governments or national authorities, absent from the areas of Germany under your control.

(4) Nazi party organizations, including the party formations, affiliates, and supervised associations, and the officials thereof and key figures in public or party life who actively supported Naziism.

(5) Persons under detention or other types of custody by Allied Military authorities and other persons whose activities are hostile to the interests of the military government.

d. No governmental or private bank or agency will be authorized to issue banknotes or currency except that, if found practicable and desirable, you may so authorize the

~~TOP SECRET~~

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Reichsbank and the Rentenbank when they are under adequate military control and supervision.

e. You may, at your discretion, issue a proclamation prohibiting or prescribing regulations regarding transfers of or other dealings in private or public securities.

7. All dealings in gold and foreign exchange and all foreign financial and foreign trade transactions of any kind, including all exports and imports of currency, will be prohibited except as permitted under such regulations as you may issue relative thereto. Except as you may otherwise authorize, local banks will be permitted to open and operate only mark accounts, but if yellow seal dollars and BMA note are legal tender, they may be accepted at the decreed general rate of exchange and will be turned in as directed by you in exchange for mark currency at the decreed general rate of exchange.

8. Non-yellow seal U. S. dollar notes and regular British pound notes will not be legal tender. No person, agency or bank engaged in the exchange of money will acquire or otherwise deal in those notes except as you may so authorize. U. S. Army and Navy Finance Officers and British Paymasters may, however, be authorized to accept non-yellow seal U. S. dollar notes and regular British pound notes from United States and British Military or authorized personnel for conversion into Allied Military mark or Reichsmark currency at the decreed general rate of exchange, after satisfying themselves as to the source of the notes.

9. No military pensions (except for physical disability limiting the pensioner's ability to work) shall be paid. Nor

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shall any pensions or other emoluments be paid for membership in or services to the Nazi party or affiliated organizations.

10. The railways, postal, telegraph and telephone service, radio and all government monopolies will be placed under your control and their revenues made available to the military government.

11. Taxes discriminating on the basis of race, color, creed, or political opinions shall be abolished.

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APPENDIX "C"ECONOMIC DIRECTIVE

1. You shall assume such control of existing German industrial, agricultural, utility, communication and transportation facilities, supplies, and services, as are necessary for the following purposes:

- a. Assuring the immediate cessation of the production, acquisition or development of implements of war;
- b. Assuring, to the extent that it is feasible, the production and maintenance of goods and services essential (1) for the prevention or alleviation of epidemic or serious disease and serious civil unrest and disorder which would endanger the occupying forces and the accomplishment of the objectives of the occupation; and (2) for the prosecution of the war against Japan (but only to the extent that specific directives of higher authority call for such goods or services.)
- c. Preventing the dissipation or sabotage of German resources and equipment which may be required for relief, restitution, or reparation to any of the allied countries, pending a decision by the appropriate Allied governments whether and to what extent German resources or equipment will be used for such purposes.

Except for the purposes specified above, you will take no steps looking toward the economic rehabilitation of Germany nor designed to maintain or strengthen the German economy. Except to the extent necessary to accomplish the purposes set out above, the responsibility for such economic

2. You will make a survey to determine the extent to which local productive capacity and local supplies are or can be made available for export for relief and rehabilitation in the devastated areas of Europe or for such other purposes as may later be determined.

3. You will take such steps as are necessary to protect from destruction by the Germans, and maintain for such ultimate disposition as you may be directed to make by the Combined Chiefs of Staff, all plants, property, patents and equipment and all books and records of large German industrial companies and trade and research associations that have been essential to the German war effort and the German economy. In this connection you will pay particular attention to research and experimental establishments of such concerns.

4. You should take measures to prevent transfers of title of real and personal property intended to defeat, evade or avoid the orders, proclamations or decrees of the military government or the decision of the courts established by it.

5. Substantial amounts of private and public property of various categories have been seized, looted or otherwise improperly acquired by various Nazi officials and organizations. While it is contemplated that a suitable commission will ultimately deal with this problem, you should take such steps as may be practicable to collect any available information as to property of the kind and to preserve any such property found in the area under your control.

6. a. All property in the German territory belonging to any country with which any of the United Nations are, or have been at war may be controlled, subject to such use thereof as you may direct.

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property of U.K. and U.S. and their nationals, except where a distinction is expressly provided by treaty or agreement. Within such limits as are imposed by the military situation you should take all reasonable steps necessary to preserve and protect such property.

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22 September 1944

APPENDIX "D"RELIEF DIRECTIVE

1. You will be responsible for the provision and distribution of supplies for civilian relief only to the extent necessary to prevent disease and such disorder as might endanger or impede military occupation. For this purpose you will make maximum use of supplies, stockpiles and resources available within Germany in order to limit the extent to which imports, if any, will be required. German import requirements shall be strictly limited to minimum quotas of critical items and shall not, in any instance, take precedence over fulfillment of the supply requirements of any liberated territory.

2. German food and other agricultural supplies will be utilized for the German population. However, it will be necessary to hold German consumption to a minimum so as to increase to the maximum the surplus of agricultural products which can be made available to the devastated countries of Europe. You will report on any surpluses that may be available with regard for which separate instructions will be issued.

3. You will permit the German authorities to maintain or reestablish such health services and facilities as may be available to them under the circumstances. In the event that disease and epidemics should threaten the safety of Allied troops or endanger or impede military occupation, you shall take such steps as you deem necessary to protect the health of Allied troops and to eradicate sources of contamination.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM G. E. Forbush

September 26, 1944

I know that you will be interested to learn that your statement in regard to the future treatment of Germany has elicited a great number of comments, and that the reaction is almost unanimously favorable. Up to 2:00 O'clock today, Tuesday, returns are as follows: 2 abusive anonymous post cards, one from Chicago, one from New York City; 1 favorable letter very well written, discussing the other side of the question intelligently and in detail; 15 other communications, all favorable, ranging from about a one-sentence post card to long, analytical letters from persons who have lived in Germany or experienced the pressure of German propaganda in other European countries.

Our method of handling these letters is as follows: The salient points are being put on the abstract. A complete copy of each letter is being made for you or for anyone to whom you want it referred. The letter itself is being acknowledged for Mr. Fred Smith's signature and is going to him with the letter for him to sign.

He has asked me to give him a report on the incoming mail on this subject at the end of each day. Would you like this also or will you see the letters as they are quoted on the abstract and have a final count at the end of the week?

G. E. Forbush

The New York Times

Albee Building
WASHINGTON, D. C.

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*Kings saw Crider
at 4:45 - 9/27/44*

Sept. 26 1944

Dear Mrs. Klotz:

Would you please tell the Secretary that I am very anxious to see him to get his side of the story on the fuss over treatment of Germany, not for quotation, but to be able to clear the air in a story on my own.

The impression has been created, I believe erroneously, that the Cabinet is split wide open on this thing and that all is beyond redemption. My own opinion is that the area of disagreement is not very broad and is concerned mainly with details rather than basic principles. Perhaps you agree with me that it would be to the interest of the country, as well as to the Secretary, to straighten this mess out. I hope you do, and that you will give him this message.

With kindest personal regards.

Sincerely,


John H. Crider

Mrs. Henrietta S. Klotz
Secretary to the Secretary of the Treasury
Treasury Building
Washington D.C.

Material which Johannes Steele left with
the Secretary when he saw him was turned
over to Dr. White.

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Wmca
INCORPORATED

America's Leading Independent Station

WMCA BUILDING, 1657 BROADWAY, NEW YORK 19, N.Y. CIRCLE 6-2200

NATHAN STRAUS
PRESIDENT

September 26, 1944

Dear Henry,

Of course I have been deeply interested in newspaper reports of your recommendation for treatment of post-war Germany. Although I can know nothing of the details, it would seem that, in your plan, lies the only hope of a lasting peace.

The purpose of this letter is not primarily to congratulate you on what you are doing, but rather to offer a suggestion. Mr. Johannes Steel, a commentator on this Station, has frequently discussed with me the German economy, the penetration of German cartels into other countries, the role of the Junker class. It has occurred to me that it might prove of some value to you to see him privately for a short interview.

Enclosed you will find a copy of one of his recent broadcasts. I have a feeling that you might find that an interview with him was not time wasted.

If you would like to make an appointment to have Mr. Steel call on you, just give me a ring or drop me a line. Otherwise, surely do not trouble to answer. Perhaps I should add that Steel is a great admirer of yours.

As ever,

Yours,



Hon. Henry Morgenthau, Jr.
2434 Belmont Road
Washington, D.C.

Enc:

September 18, 1944

JOHANNES STEEL BROADCAST....VMCA....7:30 PM

LADIES AND GENTLEMEN:

While military events are racing to a terrific climax in the battle for Germany, the paramount international issue of the day remains the tricky problem of what to do with Germany.

Whether or not we shall win the peace depends to no small extent upon the manner and fashion in which we solve this tremendous problem -- and upon whether or not we have a plan ready when that time, which is not far off, will come.

The general public seems to be completely unaware of the terrific undercover struggle which is going on now for the establishment of certain principles which are to govern the question of Germany's treatment.

The most encouraging event in this struggle was a broadcast by a spokesman for General Eisenhower to the people of western and south-western Germany, who said that an Allied military government had been set up in occupied territory and would begin the job of destroying Nazism.

The salient features in Eisenhower's broadcast are: Allied military government is established in the theater under my command to exercise in occupied German territory the supreme legislative, judicial, and executive authority vested in me as Supreme Commander, Allied Expeditionary Force, and as military governor.

Simultaneously Allied military government will begin the task of destroying National Socialism. It will remove from responsible posts all members of the Nazi Party and of the SS and others who have played a leading part in the National Socialist regime.

This process begins immediately upon the arrival of the Allied Armies in each area and the inauguration of Allied military government.

While General Eisenhower has thus begun to make a definite approach to the problem, here in this country a conspiracy is being hatched to sabotage the plans which the Allies have, or are developing, for a realistic peace to be imposed upon Germany.

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There are in this country, at this moment, a group of German exiles who, although they are certainly anti-Nazi, insist that a strong Germany be reconstituted after the war. These men who have disagreed with Hitler's methods but not with most of his aims, have begun to infiltrate into certain sections of the American labor and liberal movements.

They have used the freedom of the American press to agitate for a solution which would certainly lead to another war 25 years from now. One of these men is Herr Karl Frank, alias Paul Hagen, has gone so far as addressing himself by letter to a high British government official asking that he be sent to Germany, on his own conditions, for the purpose of bringing to life a so-called anti-Nazi movement.

In this letter, Herr Hagen, who enjoys American hospitality, has the temerity to attack American officials who have prevented his return to Germany and by implication asks the British government to intrigue against and to oppose those American officials who refuse to let him go to Germany to fish in troubled waters.

Needless to say, this high British personage to whom Herr Hagen addressed his letter, did not bother to answer him and turned the letter over to Americans interested in this case.

This incident is symptomatic of the extent to which the German Social Democrats, under the leadership of the elements which have collected around the German language newspaper Neue Volkzeitung, are willing to go to achieve their ends. Interestingly enough, this newspaper has endorsed Mr. Bullitt's declaration of war upon Russia which appeared in Life magazine.

At the same time, it is said that the Luce interests are toying with the idea of publishing a German edition of Time magazine and that the editorial staff planning it is composed of individuals of the same political stripe as the editors of the Volkzeitung who hope that they can once more make Germany strong by raising the discredited battle-cry of the so-called bulwark against Bolshevism.

These German liberals, particularly the Social Democrats, are actively preparing to become the cats-paw for a new German imperialism precisely as they did in 1918 when they became the tools of the generals who remained after the Kaiser had left.

They continue to agitate despite the fact that the State Department made it clear on Saturday that it is out of the question for any German to be asked for advice on our policy and that the rumors with regard to a committee of so-called democratic Germans which are to assist Mr. Murphy are untrue and that for the foreseeable future Germany will have no German government but be run by the inter-allied commission.

-3-

The cause of these German elements in this country has been plead with more emotion than logic by Miss Dorothy Thompson -- and with a good deal of cynicism by the London Economist, which is interested in a cartel peace.

Mr. Walter Lippmann, writing in the Herald Tribune on Saturday, dealt rather conclusively with Miss Thompson when he said: "It is because there is no evidence yet that there is a strong, brave, freedom-loving democratic movement in Germany, that so many serious people are driven to contemplate the extremely difficult projects of a drastic peace. If the Germans were fighting for freedom, Miss Thompson would not have to argue with Lord Vansittart. The news reporters would settle the argument for her. The difference between their views is that Lord Vansittart says that as a matter of fact he sees no signs of an effective German democratic movement, whereas Miss Thompson feels sure, that, signs or no signs, the democratic movement exists, but that we are too stupid to see it, too prejudiced to encourage it, and so benighted that we are throttling the tender elusive little thing.

"I am sure that almost every one would be greatly impressed and influenced by a German democracy fighting for freedom. That there have been many Germans who have fought for freedom, and paid for it with their lives, is certain. But when we see how the Poles and the French organized underground, resisted and defied the Gestapo, have we not the right to ask where is the comparable German resistance movement?

It is not time to agree that if the Germans want to be treated like a free nation, then they must fight for their own freedom as all people who are genuinely free have had to fight? Let Germans come forward to open the path to our armies, and by their deeds prove that they are being liberated and not conquered.

"Fawning on our troops when they march into German towns proves nothing, except that they are used to the idea that might makes right; and we need not be surprised or impressed if crowds that cried "Heil Hitler" begin to cry "Heil Patton." Let Germans purge the Nazis, and they will prove what can never be proved by manifestoes written in New York, that a Germany exists with which her victims can begin to deal on a basis of moral equality."

Mr. Lippmann is, of course, quite right. Let the Germans prove that they want democracy.

Furthermore, there are no indications whatsoever that the Germans are willing to make any contribution to the liberation of their country from the Nazi yoke -- and yet it is five minutes to midnight for them to do so. Certainly five minutes after midnight 70 million Germans will tell us that they were all anti-Nazi all along.

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The trouble with people like Miss Thompson and her German friends who inspire her is that they see only the German problem rather than the European problem. Germany will have to accommodate herself to Europe and not Europe to Germany.

General Eisenhower told the Germans today that the AMG will remove from responsible posts all members of the Nazi Party and all others who have played a leading part in the National Socialist regime. Let us hope that this will also include the arrest of all active Nazis.

The term "active" should include all those holding prominent offices in the party and its constituent and affiliate organizations, all officials of the SS, all members of the Security Service of the SS, all Gestapo officials and members of the special judicial courts, and finally, all other party members and SS men who are charged with specific crimes.

The possessions of all these people should be confiscated immediately and the funds be used for assisting the victims of Nazi terror inflicted upon the conquered peoples.

Here are some figures. The Nazi Party today has approximately 45 gauleiters, 1100 district leaders, 30,000 branch leaders, 70,000 cell wardens and 400,000 block wardens, who are active Nazis.

Furthermore, among the active Nazis there are 767,000 officials of the German Labor Front, 600,000 officials of the National Socialist Welfare Organization, 95,000 officials of the National Socialist Women's Organization, 88,000 officials of the Reich Food Estate, 77,000 officials of the War Victims' Service, 67,000 officials of the Civil Servants and Teachers' Organizations.

This does not include the S.A., the Hitler Youth, and other auxiliary organizations. The total number of "active Nazis" to be arrested at once may therefore well be of the order of a hundred thousand or more, though it must not be forgotten that many persons hold several of these offices simultaneously.

Let there be no mistake about it -- the AMG will have a job of house-cleaning. Let there be also no further mistake about it, it is a job that will have to be done.

Pages 68-82 missing due to
faulty numbering machine.

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See White's memo of 10/11/44 -

Handwritten notes at top of card
Treasury Department
Division of Monetary Research

Date Sept. 26, 1944 19

To: Secretary Morgenthau

I think you will be interested
in reading the first page of this
memorandum.

H.D.W.

Handwritten notes in cursive script, including the word "that" and other illegible text.

MR. WHITE
Branch 2058 - Room 214½

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Treasury Department
Division of Monetary Research

Date...Sept. 16, 1944

To: Mr. White

From: Mr. Nathan

The attached memorandum was submitted by Professor Fr. W. Foerster. The author of the memorandum, Mr. Tetens, is a close political friend of Prof. Foerster, and one of the most outspoken anti-Nazis. Mr. Tetens has lived in South America for a few years and has assembled one of the largest collections on anti-Nazi information. I understand that Columbia University has recently made arrangements to have this collection transferred to the University.

Mr. Tetens suggests in his memorandum that the Nazis have made far-reaching arrangements in South America for political activities after Germany's defeat.

C
O
P
Y

T. H. TETENS
3545 - 223rd Street
Bayside, New York

Bayside 9-1258

THE GERMAN ESCAPE PLAN

May 10, 1944

O
P
Y
T.H. Tetens
3545-223 Street
Bayside, L.I.

May 10, 1944

THE GERMAN ESCAPE PLAN

The German High Command is recognizing that the chances for a prolonged stalemate in Europe are rapidly decreasing. However, the German leaders are not discouraged about the German future. They consider the military defeat in Europe just a temporary lull in their incessant struggle for world domination. All intelligence is pointing to the fact that the German military leadership is systematically working out a giant blueprint in preparation of World War III.

Reliable reports from Berne, Madrid and Stockholm indicate that great financial "transactions" are being carried out by stooges acting for Germany in neutral countries, and that patents, blueprints, and secret production papers have been deposited with "partners" in those countries.

These reports have been supplemented by inside information from observers who, for the last few years, have maintained close relations with Nazis and German business men throughout Latin America.

One fact clearly stood out, namely: that the German High Command intends to give up temporary Europe as a base for future operations, and to substitute for it in South America, as starting point for new world-wide activities.

The German Escape Plan is based on the bold contention that Europe for a long time to come will be totally enfeebled, and controlled by the victorious Powers. Therefore, the German General Staff considers Latin America the only suitable place for preparing global plans, especially in view of the fact that Germany has long entrenched her political and economic influence within these areas. The German military leaders and industrialists are con-

- 2 -

vinced that the greatest opportunities for the realization of the German plan for world conquest lies today in Latin America. Here are the basic principles on which the German escape program depend.

Industrialization and raw materials in Latin America.

First of all the German leaders consent that Latin-America will be the only place in the post-war world where Germans will be able to execute unrestricted economic activities. Latin America will soon undergo one of the greatest industrial developments in modern history. The countries of the southwestern hemisphere are enormously rich in all kinds of raw materials -- foremost among them OIL, which is all-important for modern industry and global warfare. Oil shortage was a major handicap for Germany in both World Wars. The German air force is much stronger than we generally presume, but could not be utilized at full strength in this war -- for no other reason than the limited German oil supply.

Modern air power in German hands

The Germans are banking on air power. They know that in all Latin American countries air transportation facilities after the war will be developed on a tremendous scale, and within a short time. They are certain that they will regain a leading position in the commercial air traffic, and they are intent on building strategically well placed aircraft factories, airfields, oil refineries--in short: a complete modern air power. Here it should be considered how easy it would be for Germans and their Latin American collaborators to oust North American air lines under any pretence in the future.

The German "reconstruction" program in Latin America

The Germans speculate that the antagonism, against the Anglo-Saxons is so deeply rooted in certain circles of South America that German experts and

- 3 -

officers will be welcomed as the natural allies of the southern hemisphere. According to reliable information approximately one million Germans are scheduled for settlement in South American countries. Picked out for this purpose will be especially technicians, chemists, construction workers, pilots, scientists, military instructors, and the like. The action will be labeled "Settlement of German Farmers," and will, of course, be accompanied by impressive whining campaign. One has to remember that Germany has already a strong basis in most of the countries concerned in the so-called "Deutsche Volksgruppen". Germans in those areas are generally holding leading positions and are maintaining close relations with influential groups, and with the various fascist organizations.

Back to industrial warfare

The Geopoliticians consider the tremendous Latin American industrialization program as a p o w e r f u l w e a p o n, handy to bring about crises in other countries. Besides her valuable raw materials, South America's cheap labor is considered her principal asset, which the U.S. and Britain cannot compete with. The financing of those great projects is not thought to be difficult by the Germans. They have accumulated enormous values out of the European loot, and transferred to neutral countries. In addition they are counting on financial support from U.S. industries who are eager to invest in South America on a large scale, and may at a later date be conveniently disposed of. The German "reconstruction" swindle of 1925-29 will thus be repeated, but this time in Latin America.

The Coming Struggle for "Liberation"

The strategic goal of the geopolitical escape plan is:

- 4 -

- (a) the liberation of Europe from Anglo-Saxon and Russian control within 10 to 15 years;
- (b) the construction of an enormous air power in Latin America, for a surprise attack at the heart of the United States.

The German master-planners can only succeed when they will be allowed to carry on their well known economic and political conspiracy against the United States. They will, of course, make use of every possible trick for this purpose. Part of the plan is to lay hands on the annual 800-million barrels of South American oil output (300 million barrels in pre-war time), which they consider sufficient for a destructive air war against the United States. German strategists are rather confident in their calculations on South America, as relates from the following account, written by a member of General Haushofer's staff, and contemplating about the usefulness of those countries in an attack on the United States:

"... The strategic value of Iberoamerica is even more important than is its military one. North America, with the oceans for its borders, feels safe from any surprise attack. She believes that she can always rely on her seapower for beating an enemy in her home waters. The picture would change considerably, however, if not the sea, but the Mexican border was suddenly to become the front. Then, the ocean would no longer be a protection--at least not as far as air attack would be concerned. Even more critical would be the situation of the Panama Canal, that all important strait, without which a free interchange of fighting naval units from the east to the west coast, and vice versa, would be impossible. A hostile Latin America would immediately render valueless all strategic defense measures now in existence.

"Once equal enemies are facing each other, South's America's role of decisive importance in the showdown in the Atlantic as well as the Pacific. South America and its protecting isles constitute the flank of the United States. Even if South America would be devoid of a navy of its own, it still would be of tremendous importance as a land base for both naval and aerial warfare." (National Socialist Monthly, October, 1940).

- 5 -

The Escape program of the German High Command is nothing but an improved edition of the experiment of 1918-19. At that time valuable military and economic files were speeded out of Germany to places of safety. Factories were moved to foreign countries, etc. Today the German General Staff has much better experience, and can carry out similar plans for World War III much more systematically. It has to be expected that in the moment of the German collapse several thousand leading Nazis and militarists will escape by airplane into neutral countries to go in prepared hiding there. It is most probable that important secrets of the German Wehrmacht will be taken over by Fascist groups, as trustees for the Germans. It should be remembered that in 1918 the Fokker Aircraft factory was shifted to Holland in 470 carloads, and that other military secrets were transferred to Spain and Sweden. This time, however, the victorious powers will take stern measures for foiling all such devices. The U.S. cannot tolerate any new conspiracy between Fascist groups and Germans in Latin America.

The Germans believe that the war-weary masses of the United States will not be willing to become involved in a new conflict once the last shot has been fired in Europe. The German high command, it seems, is unaware of certain changes in American public opinion. This time the nation is conscious of the fact that there must not be left any unfinished business. The moment the United Nations show weakness towards the German Escape Plan the groundwork will be laid for World War III.

September 26, 1944

My dear Admiral Brown:

Thank you very much for sending me photostatic copies of the following for my records:

1. Record of conversation between the President and Prime Minister at Quebec on September 14, 1944. *Filed 9/14/44*
2. Memorandum re conference between the President and the Prime Minister on best measures to prevent renewed rearmament by Germany. *Filed 9/15/44*
3. Memorandum of discussions between the President and Prime Minister re question of scope and scale of mutual Lend/Lease aid between the United States and the British Empire after the defeat of Germany and during the war with Japan. *Filed 9/14/44*

Sincerely yours,

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

Rear Admiral Wilson Brown, U.S.N.,
Naval Aide to the President,
The White House,
Washington, D.C.

*Delivered by messenger -
envelope marked "Secret"*

THE WHITE HOUSE
WASHINGTON

TOP SECRET
TOP SECRET

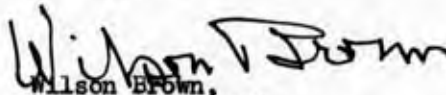
September 20, 1944.

Dear Mr. Secretary,

In accordance with our understanding at Quebec, I send you herewith photostat copies of three documents you turned over to me for safekeeping. The President and the Prime Minister made some minor changes in the document concerning Lend/Lease (Record of Conversation Between the President and Prime Minister at Quebec on 14 September 1944) after you had given it to me.

The President has authorized me to send these photostat copies to you.

Sincerely yours,



Wilson Brown,
Rear Admiral, U.S.N.,
Naval Aide to the President.

Enclosures (3)

1. Record of Conversation Between the President and Prime Minister at Quebec on September 14, 1944 - Photostat copy.
2. Memorandum re Conference Between the President and the Prime Minister on Best Measures to Prevent Renewed Rearmament by Germany.
3. Memorandum of Discussions Between the President and Prime Minister re Question of Scope and Scale of Mutual Lend/Lease Aid Between the United States and the British Empire after the Defeat of Germany and During the War With Japan.

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

TOP SECRET

9/26/44

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Used at meeting with State War Finance
Chairmen.



SIXTH WAR LOAN PRODUCTION SCHEDULE

9/26/44

<u>Sixth War Loan Material</u>	<u>Finished Copy Must Go To GPO</u>	<u>Delivery Date For Materials</u>
Payroll Savings Card	9/4	10/13
Payroll Deduction Authorization Cards	9/7	10/13
Car Cards	9/8	10/16
6th War Loan Emotional Poster	9/12	10/21
6th War Loan 24-Sheet Poster	9/12	10/21
6th War Loan Window Streamer	9/12	10/21
6th War Loan Basic Folder	9/15	10/14
6th War Loan Sales Manual	9/15	10/14
Daily Newspaper Ad Portfolio	9/15	10/9
Weekly Newspaper Portfolio	9/15	10/9
6th War Loan Insignia	9/15	10/2
Getting The Order-Booklet	9/15	10/13
Payroll Savings Stuffer	9/15	10/13
Forward To The 6th War Loan-Booklet	9/15	10/6
6th War Loan CIO Folder	9/15	10/13
Press Insignia For Strips	9/15	9/25
6th War Loan Bank Poster	9/19	10/21
6th War Loan Payroll Savings Poster	9/19	10/21
6th War Loan General Poster	9/20	10/21
6th War Loan 3-Sheet Poster	9/20	10/21
6th War Loan Bank Circular	9/20	10/21
6th War Loan Securities	9/20	10/21
6th War Loan For Speakers Only-Booklet	9/20	10/20
6th War Loan - To All Retailers-Folder	9/22	10/21
Radio Promotion Book	9/22	10/14
Farm Radio Announcements	9/25	10/16
Radio Announcements	9/25	10/16
6th War Loan Campaign Book	9/29	10/14
Bonds Over America	10/1	10/18
Feature Picture Page	10/1	10/18
Fashion Feature	10/1	10/18
Wounded Americans	10/1	10/18
Stars In Service	10/1	10/16
Plant Radio Announcements	10/2	10/30
Bumper Card	10/2	10/30
6th War Loan Dash Card	10/2	10/21
6th War Loan Retailers Promotional-Tabloid	10/2	10/21
Publicity Release - Farm Articles No. 2	10/6	10/25
War Bonds In Action No. 4 Mats & Proofs	10/6	10/25
Page One Editorial Boxes - Mats & Proofs	10/9	10/23
A Non Theatrical Film Program	10/9	10/30
Farm Bond Aids-Booklet	10/13	10/30
Radio Star Release - Mats & Proofs	10/15	11/3
Correspondents Stories	10/15	11/10
In Appreciation Cards - Out Door	10/15	11/30
6th War Loan Retail Citation	10/15	11/30
Newspaper Citations	10/15	11/30
Labor Clipsheet - And Mats	10/16	10/30
Clipsheet No. 1	10/16	10/30
Farm Comic No. 2 - Mats & Proofs	10/20	11/3
Clipsheet No. 2 And Mats	10/30	11/16
Sticker Of 6th War Loan Insignia For Citations	10/30	11/23
Publicity Press Sheets	10/30	11/10

September 26, 1944.

My dear Mr. Ford:

Complying with your request, I accept with reluctance your resignation as Chairman of the War Finance Committee for the State of New York.

You have served with great energy and ability in the last three years successively as State Administrator of the Defense Savings Staff and the War Savings Staff; then as executive manager and finally as State Chairman. In these various capacities you have played a vital part in raising vast sums of money to finance the war effort. You may justly feel great pride in the service you have thus rendered to the Nation in a time of crisis.

Personally I want to thank you for your fine cooperation which has done so much to forward our work.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Nevil Ford
Chairman, Executive Committee
New York War Finance Committee
1270 Sixth Avenue
New York, New York

TRG:RFP
RES:mah



OFFICE OF STATE CHAIRMAN

TREASURY DEPARTMENT

WAR FINANCE COMMITTEE



1270 Sixth Avenue,
New York 20, New York,
September 6, 1944.

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

My dear Mr. Secretary:

In September it will be three years since first I was granted six months leave of absence from The First-Boston Corporation to permit me to accept an appointment by you as State Administrator, Defense Savings Staff, New York. Subsequently, my leave has been extended several times that I might accept an appointment by you as State Administrator, War Savings Staff, then Executive Manager and, lastly, Chairman, War Finance Committee for New York.

Changing conditions now require that I return to The First-Boston Corporation and I must ask you to release me. The War Finance Committee for New York organization has proven its ability to function by its successful conduct during the five War Loans and the interim financing periods. It has able local leaders throughout the State and the gentleman I and several close advisors of the Committee have recommended to you is fully able by experience and temperment to lead the organization in the Sixth War Loan.

If you desire it, I shall be most happy to act as an advisor and work actively with him insofar as my business permits.

It is with regret that I tender you my resignation. The associations of the past three years have been most pleasant ones. It will always be a source of gratification to me that I have been permitted to take part in the development of the War Savings Program so courageously instigated and soundly carried out under your leadership.

Most sincerely yours,

Nevil Ford,
State Chairman.

FEDERAL RESERVE BANK
OF BOSTON

ALBERT M. CREIGHTON
CHAIRMAN

September 26, 1944

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

Dear Mr. Morgenthau:

I think that you will agree with me that you had a very good press in Boston. I am enclosing the clippings that have come to hand up to the present time. There may be others later, inasmuch as the Associated Press, the United Press and Time Magazine were represented at your press conference.

I am

Very truly yours,

Albert M. Creighton

Enclosures

*clippings in
scraperbook.*

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September 26, 1944.

Dear Mr. Creighton:

Thank you very much for your letter of September 23, and for the enclosed copy of my interview, and other material. I appreciate your sending this to me.

I particularly want to thank you for your kindness and many courtesies during our stay in Boston. It was a pleasure to see you, and I also enjoyed meeting the staff, and our conference together. I look forward to receiving the result of the canvass you are making, and also thank you for your efforts in this direction.

With renewed appreciation of your courtesy, and cordial personal regards,

Sincerely,

(Signed) H. Morganthau, Jr.

Mr. A. H. Creighton,
Chairman, Federal Reserve Bank
of Boston,
Boston, Massachusetts.

GHY/obs

FEDERAL RESERVE BANK
OF BOSTON

ALBERT M. CREIGHTON
CHAIRMAN

September 23, 1944

Handwritten notes:
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Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

I am enclosing the stenographic copy of your remarks to the press today taken by Miss Pike. Also enclosed you will find a list of the names of the Bank Staff who attended the Bank meeting, as well as a list of the representatives of the press who met with you this noon.

On Monday we will canvass a cross-section of industrialists, and I expect that we shall be able to send to you promptly a helpful analysis of your question: "How many days after X Day (defeat of Germany) will corporations in New England begin to need cash for postwar conversion etc. and so begin to sell Government securities for such purposes."

I believe that Mr. Schlaikjer delivered to you a copy of the Conference Board Survey.

May I again tell you that it was a great pleasure to have you join the members of the Staff of the Bank at our meeting today and to meet the press in Boston.

