

DIARY

Book 420

July 11 - 14, 1941

Appointments and Resignations

Bevis, Howard Landis (President, Ohio State University)  
Dykstra, Clarence A. (President, University of Wisconsin)

Graham, Frank P. (President, University of North Carolina)

Keeser, Dexter M. (President of Reed College, Portland, Oregon)

Leiserson, William M. (National Labor Relations Board)  
May, Stacy (Economist)

Millie, Harry Alvin (National Labor Relations Board)

Rogers, Lindsay (Burgess Professor Public Law, Columbia University)

Odegard recommends for Under Secretaryship of Treasury - 7/11/41..... 420 73

- B -

Barth, Alan  
Comment on landing of troops in Iceland - 7/11/41... 154

Berlin, Irving  
See Financing, Government: Defense Savings Bonds

Bevis, Howard Landis (President, Ohio State University)  
See Appointments and Resignations

Business Conditions  
Haas memorandum on situation for week ending July 12, 1941..... 479

- C -

China  
See War Conditions

- D -

Dykstra, Clarence A. (President, University of Wisconsin)  
See Appointments and Resignations

- E -

Engraving and Printing, Bureau of  
Shortage of plate printers discussed at 9:30 meeting - 7/11/41..... 51

- F -

Federal Works Agency  
See Unemployment Relief

- F - (Continued)

	Book	Page
Financing, Government		
Defense Savings Bonds:		
Treasury House "flyer" describing opening - 7/11/41.....	420	143
Treasury Hour: Burgess congratulates HMJr - 7/11/41.....		146
Split infinitives in pledge card discussed in Ickes-HMJr correspondence - 7/11/41.....		151, 152
Field Organization News Letter, No. 8 - 7/12/41.....		190
a) List of Federal officials to whom sent....		442
Dietz (Howard) resume' of "possibilities inherent in movies" - 7/14/41.....		407
a) Propaganda pictures to show American people conditions in Germany, etc., discussed by HMJr, Purvis, Mr. and Mrs. Dietz, and MacLeish - 7/18/41: See Book 422, page 175		
Berlin (Irving) song: Report on requests for - 7/14/41.....		444

- H -

Housing

  See United States Housing Authority

- I -

Ickes, Harold L. (Secretary of Interior)

  See Financing, Government: Defense Savings Bonds

Inflation

  See War Conditions: Price Control

- J -

Japan

  See War Conditions

Johnson, "Nucky"

  See Tax Evasion

- K -

Keizer, Dexter M. (President of Reed College, Portland,  
Oregon)

  See Appointments and Resignations

- L -

Leiserson, William M. (National Labor Relations Board)

  See Appointments and Resignations

- M -

	Book	Page
Mack, Clifton E. (Director, Procurement Division) Appointed Treasury representative in defense aid matters - 7/11/41.....	420	133,134
May, Stacy (Economist) See Appointments and Resignations		
Millie, Harry Alvin (National Labor Relations Board) See Appointments and Resignations		
Motion Picture Industry See Financing, Government: Defense Savings Bonds		

- O -

Oil See War Conditions: Japan		
----------------------------------	--	--

- P -

Price Control See War Conditions		
-------------------------------------	--	--

- R -

#### Revenue Revision

##### Excess Profite Tax:

FDR's statement to Congress: Discussion by HMJr, Currie, Gaston, Kuhn, Blough, and Foley - 7/11/41.....		18
a) Blough discusses study of representative corporations since 1935		
b) Kuhn draft, No. 1 - 7/11/41.....		30
c) " " No. 2 discussed by HMJr, Sullivan, Blough, White, Haas, Foley, Viner, and Kuhn - 7/14/41.....		238,267
1) Currie has serious mental reservations about Kuhn draft but likes Blough's suggestions; thinks joint returns (which FDR favors) should be mentioned..		266
d) Blough's "suggested material on taxes" discussed by Treasury group.....		282,299,317
e) Eccles consulted.....		305
f) Currie asked to review.....		308
g) Lubin " " " .....		310
h) Hillman " " " .....		312
i) Henderson " " " .....		315
j) Draft No. 3.....		358
k) Draft No. 4 as sent to FDR.....		391
a) Copies to above group		
1) Draft again discussed by Treasury group and Eccles, Currie, Lubin, and Henderson - 7/15/41: See Book 421, page 3 1) See draft, pages 82 and 96		

Revenue Revision (Continued)

Excess Profits Tax (Continued):

FDR's statement to Congress (Continued):

- m) Conference with FDR; present: HMJr, Smith, Doughton, Cooper, and Sullivan; Doughton displeased - FDR decides against message - 7/15/41: See Book 421, page 92
  - 1) Copies to Eccles, Henderson, Currie, Lubin, and Wallace: Book 421, page 113
  - 2) Doughton asks HMJr what he should do next; asks for copy of statement prepared for FDR: Book 421, pages 182, 190 and 193

- S -

Sheary, Frank E.

Forrestal asks that Sheary be given consideration for an appointment, possibly Foreign Funds Control - 7/11/41.....

420 126

Straus, Nathan

See United States Housing Authority

- T -

Tax Evasion

Johnson, "Nucky": Biddle asks HMJr for help in examining panel - 7/11/41.....

114, 117

Taxation

See Revenue Revision

- U -

Unemployment Relief

Post-defense plans discussed in Carmody's (Federal Works Agency) letter to HMJr - 7/11/41..

137

U.S.S.R.

See War Conditions

United Kingdom

See War Conditions: Military Planning

United States Housing Authority

Straus and HMJr talk over letter threatening resignation - 7/11/41.....

5

- a) Letter to Watson
- b) Proposed message from FDR to Congress
- c) Letter to Mrs. FDR

	Book	Page
War Conditions		
Airplanes:		
Deliveries of two-and four-engine bombers and flying boats, January 5--July 5, 1941 - 7/11/41.....	420	136
Shipments to United Kingdom and overseas commands - British Air Commission report - 7/14/41.....		476
China:		
Cotton goods (10 million yards): Purchase discussed by HMJr and Mack - 7/11/41.....		62
by HMJr and Hamm (Office of Price Administration) - 7/11/41.....		64
Fox cable after numerous conferences in Shanghai and on eve of leaving for Hong Kong - 7/11/41...		170
Fox cable from Hong Kong - 7/21/41: See Book <u>423</u> , pages 200, 204, and 210		
Fox cable from Chungking: Book <u>424</u> , page 272		
Exchange market resume' - 7/11/41, etc.....		162, 225, 477
Export Control:		
Exports of petroleum products, scrap iron, and scrap steel from United States to Japan, Russia, Spain, and Great Britain, week ending July 12, 1941.....		226
Japan:		
Oil shipments - Wiley memorandum - 7/14/41.....		447
Ickes-HMJr conversation again decrying shipments - 7/15/41: Book <u>421</u> , page 199		
Lend-Lease:		
British Relief:		
\$300 million in contract obligations - discussion between Self and representatives of War Department with a view to determining how much of this amount could be handled through elimination of "surplusage" in existing British Lend-Lease requirements - 7/11/41.....		40
a) HMJr's letter to McCloy thanking him for assistance - 7/11/41.....		42
b) Keynes' letter giving "second revision" - 7/11/41.....		184
Weekly report of purchases - 7/11/41.....		130
British export policy - memorandum from British Embassy - 7/14/41.....		449
British Supply Council promises Stimson statement of productive effort in United Kingdom - 7/14/41.....		454
Military Planning:		
Report from London transmitted by Halifax - 7/11/41.....		174
War Department bulletins:		
German anti-aircraft defense - 7/11/41.....		178
The Bran and the Hotchkiss light machine-guns in anti-aircraft defense - 7/14/41.....		499

- W - (Continued)

	Book	Page
War Conditions (Continued)		
Price Control:		
Inflation: See Revenue Revision		
Minutes of July 8 meeting - 7/12/41.....	420	211
a) Attachments:		
1) Amendment extending civilian allocation program for borax and boric acid to July 30, 1941		
2) Civilian allocation program for material used in motor-and electric-coach and rail-car construction		
3) Civilian allocation of 10,000 tons of galvanized sheets and 5,000 tons of black sheets for grain-bin construction		
Purchasing Mission:		
See also War Conditions: Lend-Lease		
Vesting order sales - 7/14/41.....		468,469
Federal Reserve Bank of New York statement showing dollar disbursements, week ending July 2, 1941..		470
U.S.S.R.:		
Gold: Oumansky and Welles to discuss "immediate exchange of notes between United States and U.S.S.R. incorporating text of memorandum on treatment of Soviet gold and silver" worked out in October 1940 - 7/14/41.....		402
(See also Book <u>421</u> , page 401 - 7/16/41)		
a) Conference; present: HMJr, Bell, Foley, Cochran, White, and Bernatein - 7/22/41: Book <u>423</u> , page 248		
b) State Department--Cochran conversation - 8/2/41: Book <u>427</u> , pages 151 and 273		
c) Oumansky's letter to HMJr - 8/2/41: Book <u>427</u> , page 162		
d) Gold: Deposits in United States; U.S.S.R. production; etc. - White memorandum prepared for Jesse Jones - 8/5/41: Book <u>426</u> , page 87		
e) Up-to-date resume' - Cochran memorandum - 8/8/41: Book <u>430</u> , page 40		
1) Copy of HMJr's letter to Oumansky: Book <u>430</u> , page 44		

TREASURY DEPARTMENT  
WashingtonFOR RELEASE, MORNING NEWSPAPERS,  
Friday, July 11, 1941.  
7/10/41Press Service  
No. 28-44

Secretary of the Treasury Morgenthau announced last night that the subscription books for the current offering of 1-1/8 percent notes of Series G of the Commodity Credit Corporation closed at the close of business Thursday, July 10, except for the receipt of subscriptions from holders of Series D notes of the Corporation who tender them for purchase by the Secretary in a par amount equal to the par amount of notes of Series G subscribed for. The subscription books will be closed for the receipt of subscriptions of the latter class at the close of business Friday, July 11, at which time the offer to purchase Series D notes of the Corporation will terminate.

Subscriptions of either class addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight of the respective closing days, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will probably be made on Tuesday, July 15.

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The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated July 16, 1941, and will mature October 15, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, July 14, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

- 2 -

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on July 16, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

- 3 -

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

July 11, 1941  
8:37 a.m.

5

HMJr: Hello.

Nathan  
Straus: Good morning, Henry.

HMJr: Hello, Nathan. Nathan, I've read those letters of yours very carefully.

S: Yes.

HMJr: And it's kind a like calling in the doctor after the operation. Hello?

S: Yes, yes.

HMJr: And it's very difficult to give any advice. Now, that you've written the letter, I'm frank to say that if you had shown me the letter to General Watson before you had written it, I never - I would have tried my best to keep you from sending it.

S: Well, I surely would not then have sent it.

HMJr: But now that you have sent it, I don't know what to say.

S: I see.

HMJr: You sort of give him

S: Well, of course, that's exactly the last thing that I wanted to do.

HMJr: Well, that's the .....

S: And actually the General himself insisted that - almost of the wording of the thing.

HMJr: Well, I think he did you a great disservice.

S: You do?

HMJr: Yeah.

S: I get you. He was - he went over the wording of that and I said, "What about that?" He said, "No, put that down". He said, "You ought to bring this thing out in the open".

- 2 -

HMJr: No, I think he did you a great disservice.

S: I get you. Well, if I'm out I've got nobody but myself to blame.

HMJr: Well, I think it's unfortunate. I don't see what else you can do but let the thing ride now.

S: Do you think there's any possibility at all of getting the President to send a message?

HMJr: Well, you've written a very strong letter. You tell him that if he doesn't do it, you're going to quit. So....

S: I suppose the only thing if he doesn't do it, is to quit, little as I like to.

HMJr: Pardon.

S: I said I suppose if he doesn't do it, the only thing is to quit, little as I like to.

HMJr: Pretty strong letter, Nathan, you wrote.

S: Yeah. I meant - maybe - well....

HMJr: What?

S: I see what you mean. Well, I may have been very much misguided there and I sort of did what he suggested.

HMJr: Well, he gave you very bad advice.

S: I get you.

HMJr: He gave you very bad advice.

S: Perhaps I could call him up today and seek to see him and ask if there's any news on it. If I let it ride, I know nothing will happen.

HMJr: No, I think the President got it and he's got - if he'll read it quietly and decide what he's going to do...

S: I get you.

HMJr: You sent it July 7. That isn't very long.

S: No. You think I should call the General at all on it?

HMJr: Oh. You see the President hasn't been seeing many people for over a month.

S: I see.

HMJr: You see, it isn't just you.

S: I get you.

HMJr: And he hasn't been well and he sees practically nobody.

S: I see.

HMJr: He hasn't had a Cabinet in a month, you know.

S: I see.

HMJr: Today will be the first time we've had a Cabinet in a month.

S: I get you. Well, I'm glad that you're telling this frankly now. I guess I would have been better advised to have asked you before I got it off.

HMJr: Well.....

S: As you say, calling in the doctor immediately afterward.

HMJr: Yeah.

S: If there's any chance at all of your mentioning anything at the White House either today or some other time, I'll surely appreciate it.

HMJr: Oh, if I get a chance I will, but I wouldn't have much faith on that.

S: Uh huh. I get you.

HMJr: But if I have a chance to be with him alone, I'll bring it up.

S: I get you perfectly.

- 4 -

HMJr: I mean, if I'm with him alone, I will - I will bring it up.

S: I know when you....

HMJr: But it's no use - it would be a mistake to do it at Cabinet.

S: Surely. I get you absolutely completely.

HMJr: But I will do it and I'll see what I can do if I should see him alone.

S: I get you perfectly, Henry.

HMJr: But I don't think I'd call up General Watson today. I'd certainly let it ride at least over the week-end. He might do something.

S: I get you perfectly.

HMJr: General Watson has no influence on policy.

S: Well, you see, I was sort of told to do this. Mrs. Roosevelt said to see Watson. I saw Watson. Told Watson I'd like to see the President and he said, "Well you know how busy he is", and I told him this thing. Then he said, "Well put it down", and then he even dictated those sentences about, "I can leave with a good taste in my mouth", etc.

HMJr: Yeah, well a - that was bad advice.

S: I get you.

HMJr: Well....

S: Thanks ever so much, Henry.

HMJr: Well, I'm not very helpful, but at least I've been frank.

S: Oh yes.

HMJr: And I think that there's no use - I mean, at least I'm giving you my frank and honest reaction.

S: I get you perfectly. Uh huh.

HMJr: And I'll keep a letter, if I may and if I do see the President alone, I'll see

- 5 -

if I can be of any help.

S: Thank you ever so much.

HMJr: I'd like to see the houses built and  
I'd like to see you stay in Washington.

S: Well, I'm very, very keen to stay down  
here. It is becoming increasingly difficult.

HMJr: But it is for all of us, Nathan. Everybody -  
it's difficult for everybody.

S: I see.

HMJr: It isn't only you. I mean a lots of other  
people that - I only heard the other day  
Stimson said, he can't get to see the  
President.

S: Uh huh.

HMJr: I mean, it isn't only you.

S: I see. Uh huh.

HMJr: Well, let ....

S: All right. Thank you very much.

HMJr: Okay, Nathan.

S: Goodbye.

FEDERAL WORKS AGENCY  
UNITED STATES HOUSING AUTHORITY  
WASHINGTON

OFFICE OF THE  
ADMINISTRATOR  
U. S. H. A.

7-11-41

Friday, 11 A. M.

Dear Henry,

I have just seen "Pa" and  
he has returned to me my  
letter which had been lying on  
his desk. The letter is now  
destroyed. Thanks for your excellent  
advice. Please destroy your copy.

"Pa" has suggested I talk to him  
about the matter again next week.  
But I think I would like to  
wait for your further suggestions.

Fondly

N. S.

July 7, 1941.

Dear Pat:

Confirming our conversation these are the facts. The USHA has been cut out of the defense housing program. Under the Lanham Act, Mr. Carmody gets the money and the credit for the job. The USHA and its personnel do most of the work.

This situation was created when the Lanham Act was passed last year. At that time the USHA was supposed to be unpopular on the Hill. The real estate interests had twisted a speech of a Negro on the USHA staff about Negroes and Whites living "together" in some projects — to work up a lot of ill-will toward me.

Last week when the President sent a message to Congress asking for \$300,000,000 for defense housing under the Lanham Act, I made up my mind to find out how the Congressional leaders felt toward the USHA. I called on Speaker Rayburn and Congressman McCormack. Each said emphatically that the USHA should get the defense housing job wherever there are Local Housing Authorities. They urged me to see the President and ask him to send a message to Congress asking funds for the USHA.

That is why I called on you today. In his message on defense housing last week, the President asked for only \$300,000,000 under the Lanham Act to provide 75,000 more defense houses, but said that the indicated need between now and July 1, 1942 was for 125,000 houses. There is thus a need for \$200,000,000 more for housing to provide the 50,000 additional houses. I think I am safe in saying that both Speaker Rayburn and Congressman McCormack would welcome a message to that effect.

Of course, if the President asks Mr. Carmody, he will be told that all is fine now and Straus has plenty of work. But the situation for me personally has about reached the limit. Mr. Carmody doles out the funds, reserving all final decisions for himself and never fails to remind me courteously, "Of course, the USHA couldn't get these funds from Congress."

What worries me most is that the Local Housing Authority-USHA mechanism built up over the last years, which might be the greatest

- 2 -

economic weapon to meet post-defense unemployment is being dismantled and scrapped as more money goes to Mr. Carmody under the Lanham Act and none comes to the USHA directly.

I feel that the time has come to find out where I stand. I can leave with a good taste and with pride in what I have done and tried to do -- if the President so desires. Four years ago there were 46 Local Housing Authorities. Today there are more than 600. Construction costs have been cut by the USHA, collaborating with Local Housing Authorities, to 30% less than under the old PWA program. Today our costs are below those of private speculative builders. Agreements with organized labor have practically eliminated strikes over the whole four-year period. Labor has now agreed to work two shifts on defense projects at the regular rate of pay. More than 650 housing projects -- both slum clearance and defense -- are now under way. A great nationwide public housing program has been created and it will remain as a monument to President Roosevelt and his administration.

As for me personally, I feel that if the President does want me to continue it is fair to ask a public and official pronouncement that will restore the confidence of Local Housing Authorities throughout the country and show that the USHA has the President's support. If for any reason the President feels that he would prefer to have someone else carry on, there will not be the slightest hard feeling and I am ready to step out at a moment's notice.

Cordially yours,

NATHAN STRAUS.

General Edwin M. Watson,  
The White House.

to the Congress of the United States:

In a message which I transmitted to the Congress on June 26, 1941, I stated that data had been transmitted to me indicating that the Government should be prepared to undertake construction of at least 125,000 additional defense homes between now and July 1, 1942. In that message, I recommended the enactment of legislation which would permit the construction of approximately 75,000 of these homes by providing a \$300,000,000 increase in the authorization contained in the Act of October 14, 1940 (Public No. 849, known as the Lanham Act), as amended and supplemented.

In that message, I also stated that the effect of the national defense program has not yet been fully registered on the housing market, since new plants are being brought into the defense program and increases are under way in existing defense plants.

So that all defense plants may operate at full efficiency, I believe that the Government should take immediate steps to provide the 50,000 additional defense homes which will be needed and which were not provided for in the legislative recommendation in my earlier message on this matter. This additional authorization would enable the Government to meet the need for defense homes, as now estimated, for the period until July 1, 1942.

I, therefore, suggest to the Congress the enactment of legislation which would provide \$200,000,000 in repayable loan funds to be used for the construction of approximately 50,000 additional defense homes in areas approved by the President. It is not necessary that these additional

- 2 -

monies be provided by direct appropriation from the Treasury. Instead the loan funds should be obtained by a \$200,000,000 increase in the bond authorization of the United States Housing Authority. The principal and interest of such bonds issued by the Authority would be repaid from the returns on the loans made by that Authority to meet the capital cost of defense housing projects constructed by local public housing agencies. The loans would be made to public housing agencies (at such interest rates as the President may fix) under the terms of the Act of June 28, 1940 (Public No. 671) and no subsidies or contributions would be provided or required.

On the basis of housing projects which have already been constructed under the provisions of Public No. 671 and are now occupied, I believe that such a program of repayable loans can be advantageously employed to meet the defense housing need in areas where local public housing agencies are now functioning.

Since operations must commence now if housing is to be completed and ready for occupancy in time to meet the needs for the current fiscal year, I urge early consideration by the Congress.

FRANKLIN D. ROOSEVELT.

The White House, July , 1941.

July 2, 1941.

Dear Mrs. Roosevelt:

As I realize it may be many days before the President is able to give me an appointment, I venture to send on this draft of a message to Congress. It is written, as you will see, to dovetail with the message from the President last week asking the Congress for certain funds for defense housing.

In last week's message, the President spoke of the need for 125,000 units of public housing for defense needs this year. However, the President requested funds sufficient only for 75,000 defense units, under the Lanham Act, (\$300,000,000).

The message enclosed herewith would complete the picture by requesting loan authorizations for the United States Housing Authority sufficient to provide the other 50,000 units (\$200,000,000), ~~thus avoiding direct appropriations from the Treasury.~~ The total of 125,000 new homes represents, may I venture to add, an ultraconservative estimate of the actual need over the next year.

By signing this message the President will reassert the Administration's adherence to the principle of local construction, local management, local autonomy. The message would restore the confidence of Local Authorities throughout the country, many of whom now believe that their good work over the last few years is to be ignored and that the United States Housing Authority — Local Authority plan which they have labored to perfect is being scrapped. The message will serve notice on Local Authorities that they are to be put back in training for the job that they will be called on to do at the end of the defense emergency.

- 2 -

Housing which will be a neighborhood asset for generations cannot be studied, designed and produced in headlong haste -- as much of the defense housing hitherto has necessarily been. The inferior quality of some of the projects, on which you commented, is due to the fact that appropriations have, in the past, been asked for and made only at the eleventh hour. Starting sixty or ninety days earlier may spell the difference between projects that are eyesores and housing that will raise the standard of living conditions in the communities, without sacrificing the necessity of getting the projects completed on time. May I therefore venture to add the hope that the President will not delay too long in sending this message.

Believe me, with sincere appreciation of your aid in putting the public housing program back on the right track, as ever,

Very cordially yours,

NATHAN STRAUS.

Mrs. Franklin D. Roosevelt,  
Hyde Park, New York.

Enclosure.

July 11, 1941

9 a.m.

I just told T. V. Soong, after having discussed it with Lauch Currie and Lauch Currie being present, that I was very glad to have been able to send his three messages to the President, but I felt that this is a State Department matter and that he will have to get his answer on the message from Chiang Kai-shek to the President through some other source, but I am sure that Mr. Currie would be glad to help him.

My understanding with Currie, arrived at before the meeting, was that he would mention it to the President today and try to get an answer. He asked could he say to the President that I recommended that China join up with Russia and I said no; that I wanted to keep out of it.

I mentioned to Currie that we were thinking of sending an economist to Russia and he said that he would like to go.

July 11, 1941

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July 11, 1941  
9:00 a.m.

RE TAXES

Present: Mr. Gaston  
Mr. Kuhn  
Mr. Blough  
Mr. Foley  
Mr. Currie

H.M.Jr: Did you just have your breakfast?

Foley: Yes, I had lots of time. I was called at half past seven and a pleasant little voice said "Good morning".

H.M.Jr: Go ahead.

Blough: Well, I was going to report on the conversation with Mr. Currie, but he is here and can report on it himself, if that is necessary. He has probably already talked to you about it.

H.M.Jr: No. We have been over China and Tibet and Burma.

Currie: It is practically the same that I said to Mr. Blough, Mr. Secretary, that I said to you over the phone the other day. The two points I had mentioned with the President and to which he nodded, and the two additional points I raised with you, that Mr. Blough and I had further conversation in which we discussed particulars a little bit and additional arguments I thought might be made.

H.M.Jr: Well, you (Blough) were going to give us some good cases on excess profits as the bill is written now.

Blough: Yes.

- 2 -

- H.M.Jr: Have you got it?
- Blough: I have some material, Mr. Secretary. I don't have exactly what I wanted to give you.
- H.M.Jr: Well, read it to us so everybody can get it.
- Blough: I have some copies. Well, let me - maybe I have too much.
- H.M.Jr: Why don't you just sort of ad lib?
- Blough: I can easily do that, very easily.
- H.M.Jr: Do it that way.
- Blough: We have done this. We have gone through a great number of corporations for the periods since 1935. I have picked off twenty-five non-financial and twenty-five financial corporations which were particularly prosperous and quite large in those earlier years and have figures showing the percentage of return on invested capital during that period, and what they also earned in 1940. Some of those have filed returns and some of them have not.
- H.M.Jr: Now, there isn't a day passes that I don't regret that we ever gave them those ninety-day extensions. We gave all these corporations ninety-day extensions. I have shut down on them. We don't get the damn returns.
- Blough: On the basis of financial data, published financial data, and not on the basis of returns for these particular companies, we have this sort of situation. We have our old friend Coca-Cola, which is a very - has been thrown around a good deal, which during thirty-six to thirty-nine appears to have made about forty-three per cent

- 3 -

as an average return on its capital. Now, in 1940 it made fifty-seven per cent on its capital. Under the excess profits tax law it will be taxed on the excess of the 1940 income over its average for the previous years, with certain adjustments, but it will not pay any tax at all, aside from the regular corporate normal tax, or regular corporation income tax, on any part of its 1940 income which is not in excess of the forty-three per cent. It keeps on earning that free from excess profits tax. The Chrysler Corporation, according to figures we have available, averaged thirty-two per cent during this base period. It made about forty per cent in 1940. There again, it will be taxed on the additional but it will not pay any excess profits tax on any part of its 1940 profits, which represent merely the continuation of the previous earnings.

The F.W. Woolworth and Company, with seventeen per cent in the base period, presents a little bit different type of case, because it made less in 1940 than it did in thirty-six to thirty-nine, and there is where we run into some difficulty with the Congressmen who say, "Well, if the concern earned less under this defense program than it earned before, should we subject it to an excess profits tax, even though it was making very handsome profits at an earlier period?"

Consolidated Aircraft is one of the aircraft companies who has jumped way up, but still was making eighteen per cent during the earlier period.

Aluminum Corporation of America is averaging around twelve per cent, and it is up to about

- 4 -

twenty-one per cent now. It pays on that additional, but not on any of the other part. Now, we have some examples like that also taken from the transcript cards, and we have quite a substantial number which are coming through today, and what I thought might be desirable would be to write each of these up in a short paragraph of about six or seven lines, setting out the basic facts.

H.M.Jr: Yes. This is the meat of the thing. Have you seen it?

Currie: This I would regard as supporting data. You want further discussion. I should assume that the President's message or letter would be cloaked in rather general language, with perhaps one or two illustrations.

H.M.Jr: But he hasn't looked at this in over a year, and I thought if we put this on his desk he could pick out what he wants, but he ought to really be sold on it, and I thought this was the way to do it because he hasn't interested himself in over a year on this.

Currie: But you would accompany these illustrations with a suggested draft, would you not?

H.M.Jr: Oh, yes.

Currie: That is what I understood he wanted.

H.M.Jr: Oh, yes. We can go back to our so-called Treasury plan of last June and last month, which does the trick.

Currie: That is right.

- 5 -

- H.M.Jr: Then the thing that Kuhn and I feel - I don't know how Gaston feels, and Foley - is that this shouldn't just be excess profits.
- Currie: Oh, no.
- H.M.Jr: And that this is a part of the thing, but then let the President get into the subject of the whole question of prices and inflation and that we have just got to do something about it, and excess profits is part of the picture, but there is the question of wages. We were thinking of making it - trying our hand at a fairly roundabout statement, which he hasn't made, and it wouldn't do Henderson a bit of harm if this happened and then subsequently to the President, "Well, what do you want in the way of legislation?" "Well, I want a good excess profits bill and I want a good price bill." If he kind of laid down the foundation and - I don't suppose he has talked about prices since we had that famous meeting where he said, "Well, this is the first time that I am the pupil and you are the teacher," which is what, thirty-seven or thirty-eight, do you remember?
- Currie: Yes, I remember.
- Gaston: Thirty-seven.
- H.M.Jr: I don't think he has ever said anything from that day to this, has he?
- Currie: Not that I know of.
- H.M.Jr: What do you think, Herbert, if we try to do an all-round job?
- Gaston: I think it ought to be done. I think it

- 6 -

ought to be related to the emergency and the absolute necessity for having taxation because of the extreme need, and also to the economic desirability and the economic consideration that you - theoretically you ought to be able to produce by taxation the same thing that you can produce in the way of excess production. You ought to be able to match with taxation the excess production that you are shooting away, but because of the difficulties, because taxation isn't a fully accurate instrument, you can't fully do that, but you want to approach it as near as possible.

H.M.Jr: Have you got any ideas, Ed?

Foley: No, I agree that it ought to be not just excess profits, because if you just do that, it is going to be quite a slap in the face to the committee and I think that the sooner you can get the message down there the better form the thing will take, because once the bill is written and reported out by the committee --

H.M.Jr: May I interrupt you?

Foley: Yes.

H.M.Jr: I don't know whether I told you - evidently I didn't - that Sam Rayburn was kind enough to drop in to see me and I put this thing up to him. I let him read the President's memo in strictest confidence and he said, "The President must send for Doughton and Cooper before he does anything else," and I wrote that to the President last night, that I had spoken to Rayburn and he strongly urged that before he do anything the thing be laid - and that the bill was going to come

- 7 -

out a week from Tuesday, so that it will be next week that the President should do it.

Foley: Yes. This ought to go down before the bill comes out. Otherwise, the committee will feel that it is a rebuke to the committee.

H.M.Jr: No, but that the President should send for --

Foley: He has got to do both, it seems to me.

H.M.Jr: He could have the message ready and say, "Now, gentlemen, I would like to show you this thing and go over it with you," but have it all ready. I would like to have a finished draft again and say, "Here is the message and I would like to go over this with you."

Foley: Yes.

H.M.Jr: Then there can't be any bad feelings. How much more have you got?

Blough: Oh, I have more along the same line. I also made some comparisons on the estate taxes. Mr. Currie indicated he had spoken to the President about that. I don't know whether you would want to go into that in this particular message or not.

H.M.Jr: State taxes?

Blough: Estate taxes.

Currie: Estate and gift. They cut your proposals way down on that.

H.M.Jr: We can put it in and if he wants to cut it out he can cut it out.

Currie: No, he mentioned that as one of the things.

- 8 -

- H.M.Jr: Fine. Why don't you do this? Couldn't you and Kuhn begin to draft something so you would have it for me Monday?
- Blough: Yes. You recall the outline that was prepared some weeks ago?
- H.M.Jr: Yes.
- Blough: It occurs to me that while that could not be entirely used, that it would be much happier if the President would couch his message in a pretty high level in which excess profits is merely one of the conclusions which flows from it, and that possibly something along the lines of the outline that Kuhn and I worked on might be a starter.
- H.M.Jr: Well, I would go to it. I hate to ask you to do something over the week-end, but if you start now you may not have to work all week-end. And then give a draft to the people in this room for their criticisms.
- Gaston: There is going to be some resentment from the committee, no matter how it is handled, because it is well known the tentative result the committee has arrived at, and that this message will be a disagreement with that result. You can't avoid that.
- H.M.Jr: Ferdie, I think I would show a copy in draft form to Leon Henderson and one to Eccles, and ask for their suggestions. I would show it to Henderson and Eccles.
- Currie: I don't think --
- H.M.Jr: Is there anybody else in town who would be interested? Lubin?

- 9 -

- Currie: Yes, Lubin would.
- H.M.Jr: Harry White. Then when I get back Monday, we can go right to work again. I would like to have these people see it if possible between now and Monday, if it is physically and mentally possibly.
- Kuhn: We can always get a draft up.
- H.M.Jr: You have got the basis for it. You had that two weeks ago.
- Blough: It isn't a question of getting a draft. We can have the draft. The question is whether the draft is one that satisfies us sufficiently that we would want to show it around.
- H.M.Jr: Well, don't have your professional standards too high. Get it around.
- Currie: Now, the point that Herbert mentioned, Mr. Secretary, about resentment, I think that we ought to make this not entirely blame; but some praise in it, some things that the committee has done that are very good.
- H.M.Jr: They did get the three and a half.
- Currie: That is right.
- H.M.Jr: That is a very good point. Congratulate them on getting the three and a half.
- Gaston: You might mention that the situation is somewhat changed because of our expanding needs also as a justification for the message.
- H.M.Jr: Yes. Well, Ferdie, as I asking too much of you two men?

- 10 -

Blough: Not of me.

H.M.Jr: How about you?

Kuhn: No, it is fine. I can --

H.M.Jr: Were you going away this week-end?

Kuhn: That is all right, we can do this this afternoon and get something on paper or tomorrow morning.

H.M.Jr: Were you going to go away?

Kuhn: Only nearby.

H.M.Jr: Well, I hate to ask it, but - are you willing to do it?

Kuhn: Oh, I would love to do it.

Blough: Of course, Mr. Secretary.

H.M.Jr: Well, there you are.

Kuhn: It doesn't have to be long and it can't be too detailed.

H.M.Jr: If you would show it to these people, if you had something, you could ask them to drop over. That would be easiest, you see. Ask them to come over to your room tomorrow morning and say, "Here, gentlemen, let's spend the morning on it," and if those people don't want to come, at least we have done them the courtesy of asking them to come. Is that right?

Currie: Yes.

H.M.Jr: I would do it that way. I would just call up these people and say you have got a draft

- 11 -

and you are working on it and in strictest confidence would they drop in to your room tomorrow morning. I would tell them today that they can come in at ten o'clock tomorrow morning and you will have something.

Kuhn: Yes. I would like to get something down this afternoon.

H.M.Jr: Tell them if they can come over at ten o'clock, that you would like to have them. If they can't come, that is too bad, because I wrote the President that I would have something for him Monday. I sent him Blough's outline of the tax bill as it stands now and then I said I would have something for him Monday and I think this would be good for Leon.

Currie: Oh, yes, very definitely.

H.M.Jr: Don't you?

Currie: Oh, yes, very definitely.

Blough: I think it is necessary Leon is approaching this thing from the point of view of trying to freeze the price. On the fiscal side we make his task ever so much easier if we can pull out through Savings Bonds and taxes the money which otherwise would go to force the prices up.