With best regards, I am

Sincerely,

Handwritten signature:
A. M. Creighton

Enclosures

List of Persons present at Staff Meeting
of Federal Reserve Bank of Boston
to Meet Mr. Morgenthau on
September 23, 1944

Mr. Creighton

Mr. Willett

Mr. Hult

Mr. Pitman

Mr. Schlaikjer

Col. Heller

Mr. Murphy

Mr. Harvey

Mr. Sawyer

Mr. Fogg

Mr. Eddy

Mr. Berge

Mr. Van Amringe

Mr. Denio

Representatives of the Press to
be at the Bank Saturday,
September 23, 1944 to meet
Mr. Morgenthau

Boston Globe	Mr. Lyons	LAF 2000
" Herald	" Dempsey	HAN 3000
" Traveler	" Gavin	HAN 3000
Christian Science Monitor	" Deland	COM 4330
Boston American	" Brooks	LIB 4000
" Record	Managing Editor	LIB 4000
" Post	Mr. Dunn	LAF 1383
News Bureau	" Griffin	LAF 4000
United Press	" Minot	CAP 5785
Assoc. Press	" Douglass	LAF 0400
Time	" Wylie	HUB 1029
U. S. Investors	Mr. Bennett	HAN 3860
Edson Smith		HAN 3000

(together with photographers from five newspapers)

Press Conference Held at the
Federal Reserve Bank of Boston on
Saturday, September 23, 1944

Q: - What is the purpose of your visit to Boston?

A: - There are two things: My son has had an executive office on a ship commissioned yesterday at the Boston Navy Yard and I came down to participate in the ceremony, and then I was anxious to find out how things were getting along through the Federal Reserve Bank of Boston which has done such a marvelous job for us during the War. I am having luncheon with Mr. Denio and the War Bond people and will get their suggestions for the Sixth War Loan during the Fall.

Q: - What is your son's full name and title?

A: - Lt. Robert M. Morgenthau.

Q: - What is the date of your next War Loan Drive?

A: - Sometime after the middle of November.

Q: - Are you hoping to call it the Victory Drive after end of German War?

A: - I do not think so, because only half of the War will be over.

Q: - What is the goal of this next drive?

A: - The amount has not been set, but we are in the process of seeking advice from the State Chairmen and others.. A Committee of American Bankers was in Washington last week conferring with us on this matter.

Q: - Will the goal be more or less than the last one?

A: - It probably will be less.

Q: - Is there any possibility of lower taxes on income for individuals?

A: - There is a joint committee on taxation in the Senate and House, with a Technical Staff headed by Mr. Stamm, representing Congress and Mr.

- 2 -

Roy Blough, representing the Treasury. They have been holding meetings all summer long, in which businessmen, and corporations have come down and have given us their ideas. When Congress is ready, the Treasury and the so-called Technical Staff will make a joint recommendation to the Ways and Means Committee in the House and the Finance Committee in the Senate. We feel that we will be in a position to make better recommendations than we have ever made before.

Q: - Is there any prospect of lower taxes?

A: - After the fighting stops in Germany, expenses will go a little lower. You can hope for some lowering of taxes.

Q: - Do you think Boston would be an ideal city in which to establish the proposed Monetary Plan because of its position to Europe, its airport, Harvard University etc.

A: - I don't know that it is the best city, but it is a good location.

Q: - Is it true that the Federal debt after the War will be around three hundred billion dollars.

A: - I don't know what the figure is just at present. This sounds rather high. I think at present that it is about two hundred twenty-five billion dollars.

Q: - Is the figure becoming alarming on the number of bonds - like Series E - being redeemed?

A: - No. To show our confidence in the situation, beginning with October 2nd, a holder of any Government security can walk into any insured bank in the United States, or any other institution that banks will appoint as subagents, present his bond and be paid on the spot.

- 3 -

We have such confidence in the situation that we are offering this facility to the people.

There has been the rumor that the Government is going to freeze these bonds. To counteract the rumor, we are taking this step. You may present your bond just like a check and you will be paid on the spot.

Q: - This may be done, I presume, after the required 60-days period?

A: - Yes, that is correct. A bond may be cashed anytime after the 60 days is up.

Q: - What is being done to reestablish sound currency in France?

A: - It is being reestablished very quickly.

Prices have dropped too much. Under German occupation, the black market flourished and they would buy freely butter and eggs and ship them home. Since we have gone in, there has been a steady dropping and of course, the French peasants dislike that.

Q: - Will the same system be followed in respect to Germany?

A: - No, the situation will be different in Germany. They will handle enemy countries in a different way than the friendly countries. The Allied Armies will hold on to the financial situation in Germany for some time.

Q: - Does the Treasury still find itself in opposition to the silver program of the Western Senators?

A: - I have always been against the so-called subsidy on silver and I have not changed.

Q: - Regarding the hold-up on the loan program on G. I. Bill, does that have any effect on the Treasury's making money available.

A: - I am sorry I can't comment on this. If you would care for a

- 4 -

formal report on this subject, just send a telegram to me collect on Monday and I will see that you get your information.

Q: - Do you care to comment on Governor Dewey?

A: - No, I do not. It would go way into the afternoon if I did.

Q: - Is the Treasury still hostile to a sales tax?

A: - It is a dead issue because there is no tax bill pending. We oppose it. "Yes" is the best answer to the question.

Q: - Will redemptions of bonds increase after Germany's defeat.

A: - I don't think that anybody can really tell just what is going to happen, and I think it is anybody's guess.

It depends on how rapidly people may want to buy and how quickly civilian goods are available.

Q: - Do you anticipate any change in the method of the War Financing Program?

A: - No. We are very glad to have the cost of the War maintained by volunteer purchases of bonds. No one has been compelled to purchase any bonds. We can ask everyone of you at this table to buy bonds, but we can't put a gun at your head compelling you to purchase them if you don't want to.

Q: - What do you think of this plan proposed by Dr. Dickinson?

A: - I replied to him. I think it is a "crack-pot" scheme and, certainly, as far as the Government is concerned, we don't want to do anything that will cause the people to lose confidence. We are continually trying to convince the public that it is the best investment in the world and we don't want to do anything to lose that confidence.

- 5 -

Q: - Do you care to comment on Beardsley Ruml's speech at the Savings Bank Convention at the New Ocean House this week regarding taxes?

A: - Again I am sorry, but I shall have to wait until the Joint Committee has submitted its report.

Q: - Will the Government make a profit on the sale of surplus products? Some newspapers have said that the Government would be lucky if it got 15% of the total cost back from the sale of the products.

A: - Fifteen per cent is way under the estimate on surplus products. On some articles, they will get about what they paid for them. On others, like odds and ends and for which there may not be much demand, they will not get back what they paid for them. It is impossible to merchandise orders and industry. But I think for many of the items, we will get back much more than 15% of the cost.

Q: - Does the Treasury Department advocate the sale of surplus property to smaller groups?

A: - Wherever possible, our policy has been to give the small purchaser the advantage. He gets that consistently. We resist and discourage the middleman.

In World War I, the middleman made the profit and never touched the material. We deal directly with the concern that wants material and get the advice of trade groups and trade unions and we seek their advice constantly. The man who wants a couple dozen of something will get the break and we make it as easy as possible for him to get. We use the regular trade channels so that the

- 6 -

regular middleman can get his legitimate share.

Q: - Do you think we should impose a Federal tax on the pari-mutuels?

A: - Yes, I think there should be a tax on the mutuel - 5% on the gross. I think this is the kind of money that should pay a tax.

Q: - The Supreme Court has just ruled insurance as Interstate Commerce. Will that make any difference in the attitude of the Treasury in the matter of taxes on insurance companies?

A: - I would not want to give an offhand answer. Again if any of you care to telegraph me in Washington, I will see that you have an answer immediately.

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September 25, 1944.

Dear Mr. Shaver:

Thank you very much for your letter of September 22, and for the clippings which you were so good as to enclose.

I want to tell you how much I enjoyed meeting you and the group which is working with you. I owe much to your courtesy and kindness in making arrangements for my visit to Chicago, and look back upon the time I spent there with the greatest of pleasure.

With thanks again to you, and cordial regards,

Sincerely,

(Signed) H. Morgenthau Jr.

Mr. Evelyn F. Shaver,
Chairman, War Relocation Committee,
122 West Adams Street,
Chicago 2, Illinois.

Clippings in
Recys Scrapbook.

MS/As



TREASURY DEPARTMENT
WAR FINANCE COMMITTEE



OFFICE OF STATE CHAIRMAN
105 WEST ADAMS STREET
CHICAGO 3, ILLINOIS
STATE 2940

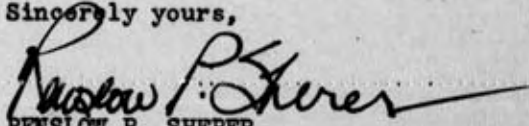
September 22, 1944

My dear Mr. Secretary:

You will probably be interested
in the enclosed clippings.

I was glad that our group had
an opportunity of meeting you again
yesterday and I am sure that they enjoyed
it and profited by it.

Sincerely yours,


RENSLOW P. SHERER
Chairman

Enclosures

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

This is what the State War Finance Chairman¹¹
want Mr. Morgenthau to do for the Sixth War
Loan - 9/26/44

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We recommend that the 6th War Loan begin on Monday, November 20th and run through Saturday, December 16th, a period of four weeks; that the purchases of E, F and G bonds and savings notes for the calendar months of November and December be counted as a part of the Drive; and that in the case of issuing agents which are unable to process stubs by December 31st, an arrangement be made for certification and payment by those issuing agents which would permit the inclusion of all sales made up to December 31st, with the stubs to follow later.

We recommend that the quota for the Drive be set at \$14 billion, of which \$5 billion shall be the individual quota, and \$9 billion be the quota for other non-banking investors. That the individual quota should further be broken down into a quota of $2\frac{1}{2}$ billion of E bonds and $2\frac{1}{2}$ billion of other bonds.

We recommend that the securities offered in the Drive should be the same as those offered in the 5th War Loan. There is sentiment in favor of the addition of a $1\frac{1}{2}\%$ note of 4 to 5 years maturity, and we recommend that this suggestion be given consideration by the Treasury.

We have given careful thought to the problem presented by speculative purchases during the Drives and by indirect purchases by banks in the form generally known as free-writing. We are fully aware of

-2-

the criticism that arises out of these practices and are sympathetic to any procedure that can be established to minimize ^{these} ~~such practices~~. We do not however concur in the recommendations of the American Bankers Association committee on this subject. We do not believe that the ^{provision} ~~provision~~ for margins in the case of speculative purchases would accomplish the objective but are rather inclined to believe that it might aggravate the trouble. Neither do we look with favor on the suggestion that the banks be required to certify that these purchases are bonafide and that there is no bank interest. This seems to us an unnecessary reflection upon the banks, the vast majority of which have not indulged in such indirect purchases. We feel that a strong re-statement of the Treasury's position in respect to such purchases is the better method of approach and we feel, further, that direct contact with the banks at the points where these practices have become aggravated would be the most effective procedure.

We recommend the continuance of the deferred purchase arrangements which prevailed in the 5th War Loan Drive but we recommend an early announcement of the availability of this method of subscription.

We urge the earliest possible announcement of the dates and quota of the 6th War Loan.

WAR FINANCE

A. Probable Public Attitude After X-Day.

Immediately following X-Day, we will be confronted with a problem of reconversion. The public will become increasingly peace-minded, less war-minded; patriotic reasons for buying War Bonds that are tied up with "backing the boys" and providing equipment will lose compelling force; the creation of a wartime "drive psychology"--so necessary in War Loan Drives--will become increasingly difficult, if not impossible, unless all media rally to the support of the bond program in at least as great a measure as heretofore; even self-interest reasons for buying War Bonds will lose much of their wartime potency, their force deriving from the belief that "you were helping your country and yourself at one and the same time."

For War Bond purposes, the "public" cannot be treated as a single and uniform entity. While the so-called community market will probably respond in the way described above, other segments of the "public" may respond differently. As far as workers on payroll savings are concerned a sizeable portion, in fear of imminent cut-backs and unemployment, may actually maintain and even increase their payroll allotments; others who are laid off will become redeemers rather than buyers; still others will feel freer to save less, spend more. Farmers, if properly approached,

- 2 -

may be counted upon to continue buying War Bonds in sizeable quantities, since they are "businessmen" to whom self-interest reasons are important, new agricultural equipment will not be immediately available, and Congress has provided price supports on 20 major foods for a period of two years after the end of hostilities on all fronts, thus assuring adequate income.

The sale of War Bonds depending in large measure, however, on the efforts of volunteer salesmen and saleswomen--of which there are 400,000 to 500,000 in interim periods, 5,000,000 to 6,000,000 during Drives--we may anticipate after X-Day a decline in patriotic fervor, an ever increasing unwillingness to man booths and solicit neighbors for money, a desire "to take things easy once again"--and, as a result, growing difficulties in selling Bonds to the public.

Growing resistance to the purchase of War Bonds will not be all; there will also be a demand for relaxation of direct controls, such as price control and rationing, and for lower taxes.

B. The Facts

Yet, the necessity for raising vast sums from the public will continue practically undiminished for some time after X-Day. During the fiscal year that ended June 30, 1944, actual cash expenditures for war were 89.7 billion dollars.

- 3 -

For the fiscal year ending June 30, 1945 war expenditures are estimated at 90 billion dollars. If Germany should collapse within the next few months or by the end of the year, expenditures would probably be less but not very much less. We still have a 10 million man army to maintain and supply and nearly every army private or navy seaman that is discharged will get mustering out funds equivalent to six months pay. We still have paid only partially for some of the goods that the Army, Navy, and Maritime Service have already obtained and there will be a considerable time lag before all payments will have been completed. Where contracts are cancelled there will be termination payments for work in process that will be large and will extend over some months. Above all there will be a Pacific War to be prosecuted and this promises to keep war expenditures at a high level for some time to come.

So what if the fiscal year deficit which the Budget Bureau's most recent estimate places at 53.4 billions is cut to 45 billions or 40 billions or even 30 billions by the ending of the European War? That amount must still be raised through Treasury borrowing. In addition it will be necessary for the Government to borrow about 15 billions to refund its maturing issues and securities presented for redemption. In the aggregate, therefore, total borrowing may not total 67 billions, but 60 billions or 55 billions or

- 4 -

even 45 billions is a lot of borrowing to do and we must do it this year even if Germany collapses in a matter of weeks or months.

These figures pose a problem--and an opportunity. The problem may be simply put: to the extent that total borrowing exceeds the aggregate amount of savings consciously and intentionally undertaken, we are placing liquid assets in the hands of persons who may use them to produce a serious war and/or postwar Inflation. That way lies increased war costs, economic instability, social unrest, ruin. The opportunity, too, may be simply put: to the extent that we succeed in converting these "windfall" liquid assets into planned and intended savings--War Bonds, for example--we are reducing the possibilities of Inflation. This way lies decreased war costs, economic stability, social peace, prosperity.

During the reconversion period, while the tools of production for peace goods are being made ready, purchasing power is expected to outrun the goods available for purchase, while measures of control--price control, rationing, personal taxation, government borrowing from individuals--may be relaxed if the people are not aware of the need for continued restraint. A price inflation is, consequently, one of the hazards of the reconversion period. Only after the period of reconversion is over and the production of peace goods is

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more in balance with income payments will the hazard of inflation be over.

Until such time the War Bond program (or Peace or Victory Bond program) will be one of the most important factors--if not the most important --making for stability in the domestic economy.

C. Present Program

The War Finance Division is responsible for raising the bulk of Government requirements through borrowings. It does this in two ways: (1) by conducting periodic War Loan Drives during which it promotes the sale and distribution of Government securities, including those on continuous sale as well as special Drive securities; and (2) by carrying on its interim program between Drives, during which it promotes the sale and distribution of Government securities on continuous sale. Since the inception of the War Finance program on May 1, 1941, there have been five War Loan Drives in all, lasting from 3 to 6 weeks a piece; the less spectacular but no less important activities go on month-in and month-out during the interim periods.

In general, we have sought during War Loan Drives to raise great sums in a short period of time by creating a patriotic "drive psychology", by feverish and concentrated promotion aimed at linking the problem of war finance with that of providing the armed forces with the equipment they

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need, by enlisting the volunteer aid of from 5 to 6 million War Bond salesmen.

In interim periods, we have concentrated on payroll savings, with its 27 million regular purchasers of War Bonds; on stimulating the sale of War Bonds and Stamps in the schools and colleges, among Women's organizations, among fraternal and religious groups; on encouraging special promotions to keep together our volunteer force in the thousands of theater, retail, and other bond outlets throughout the country. Above all, we have sought in interim periods to promote the advantages of bond ownership, both to the individual and to his country, emphasizing the self-interest reasons for buying and holding War Bonds.

From the very start of the War Finance program we have conceived it our duty to raise as much of the Government's requirements as possible from non-inflationary sources. To do this we have kept borrowings from the commercial banks on a residual basis, attempting to attract into Government securities the current and accumulated savings of the people, to siphon from the income stream purchasing power in excess of the goods and services currently available. The measure of success we have achieved in this war finance program is largely responsible for stemming thus far the tide of Inflation.

Since May 1941, when our program began, through June 1944, we have raised a total of 148 billion dollars, of

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which 86 billions came from nonbank investors alone. Of these nonbank investors, corporations, insurance companies, and mutual savings banks were responsible for 52 billions; individuals and partnerships for 34 billions.

Over 81 million separate individuals--a figure that exceeds our total number of income earners--have purchased 7 hundred million War Bonds. This is a record unparalleled in the history of war finance in this or any other country.

D. Duration and Emphasis of the Information Job.

The course of events after X-Day, with their repercussions on the domestic economy, will undoubtedly change the atmosphere in which bond selling will have to be carried on. Are the American people now prepared to continue bond buying when the end of the war is just around the corner? If not, what kind of information program will prepare them to do so?

The following points may be accepted as basic to the information job that has to be done:

1. In the long run, positive attitudes toward bonds and an understanding of the purposes of bonds must be built up in people if they are to respond favorably to immediate pressures to buy. People who have a broader motivation for buying bonds are more apt to buy than people who view bonds simply in

the light of patriotism. The strategy of selling calls for the stressing of personal financial (self-interest) and national economic reasons (prevention of inflation, economic instability, etc.) with increasing emphasis, particularly as purely patriotic reasons for buying become less and less important.

To a large extent the emphasis in Drives until now has been upon emotions and pressure, making quite secondary anything in the way of education about the nature of bonds, their various purposes and advantages, and the building up of basic attitudes toward bonds. This will continue to be the emphasis in Drives, particularly if Japan remains in the war after German defeat. After all there will still be a war to be won against a cruel, powerful, and tricky adversary.

But it will become increasingly important as people become more peace-minded and less war-minded to give much more emphasis to appeals to self-interest and the national economic welfare. With Germany and Japan both out of the war, should a Victory or Peace Drive be necessary, the emphasis would be exclusively on national economic welfare and self-interest -- and it would be necessary to build up a patriotic crusade around the home, rather than the

military front. To what extent this will be possible will depend in large measure on the manner in which we treat national economic and self-interest reasons for bond buying in the period immediately after X-Day.

2. The information Program centering around War Bonds will have to be made as relevant as possible to the immediate situation in which people find themselves. In other words, publicity should tie in with people's current interests, the needs which are foremost in their lives, and the type of information which they are, at that time, receiving. This makes it necessary to use conjecture and good judgment about the course of events in the future.

It follows, therefore, that in order to realize point 1 the Information Program must build up attitudes toward bonds which will tap a variety of motives within people. This task involves stressing the advantages and purposes of bonds for both the individual and the country. In other words, appeals will have to be made to self-interest conceived of both narrowly in individual terms and broadly in national terms.

People need to be convinced that War Bonds are a safe investment; they need to learn that the money can be obtained even if the bond is lost or stolen; they need to think about the

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postwar security that bonds can provide. They need to know, too, that bonds can help prevent inflation; they need especially to know this if they are expected to buy "War Bonds" after partial peace (X-Day) has come. Postwar redemptions can be kept at a minimum only if the American people have clear reasons for holding their bonds after wartime pressure is reduced.

Point 2 -- that of keeping copy geared to current needs and interests -- is also of great importance. Even after X-Day, the war in the Pacific will continue, and as long as the war against Japan continues and casualties are suffered, War Bond publicity cannot appear to ignore the war. So long as people live in a war atmosphere people's interests will focus largely upon war news, casualties, and relatives in the service.

The fact that the war largely determines the tone of the atmosphere in which people live does not mean, however, that people are uninterested in other things. People are already beginning to anticipate the end of the war and they are concerned about postwar economic conditions. They are beginning to worry about out-backs and reconversion, and they will worry more as reconversion becomes more widespread. As people accumulate larger amounts of money in bonds, their hopes for some major use for their funds become more realistic and obtainable. These personal hopes and fears are real and pressing, but permeating them all is the fact of the war, and

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the Information Program must help keep the war before America until the end.

We cannot anticipate all the difficulties that will arise in selling War Bonds after X-Day. But one major problem-- perhaps the greatest -- that we can foresee is that for the American people the "logic" of nearly all patriotic reasons to buy bonds rests on a rather simple view that bonds buy equipment. Symptomatic of the danger involved here is the opinion expressed by a typical individual recently that, "I don't see why we have to buy so many bonds now. If they don't have the equipment now they will never get it." While this feeling is not expressed verbally by many people yet, it should serve as a storm signal of danger to come in the use of patriotic appeals resting on the simple "pay for the war" theme.

Another evidence of future difficulties deriving from this type of war-linked patriotic appeal is the greater willingness to cash bonds after the war but before maturity, than during the war itself. While this reaction is to be anticipated, it has significance not only for the problem of redemption, but also indicates the difficulties that will be encountered in selling after X-Day if "pay for the war" patriotism is used as the major appeal.

The period immediately after X-Day promises to be a difficult one from the point of view of inflation control. It

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is just this time that the country will especially need to have people buy and hold War Bonds. Unfortunately, to the extent that people have only war-linked patriotism as a reason for buying and holding bonds, this period will be the most difficult time to put into effect a voluntary inflation control program.

In short, therefore, the Information Program after X-Day -- and until reconversion has been substantially completed -- should meet the following requirements:

1. It should stress self-interest reasons in both the broad and narrow sense.
2. It should be related to the war and in keeping with the atmosphere of the times.
3. It should prepare people to keep buying and holding War Bonds as total peace draws near.
4. It should build up a patriotic atmosphere during War Loan Drives, centering on the Pacific theater of operations, and -- should Japan be defeated prior to a "War Loan" -- centering on finishing the job and winning the peace at home.

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Copy Policy
for
Sixth War Loan Drive

By the time of the 6th War Loan Drive Germany will be either completely out of the war, or so nearly out that people generally will be regarding the European phase as finished.

But we will still have a first-class war to deal with--the war with Japan. And it will be the task of promotion to explain to the American people that a big, dangerous and expensive job lies ahead of us in getting men and equipment to the Pacific and whipping the tough, brutal enemy who awaits us there.

From the start, the Jap has been a cruel, treacherous enemy. He has inflicted on us the worst defeats in our military history - Pearl Harbor ... Wake ... Bataan ... Corregidor ... Java Sea ... Savo Island - the bitterest medicine this nation ever had to swallow. Without dragging in atrocity stories, we should be able to capitalize on the hostility the American people feel.

Promotion's major task is to make clear that we still have a man-sized war on our hands in the Pacific. It should make clear that this war will go on until the enemy is completely knocked out--and that the cost of a full-sized war must be borne until this is accomplished.

One of the things people will want to know is why it apparently costs as much money to fight Japan alone as it did to fight Japan and Germany. Publicity of all kinds will carry a lot more sincerity and conviction if we can give authentic, informative, interesting "reasons why".

Everything Costs More in the Pacific War

Because of their importance, we are outlining here some of the reasons why military expenditures will continue at a high rate even after the collapse of Germany.

The European war was expensive, but almost everything in the Pacific war will cost more. Take transport costs, for instance. Because of the longer distances, the same amount of freight costs 25 percent more when shipped to the South Pacific than to Europe. And it takes twice as many cargo ships in the Pacific to support a task force of a given size since turn-around time is twice as great!

In addition, we will need more of everything. More B-29 Superfortresses that cost \$600,000 each. More P-47 Thunder-

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bolts that cost \$50,000 each. More M-4 Tanks, with bulldozer blades, that cost \$67,417 each. More amphibious tanks - more aircraft carriers - more supply ships - more gasoline and oil than it took for the invasion of Europe!

And lest anyone forget, we will need more battalion aid stations - more clearing stations - more evacuation hospitals - more convalescent hospitals - more hospital ships.

For many, many years the sick, wounded, and otherwise disabled veterans will require medical attention and care. That's the least Uncle Sam can do in appreciation of what they've done for us.

We still have an Army and Navy of 11 to 12 million men and women to maintain. Whether the men are actually fighting or not, they must be fed, housed, transported from one training center of battle area to another, cared for in a hundred and one different ways. That all costs money and will continue to until the last man demobilized is back in civilian clothes.

In addition, millions of dollars will be required for mustering out pay, for various benefits and services voted by Congress to help the boys get started in civilian life.

These are some of the reasons why the Government will continue to need so much money even after the collapse of Germany. They are also the reasons why patriotic Americans will want to buy heavily during the 6th War Loan.

Winning the Peace - For Your Country.....

While the patriotic approach should again be the dominant note in all War Loan copy, self-interest appeals, broadly and narrowly conceived, are going to become increasingly important factors in War Bond selling from now on, and they should receive as much emphasis as we can possibly give them.

If we're to win the peace as well as the war, the cost-of-living must be kept down and the purchasing power of money preserved. A reckless inflation that would necessarily be followed by the catastrophe of deflation--with its unemployment, bankruptcies, misery and heartache--must be prevented at all cost. A dangerous period lies ahead. The American people have nothing to fear, however, if they show in the future the same common sense they have shown in the past, and continue to put every penny over rock-bottom expenses into the purchase

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of more and more War Bonds.

Winning the Peace - For Yourself

In addition, people should be urged to buy War Bonds for their own protection. There isn't a better or safer investment in the world today than War Bonds. In helping their country, they are also helping themselves! Never in our entire history has it been so necessary to save as right now. Money will be needed for education, repairs, replacements, retirement--and we'll need a lot of it.

There are many reasons, important reasons, why the Government must have the financial support of every one, and have it for many months to come. Americans should be urged to do their part--for their own sake, for their country's.

Boosting the Victory Volunteer

In the 6th War Loan it will be imperative to do a better promotion job for the Victory Volunteer--War Bonds' volunteer salesmen and saleswomen. The Victory Volunteer deserves all the help that can be given him--and more help than he has received in the past. Without the help of the Victory Volunteer, the huge sums that the Government needs cannot be raised. The success or failure of this drive depends, therefore, on the door-to-door, bench-to-bench, office-to-office canvassing of the Victory Volunteer.

Promotion which does a good job for the vitally important Victory Volunteer is bound to do a good job for the drive. And promotion can do a good job for the Victory Volunteer by: (a) preparing the prospect for his visit; and (b) boosting his morale by glorifying the work he's doing.

To a much greater extent than ever before the success of the 6th War Loan depends upon the thoroughness of solicitation. It is imperative, therefore, that an adequate amount of pre-drive and drive promotion be devoted to the Victory Volunteer.

Playing-up Quotas

As in previous drives, there will be national, state, local, plant, community and individual quotas. Experience has shown

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that specific, attainable quotas are more effective than vague exhortations to buy; that individual, plant, and community quotas are more effective than national and state quotas. Wherever possible, therefore, quotas should be highlighted in copy.

In copy designed for the general market, individuals should be urged to buy at least an extra \$100 War Bond--that is, a \$100 War Bond over and above regular purchases. Quotas should be employed as a floor rather than a ceiling, with appeals to buy \$200, \$300, \$500 or even more, if income and circumstances permit.

Copy designed for the Payroll Savings market, with its 27 million employees buying War Bonds regularly, should feature plant quotas. To achieve these plant quotas, it will be necessary to sell an average of \$100 bond per employee. As the largest single market for War Bonds, Payroll Savings should be given an important play in all copy, and workers exhorted as never before to buy extra bonds.

In copy designed for farmers the emphasis should be on the purchase of more War Bonds, with the \$100 bond a minimum, \$200, \$500, \$1,000 worth, if possible. Farm income, for the most part, is irregular; farmers' bond buying normally is likewise irregular. Because farmers do most of their War Bond buying during drives they should be asked to buy more bonds, not extra bonds. If the same level of total bond ownership to income is to be achieved for farmers and non-farmers alike, individual quotas for irregular buyers such as farmers must be steeper than those for regular buyers--for example, workers on Payroll Savings.

.....
"I Can't Afford to Buy"

The greatest obstacle to selling extra Bonds in War Loans has been the prospect's reply, "I Can't Afford to Buy". In many instances the reply is undoubtedly true; in many others, undoubtedly false. Placing "I Can't Afford to Buy" in sharp contrast with the sacrifices which the men in service are making on the fighting fronts is one - and only one--way of making people reconsider the validity of their reasons for not buying.

The same end can be achieved by convincing people they can't afford not to buy extra bonds. Here it is important to point out that the country must have the money to win the war, that

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individuals will need reserves after the war, that they will be able to purchase better and cheaper goods after the war, that buying bonds will help keep the cost-of-living down.

The Ideal Ad

To sum up, the ideal ad would shape up something like this:

First, it would tell the reader at a glance that the 6th War Loan Drive is on.

It would make clear to each individual just what he is expected to do about it.

It would tell him why the country needs this money, by explaining the tough job that lies ahead in conquering Japan.

It would give him, as far as possible, the national-economic and self-interest reasons for backing this drive.

It would, at least in the pre-drive ads, prepare the reader for the visit of the Victory Volunteer.

It would urge action by means of a selling line or slogan.

STRAIGHT TALK
about the
SIXTH WAR LOAN DRIVE

As we move closer to victory, it wouldn't be surprising if you were saying to yourself - "What's the big idea of asking for all this additional money now? Isn't the war almost over?"

No sir, it is not! Not by a long shot. Of course, for many months now you've heard mostly about the war with Germany, where our greatest effort was concentrated. That's why many people have the idea that the war's practically over.

But make no mistake about it -- nothing could be farther from the truth! The Japanese war is a tremendous undertaking, and victory will come high. We'll have to fight every inch of the way.

The European war was expensive, but almost everything in the Pacific war will cost more. Take transport costs, for instance. Because of the longer distances, the same amount of freight costs 25 percent more when shipped to the South Pacific than to Europe. And it takes twice as many cargo ships in the Pacific to support a task force of a given size since turnaround time is twice as great!

In addition, we will need more of everything. More B-29 Superfortresses that cost \$600,000 each. More P-47 Thunderbolts that cost \$50,000 each. More M-4 Tanks, with bulldozer blades, that cost \$67,417 each. More amphibious tanks - more aircraft carriers - more supply ships - more gasoline and oil than it took for the invasion of Europe!

And lest anyone forget, we will need more battalion aid stations - more clearing stations - more evacuation hospitals - more convalescent hospitals - more hospital ships.

For many, many years the sick, wounded, and otherwise disabled veterans will require medical attention and care. That's the least Uncle Sam can do in appreciation of what they've done for us.

Did you ever stop to think how much money it costs to maintain the 11 to 12 million men and women in our army and navy? Whether the men are actually fighting or not, they must be fed, housed, transported from one training center or battle area to another, cared for in a hundred and one different ways. That all costs money and will continue to until the last man demobilized is back in civilian clothes.

In addition, millions of dollars will be required for mustering out pay, for various benefits and services voted by Congress to help the boys get started in civilian life.