H.M.Jr: Be sure and say that the Treasury is doing everything it can to pull this money out through the Savings Bonds. You see we deserve a little pat on the back for that. And that the committee is doing all it can through the three and a half billion taxes, but it still leaves the job undone.

- 12 -

- Blough: Might it be well to indicate a little hint that we will probably need some more taxes a little later?
- H.M.Jr: Notice what I did yesterday when they asked me? I said with the new picture - we had to study the whole fiscal picture and I couldn't say what we would do.
- Blough: Mr. Sullivan called up last night and wondered whether that meant something very imminent.
- H.M.Jr: Did that spoil his golf game? All right, thank you all.

Kuh's first draft  
prepared 7-11.

I am sending this message to the Congress because there are serious decisions that must be made on the home front, and made now, if we are to muster all our strength for the tasks that lie ahead. These are decisions of domestic economic policy. Their scope is as big as the nation itself, as small as the pots and pans in every American kitchen. But they are inseparably linked to the defense of our country and the maintenance of freedom in our world.

The time has come to act as vigorously against rising economic dangers at home as we have acted, and intend to act, against the rising tide of tyranny abroad.

The broad facts are well known to every member of the Congress, and I do not need to recite them at length today. Our colossal defense effort has now reabsorbed, directly or indirectly, \_\_\_\_\_ millions of those who have been unemployed in the last three years. Our national pay envelope is fatter than ever before, and more American workers are leading a more abundant life than ever before.

Our giant industrial strength is being roused as never before. Our supplies of certain raw materials for civilian use are being required more and more for the weapons of defense. And our effort is only beginning.

Congress has appropriated or authorized expenditures of \_\_\_\_\_ billions for the new ~~1~~ fiscal year, but we are still spending on defense at the rate of only 6 billion a year. We must do better than this, much better, if we are to be sure of keeping America strong and safe and free.

When payrolls rise and when vital raw materials are needed for military purposes, we have the ideal conditions for a rising spiral of prices. More and More money becomes available for fewer and fewer things, and the natural response of prices is to go up. So far we have managed to control and delay the rise in prices ten times as well as we did in 1916, when somewhat similar conditions existed. The rises so far have been nothing but danger signals.

I propose to heed those danger signals. This Administration is determined to check the spiral before it can do any damage. The consequences of inflation are too harmful to workingmen, businessmen and farmers alike for any responsible official to permit the process to begin.

But this Administration cannot prevent inflation by waving a magic wand. The job calls for equal effort, equal understanding, equal self-control, from every American group and every individual. It calls for the same kind of unity which our people have shown so magnificently in the defense effort now and in other crises in the past.

There are, of course, many ways of checking a vicious spiral of costs and prices.

One way, and the most effective, is to skim the cream from purchasing power by putting current earnings to work for the Government instead of spending them. Whether this is done by taxation or by the purchase of defense bonds, it serves the double purpose of keeping prices down and at the same time of providing the dollars that are needed for defense.

Another way is to control prices by voluntary cooperation of those who produce and sell the goods. These, and many other methods, will help. We are using some of them already.

The Ways and Means Committee of the House of Representatives is now drafting a tax bill which will raise \$3½ billions in additional revenue, a contribution for which the Committee deserves the thanks of the whole country.

The Treasury is about to begin the sale of tax anticipation notes, to make the payment of taxes prompt and easier, and it is also approaching the first billion dollars in the sale of Defense Savings Bonds to great numbers of people.

The OPACS has been vigilant and vigorous in bringing all possible pressure to bear whenever sharp price increases have been threatened.

These are useful steps, but they are not enough. The defense effort has grown to such giant proportions that it now dominates our entire economic life. Bolder measures are needed now. In these days of total defense war a total defense is called for. Our economy must be integrated for defense, integrated as closely as our army and navy and our planes that guard the skies.

A case in point is taxation, which provides by far the largest part of the billions that are needed for national security. Our national thinking on taxation has changed as rapidly as the scale of the defense program itself. Two years ago, one year ago, it might have seemed fantastic to attempt the raising of twelve billion dollars a year from taxes, or to increase tax revenue by three and a half billion dollars in a single year. The American people have accepted this goal with a cheerfulness that is a proof of their common-sense and their patriotism.

Yet even the three and a half billion increase, even the total goal of twelve billion dollars from revenue, now threaten to be inadequate in the light of the vast expansion of defense spending. In the past week the Congress has been asked for eight billion dollars in additional expenditure for the Army and Navy, on top of the thirty-three billion appropriated for all purposes during the fiscal year just ended.

I know that we shall be able to raise still greater revenues if necessary; we can do this job, and any job, if we set ourselves to do it.

But taxes are more than sources of revenue. Taxes can and should be the most useful of all methods of curtailing excess purchasing power, and therefore the best of all methods of preventing inflation.

Moreover, taxes can and should be an adjunct to the defense production program by reducing the competition for the materials that are needed in the defense industries. We do not have a limitless supply of steel, aluminum, rubber and many other essential components of ships and planes and guns. We can, to some extent, reduce the competition by priorities; we can also give the right of way to defense production by imposing stiff excise taxes on those articles and materials that compete directly with the weapons of defense.

It is my hope that Congress will use the tax weapon unhesitatingly wherever the supply of a vitally important defense material is blocked by unnecessary consumer demand.

The usefulness of taxes in the present emergency, quite apart from their revenue-raising value, is still more apparent in the field of excess profits taxes. It is a settled principle of the American people that the makers of defense weapons shall not grow rich out of their country's danger. In accordance with this principle, the profits of defense industries are already heavily taxed, and will be taxed still more heavily by the time the pending tax bill is enacted into law. It is also a settled principle, disputed by none, that taxes shall be imposed in accordance with ability to pay. In line with this principle, we have long had a graduated

individual income-tax, which grows steeper as it reaches into the higher incomes.

But these two principles have not yet been followed closely enough in the field of corporate taxation generally. It is hard to think of any American business which is not benefiting indirectly from the enormous expansion of purchasing power caused by the defense program. Yet under the present excess profits law scores of rich and successful corporations pay no profits tax at all. If they were earning huge and consistent profits in the previous four years they are allowed to keep those profits in this year of the greatest emergency that we as a nation have faced for 150 years.

The defense plant that is producing the weapons to save our freedom is taxed heavily if its profits have risen sharply from its defense contracts. The non-defense company that is producing, perhaps, a non-essential luxury, and producing it at a huge profit year after year, often pays<sup>no</sup> profits tax at all, even if its profits are as high as forty-three per cent of its invested capital.

To my mind this provision of the existing law is inequitable and dangerous. It is inequitable because it violates the principle that all should pay for defense in accordance with their ability to pay. Companies that make larger than average returns on their investment have, by and large, a greater ability to pay taxes than other corporations, and they can be called upon equitably to pay additional taxes. We face unprecedented financial burdens today; it is fair and economically sound to burden the prosperous concerns relatively more heavily than the less prosperous.

The existing excess profits law is worse than inequitable. It is dangerous because it tends to create in the minds of millions of American farmers and workers the notion that some, well able to pay, are not bearing their fair share of the burden. The time may soon come when we shall have to ask farmers and workers to accept new sacrifices for the sake of their country. It will be difficult to expect farmers not to ask for higher prices, difficult to expect workers not to demand higher wages, if they feel that others are being allowed to keep huge profits virtually intact. I know that our farmers and workers will cooperate cheerfully, willingly, patriotically, if they feel convinced that the rich and successful corporations are doing their part.

The control of inflation and the prevention of great resulting harm can therefore be achieved only through an integrated effort along many fronts. In this great economic battle the taxation front is an important sector, and a sound excess profits tax is one of the key positions to be won. When that position has been stormed and taken, there will be no further justification for any citizens or groups of citizens to aggravate the problem through price and wage demands which must inevitably lead to further increases.

National interest comes ahead of self-interest in these critical days. The defense of our country calls for a united effort, in every field of our national life. We have reached a point at which the course of profits, prices and wages must somehow be controlled, firmly, fairly and effectively, if our economy is to function without damage to our people and to our sacred cause.

TO:

39

MISS CHAUNCEY

Mr. Foley carried to Secy's  
9:30 meeting today - 7/11/41.

MR. FOLEY

JUL 11 1941

Secretary Morgenthau

Mr. Foley

1. At a conference held at 4 o'clock Thursday afternoon, June 10, 1941, in the office of Assistant Secretary of War McCloy on the question of the War Department relieving the British of \$300,000,000 in contract obligations for aircraft, it was decided that Sir Henry Self would be asked to confer with Colonel Meyers and Major Holland with a view to determining how much of this amount could be handled through the elimination of "surplusage" in existing British lend-lease requirements. The Army Air Corps will also consider how much of the balance can be absorbed through "water" in the appropriations for aircraft for 1942 recently enacted.

2. At a conference in the morning it had been decided that there would probably be no difficulty in the way of the War Department entering into contracts for tanks and tank engines amounting to \$44,000,000 to take the place of existing contracts between the British Government and American manufacturers since there is apparently sufficient leeway in the ordnance appropriations. However, the matter was to be submitted by General Lewis and Colonels Aurand and Taylor to General Wesson.

3. Under the proposed plan the British will be saved up to \$344,000,000 and will also obtain the tanks, tank engines, and aircraft covered by the cancelled contracts. It is contemplated that the War Department will lend-lease an equal amount of such armaments to the British Government which the War Department is procuring from the same American manufacturers. The War Department will pay to the American manufacturers the ordinary price for these armaments, and the British Government will pay the difference. This procedure is possible where matching orders have been placed by the War Department for tanks, tank engines, and aircraft with the same specifications as those ordered by the British.

At the meeting held at 11 o'clock in the morning, there were present: Assistant Secretary McCloy, General Lewis and Colonels Aurand, Taylor and Greenbaum for the War Department; Sir Frederick Phillips and Messrs. Childs and Robinson for the British; Messrs. Cox and Brown for the Division of Defense Aid Reports; and Mr. Kades for the Treasury Department. At the meeting held in the afternoon, Colonel Meyers and Major Holland were present instead of General Lewis and Colonels Aurand, Taylor and Greenbaum.

CLK:t  
7-10-41

(Initialed) E. H. F., Jr.

July 11, 1941

Secretary Morgenthau

Mr. Foley

For your information

At the meeting in your office yesterday afternoon there was some discussion of adequate publicity being given to the true facts concerning the present British export trade, such as the interview in the Washington Post by Mr. Keynes on July 10. In this connection, I thought you would be interested in knowing that Congressman O'Connor of Montana has introduced a resolution, H. Res. 288, the purpose of which is to establish a special committee to be composed of three members of the House, appointed by the Speaker, to conduct an investigation as to:

- (1) To what extent materials lend-leased to the British are being exported in competition with American export trade;
- (2) To what extent Great Britain is drawing upon resources of the United States to supply domestic needs, at the same time enabling British manufacturers to increase pre-war British foreign trade; and
- (3) Whether shipping facilities now available to Great Britain are adequate for its essential foreign trade and to what extent additional shipping facilities from the United States are needed for such purpose.

(Initialed) E. H. F., Jr.

CLK:it

July 11, 1941

Dear McCloy:

I cannot tell you how much I appreciate the exceedingly prompt assistance which you have rendered in helping to relieve the British dollar situation.

Sincerely yours,

(Signed) H. Morgenthau: HW

Mr. John J. McCloy,  
Assistant Secretary of War,  
War Department,  
Washington, D. C.

July 11, 1941

Dear McCloy:

I cannot tell you how much I appreciate the exceedingly prompt assistance which you have rendered in helping to relieve the British dollar situation.

Sincerely yours,

(Signed) H. Morgenthau: 577

Mr. John J. McCloy,  
Assistant Secretary of War,  
War Department,  
Washington, D. C.

Dear McCloy:

I cannot tell you how much I appreciate the exceedingly prompt assistance which you have rendered in helping to relieve the British dollar situation.

Sincerely yours,

John J. McCloy, Esq.,  
Assistant Secretary of War,  
Room 2503 Munitions Building,  
Washington, D. C.

OFFICE FOR EMERGENCY MANAGEMENT  
DIVISION OF DEFENSE AID REPORTS  
WASHINGTON, D. C.

July 11, 1941

MEMORANDUM

TO: Secretary Morgenthau

FROM: Oscar Cox

Annexed is a suggested draft of a letter to McCloy, thanking him for the prompt help which he has rendered.

ose

July 11, 1941  
9:30 a.m.

GROUP MEETING

Present: Mr. Cochran  
Mr. Thompson  
Mr. White  
Mr. Blough  
Mr. Gaston  
Mr. Haas  
Mr. Schwarz  
Mr. Graves  
Mr. Odegard  
Mr. Viner  
Mr. Foley  
Mr. Kuhn  
Mrs. Klotz  
Mr. Bell

H.M.Jr: This is wonderful, Ferdie. Here comes fresh material.

Viner: Have you already exhausted the old material or slaughtered them or what?

H.M.Jr: Between now and ten o'clock tomorrow morning Ferdie and Blough have got to have a draft on prices, labor, excess profits and so forth and so on, and we have invited in Eccles and Henderson and Lauch Currie to criticize it and we are to have it ready for the President Monday.

I didn't know whether Odegard was here or in Harrisburg, or places West, but he is here too, so Ferdie is going to draft by

- 2 -

himself this afternoon, is that right?

Kuhn: Try it.

H.M.Jr: With Blough, but with these - are you going home this week-end?

Odegard: Tonight.

H.M.Jr: Good. And may I suggest that you don't come back at least until Tuesday?

Odegard: Thank you. I have two lectures to give in New England.

H.M.Jr: Oh, what days are those?

Odegard: Saturday and Tuesday.

H.M.Jr: Then you can get back Wednesday. Will that give you any time to rest?

Odegard: It will give me a day at home.

H.M.Jr: Is that enough?

Viner: You asked him whether that would give him time to rest and he said it would give him a day at home. He didn't say a day's rest. It makes me curious.

H.M.Jr: Why not come back Thursday and that will give you a chance.

Odegard: All right, thank you.

(Mr. Bell entered the conference.)

H.M.Jr: How will that be?

Odegard: Wonderful.

- 3 -

H.M.Jr: I should think it would be good. Get back Thursday?

Odegard: Yes.

H.M.Jr: Isn't that wonderful, having Jake Viner?

Kuhn: I already warned him we are going to send S.O.S.'s out today.

H.M.Jr: You are invited if you are here tomorrow. Mr. Bell and I will receive it Monday. We will let these boys work, you see. And you (Bell) and I will take a look at it Monday.

Bell: Not before Monday?

H.M.Jr: No.  
Norman?

Thompson: I have a final clearance on the Park Road building.

H.M.Jr: Good. You and I ought to go in the real estate business.

Klotz: Yes, but it is some distance away, isn't it?

Thompson: Well, it is just about ten or fifteen minutes up Sixteenth Street.  
I didn't know whether you had some instructions on this other matter. He can't get by Civil Service. It should have been before July 1.

H.M.Jr: Yes, That is the husband of the nurse that looked after all the Roosevelt children.

Thompson: We are going to have a little trouble.

- 4 -

H.M.Jr: Well, the colored man - couldn't he work under the colored section that Graves has got?

Klotz: It is all Civil Service.

Thompson: It is all Civil Service.

H.M.Jr: Is there any free money around?

Thompson: They have to be Civil Service.

H.M.Jr: Roll him into Coast Guard. Seriously, couldn't he - how about Coast Guard?

Thompson: If he meets the --

Gaston: They can always take people, but they have no way of paying them. (Laughter)

H.M.Jr: Well anyway, it was a helpful suggestion. This is one of the cases we have got to do something on.

Klotz: How about frozen funds?

Thompson: That is all under Civil Service.

H.M.Jr: Where does that leave the Democratic Party?

Bell: They are all covered in. (Laughter)

H.M.Jr: What did you say?

Bell: I said they were all covered in.

H.M.Jr: Well, you will have to find something.

Thompson: All right, I will see what we can do.

H.M.Jr: I will let them know, unless there are a couple more nurses or something.

- 5 -

Thompson: Well, I have told Miss Thompson in recent letters that June 30 was the deadline.

H.M.Jr: But this is one of those things that the whole Roosevelt family is involved in.

Thompson: Maybe some other branch of the Government, FHA or something.

The President has issued regulations directing that the Executive Officer of the Division of Defense Aid Reports shall consult with a representative of the Treasury and the Budget in fixing values of defense articles and property and so on to or from the United States under the defense --

H.M.Jr: That comes under Bell.

Thompson: Well, I have prepared a letter designating Cliff Mack as a representative.

Bell: This is evaluation of the material.

H.M.Jr: Is that agreeable to you?

Bell: Yes, I thought he was the best man.

H.M.Jr: Just remember this, Dan, the final records and statistics for all this Lend-Lease in the Treasury after all should be in a place satisfactory to you.

Bell: Well, eventually I take it we will get it, but I don't think there is anything being done now in the way of getting signed agreements or documents.

H.M.Jr: Well, will you keep that in mind?

Bell: Our man is in charge of the Records Section over there.

- 6 -

H.M.Jr: All right.

Bell: We will eventually get it.

Thompson: Mr. Hall over at the Bureau of Engraving and Printing is facing a very critical situation with respect to plate printers. He can't - there is no Civil Service register and he just can't find printers in the United States and he has twenty-two plate printers who have reached the age for retirement this year, so we are asking the President to get out an Executive Order which would permit us to keep on plate printers as they reach retirement age until we can get some through Civil Service registers.

I think it is a necessary thing to do. He can't even get enough apprentices.

H.M.Jr: Dan?

Bell: We got three billion three cash subscriptions up to last night.

H.M.Jr: Wonderful.

Bell: It will probably go over four billion in the mail today. About half of it refunding, which was all right. We will get the rest of it today. The price has now settled back to just where we figured it, seventeen-nineteen.

H.M.Jr: You are staying home tomorrow, aren't you?

Bell: I hadn't thought about it.

H.M.Jr: Well, I will think for you. Please, if you don't mind my giving that kind of an order.

- 7 -

Bell: I don't mind. I appreciate it.

H.M.Jr: Harold Graves?

Graves: You asked me the other day to get you a sample sticker for cars.

H.M.Jr: Oh yes. Let "Cymbol" Odegard look at this. Do you like it? Do you like that?

Odegard: Well, the message isn't very clear.

Viner: Is that settled?

H.M.Jr: Oh yes.

Viner: Then I like it very much. (Laughter)

Bell: What is it for, automobiles?

H.M.Jr: Yes.

Graves: It isn't ours.

H.M.Jr: No, I just wanted to see what somebody else was doing. What else?

Graves: I have a letter from Mr. Biow, who by the way, will spend the day with us here Monday, saying that Bulova Watch Company are giving us eight weeks of their announcements beginning July 19.

H.M.Jr: Good.

Graves: That is, I take it, that means that every time they make their usual announcement about Bulova watch time, they will mention Defense Savings Bonds.

Gaston: No commitment by Customs?

- 8 -

Graves: I beg pardon?

Gaston: No commitment by Customs.

Graves: No, we are not committing anybody.  
(The Secretary gave instructions to operator to get Mr. Hamm or Mr. Ginsberg on the phone.)

Foley: Sounds like a delicatessen. (Laughter)

H.M.Jr: Don't you like to come back to a cheerful crowd?

Viner: I wish you had the right to be. (Laughter)

H.M.Jr: Where were we?

Graves: You asked me to let you know this morning about the return cards on the song.  
  
They tell me across the street that the number is still very few, and I have asked them to give me a daily report on that, which I will send in to you.

H.M.Jr: All right.  
  
(Secretary held telephone conversation with Mr. Hamm.)

H.M.Jr: The trouble is, this laughter going back and forth over the phone.

Bell: Does it record?

H.M.Jr: Have you got everything fixed?

Graves: No, I just started. (Laughter) Mr. Callahan sends me a note for you of the time of this Sunday broadcast. He thought you would like to know it.

- 9 -

H.M.Jr: Oh swell. Is it this Sunday?

Graves: Yes.

H.M.Jr: Grand.

Gaston: What time is it, Harold.

Kuhn: One o'clock, Daylight Saving, isn't it?

Graves: I don't know. The Secretary has the memorandum.

H.M.Jr: Read it out loud, will you, please?

Klotz: "The Mutual program starts this coming Sunday, July 13. I know the Secretary will probably want to listen, and therefore I am giving you the times it will be heard. Twelve o'clock to twelve-forty-five, Eastern Daylight Saving time, and eleven to eleven-forty-five Eastern Standard Time. WOL is the local outlet. They are not available at the time of the actual broadcast, but they are planning to make a recording and rebroadcast it later."

Graves: The hour is given there of that rebroadcast.

Klotz: "This means it will be heard locally over WOL from one-fifteen to two o'clock."

Graves: We now have an acceptance from Mr. John D. Stephenson for State Chairman in Pennsylvania.

That is, you invited him three or four days ago.

H.M.Jr: Peter fixed it up?

- 10 -

Graves: Peter fixed it up. That is actually true, Peter did fix it up, and I am going to call him this morning and offer to go up and see him at Philadelphia some day next week.

H.M.Jr: Well, you hold Tuesday for Detroit.

Graves: Yes.

H.M.Jr: I thought you were going to bring in--

Graves: He wasn't here yesterday, but will be today, Mr. Iseby, and if you have the time--

H.M.Jr: It is terrible today. It is the tightest day that I have got.

Graves: All right, I will take care of it.

H.M.Jr: You are coming in, aren't you, with Patterson at eleven-thirty?

Graves: Well, I have Senator Pepper, as I told you, on my hands at eleven o'clock, and suppose I come in if I am through, and if not--

H.M.Jr: Why don't you tell Pepper that you have got to be in here?

Graves: All right, if you want me in, I will come.

H.M.Jr: Sure. Kuhn is bringing in some artists at eleven.

Kuhn: It won't take long.

H.M.Jr: That is all right, I don't need Harold for that.

White: In fact, they had better leave you out, Harold.

Graves: I am through.

- 11 -

- H.M.Jr: This fellow - yes, I can see this man, if somebody could bring him in - let Kuhn bring in the fellow, Iseby, at eleven o'clock and he can meet the artists too.
- Graves: The trouble is I haven't been in touch with Iseby, and I don't know positively that I will be before eleven.
- H.M.Jr: If he is here, let him come in with the rest of the artists.
- Finished?
- Graves: Finished.
- H.M.Jr: Harry?
- White: Here is that letter you have asked for from Mr. Keynes. (Letter dated July 2.)
- H.M.Jr: I will take that to the country.
- White: I would like to comment on this purchase of cotton cloth to this extent, see whether it modifies your request for quick action. The textile dealers, as you know, are trying to break down the voluntary price fixing by merely not offering the goods for sale. Now, if the Procurement helps them out by buying at a higher price--
- H.M.Jr: Let Leon Henderson worry about that. That is his job.
- White: Yes, but you gave him twenty-four hours to buy it.
- H.M.Jr: Two weeks. My job is to buy.
- White: But they have got a much stronger case if they can come up before Congress and point out

- 12 -

that here they have badly needed goods that they can't buy.

H.M.Jr: Let Leon worry about it.

White: It isn't only Leon's problem.

H.M.Jr: Let him worry about it. He has a chance. He can come back at me.

White: All right.

Schwarz: I have a letter to you from the Buffalo Courier Express asking for a letter for a special edition on the new Curtiss-Wright plant there.

H.M.Jr: No.

Schwarz: That is all.

H.M.Jr: Anything on your trip yesterday?

Odegard: I had a very nice trip. I talked about an hour and a half with the man up there.

H.M.Jr: Are we going to have trouble with every state, with the Defense Commission?

Odegard: I don't think so. We are not going to have any trouble with Pennsylvania at all.

H.M.Jr: Will you come in at eleven when these people come in? If you haven't met them, I think you would like to. Are you busy at eleven?

Odegard: No, not that I know of. I can come in.

Graves: We have had rumblings--

H.M.Jr: Are you going to be busy?

Odegard: No.

- 13 -

- H.M.Jr: Wouldn't you like to meet them?
- Odegard: Yes, I would.
- Braves: We have had rumblings of trouble of that kind in New Jersey and Florida and Nevada, but I think we are going to settle it all right.
- Haas: I have nothing.
- H.M.Jr: Peter, this message that we are working on is terrifically important. It is right down the lines you were talking about, so any time that you have got--
- Odegard: Yes.
- Blough: Apparently you have later information on the tax bill than I have. I told you the bill wouldn't be ready for the Committee until the end of next week, but now it is apparently going to be ready by the middle of the week.
- H.M.Jr: Tuesday a week, the Speaker said.
- Blough: Is when they are going to report?
- H.M.Jr: Yes.
- Blough: Well, they will then consider it this coming week, during a part of the week. I understand Ways and Means may meet as early as Monday. The drafters won't be done by Monday.
- H.M.Jr: Well, all I know is that the Speaker said, as I understood him - there are technicalities I don't know - that it wouldn't get on the Floor until Tuesday a week.
- Blough: Well, that is a little faster than we had anticipated, but it presumably can be done.

- 14 -

Bell: That ties in with the Budget information that the House is trying to get away around the twenty-third.

Kuhn: Will you be able to ring up William Green, Mr. Secretary, about that?

H.M.Jr: If you will stay, I will do it right after this meeting.

Kuhn: Thank you.

Cochran: I have circulated to our Chinese group this letter that Mr. Bell mentioned yesterday on Sir Otto Niemeyer going to China. I will give Mrs. Klotz a copy, or do you want to see it now?

H.M.Jr: No.

Cochran: There is nothing to do on it at the present time. Jay Crane was in yesterday on this Hungarian oil business. I took him in to see Mr. Foley.

Foley: Today is Senator Norris' eightieth birthday. I thought maybe you might want to send him a little--

H.M.Jr: I have.

Foley: Here is a report on the War Department meetings yesterday morning and afternoon that Kades wrote up. (Dated July 11)

H.M.Jr: Shall I read it? Oh, yes, I want to read it. I would like to take this to the country.

Foley: There is another memorandum that might be of interest to you. (Dated July 11) This is a copy of the letter that you sent to the Attorney General to go to the State Department. (Dated July 11)

- 15 -

Marvin McIntyre sent a letter over from a fellow by the name of Royal McKenna and said, "This is the man I spoke to you about on the telephone." If it is all right, I will sign this letter. It is on some constitutional questions, and we thank him for bringing it to our attention.

H.M.Jr: Anything else.

Foley: No.

H.M.Jr: Harry, would you write a little friendly note for me to John Carmody saying that pardon my delay and I was so long in answering it, but I hope to have an answer for him early in the week.

White: Do it right away.

H.M.Jr: And if you will give it to Mrs. Klotz, I will sign it, but I am going to take this up to the country.

I have been with Lauch Currie since a quarter of eight this morning, and I haven't had a chance.

Gaston: On the request of the State Department yesterday, we ordered detention of the Japanese ship, the Yawata Maru of San Francisco, which was to carry a consular party, because they hadn't received adequate assurances from Germany as to the American consuls in Germany, and then later we canceled that request on notification that they had received the proper assurances late yesterday afternoon.

At the Defense Communications Board yesterday we decided to prohibit the use of radio by all foreign ships in American waters, which can be done, I think, by changing FCC regulations. Savage of State and Hassell of Post

- 16 -

Office, and Judge Townsend of Justice were over and we discussed that matter of German films being shown in the United States. Savage said that all the State Department was unanimous in wanting to have these German films that are now being shown suppressed. Townsend couldn't find any law under which it could be done, and he was very doubtful of the reaction if a bill to that effect were to be introduced in Congress. He thought it would cause perhaps an explosion and interfere with other more important matters, and I think he is correct. We agreed to look into the question of whether it could be handled by a freezing process, a fund freezing process, but I am not entirely sure that it is desirable if we could do it. That is, the films now in the United States, now being shown. As to the films which have not arrived, the films to come, we agreed that we would at least detain all German films for a good look at them before we let them in.

H.M. Jr: Thank you.

Gaston: Right.

July 11, 1941  
9:39 a.m.

HMJr: Hello.

Clifton Mack: Good morning, sir.

HMJr: Hello, Mack.

M: Yes sir.

HMJr: Good morning. What about those 10 million yards of that cotton goods for China? Did you get a clearance?

M: We haven't yet. I called - I called the General Counsel's office just now to try to get one of their fellows to go up with us to see Henderson or his assistant. They weren't available yesterday afternoon.

HMJr: I'll call Henderson myself and tell him he's got to clear it this morning.

M: Very good.

HMJr: Now, is - they've given you a price limit, isn't that it?

M: They've given us a price limit and I think they're having meetings with members of the industry.

HMJr: How long has it been pending?

M: Well, this has been pending with us for a matter of a couple of weeks.

HMJr: Okay, that's enough.

M: Yes sir.

HMJr: I'll - you know - I'm going to ask him to call you or have somebody call you for him.

M: Very good.

HMJr: 10 million yards, isn't it?

M: Yes sir.

- 2 -

HMJr: Okay.

M: Yes sir.

HMJr: Anything - hello?

M: Now, what's that?

HMJr: Anything else that you get stuck on,  
on that, I'm willing to help.

M: Well, thank you very much and I very  
much appreciate it.

HMJr: Right.

M: Thank you sir.

HMJr: Goodbye.

July 11, 1941  
9:45 a. m.

64

HMJr: Hello.

John Hamm: Good morning, Mr. Secretary.

HMJr: How are you? Mr. Hamm, I tried to get Leon and they say he is out at a hearing.

H: Yes.

HMJr: And I just wonder what kind of an organization you've got over there - whether you can do something to help us out. We've been fooling around for two weeks trying to buy 10 million yards of cotton goods for the Chinese and Clif Mack, the director of Procurement says that he cannot buy at the price that you give him. Hello?

H: Yes.

HMJr: Now, with the help of you people, I'd like to clear that between now and sunset. I want to buy it.

H: All right. Mack knows the story, does he?

HMJr: Clif Mack knows it. He's sitting in his office waiting to hear from you.

H: All right, I'll have one of our men get in touch with him.

HMJr: Between now and sunset, let's buy the 10 million yards for China.

H: All right, fine.

HMJr: Will you help me?

H: Surely.

HMJr: Can I forget about it?

H: You can forget about it. If we have to lift the ceiling on this particular order we'll get it some where.

HMJr: Will you please because for two weeks - Madame Chiang Kai-Shek needs a new dress.

- 2 -

H: All right, we'll see that she has it.

HMJr: Okay.

H: Thank you, sir.

HMJr: Thank you.

July 11, 1941  
10:02 a.m.

66

W. B. Green: Hello.

HMMJr: Mr. Green?

G: Yes sir.

HMMJr: Henry Morgenthau, Jr.

G: Yes sir.

HMMJr: How are you?

G: I'm all right, thank you.

HMMJr: Mr. Green, I've been a little bit ambitious in trying to arrange a radio round table to be held in my office in trying to present the Defense Savings Bonds program to the country and the thought was on July 22 that we'd have labor and business sit down with me and talk the thing sort of informally for a half an hour over a coast to coast station. Now, Mr. J. A. Phillips of the Railroad Brotherhood has accepted. Mr. Philip Murray has accepted. The President of the National Association of Manufacturers accepted and the President of the American Chamber of Commerce and I'm very hopeful that you would join me and these other gentlemen in my office in this little program. I think it would be very helpful to us in our united front if labor and business and the Treasury sit down together in the office - in my office at the Treasury.

G: Well, why do you bring the C.I.O in the picture?

HMMJr: Well, because....

G: They - they haven't shown any favorable attitude, you know, to the whole program.

HMMJr: Oh, on our Defense Bonds, they've been very helpful. I mean, they've sent out letters and literature and they've been buying and all their Unions have been buying and they've really been awfully good on this program. They got - Mr.

Murray came to see me - called on me - told me anything that I wanted that all of their Unions would get behind and help buy. Then when we go into the various businesses on these payroll deductions, we're....

G: Well, their subordinate units don't show that because they've been denouncing the whole war program; the President is a war monger, as you know.

HMJr: Not Murray.

G: Well, but their - their units.

HMJr: Well....

G: And the man that controls the C.I.O. has been doing the same thing.

HMJr: Well, he came in....

G: That's Mr. Lewis and he controls Mr. Murray.

HMJr: Well, Lewis came in and gave us a check for \$50,000.

G: I know that was purely an investment.

HMJr: Yeah. But, you see Mr. Green, I think we've all got to let by-gones be by-gones.

G: I know, but you know how willingly we have responded.

HMJr: I know. You've been....

G: You know that, don't you?

HMJr: Oh, you've been magnificent.

G: We don't need to...

HMJr: You've been magnificent.

G: But - but you know it's so embarrassing and you ask us to do things that means compromise of principles that we have religiously carried out and that is to refrain from participating in a program -

- 3 -

programs with C.I.O. representatives. I'm willing a thousand times to go along with you and to join with you and the Chamber of Commerce, Mr. Phillips and the other representatives. But, it would be just like breaking my heart to sit down with those fellows because I've refrained from doing that ever since they've been formed.

HMJr: Well, I....

G: We regard them as a rebel, rival movement seeking to destroy the American Federation of Labor.

HMJr: Well, of course as you know, I've never taken any....

G: And ours is the old institution here in America, - been functioning for 75 years and speaking for labor.

HMJr: Well, because I - you know I've never taken any part in any labor fights for or against - you know and - but you can't overlook Mr. Murray and his organization and they're there and they represent....

G: Well....

HMJr: A lot of people.

G: Couldn't the arrangement be made so we wouldn't have to be - sit down together. I could - I could get into it as a representative of the American Federation of Labor some way - separate and apart. I'll be glad to do that.

HMJr: Well, you see the way I got this idea was this. We arranged a program where we had both the Republican and Democratic leaders. Now, you take a man like Crawford from Michigan, who is as partisan a person as you can find. Arthur Capper, who doesn't want to fight and they sat down with Senator Lucas, Vice President and - at a round table a couple weeks ago and they forgot their partisanship and Senator Capper said, "This is a good thing, whether we fight or don't fight, we ought to have this thing". He

forgot his partisanship and the program went over beautifully. I thought, well if the Democrats and Republicans can sit down, why can't labor and business and that's how I got the idea.

G: Well, of course, labor as we represent it, will do that.

HWJr: Well....

G: I ....

HWJr: Now look.....

G: It will- it will.....

HWJr: Think it over.