These are reasons enough why patriotic Americans will want to buy heavily during the Sixth War Loan. But here are still more -

If we're to win the peace as well as the war, the cost-of-living must be kept down and the purchasing power of money preserved. A reckless inflation that would necessarily be followed by the catastrophe of deflation -- with its unemployment, bankruptcies, misery and heartache -- must be prevented at all cost. Let's make no mistake -- a dangerous period lies ahead. The American people have nothing to fear, however, if they show in the future the same common sense they have shown in the past, and continue to put every penny over rock-bottom expenses into the purchase of more and more War Bonds.

Want another important reason? Yourself! There isn't a better or safer investment in the world today than War Bonds. In helping your country, you are also helping yourself! Never in our entire history has it been so necessary to save as right now. We'll need money, individually, for education, repairs, replacements, retirement - and we'll need a lot of it.

As you can see there are many reasons, important reasons, why our Government must have the financial support of everyone, and have it for many months to come.

Let all Americans do their part - for their own sake, for their country's.

9-26-44
First Birth Day 132
War Finance Speech
Secretary Morgenthau
Atlantic City

You may not be aware of it but this meeting today is a kind of birthday celebration -- a very important birthday in my calendar. Just about ten years ago the first United States Savings Bonds -- they used to be called Baby Bonds in those days -- were sold to the American public. And in just a few months -- next March to be precise -- the youngest of these Bonds will reach its maturity and be presented to the Treasury of the United States for redemption.

A birthday is a family affair. And I am especially happy to be able to celebrate this birthday with members of the immediate family that made savings bonds the most popular and most widely held form of investment ever conceived in the United States. I think you can be very proud of your offspring. When the history of this war comes to be written I think, indeed, that the savings bond program will have a highly honored place in it and that the job which you have done so generously and so effectively will be recorded as one of the major contributions to our victory.

I should like to go back with you for a few minutes to those early days, a decade ago, when War Bonds were Baby Bonds. They were conceived then with a very definite purpose in view. That purpose was, in a phrase, to democratize public finance in the United States.

Except for a brief period during and immediately following our first world war, Federal financing was handled entirely by a very few powerful banking firms -- firms so powerful that they came close to dictating the Treasury's fiscal policy. Government securities were bought almost exclusively by institutions and by a few comparatively wealthy individuals. A handful of powerful Government bond specialists purchased virtually all Federal issues and parcelled them out more or less as they saw fit in regular royalist fashion.

We in the Treasury wanted to break away from that situation. We wanted to give the average American a direct personal stake in the maintenance of sound Federal finances. We wanted to bring the Treasury, through the Federal Reserve System, into direct contact with all the banks of the country. The public debt, we felt, should go through something of the same sort of mutualization that had enriched and expanded the life insurance industry in this country. Every man and woman who owned a Government Bond, we believed, would serve as a bulwark against the constant threats to Uncle Sam's pocketbook from pressure blocs and special interest groups. In short, we wanted the ownership of America to be in the hands of the American people.

We had made only a start in this direction, you will remember, when war broke out in Europe and threatened the security of the United States. But the foundation had been laid for real popular

participation in an American preparedness program. Savings bonds became known as Defense Bonds. And, as you all know, they played an important part in making the Nation ready for the great crisis which came upon us at the end of 1941. They served not only as a vital factor in financing the rearmament of our fighting forces but, what seems to me even more important, they gave to the average citizen a sense of the war's meaning and of the urgent nature of the national danger.

When the crisis struck, the machinery was ready and in operation for the people's financing of the war. It was at this point that you took over. Defense Bonds became War Bonds. And through your efforts they have been put into the hands of 80 million individual Americans. I congratulate you on the accomplishment. Think of it! Out of every 13 men, women, children and babies in the United States, eight now own bonds of their Government. Today there are approximately 23 billion dollars of Series E Bonds -- the people's Bond -- outstanding, all held by individual investors. Never before in the history of this country -- or of any other country -- has there been such a massparticipation in a national cause.

Now let us look at the role which these War Bonds have played in the war finance program as a whole and in the maintenance of essential economic stability in the United States both during

the war and in the difficult reconversion period which will come with peace.

It has been the task of the Treasury Department to finance the costliest war in history. Since the beginning of the national defense program down to the present time, the war has cost about 215 billion dollars. During this same period, non-war expenditures have approximated 24 billion dollars, making a total government outlay of 239 billion dollars.

Well, 92 billion dollars, or 38 percent, of this staggering sum has come from revenue -- in other words, from taxes.

During the fiscal year just ended expenditures were just over 95 billions and net receipts slightly exceeded 44 billions, or 46 per cent. In short, our coverage curve has been upward -- a favorable trend which may be surprising to some and certainly should be encouraging to all. For the sake of comparison, it may be pointed out that World War I was financed only 29 percent from revenues.

The position of the Treasury Department, as you know, has been consistent throughout this period in asking for more taxes on the ground that taxes represent the soundest method of raising the funds needed for victory.

In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, Treasury receipts were

slightly less than 5 1/2 billion dollars. The 44 billion total for the year just ended was more than eight times as great -- a larger increase than has occurred in the case of any other major belligerent. No sign of a soft policy there.

Recognizing the need for greatly increased government revenues, the American people have submitted to the highest taxes in the nation's history with remarkably good grace. It is not an overstatement, I think, to say that they have faced and met their fiscal problem in as creditable a fashion as any people have ever faced a similar problem.

But after these record collections there remained 51 billion dollars in the last fiscal year, 147 billion in the last four years, that had to be raised in some other manner.

These huge amounts, represented the problem which you and I, as members of the Treasury War Finance Staff, had to overcome. This money had to be raised by borrowing. We not only had to get the money, but we had to do it in a way that would strengthen, rather than weaken, the national economy.

It would have been relatively easy to finance the rising debt through the banks; but if inflation was to be avoided, if we were to come out of the war with an economic structure that offered promise of a long period of peaceful prosperity, it was essential that as large a proportion of the increased debt as possible be borrowed outside of the banking system.

The Series E Savings Bonds, non-negotiable and payable on demand 60 days after issue date, were tailored to meet the need of the average American citizen able to set aside modest savings for investment purposes. By their nature they are guaranteed against fluctuation in market value. Their investment yield if held to maturity, 2.9 percent, is the highest obtainable on any United States Government security.

The small investor thus has a fully liquid investment with relatively high yield and a guaranty against loss as a result of fluctuations in market value. There are certain incidental advantages to both the investor and the Government from this situation.

First, non-negotiable securities with guaranteed redemption values are not subject to panicky liquidation which, experience shows, develops among small holders of marketable securities in the event of a decline in market value. In short they are more likely to be retained as investments.

It is worth while to recall the experience following World War I when Liberty Bonds plunged downward into the eighties and frightened buyers, inexperienced as investors, unloaded. They felt that their trust in their Government had been betrayed. Later they awoke to find that their loss had been the gain of

the speculators and the wealthy who then owned their Bonds at prices which brought them truly handsome yields on the safest securities in the world.

Second, it should be noted that when non-negotiable securities are redeemed they have no direct effect upon the money market. The Treasury can refund them in an orderly manner through the issuance of whatever type or types of securities seem best fitted for the market at such time.

Series F and G Bonds which have been sold for the most part to individuals in the higher income brackets and Series C Notes which have been sold to corporations are, like Series E Bonds, demand obligations.

On the other hand practically all of the Securities sold to the commercial banks have been of fixed maturities. It has been our policy to encourage banks to purchase issues of short maturity. As a consequence about half the securities acquired by the commercial banking system since the beginning of the war have been bills and certificates maturing within one year, and practically all of the securities acquired by the banks have had a maturity of ten years or under.

The securities held by industrial corporations, mainly certificates of Indebtedness and Series C Notes, constitute

a substantial part of their reserves for reconversion and post-war development. It is advantageous not only to the corporations but to the whole economy that these reserves be liquid.

Finally, it should be noted that Government securities now constitute a large proportion of the assets of the commercial banks. The result is that the banking system of the country is in a position of unparalleled liquidity. This affords assurance against a recurrence of deflation such as came in the aftermath of World War I. Moreover, it places the banking system in a strong position to meet the shifts in deposits that will probably come with reconversion and the new business demand for funds that may be anticipated with the development of a healthy, expanding economy. In brief, the banks are in a position to service a virile private enterprise system. The maturity structure of the debt is equally advantageous from the point of view of the Government. It has at one and the same time contributed to the liquidity of the economy and permitted a large saving to the Government in borrowing costs.

The average cost of money to the Treasury since the beginning of the defense program has been 1.80 percent. This contrasts with an average of 4.4 percent paid for money during World War I. On the basis of the 163 billion dollar increase in the debt to the present time, the resulting saving to the Government amounts

to almost 4 billion dollars annually. This represents 4 billion dollars saved for the taxpayers of the country.

Moreover, and this is a point which is deserving of particular emphasis, the interest on all the securities sold during this war has been fully taxable, while the issues marketed during World War I were largely tax exempt. This has resulted in a further saving, probably in excess of a billion dollars a year, to the Federal Treasury. At the same time it has left the Federal debt in a position where it does not offer unfair competition to private capital, or, maybe I should say, to private enterprise seeking to attract private capital.

Our fiscal policy -- paying for as large a proportion of the war costs as possible and borrowing from sources other than the commercial banks a maximum share of the remainder -- has been one of two buttresses supporting the structure of economic stabilization. The other, of course, has consisted of direct controls, including rationing, price ceilings, allocations and so forth.

As a result of this policy of stabilization, wholesale prices have advanced only 39 percent, and the cost of living 28 percent, since August, 1939. During the corresponding period after July, 1914, wholesale prices had advanced 110 percent and the cost of living 73 percent.

If we assume roughly that the average cost to the Federal Government of goods and services would have been increased by a percentage about half way between these two indexes, we find that Government expenditures, but for the improved stabilization, would now be running about 43 percent more than they are. If we cut the percentage in two to adjust it over the war period we find that the greater stabilization has resulted in a saving to the Government -- in other words the people -- of around 50 billion dollars.

If the dead weight of this additional debt -- 50 billion dollars to date -- had been fastened upon the country, it might well have endangered the prospects for postwar prosperity.

Of course, there have been further benefits of economic stabilization. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to a minimum -- and here I refer you to the factual record rather than the headlines -- has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has averted what otherwise would have been almost a certainty, the likelihood of a post-war deflation which would have been devastating in its consequences.

So much for the record of war finance to date. It is a record of which I am proud -- good in its accomplishments,

perhaps even better in the fine cooperation which made these accomplishments possible. If this same tireless, unselfish cooperation is applied to the problems of the post-war world, we need have no fear of the future.

The aspect of the War Bond program which gives me the greatest pride is the fact that, throughout, it has been conducted on a genuinely voluntary, democratic basis. From the beginning, we were resolved to avoid certain high-pressure sales tactics which, unavoidably, attended the fund-raising of World War I. It was determined that there should be no compulsion, no hysteria, no slacker lists and no invidious comparisons between those who bought Bonds and those who did not. There was to be room in this program for the individual with special burdens and responsibilities who could contribute only in very small amounts -- and even for the individual who could not share at all. I think you know, and the whole Nation knows, how scrupulously this policy has been observed.

There was a good reason for it. In the early days of 1941, when I first asked Congress for authorization to borrow from the general public through a Defense Savings Bond campaign, I said this: "There exists in the country today an overwhelming desire on the part of nearly every man, woman and child to make some

direct and tangible contribution to the national defense. We ought to give them a sense of personal participation beyond that which comes from doing their daily job faithfully and well. Every day, letters come to me from people who ask, 'What can I do to help?' Our plan to offer securities attractive to all classes of investors is an attempt to answer this question. I can think of no other single way in which so many people can become partners of their Government in facing this emergency. It is the purpose of the Treasury to raise money for national defense by methods which strengthen the national morale."

The desire of the people "to help," the sense of participation in the national cause, could never have been realized except through a voluntary program. You will recall, of course, the clamor that arose for forced or compulsory savings. There were many who declared that only in this way could the stupendous sums needed for victory be raised. There were times, indeed, when those of us who had faith in voluntary methods seemed lonely voices crying in the wilderness. But there was one voice that never failed to support us -- the voice of the President of the United States. He believed always that the people would respond to any call that was made upon them. He knew that the enlistment of their support could be best attained through a voluntary program adapted to the democratic pattern of American life.

But a voluntary program could succeed, of course, only through the efforts of volunteer workers. We in the Treasury could fulfill only the functions of a general staff. The real battle had to be fought and won in the field -- fought and won by sustained, unstinting, tireless service. You have given that service. You have given it with a resourcefulness and enthusiasm and good cheer that have overridden every difficulty. You have given it at real sacrifice of time and comfort and self-interest. I think that the job that you have done is beyond my praise. I know that the richest reward you can receive for it is the knowledge that it has been done supremely well, that it has played as indispensable part in our forward march to victory. Still, I should like, on behalf of the Treasury Department to say one simple word to you -- Thanks. I shall venture nothing more than this. But I know that this one word is echoed, and will be echoed, by every one of your fellow-Americans.

When you enlisted in this program, you enlisted for the duration. The term of your service has not yet reached its end. The truth is that the toughest part of your job still lies ahead.

Let us look at the future realistically. The war news of late has been extremely good. The enemy in Europe is on the run.

How soon he will collapse, none of us can tell. But even when that great day comes, there will still be a hard and costly victory to be won in Asia. Neither abroad nor at home can we quit fighting now. One thing a champion learns in his climb to the top is to bear down, to redouble his efforts as victory nears.

War expenditures do not stop abruptly with enemy capitulation. During the first six months following the Armistice in World War I, expenditures were slightly greater than during the six months preceding the Armistice. Completed and partially completed products must be paid for. Enemy countries must be occupied. Some relief for Allied nations will be necessary. The armed forces must be brought home and demobilized, and, in the meantime, they must be paid and clothed and fed. Then there is mustering-out pay and expenses for the retraining and rehabilitation of veterans. I am sure that no American will want to default on these obligations. They are costs which must be met if we are to make our victory complete and real. And like the costs of the war itself they must be met in such a way as to preserve and promote the stability of our economy.

You cannot rest on your laurels. The Sixth War Loan campaign lies immediately ahead. Its challenge must be confronted just as resolutely as in the past. And I tell you frankly that even

on the most optimistic assumption there will have to be a Seventh Loan. Your job is to make the people of America understand that there can be no let-down on the Home Front now. This is the time to bear down, like champions, with all your strength. I know that America can count upon you to see your job through to its end.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

September 26, 1944

TO Secretary Morgenthau
FROM Fred Smith

Dear Boss:

Chet LaRoche called this morning and asked me to come to New York and take over the advertising and promotion of the Blue Network.

I would like to do it.

I have several reasons for wanting to do it:

First, the Smith family is not at all happy in Washington, as you know. At least half the sickness we have had in the family is due to this cause and no other. We therefore want to return to New York.

Second, I would like to get out of the public relations business, and I may not again have the opportunity to do it and still get a reasonable salary. I previously talked to Chet about public relations for Blue, and turned this job down. But by taking over the advertising and promotion, I am getting back into the field that I like best, and I will not be called upon at any time to use contacts I may have made in Washington or elsewhere. Other jobs that I have been offered, paying up to thirty-five or forty thousand dollars a year, are, I am sure, partially on a contact basis, and that isn't the way I want to work. This latest offer, which will pay me about twenty thousand dollars, is nice and clean, and that is what I like about it.

My third reason for wanting to go now is because I think I have contributed about as much as I can to the Bond campaign and to other facets of the war, which is what I came down here to do a year and a half ago. Shaeffer is broken in to handle the press both here and on your trips very satisfactorily.

- 2 -

Barth is the best speech writer we have ever had, and he shows no signs of going stale. I, myself, am very stale, and will continue to be until I can get far enough away from Washington to see the whole thing in perspective, then I might conceivably be of considerable help to you. The things I am doing now don't require me in particular. They can be done by other people equally as well, and probably better.

My fourth reason for wanting to go is because the Smith family has been running in the "red" for a long time, and it is necessary that the exchequer be stocked again. This is one reason why I think I am right in taking this job with the Blue instead of taking the time to set up my own organization, although my own organization would probably pay me more in time.

I am quite sure that I am right about this. I hope you will let me resign from my present job, and will give me the opportunity to be of some help to you in the future. When I have had a chance to get my perspective again, I will be as fresh as I was when I first came down. The reason for Chet's urgency in this matter is because the fall promotion to lure more listeners to the Blue should be out and running as of today, and it isn't even started. Therefore, he would like to have me come yesterday. I would like to go after we have cleaned up your speeches for the War Bond drive.

My suggestion is that I go down to New York after the speeches are finished and stay until you are ready to make your trip around the country; and then if you need me on that trip, I can come back and make the tour with you. Afterwards, I can return to New York for good, except for what advice and consultation I might prove helpful on.

What do you think?



Treasury Department 149
Division of Monetary Research

Date Sept. 26, 1944

To: Mrs. McHugh

This may amuse the Secretary.

H.D.W.



MR. WHITE
Branch 2058 - Room 214½

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Treasury Department
Division of Monetary Research

Date Sept. 23, 1944

To: Mr. White

From: Mr. Taylor

Subject: Secretary Morgenthau at
Quebec

The attached Daily Mail article of September 16 offers the novel interpretation of the reason why Secretary Morgenthau went to Quebec: it was "to persuade Britain that she can afford only a minor share in the Far Eastern campaign". In substantiation of this report, the Daily Mail quotes the Baltimore Sun as its source.

September 16, 1944

Daily Mail

NORTHCLIFFE HOUSE,
London, E.C.4. Tel.: CENTRAL 6000

Who Fights Japan ?

FROM the Quebec Conference comes a startling suggestion. It is that, far from believing that Britain will take too small a part in the war against Japan, some Americans fear that she will attempt too much.

The Baltimore Sun correspondent reports that MR. HENRY MORGENTHAU, U.S. Secretary of the Treasury, has been brought to Quebec to persuade Britain that she can afford only a minor share in the Far Eastern campaign.

Britain's rôle, in the opinion of high-ranking American officers, should—according to this report—be confined to "mopping-up" operations.

These ideas are quite new to most people here, and we must ask ourselves where they originated. It is likely that they are concerned with questions of prestige and post-war interests in the Far East. If this is so, there is little to choose between Britain and the United States in what they feel to be their due.

The disaster of Pearl Harbour is matched by the loss of Singapore. The Americans feel bound to regain the Philippines, and considerations of "face" demand that we, too, should win back Malaya by British arms.

As to post-war interests, Britain has a greater stake in the Middle and Far East even than the United States.

British Bases

NO one in this country would wish to enter into competition with America about the relative parts to be played by each country in defeating Japan. That would be retrograde.

Only because Britain and America have contributed what each could best provide has the war against Japan been so successful up to now. If we have relied largely upon American man-power and material, America has relied upon British Empire bases.

Without Australia and the magnificent work of her forces and people, the island war could never have been begun. Without India, there could have been no Burma campaign. Without Ceylon, the control of the Indian Ocean would have fallen to Japan.

Looking at a world map, it seems fairly obvious that Japan is doomed to be squeezed out in a gigantic pincer movement, with the American claw closing in from east and south, and the British from north and west.

In other words, the slogan must be "Co-operation" right to the end. It would be fatal to our post-war hopes to attempt to make two wars of what has always been one war. The Grand Alliance must, at all costs, act together.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Sept. 26, 1944

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation
Week ending September 23, 1944.

Summary

Industrial production: Factory output and employment increased moderately last month, after declining noticeably in July due to this year's wider observance of the Independence Day holiday. The FRB adjusted index of production rose to 232 in August from 231 in the previous month. Despite this slight increase, the adjusted index for August was 3 points below the June level and 15 points below last year's war-time peak.

Reconversion: Some observers criticize the actual progress of the reconversion program. The managing director of the Automotive Council for War Production last week asserted that existing regulations which interfere with reconversion preparations would have to be revoked if serious post-war unemployment is to be avoided. The WPB is endeavoring to speed up the interim program for limited reconversion, which thus far appears to have lagged behind expectations.

Cost of living: Living costs in August rose slightly for the fifth consecutive month, and the index is now at a new high, 2.4 percent above that of a year ago and 28.1 percent above the pre-war June 1939 level. Retail food prices have again increased, following declines in the latter part of 1943 and the first part of 1944.

Commodity prices: Commodity prices moved irregularly last week, with the Dow-Jones futures index up slightly and the BLS spot index of 28 basic commodities showing practically no change. The unexpected announcement by Director Vinson, over the weekend, that the Commodity Credit Corporation would buy this year's cotton crop (and wheat after May 1) at parity prices brought very sharp upturns in the futures markets on Monday.

Construction: Residential construction awards last month declined to a new war-time low, and were less than one-fifth as large as in August 1939. Meanwhile, building costs continue to rise, with the cost of building the St. Louis house advancing in August to a new all-time high 33 percent above that of August 1939.

Factory output and employment higher in August

Manufacturing output and employment rose moderately last month, after declining noticeably in July due largely to this year's wider observance of the Independence Day holiday. (See Chart 1.) In addition to benefiting from the longer work month, manufacturing activity was bolstered by the seasonal upturn which normally occurs in August. The FRB adjusted index of production rose to 232 from 231 in July. Despite this slight recovery, however, the adjusted index was still 3 points below the June level and 15 points below the war-time peak attained last fall.

The number of wage earners employed in manufacturing industries in August increased 70,000, or about one-half of 1 percent, due primarily to a large seasonal expansion in the canning industry. Seasonal factors also expanded employment in the apparel and lumber industries, while increased production of replacement parts accounted for a gain in employment in the automobile industry. These gains were partially offset by further cutbacks in aircraft and shipbuilding, which caused the transportation equipment industry, exclusive of automobiles, to show an employment decline of 34,000.

Despite a moderate increase in August, total nonagricultural employment during the month was about 1,100,000 below the August 1943 figure of 39.9 millions. All but a small part of the employment decline in the past year has occurred in manufacturing and construction.

Additional workers needed in certain war industries

Production in certain war industries still continues to lag due to manpower shortages. It was reported last week that 217,000 additional workers were needed by more than 2,000 plants. Among the industries said to be suffering from labor shortages were those producing heavy trucks and tires, heavy guns and shells, castings, airborne radar, and combat cargo and transport carriers.

In commenting on the foregoing labor shortages, the Acting Chairman of the WPB expressed the belief that the controlled hiring program would meet the problem "if we can counteract the tendency of everyone to think in terms of next year's automobiles instead of this year's war."

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Progress of reconversion program

With most people expecting an early end of the war in Europe, interest in reconversion prospects is widespread, but some observers continue to be sharply critical of the actual progress thus far achieved in the reconversion program. George Romney, managing director of the Automotive Council for War Production, charged last week that the people were being seriously misinformed as to the status of reconversion. Moreover, he asserted that the War Mobilization Director would have to revoke existing regulations which interfere with reconversion preparations if a serious period of mass unemployment after the war is to be avoided. Among others, Mr. Romney made the following specific charges:

1. Plant clearance procedures have not been settled.
2. Limitations on experimental model production are too stringent, and prevent effective preparation.
3. Manpower limitations by WMC on the release of technicians have not been liberalized sufficiently.
4. The order permitting the production of bottleneck machine tools has not been effective, since such orders have no priority rating.
5. Small amounts of materials needed for engineering and testing of tools, dies, machinery and equipment, have not been made available to speed reconversion.
6. No provision has been made for notification of subcontractors of the extent of their X-day cutbacks.

Additional reconversion plans approved

During the past week the WPB granted approval to 3 manufacturers to step up preparations for resumption of automobile production. Applications of Chrysler, Ford and the Fisher Body Division of General Motors, involving expenditures of less than \$25,000 per month, were approved. Other reconversion steps taken by the WPB last week included the allocation of an additional 37,000 tons of steel for contingent programs for civilian goods production, and the listing of plants which should be cleared of war work as soon as possible after X-day.

Further progress in rounding out the legislative framework of the reconversion program was effected when Congress finally enacted the bills governing the disposal

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of surplus war property and demobilization and reconversion. However, both measures as enacted have been widely criticized. The present Surplus Property Administrator has indicated that he will refuse to accept appointment under the existing terms of the surplus property bill, while organized labor has been particularly critical of the demobilization and reconversion bill as finally passed.

Interim reconversion plan lags

Reports from many quarters, including the Automotive Council for War Production, indicate that actual reconversion thus far effected under the "spot authorization order" of mid-August has failed to measure up to earlier expectations. Implied recognition of this fact is also seen in last week's announcement by Acting Chairman Krug that the WPB is working on plans to speed up the working of the program.

Some of the lag has been attributed to the belief of some manufacturers that the fall of Germany and general relaxation of controls is imminent, thus making limited interim reconversion inadvisable. While actual manpower and materials shortages undoubtedly have prevented greater reconversion, complaints are heard that local WPB and WMC officials have overstressed manpower difficulties to the detriment of the limited reconversion program. Likewise, procedures for obtaining authorization to produce civilian goods under the program are said to need simplification.

Cost of living slightly higher in August

Attention has again been focused on the BLS cost-of-living index, since reports of three WLB panels in the past two weeks have indicated that the index understates the actual rise in living costs. Figures just released by the Bureau show a further slight rise in the cost-of-living index to a new high in August, the fifth consecutive monthly rise. The index is now 2.4 percent higher than a year ago and is 28.1 percent above the pre-war June 1939 average. Since January 1941, the base date of the Little Steel wage formula, the index has risen 25.3 percent, as compared with a 15 percent increase in basic wage rates permitted by the formula.

Retail food prices have again increased, after showing a declining trend from June 1943 to March of this year, and are slightly above a year ago, although they are still 3.7 percent below the war-time peak of May 1943. (See Chart 2.) The continued seasonal rise in egg prices was responsible for the further slight advance in the food index in August.

The stability in the cost-of-living index during the latter part of 1943 and the first part of 1944 was due to the decline in food prices offsetting increases in the prices of clothing, household furnishings, and miscellaneous charges. A disappearance of lower-priced cloth coats for women in some areas contributed to the further rise in the clothing component last month, which is now 7.3 percent above the level of a year ago. Prices of household furnishings and miscellaneous charges continued to advance.

In regard to the controversy over the adequacy of the BLS index, independent studies by prominent economists have concluded that the index is a good measure of price changes of goods purchased by families of wage earners and lower-salaried workers in large cities. It does not, however, (nor is it intended to) measure the amount of money a family spends for the commodities and services bought.

Commodity prices irregular

Despite several legislative and governmental developments in the support of agricultural prices, commodity prices moved irregularly last week. The Dow-Jones futures index rose slightly, but the BLS index of 28 basic commodities showed practically no change. (See Chart 3.)

Wheat prices were moderately higher, bolstered by CCC purchases. Near the end of the week an increase in the CCC's cash wheat purchase price was announced. Cottonseed oil prices declined noticeably but steer and rosin prices rose.

The passage of the Surplus Property Disposal Bill, with a provision raising the cotton loan rate to 95 percent of parity, appears to have been previously discounted, and cotton prices moved slightly lower. However, an announcement has been made over the weekend by Director Vinson, following a conference with cotton state senators, that the CCC will buy from farmers at parity all cotton of this year's crop on which a loan schedule has been announced and which is in acceptable storage. A similar announcement was made for all 1944 crop wheat that is unredeemed on May 1, 1945. A request for funds is expected after Congress returns. This action caused very sharp advances Monday in the futures markets for farm products, in one of the heaviest trading sessions of recent years, with most grains rising the legal limit.

In the week ended September 16, the BLS general index of wholesale prices was unchanged at 103.6 percent of the 1926 average. Prices of farm products followed mixed trends, with seasonal declines noted for apples and potatoes and a seasonal advance in egg prices. Cotton goods prices continued to advance as a result of upward adjustments in ceiling prices in accordance

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with the Stabilization Extension Act. Prices of drills and unbleached sheetings increased about 6 percent. The all-commodity index is now 0.7 percent above that of a year ago and is 38.1 percent above the pre-war level of August 1939.

Surplus disposal bill creates a two-price agricultural policy

The establishment of a two-price system for agricultural commodities is incorporated in the Surplus Property Disposal Bill now awaiting the President's signature. The Bill provides that: "Surplus farm commodities shall not be sold in the United States . . . in quantities in excess of, or at prices less than, those applicable with respect to sales of such commodities by the Commodity Credit Corporation, or at less than current prevailing market prices, whichever may be the higher, unless such commodities are being disposed of . . . only for export".

The bill also provides that "the Commodity Credit Corporation may dispose of or cause to be disposed of for cash or its equivalent in goods or for adequately secured credit, for export only, and at competitive world prices, any farm commodity or product thereof without regard to restrictions with respect to the disposal of commodities imposed upon it by any law. . . .".

No surplus food is to be exported, however, if a shortage of such food exists here or if the food is needed to supply normal consumer demand. The War Food Administrator will be solely responsible for the formulation of policies concerning the disposal of agricultural commodities. A rider is attached to the bill, raising the Government loan rate on the 1944 cotton crop from 92½ to 95 percent of parity.

In view of the possible excess food production in the next few years, together with the Government commitment to support agricultural prices for two years after the war, the two-price system may become an important part of our agricultural program. However, the barter provision contained in the bill, providing for the disposing of surplus foods for their equivalent in goods, has already been subject to some criticism in the press. Moreover, the success of a two-price system will undoubtedly depend upon the international trade situation. If the problem of dumping is to be avoided under such a policy, it appears likely that effective international commodity agreements will be necessary.

World wool stocks very large

With the end of the European war approaching, world stocks of wool are at very high levels, as was the case at the end of

the last war. Total stocks in this country, not including those owned by the British Government, amount to more than 1 billion pounds, or slightly greater than the record consumption of 1943. Of these stocks the GCC owned 273 million pounds (domestic wool) as of August 15, while the Defense Supplies Corporation now owns around 200 million pounds (foreign wool). Moreover, the carryover of wool this year in the five important wool countries of the Southern Hemisphere was approximately 2,200 million pounds, as compared with 1,700 million last year and with only 200 million pounds in 1939.

The Defense Supplies Corporation in recent months has been attempting to dispose of its wool stocks through semi-monthly auction sales. Since February, when the sales began, approximately one-third of the DSC stockpile has been sold. The DSC, however, may find it more difficult to sell wool in future months, since the more desirable qualities have been sold first, and since a more cautious inventory policy has recently been adopted by the wool trade.

The British and American Governments can doubtless be expected to dispose of their stocks cautiously, so as not to seriously weaken the wool market, hence the large stocks may weigh heavily on the markets for several years. Government stocks after the last war were not completely cleared until March 1922, and the final sale of stocks by the British Government was not made until May 1924.

Butter shortage as severe as a year ago

Notwithstanding the expectations of food surpluses following the end of the war in Europe, some food items are now in relatively short supply. A shortage of butter has developed in recent weeks which is fully as severe as that of a year ago. While areas near the centers of production have been able to obtain sufficient butter, the supplies in more distant areas, particularly on the East and West coasts, have been considerably deficient.

Total milk production this year has been at about the same high levels as in 1943 (see Chart 4, upper section), but a smaller amount has been diverted to butter production. Thus butter production in the first eight months of 1944 fell about 13 percent below the same period of last year, with the August production 14 percent below, according to confidential figures of the Bureau of Agricultural Economics. (See Chart 4, lower section.) Existing price ceilings have tended to make the use of whole milk in butter production less profitable than in some other manufactured dairy products. Although Government

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set-aside requirements, which have been taking a considerable portion of the total butter production for the armed forces, lend-lease, etc., will be eliminated in October, the continued seasonal decline in production is expected to make butter supplies rather tight for the remainder of this year.

Hurricane causes widespread crop damage

The recent hurricane caused widespread damage to crops along the Eastern seaboard, according to last week's crop bulletin of the Weather Bureau. All crops in coastal areas of Virginia, Maryland, and New Jersey were extensively damaged, while orchards in southeastern New York, Connecticut, and Massachusetts suffered as a result of the wind blowing matured fruit from the trees. The main damage occurred to the apple crop, although the Connecticut tobacco crop appears to have been severely affected.