G: It will - well, I'll do that. I would only do it simply because - because of my devotion to our country and its democratic....

HWJr: Well that's - well that's on....

G: Nothing else. I - it would be - it would be setting aside my whole policy and subordinating every feeling that I have. It would be under great stress and feeling.

HWJr: Well, now look. Think it over. I'm appealing to you on the basis of patriotism and may I call you up Monday morning?

G: All right, sir.

HWJr: Can I do that?

G: Yeah. Yes sir. Oh yes sir.

HWJr: I'll call you up Monday.

G: All right, thank you.

HWJr: Give it a good think.

G: All right.

HWJr: Thank you.

July 11, 1941  
10:10 a.m.

HMJr: Leo? Hello?

Leo Crowley: Hello. Yes.

HMJr: This is Henry Morgenthau.

C: Yes sir, how are you?

HMJr: I'm fine. I just want to tell you how much I appreciate your trying to be of help to me on that Landis matter.

C: Well, I appreciate that. While I can't guarantee it, it's in better shape anyhow than it was and he wasn't quite as bad when I left him and my feeling is that we've got a fair chance of working that out.

HMJr: Oh, that will be wonderful.

C: And I'll report to Eddie in a couple days.

HMJr: You think maybe Monday or Tuesday?

C: Yes. I'll get a hold of him again Saturday and take him out again and try and have something for you Monday or Tuesday.

HMJr: Well, that will be grand. Well, when you get something let me know because I'm tremendously interested myself.

C: All right, I'll call you.

HMJr: Ever so much obliged.

C: Thank you.

July 11, 1941  
10:12 a.m.

Dean  
Landis: Hello.

HMJr: Jim?

L: Yes.

HMJr: Henry talking.

L: Yes.

HMJr: Crowley feels that he made a little progress last night.

L: Oh, really.

HMJr: Yes.

L: Really.

HMJr: And he said that he thought that - he doesn't want to guarantee anything - but he said he thought he saw a little sign of softening.

L: Uh huh.

HMJr: And he's taking him out again Saturday to do a little more softening up and he said he'd let me know Monday or Tuesday.

L: Uh huh.

HMJr: Which, I think was very interesting.

L: Well, that's very interesting.

HMJr: So, we may still get together.

L: (Laughs)

HMJr: But Leo was distinctly on the hopeful side.

L: Uh huh.

HMJr: Well, I'll let you know.

L: All right, fine.

HMJr: In the meantime, keep it open.  
L: Yeah.  
HMJr: Keep the door open.  
L: Yeah.  
HMJr: Please.  
L: All right, I shall.  
HMJr: Thank you Jim.  
L: Goodbye.  
HMJr: Goodbye.



## TREASURY DEPARTMENT

WASHINGTON

DEFENSE SAVINGS STAFF

July 11, 1941.

Dear Mr. Secretary:

Here are a list of names which I may have mentioned to you in connection with the position for which you had considered Dean Landis.

I thought you might like to have them for reference.

Respectfully yours,

A handwritten signature in cursive script that reads "Peter Odegard".  
Peter H. Odegard

The Honorable  
The Secretary of the Treasury.

Clarence A. Dykstra - President University of Wisconsin

Born in Cleveland, Ohio. February 25, 1883 - 58 years old.

Educated at University of Iowa - 1903; University of Chicago.

Taught at Ohio State, University of Kansas, University of California, Secretary Chicago City Club, also Los Angeles City Club.

Commissioner of Department of Water and Power - Los Angeles - 1923-26; Director Personnel and Efficiency, same department - 1926-30

City Manager - Cincinnati - 1930-37

President University of Wisconsin since 1937

Member technical advisory board, National Emergency Public Works Administration

President International Association of City Managers - 1932-33

Member President's Com. Fiscal Relations, Fed. Gov't, and D. C.

Chairman Com. to Survey - "The Role of the Urban Community in the National Economy" - National Resources Board

Member Exec. Com. - Tax Revision Council and Chairman, subcommittee on allocation of functions between federal, state, and local governments.

Has been President of National Municipal League.

President of American Political Science Association.

Married. One daughter and one son.

Frank P. Graham - President University of North Carolina

Born in Fayetteville, North Carolina. October 14, 1886 - 54 years old

Educated at University of North Carolina, Columbia University, University of Chicago, Brookings Institution, and University of London.

Professor of History at North Carolina

President University of North Carolina since June 1930 - .

Vice Chairman National Consumers Advisory Board.

Chairman National Advisory Council on Social Security.

Member National Emergency Council.

Served in U. S. Marines as 2nd and 1st Lieutenant in 1st and 10th regiments for North Carolina, Enlisted June 1918.

Lindsay Rogers - Burgess Professor of Public Law, Columbia University.

Born in Baltimore, Maryland. May 23, 1891 - 50 years old.

Educated at John's Hopkins -- A.B. 1912.

John's Hopkins -- Ph.D. 1915.

University of Maryland -- L.L.B. 1915.

Newspaper correspondent at Baltimore 1909-15.

Professor of Political Science at Univ. of Virginia - 1915-18

Research Assistant, U.S. Tariff Commission - 1918

Served during World War as 1st Lt. and on General Staff Corps  
at Washington, D. C. until December 24, 1918.

Lecturer on Government at Harvard - 1920-21  
At Columbia since 1920.

Now is Burgess Professor of Public Law - since 1929.

Has taught at University of South California, Amherst, University  
of Virginia, University of Chicago on Walgreen  
Foundation, - New School for Social Research.

Secretary Governor's Advisory Commission and Director of  
Research Bureau, Cloak, Suit and Skirt Industry,  
New York City - 1924-31.

Moreland Commissioner to investigate N.Y. State Dept. of Labor - 1928

Deputy Administrator N.R.A. - 1933

Chairman, Board of Labor Review, Public Works Administration -  
1934-36.

Trustee of the Institute of Public Administration.

Author: Postal Power of Congress - 1916.

Problem of Government (with W.W. Willoughby) - 1921.

New Constitutions of Europe (with H. L. McBain) - 1922.

The American Senate - 1926.

Editor: Problems of Reconstruction - National and International - 1919.

The Finances and Financial Administration of N.Y. City - 1928.

Democratic Campaign Text Book - 1928.

Howard Landis Bevis - President of the Ohio State University.

Born in Bevis, Ohio. November 19, 1885 - 56 years old.

Educated at University of Cincinnati -- A. B. 1908  
University of Cincinnati -- L.L.B. 1910  
Harvard University -- S.J.D. 1920

Member of Law firm - Isaacs and Bevis - 1911-12.

In Ordnance Department, Air Service, U.S.A. - 1918-1919.

Professor of Law - University of Cincinnati - 1921-31.

Secretary Charter Amendment Commission - 1926.

Director of Finance of Ohio - 1931-33.

Judge on Ohio Supreme Court - 1933-35.

Director of Finance of Ohio - 1935.

Professor of Law and Government - Harvard University - 1935-40.

Democrat - Methodist - Mason. Married and has one son.

Harry Alvin Millis - National Labor Relations Board

Born in Paoli, Indiana. May 14, 1873 - 68 years old.

Educated at Indiana University

Ph. D. at University of Chicago - 1899.

Professor of Economics at University of Arkansas - 1902-03.

Has taught at Stanford, University of Kansas.

Director of Investigations for U. S. Immigration Commission  
in Rocky Mountain and Pacific States - 1908-10.

Also for Illinois State Health Insurance Commission - 1918-1919.

Chairman Trade Board and also of Board of Arbitration  
Men's Clothing Industry, Chicago - 1919-23.

Chairman of Economics Department, University of Chicago -  
since 1928.

Member of National Labor Relations Board - 1934-35 and  
again in 1940.

William M. Leiserson - National Labor Relations Board.

Born in Reval, Esthonia. April 15, 1883 - 58 years old.

Educated at University of Wisconsin -- A. B. 1908  
Columbia University -- Ph.D. 1911

Expert on unemployment, N. Y. Commission on Employers' Liability and Unemployment - 1909-11.

Deputy Industrial Commissioner, Wisconsin - 1911-14.

Assistant Director of Research - U. S. Commission on Industrial Relations - 1914-15.

Chief of Division of Labor Administration. U.S. Department of Labor - 1918-19.

Chairman Labor Adjustment Board, Clothing Industry of Rochester, New York - 1919-21.

Chairman Board of Arbitration, Men's Clothing Industry of New York - 1921-23; Baltimore and Chicago - 1923-26.

Professor of Economics, Antioch College - 1925-37.

Member and Chairman National Mediation Board - 1934-36

Member N. L. R. B. since 1929.

Married. Has seven children.

Stacy May - Economist

Born in Philadelphia, Pa. April 18, 1896 - 45 years old.

Educated at Amherst College

Ph.D. at Brookings Graduate School of Economics  
and Government - 1925

Served with Motor Ambulance Co. 61, A.E.F. - 1917-19

Instructor in economics - Amherst - 1920-22

Instructor in economics - Brookwood Workers' College - 1922-23

Assistant Professor of Economics - Cornell University - 1925-27

Assistant Professor of Dartmouth College - 1927-32

Assistant Director for Social Sciences, Rockefeller Foundation  
since 1932

Member Consumers Advisory Board, N.R.A. - 1934-35

Member Directors Council of Consumers Division of U.S. Dept.  
of Labor - 1935.

Member Business Advisory Council for Department of Commerce  
since 1940.

Author: Control of Wages - 1923

Public Control of Business - 1930. (with Dexter Keaser)

Dexter M. Keezer - President of Reed College, Portland, Oregon, since 1934.

Born in Acton, Massachusetts. August 24, 1895 - 46 years old.

Served with Machine Gun Battalion U.S.A. - 1917-1919

Educated at Amherst -- A.B. 1920 L.L.D. - 1938

Cornell -- M.A. 1923

Brooking's Graduate School of Economics & Gov't - 1925

Reporter on Denver Times - 1920-21.

Washington Bureau Scripps- Harvard Newspaper - 1927-28

Associate Editor, Baltimore Sun - 1923-33.

Professor of Economics at Cornell, Colorado, University of  
North Carolina, and Dartmouth.

Consumers Advisory Board N.R.A. - 1933-34.

Member National Advisory Committee of N.Y.A.

July 11, 1941  
10:18 a.m.

Senator  
Connally: Hello, Henry.

HMJr: Hello, Tom?

C: Yes. Hello, Henry. How are you?

HMJr: How are you?

C: I hate to bother you, but I've got to.

HMJr: That's easy.

C: Before Shepard died, he and I endorsed jointly for reappointment.....

HMJr: Yeah.

C: Fred Pabst down at Galveston, who is the Customs Collector.

HMJr: Yeah.

C: Now, he wasn't my man, but he was Morris' man.

HMJr: Yeah.

C: And I endorsed him again with Morris.

HMJr: Yeah.

C: And I have been anxious to get him up here and get him confirmed before this new Senator gets up here.....

HMJr: Oh, yeah.

C: It may cause us some trouble.

HMJr: I see.

C: And it's hung up over there in your office.

- 2 -

HMJr: I'll look into it right away.

C: Now wait a minute. Let me tell you something else while it's on me.

HMJr: Go ahead.

C: My secretary called up and got some fellow, some young squirt down there in Gaston's office, and he said they could not make the appointment until they took it up with Flynn - Ed Flynn, the National Chairman, and then Mr. Flynn couldn't O.K. it until they took it up with the Texas National Committeeman.

HMJr: My God!

C: Well, now, listen.....

HMJr: Yeah.

C: ..... they don't take up things, never have, here, with National Committeemen where the State's got Democratic Senators. And I just want to know if I am going to have any say-so about these things or are you going to turn over the patronage of all this stuff to some damn National Committeeman down in Texas. I ain't going to stand for it.

HMJr: Well, it's all Greek to me.

C: Well, I know. I'm just telling you though what your office is doing down here.

HMJr: Well, I'll look into it.

C: Now, when a State has Democratic Senators, they are supposed to know better about those things than some National Committeeman and Mr. Ed Flynn. Now, I like Ed Flynn, but I am not going to deliver what little patronage that I've got control over to Flynn or the National Committeeman or anybody else.

HMJr: Would it be agreeable to you if I asked Mr. Gaston to call you back, because he handles all those.....

- 3 -

C: All right, but I wanted you to know what's going on down there.

HMJr: He will either call you or come up and see you personally.

C: Well, if he calls me on the phone, it will be all right.

HMJr: Is that all right?

C: Yeah. I'll talk to him on the phone; but I want you to convey to him something about who's going to run these things.

HMJr: Well, frankly, I just don't know what the arrangements are, but I will inquire.

C: Well, I know, but you're responsible for them. You are Secretary of the Treasury.

HMJr: That's what they tell me.

C: If you have given anybody any instructions down there to take these matters up with a National Committeeman where you've got Democratic Senators, well, I want to know about it.

HMJr: Well, it, Tom, I've got to find out what instructions the White House has given.

C: Well, I don't believe he gave you any such instructions as that. If they have, I'm going over to see the White House.

HMJr: Well, I'll inquire and either I or Gaston will either call you or come up to see you.

C: All right, you needn't come; just call me. That will be all right.

HMJr: But I appreciate your letting me know.

C: All right.

July 11, 1941

I talked to Miss Tully at 10:30 and told her that I told Mr. Soong that I could not do anything more to help him on this matter and he should take it up through diplomatic channels. That was just what the President said. After all, if Soong wants to see him or Chiang Kai-shek has a message, they have an Ambassador here and they should take it up through the Ambassador. Miss Tully volunteered the opinion she thought I was entirely right.

July 11, 1941  
10:30 a.m.

RE TAX ANTICIPATION CERTIFICATES

Present: Mr. Bell  
Mr. Broughton  
Mr. Kilby  
Mr. Jones  
Mr. Callahan  
Mr. Sloan  
Mr. Buckley  
Mr. Edward

H.M.Jr: Did you get my message that the Federal Reserve wants to get in and help?

Bell: Yes, we are going to see Ronald Ransom this afternoon.

H.M.Jr: Ronald Ransom wants to know what you are doing.

Bell: We are having a conference this afternoon at four o'clock.

H.M.Jr: What are we going to do, put this on the radio?

Bell: Yes, sir.

H.M.Jr: All right.

Bell: Well, we have worked up a program of publicity. The first thing I think you might look at would

- 2 -

be the little booklet of questions and answers that has been designed. I have relied a great deal on the Defense Staff to help us out in this.

H.M.Jr: Well, I like the cover.

Bell: I think it is a good job for the time they had.

H.M.Jr: If I might make a suggestion, "To help you meet the increased tax bills." I don't like tax bills.

Buckley: Increased taxes?

H.M.Jr: Increased taxes.

Bell: That is designed so it will fit into a--

H.M.Jr: If you don't mind, I wouldn't put that sentence on the front at all. I think you have got just that, "United States Treasury, Tax Savings Plan," and I think it makes a better cover to drop your seal right down, if you don't mind. If you drop it, you might even make the "United States Treasury" a little bit bigger.

Bell: You would have to center it a little more, wouldn't you?

Buckley: We would have to put it in two lines.

H.M.Jr: You could put "Tax Savings Plan", the seal, and then the "United States Treasury Department."

Buckley: That is right.

H.M.Jr: How would that be?

Buckley: That would look all right.

- 3 -

H.M.Jr: But no little--

Bell: You don't like that?

H.M.Jr: No.

Bell: Any place?

H.M.Jr: Not on the front, because it needs explaining.

Bell: Well, it is explained.

H.M.Jr: "Tax Savings Plan", that is enough. It is a seal, and then the Treasury for the cover. I mean, I don't think that is good.

Edward: You had better save this last line on here, "For the years 1941 and thereafter," because that is not mentioned anywhere else in it. We will have to put that in.

Bell: Some place.

Edward: Some place in there.

H.M.Jr: But on the cover, I just would have "Tax Savings Plan," your seal, and the "United States Treasury."

Buckley: All right, sir.

Bell: Now, that is just a brief description of what it is.

H.M.Jr: Can I take a minute and read it?

Bell: Yes.

H.M.Jr: Sit down, Dan, and take the weight off your feet.

It is funny, in the next sentence, you have

- 4 -

"the larger tax bills." I like this. I think this is fine.

Bell: That is their values. It seems to me we might set out Series A and Series B a little better. They are not centered.

On the back, you notice, there is also an application blank.

H.M.Jr: On the back?

Bell: Yes. You can just tear that off and fill it out.

H.M.Jr: I think that is grand.

If I can just have my way on the cover, I will go along with you on the rest. I think that is fine.

Bell: This is some preliminary work, just a schedule of what we could do here in the Department. We thought maybe it might be well for you to write a letter to the banks explaining this program and asking their cooperation and maybe thanking them for what they have already done. I think they would like to get that.

H.M.Jr: Do you want me to do that, Edward?

Edward: Yes.

Bell: On the twenty-fourth we would begin mailing to the Federal Reserve banks information including the offering of circulars, so that we would have it by the twenty-ninth.

H.M.Jr: Should the President buy the first one of these?

Callahan: A very swell suggestion.

- 5 -

H.M.Jr: What do you think?

Bell: All right.

H.M.Jr: Is it the kind of thing?

Edward: I think it would be a good idea to let the people know the President pays his taxes. A good many people probably don't think he pays any. They probably think maybe the President's salary is exempt.

Bell: I think the people have an idea that all Government salaries are exempt.