The WFA stated last week that from 10 to 75 percent of the total apple crops in the various storm areas, representing between 3 and 4 million bushels, were blown to the ground along the Atlantic seaboard. In Dutchess County, New York, according to Theodore Cross, former president of the New York State Horticulture Society, 20 percent of the apple crop was destroyed with losses estimated at \$500,000. Canadian sources place the damage to the Nova Scotia apple crop at about 10 percent, a considerable part of which, however, can be salvaged.

Consumers in the eastern states have been urged by the WFA to take advantage of the temporary market surplus of apples resulting from the storm. Volunteers have been helping growers gather the fallen fruit, and the WFA stated that retail fruit and grocery stores throughout the territory will cooperate with growers in marketing the fruit.

Residential construction awards at war-time low . . .

In view of the heavy deferred demand in private building resulting from war-time restrictions on construction activity, the building industry is expected to play an important role in post-war economic activity. Indicative of the present lull in construction activity, contract awards in the first 3 months of 1944, as reported by the F. W. Dodge Corporation, have been about 46 percent below the previous year's level. Moreover, residential construction awards during August dropped to a new war-time low and were 89 percent below the March 1942 peak. (See Chart 5.)

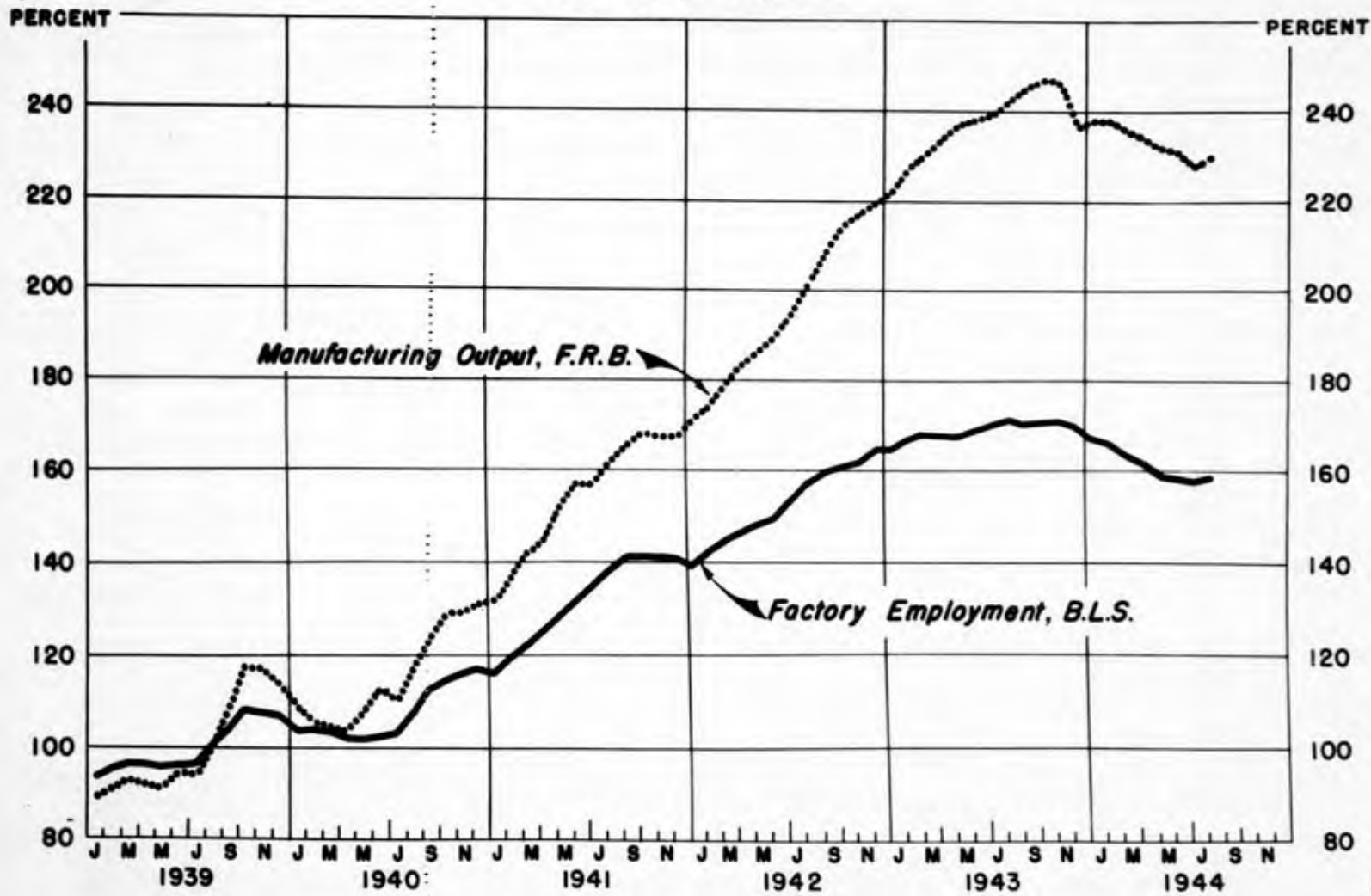
- 9 -

Testifying to the present contraction in the building industry, it should be noted that total employment in construction work last month was less than one-third as great as in the pre-war month of August 1939, while residential contract awards were less than one-fifth as large as in the earlier period.

A potential obstacle to the anticipated post-war building boom, however, has been the rise in building costs. The estimated cost of building a standard six-room frame residence in St. Louis advanced to a new all-time high of \$7,871 last month. This is 33 percent above the pre-war cost of \$5,923.

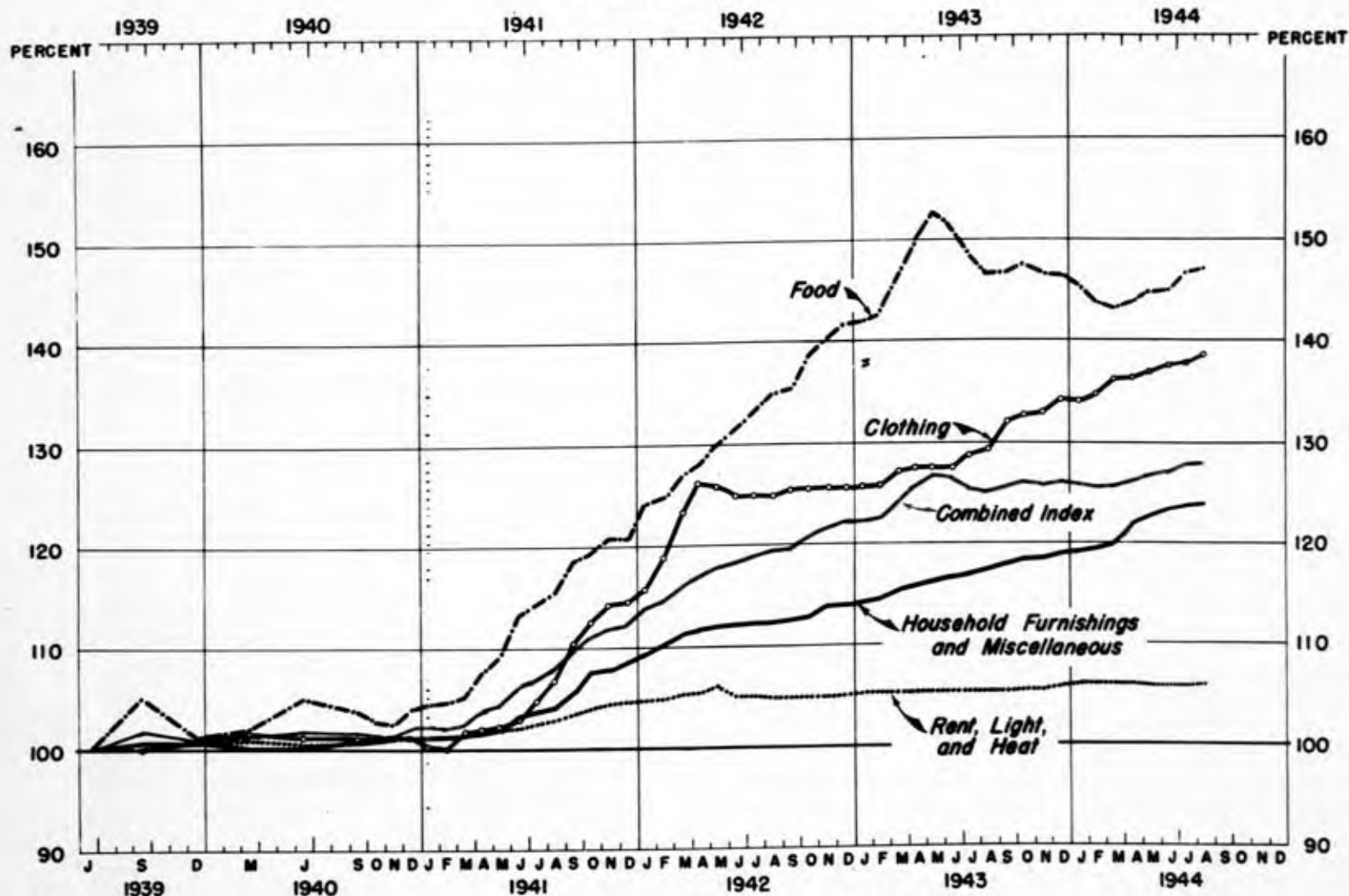
FACTORY EMPLOYMENT AND OUTPUT

1939 = 100, Unadjusted



COST OF LIVING AND SELECTED ITEMS

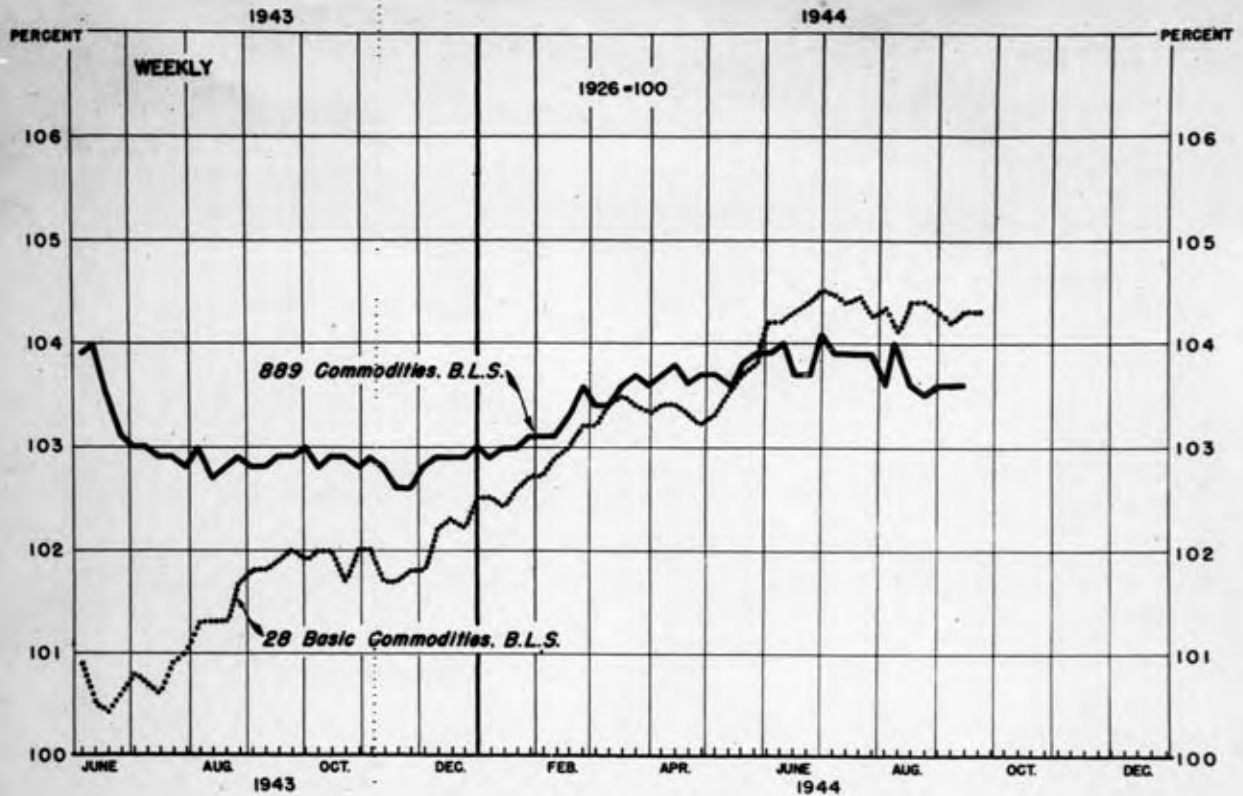
June 1939=100



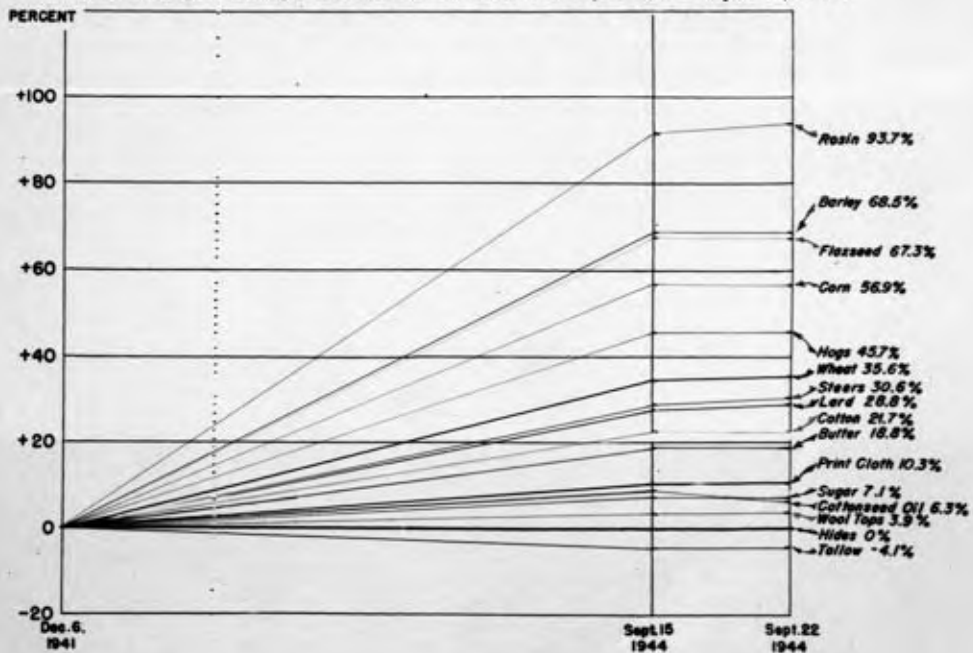
Source: B.L.S.

Chart 2
162

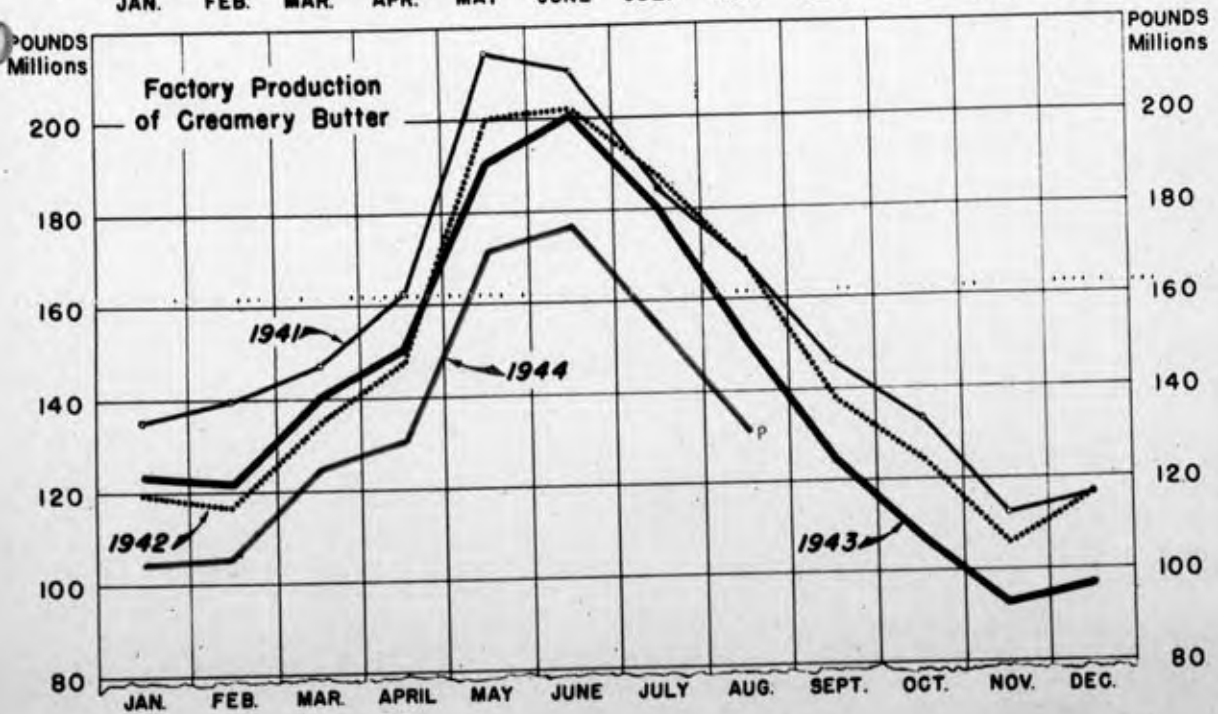
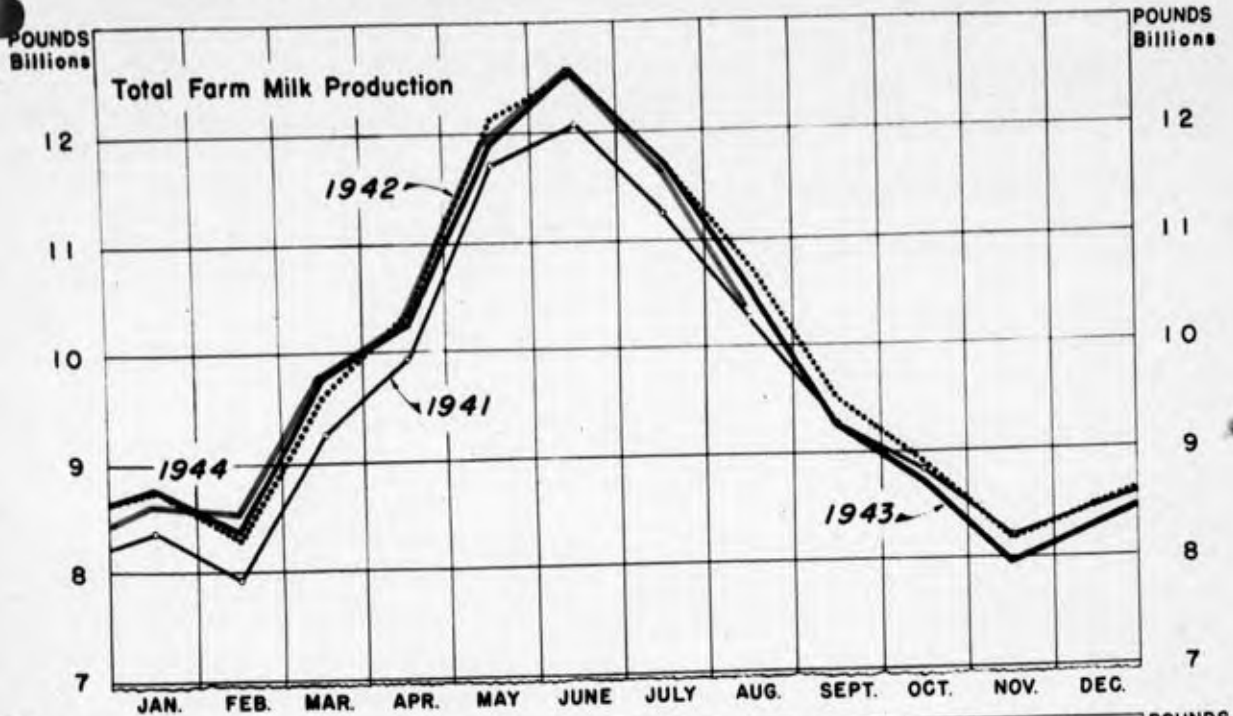
WHOLESALE COMMODITY PRICES



SELECTED BASIC COMMODITIES
Percentage Change December 6, 1941 to Sept. 15 and Sept. 22, 1944

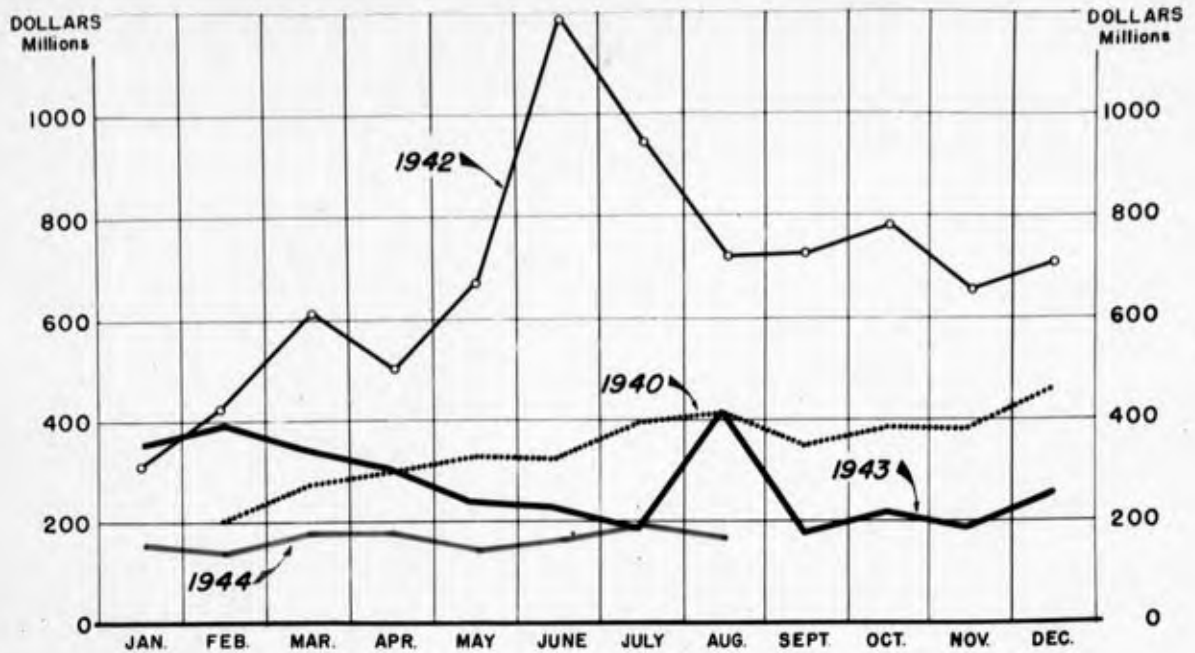


MILK PRODUCTION AND BUTTER STOCKS

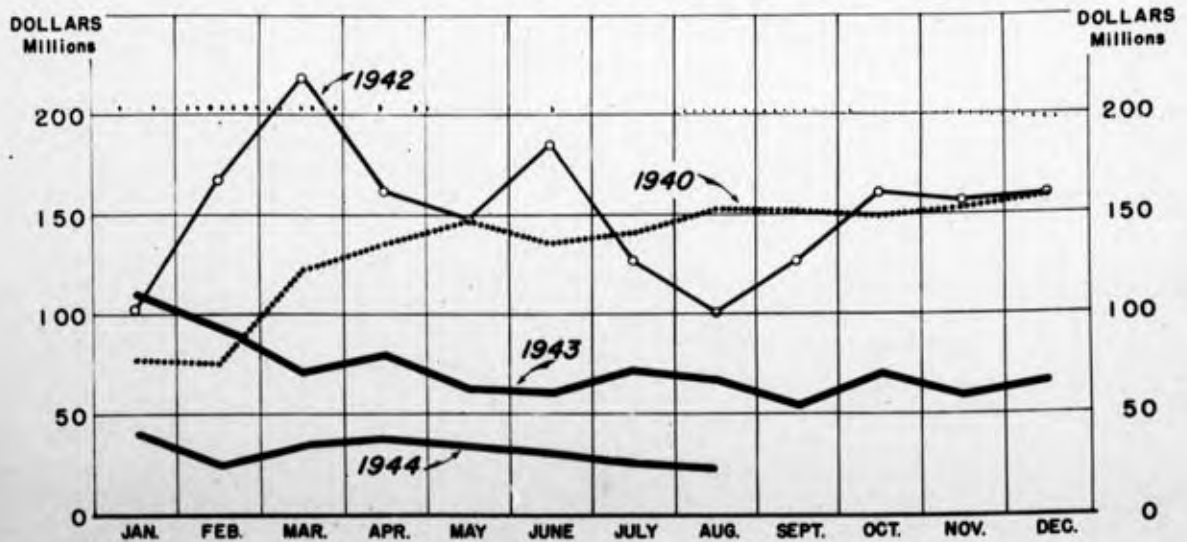


Source: U.S. Dept of Agriculture

TOTAL CONSTRUCTION CONTRACT AWARDS (37 States, F. W. Dodge Corp.)



RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED





TREASURY DEPARTMENT
WASHINGTON 25



September 26, 1944

MEMORANDUM TO THE SECRETARY

I am enclosing a list of the
special items valued in excess of \$50,000
as of September 25, 1944.

A handwritten signature in cursive script, appearing to read "E. L. Olrich", written over a diagonal line.

E. L. Olrich
Assistant to the Secretary

Enclosures

PROPERTY FOR DISPOSAL

SPECIAL ITEMS, COST TO GOVERNMENT IN EXCESS OF \$50,000

AS OF SEPTEMBER 25, 1944

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
1. <u>Automotive Products</u>			
<u>HYDRAULIC FLUID</u>	378 459 gals	\$1.74	658 580
<u>AUTOMOTIVE PARTS, OBSOLETE, USED</u>			2 000 000

Needs reprocessing. Was supposedly withdrawn by Army last June. We are now waiting manufacturers decision as to re-purchase. We have his offer of \$.51@ gallon for 100,000 gals.

Majority are used, having been taken from used vehicles and put in stock. There are acres of used bodies, fenders, cowls, cabs, etc., at Blue Grass, Ky. and Fort Crook. Spot check inspection list has gone to Chrysler as a test action on disposal. Other lists are going to other manufacturers. The regional offices have been authorized to dispose of parts occupying 75,000 sq. ft. of space.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>AUTOMOTIVE SPARE PARTS, NEW</u>	25 000 000		18 000 000

Large quantities on recent declarations are bolts, nuts, spark plugs, fuses - called "parts common" that can be used on any motor vehicle. Lists totalling 11 million parts worth \$2,500,000 have been submitted to Ford and General Motors for them to analyze and determine parts acceptable.

2. Textiles and Wearing Apparel

All textiles and clothing in the hands of disposal agencies have been temporarily frozen to enable the Army to make selections for use in program for occupied countries.

<u>CARRIER, GAS MASK</u>	400 000	\$1.00	400 000
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New item - samples awaited.

<u>W.A.C. CAPS</u>	76 712	2.20	168 766
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Samples have been given to exporters and others. This is an item that is hard to dispose of.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>HATS, ARMY SERVICE</u>	45 928	\$3.00	137 784
The old-style, broad brimmed campaign hat. Of original amount of 91,000, half have been sold. Negotiations in process for balance.			
<u>GLOVES, RUBBER, ANTI-GAS</u>	742 000	1.00	742 000
Gauntlet type. The Army will not withdraw, as previously advised. Arranging a meeting with the mfr. <i>65,000 pr. withdrawn 9/25/44.</i>			
<u>MOSQUITO BARS, WITH RODS</u>	669 000	5.90	3 947 100
Export deal for used items is being worked on. If successful, this will take care of 50% of the lot. Domestic sales at \$1.50 are continuing in small lots.			
<u>LEGGINGS</u>	213 280 pr		109 833
World War I stock, good only for salvage. Now being authorized for sale by Regions.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>BELT POCKET FOR CARTRIDGE CLIPS</u>	1 000 000	\$0.10	100 000

Web pocket with fastener. Radio advertiser is taking quantities under option as requests from program develop. Price received \$0.06. Radio program has taken an additional 25,000.

<u>MAGAZINE BELTS</u>	55 369		130 325
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Samples received - very little interest shown.

<u>APRONS, IMPERMIABLE</u>	79 449	5.00	174 800
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Rubber coated apron, with sleeves, designed like an operating gown. Has very little use, except to cut up to salvage the material. Sample has been received and shown to possible purchasers and is being discussed with the Clothing Mfrs. Ass'n for their recommendation.

3. Machinery

<u>ICE GROUSERS, NEW</u>	76 726 pieces	2.70	207 160
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Ice gripping shoes to be attached to special rubber tired treads of high speed military tractors. Each weighs 6 lbs. A tractor needs 296 pieces. There is no known application on standard machines; no market, except for scrap. Publicity being released.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>GROUSERS</u>	43 853	\$3.00	131 559

Reported as new grousers for tractors, i.e. shoes to be bolted to the flat tracks of crawler tractors. Inspection proved that they were simply short pieces of mild steel (structural) angle iron with punched holes. They were made as an improvisation for use in the soft going in Burma but were impractical. Sample awaited. Advertising folder will issued.

<u>CONSTRUCTION MACHINERY, HEAVY</u>	5 942	1,000.00	5 942 000
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General inventory of used machinery, most of it in very poor condition. Sales are being made regularly but inventory mounts.

4. Furniture

<u>STRETCHERS, CANVAS AND METAL, NEW</u>	8 400		54 000
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New items from O.C.D. stocks. Disposal plans being made.

<u>CANVAS COTS & FOLDING BEDS, NEW</u>	18 000		67 000
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New merchandise from O.C.D. stocks. New declaration. Disposal policy being formulated.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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BED PARTS

65 000

Springs, heads, feet, and side rails; unassembled. Negotiating with bed mfrs. regarding repurchase.

MATTRESSES, INNERSPRING, NEW

9 500

\$6.00

58 000

From O.C.D. stocks. New declaration - plans being formulated.

MATTRESSES, NEW AND USED

911 960

5.50

5 015 780

200,000 new; 711,960 used. Large quantities of used mattresses are going into the manufacture of paper. This will provide a strong market for some time. New mattresses are selling in appreciable volume but quantity does not decrease much because of new declarations.

PILLOWS, NEW AND USED

871 348

.73

636 084

Some cotton, some feather, some mixed. 68,000 new, 803,348 used. Moderate sales of new pillows continue regularly.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
5. <u>Hardware</u>			
<u>BOLTS, MISCELLANEOUS</u>	8 103 482		2 053 399

All sizes and kinds. We have "frozen" individual items where large quantities of one size or kind, if thrown on market, would disrupt the industry. When tabulations are complete foreign purchasers will be contacted with view of exporting some items. Smaller quantities will be put up for domestic sale.

COVERS AND SEALS, RUBBER

27 3/4
tons

169 245

Includes 3/4 ton seals, which are round rubber washers about 1 inch in diameter. There are 27 tons of new "covers" which are 2 in. lengths of black rubber hose - thin wall, about 1 inch in diameter. Inspection report awaited.

HARNESS

16 524

\$5.60

93 476

Miscellaneous harness parts and pieces. Region will sell to manufacturers on established contract.

173

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>HOSE, FIRE, NEW</u>	250 000 ft	\$0.50	125 000
From O.C.D. stocks. Other government agencies are being circularized.			
<u>HOSE, RUBBER, USED, 25 FT.</u>	27 840 plus short lengths		984 893
27,840 lengths hose, 2 inch and 2 1/2 inch inside diameter, plus 312,000 short lengths ranging from 2 inches long to 4 feet - mostly pieces a few inches long. This hose has been used for handling explosive material and is considered dangerous. It may be withdrawn.			
<u>HEATERS, SPACE</u>	3 099	20.00 average	62 000
Magazine type. (Army No. 1) The manufacturer will prepare a proposal, due middle of October.			
<u>IMPRINTING MACHINES, NEW</u>	52 636	21.95	1 052 720
An Addressograph-plate press, portable, designed for Army Medical Corps identification purposes. Original manufacturer is developing a proposal for our consideration in regard to re-purchase. 17,036 withdrawn 9/25/44.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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INCINERATORS, NEW

34

\$9,818.00

333 812

Designed for human excretia but can be used for burning lower-water content material by remodeling at cost of \$1000 each. Manufacturer decided against repurchase.

LANTERNS, OIL BURNING

34 460

3.00

107 316

Reported as "deck" lanterns by Navy, but are similar to typical farmer's or railroad lantern, with carrying bail + red globes. Navy is shipping samples to Army Ordnance for their inspection.

MARKERS, MINE FIELD11 378
sets

6.85

77 937

Web fabric carrying case containing 30 metal pins (18 inch) with 4" x 4" metal flag marked "Danger". Pocket contains 2 rolls of narrow, yellow tape. National publicity has been sent out.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>PLATFORM TRUCKS, STEEL, NEW</u>	8 000	\$75.00	600 000

Steel trucks on casters, designed to move airplane engines undergoing repairs. National price of \$32.50 has been set and item has been advertised. Sales are being made in small quantities.

<u>RAFTS, PNEUMATIC, 5 MAN</u>	1 200	200.00	240 000
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About one-third of original lot have been sold at established trade prices. Sales continue to come in.

<u>RESPIRATORS, DUST, COMMERCIAL</u>	61 127	1.00	59 293
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Made for African combat use - some are suitable for industrial use. A manufacturer has made a re-purchase offer of \$.70 for those of his make. Other manufacturers' offers awaited.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SIRENS, NEW</u>	28 638	\$6.00 (approx.)	174 569
Hand warning device for combat use. In canvas case with shoulder strap. Have had offer of \$2.00 each - refused because too low. Higher bid expected.			
<u>SNOWSHOES, EMERGENCY</u>	21 837 pr	4.25	92 807
Paratroopers' special type, of no value for sport purposes. We have sold 1000 pr. at \$1.00 each for children's use.			
<u>SNOWSHOES, USED</u>	17 917	9.00	161 253
Serviceable, trail and bear paw types. 3600 pr. have been sold at average price of \$1.80.			
<u>SKIIS, USED AND NEW</u>	7 500 pr	16.30	122 323
Some with harness attached. Sales to foreign governments are being promoted. Chile is expected to take 2000 pair to supplement former purchase.			

177

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SPURS, NEW AND USED</u>	300 000 pr	\$1.30	390 000
Publicity release produced many inquiries. Descriptive folder will be mailed this week. General Mills still offers only \$.12 a pair for entire amount.			
<u>SCABBARDS, BOLO</u>	114 290	1.60	190 864
Obsolete item. No bolos available - a short, curved, heavy blade-knife. Many inquiries have come from department stores as a result of publicity. Sept. 27th has been set as closing date on bids.			
<u>MACHINE GUNS, ELECTRIC</u>	707	279.00	197 253
Practice gun. Suggested use for amusement purposes.			
<u>EMPLACEMENTS, MACHINE GUN</u>	32	5,300.00	169 600
A mount for a machine gun. No utility value known.			
<u>SHOTGUNS</u>	1 880	55.00	101 332
Manufacturers will submit re-purchase plan.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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SMOKE GENERATORS

67 600

\$3.50

236 600

Obsolete, individual smoke pots with chimneys. Has been on bid with no offer over \$0.11 each. New bid expected from Sears Roebuck.

SMOKE GENERATOR PARTS (VEHICULAR)

277 000

Small metal parts (valves, fittings). Many are special and new uses will have to be found. Sears-Roebuck not interested. Several large manufacturers are being solicited.

STAPLES, GALVANIZED2 240 000
lbs.4.52
per 100 lbs. 100 000

Made up for Lend-Lease export to Russia. Most are 2 inch, 8 gauge, galvanized. Majority of kegs are 100 lb. - a few are 35 lb. These staples are longer than the fence staples used in this country. Sales are being made in substantial quantities. at price near cost to govt.

WOOD SCREWS, BRASS, NEW260
tons

325 000

About 40 tons were sold for \$25,000. New bid for entire remaining lot expected.

179

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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6. Medical and Hospital Supplies

SURGICAL & DENTAL INSTRUMENTS
MEDICINES & SUPPLIES

1 846 000

Mostly non-standard, obsolete, or deteriorated. Includes \$52,228 in N. Y. Depot, \$250,000 in Louisville Depot, and \$100,000 dental supplies at Perry Point, Md. Disposal policy for non-standard items is being formulated.

MEDICINES AND ANTISEPTICS

5 800 000

This listing covers many declarations recently declared by Army. It is made up of various preparations of highly technical nature, in great quantities. All are on new declarations. Samples are being obtained. Will be tested to determine quality.

BOXES, TABLET

320 000	\$0.40	128 000
cartons		

500 boxes in a carton. Believed to be World War I stock. Samples awaited.

BANDAGES, MUSLIN

134 584		128 034
doz		

Samples have not yet arrived.

180

<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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DRESSINGS, FIRST AID PKGS.

34 000 000

4 000 000

Samples awaited. About 1,600,000 are known to be a commercial product. Regions have been advised to arrange for withdrawal of all material that may be of Red Cross manufacture. *4,000,000 withdrawn 9/25/44.*

SUTURES, SILK AND CATGUT13 500 000
tubes

2 397 000

For sewing after surgical operations. All government hospital agencies and the Red Cross have been advised of availability. Government agencies not interested. Will be offered to original manufacturers.

FLOSS, SILK510 000
spools

173 400

Samples awaited.

PETRI DISHES, WITH COVER

230 000

\$0.27

62 100

Laboratory dish for making germ cultures. Sample awaited.

TEST TUBES, GLASS

4 670 000

.03

140 100

Samples awaited.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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BOTTLES, WIDEMOUTH, 250 CC.

201 307

\$0.45

90 588

Samples being obtained. New item - no action as yet.

200 000

.33

66 000

FLASK, WITH CUP

Made for soldier to carry liquid medicine in field - a small canteen. Probably of no commercial value.

134 000
cards

.60

80 400

DISK, METAL, ABRASIVE, 7/8"

Dental supply item - packed 6 disks on a card. New items. Inspection report awaited.

1 381

300.00
(av.)

495 037

STERILIZERS, NEW AND USED

Considered unsafe for medical department use by Army. Negotiations with manufacturer in process. Offer for part of lot received.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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7. General Products

GASOLINE CANS, 5 GAL.

	2 500 000	\$2.00	5 000 000
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All "jerricans" (about 1/2 million) were withdrawn by Army. New declarations of over 2 million "Blitz" cans have come in. The latter will be offered for sale nationally at graduated trade prices on plan previously established for "jerricans".

CRATES, WOOD, USED

	129 540	1.50	220 319
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Have been used for packing guns. Awaiting inspection and appraisal report.

CAMERAS, AIRCRAFT

	96		307 386
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Each camera has great variety of collateral equipment. Obsolete type. Physical inspection being made. Informal negotiations with Fairchild Camera Co. in process.

BATTERIES, DRY CELLS AND PACKS

			150 000
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Overage for Army use. New declarations come and sales are reported regularly.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>DRUMS, 55 GAL., USED</u>	65 000	\$2.50	162 500

Sales of moderate quantities are being made regularly at ceiling price of \$1.00.

<u>FILM AND PAPER, PHOTOGRAPHIC</u>	34 000 pkgs		250 000
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The bulk of this is miscellaneous film - rolls, cut film, and packs - most of which is overage. About \$50,000 worth of new items will be offered to manufacturers. The overage material will probably be burned to recover the silver.

8. Paper, and Office Equipment

<u>PAPER, FILTER</u>			51 835
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Special filter paper made for wrapping the cannister in a gas mask. In narrow rolls (5 1/2" and 6 1/2" wide). Tearing strength practically nil. Paper is very absorbent. Disintegrates in contact with water. Cannot be used as pulp. Very poor chance of re-conversion to other uses. Publicity was released last week

Total. \$ 68 792 162

184

SURPLUS USED CARS REPORT

For 7 Days and Period Ended Sept. 23, 1944
(Period Began January 1, 1944)

	<u>7 Days to Sept. 23, 1944</u>		<u>Period to Date</u>
Total Used Cars Declared		<u>143</u>	<u>7294</u>
Less Declarations withdrawn	0	<u>109</u>	
Less Loans to Other Federal Agencies	0	<u>19</u>	
Less Transfers to Other Federal Agencies	<u>2</u>	<u>560</u>	<u>688</u>
Net Used Cars Declared for Sale		<u>141</u>	<u>6606</u>
Less Used Cars Sold		<u>928</u>	<u>3717</u>
Balance of Used Cars on hand:			<u><u>2889</u></u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>1873</u>
Not Inspected	<u><u>1016</u></u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY END OF PERIOD</u>	<u>INVENTORY CHANGE</u>
Period Ending July 29th.	3488	2623	865	
4 Weeks Ending Aug. 26th.	284	363	786	- 79
4 Weeks Ending Sept. 23rd.	3523	1420	2889	+ 2103

SURPLUS USED TRUCKS REPORT

For 7 Days and Period Ended; Sept. 23, 1944
(Period Began January 1, 1944)

	<u>7 Days to Sept. 23, 1944</u>	<u>Period to Date</u>
Total Used Trucks Declared	<u>871</u>	<u>37104</u>
Less Declarations withdrawn	<u>345</u>	<u>1403</u>
Less Loans to Other Federal Agencies	<u>0</u>	<u>145</u>
Less Transfers to Other Federal Agencies	<u>88</u>	<u>4479</u>
 Net Used Trucks Declared for Sale	 <u>438</u>	 <u>32625</u>
Less Used Trucks Sold	<u>1943</u>	<u>20688</u>
Balance of Used Trucks on hand		<u><u>11937</u></u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>6904</u>
Not Inspected	<u>5033</u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY END OF PERIOD</u>	<u>INVENTORY CHANGE</u>
Period Ending July 29th.	22049	15608	6441	
4 Weeks Ending Aug. 26th.	1877	5067	3251	- 3190
4 Weeks Ending Sept. 23rd.	13251	4565	11937	+ 8686

SURPLUS USE MOTORCYCLE REPORT

For 7 Days and Period Ended, Sept. 23, 1944
(Period Began January 1, 1944)

	<u>7 Days to Sept. 23, 1944</u>	<u>Period to Date</u>
Total Motorcycles Declared	<u>173</u>	<u>12525</u>
Less Declarations withdrawn	<u>0</u>	<u>5</u>
Less Loans to Other Federal Agencies	<u>0</u>	<u>0</u>
Less Transfers to Other Federal Agencies	<u>0</u>	<u>210</u>
Net Motorcycles Declared for Sale	<u>173</u>	<u>12310</u>
Less Motorcycles Sold	<u>1392</u>	<u>6984</u>
Balance of Motorcycles on hand		<u><u>5326</u></u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>1731</u>
Not Inspected	<u><u>3595</u></u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY END OF PERIOD</u>	<u>INVENTORY CHANGE</u>
Period Ending July 29th.	5644	4738	906	
4 Weeks Ending Aug. 26th.	1938	577	2267	+ 1361
4 Weeks Ending Sept. 23rd.	4945	1886	5326	+ 3059

25

September 26, 1944.

Dear Mr. Crowley:

Thank you for sending me a copy of the first Annual Report of the Foreign Economic Administration. I shall read this with much interest and appreciate your seeing that I had a copy.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Lee F. Crowley,
Administrator, Foreign Economic
Administration,
Washington 25, D. C.

GEF/dbs

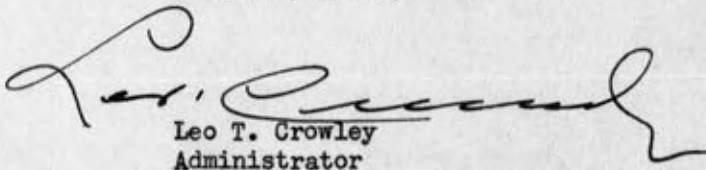
FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

September 25, 1944

Dear Secretary Morgenthau:

I am sending you herewith a copy of the
Foreign Economic Administration's first annual
report to the Congress.

Sincerely yours, .



Leo T. Crowley
Administrator

.....
The Honorable

The Secretary of the Treasury

RECEIVED SEP 28 1944
410

*Report to Congress
On Operations of the
Foreign Economic Administration*

•
September 25, 1944

*Report to Congress
On Operations of the
Foreign Economic Administration*

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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 a report on the first year of operations of the Foreign Economic Administration for the period from September 25, 1943, to September 25, 1944.

LEO T. CROWLEY,
Foreign Economic Administrator.

WASHINGTON, D. C., September 25, 1944.

I. W.
II. B.
III. L.
IV. E.
V. R.
VI. K.
VII. F.

Through our foreign procurement and exchange programs, the strategic materials have been secured from abroad and shipped to all parts of the free world to enable the United States to manufacture enough weapons and other war supplies to give our forces the firmness of our allies the overwhelping superiority of our arms that is now hastening final victory.

FUNCTIONS OF
FOREIGN ECONOMIC ADMINISTRATION

CHAPTER I

WARTIME FOREIGN ECONOMIC OPERATIONS

With the creation of the Foreign Economic Administration one year ago—September 25, 1943—almost all of this Government's economic warfare, foreign supply and procurement, and other wartime foreign economic operations were consolidated into a single agency.

The fundamental purpose of all these operations has been to strengthen the military effort of the United States and the other United Nations, to weaken our enemies, and thus to hasten final victory. In fulfilling this responsibility, in conformity with the foreign policy of the United States, the Foreign Economic Administration has worked in close collaboration with the armed services, the State Department, other United States Government agencies, representatives of allied governments, and American war industry and agriculture.

F. E. A. Responsibilities

Through economic warfare operations the Foreign Economic Administration has analyzed information obtained direct from inside the enemy's lines which has helped our Air Forces in planning and carrying out the strategic bombing offensives that have smashed German and Japanese aircraft factories, oil refineries, and other plants, railroads, shipyards, and supply centers. At the same time measures have been taken to keep strategic materials from being smuggled or traded into the hands of the enemy.

Through our foreign procurement and development operations vital strategic materials have been secured from mines and forests and farms all over the free world to enable the United States to manufacture enough weapons and other war supplies to give our forces and the forces of our allies the overwhelming superiority over the enemy that is now hastening final victory.

FUNCTIONS OF FOREIGN ECONOMIC ADMINISTRATION
EXPORT ACTIVITIES
<p>Programming and shipping of lend-lease supplies. Commercial export assistance and war-time control. Furnishing needed civilian supplies for relief and rehabilitation. Export coordination operations.</p>
IMPORT ACTIVITIES
<p>Government development, procurement and importation of strategic materials, commodities and foodstuffs from abroad. Imports under reverse lend-lease.</p>
ECONOMIC WARFARE
<p>Economic warfare intelligence and analysis, including work on bombing objectives and blockade measures. Preclusive purchase operations abroad to keep the enemy from getting strategic materials, such as tungsten and chrome.</p>
OTHER ACTIVITIES
<p>Coordination and supervision of the lend-lease program and of all U.S. foreign economic operations. Disposal of surplus property abroad.</p>

FOREIGN ECONOMIC ADMINISTRATION

CHART I

Through lend-lease and export controls our allies have been supplied with the quantities of weapons and other supplies they needed to supplement their own resources for use in the fight against the common enemy. Through reverse lend-lease our allies in turn have supplied our fighting men abroad with everything they had available that we needed. Friendly, non-belligerent countries have been supplied from the United States with the minimum quantities of consumer and industrial goods required to enable them in turn to supply other commodities essential for allied war production.

The work done by the Foreign Economic Administration in connection with the liberation of enemy-occupied areas affects not only the immediate security of our forces during the final offensives now under way; it also affects the security of our country after final victory is won. The Foreign Economic Administration assists in determining basic needs and in buying essential civilian supplies in the United States which the armed services provide during the period of military operations as an essential part of those operations. The Foreign Economic Administration also procures many essential civilian supplies both for the paying governments of the liberated countries and for the United Nations Relief and Rehabilitation Administration. United States supplies for the latter are obtained from the contribution to U. N. R. R. A. made by Congress for that purpose. These supplies are to be used after the military period, in order that liberated countries unable to purchase such supplies may be given assistance in helping themselves to restore their economies, so that they can join with us on a fully self-supporting basis as soon as possible in the task of building a secure peace.

Through these supply programs United States production has been used to strengthen the war effort of our allies and their production has been used to strengthen our own war effort. Efforts have been made to utilize every economic weapon to back up our fighting men in the United Nations drive to win complete victory over the Germans and the Japanese at the earliest possible moment. Each of these programs has supplemented the other and all have been interlocked as a combined operation on the economic front—just as the United States and allied armed forces on land and sea and in the air have waged their offensives as combined operations on the battle front.

Because the United Nations have fought this war as full partners in a joint enterprise they are now close to final victory over Germany. The strategy and battle plans for the final offensives against Japan are being completed and approved. These offensives, too, will be waged on a combined United Nations basis.

809567-44-2

Outlook After Victory in Europe

In the period which will follow the defeat of Germany and precede the defeat of Japan, the programs of the Foreign Economic Administration will be adjusted in line with these basic policies:

1. Victory over Japan comes first and everything that can be done through economic warfare, foreign procurement, lend-lease, export control, and liberated-areas programs to help win that victory at the earliest possible moment and at the least cost in the lives of our own and allied fighting men will be continued.

2. Within the limits of this overriding consideration, Foreign Economic Administration programs will be adjusted in such a way as to contribute most to laying the basis for a high level of international trade carried on to the fullest possible extent by private industry and private business. This is, in turn, essential to the achievement after the war in this country and in other countries of full employment, which will be one of the basic foundation stones of a secure and workable peace.

These adjustments will mean relaxation of many export controls and cut-backs in the foreign procurement of strategic materials. Economic warfare will be focused on the war against Japan. Lend-lease will be continued to the extent necessary to win final victory over Japan at the earliest possible moment on a fully combined basis with our allies. The Foreign Economic Administration responsibilities for liberated areas in connection with both the military and United Nations Relief and Rehabilitation Administration programs will increase, as will its responsibilities for the disposal of surplus property abroad. It may be possible to sell many of these surpluses to foreign countries so that the despoiled and devastated countries abroad can get back on their feet more quickly and engage in expanded trade with the United States on a self-supporting and mutually profitable basis. Finally, the Foreign Economic Administration will continue working with the State and War Departments, on the studies, based on F. E. A.'s information and experience in wartime economic analysis, as to what steps should be taken from the economic standpoint to control effectively Germany's future capacity to make war.

CHAPTER II

ECONOMIC WARFARE

The economic warfare operations of the Foreign Economic Administration have seriously undermined the enemy's economic ability to wage war. These operations have been carried out in two stages. First, information has been gathered and analyzed about the aircraft plants, the oil refineries, and every other important phase of the German and Japanese war economy, so that we could precisely point out the enemy's economic strengths and weaknesses. Then this information has been put to use in two major ways. It has been used by the armed services in determining allied strategic bombing objectives and in guiding sabotage operations. It has also been used to guide the blockade and preclusive buying operations by which shipments of those supplies most needed by the enemy from the outside world have been cut down or eliminated.

In all of these operations the Foreign Economic Administration works closely with War and Navy Departments, the Office of Strategic Services, the State Department, and the military intelligence and economic warfare agencies of our other allies.

Economic Intelligence and Analysis

The strategic bombing offensives, which have been waged against Germany with such tremendous effect and are now being carried forward against the Japanese homeland as well as its conquered territories, have depended for guidance upon a closely interwoven process of economic intelligence and analysis in which an expert staff in the Foreign Economic Administration has played an important but anonymous role side by side with the intelligence services of the armed forces and with the corresponding agencies of the British Government and our other allies. Every available source of information has been tapped: the files of American offices of German and Japanese firms; the records and experiences of American engineers

and other business and professional men who have worked in foreign lands, and of refugees and foreign travelers; pieces of captured enemy equipment; crews of captured blockade runners, and intelligence from secret agents inside the enemy lines.

About 30,000 confidential documents on the enemy's economy and war production have been coming into the Foreign Economic Administration every week to be sorted, pieced together, and analyzed. New techniques have been developed during the past two years by which remarkably exact conclusions on the enemy's economic strengths and weaknesses can be drawn from bits and pieces of apparently unrelated and often seemingly insignificant evidence. These new techniques must necessarily remain secret.

The Foreign Economic Administration does not, of course, select the targets for the strategic bombing forces. Those are purely military decisions. But, working with United States and British military and naval intelligence, the Foreign Economic Administration has been able to point out the most vulnerable spots from the point of view of the enemy's economic ability to carry on the war. Here are a few examples:

Strategic Bombing of Germany

1. Months before the dams at the Mohne and Sorpe Reservoirs, and the Eder Dam were smashed by a daring R. A. F. raid on May 17, 1943, economic warfare analysts had calculated how much harm this operation would do to German war production in the area and even in what week of the year the wrecking of the dams would cause the most destructive floods and the loss of electric power would be most severely felt.

2. Because the Germans had miscalculated the length of the war they permitted railroad equipment to deteriorate while expanding arms production. They ran so short of locomotives that it became necessary to assign top priorities to building more of them. Economic intelligence and analysis on this situation was laid before the military. Immediately a concentrated air offensive was launched against the railroads. Trains were bombed and locomotives shot up and destroyed. This offensive, aimed straight at an enemy weakness, forced the Germans to divert more and more materials and men from tank and submarine production and they have never been able to recover from these and subsequent blows at their transport equipment.

3. The strategic bombing offensives of the past year have been guided by economic intelligence and analysis. The Foreign Economic Administration learned, for example, which were the key factories producing aircraft parts and engines for the hard-pressed Luftwaffe. This information was turned over to the air forces and these

factories were heavily bombed. The Foreign Economic Administration also learned that the Germans were short of ball bearings, especially of certain types essential for aircraft engines, and it knew where were the key factories in German production. The raids on Schweinfurt and other ball-bearing-production centers, as well as preclusive operations in Sweden to buy up Swedish ball bearings and thereby keep them from the Germans was the result, in part, of these studies.

4. After Germany failed to reach and exploit the major oil fields of the Caucasus in the fall of 1942 she was forced to fall back on synthetic oil production and the output of the Ploesti oil fields and refineries in Rumania for almost all her oil. Economic analysis showed that systematic bombing of the synthetic plants and of the Ploesti refineries would soon have a serious effect on Germany's ability to fuel and lubricate the Luftwaffe, her mechanized ground forces, and her war industries. Ploesti and many of the key synthetic oil plants and crude refineries were out of effective range until the capture of air bases in Italy and the development of long-range fighters and of shuttle-bombing between Italy, Russia, and Britain. Last winter and spring and this summer, however, the concentrated bombing offensive on Ploesti refineries, the synthetic plants, and other refineries cut German production of fuels by much more than 50 percent. Now that Ploesti has been captured, bombing of the synthetic plants under German control is having an even greater effect. The Germans are rapidly running out of the oil they need to carry on their desperate defensive struggle against the advancing allied armies.

These are a few examples of the close relationship between our economic warfare and military operations which will soon bring us final victory over the Germans.

Strategic Bombing of Japan

Systematic bombing of Japan has only recently begun, but as far back as April 1942 the Doolittle raid on Tokyo had definite strategic objectives. In picking those objectives the Army used information on Japanese production centers put together by economic warfare analysts.

With the establishment of the U. S. Army's 20th Air Force and of the B-29 Superfortress bomber bases in the Asiatic theater, our Air Force is now able to put to good use all the economic intelligence information that has been painstakingly gathered, analyzed; and constantly rechecked over the past two and a half years. The targets already hit on the Japanese home island of Kyushu, at Anshan in Manchuria and in North China and Korea were picked on the basis of that information. The economic intelligence work behind those operations is already being speeded up and developed in anticipation of the rapidly widening scope of our bombing offensive against Japan.

Economic Warfare Measures

The same economic intelligence and analysis used in planning allied strategic bombing offensives has also been used in carrying out other economic warfare measures against the enemy. These are essentially blockade and related measures. They include such weapons as the "blacklist," tight controls over exports to neutrals, counter-smuggling measures, war-trade agreements with neutrals, and preclusive buying of strategic supplies in neutral countries. All of these operations are aimed at preventing the enemy, so far as possible, from obtaining supplies he urgently needs from outside the areas under his military control. These measures have been directed principally against Germany since Japan has been unable to make effective use of blockade evasion measures.

The "blacklist," officially known as The Proclaimed List of Certain Blocked Nationals, is a list of persons and firms, principally in neutral countries, that have been found to be cooperating with the enemy. The list was established and is maintained by the State Department and no export licenses are issued by the Foreign Economic Administration to anybody on this list or on a similar British list, or to anyone who is suspected of acting for persons on the lists. The "blacklist" has been kept current by an endless series of checks in which economic intelligence and analysis and export controls play an important part.

The maneuvers by which the Germans have sought to evade the blockade are many and have usually been carefully masked. For example, a neutral European country was found to be importing huge quantities of manicuring preparations. A check showed that one month's imports would have been sufficient for several years' normal consumption in that country. Then it was found that the manicuring preparations contained nitrocellulose and other materials that the Germans could convert to war production. Through export controls and blacklisting the supply was immediately cut off. In another case an American exporting firm received a rush order for needles of a type which previously had not been popular in South America. Investigation uncovered the fact that a bombing raid on Germany had destroyed a factory making this type of needle and that the Germans were seeking to replace their losses by using a neutral agent as a blind.

The Germans have been caught many times in the act of smuggling goods through the blockade on neutral vessels, especially platinum and industrial diamonds. These are the most difficult to detect, because they can be so easily concealed. The Germans became particularly active in smuggling after Allied control of the seas put an end to surface vessels running the blockade between Germany and Japan with valuable strategic commodities.

In many cases the Germans have resorted to the substitution of contraband goods for shipments which had been duly cleared through the Anglo-American navicert system, under which a neutral shipper certifies that his cargo has been cleared through the blockade.

War Trade Agreements and Preclusive Buying

War Trade Agreements and preclusive buying—buying to prevent vital supplies from getting into the hands of our enemies—have been the principal weapons used to reduce and if possible eliminate the sale to Germany of raw materials and manufactured goods produced by European neutrals. In return for permission to obtain through the allied blockade essential supplies carefully limited to the needs of their own people, the neutrals have been bound by these agreements to prohibit reexport to Germany of any of these supplies, or commodities similar in nature, and to prohibit or reduce their exports to Germany of critical materials which they produce. War Trade Agreements have been used in our dealings with Sweden, Spain, Portugal and Switzerland. They have been negotiated by the State Department and the Foreign Economic Administration in cooperation with the British.

The effectiveness of these agreements, combined with preclusive purchases, has varied with the shifting relative strength of the Allies and the Axis, but the net effect has been to draw always tighter and tighter the noose of economic strangulation around the Nazi war potential.

Battle For Tungsten and Chrome

Preclusive buying operations have been conducted jointly with the British in Spain, Portugal, and Turkey to supplement the War Trade Agreements. For the United States these operations have been under the direction of the Foreign Economic Administration, using the U. S. Commercial Company as the buying agency.

The most important campaign on the war trade agreement-preclusive buying front has been the battle of the ferro-alloys. These have been Germany's greatest weakness from the supply standpoint, for a very large proportion of the alloys which are essential to the making of armament steels came from outside Germany's borders. Some alloys Germany obtained by conquest or from satellites, but for two of the most important—tungsten and chrome—she was dependent on the neutrals. Virtually all of her tungsten came from Spain and Portugal, and her highest quality chrome came from Turkey. Germany had to have the tungsten for armor-piercing ammunition and high-speed cutting tools; the chrome for armor plate and aircraft engines.

In Turkey the Germans were able to secure virtually no chrome ore from 1940 until the beginning of 1943, while we and the British secured 600,000 tons. Then the Turks signed the Clodius Agreement with Germany which entitled the Nazis to buy 90,000 tons in 1943 and 90,000 tons in 1944. However, due to preclusive buying and other allied activities in Turkey, the Germans were actually able to obtain only 47,000 tons in 1943, and in the spring of 1944 Turkey was persuaded to cut off all chrome shipments to Germany.

In Spain and Portugal the allied War Trade Agreements and preclusive buying combined to cut sharply the amount of tungsten Germany obtained. Finally this spring both countries stopped virtually all further shipments after an embargo on petroleum shipments to Spain had been enforced for several months.

Before that happened the competition for the Iberian tungsten ores between Axis and Allied purchasing agents and secret operatives had been carried on bitterly with no holds barred for over two years. We were not always successful in individual cases, but the end result was that the German shortage of tungsten had already begun to have serious effects both on German war production and on the battlefields before Spain and Portugal finally acted.

By the end of 1943 intelligence from occupied Europe reported that inferior carbon-steel cutting-machine tools were replacing the far more efficient tools tipped with tungsten carbide in factories turning out equipment for the German war machine. More recently analyses of captured enemy equipment have revealed that the Germans have been forced to use high-velocity artillery shells without tungsten carbide cores. This means reducing the efficiency of such famous enemy weapons as the 88-mm. gun which the Germans have been using against our men in the campaigns in France and Italy. Thus preclusive buying, which is now over because allied military successes have made it no longer necessary, is still paying off on the battlefields.

Frozen Nazis

Preclusive buying has been used to buy up many other war supplies. Sometimes it has been directed at items which would not at first glance appear particularly important, yet the results have had a direct effect on the fighting. Wool rags are an example. We and the British worked desperately hard at and virtually succeeded in cornering the market in Spain, Turkey, and Portugal on woolen rags, other woolen goods, and mohair. The reason for these purchases is to be found on the Russian front. There the German Army went through three terrible winters, in each of which they suffered tens of thousands of casualties caused by the cold alone, besides severe military defeats. One reason, and an important one, was that the Germans were unable

to obtain enough wool and woolen goods to make winter overcoats, heavy socks and other warm clothing for their soldiers. That wool was in the hands of United States agents instead of on the backs of German soldiers.

Nazi Ballbearing Shortage

War Trade Agreements, preclusive buying, and other methods of economic warfare are interlocking and cumulative in their effect on the enemy. For example, Germany's weakness in ball-bearing production has been attacked from all angles. The raids on Schweinfurt and other ball-bearing factories inside of Germany were accompanied by the conclusion of a new trade agreement with Sweden last fall in accordance with which Sweden agreed to cut its ball-bearing shipments to Germany to less than 50 percent of what they had been the year before. Then, late this spring the United States and Britain succeeded in buying up most of the remaining Swedish output that would otherwise have gone to Germany during the succeeding months of the summer and fall. At the same time, measures were taken resulting in sharp reductions in the shipments of ball bearings to Germany from Switzerland.

After the War Against Germany

Now that we are in the concluding phases of the fighting in Europe, the Foreign Economic Administration's economic warfare activities are being directed more and more against Japan. At the same time the Foreign Economic Administration is using its economic intelligence and analysis experience in the German phase of the war as the basis for new studies on what should be done after the surrender of Germany to destroy its power and capacity to make war in the future. This information is being made available to the military authorities, the State Department, and such other United States and allied agencies as will participate in taking measures to see to it that Germany does not again menace the peace of succeeding generations.

CHAPTER III

PROCUREMENT AND DEVELOPMENT OF STRATEGIC
COMMODITIES

The phenomenal success of America's war industry in turning out the great quantities of guns, munitions, planes, tanks, ships and other vital war materials needed to overcome the Axis has been due to many factors, one of the most important of which has been the ability of our war industry to get strategic and critical raw materials.