H.M.Jr: I wouldn't want to do it before - I couldn't be back until August 1. I will be back August 1.

Bell: Well, that is --

H.M.Jr: I could do it that night.

Bell: The 31st?

H.M.Jr: No, August 1. We can date him up.

Sloan: It is all right.

H.M.Jr: I think he ought to do it. I think he might be glad to, Dan.

Bell: Well, it certainly fits in with his program. He has got a pretty good tax bill and he can buy the Series A, certainly, to start out with.

H.M.Jr: Well, now, would you have him buy - is B the twelve hundred?

Bell: A is the twelve hundred. B is the half per cent.

H.M.Jr: Would you have him buy both? He needs both.

- 6 -

- Bell: I think just the publicity that he is buying, not saying what Series.
- H.M.Jr: I think he ought to buy both.
- Bell: He didn't say what Series Savings Bonds he was buying. He just bought a Savings Bond.
- H.M.Jr: Well, I mean for him to say, for instance, he is going to put aside a hundred dollars a month, that isn't anything.
- Bell: I wonder if you need to mention the amount at all, just say the President is buying --
- H.M.Jr: What harm? Supposing he bought two thousand dollars a month and said, "I have got to put aside half my salary." Supposing he said - does he pay taxes on the fifty he gets?
- Bell: On the seventy-five, yes sir.
- H.M.Jr: How about on the fifty? Doesn't he get twenty-five thousand for expenses?
- Bell: Oh, no, that is White House expenses.
- H.M.Jr: That isn't income. He pays on the seventy-five. Supposing he said, "I have got to set aside half my salary. I am going to invest in these savings. I am going to invest" - whatever it is, eighteen hundred or two thousand.
- Bell: Two thousand.
- H.M.Jr: He says, "I have got to do this, and I am glad to do it. I am going to set aside half my salary every month."
- (Mr. Kuhn entered the conference).
- H.M.Jr: I think it would be good.

- 7 -

- Callahan: I think it would be an excellent idea.
- Edward: As Danny said a while ago, there are a good many people that still have an idea that quite a good many of Federal employees and State employees are not paying income tax. You see, there has been an exception in some cases where the State did not tax Federal income and --
- Bell: Federal didn't tax --
- Edward: Federal didn't tax State income and if it were brought directly to the attention of the American people that the President is paying taxes, I think it would be a very fine thing.
- H.M.Jr: I think if he said, "A million Government employees and I all pay taxes," and I am suggesting that the President go on the radio August 1, Ferdie, and say, "I have got to set aside half my salary. Therefore, I am going to buy two thousand dollars a month of these."
- Bell: And he could very well bring in the fact that Federal and State employees both pay income taxes and then he could say that he is buying these to meet his tax bill. I think it would be swell.
- H.M.Jr: I think he ought to do it. I say August 1, because I am going to be away. I will have to come back a day early. He may be up at Hyde Park. He can do it up there.
- Don't you think he ought to do it?
- Kuhn: It is good. Of course, there were a few kick-backs from parties that are not friendly people when the President bought his first Defense Bonds. The idea has gotten around that the President is a very rich man with a huge salary and "why does anything that he may do have any relevance to what we little people ought to do?"

- 8 -

- H.M.Jr: Well, on the other hand, the fact that he did it and the newspaper clippings gave us a great break - it was a real push. You people can think it over. I think he might say, "I have got to set aside half of my salary and I do it cheerfully and I am going to buy that amount each month." That happens to fit in. In the room here, very, very personally, I heard Mrs. Roosevelt tell him last March, "Franklin, I hope you set aside half your salary every month and put it in the bank. If you don't, you should." I can't tell you the answer.
- Bell: I will bet that was good, too. (Laughter)
- H.M.Jr: I was sitting there and I heard it. I think it is good.
- Bell: I do too, I think it is fine.
- H.M.Jr: Then I have got to say, "I would do the same but the law won't let me. Therefore, we are trying to get a bill through that I can do it." Because he will say, "How about you, Henry?"
- Bell: Your wife can buy them. Then we can make arrangements so we can accept them.
- H.M.Jr: Well, anyway, to get him to do it, I think that would give the thing the right start and then he can talk about the savings and money not going in, people should put their money aside and not let it go into automobiles and ice boxes and that kind of stuff.

- 9 -

- Bell: Inflationary lines.
- H.M.Jr: Yes.
- Bell: The third is the seven million names that we have on plates. We can run off envelopes rather quickly and that is now being done. Mr. Sloan tells me this morning he thinks that will be completed by the twenty-seventh.
- H.M.Jr: Wonderful.
- Bell: We shall then begin mailing them so that they will reach the farthest point away by the first, mailing them pamphlets and any other information you want to put in.
- H.M.Jr: What about the names of people that didn't pay taxes last year, are you going to cut plates for them?
- Bell: We haven't got the money, but - how many can we cut?
- Sloan: We have about five million names on Addressograph plates of people who filed income taxes. We don't know whether they paid or didn't pay, but they are all on that list and then we have nearly two million names of owners of Savings Bonds so that gives us a good list right off the bat.
- Bell: But there are nine million more names which we could cut if we had the money. We have got about three hundred thousand dollars and material that we can go ahead and cut the plates with. That will cut what, about - less than two million names?
- Kilby: A million and a half to two million.
- H.M.Jr: You can't cut but so many a week.

- 10 -

Bell: That is right. It would take us almost a year, I guess, to cut the full nine million names, maybe a year and a half if we had the money.

H.M.Jr: Are these good names to circulate?

Bell: Well, they ought to be potential taxpayers this year.

Buckley: I should think they are the finest list we could get.

H.M.Jr: Now, is there any way of picking those two million that we cut?

Bell: We can pick them as far as 1040 and 1040a returns are concerned.

Buckley: You can pick them above five thousand and below. We can segregate them that way.

H.M.Jr: I doubt whether there will be too many names above five thousand.

Kilby: About four million, we think.

H.M.Jr: Let's start on that above five thousand, and we can get some more money certainly within the next six months.

Bell: I should think so.

H.M.Jr: I would like to recommend that you start cutting the names above five thousand.

Bell: All right.

H.M.Jr: I would start that immediately.

Bell: That is in process.

- 11 -

H.M.Jr: What else?

Bell: Then I think the collectors of Internal Revenue should mail out with the tax bill - you know, every quarter they mail you a tax slip and they just put in the envelope information concerning this tax note.

H.M.Jr: Yes.

Bell: Well, that is all concerning the mailing, and now this is the radio.

H.M.Jr: Before we get to that, what is the ABA going to do?

Edward: Anything you want.

H.M.Jr: Well, I think that that circular which they got out on their own on the other was a swell job, and I wonder whether they wouldn't want to maybe take this circular and adopt it or get one out of their own?

Edward: These fellows have done it here. They have done just what the ABA did with the other circular.

Bell: And we are going to furnish each bank with a supply of those.

Edward: There is one thing I am going to do personally, Mr. Secretary, in my bank. We pay our employees a bonus. I am going to pay them part of that bonus in these things.

H.M.Jr: Well, think about it, and see what the ABA thinks. Put it up to them.

Edward: I will do it. A good many banks have already been writing in wanting to know when this plan was coming through. They want to buy

- 12 -

them themselves, and they also want to sell them.

Bell: There are many banks, Mr. Secretary, that are circularizing their depositors and asking them to set aside a certain amount each month in a special account. I got a letter from my bank the other day showing what taxes I would pay under the House bill and under the Treasury bill and saying that the facilities of the bank are available to set aside in a special account each month the amount of money that would pay the taxes. A number of banks are doing that.

H.M.Jr: I have a friend who is sick in a hospital and a friend of hers called me up and said, "Well, now, her slip came in this week." I had never seen one of these before. It was from the Treasury reminding her that she was to buy a Defense Bond this month. The Treasury of the United States mails her a slip saying, "This month you buy so much." I had never seen one of those before.

Hell: She must be on the regular purchase plan.

Sloan: That is the regular purchase plan. We have a return envelope, Mr. Secretary, especially designed on the order of the old Veterans' Bureau envelope, you know.

H.M.Jr: I have never seen one.

Sloan: I will see that you get one.

H.M.Jr: I have got one, because I am picking this up for this person.

Sloan: We have nearly a hundred thousand people that we mail these to. Most of them are on a monthly basis.

- 13 -

- W.M.Jr: I had never seen one, but I am picking one up for this friend.
- Sloun: We would like to have a million like that if we can get them.
- Kuhn: Dan, was that letter from the bank keyed to your particular personal case or was it telling--
- Bell: It gave the range, what you would pay if you had an income between eight and ten, ten and fifteen, fifteen and twenty, up to fifty or sixty thousand dollars.
- Kuhn: I think that kind of thing in great detail is one of the best things that the banks can do for everybody, to get out complete tables of every conceivable range of income and put those things under the counter so that people will be able to pick that up and find out how much they will be likely to have to pay in taxes.
- Bell: That is the best thing to bring it home to the fellow that he has really got a tax bill next March.
- Kuhn: Because otherwise he will wait until next May to begin to worry about it.
- Bell: That is right.
- W.M.Jr: I won't go on the thirty-first if the President does it August 1.
- Callahan: You can go on with the President, though.
- W.M.Jr: That is all right. And you are going to substitute this plan on the quiz boxes for the first fifteen days of August?

- 14 -

Callahan: No, we are not going to drop it. We plan on this whole thing sort of carried on together, not ask for anything additional, but cut down a little on the bonds and make it all part of one thing.

Bell: I understand they are have difficulty in making up questions, so they wanted to kind of cut down on that quiz box thing.

Callahan: We plan to cut the quiz from six to three a week.

H.M.Jr: Does he get on the Treasury Hour too?

Callahan: I haven't thought of that yet.

Bell: I wouldn't mix them too much.

H.M.Jr: I--

Callahan: I think the way we have got it now it just fits in.

H.M.Jr: I am having a little fun.

Callahan: Incidentally, they asked for it.

H.M.Jr: What?

Callahan: They asked for it.

H.M.Jr: What?

Callahan: Wanted to announce it on the Treasury Hour.

Bell: Who asked for it?

Callahan: The people who are running the Treasury Hour program.

Bell: Really?

- 15 -

H.M.Jr: I think this is swell. I am delighted.  
Now, will the printing and all - how many of those circulars are you going to--

Bell: We have ordered ten million, and they can be run off very fast, and if we get the first ten million--

H.M.Jr: You are going to mail out seven million?

Bell: Yes, it will be enough to give us a supply for the first batch, and then we will get some more right away.

H.M.Jr: Not enough, Dan.

Sloan: If we get some additional questions where we have overlooked anything, we can reprint them very quickly.

H.M.Jr: How quickly?

Buckley: They can do a million a day.

Sloan: Within the first three or four days. Start getting deliveries on the sixteenth, I think.

H.M.Jr: Will somebody contact Stephen Early about the President?

Callahan: Yes.

Bell: Want me to do that?

H.M.Jr: I am looking to you on this other thing.

Kuhn: Schwarz usually does it.

Callahan: Well, I don't know.

H.M.Jr: Schwarz does that, I think.

- 16 -

Bell: On the radio thing too?

Kuhn: Anything.

H.M.Jr: Schwarz does that. He should have been here anyway.

Bell: Yes, he should have. I never thought of it. I am sorry.

H.M.Jr: Gentlemen, that sounds fine.

Bell: I think we will be ready to shoot.

H.M.Jr: I made a big contribution. I took three lines off the front page of the book, Ferdie.

Bell: Did you see it, Ferdie?

Kuhn: No.

H.M.Jr: I made a real contribution.  
Thank you all.

**TREASURY SCHEDULE FOR MAKING INFORMATION CONCERNING TAX ANTICIPATION  
NOTES AVAILABLE TO FEDERAL RESERVE BANKS AND THE PUBLIC GENERALLY**

July 22nd

Preliminary letter addressed to all banks explaining tax-anticipation notes, asking for their cooperation in helping taxpayers file applications, and thanking them for all their efforts in behalf of the Treasury, including Savings Bonds sales.

July 24th

Begin mailing Treasury offering circular, a supply of pamphlets on tax notes, and a supply of application blanks, Press release for August 1st, to all Federal Reserve Banks and to Collectors of Internal Revenue. (Delivery to be completed by July 29th.)

July 27th

Begin mailing pamphlets on tax notes to Internal Revenue list, for which plates are available, and Savings Bond list, aggregating about 7,000,000 names. This probably can not be completed by August 1st, but should continue until completed.

July 30th

Begin mailing from Federal Reserve Banks to all banking institutions and others on FRB mailing list, Treasury offering circular and Press release, supply of application blanks and pamphlets, so as to reach destination by opening of business August 1st, date of announcement.

Collectors of Internal Revenue should include with every tax bill hereafter mailed to a taxpayer information on the tax notes.

July 11, 1941

July 9, 1941

Mr. Sloan

Mr. Callahan

Suggestions for Newspaper and Radio Publicity  
Treasury Tax Savings Plan

RADIO

- July 29-30 Two announcements per day, 100 words each, on all radio stations. These will tell of tax plan - "starts" Friday, August 1st.
- July 31 Secretary of the Treasury Morgenthau in fifteen-minute address over CBS, NBC and Mutual, announcing savings plan starts tomorrow.
- August 1-10 Two daily announcements on all radio stations.
- August 1-10 Three five-minute interviews by announcer with Undersecretary Bell. These should be transcribed and sent to all radio stations.
- August 1 Five-minute interviews, prepared by us, for use on radio stations in various cities, with Collectors of Internal Revenue personally speaking at the radio stations. Collectors will give details of savings plan - factual information.

In brief, the radio plan contemplates the use of 14,800 radio announcements, one network broadcast, and five-minute interviews over 800 stations. Altogether, 2400 separate interviews, also approximately 800 interviews with Collectors.

This program is intensive, but I am sure radio stations will be glad to cooperate.

-2-

PRESS

July 29

General story for use in every daily, weekly and foreign newspaper in country. This story is to be sent out in advance, and collectors should be given copies and asked to personally visit newspapers. This story should be complete, telling full story of tax plan.

August 2-15

Quiz Boxes on Savings Plan - same newspaper list now used on Defense Bond Quiz. Tax Quiz to be used six times in two weeks, Tuesday, Thursday, Saturday - alternating with Bond Quizzes.

In addition, at least three stories should go out during first two weeks of August, to supplement first story.

I believe that there will be considerable publicity on opening day, August 1st, without pressure on our part. The Secretary's speech will be printed on opening day and newspapers generally will regard the tax plan as real news.



TREASURY DEPARTMENT  
WASHINGTON

July 11, 1941

Dear Mr. Morgenthau:

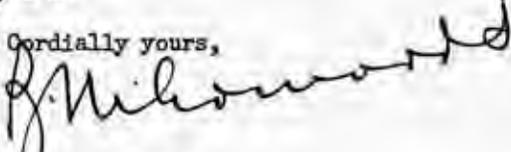
At the conference in your office this morning with respect to the sale of Treasury certificates to be used for the payment of income taxes, you asked me as to what the American Bankers Association would do.

I am pleased to inform you that they have already been furnished a copy of the pamphlet which you saw and approved, outlining and describing these securities. It will be published in full and complete form in the issue of their magazine, "Banking", which will be distributed to all the banks throughout the country on August 1. They will also follow up and sponsor the program.

Mr. Bell told us of a communication received by him from one of the banks in Washington, which apparently is being sent out to all of their depositors, giving information as to comparative taxes. I have obtained a copy of this communication from the Hamilton National Bank and I am having the figures checked by Mr. Sullivan's office. As soon as they are verified, it is our intention to ask the American Bankers Association to sponsor a program by all the banks throughout the nation, asking them to distribute this information. Thinking possibly you would like a copy of this communication, I am enclosing it.

With my sincere regards, I am

Cordially yours,

  
D. M. Edwards

Honorable Henry Morgenthau, Jr.

Secretary of the Treasury

Enclosure



# Hamilton National Bank

*of* Washington, D. C.

June 24, 1941

**TO OUR DEPOSITORS:**

The Secretary of the Treasury and Congress are preparing new income tax bills, both of which recommend taxes for the year 1941 greatly in excess of those that have been paid in prior years.

Feeling that the public generally does not realize the probable extent to which their taxes will be raised, we are drawing the attention of our customers to the situation so that they might give some thought to future taxes and begin immediately to lay aside regularly in a separate "tax" account such sums as might be needed to accumulate the necessary amount to pay their taxes for 1941.

The following schedule showing the effect of the proposed bills gives some indication of what might be expected by married couples without dependents. Net income shown is after interest and taxes paid, contributions, losses, etc. have been deducted from gross income and the personal exemption has likewise been taken.

<u>Net Income</u>	<u>Present Taxes</u>	<u>Congress Proposal</u>	<u>Treasury Proposal</u>
2,500	11.00	38.50	72.00
3,000	31.00	95.80	152.00
4,000	70.00	180.40	312.00
5,000	110.00	308.00	506.00
6,000	150.00	435.60	700.00
8,000	317.00	756.80	1,131.00
10,000	528.00	1,166.00	1,628.00
15,000	1,258.00	2,545.00	3,073.00
20,000	2,336.00	4,338.40	4,800.00
25,000	3,843.00	6,505.40	6,824.00

We strongly recommend to our depositors that a Tax Reserve account, to be kept separate and apart from their other funds, be opened in our Checking or Savings Department. This may be done without formality and can be accomplished by mail, if desired.