Although the United States is richly endowed with natural resources, many of the critical raw materials essential to the success of our war program are produced in insufficient quantities, or not at all, in this country. According to the War Production Board, 48 of the 136 raw materials listed as strategic and critical at the outset of the war were virtually unobtainable within the United States.

Imports of Critical Materials

This country has had to import for its war industries, for example, all of its tin ore; all of its corundum for grinding optical lenses used in range finders and bomb sights; all of its nickel, which imparts hardness, toughness, and strength to steel for weapons; quartz crystals for the oscillator plates required in military radios; industrial diamonds, without which the efficiency of many industrial cutting tools would be many times reduced; tantalite, source of a rare metal required for vacuum tubes; balsa wood for fast flying Mosquito bombers and for the Navy's life rafts; mahogany for naval and military aircraft and for PT boats, the 70-mile-an-hour miniature destroyers which spearheaded the invasion of Europe; loofa sponges, indispensable for filters in marine engines; and natural rubber.

However, the contribution of imports to the war effort has been of vital importance not only in these and other commodities in which the United States is completely deficient, but also in those which we produce in appreciable and often in tremendous quantities at home.

We are the largest producer of copper in the world. Before the war only negligible amounts of copper were imported into this country for consumption. Yet copper is so basic a need for the production of munitions that about a fifth of United States wartime consumption has been supplied by imports. A considerable portion of these imports were obtained in Latin America as a direct result of expanded production under the stimulus of the Foreign Economic Administration foreign procurement program.

The significance of this contribution from abroad is suggested by the fact that direct United States ammunition production alone consumed more than one-half as much copper as was imported during 1941-43.

Of great importance have been the imports of lead, which serves as an alloy in many types of mechanized equipment, and zinc used with copper to make brass for shell cases. In fact there is hardly an important mineral produced in the United States, except coal and iron, which has not had to be supplemented by essential importation during the present war.

We have had to obtain overseas large quantities of mica, indispensable for the manufacture of communication units for ships, planes, tanks, and infantry groups. Our huge wartime requirements far exceeded the capacity of our own domestic as well as Indian production. Production therefore was stepped up sharply in Brazil and procurement was undertaken also in Mexico, Peru, Madagascar and elsewhere.

Naval and merchant ships must have quantities of rope, and most of the fiber for cordage manufacture has to be imported. Castor oil for lubrication in Flying Fortress and fighter-plane engines; molasses for the alcohol used in making synthetic rubber and explosives; rotenone, to increase agricultural production by cutting down animal and plant pests; red squill needed to kill food-destroying rodents in warehouses and ships; block talc for insulators for radio and detection equipment; kapok for life preservers, and hog bristles for paint brushes—important quantities of all these and other products have had to be obtained in foreign areas.

It has been the job of the Foreign Economic Administration and its predecessor agencies to see that the United States obtained these materials in time, in sufficient amounts, and in the most efficient way possible. Even with world markets remaining open to importers, this would have been a tremendous task. But free access to many world resources no longer existed.

Loss of Strategic Resources

Japanese successes in the Far East cut us off from the major and, in some cases, the only sources of certain vital raw materials. When

the Philippines fell, we lost our only source of Manila fiber, from which all marine cordage was made, as well as an important source of chrome ore. With the fall of Malaya and the East Indies, access to 90 percent of the world's natural rubber and 95 percent of its supply of quinine was lost, as well as 75 percent of its tin production.

The subsequent closing of the Burma Road not only eliminated the most important means of getting war supplies into China, but simultaneously squeezed down to a thin trickle carried by air our needed imports of tungsten, bristles and tin.

Submarine warfare added a further blow by whittling away the shipping available for servicing the supply lines which still remained open and by sinking many valuable cargoes en route.

German victories also cut off raw material resources from the United Nations. For example, the U. S. S. R. had been the world's largest producer of manganese. Early in 1942 the Germans occupied the most important of the Russian manganese fields at Nikopol, which they held until last spring. Similarly, the German victories deprived the Allies of important sources of nickel and iron ore in the Scandinavian countries, and of smelting and refining facilities in the Lowlands.

Finally, many areas still open were for some time threatened with invasion. India, the principal source of high-grade mica, burlap, and shellac, and our largest remaining source of manganese, was in grave danger in 1942. Australia, a large producer of zinc, lead, and wool, was threatened. Egypt, an important source of the special long-staple cotton used in parachutes, stood in jeopardy until the late fall of 1942.

Fortunately, however, the enemy, long poised at Dakar in West Africa and hoping for developments favorable to him which might make invasion of Latin America possible, was driven out of North and West Africa, thereby ending not only the menace to Latin America but also to the rest of Africa. And United Nations forces prevented him from overrunning India, Australia, and Free China.

F. E. A. Commodity Programs

In spite of all difficulties the United States has been able to obtain, under the Foreign Economic Administration development and procurement programs, enough of the commodities which the War Production Board has required from abroad to maintain sharply increasing war production.

In order to obtain sufficient quantities of many commodities from these areas, production of raw materials from existing sources had to be increased and new sources discovered and developed. Funds loaned by the Export-Import Bank, one of the corporate agencies of

the Foreign Economic Administration, have facilitated production in several countries of such resources.

Foreign Economic Administration missions have explored for tantalite in the Belgian Congo, Nigeria, and Brazil. Production of tantalite has doubled in the last two years.

Measures have also been undertaken to step up the output of critically needed vegetable fats and oils for airplane lubricants and other wartime purposes. Pursuant to the responsibilities assigned to the Foreign Economic Administration in the Executive Order of October 6, 1943, the agency stepped up procurement abroad of essential foodstuffs needed for deficit areas.

Virtually our entire supply of cinchona bark—the source of natural quinine, has had to be procured from the wild jungles and mountainsides of Latin America by Foreign Economic Administration missions. Because it was unprofitable to strip these widely scattered trees, the commercial development of quinine in the Western Hemisphere had been virtually abandoned for sixty years. Nevertheless, enough quinine has been secured from these areas since the outbreak of war for many millions of antimalarial treatments. How important this is to our armed forces may be judged by the fact that early in the war on some fronts malaria caused more casualties than all other factors combined, including enemy action.

The extremely difficult job of procuring rubber from the vast reaches of the Amazon River Basin has been carried on by the Rubber Development Corporation, now under the direction of the Foreign Economic Administration.

The Foreign Economic Administration was able to meet tremendously increased Army and Navy requirements for quartz crystals for use in electronic equipment for the armed forces, through development and procurement efforts carried on by mining engineers, inspectors, and purchasing agents in Brazil. Almost overnight after Pearl Harbor, Army and Navy requirements jumped from 31,000 pounds a year to 2,000,000 pounds. This goal has been met.

Not only has it been necessary in many areas to build new roads, hack new trails through jungles, and repair railroads in order to get out strategic materials, but it has also been necessary for the Foreign Economic Administration to initiate programs for air transport of some of the more important commodities. In the case of China, all strategic commodities have had to be flown "over the hump" to India. Over 58,000,000 pounds of strategic materials were flown to India from China in 1943 and the first six months of 1944 and over 10,300,000 pounds of strategic materials were brought into the United States directly by air transport in the same period. The Foreign Economic

Administration is responsible for handling all nonmilitary cargo carried by United States commercial and military planes operating abroad.

On the Pacific islands the Foreign Economic Administration, at the request of the United States Navy, has carried out a successful program for provision of fresh foods to our armed forces stationed there. Vegetable gardens have been planted on Guadalcanal and many other islands close behind the fighting fronts and large quantities of fresh corn, squash, cucumbers, tomatoes, and other crops have been produced for our armed forces. It is estimated that this year more than 50,000,000 pounds of produce will be grown on the islands, having a value of several million dollars, and contributing substantially to the saving of shipping space. Servicemen on these islands get fresh fish as well as fresh vegetables, thanks to the provision of special fishing kits and boats under this Navy-Foreign Economic Administration program.

Last year approximately \$800,000,000 worth of foreign strategic materials were bought with Government funds under Foreign Economic Administration direction, exclusive of those purchased preclusively to keep them from the Axis. Commodities were bought by the U. S. Commercial Company, one of the corporate agencies of the Foreign Economic Administration, for importation under War Production Board or War Food Administration directives and were allocated and sold to war industries or for other war purposes in large part through the facilities of the Reconstruction Finance Corporation and the Commodity Credit Corporation. The facilities and services of private importers were utilized at some stage of practically all Foreign Economic Administration procurement operations.

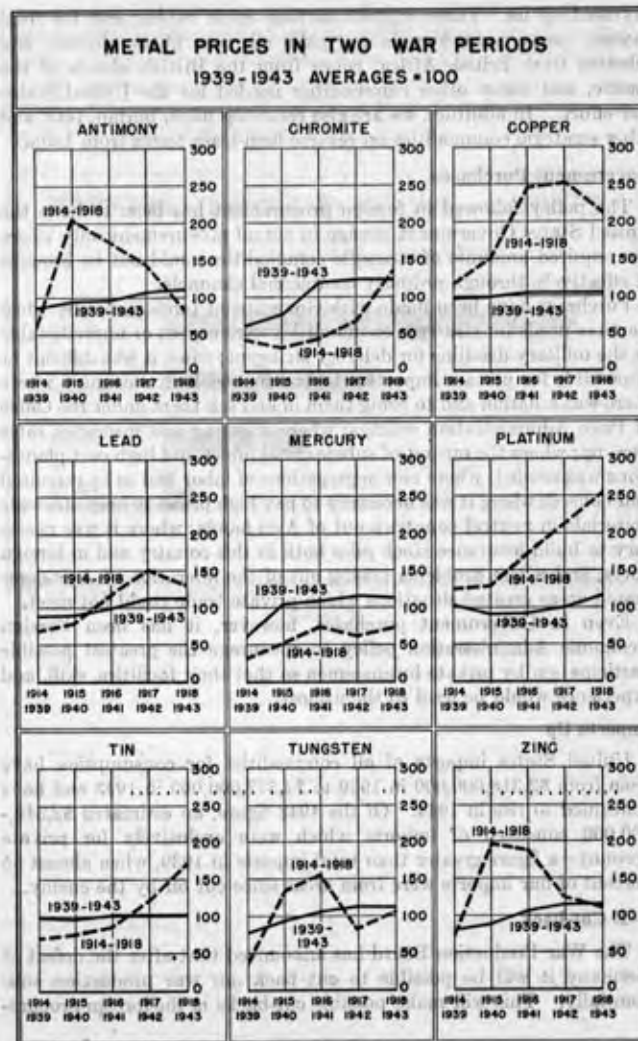
Under the over-all Foreign Economic Administration program, private importers also purchased with their own funds large quantities of these and other essential raw materials. The Government, where necessary, assisted them in assuming some of the war risks—in carrying increased insurance rates, or providing loans or technical assistance or equipment which has helped to make their operations possible.

Prices Held Down

In the last war, when the Government did not provide the assistance and the market stabilizing influence made available in this war, prices of many vital commodities rose far higher than they have in this war.

Raw Materials from the British Empire

Under arrangements made with the British in accordance with the agreements announced last November, strategic raw materials and commodities governmentally procured in the United Kingdom and the British colonies are now provided to us as reverse lend-lease, without



FOREIGN ECONOMIC ADMINISTRATION

CHART 2

payment by us. These supplies include crude rubber and tea from Ceylon, cocoa, palm kernels and palm oil, rope fibers, chrome, and asbestos from British Africa, copra from the British islands of the Pacific, and many other commodities needed for the United States war effort. In addition, we are also receiving mica, burlap, jute, and other strategic commodities on reverse lend-lease terms from India.

Government Purchases

The policy followed in foreign procurement has been to have the United States Government engage in actual procurement only where the required amounts of strategic commodities could not be brought in effectively through ordinary commercial channels.

Purchases have been made with Government funds generally when wartime needs for strategic commodities were urgent or unpredictable or the military deadline for delivery stringent; when it was difficult or impossible for private importers to buy materials in a country where there was inflation and to bring them in and sell them under the Office of Price Administration ceilings; where shipping and insurance rates were up; where the output of submarginal mines and high cost plantations was needed; where new aggregations of labor had to be recruited and housed; where it was necessary to pay high prices to keep strategic materials in neutral countries out of Axis hands; where it was necessary to build insurance stock piles both in this country and in foreign ports; and where problems arising out of the liberation of Axis-dominated areas created situations which private trade could not meet.

Even in Government purchases, however, it has been Foreign Economic Administration policy to encourage the greatest possible participation by private businessmen so that their facilities, skill, and experience would be used to the utmost.

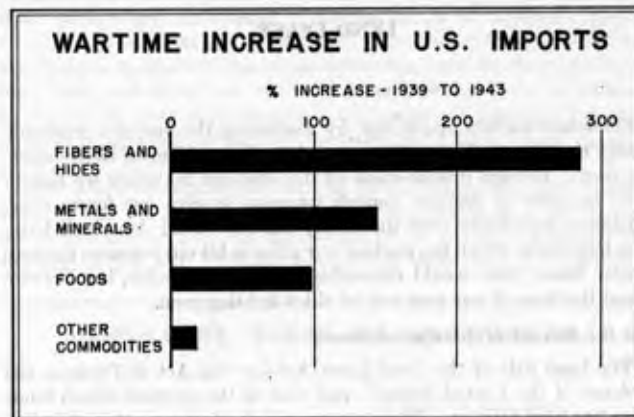
Imports Up

United States imports of all commodities for consumption have risen from \$2,318,000,000 in 1939 to \$3,377,000,000 in 1943 and have continued to rise in 1944. Of the 1943 figure, an estimated \$2,349,000,000 consisted of imports which were exclusively for private account—a figure greater than total imports in 1939, when almost 35 percent of our imports were from areas since cut off by the enemy.

V-E Cut-back

The War Production Board has announced that after the defeat of Germany it will be possible to cut back our war production substantially. This will make possible cut-backs in the foreign procure-

ment program for strategic and critical materials, although many will still be needed for the continuing war against Japan. The adjustment to this reduced procurement program will be made in such a way as to prevent unnecessary financial losses to American taxpayers, to best preserve our foreign relations and to strengthen the foundations for a higher level of international trade after the war.



FOREIGN ECONOMIC ADMINISTRATION

CHART 3

CHAPTER IV

LEND-LEASE

Economic warfare operations, by weakening the enemy's economic ability to carry on the war, have saved the lives of United States fighting men. Foreign procurement of the strategic materials we had to have in order to produce enough weapons to give our forces overwhelming superiority over the enemy has also saved American lives. And lend-lease, which has enabled our allies to hit our common enemies harder blows than would otherwise have been possible, has likewise saved the lives of our own and of allied fighting men.

For the Benefit of the United States

The legal title of the Lend-Lease Act is: "An Act to Promote the Defense of the United States", and that is the purpose which lend-lease has been serving. The program which effectuates this objective is a combined operation of many United States Government departments for which the Foreign Economic Administration exercises over-all responsibility. Military equipment for lend-lease is supplied by the War and Navy Departments. Foodstuffs, industrial materials and equipment and other nonmilitary lend-lease goods are supplied by the Foreign Economic Administration, with the aid of the Treasury Department and the War Food Administration in domestic procurement and with the aid of the War Shipping Administration in arranging for transportation.

Before Pearl Harbor lend-lease promoted the defense of the United States by helping the nations already fighting the Axis to hold the line thus giving us time to increase our war production and train our armed forces before we were attacked by the aggressors, who already gravely threatened our own security and our future as free people. When the attack came we were far better prepared than we would otherwise have been and, instead of having to fight alone, we had strong partners whose fighting power had been sustained with the help of lend-lease.

Since Pearl Harbor lend-lease has been the principal supply instrument which has made it possible for the United Nations to fight successfully a real and effective war of coalition. The manpower and productive resources of the United Nations have been combined in such a way as to generate the maximum combined offensive power against the enemy, regardless of the nationality of the men on the firing lines or the national origin of the weapons they have used. Each nation has contributed in proportion to its resources and to the shifting requirements of the war. The United States, which has the greatest productive resources, which has been far from the fighting fronts, and which has never been bombed, has been called upon to contribute most in production. Our principal fighting allies, who have been invaded or bombed, or both, have been called upon to give more in lives and have suffered more in destruction.

Eighty-five percent of all that the United States has spent toward winning this war has been for supplies and services used by our own forces and here at home in the defense of the United States and the winning of the war. Fifteen percent has been spent for lend-lease

LEND-LEASE SHARE OF WAR DOLLAR



15 cents of each dollar
spent by U. S. for war
has been for lend-lease

85 cents has gone for
other war costs

FOREIGN ECONOMIC ADMINISTRATION

CHART 4

supplies and services used by our allies toward winning the same war, and, therefore, used equally in the interests of our own defense.

This 15 percent represents the total figure for lend-lease aid between March 11, 1941, when the Lend-Lease Act was passed, and August 1, 1944: \$29,660,000,000 of lend-lease transfers and services and \$730,000,000 worth of lend-lease equipment consigned to United States commanding generals and assigned in the field for the use of allied forces.

TOTAL LEND-LEASE AID, MARCH 1941 THROUGH JULY 1944

Category	Amount	Percent of total
Goods transferred:		
Munitions (including ships).....	\$15,569,121,000	52.5
Industrial materials and products.....	6,540,726,000	22.1
Agricultural products.....	4,016,908,000	13.5
Total transfers.....	26,126,755,000	88.1
Services rendered:		
Servicing and repair of ships, etc.....	538,069,000	1.8
Rental of ships, ferrying of aircraft, etc..	2,275,493,000	7.7
Production facilities in United States.....	621,824,000	2.1
Miscellaneous expenses.....	98,315,000	.3
Total services.....	3,533,701,000	11.9
Total lend-lease aid.....	29,660,456,000	100.0
Consignments to commanding generals*	658,298,000	
Field transfers**	69,000,000	

*Goods consigned to United States commanding generals for subsequent transfer in the field to lend-lease countries.

**Transfers of military supplies by United States commanders in the field from U. S. Army stocks to lend-lease countries, to Apr. 30, 1944.

TABLE I

Over 98 percent of these lend-lease war supplies and services have been provided to our major fighting partners—the British Empire, the Soviet Union, and China, and to the forces of France and the other countries long occupied by the Nazis which bravely carried on the fight from exile and are now fighting effectively in the allied armies of liberation.

Lend-Lease Aid to Latin America

Less than 1 percent of our lend-lease aid has gone to the republics of Latin America. Only military aid and supplies for military, naval and related purposes have been furnished to these countries

under lend-lease. This aid, although so small in dollars that it represents considerably less than what the United States spends in a single day toward winning the war, has nevertheless had vitally important results. With the aid of the military supplies provided under lend-lease and the full cooperation in joint defense measures of all our neighbor republics except Argentina, the security of the Panama Canal and of the entire southern half of the Western Hemisphere has been made infinitely stronger than it has ever been before.

We have also been able to purchase from the Latin-American republics through the full cooperation of their governments the greatly increased quantities of strategic materials that were needed to enable American industry to meet our war production goals. Without these materials we could never have produced the tremendous numbers of planes, tanks, guns, ships, and other war equipment that are now being used so effectively by our own fighting men and the fighting men of our allies to smash the Germans and the Japanese.

Planes, Tanks and Supplies

Some 31,000 planes, 26,900 tanks, and 637,600 other military motor vehicles, besides vast quantities of other war materials, have been sent to the forces of our allies under lend-lease through June 1944. Yet only 15 percent of all the munitions produced in the United States has been lend-leased. We have kept 82 percent for our own forces and 3 percent has been sold to our allies for cash.

Similarly the war production equipment and supplies sent to our allies have represented on the average an even smaller percentage of our total output. And the food sent under lend-lease—almost all of it to the British for their soldiers and war workers and to the Soviet Union in order to sustain the rations of the Red Army—has accounted for less than 10 percent of our total food supply.

British and Russian Production

The British, the Russians, and our other fighting allies have carried on the war principally with supplies and equipment that they themselves produced. The British, for example, had turned out in their own factories from the beginning of the war to the first of this year 90,000 planes, 83,000 tanks and other armored vehicles, and 1,000,000 trucks. They themselves manufactured over three quarters of all the planes provided for the R. A. F. and the Royal Navy in 1943. The factories of the Soviet Union have in general provided an even greater percentage of the equipment used by the Soviet armies.

Lend-Lease Trucks and Food

What lend-lease has done is to fill critical deficiencies in the production and equipment of our allies. For example, half of the highway-

borne supplies for the advancing Soviet armies in the great offensives this spring and summer on the eastern front were carried in American lend-lease trucks. And the 10 percent of Britain's food supply that has come from the United States has made it possible to maintain the British food rations, at a level well below ours, but still sufficient for fighting strength. Without lend-lease, the British might not have had enough food to carry on.

Lend-Lease on the Battle Fronts

The damage to our enemies which our allies have been able to do with the lend-lease supplies we have sent them is the major benefit which the United States receives under the Lend-Lease Act. Lend-lease is not and never has been either a loan of money or a charity. Lend-lease aid is provided "to promote the defense of the United States" and for no other purpose. The battles our allies have been and will be able to win with the help of lend-lease, the millions of Germans and Japanese our men won't have to face because our allies have killed or captured them—these—and victory—are priceless contributions to the security of our own country.

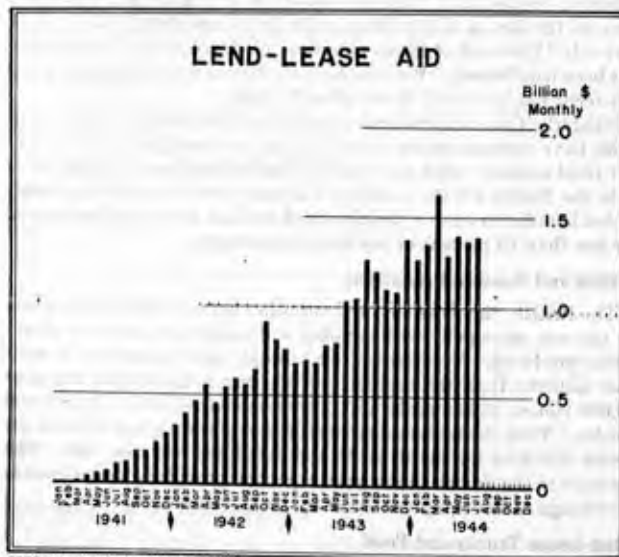


CHART 5

Reverse Lend-Lease

We have received in addition, however, over \$3,000,000,000 worth of supplies and services for our forces and merchant marine overseas as reverse lend-lease aid, without payment by us. Most of this aid has been provided by the British Commonwealth. Neither the Soviet Union nor China, both invaded and ravaged by great forces of the enemy, have been in a position to give us reverse lend-lease aid in any volume, nor has the occasion for such aid arisen.

The aid provided to us by the British has included such items as 2,250 airplanes and gliders for the United States Army Air Forces; transport on British ships of several hundred thousand United States troops in the first quarter of 1944 alone; substantial repairs to United States warships at Royal Navy dockyards in the Mediterranean, the United Kingdom and elsewhere; hundreds of millions of dollars worth of construction and supplies for United States Air Force and Army bases and camps in the United Kingdom, together with nearly 1,000 blocks of apartments, hotels, offices, and estates requisitioned for our military personnel; locally produced fruits, vegetables, and other foods, including fresh eggs, although British civilians themselves get only an average of 2 fresh eggs a month. We have also received from the British thousands of other categories of equipment, supplies, and services as reverse lend-lease.

Australia and New Zealand have provided as reverse lend-lease over 95 percent of all the food used by our forces in the Pacific areas under General MacArthur's command, besides furnishing our forces with many other supplies and services without payment by us. In recent months their reverse lend-lease aid to us has been running at a higher monthly rate than our shipments of lend-lease supplies to them:

REVERSE LEND-LEASE AID

[Furnished to United States Forces and Merchant Shipping Overseas]

	Jan 1-Apr. 1, 1944 . . .	Cumulative to Apr. 1, 1944
United Kingdom	\$370,760,000	\$1,934,400,000
Australia	95,258,000	457,623,000
New Zealand	17,482,000	109,368,000
Total	*483,500,000	*2,501,391,000

*Figures for Jan. 1-Apr. 1, 1944, are preliminary.

NOTE: The above table does not include the amount of aid furnished by India, the U. S. S. R., and China. The total amount of reverse lend-lease aid received to June 30, 1944 was in excess of \$3,000,000,000.

TABLE 2

LOCATION OF F.E.A. OVERSEAS STAFFS

SEPTEMBER 12, 1944

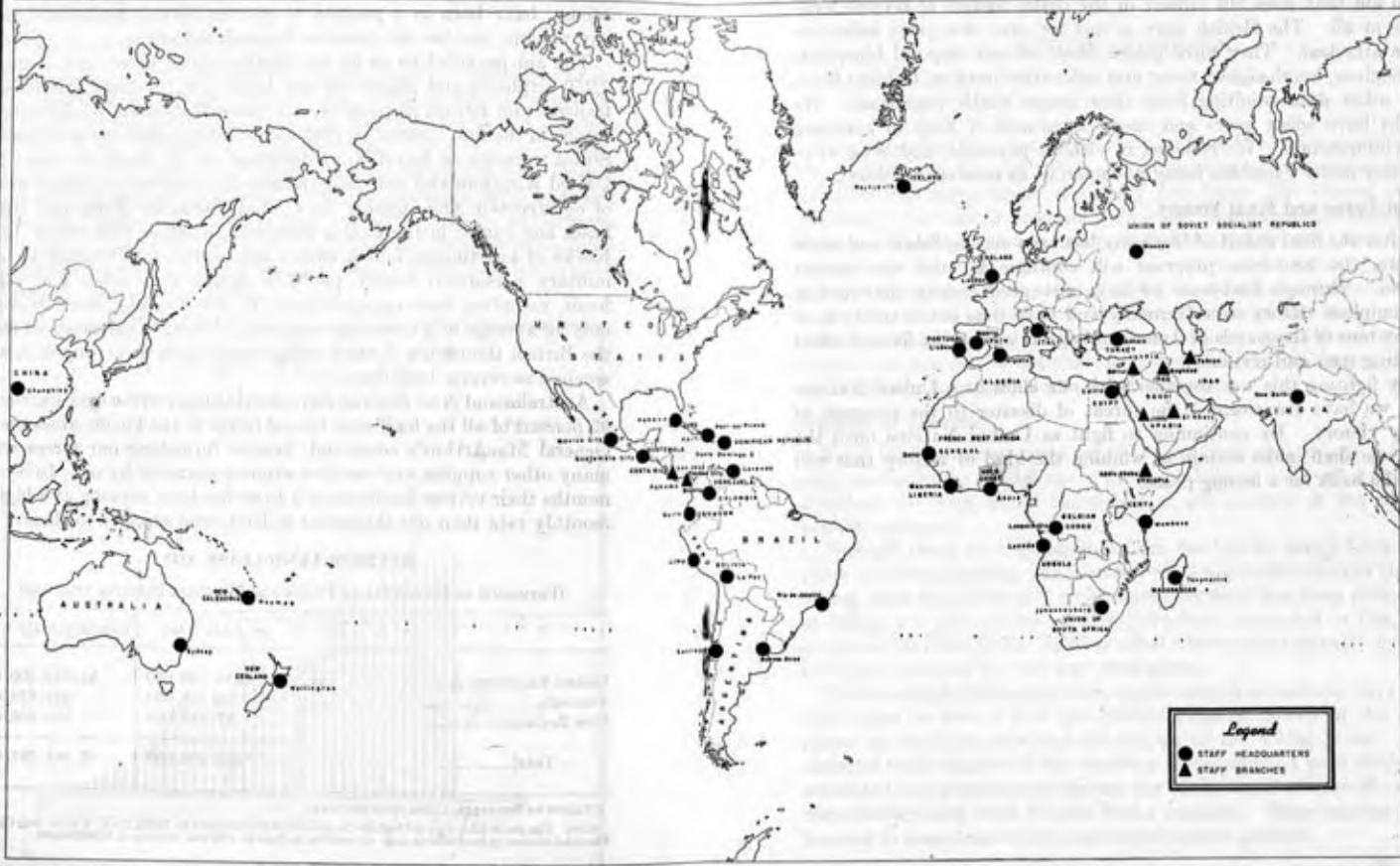


CHART 5

The Soviet Union has also provided us with reverse lend-lease aid in connection with our shuttle-bombing bases.

Although not technically reverse lend-lease, the bases from which our B-29 Super Fortresses bomb Japan were built by 400,000 Chinese laborers, almost literally with their bare hands.

We have, in addition, received from the British a great deal of vital aid that does not appear in the dollar figures of reverse lend-lease at all. The British were at war for over two years before we were attacked. They have placed freely at our disposal blueprints for engines, bomb-sights, radar and submarine devices, training films, and other data resulting from their longer battle experience. We might have spent years and many thousands of lives in amassing this information. We received it without payment, and even without any dollar valuation being put upon it, as reverse lend-lease.

Lend-Lease and Final Victory

After the final defeat of Germany has been accomplished and made secure, the lend-lease program will continue for the war against Japan. Through lend-lease we have advanced greatly the winning of complete victory over Germany and have thus saved the lives of many tens of thousands of American boys as well as the lives of allied fighting men and civilians.

By fighting this war together with our allies as a United Nations war we have transformed the threat of disaster to the prospect of early victory. By continuing to fight as United Nations until the end, we shall make certain of winning the kind of victory that will lay the basis for a lasting peace.



CHAPTER V

EXPORT CONTROLS

Six days after the Nazis struck at the Low Countries and France, the President on May 16, 1940, asked Congress for two special appropriations for expansion of the Army and Navy. The United States emergency war supply program is generally dated from the time these appropriations, amounting to more than \$2,500,000,000, were made available in June.

Shortly thereafter, on July 2, 1940, Congress enacted a statute entitled "An Act to Expedite the Strengthening of the National Defense" which authorized the President to prohibit or curtail exports not in the interests of the national defense of the United States. That was the beginning of wartime export controls.

Purpose of Controls

From the beginning export controls have been used for one purpose only, to strengthen the defense of the United States and—after we were attacked—to bring about the defeat of our enemies at the earliest possible moment.

Through these controls supplies from the United States have been prevented from reaching our enemies; what was needed for the United States' own war effort and civilian requirements has been conserved at home; and commercial exports have been channeled in line with strategic priorities to our fighting allies and to other friendly nations producing supplies for our war production.

To accomplish these objectives, export control procedures have been established to ensure that our critical supplies flowed to the right places at the right time and did not go to the wrong places. The essential requirements of the countries to be supplied were analyzed, estimated and programmed against the background of over-all export requirements and total United States supplies. Then exports were licensed in accordance with established control policies.

Expansion of Controls

During four years of operation, the scope and the methods of export control have changed to meet varying war requirements. Beginning with a proclamation on July 2, 1940, listing some 40 commodities to be placed under export control, the number of such commodities continued to grow until, on December 22, 1941, export control was extended to cover all articles and materials, except exports to Canada, since Canadian and United States war production was treated as a single, integrated whole. By 1943 some 2,500 commodities and commodity groups were under direct export control. These commodities have been handled by approximately 16,000 United States business firms dealing in exports and have been consigned to thousands of individuals and firms in more than 140 different foreign countries. The Foreign Economic Administration receives several thousand applications for export licenses every day and the annual volume has ranged between 1,500,000 and 2,000,000 applications.

Programming

In order to formulate accurately the essential requirements of friendly countries, Foreign Economic Administration missions in the field check and evaluate the needs and assist in the preparation of the requirements programs. In Washington the proposed requirements of each country or area are reviewed as to consistency with export policy, the end uses to which the commodities will be put, the United States supply situation, and the relative urgency of need of the various importing countries from the point of view of winning the war.

When the requirements programs have received final Foreign Economic Administration approval they are then submitted to the War Production Board (or the War Food Administration in the case of food products). Foreign Economic Administration representatives sit on the various divisional requirements committees of the War Production Board and War Food Administration with representatives of the armed services and other Government agencies responsible for war production and civilian needs.