Cordially yours,

E. C. Graham  
President

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE July 11, 1941

TO Ferdinand Kuhn, Jr.  
FROM Herbert Morillat

PRESS OPINION ON TAXES:  
TAX-ANTICIPATION NOTES

The Treasury's tax-prepayment plan has had a very favorable reception in the press. It was given wide publicity in news columns but so far there has not been much editorial comment outside of Eastern city papers. Almost all papers which have commented have been enthusiastic. These merits are seen in the new plan: (1) a convenient method for taxpayers to meet their increased income tax bills; (2) a steady flow of revenue into the Treasury; (3) less need for the Government to rely on borrowing; (4) a check on inflationary tendencies by reducing purchasing power available for consumer goods.

The tax-anticipation certificates are regarded as especially attractive to corporate taxpayers. The Washington Post expressed a doubt whether small taxpayers would take full advantage of the certificates.

The Chicago Journal of Commerce struck almost the only sour note. The Treasury's plan, it intimated, was devised solely for the benefit of the Treasury, not for the taxpayer. Provision for

payment of taxes could always be made by farsighted taxpayers, this paper said. The Treasury's eagerness to collect the money now was simply a sign of the parlous financial state into which New Deal fiscal policies have brought us.

### Joint Returns

The Ways and Means Committee's proposal to require joint returns from married couples has become the villain of the piece in the eyes of many editorial writers. It has almost replaced the failure to broaden the tax base as the No. 1 defect of the new tax bill. The most extravagant charges are made against the proposal: it will break up homes, encourage living in sin, place the married woman in the status of a chattel, and nullify state constitutions which provide for the community-property system. Papers in community-property states have been particularly vociferous. Their fire centers on the alleged invasion of states' rights. The "feminist" argument is stressed in other papers. Typical of these comments is the New York Herald Tribune's statement that "so far as the legal, social and economic position of women in America is concerned", the joint return "would turn the clock back a hundred years."

A lonely voice raised in support of the measure is that of the Washington Post. It remarks that a marriage based on mercenary considerations is not worth worrying about, that no question of women's rights is involved, and that family income is a realistic

- 3 -

measure of ability to pay. It also points out the error of reports that the requirement would add to the taxes of those in the low brackets.

Recently there have been widespread newspaper reports that the Committee will reconsider its joint return proposal because of the volume of protests. Some editorial writers have observed cynically that Congressmen whose wives have independent incomes may push such "reconsideration."

#### Excises

The cry of "Politics!" has greeted the Committee's excise tax proposals as well as its income tax recommendations. Editorial comment has stressed that the excises should reduce consumption of durable goods as well as raise revenue. This, it is said, the Committee's bill fails to do. Such comment shows that the Henderson-Eccles proposals made a strong impression. The Committee has also been criticized for passing up such revenue-producers as tobacco, gasoline, and beer, and compiling instead a heterogeneous list of excises bearing little relation to defense needs.

The 7% car tax has had a mixed reception, some papers welcoming the comparatively light tax on the grounds that car-owners have already been discriminated against, while others favor a higher tax as a means of discouraging purchase of cars. With regard to taxes on other durable consumer goods, the press has generally agreed that

the Committee failed to tax such goods heavily enough.

The announcement of the Committee's complete list of recommendations for taxes to raise \$3½ billion was the occasion for a general review of the tax program in many papers. No one is satisfied with the result. Conservative papers hit the failure to tax low incomes more heavily in the form of income taxes or excises; the liberal press condemns the Committee for making hash of the Treasury's EPT plan and relying too heavily on excises.

#### Collier's Survey

A recent survey conducted by Collier's Magazine reported that 82% of those canvassed (10,000 persons in 47 states) favored a pay-as-we-go policy in financing national defense. 60% of these favored reliance on sales taxes to raise the money, 22% favored taxes deducted from wages, and 13% favored the income tax. The survey has revived hope among those papers which have advocated a general sales tax. In the poll's result they see a clear invitation to Congress to consider such a tax.

July 11, 1941  
10:55 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Clif?

Clifton Mack: Yes.

HMJr: Did you hear anything from Mr. Hamm?

M: I have not. I just left my office a few minutes ago and I'm now in Graves' office.

HMJr: Oh, because I spoke to him and he said he'd get in touch with you.

M: Well, now, he may have called the office after I left.

HMJr: Well, get word - I expect to leave around four - if anything happens during the day, let Mrs. Klotz know, will you?

M: I'll do that.

HMJr: Thank you. Everything else all right?

M: Yes sir. Fine and thank you.

July 11, 1941  
10:59 a.m.

HMJr: Hello, Herbert.

Herbert  
Gaston:

I - after reading that record, I talked to Matthews in the Democratic Committee, Flynn being out of town, and he told me that he just cleared it personally with Flynn and it was all right for us to go ahead on Fabst.

HMJr: Would you mind getting in touch with Connelly?

G: I'll be glad to call him and also because of the slight misunderstanding, Matthews volunteered that he would also call Connelly and assure him that we had not taken it up with the National Committeeman, but that it was okay with - that Flynn personally said, "Fine".

HMJr: Well, I think if you could call up - either call up or go up and see him.

G: Yes, I'll call him up.

HMJr: He's quite excited.

G: Yes, I could see that from the record.

HMJr: Yeah.

G: Of course, we have direct orders to refer everything to Flynn.

HMJr: Well, that's what I thought.

G: Yes.

HMJr: And he said he'd go over White House. Herbert?

G: Yes.

HMJr: Don't take the rap for the Treasury.

G: No.

HMJr: And I think better than phone, I'd go up and see him and tell him if those are our order, those are our orders.

- 2 -

G: Yes, yes.

HMJr: Now, we just on politics, carry out the orders of the President.

G: Yes, yes.

HMJr: Don't take the rap.

G: No. Right.

HMJr: All right, Herbert.

G: Right.

July 11, 1941  
11:58 a.m.

Francis Biddle: Henry, Francis.

HMJr: Henry talking. How are you?

B: I'm fine. Henry, I have a favor to ask, which is this.

HMJr: Granted.

B: Well now, wait a minute. We're going to try Nucky Johnson on Monday.

HMJr: Wonderful. Do you want me to come down and have my picture taken or go on the radio?

B: (Laughs) Your intelligence prepared the case.

HMJr: Yeah.

B: There's new evidence of tampering. We're going to look the jury up.

HMJr: Yeah.

B: We would like very much if you could let us have some men to examine the panel of 50.

HMJr: Yeah, who... .

B: Could you do it?

HMJr: Sure.

B: That will be splendid.

HMJr: What kind of men do you want?

B: Your intelligence people.

HMJr: Oh, Internal Revenue intelligence.

B: That's right.

HMJr: Well, supposing - who should they contact - you?

B: Sam Clark, who is head of the Tax Division.  
HMJr: Sam Clark?  
B: Yes.  
HMJr: Sam Clark.  
B: He's head of our Tax Division.  
HMJr: I know Sam.  
B: You know Sam.  
HMJr: Yeah. I'll have it done within the minute.  
B: That's perfect.  
HMJr: I'll have our fellows contact - I'll tell Ed Foley to tell Internal Revenue to contact Sam Clark and give him whatever he wants.  
B: Why, you're a peach.  
HMJr: No, that's easy. I want - I want Nucky Johnson - he started my office - that case.  
B: Well, you're a man of action.  
HMJr: And how are you coming along yourself?  
B: Well, I don't just know. It's - see - it's just - I don't - I think everything is all right. I think it's just being kind of put off a bit.  
HMJr: Is there any truth that your senator from Pennsylvania isn't friendly?  
B: He's written a letter to the President endorsing me up to the sky.  
HMJr: Well, that's fixed.  
B: That had to be arranged. It was done without my knowledge.  
HMJr: I see.  
B: All right.

- 3 -

HMJr: So that's that.

B: That's that. Yeah.

HMJr: You coming to Cabinet today?

B: No. Bob's going to be there, but I'm coming over to see him sworn in. He's going to be sworn in right afterwards.

HMJr: I see.

B: So, I'll see you there.

HMJr: Well, more power to you.

B: Thank you, old boy.

HMJr: Goodbye.

July 11, 1941  
12:01 p.m.

HMJr: Ed?

Ed  
Foley: Yes, Mr. Secretary.

HMJr: Solicitor General just called up.  
He wants some help from Internal Revenue  
intelligence to examine the panel on the  
Nucky Johnson case on Monday.

F: Yeah.

HMJr: I told him we'd give him anything we've  
got and tell Internal Revenue fellows  
to get in touch with Sam Clark.

F: Right.

HMJr: And give them a help. Take care of it,  
will you?

F: You bet.

HMJr: See that it's done.

F: Okay.

HMJr: I'm forgetting about it.

F: All right, I'll do it.

HMJr: All right.

July 11, 1941

MEMORANDUM FOR THE SECRETARY'S FILES:

A meeting relative to the administration of Executive Order 8389, as amended, was held in Mr. Foley's office at 4:00 p.m., July 11, 1941, attended from time to time by the following:

Messrs. Foley, Cochran, B. Bernstein, Pehle, E. M. Bernstein, Dr. Viner and Mr. Aikin for the Treasury, Messrs. Acheson and Luthringer for State, Messrs. Shea, Rosenwald and Jurenev for Justice.

After considerable discussion concerning a Trade License for Switzerland, it was agreed that the problem resolved itself into: (1) the export of edibles and (2) of metals and minerals. Mr. Acheson indicated that those in the latter category would probably be reduced to a bare minimum. With respect to exports to Switzerland which are permitted, there was general agreement that Mr. Acheson should explore the possibility of channeling these through an official Swiss Purchasing Commission.

Mr. Foley stated that a General License for Spain had been granted.

Mr. Bernstein again brought up the urgency of establishing a coordinated policy for handling patent applications. Mr. Shea mentioned that Mr. Kreeger, of his Department, was presently preparing a memorandum on this matter and that, as soon as it was ready, his Department was prepared to give consideration to the establishment of an Inter-Departmental Committee for handling patent cases.

Mr. Bernstein said that a draft of the proposed TFR-300 report would be ready tomorrow and copies would be distributed to the interested departments for their comment.



COPY

July 10, 1941

My dear Mr. Attorney General:

Further reference is made to the letter from you dated July 2, 1941, and its enclosure of a letter from you to the Secretary of State dated July 2, 1941, with respect to the proposed seizure and forfeiture of certain sabotaged Italian and German vessels under section 8 of Title II of the Espionage Act of June 15, 1917, 40 Stat. 220 (U.S.C. title 50, sec. 193). On July 3, 1941, I replied to your letter and sent a copy of my reply to the Secretary of State. In my reply of July 3, 1941, you will recall, I stated that the Department of the Treasury would direct seizure of the vessels concerned immediately upon advice from the Department of State that such seizure would not contravene the foreign policy of the United States.

I am now in receipt of a letter signed by the Acting Secretary of State and dated July 8, 1941, a copy of which is enclosed, in which that officer takes the position that, since it appears from your letter to the

*W. H. C.*

Secretary of State of July 2, 1941, that the President has approved the institution of forfeiture proceedings, it is unnecessary for the Department of State to elaborate further on its letter to me of June 30, 1941.

Inasmuch as in your letter to the Secretary of State on July 2 it was assumed that the President's approval took into consideration your representation to the President that the Department of State had no objections to the forfeiture proposal, it is felt that this Department cannot, under the present circumstances, proceed with the seizure of the vessels involved. This Department is still ready, however, so to proceed if the Department of State or the President will advise me that such seizure will not contravene the foreign policy of the United States. Furthermore, this Department stands ready, on the receipt of such advice, to adopt a seizure of the vessels concerned made by agents of your Department if you should desire to proceed in that fashion. There seems authority for such adoption in seizure and forfeiture proceedings with respect to violations of the

- 3 -

customs laws. See in that connection United States v. Two Automobiles and Five Cases of Whisky, (S.D. Calif. 1924) 2 F.(2d) 264; United States v. 579 Sacks of Whisky, (D. Mass. 1927) 23 F.(2d) 863; In re Commercial Inv. Trust Corporation, (W.D. N.Y. 1929) 31 F.(2d) 494; Gelston v. Hoyt, (U.S. 1918) 3 Wheat. 246, 310; Dodge v. United States, (1926) 272 U.S. 530.

Very truly yours,

(Signed) H. Morgenthau, Jr.  
Secretary of the Treasury.

The Honorable

The Attorney General of the United States.

cc: The Honorable  
The Secretary of State.

Sent by Special Messenger 7-10-41 11 AM

ERF:rgs  
7-9-41

copy to Miss Parsons  
7-12-41

COPY

## DEPARTMENT OF STATE

Washington

July 3, 1941

My dear Mr. Secretary:

I am in receipt of your two letters of July 2 and July 3 with further reference to the institution of forfeiture proceedings against certain foreign flag vessels on which acts of sabotage were committed in our ports.

The conduct of the foreign relations of the United States is, under the Constitution, entrusted to the President. It appears from a letter addressed to this Department by the Attorney General under date of July 2, a copy of which he states was sent to you, that the President has given his approval to the institution of forfeiture proceedings in these cases. In these circumstances it seems unnecessary for me to elaborate on my letter to you of June 30, 1941 on the subject.

I

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

- 2 -

I am addressing a similar communication to the  
Attorney General.

Sincerely yours,

(Signed) Sumner Welles

Acting Secretary.

125

TO:

Dear Mr. Secretary:

Sounds mighty like Sheary  
improves with age, doesn't it?

Kali F.

—  
file July 15

16-10330

MR. FORRESTAL

THE UNDER SECRETARY OF THE NAVY  
WASHINGTON

July 11, 1941

Dear Henry:

Thank you very much for your note about Sheary. If there is anything available for him I shall be grateful, if not, I shall be equally grateful for your trouble.

I'd like to catch you for lunch some day next week - how about coming over and trying some Navy grub?

Sincerely yours,

*Jim*  
James Forrestal

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

*OK  
100  
Wednesday  
7/16/41  
- here - JF*

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE July 8, 1941

Secretary Morgenthau  
E. H. Foley, Jr.

Personal and Confidential

On behalf of Frank E. Sheary, I object to the obvious run-around. From Foley to the Acting Secretary of the Navy, to the Secretary of the Treasury to Foley is really too much.

As your General Counsel, however, I have prepared a reply to Jim Forrestal's letter, and I am referring Mr. Sheary's letter to the Foreign Funds Control Section where I am sure it will be given the attention it deserves.

*S. W. F. H.*

Attachment

July 8, 1941

Dear Jim:

I have your letter of July 8 and the enclosed letter from Frank E. Sheery.

I think Sheery is a little old for bank examining. However, I have referred the letter to the Foreign Funds Control Section for consideration.

Sincerely yours,

Honorable James Forrestal

The Under Secretary of the Navy.

EHF:mp 7/8/41

July 7, 1941

129

My dear General Counsel:

I am in receipt of the attached letter from the Acting Secretary of the Navy with which was enclosed a letter from Frank E. Sheary, from which I wish to quote:

"At the suggestion of your Secretary, Miss Katherine Foley \* \* \* "

If at some time convenient to Miss Foley you could take this matter up with her, I would appreciate it if the two of you would discharge this matter to the best of your ability.

Very truly yours,

Honorable Edward H. Foley, Jr.,  
General Counsel,  
Treasury Department,  
Washington, D.C.



TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON

OFFICE OF THE DIRECTOR

July 11, 1941

MEMORANDUM TO THE SECRETARY:

Weekly Report - Lease-Lend Purchases  
(7/5 - 7/11/41)

Purchases to 7/5/41.....\$	45,849,778.86
Purchases 7/5 to 7/11/41.....	2,504,930.80
	<hr/>
Total to 7/11/41.....\$	48,354,709.66

<u>Requisitions Pending</u>	<u>Estimated Cost</u>
Cleared By O.P.M.....\$	198,540,691.72
Awaiting Clearance By O.P.M.....	17,344,677.00
	<hr/>
Total Pending Requisitions.....\$	215,885,368.72

Liaison has been established with OPACS in order that we will be currently informed on price maximum determinations to avoid delays in effecting purchases.