Similar screening and allocations procedures apply in the case of lend-lease exports, except that military and naval equipment is lend-leased through the Munitions Assignments Board. All lend-lease aid is provided to carry out the strategic directives of the Combined Chiefs of Staff.

Types of Licensing

Wartime control of commercial exports is exercised through a variety of licenses. In its most common form, an exporter must file an application for an *individual license* which includes such information

about a proposed shipment as country of destination, consignee, quantity and value of shipment, and description of what use is to be made of the article in question. The application is checked against the Proclaimed List and is reviewed for conformity with the export program established for the country and commodity involved. On the basis of the review, a license may be approved, denied, or modified.

The *general license*, in effect, provides general authority to export without obtaining a specific license. This type of license is limited by and large (1) to commodities in relatively easy supply, e. g., cement, and (2) to destinations in allied nations.

A *blanket license* is a kind of multiple individual license which authorizes an exporter to ship the same commodity to a number of consignees and purchasers in the same country. Its use has been limited to a selected list of commodities and to trade only with the American republics.

The *project license* authorizes the exportation of all articles and commodities required for maintenance, repair and operating supplies for approved foreign enterprises, such as mining companies whose production of strategic metals is destined for our war production program. It also authorizes exportation of such supplies needed for construction or installation by foreign enterprises which are contributing directly to our war production program.

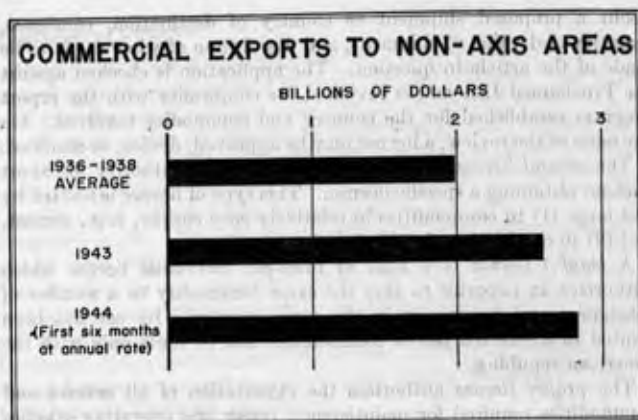
Trade Relations Staff

To ensure that necessary war controls over exports entail the minimum dislocation of normal export business, a Trade Relations Staff is set up within Foreign Economic Administration to act as liaison with business firms dealing in exports and imports. This staff has created a mechanism for systematic consultation with the commercial export trade—including an Export Advisory Committee, composed of outstanding exporters and 20 industry advisory committees and groups. In addition to the Trade Relations Staff, an Exporters Service Section works directly with individual exporters on their specific day-to-day problems.

Increase in U. S. Exports

It is noteworthy that the operations of export control under a policy of rationing short supplies equitably among consumers and among producers and exporters has had the effect of preserving business opportunities which would otherwise have been substantially impaired by the inevitable dislocations of war.

In spite of war demands, wartime controls on our production of consumer goods, shipping shortages, and other handicaps, the dollar volume of our commercial export trade (exclusive of lend-lease) with those



FOREIGN ECONOMIC ADMINISTRATION

CHART 7

areas that Axis conquests left open to us has actually increased since the war began. In 1943 the value of commercial exports from the United States of civilian-type goods financed by commercial arrangements was \$2,235,000,000, compared with the pre-war 1936-38 average to non-Axis-controlled areas of \$1,900,000,000. This is a remarkable record and is in sharp contrast to the experience of the United Kingdom, for example, whose commercial exports have declined more than 50 percent in value and 70 percent in volume since the beginning of the war.

By making compliance with the maximum export prices established by the Office of Price Administration a prerequisite for obtaining an export license, the Foreign Economic Administration has not only aided in the control of inflation by countries which are heavily dependent on imports from the United States, but has thereby helped to minimize the costs of United States procurement in those very areas.

Commercial exports from the United States in the first six months of 1944 were by value at an annual rate higher than the pre-war average of exports to all areas, including those areas since cut off by the Axis, and the rate has been rising steadily for over a year. Including lend-lease, total United States exports in the first six months of 1944 were at an annual rate of over \$14,400,000,000, nearly three times the highest peacetime level.

Lend-Lease Introduces U. S. Products

While a major part of lend-lease exports has consisted of military equipment, lend-lease has also introduced to countries all over the world thousands of other American products—from trucks and machine tools to packaged foods—in a volume and variety never approached before. After the war the people of many countries will want to continue to obtain these and similar products from us by buying them.

Latin American Trade

Our commercial exports to Latin America, except Argentina, have increased by more than 50 percent over pre-war levels. These exports have fulfilled the undertaking made by the United States at the Rio de Janeiro Conference of Foreign Ministers in January 1942 to make available the minimum essential civilian imports needed by these countries to enable them to play their full part in hemisphere defense, in the provision of strategic materials for our war production, and in other effective measures against the Axis.

U. S. TRADE WITH LATIN AMERICA*

[Millions of dollars]

	1936-38 average	1941	1942	1943	1944**
Exports.....	489	902	683	721	929
Imports.....	535	981	977	1,310	1,646

*The 20 Latin American republics.

**First 6 months at annual rate.

TABLE 3

U. S. and World Trade

The United States has been able to mobilize its resources for the war to such an extent that we have not only become the principal arsenal of democracy, but also the world's foremost exporter of commercial goods.

It has always been the policy of the Foreign Economic Administration to encourage private foreign trade so far as possible in accordance with the primary objective of winning the war as quickly as possible. A greatly expanded United States foreign trade after the war will be essential to the maintenance of high production levels and full employment in this country.

Controls Relaxed

As we have approached closer to complete victory over Germany, successive relaxations of export controls have been instituted.

As the shipping shortage has eased, the Foreign Economic Administration has progressively rolled back since the first of the year the decentralization procedure governing exports to the other American republics. Decentralization was instituted originally because the shortage of shipping to carry our exports to Latin America was so stringent that it was only fair to give the countries of importation a voice in deciding which of many essential supplies they needed most urgently. This was done through a system of requiring import recommendations from the countries concerned for most commodities before export licenses could be issued. This requirement has now been abolished except for a relatively few categories.

Similarly the program license procedure governing exports of most supplies not on general license to the British Empire, the Soviet Union, the Middle East, and French, Belgian, and Dutch possessions, will be discontinued October 1. After that date it will no longer be necessary for exporters to file release certificates with foreign purchasing missions for exports to these areas. Instead, exporters will apply for export licenses to the Foreign Economic Administration on the standard application form and it will be necessary only for them to obtain the regular individual export licenses from the Foreign Economic Administration.

Among other steps that have also been taken this year to encourage private trade are the restoration to normal trade channels of most civilian textile, drug, and pharmaceutical exports to the Middle East, and similar action in the case of most goods exported to the French West Indies.

After the defeat of Germany a still greater relaxation of controls over exports to allied countries will be possible. This relaxation will be in line with the relaxation of the War Production Board controls over strategic commodities. Its extent will be governed primarily by the paramount needs of the continuing war against Japan. Availability of shipping may also be a limiting factor and some controls may also be necessary to conserve supplies needed for domestic production in the face of heavy export demands for essential civilian supplies to repair the devastation and destruction abroad.

CHAPTER VI**LIBERATED AREAS**

The smashing United Nations offensives which have broken through Nazi defenses in Europe and will soon totally destroy Nazi power, have been made possible because of the steady flow direct to the fighting fronts of enormous quantities of war matériel—of tanks, guns, planes, gasoline, and other supplies.

Also essential to the success of our offensives has been the provision by the Army of basic minimum civilian supplies to the devastated and plundered areas being freed from Axis domination. This program is an integral part of our military operations.

Food, clothing, fuel, medicines, and repair materials for transportation lines, power plants, and other utilities are urgently required in order to prevent epidemics and starvation in the liberated areas behind our lines, and to enable the liberated peoples to support our military forces in the prosecution of the war.

It is the responsibility of the Foreign Economic Administration to supply those civilian commodities which the Army requests it to obtain. These have included some of the civilian supplies already provided in Italy and in France by United States forces. In these instances the receiving countries pay for such supplies in accordance with their ability to do so.

Nazi Destruction

The liberating allied armies have found in both Italy and France widespread devastation and suffering. Similar conditions will confront us in other countries as they are liberated.

During four years of occupation, the Germans did serious damage to France's industry and agriculture, and to her people. There has been much additional destruction and disruption of the French economy in the battles that have been fought on French soil since our landings in Normandy.

In Italy the Germans have deliberately destroyed economic resources at every opportunity. Five thousand German troops were employed for several weeks to wreck the public utilities and industries of Naples. In the area north of Rome they destroyed over 90 percent of the electric power facilities as they retreated and also destroyed highways, railroads, bridges, and communication systems as well as factories, water facilities, stocks of civilian goods and public buildings. Added to this has been destruction caused by military operations. As a result, in many areas of Italy there has been a serious shortage of vital necessities such as food, clothing, and medical supplies, and almost insurmountable distribution problems.

Aid to Italy

Both the United States and the United Kingdom armed forces have been furnishing civilian supplies behind the lines in Italy in an effort to meet at least the most urgent of these needs. By the middle of July over \$100,000,000 of supplies for civilian consumption, including fuel, had been sent into Italy under this program. About four-fifths of this amount had been provided by the United States, including most of the food. The British Commonwealth has provided almost all of the coal, much of the agricultural, and a great many miscellaneous supplies, and is now supplying much of the wheat. These supplies have helped to keep life going in Italy, but much additional assistance will be necessary.

Combined Civil Affairs Committee

Basic policies for the administration of the areas liberated by the United States and British armies during the military period are determined by the Combined Civil Affairs Committee of the Combined Chiefs of Staff. This committee has called upon the Foreign Economic Administration and its predecessor agencies for information and recommendations with regard to the various economic problems arising in areas occupied by the United Nations.

Among other specific tasks assigned the Foreign Economic Administration has been the preparation, frequently in collaboration with the Office of Strategic Services, of Civil Affairs Guides for the use of military authorities in liberated areas. In addition to this work, the Foreign Economic Administration is also called upon by the Army for special reports in relation to current operating problems.

As the allied armies move forward and liberated areas cease to be zones of military operations, the job of emergency relief and rehabilitation will be turned over by the military authorities to the United Nations Relief and Rehabilitation Administration and to the respective governing authorities of the areas concerned.

U. N. R. R. A.

The Foreign Economic Administration procures supplies in this country for the United Nations Relief and Rehabilitation Administration, administers the United States appropriation to U. N. R. R. A., and works with paying governments to help them secure United States supplies.

The United Nations Relief and Rehabilitation Administration, established nearly a year ago, is a cooperative undertaking of 44 nations to provide the distressed peoples of the liberated areas with the emergency assistance that is essential to enable them to help themselves. Entirely aside from reasons of humanity, the sooner that liberated areas get back on their own feet, the sooner we will have a sound foundation for the peace and the sooner trade with these areas not only can be restored, but expanded beyond pre-war levels.

The industry and agriculture of the liberated countries will themselves furnish by far the greater part of the supplies the peoples of these countries will need. It is estimated that between 90 and 95 percent of all supplies used in liberated Europe will be produced in Europe itself.

The total amount that the contributing members are to make available to the United Nations Relief and Rehabilitation Administration is about \$2,000,000,000. The United States contribution is limited to \$1,350,000,000. Of this amount Congress has appropriated \$450,000,000 and authorized the transfer from lend-lease funds of \$350,000,000 worth of additional supplies, services or funds to be spent by U. N. R. R. A. with the approval of the Joint Chiefs of Staff.

In the case of non-enemy countries without sufficient financial resources, the United Nations Relief and Rehabilitation Administration will finance import purchases of civilian supplies. The countries of eastern Europe—Poland, Czechoslovakia, Yugoslavia, and Greece—will probably need assistance of this kind. However, over 90 percent of the commodities procured for them, it is expected, will be sold for local currency instead of distributed as direct relief.

The United Nations Relief and Rehabilitation Administration will not establish any organization for the direct distribution of relief except in the most destitute areas where local governmental authorities do not exist or where they cannot provide administrative assistance in the distribution and allocation of goods. In general the United Nations Relief and Rehabilitation Administration will turn over the supplies which it provides to local governing authorities for distribution through ordinary channels of commerce.

The liberated nations of occupied Europe will not be poor relations. They do not desire charity. They have made it clear that they wish so far as they possibly can to take care of their own needs.

To the extent that any of the liberated nations have goods and production facilities, they will use those goods and facilities for their own needs, and for the needs of their neighbors.

To the extent that they have funds, they will purchase the supplies they need. It is considered probable that the countries of western Europe can afford to and will pay in dollars, gold or on credit terms for most of their imported relief supplies. In fact, probably more than half of all post-military civilian supplies sent to Europe from the United States will be paid for.

A liberated country with enough money to buy what it wants is under an obligation to clear through the United Nations Relief and Rehabilitation Administration and the Combined Boards, so that a fair distribution of short supplies can be assured.

F. E. A. and U. N. R. R. A.

The Foreign Economic Administration, by virtue of its responsibility for our lend-lease and foreign procurement programs, and its control over export trade, is able to coordinate the procurement and disposal of supplies for the United Nations Relief and Rehabilitation Administration and for the purchasing governments with all other demands from overseas for our goods, and to recommend adjustments of the United Nations Relief and Rehabilitation Administration's programs in accordance with the limitations of United States production and supply.

Advance procurement for the United Nations Relief and Rehabilitation Administration of available relief goods has been undertaken so that reserve stocks can be accumulated which will be needed in some areas in the near future.

In addition there are civilian-type supplies stocked for lend-lease or Army needs that can be transferred to the use of the United Nations Relief and Rehabilitation Administration when military needs in the European theater decline.

Insofar as the United Nations Relief and Rehabilitation Administration, or the governments of the liberated countries, call upon the United States Government for supplies, the Foreign Economic Administration will obtain them either from lend-lease, Army, or other Government stocks, if they are available, or by placing requisitions through the Procurement Division of the Treasury Department, or through the War Food Administration.

If the Combined Food Board indicates that the United States is the most appropriate source of supply for a particular item of food which the United Nations Relief and Rehabilitation Administration

wishes to procure, the latter will request the Foreign Economic Administration to purchase this item. The Foreign Economic Administration will in turn arrange for its procurement through the War Food Administration, charging the United Nations Relief and Rehabilitation Administration appropriation for the purchase.

If, for example, the United Nations Relief and Rehabilitation Administration requests from the United States so many thousand pounds of clothing for the people of Greece, the Foreign Economic Administration may be able to furnish the clothes out of reclaimed Army or other stocks.

Problems of Displaced Persons.

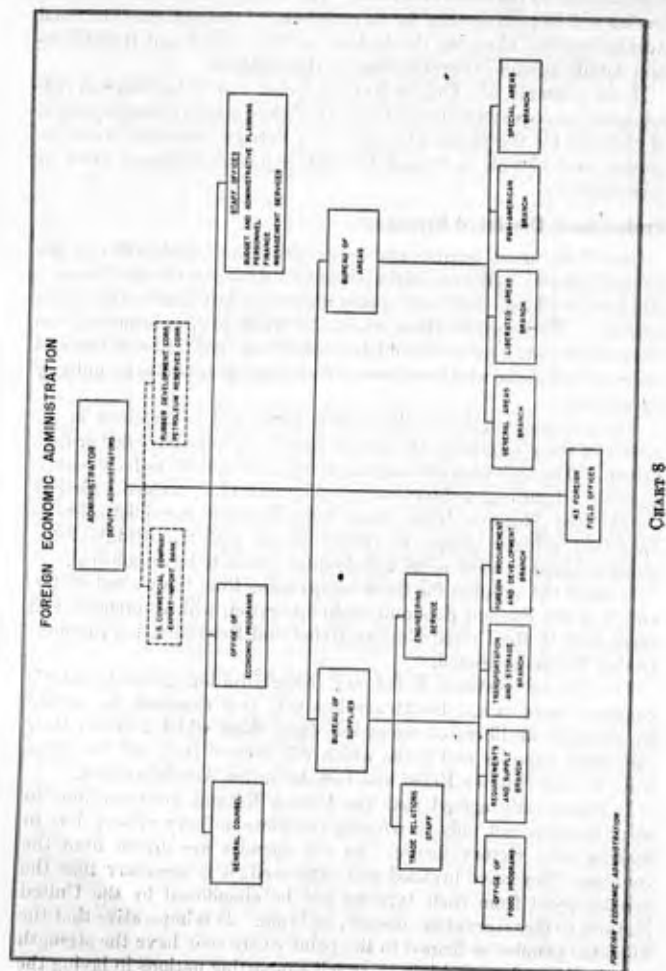
One of the most terrible and tragic situations which will face the United Nations Relief and Rehabilitation Administration in Europe—and later in China—will be the many millions of homeless and displaced persons. They include those whom the Nazis have transported into Germany to work under slave labor conditions, political and religious exiles and all those who have been driven from their homes by military operations.

The greatest migrations of modern times will be involved in the return of these peoples to the homes from which they have fled or been driven. The task of organizing these migrations on an orderly basis is gigantic. Clothing and temporary shelter must be provided. Already the United Nations Relief and Rehabilitation Administration is operating refugee camps in North Africa and the Middle East. Similar camps in other areas will doubtless have to be established.

Most of the supplies for these camps come from the United States, and it is the Foreign Economic Administration which purchases and turns over to the United Nations Relief and Rehabilitation Administration the items needed.

The United Nations Relief and Rehabilitation Administration's displaced persons and health services will, it is expected, be utilized by virtually all liberated countries—both those which will buy their own relief supplies and those which will receive their relief supplies from United Nations Relief and Rehabilitation Administration.

It is generally agreed that the United Nations must continue to work together not only in winning complete military victory but in making that victory secure. As our enemies are driven from the countries they have invaded and oppressed, it is necessary that the peoples freed from their tyranny not be abandoned by the United Nations to face starvation, disease, and ruin. It is imperative that the liberated peoples be helped to the point where they have the strength to help themselves and join us as self-supporting nations in laying the groundwork for a secure peace in which the economic prosperity of ourselves and all nations may be advanced.



APPENDICES

APPENDIX I

EXPORT CONTROL ACT

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 6 of the Act of July 2, 1940 (54 Stat. 714), is hereby amended to read as follows:

"SEC. 6. (a) The President is hereby authorized to prohibit or curtail the exportation of any articles, technical data, materials, or supplies, except under such rules and regulations as he shall prescribe.

"(b) Unless the President shall otherwise direct, the functions and duties of the President under this section shall be performed by the Board of Economic Warfare.

"(c) In case of the violation of any provision of any proclamation, rule, or regulation issued hereunder, such violator or violators, upon conviction, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than two years, or by both such fine and imprisonment.

"(d) The authority granted by this section shall terminate on June 30, 1944, or upon any prior date which the Congress by concurrent resolution, or the President, may designate; except that as to offenses committed, or rights or liabilities incurred prior to such date, the provisions of this section and such rules, regulations, and proclamations shall be treated as remaining in effect for the purpose of sustaining any suit, action, or prosecution with respect to such right, liability, or offense."

Approved, June 30, 1942.

(This law has been extended to June 30, 1945, by Public Law 397, 78th Congress, approved July 1, 1944.)

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APPENDIX II
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,

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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, 1943, or after the passage of a concurrent resolution by the two Houses before June 30, 1943, 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, 1946, 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, 1943, 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 convoying 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, employee, 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 non-combatant 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.

**EXECUTIVE ORDER PROVIDING FOR THE UNIFYING OF
FOREIGN ECONOMIC AFFAIRS**

By virtue of the authority vested in me by the Constitution and the Statutes of the United States, particularly by the First War Powers Act, 1941, as President of the United States and as Commander in Chief of the Army and Navy, and in order to provide for the more effective unification of the agencies concerned with foreign economic affairs, it is hereby ordered as follows:

1. The Board of Economic Warfare, existing pursuant to paragraph 2 of Executive Order No. 8839, July 30, 1941, as amended by Executive Order No. 8982, December 17, 1941, is terminated. There is established in the Office for Emergency Management an Office of Economic Warfare, at the head of which shall be a Director, appointed by the President, who shall exercise the functions, powers, and duties of the Board of Economic Warfare. The Director shall receive such salary, travel, subsistence, or other allowances as the President may determine.

There are transferred to the Office of Economic Warfare for use in connection with the exercise and performance of its functions, powers, and duties so much of the unexpended balances, appropriations, allocations, and other funds now available for, as well as all personnel, property, and records heretofore used in the administration of the functions, powers, and duties of, the Board of Economic Warfare.

No part of any funds appropriated or made available under Public Law 139, approved July 12, 1943, shall be used, directly or indirectly, after August 15, 1943, by the Office of Economic Warfare 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 in writing by a majority of the War Mobilization Committee and such writing has been filed with the Secretary of State prior to any such expenditure.

2. The United States Commercial Company, the Rubber Development Corporation, the Petroleum Reserve Corporation, and the Export-Import Bank of Washington and their functions, powers, and duties, together with the functions, powers, and duties of the Reconstruction Finance Corporation and of the Secretary of Commerce with respect to them, are transferred to the Office of Economic Warfare. All personnel, property, records, funds (including all unexpended balances of appropriations, allocations, or other funds now available), contracts, assets, liabilities, and capital stock of these corporations, together with so much of the personnel, records, and property of the Reconstruction Finance Corporation used in the administration of these corporations as the Director of the Bureau of the Budget shall determine, are transferred with these corporations to the

Office of Economic Warfare for use in connection with the exercise and performance of its functions, powers, and duties. The Director of the Office of Economic Warfare may reconstitute the boards of directors of these corporations and take such other action as he deems necessary in respect of them to carry out the purposes of this Order.

3. (a) Until such time as the Congress shall provide other means of financing, the Secretary of Commerce and the Reconstruction Finance Corporation are authorized and directed to supply necessary funds to the corporations transferred to the Office of Economic Warfare by this Order through loans, using for this purpose all the borrowing powers and unobligated funds of the Reconstruction Finance Corporation. Such funds shall be supplied at such times and in such amounts and in such manner and upon such terms and conditions as the Director of War Mobilization, on the request of the Director of the Office of Economic Warfare, may from time to time determine. The disbursement of the funds so supplied shall be under the exclusive direction of the Director of the Office of Economic Warfare, except as otherwise provided in this Order.

(b) The functions, powers, and duties and outstanding contracts and obligations relating to activities and transactions in or pertaining to foreign countries, now vested in, or in the name of, any corporation created and organized under Section 5 (d) of the Reconstruction Finance Corporation Act, or of any other corporation organized by the Reconstruction Finance Corporation, shall, unless the Director of War Mobilization otherwise determines, be transferred to the corporation or corporations designated by the Director of the Office of Economic Warfare, and the charter and bylaws of the corporations affected by such transfers, so far as necessary, shall be amended accordingly. Following such transfers, no corporations created and organized by the Reconstruction Finance Corporation, other than those transferred to the Office of Economic Warfare by this Order, shall exercise any of its powers and functions in regard to any activity or transaction in or pertaining to any foreign country except as ordered by the Director of War Mobilization. The Secretary of Commerce, the Reconstruction Finance Corporation, and any corporation organized by it, shall execute and deliver all instruments which may be deemed necessary by the Director of War Mobilization to carry out the provisions of this Order.

4. The functions of the Office of War Mobilization shall include the authority to arrange for the unification and coordination of the activities of the Federal Government relating to foreign supply, foreign procurement, and other foreign economic affairs in conformity with the foreign policy of the United States as defined by the Secretary of State. In providing for such unification the Office of War Mobilization may utilize the facilities of other departments and agencies, including the machinery for the coordination of foreign economic affairs established in the Department of State.

5. All prior Executive orders and directives in so far as they are in conflict herewith are amended accordingly.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, July 15, 1943.

[Executive Order 9361]

APPENDIX IV

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.

[Executive Order 9380]

EXECUTIVE ORDER RELATING TO FOREIGN FOOD PROCUREMENT AND DEVELOPMENT

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 further to unify and consolidate governmental activities relating to foreign economic affairs, it is hereby ordered as follows:

1. The functions of the War Food Administration and the Commodity Credit Corporation with respect to the procurement and development of food, food machinery, and other food facilities, in foreign countries, are transferred to and consolidated in the Foreign Economic Administration to be administered in accordance with the provisions of Executive Order No. 9380 of September 25, 1943.

2. The personnel, records, property, funds, contracts, assets, and liabilities of the Commodity Credit Corporation, determined by the Director of the Bureau of the Budget to be primarily concerned with the functions transferred to the Foreign Economic Administration by this order, shall be transferred, on such date or dates as the Director of the Bureau of the Budget shall determine, to the Foreign Economic Administration or to such subdivisions or corporations thereof as the Administrator of the Foreign Economic Administration shall designate.

3. Except as otherwise provided in this order, the procurement of food, food machinery, and other food facilities in foreign countries, by the Foreign Economic Administration, shall be performed consistently with directives issued to such Administration by the War Food Administrator with respect to food for human or animal consumption and by the War Food Administrator and the Chairman of the War Production Board jointly with respect to food for industrial uses. The War Food Administrator, or the War Food Administrator and the Chairman of the War Production Board jointly, as the case may be, may (1) set forth in such directives the quantities, specifications, priorities, and times and places of delivery relating to such procurement, and (2) append to such directives suggestions as to sources and prices relating to such procurement. The Administrator of the Foreign Economic Administration may from time to time advise the War Food Administrator, the Chairman of the War Production Board, and the Director of War Mobilization as to circumstances affecting procurement under such directives and as to steps which the Administrator of the Foreign Economic Administration deems will promote effective procurement by the Foreign Economic Administration of food, food machinery, and other food

facilities in foreign countries for the purposes of the War Food Administration or the War Production Board.

4. (a) Nothing in this order shall authorize the War Food Administrator or the Chairman of the War Production Board to issue directives to the Foreign Economic Administration with respect to (1) the procurement and development of food, food machinery, and other food facilities in foreign countries for use in foreign countries, and (2) the preclusive procurement of foreign food, food machinery, and other food facilities vital to the enemy either for military or civilian needs.

(b) The provisions of this order shall not affect the existing authority of the War Food Administrator or of the War Production Board with respect to priorities and allocations, or to define general policies, subject to the authority of the Office of War Mobilization under paragraph 4 of Executive Order No. 9361 of July 15, 1943, with respect to the procurement and development of food, food machinery, and other food facilities in foreign countries for use in foreign countries.

5. As used in this order, (1) the word "food" shall have the meaning set forth in paragraph 10 of Executive Order No. 9280 of December 15, 1942, exclusive of sugar produced in the Caribbean area, and (2) the words "foreign countries" shall be deemed to exclude the Dominion of Canada.

6. All prior Executive orders and directives insofar as they are in conflict herewith are amended accordingly. This order shall take effect immediately except that the War Food Administration and the Commodity Credit Corporation shall continue to exercise their respective functions transferred under paragraph 1 of this order until such date or dates as the Administrator of the Foreign Economic Administration shall determine.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, October 6, 1943.

[Executive Order 9385]

APPENDIX VI

EXECUTIVE ORDER RELATING TO SURPLUS WAR PROPERTY

By virtue of the authority vested in me by the Constitution and Statutes of the United States, particularly the First War Powers Act, 1941, as President of the United States, and as Commander in Chief of the Army and Navy, it is hereby ordered as follows:

1. There is hereby established in the Office of War Mobilization, the Surplus War Property Administration (hereinafter referred to as the "Administration"), the powers and functions of which, subject to the general supervision of the Director of War Mobilization, shall be exercised by a Surplus War Property Administrator (hereinafter referred to as the "Administrator"), to be appointed by the Director of War Mobilization.

2. With the assistance of a Surplus War Property Policy Board, composed of a representative from each of the following: State Department, Treasury Department, War Department, Navy Department, Justice Department, Reconstruction Finance Corporation, Smaller War Plants Corporation, United States Maritime Commission, War Production Board, Bureau of the Budget, War Food Administration, Federal Works Agency, Civil Aeronautics Board and the Foreign Economic Administration, it shall be the function of the Administration, to the full extent that such matters are provided for or permitted by law:

(A) To have general supervision and direction of the handling and disposition of surplus war property.

(B) To have general supervision and direction of the transfer of any surplus war property in the possession of any Government agency to any other Government agency whenever in the judgment of the Administration such transfer is appropriate.

(C) Unless otherwise directed by the Director of War Mobilization, to assign, so far as it is deemed feasible by the Administration, surplus war property for disposition, as follows: Consumer goods to the procurement division of the Department of the Treasury; capital and producers' goods, including plants, equipment, materials, scrap and other industrial property, to a subsidiary of the Reconstruction Finance Corporation, created pursuant to Section 5D (3) of the Reconstruction Finance Act, as amended; ships and maritime property to the United States Maritime Commission; and food to the War Food Administration; provided that surplus war property to be disposed of outside the United States, unless otherwise directed by the Director of War Mobilization, shall be assigned, so far as it is deemed feasible by the Administration, to the Foreign Economic Administration.

3. All functions, powers, and duties relating to the transfer or disposition of surplus war property, heretofore conferred by law on any Government agency may, to the extent necessary to carry out the provisions of this order, be exercised also by the Administration.

4. The Administrator may prescribe regulations and issue directions necessary to effectuate the purposes of this order; and no Government agency shall transfer or dispose of surplus war property in contravention thereof. Each Government agency shall submit such information and reports with respect to surplus war property and in such form and at such times as the Administrator shall direct. When requested by the Administration, a Government agency shall execute such documents for the transfer of title or for any other purpose or take such steps as the Administration shall determine to be necessary or proper to transfer or dispose of surplus war property or otherwise to carry out the provisions of this order.

5. The Administrator may perform the functions and exercise the powers, authority, and discretion conferred on the Administration by this order by such officials and such agencies and in such manner as the Administrator, subject to the provisions of this order, may determine. In carrying out the purposes of this order, the Administration may utilize the services of any other Government agency. The Administration, within the limit of funds which may be made available, may employ necessary personnel and make provisions for supplies, facilities, and services necessary to discharge the responsibilities of the Administration.

6. As used in this order:

(A) "Government agency" means any executive department, independent establishment, agency, commission, board, bureau, division, administration, office, service, independent regulatory commission or board, and any Government-owned or Government-controlled corporation.

(B) "Surplus war property" means any property, real or personal, including but not limited to plants, facilities, equipment, machines, accessories, parts, assemblies, products, commodities, materials, and supplies in the possession of or controlled by any Government agency whether new or used, in use or in storage, which are in excess of the needs of such agency or are not required for the performance of the duties and functions of such agency and which are determined, subject to the authority of the Office of War Mobilization, to be surplus by such agency.

All prior executive orders, insofar as they are in conflict herewith, are amended accordingly.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, February 19, 1944.

[Executive Order 9425]

APPENDIX VII

FUNDS MADE AVAILABLE BY CONGRESS FOR ACTIVITIES
NOW CONDUCTED BY THE FOREIGN ECONOMIC
ADMINISTRATION

I. Lend-Lease Appropriations to the President.

First Lend-Lease Appropriation.....	\$7,000,000,000
Second Lend-Lease Appropriation.....	5,985,000,000
Third Lend-Lease Appropriation.....	5,425,000,000
Fourth Lend-Lease Appropriation.....	6,273,629,000
Fifth Lend-Lease Appropriation.....	3,538,869,000
Total	28,222,498,000

II. Lend-Lease 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.)

III. United Nations Relief and Rehabilitation Administration.

Direct Appropriation.....	\$450,000,000
Transfers authorized of supplies, services or funds from lend-lease appropriations.....	350,000,000

IV. Administrative Expenses of Foreign Economic Administration.

For Fiscal Year 1944-45.....	\$19,750,000
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EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.




OFFICE OF THE
EXECUTIVE DIRECTOR

SEP 26 1944

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 September 11 to September 16, 1944.

Very truly yours,


J. W. Pehle
Executive Director

The Honorable
The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the week of September 11 to 16, 1944

SITUATION IN HUNGARY

The British Minister in Bern cabled the Foreign Office in London that the Swiss Government understood from the German Government that, because of the latter's professed desire not to antagonize the Arabs, it is not ready to permit the departure of a group of 2100 Jews from Hungary if they are to go to Palestine. The Germans apparently indicated that they would view their departure more favorably if the group were destined for American or British territory. They further stated, however, that on security grounds they cannot permit departure of the group until an examination has been made in each individual case, and on this device the German Ministry of Foreign Affairs requested that the Swiss Legation in Budapest give the German Legation there a list of the names of the persons involved. The Swiss Government has asked to be informed whether it should send its Legation in Budapest instructions to this effect.

It was pointed out by our representative in London that this German move to specify American and British territory and exclude neutral and United Nations territory as well as Palestine as places of asylum for Jews from Hungary might have as its purpose the embarrassment of the two governments. Our representative expressed the view that failure to accept the German conditions might result in making it possible for the Germans to claim that they would permit the Jews to leave but that we would not receive them.

Since the cable to the British Foreign Office contained no indication as to whether or not the Board's representative in Bern was advised of this development, we cabled our information to McClelland, with the request that he endeavor to verify actual submission of such a proposal and obtain any further information possible to assist us in evaluating the offer and determining the action to be taken in respect thereto.

Reports on Conditions in Hungary

From London we learned that the British, in response to the Swiss inquiry regarding safe conducts for boats to transport Jews from Hungary down the Danube River, are replying that the Danube has been so thoroughly mined by Allied Air Forces that there is little likelihood that any vessel would get through safely, and that under these circumstances, the

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British Government does not feel that it could grant the requested safe conducts.

Representative Ackermann cabled us that the head of the Office of Strategic Services mission in Bucharest, who had just returned to Italy, had received a communication from the International Red Cross indicating that the Germans intend to arrest the 300,000 Jews still free in Hungary and renew mass deportations to Germany. A representative of the International Red Cross who was in Hungary three weeks ago urged that all possible steps be taken immediately to expedite emigration to Palestine.

Minister Harrison cabled us a statement by the Hungarian Premier on the Jewish policy of the new Hungarian Government, which was recently reported in a Budapest newspaper as follows:

"I know that exclusion from public life of those Hungarian speaking but racially alien elements who have endangered the Hungarian Community, particularly our just war, has not yet been completely achieved. I can assure public opinion that we wish to make the spiritual and economic superiority of the Hungarian race secure, but in the traditional Hungarian humane manner; however important the Jewish problem may be, its solution in the present dangerous times cannot be the exclusive aim of the Government."

A report from a private source referred to a plan to purchase houses for the account of the Swedish Legation in Budapest, in which Jews could live under Swedish extra-territorial rights.

Another report from a similar source stated that an expected second transport of Hungarian Jews from Bergenbelsen had not arrived in Switzerland. It was stated that arrangements were made in Budapest for the transportation of all of 1694 people in different groups to a neutral country within a period of six weeks. It was further indicated that their transportation back to Hungary could not be arranged. Reference was made to information received from Bergenbelsen to the effect that the persons in question were being treated satisfactorily.

Visas for Children

The Foreign Minister of the Dominican Republic has advised our Mission in Ciudad Trujillo that there will be no objection to the extension in principle to children from Hungary of his government's agreement with respect to children from France.

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The Director of the Intergovernmental Committee advised our Embassy that the Brazilian Ambassador in London had informed him that Brazil is ready to accept 500 Jewish refugee children from Hungary, but that the Government of Brazil does not desire to assume any financial responsibility for their upkeep or transportation.

Portuguese Visas

While military developments may render unnecessary the actual passage of Jews from Axis areas through Portugal, we believe that neutral visas and permission for the free exit of the beneficiaries of such visas are still of great importance in safeguarding the lives of Jews in such areas. In requesting our representatives in Lisbon to convey to Portuguese officials our appreciation of the action already taken by the Portuguese Government to this end, we expressed the hope that the latter will continue to press Hungarian and German authorities for decent treatment and unobstructed exit of beneficiaries of Portuguese visas.

SITUATION IN SLOVAKIA

Repeated recent reports of the serious situation of the Jews in Slovakia have been accompanied by numerous appeals to the Board to take vigorous action in their behalf. We advised our representative in Bern of these reports and requested that he make a thorough investigation of the reported conditions and rescue measures proposed by private groups. He was instructed to give all possible assistance to these private organizations in Switzerland in the prompt development and execution of any feasible projects to save the lives of Slovakian Jews.

UNITED STATES VISAS FOR PERSONS IN ENEMY TERRITORY

Ambassador Norweb advised us that the Portuguese Foreign Office, while sympathetic to the humanitarian aims which prompted formulation of this Government's program with respect to persons in enemy territory for whom United States immigration visas were issued or authorized after July 1, 1941, or who are entitled to non-quota or preference quota immigration status as close relatives of American citizens or alien residents, feels it impossible to admit refugees in these classifications without more effective guarantees from the United States that all of these people, whether issued United States visas or not, will be speedily removed from Portugal by the United States. This position apparently stems from a fear of the end of the war and a consequent decline of United States interest. Specific objection was made to the indication

that the refugees involved will only be admitted to the United States under provisions of the immigration laws and other limitations. A definite time limit on their stay in Portugal is desired, as well as a statement concerning a specific country which has in advance accepted refugees unable to secure United States visas. Our Embassy was asked for a definite written guarantee along these lines, together with a guarantee of transportation for the evacuation of all visa and non-visa refugees within a comparatively short period after arrival in Portugal.

EVACUATION OF CHILDREN TO SWITZERLAND

We advised our representatives in Bern of information which we received that the German authorities allegedly are ready to permit the departure of 5000 children from Hungary for Switzerland under International Red Cross auspices. Since it had been indicated to us that there was some doubt as to whether the Swiss Government had received sufficient guarantees regarding the subsequent evacuation of these children to countries other than Palestine, we asked that the representative of the private organization endeavoring to accomplish the removal of these children to Switzerland be informed concerning assurances of this nature given to the Swiss by the Governments of the United States, Ireland, and various Latin American countries, and that our representatives assist in any promising program for evacuating children from Hungary to Switzerland.

SITUATION IN RUMANIA

It was reported in Ankara that a royal decree issued by the Government of Rumania restores equal rights to all Rumanians without regard to race or religion. Our representatives were informed that all royal decrees based on differentiation of race or religion have been abolished.

RELIEF FOR YUGOSLAVS

After careful consideration of Representative Ackermann's recent recommendation for the creation of stockpiles in Italy of food, medical, and clothing supplies to be immediately available for urgently needed relief for Yugoslavs upon the liberation of that country, we have concluded that there is little effective action which we can take for this purpose beyond what he has already accomplished to hasten the creation of stockpiles by drawing the attention of responsible agencies to the urgency of the problem. We advised Ackermann of our conclusion and suggested that his efforts in this direction should be continued if he deems it desirable to do so.

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FOOD PARCELS PROGRAM

McClelland advised us that he will discuss unofficially with the International Red Cross the inclusion of certain specified camps in the 300,000 parcel program, as suggested by the World Jewish Congress. However, he indicated that he is not optimistic as to the outcome, since at least nine tenths of the places mentioned are completely inaccessible to InterCross.

EVACUATIONS TO SOUTHERN ITALY

The American Delegation in Rome forwarded information contained in a note from the Holy See disclosing that the Pope's approach through Vatican channels to the German Government requesting the release of approximately 9000 refugees in Northern Italy and their transportation to Southern Italy or elsewhere elicited the claim by the Germans that authority over these individuals lies in the Italian Fascist Republican Government. It was further indicated that the Vatican had no communication with the latter.

PROPOSAL TO CLOSE CAMP LYAUTEY

Our Embassy in London advised us that the British Foreign Office is in entire agreement with our view that now would be an inopportune time to close Camp Lyautey.

RECOGNITION OF LATIN AMERICAN PASSPORTS

Our Embassies in Colombia, Venezuela, the Dominican Republic, Guatemala, Cuba, Nicaragua, Uruguay, Haiti, Ecuador, Costa Rica, El Salvador, Chile, Honduras, Paraguay, and Bolivia have been requested to urge the governments to which they are accredited to confirm to the Swiss the authenticity of lists being prepared by our Legation in Switzerland of the names of persons in German-controlled territory eligible for exchange as the holders of Latin American documentation. Compilation of such similar lists as may be possible by the governments concerned is also suggested, and assurances previously given with respect to the physical admission of the persons involved are to be repeated.

The Swiss Foreign Office advised Board Representative McClelland that the Spanish Embassy in Berlin informed the German Government in accordance with instructions from the Spanish Government that all Paraguayan passports now circulating in Germany are recognized by the Government of Paraguay. To this the Germans made no reply, and they refused the Embassy's request to visit Bergenbelsen, where it is believed that some of the bearers of such passports are held. A separate report from the Swiss Legation in Berlin observed that several bearers of

- 6 -

Paraguayan documents were included in a group of 51 persons deported from Vittel. Because of the small number of representatives of neutral countries still in Berlin and the belief that representations by two countries might have a greater chance of success in spite of the completely negative attitude of the Germans, inquiry was made as to the advisability of having the Spanish Embassy associate itself with the Swiss Legation in representations with respect to that group.

The German Foreign Office section of Law of War for Internment and Exchange informed the Swiss that they are not able to provide them with information concerning the fate of Latin American internees deported from Vittel, inasmuch as the latter are regarded by the Germans as Jews from occupied countries concerning whom no account need be given to third powers. The Germans did not reply to the application made by the Swiss Legation to the interior section of the Foreign Office insisting vigorously that they be advised of the place of detention of Vittel deportees considered by the American Government as eligible for exchange.

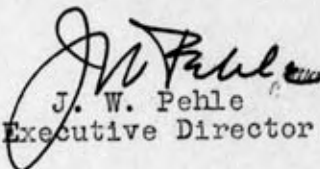
The Swiss indicated that a person not in a civilian internment camp on May 11 and therefore not covered by assurances previously given might best be protected by notice to the Germans of his personal status at the earliest possible moment and delivery of a declaration from the interested government that the right of the person concerned to effective citizenship is recognized by such government. It is feared that the Swiss Legation is aware of only a very small proportion of the cases of this type; in general, it knows only of cases communicated to it because the persons involved were detained in a known internment camp.

McClelland advised us of reliable reports received from Hungary that under present circumstances false El Salvador "nationality" documents give the bearers no protection whatever. Repeated attempts have been made by our Legation to secure confirmation that the validity of documents fraudulently issued by the Salvadoran Consulate General at Geneva will be recognized by the Government of El Salvador. In the absence of such confirmation, the Legation has not felt it advisable to present these documents officially to the Swiss Federal Political Department for delivery to persons in Germany and German-occupied territory other than Hungary who claim Salvadoran nationality.

The Department of State advised us that instructions have been sent to our Legation at Bern asking that the Swiss draw

- 7 -

up for presentation to the Germans lists of bearers of Latin American passports entitled to inclusion in exchanges. The Department suggested that the Legation enlist the cooperation of the Board's representative and various philanthropic organizations in Switzerland to obtain information concerning holders of such passports whose identity may be unknown to the issuing governments.


J. W. Pehle
Executive Director

CABLE TO AMERICAN DELEGATE, ROME, FROM WAR REFUGEE BOARD.

Please deliver the following message to Arthur Greenleigh from
M. M. Leavitt, American Jewish Joint Distribution Committee:

QUOTE HAVE REMITTED TO YOU ADDITIONAL \$150,000 MAKING TOTAL
\$250,000 REQUESTED STOP REFERENCE YOUR BUDGETARY RECOMMENDATION
WE AUTHORIZED EXPENDITURE \$50,000 MONTHLY OUT OF WHICH WE ASSUME
YOU WILL PROVIDE FOR EMERGENCIES RESULTING FROM LIBERATION
ADDITIONAL TERRITORIES STOP WOULD FAVOR SUBVENTIONING JEWISH
COMMUNITY ROME REOPENING THOSE INSTITUTIONS MOST URGENTLY NEEDED
FOR IMMEDIATE USE BUT WOULD LIMIT AMOUNT AND POINT OUT THESE
SUBVENTIONS ON TEMPORARY BASIS UNTIL COMMUNITY CAN ASSUME GREATER
MEASURE LOCAL RESPONSIBILITY STOP BUDGETARY FIGURE GIVEN ABOVE
IS EXCLUSIVE OF ANY AMOUNTS WHICH YOU PAY OUT FOR REPAYMENT OLD
DEBTS FOR WHICH WE APPLYING LICENSE AND WILL REMIT AS SOON AS
RECEIVED GIVING CONDITIONS UNDER WHICH REIMBURSEMENT INDIVIDUALS
SHOULD BE MADE STOP ASSUME ALSO YOU WILL PAY OUT OF AMOUNTS
ALREADY REMITTED TO YOU \$10,000 AUTHORIZED MAX PERLMAN FOR
GROUP ISLAND OF RAB NOW IN YUGOSLAVIA WHICH IN DUE COURSE WILL
REIMBURSE. UNRRA HAS JUST AUTHORIZED RELIEF BUDGET \$50,000,000
FOR ITALY AND WE ASSUME YOU WILL WORK OUT WITH THEM UNRRA OFFICIALS
YOUR TERRITORY CLASSIFICATION OF PROTEGES FULL BENEFITS WHICH
WE HOPE MIGHT ALSO HELP REDUCE OUR OWN COST UNQUOTE

2:30 p.m.
September 26, 1944

RDrury 9/26/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Tangier
TO: Secretary of State, Washington
DATED: September 26, 1944
NUMBER: 295

CONFIDENTIAL

Following is for the attention of the War Refugee Board.

Reference is made herewith to Legation's cable of September 11, no. 284.

A telegram has been received by Mrs. Reichmann from the Intercross in Budapest stating that it will effect the distribution of food parcels to Jews in concentration camps in Hungary. It is felt that in view of Allied Control of France such shipments would reach Hungary via Switzerland. We have not yet received money mentioned in Department's cable 125. Since Reichmann is anxious to resume shipments and says that she has no other funds for such purpose, can the Department expedite transfer?

CHILDS

DCR:VAG 9/27/44

CABLE TO NORWEB, LISBON, FROM WAR REFUGEE BOARD.

Please deliver the following message to Robert Pilpel from
M. S. Leavitt, American Jewish Joint Distribution Committee:

QUOTE GREENLEIGH ADVISES JEFROYKIN REQUESTING PERMISSION
ENTER GREENLEIGH'S THEATER AND OFFICIALS INQUIRING PURPOSE
OF THIS VISIT. PLEASE ADVISE WHY THIS APPLICATION MADE UNQUOTE

THIS IS WRB CABLE TO LISBON NO. 97

10:30 a.m.
September 26, 1944

RDrury 9/25/44

CABLE TO MINISTER NORWEB, LISBON, FROM WAR REFUGEE BOARD,

Please deliver the following message to Robert Pilpel from the
American Jewish Joint Distribution Committee:

QUOTE YOUR 122 FOR TIME BEING IMPOSSIBLE TRANSMIT FUNDS
FROM HERE TO FILDERMANN STOP SUGGEST YOU COMMUNICATE
SALY MAYER ASKING HIM ADVISE FILDERMANN THAT WHILE WE MOST
ANXIOUS PROVIDE FOR ESSENTIAL NEEDS POLISH AND HUNGARIAN
REFUGEES IN RUMANIA WE DO NOT UNDERSTAND WHY THERE SHOULD
BE SUCH A DIFFERENTIAL UNDER PRESENT CHANGED CONDITIONS
BETWEEN AMOUNTS RECEIVED BY THEM AND THOSE RECEIVED BY
CHRISTIAN REFUGEES AND RUMANIAN JEWS IN SIMILAR SITUATION
STOP WE AT THIS TIME WOULD NOT LOOK WITH FAVOR UPON
INCREASING AMOUNTS BEING ALLOCATED TO POLISH AND HUNGARIAN
REFUGEES IN THAT TERRITORY STOP ALSO SALY MAYER SHOULD
ASK FILDERMANN TO FURNISH HIM WITH A DETAILED BUDGET FOR
REFUGEES AND OTHER ACTIVITIES IN RUMANIA ON BASIS OF WHICH
WE WOULD BE ABLE TO ARRIVE AT INTELLIGENT DECISIONS STOP
IN THE MEANTIME SALY MAYER SHOULD BE ASKED TO SEND MAXIMUM
AMOUNTS FROM FUNDS AT HIS DISPOSAL FOR IMMEDIATE URGENT
NEEDS OF FILDERMANN STOP ALSO ADVISE FILDERMANN WE ARE
LOOKING INTO MATTER OF SENDING REPRESENTATIVE TO RUMANIA
AS SOON AS OFFICIAL PERMISSION OBTAINABLE AND WILL KEEP
HIM ADVISED DEVELOPMENTS THIS CONNECTION UNQUOTE

THIS IS WRB CABLE TO LISBON NO. 98

3:25 p.m.
September 26, 1944

FH:hd 9/26/44

CABLE TO MINISTER JOHNSON, STOCKHOLM, FROM WAR REFUGEE BOARD

Please deliver the following message to Rabbi Wilhelm Wolbe, 11 Olefsgottn Strasse, Stockholm, from the Vaad Hahatzala Emergency Committee:

QUOTE GREATLY DISTURBED GROWING DANGER TO GROUP OF 560 RABBIS AND RABBINICAL SCHOLARS (WITH ALMOST COMPLETE MIRER RABBINICAL COLLEGE) IN SHANGHAI. HAVE DIRECTED SEVERAL PLEAS TO VATICAN TO INTERVENE WITH JAPANESE GOVERNMENT FOR UNILATERAL RELEASE OF ENTIRE GROUP. NEGOTIATIONS IN PROGRESS STOP RESPECTFULLY URGE YOU CONTACT SWEDISH GOVERNMENT THAT PRESENTATIONS BE MADE BY SWEDISH GOVERNMENT AND KING TO JAPANESE GOVERNMENT FOR RELEASE OF GROUP. NECESSARY ALSO CONSULT SWEDISH GOVERNMENT AND REQUEST MAKE AVAILABLE SHIP FOR TRANSPORT OF GROUP AND PERMIT TEMPORARY ENTRY INTO SWEDEN. ALMOST ENTIRE GROUP POSSESS FINAL ENTRY VISAS TO PALESTINE, CANADA, UNITED STATES AND OTHER LANDS. WE GUARANTEE COST OF TRANSPORT AND MAINTENANCE WHILE IN SWEDEN STOP CONTACT DR. EHRENPRIES. URGE HIS PARTICIPATION IN THIS VITAL MATTER UNQUOTE

THIS IS WRB CABLE TO STOCKHOLM NO. 90

10:30 a.m.
September 26, 1944

RDrury:hd 9/25/44

CABLE TO MINISTER JOHNSON, STOCKHOLM, FROM WAR REFUGEE BOARD

Please deliver the following message to Chief Rabbi Marcus Ehrenpries,
Stockholm, from the Vaad Hahatzala Emergency Committee:

QUOTE GREATLY DISTURBED GROWING DANGER TO GROUP OF 500 RABBIS
AND RABBINICAL SCHOLARS (WITH ALMOST COMPLETE MIRER RABBINICAL
COLLEGE) IN SHANGHAI. HAVE DIRECTED SEVERAL PLEAS TO VATICAN
TO INTERVENE WITH JAPANESE GOVERNMENT FOR UNILATERAL RELEASE
OF ENTIRE GROUP. NEGOTIATIONS IN PROGRESS STOP RESPECTFULLY
URGE YOU CONTACT SWEDISH GOVERNMENT THAT PRESENTATIONS BE MADE
BY SWEDISH GOVERNMENT AND KING TO JAPANESE GOVERNMENT FOR RELEASE
OF GROUP. NECESSARY ALSO CONSULT SWEDISH GOVERNMENT AND REQUEST
MAKE AVAILABLE SHIP FOR TRANSPORT OF GROUP AND PERMIT TEMPORARY
ENTRY INTO SWEDEN. ALMOST ENTIRE GROUP POSSESS FINAL ENTRY VISAS
TO PALESTINE, CANADA, UNITED STATES AND OTHER LANDS. WE GUARANTEE
COST OF TRANSPORT AND MAINTENANCE WHILE IN SWEDEN STOP THIS
GROUP REPRESENTS THE REMNANT OF THE GREAT RABBINICAL COLLEGES OF
POLAND AND LITHUANIA. THEIR RESCUE AND REHABILITATION WOULD BE
AN HISTORIC UNDERTAKING. WE APPEAL TO YOU TO CONSULT RABBI WOLBE
AND LEND YOUR INFLUENTIAL SUPPORT TO OUR COMMITTEE IN SWITZERLAND
UNQUOTE

THIS IS WRB CABLE TOSTOCKHOLM NO. 91

10:30 a.m.
September 26, 1944

RDrury:hd 9/25/44

Distribution of true
reading only by special
arrangement. (SECRET W)

September 26, 1944

6 p.m.

AMLEGATION

STOCKHOLM

1926

The cable below for Olsen is WRB 88.

Reference your no. 3564, September 11.

(1) International Rescue and Relief Committee now remitting \$2,000 monthly for six months to Madame Ottesen-Jensen with understanding that part of the funds will be used for program outlined in your no. 2224 of June 20. See Department's 1537, WRB 64, of August 1, and Department's 1609, WRB 73 of August 12.

(2) Board has been unable as yet to arrange for private remittance from here for Czech group outlined in your no. 2239, June 21.

(3) Program outlined in your no. 2569 of July 11 has been covered by remittance of \$25,000 by Polish War Relief to "Polska Social Ahjalpen for Flyktinger" as reported to you in our WRB no. 85 of September 12.

HULL
(MMV)

WRB:MMV:KG
9/26/44

NOE

WT

SWP

PARAPHRASE OF TELEGRAM RECEIVED

206

FROM: American Embassy, Stockholm
TO: Secretary of State, Washington
DATE: September 26, 1944
NUMBER: 3863

SECRET

At recent meetings here which were attended by Norwegian and Swedish members of Donors' Committee, Mr. Whistler of American Red Cross, Count Bernadotte for Swedish Red Cross, and members of the Legation, the chief representative of Donors' Committee in Oslo reviewed relief distribution in Norway.

It is the belief of this Legation, based on reports considered at two meetings, that there is less danger in accumulation of relief stores in Norway than have been supposed previously and this Legation is persuaded that our ceilings should be raised on some relief supplies and as soon as possible supplies themselves should be shipped.

Committee's representative states that Germans do not interfere in any (way?) with distribution and transport of relief supplies which seem to be of Swedish origin and which are distributed through Donors' Committee. Distribution is so well in hand that since the beginning of the year the Committee has not only been able to dispose of foodstuffs to regular recipients but in addition has sent out 45 tons of secret supplies to fugitives from labor service, German underground groups, and to three concentration camps surreptitiously. The claim is made that this distribution to secret consignees has been going on steadily and can be increased. It is estimated that there are 16 thousand potential secret consignees hiding in the woods. According to estimates by Committee's representatives a minimum of 150 tons of foodstuffs for the remainder of the year, above monthly ceiling of 500 tons, should be made available to help meet regular and secret requirements. We are sending you via airmail a detailed table of secret and regular food distribution not previously reported.

Figures were presented by the Oslo representative showing that there are 80 thousand Norwegian children under 15 years of age who are in dire need especially with regard to clothing and shoes. It is possible to obtain insufficient quantities in Sweden and far more than 150 tons of clothing and 75 thousand pairs of shoes will be needed. It is the desire of the Committee that additional supplies be made available by us to Sweden for early transmission to Norway and that rapid clearance be given to supplies collected already in Sweden which as the winter approaches are urgently needed. The statement is made that plans have been made by the Committee to safeguard supplies

-2- #3883 from American Embassy, Stockholm, September 26, 1944

held in stock against confiscation by the Germans through establishing a series of storing places removed from German areas, and arrangements have also been made to disperse goods to any one of these centers as soon as Germans have laid hands on one of them.

In the opinion of the Legation the Committee is able, with a minimum risk of German interference, to distribute stores and Legation recommends that with regard to licensing and despatch of shipments for both distribution and storage that a more liberal policy be pursued. The Legation should like to have discretionary authority to approve the forwarding of reserves in Sweden at the present time at a rhythm which, while insuring their being useful will not concentrate too much under the Germans' noses.

In addition the Legation recommends that more shoes and clothing supplies for (?) the U. S., especially the items which Mr. Whisler recommended and some foodstuffs should be forwarded as soon as possible from the United States. After the conclusion of hostilities any supplies that should remain in Sweden would be available for distribution in Norway or other parts of Europe, either by some designated agency or by UNRRA.

We respectfully request instructions from FEA and the Department.

The above message has been repeated to London as my September 26 cable No. 1151.

JOHNSON

DCR:EBH:EPR 9/27/44

Miss Chauncey (for the Sec'y) Abrahamson, Adsermann, Aksin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Pehle, Files.

FMH-614
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arrangement. (SECRET W)

Stockholm

Dated September 26, 1944

Rec'd 3:54 p.m.

Secretary of State,

Washington,

3884, September 26, 5 p.m.

This is our No. 85 for the WRB.

A supplemental report just received by the Swedish Foreign Office from its Legation in Budapest indicates that Wallenberg has made extensive arrangements to accumulate food supplies for needy Jewish groups, particularly children. On the basis of Wallenberg's request for funds, Olsen is transferring to him under appropriate arrangements, 200,000 Swedish kroner out of the funds transferred under WRB cable No. 83 of September 8 (Department's 1795).

JOHNSON

JMS NPL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATE: September 26, 1944
NUMBER: 3314

SECRET

For McClelland from War Refugee Board.

Queen Wilhelmina Fund remitting additional \$25,000 for operations under license No. W-2229 and Belgian War Relief Society remitting additional \$25,000 for operations under license No. W-2231. Remittances are being made through same channels as previous remittances.

THIS IS WRB CABLE TO BERN NO. 185

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATE: September 26, 1944
NUMBER: 3313

SECRET

For McClelland.

In view of critical situation evidenced by your 6093 of September 15 and other reports, please endeavor to carry out instructions given in Department's 2668 of August 3, WRB's 108.

Referring to your 5519 of August 23, it is assumed that period of military service has been completed. Please report progress promptly.

THIS IS WRB BERN CABLE NO. 186

HULL

Distribution of true
reading only by special
arrangement. (SECRET W)

September 26, 1944

7 p.m.

AMEMBASSY

ANKARA

829

The following for Hirschmann is WRB 113.

Please refer to your 1767 of September 19.

In view of your analysis of the situation with respect to the rescue of refugees from Hungary by way of the Balkans and Turkey you are requested to return to the United States immediately for consultation.

With respect to your 1764 of September 19, I concur in your suggestion that no approach be made to the Turkish Government at this time concerning the SS TARI.

HULL
(MMV)

WRB:MMV:KG
9/25/44

NE

SE

KEM-110

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

Ankara

Dated September 26, 1944

Rec'd 8:06 p.m., 27th.

Secretary of State,

Washington.

1823, September 26, 2 p.m.

FOR WAR REFUGEE BOARD

Ankara's No.161.

The Bulgarian Minister of Propaganda, Dimokazassov made the following statement to newspaper correspondents on September 22, 1944 which was broadcast via radio Sofia in the Bulgarian, English and Hebrew languages.

One. The Bulgarian Government takes a positive attitude regarding the establishment of a Jewish States in Palestine.

Two. The Bulgarian Government has no objection and will make no difficulties for those Jews who wish to emigrate to Palestine. Regarding them as Bulgarian citizens who enjoy full rights, the Government will require of them merely that they comply with all laws or regulations obligatory for all citizens of the country.

Three. The Government has annulled all exclusive laws of anti-Jewish character. Such an exclusive law was that establishing a surtax to the extent of 80 to 25% of the value of all Jewish property. This tax, being the result of a vicious law, was discriminatory against

-2- #1823, September 26, 2 p.m., from Ankara.

the Jews. The excess amount will now be returned but because of Bulgaria's difficult financial situation such amount will be converted into a state loan of definite maturity.

Four. The Jews now enjoy full equality of rights and live under the same conditions and in freedom as do other Bulgarian nationals.

The following procedure will be applied to the property falsely sold and confiscated:

Property, firm rights, and other assets still owned by the state will be returned to the Jews. There will remain to be settled the question of assets about which legal obligations have arisen between the state and private interests, that is, where property or firm rights have been transferred to third parties, or where other obligatory relations have been created during the course of the last few years. The solution of this problem is a question of time. The Government will find the means to solve it in such ways as not to disturb the traditional friendship and mutual understanding between Bulgarians and Jews. The Government is being assisted in this matter by Jewish people who have confidence in it. The Government will solve the problem in accordance with national relations between a democratic state and its citizens.

-3- #1823, September 26, 2 p.m., from Ankara.

In cases where fictitious property transfers have been made by Jews to Bulgarians such property will be automatically returned to its lawful owner. In cases of fraudulent transfers the public authorities will make investigations and will proceed in favor of the injured party.

The foregoing ends the statement of policy.

In our opinion, this statement if faithfully implemented will materially assist in the reestablishment of Bulgarian Jewish citizens to their earlier rights and liberties.

STEINHARDT

RB

NOT TO BE RE-TRANSMITTEDCOPY NO. 11

REF ID: A66666

SECRETOPTEL No. 314

Information received up to 10 a.m., 26th September, 1944.

1. NAVAL

BOULOGNE. Preliminary survey shows inner harbour entrance completely blocked by sunken craft.

On 22nd and 23rd two U.S. Destroyers bombarded enemy positions on Franco-Italian frontier.

2. MILITARY

WESTERN EUROPE. Reinforcements or supplies could not be passed across Lower Rhine 24th/25th in sufficient quantity to relieve 1st Airborne Division and an attempt to withdraw remnants was to have been made last night. Only 1,200 fit men of the division believed to remain. German infantry and tanks attacking from northwest 24th/25th cut the road up the corridor south of VEGHEL. Road closed throughout 25th but at 10.15 p.m. situation reported nearly cleared up. Corridor widened east of VEGHEL where our patrols have reached river MAAS and further south ESCAUT Canal has been bridged. West of TURNHOUT our infantry have secured a bridgehead across TURNHOUT-ANTWERP Canal. All-out attack on CALAIS launched morning 25th but no details yet available.

RUSSIA. In ESTONIA Russians have captured HAAPSALU while in LATVIA they are within 55 miles of RIGA on northeast side.

3. AIR OPERATIONS

WESTERN FRONT. 25th. 280 aircraft out of 875 despatched attacked CALAIS defences - 1288 tons in bad weather with fair results. 70 Halifaxes carried fuel to FRANCE. 1,067 escorted heavy bombers attacked railway centres FRANKFURT - 988 tons, COBLENZ - 60k, and LUDWIGSHAFEN - 506, also synthetic oil plant LUDWIGSHAFEN - 505. All through cloud. 7 bombers, 3 fighters missing. 74 medium bombers (3 missing) effectively attacked gun positions ARNHEM. 114 aircraft carried supplies to the Low Countries and France. 68 escorted Beaufighters (3 missing) attacked 23 ship convoy off DEN HELDER setting one vessel on fire and damaging 3 others.

25th/26th. Aircraft despatched: MANNHEIM - 48 Mosquitoes, HOCHST near FRANKFURT - 4 Mosquitoes, Bomber Support 29.

MEDITERRANEAN. 24th. Heavy bombers bombed 3 airfields - 416 tons, a railway centre - 127, and harbour installations - 125, in Greece with good results. Enemy casualties 20, 3, 2, on the ground. Ours - 2 bombers, one fighter missing. 341 medium and light bombers and fighters successfully attacked military objectives and communications North Italy.

25th. 51 Liberators (1 missing) dropped 107 tons on harbour installations near PIRAEUS with fair results.

4. HOME SECURITY

25th. 2 periods of shelling.

25th/26th. 4 flying bombs plotted.