*Leah*  
Gn

*Clifton E. Mack*  
Clifton E. Mack  
Director of Procurement

Attachments-2

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>AGENCY-TIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-290	Socony-Vacuum Oil Co. Inc.	China	Lubricating Oil	161,000 gals.	\$ 73,255.00
DA-TPS-231	Caterpillar Tractor Co.	"	Tractors & Spare Parts	122	561,929.14
DA-TPS-303	Socony-Vacuum Oil Co. Inc.	"	Aero Rocker Arm Grease	2,000 lbs	235.30
DA-TPS-302	Shell Oil Co. Inc.	"	Aeroplane Reduction Gear Oil	1,470 gals.	808.50
DA-TPS-247	The Dow Chemical Co.	U. K.	Dowtherm	448,000 lbs.	76,160.00
DA-TPS-244	National Carbide Corp.	"	Calcium Carbide	300 S.T.	21,600.00
DA-TPS-413	Wickwire Spencer Steel Co.	"	Rope Wire		1,800.00
DA-TPS-333	Aeroaffiliates, Inc.	"	Boring Mill	1	15,565.00
DA-TPS-420	Southern Oxygen Co. Inc.	"	Electrodes		2,074.50
DA-TPS-322	S. B. Penick & Co.	Canada	Atropine Sulphate	8 oz.	102.00
DA-TPS-292	Chas. G. Stott & Co. Inc.	U. K.	Pen Points, 173 gr.; Pencils 125 gr.		613.23
DA-TPS-296	Photostat Corp.	"	Photo copying machine	1	5,200.00
DA-TPS-285	American-Marsh Pumps, Inc.	"	Fire Pumps	1,000	375,000.00
DA-TPS-317	R. P. Andrews Paper Co.	"	Drawing Ink	725 bottles	108.75
DA-TPS-90	International Harvester Export Co."	"	Harrow and Grain Drills	18 ea.	4,547.10
DA-TPS-289	Ralph B. Carter Co.	"	Pumps	2,500	544,300.00
DA-TPS-295	Barcalo Mfg. Co.	"	Wrenches	4,500 sets	2,070.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-298	Geo. P. Muth Co. Inc.	U.K.	Drawing Paper	200 rolls	420.00
DA-TPS-320	American Paper Company	"	Bags, Kraft Paper	53,000	91.70
DA-TPS-353	Huther Bros. Saw & Mfg. Co.	"	Saws, Circular Wood	260	1,527.00
DA-TPS-339	The Duff-Norton Mfg. Co.	"	Jacks	30	4,177.80
DA-TPS-331	Indianapolis Mchy. & Supply Co.	"	Milling Machine	1	3,825.00
DA-TPS-324	Wm. C. Ballantyne	"	Labels Gummed		118.76
DA-TPS-357	The Phosphate Mining Co.	"	Phosphatic Fertilizer	5,000 Tons	147,375.00
DA-TPS-209	R. G. Le Tourneau, Inc.	"	Spare Parts for Scrapers and Rooters		1,831.40
DA-TPS-334	J. L. Lucas & Son, Inc.	"	Lathes, Turret 3		5,250.00
DA-TPS-422	Wright Mfg. Div. of American Chain	"	Hoist Chains	120	1,264.50
DA-TPS-412	Ehret Magnesia Mfg. Co.	"	Millboard Asbestos	66,000 lbs	3,135.00
DA-TPS-464	N.Y. Wire Cloth Co.	"	Cloth Wire Screen	300,000 Sq.Ft.	5,160.00

\$ 1,859,544.68

Steel Purchases 7/5 to 7/11/41..... \$ 646,676.19

Decrease due to actual cost being less than  
encumbered amounts previously used..... \$ 1,290.07

Total Purchases 7/5 to 7/11/41..... \$ 2,507,510.80

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133

July 11, 1941

Dear General Burns:

For your information, I have designated Mr. Clifton E. Mack, Director of Procurement of the Treasury Department as the representative of the Treasury in defense aid matters referred to in section 1 of Regulation No. 1 of the Division of Defense Aid Reports, approved by the President June 20, 1941, and promulgated in the Federal Register of July 8, 1941.

Very truly yours,

(Signed) H. Morgenthau, Sr.

Secretary of the Treasury.

Major General James H. Burns,  
Executive Officer,  
Division of Defense Aid Reports,  
Office for Emergency Management,  
Washington, D. C.

WNT:dm

File to Mr. Thompson

By Messenger

JUL 11 1941

Mr. Clifton E. Mack,  
Director of Procurement,  
Treasury Department.

Sir:

You are hereby designated as the Treasury representative to consult with the Executive Officer of the Division of Defense Aid Reports in matters of determination of the value of defense articles, defense services and defense information transferred or received by the United States, provided for under section 1 of Regulation No. 1 of the Division of Defense Aid Reports, approved by the President June 20, 1941, and promulgated in the Federal Register of July 6, 1941.

Very truly yours,

(Signed) H. Hergenthan, Jr.

Secretary of the Treasury.

File to Mr. Thompson

WNT:dm

By Messenger

July 11, 1941

My dear Mr. President:

I am sending you herewith a chart which I have had checked by Mr. Lubin.

Please note that in the period from January 5 to July 5, inclusive, the Navy has received only 100 flying boats and the British Empire, 87; that there are only 896 flying boats on order, of which 75 are for the British Empire.

Yours sincerely,

(signed) H. MORGENTHAU, JR.

The President,  
The White House.

Copies to:  
Secretary of War  
Secretary of the Navy  
Mr. Knudsen  
Mr. Hillman

## 4-Engine Bombers, 2-Engine Bombers, and Flying Boats\*

Actual Deliveries January 5 to July 5, 1941, and  
Scheduled Deliveries as of July 5, 1941  
Covering Orders of the Army, Navy, and British Empire

STRICTLY CONFIDENTIAL

Classification and purchaser	Actual deliveries January 5 to July 5, 1941	Unfilled orders as of July 5, 1941	Estimated deliveries of unfilled orders																								Undistributed
			1941												1942												
			July 5 <sup>1</sup>	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	
<b>4-engine bombers</b>																											
Army.....	51	3,178	6	9	19	35	43	58	79	86	87	87	91	100	106	108	116	132	148	130	108	130	149	149	145	149	908
Navy.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
British Empire.....	20	139	12	21	23	23	23	18	12	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total.....	71	3,317	18	30	42	58	66	76	91	93	87	87	91	100	106	108	116	132	148	130	108	130	149	149	145	149	908
<b>2-engine bombers</b>																											
Army.....	280	6,001	54	75	106	171	150	279	329	426	511	465	471	520	510	499	305	305	299	268	60	35	-	-	-	-	243
Navy.....	-	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
British Empire.....	823	1,915	178	204	137	172	196	163	197	160	160	160	100	90	-	-	-	-	-	-	-	-	-	-	-	-	-
Total.....	1,103	7,922	232	279	243	343	346	442	526	590	675	625	571	610	510	499	305	305	299	268	60	35	-	-	-	-	243
<b>Flying boats (4-engine and 2-engine patrol bombers)</b>																											
Army.....	-	74	-	-	-	-	-	-	6	15	22	16	3	6	-	-	-	-	-	-	-	-	-	-	-	-	-
Navy.....	100	747	11	31	22	18	16	10	13	14	23	36	48	51	58	61	61	61	61	61	61	61	61	61	61	61	30
British Empire.....	87	75	6	3	5	11	14	16	14	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total.....	187	896	17	34	30	29	30	26	33	32	49	52	57	57	58	61	61	61	61	61	61	61	61	61	61	61	30

Office of the Secretary of the Treasury, Division of Research and Statistics.

Prepared July 8, 1941.

Source: Reports from individual companies.

Note: Lease-land orders are placed by the Army and Navy and are classified as such rather than by the destined recipient; therefore, the British Empire classification includes only British dollar contract orders.

\* Includes spare parts.

Regraded Unclassified

C  
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Y

Dear Mr. Carmody:

I regret my delay in answering your letter of June 21st. A hasty perusal was sufficient to indicate that it raised matters which required careful consideration. Unfortunately, I have been terribly busy and have not yet had a chance to give the matter further thought. I shall give it my attention over the week-end.

Sincerely yours,

Secretary of the Treasury.

Mr. John Carmody, Administrator,  
Federal Works Agency,  
Washington, D. C.

7/11 In. by Mr. White; sent to Mrs. Klotz  
(Mr. White returned photostat to the Secy.)

*Original in  
Original Documents file*

HDW:ls  
7/11/41

FEDERAL WORKS AGENCY

WASHINGTON

June 21, 1941

OFFICE OF THE ADMINISTRATOR

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

Dear Mr. Secretary:

With the approval of the President there has recently been set up a WPA project, sponsored by the Federal Works Agency in cooperation with the National Resources Planning Board, designated as the Public Work Reserve, and having the following description:

"Secure and prepare information, data and estimates to be used in the establishment of a reservoir of useful public projects to absorb post-defense unemployment."

It is hoped that this project will contribute to the sound planning of public improvements and services essential to an expanding national development following the present defense program.

In setting up the Public Work Reserve, it is intended that a basis be laid for a broad program of state and local work projects that may be prosecuted after the reduction of defense activities, in coordination with the Federal Government's own six-year program of public work. The Public Work Reserve encompasses every kind of public work that may be projected. It divides itself naturally in two -- first, the capital improvement programs of the states and municipalities of the Nation, and second, the programs of new or expanded public services that may be planned or projected for cities, counties, states, or even for regions.

I am very hopeful that the Public Work Reserve shall be of maximum service to each of the Federal Departments in encouragement of forward planning of states and cities for programs of capital improvement and of public services linked with the work of the Federal Government. It should be of great benefit to us, if we are able adequately to coordinate efforts and to develop a projected program which will include the best of the various purposes, and the long range planning of every one of our Federal Departments whose efforts involve state and local participation. To this end we wish to maintain close coordination between the Public Work Reserve and the Departments themselves. There are two things that I would like to mention to you in this connection. They are:

It will be very helpful to us if you will inform us of the agencies within the Department of the Treasury whose work involves, in any way, state and local participation in either capital improvement

or public service programs, and indicate the person within the Bureau or Agency with whom the staff of the Public Work Reserve may maintain continuous liaison contact for information and advice, or for specific help in establishing standards for the work of the Public Work Reserve or reviewing its activities as occasion may arise. The Public Work Reserve staff would easily think of the concern of the Treasury Department as a whole with state and local fiscal policy, but we want to make sure that we have contact with every interested Bureau or Agency.

It will be equally helpful if you will designate a single person for the Department as a whole, who will serve as a coordinator or liaison man for the interests of the several Bureaus and Agencies concerned in the program of the Public Work Reserve. The staff of the Public Work Reserve will be in touch with each of the Agencies and Bureaus and with the person there that you have suggested as the proper source of information and advice, but it is also essential that the interests of the Department as a whole be brought to a focal point in relation to the Public Work Reserve. Thus, I ask for this second designation.

We would like to have the departmental representative join with similar representatives of the other departments and the Federal Works Agency in recurrent conferences, as occasion warrants, covering the full program of the Public Work Reserve; how it can best benefit and serve the Federal Departments; how it can be made most helpful to states and localities in the development of their own projected programs of capital improvements and public service.

We shall also wish for advice as to the state and regional representatives of the interested Bureaus and Agencies in the Department of the Treasury who can be helpful to the field organization of the Public Work Reserve. We shall be carrying on a series of conferences around the country in training and acquaintance of the State Directors of the Public Work Reserve with the program as a whole, and wish to include in those conferences the projected or prospective programs of all interested Federal Departments. Consequently, we shall hope that the representative whom you may designate for the Department of the Treasury can advise on setting up the schedule for these regional conferences and can participate in such conferences as may be necessary in Washington in laying plans for the project as a whole. I am attaching to this letter, for your information and the information of interested Bureaus, and any liaison man whom you may designate for the Department, a directory of the present organization of the Public Work Reserve and the field staff of the National Resources Planning Board, serving as consultants to the Public Work Reserve.

We have asked Mr. Jacob Baker, Consultant on Planning of the Federal Works Agency, to assume responsibility for me in connection with the Public Work Reserve, and he is available to give further information on any matter connected with it, as it relates to the Federal Departments.

Sincerely,



John E. Carmody  
Administrator

DIRECTORY

PUBLIC WORK RESERVE

Public Works Agency

Planning

Agency

National Resources

Planning Board

Representative  
Frank B. Barring  
Assistant Director  
National Resources Planning  
Board, Washington, D. C.

Consultants:

William Stanley Parker  
120 Baylston Street  
Boston, Massachusetts

Sidney T. Thomas  
Room 7111 North Interior Bldg.  
Washington, D. C.

Otto Gray  
Room 220 Federal Court House  
Portland, Oregon

C. L. Strock  
Room 515 West Office Building  
Berkeley, California

Raymond A. Reed  
500 Ross Annex Building  
Dallas, Texas

Public Work Reserve

E. C. Smith, Jr., Director  
Washington, D. C.

M. E. Scheidt, Technical Consultant,  
Capital Improvements, Washington, D.C.  
Charles Lawrence, Technical Consultant,  
Public Services, Washington, D. C.  
Angus Cameron, Liaison Consultant,  
Other Federal Agencies, Washington, D.C.

Regional Field Representatives:

Alfred Roche  
465 West 14th Street  
New York City

Robert Lead  
745 Monadnock Building  
681 Market Street  
San Francisco, California

J. Banks Hudson  
907 Canal Bank Building  
New Orleans, Louisiana

Charles Miner  
Suite 2220  
222 West North Bank Drive  
Chicago, Illinois

JUL 11 1941

My dear Miss Gabagan:

I was glad to have your note of July 8.

When we begin to set up our State Defense Bond organization in California, which I hope will be within the next thirty days, we will try to find a place for Mrs. Meade. I will ask our people to get in touch with you and Mrs. Briggs.

Sincerely,

(Signed) H. Wergenthan, Jr.

Miss Helen Gabagan,  
California Democratic National  
Committeewoman,  
7141 Semalda Road,  
Los Angeles, Calif.

HNG/mff

File to Mr. Thompson

C  
O  
P  
YHELEN GAHAGAN  
California Democratic National Committeewoman

July 8, 1941

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

My dear Mr. Morgenthau:

Through correspondence forwarded to me by Mrs. Roosevelt, it has come to my attention that Eleanor Wilson McAdoo, daughter of President Woodrow Wilson, is in a position of financial stringency and is urgently in need of lucrative employment. She has been engaged in a series of radio broadcasts, but these will soon be over, and it is suggested that there might be a place she could fill with reference to the sale of defense bonds and stamps.

I have talked with Mrs. Mary Briggs, Postmaster of the City of Los Angeles, about this. Mrs. Briggs feels that it would be very advantageous to have a publicity director appointed for this area, to promote the sale of the defense bonds and stamps, and that Mrs. McAdoo would be very well qualified to do this work, because of her radio and speaking experience, her charm of personality, and the weight which her name would carry at this point in our nation's history.

It is my understanding that the power to make such an appointment resides with you. I am therefore writing to urge that you consider such an appointment and to recommend it to you. I hope very much that you may find such an appointment desirable.

Sincerely,

/s/ Helen Gahagan

7141 Senalda Road  
Los Angeles, California.

July 11, 1941

To:       The Secretary ✓  
          Mr. Adams  
          Mr. Callahan  
          Mr. Dietz  
          Mr. Graves  
          Mr. Houghteling  
          Mr. Kuhn  
          Mr. Mahan  
          Professor Odegard  
          Mr. Olney  
          Mr. Paige  
          Mr. Powel  
          Mr. Sloan

From:     Mr. Duffus

Attached is a copy of the "Treasury House" flyer  
which was sent in quantity to all State Administrators  
this week.

*C.D.*

# 'People Who Live in Glass Houses'—Sell Stamps



**High Point**—This is the design of top of the all-glass Treasury House. The house will be open for the sale of Defense Savings stamps from 10 a. m. to 10 p. m. 7 days a week. Defense Bonds will not be sold here at the start, although assistance will be offered in prospective purchasers of the bonds. United Press bulletins will be announced every hour over a public-address system.

**Stimulating Sales**—Big crowds are gathering at Fourteenth Street and Avenue K northwest, where the Treasury Department's all-glass Treasury House from which Defense Savings stamps will be sold to the public. Vice President Wallace started purchasing the first savings stamp from the five hostesses—Lorraine Jackson, Charlotte Weikinger, Earle Hensley, Wall Coleman, and Mr. Wallace.



**Glass House**—Here's the all-glass house just before its opening yesterday. The five hostesses, in their blue uniforms and overseas caps, are in front of the building.

**Exhibits**—The Army, Navy, Marines, and Coast Guard have exhibits on the grounds adjacent to the Treasury House. Always is a curious crowd around an Army tank.



**Marines on Hand**—As usual, the Marines "landed"—this time near the Treasury House. In a short time they had constructed a field hut capable of housing 11 men in cold or hot (something they'd get plenty of here) weather. Other features of the Treasury House program include: News broadcasts, a daily quiz (WRS, 1:45 p. m.), popular music over the public-address system, military recruiting stations on the grounds, service men to answer questions on the military equipment, and personal appearances of stage and screen stars.

—Photos by Staff Photographers and Staff Writers.

## **Pictured Above are Scenes and Stories About the Opening of "Treasury House" on the Federal Triangle in Washington**

In addition to the Glass House where uniformed hostesses sell Stamps and answer Bond and Stamp queries . . . there are displays by the Army . . . Navy . . . Marines . . . Coast Guard . . . Air Corps . . . daily band concerts . . . United Press news broadcasts over a public address system . . . daily radio quiz broadcast with Esso glass banks as prizes . . . each day for entire month of July designated as special day for organization or group with speaker . . . special bands . . . parades.

145 ✓

**TREASURY DEPARTMENT**

**INTER OFFICE COMMUNICATION**

**DATE July 11, 1941**

**TO** Secretary's files  
**FROM** Mr. Kuhn

(In connection with Secretary's memorandum to Mr. Kuhn, dated June 25, re passing suggestion on to Howard Dietz)

This suggestion was passed on to Mr. Dietz by the Secretary himself on July 3, with the result that "America the Beautiful" probably will be used as a three-minute picture in technicolor.

July 11, 1941

Dear Randolph:

It was very good of you to write me as you did on July 8 about our first radio hour.

My own feeling is that every program should have some of the impressiveness which you and I both found in Charles Laughton's reading of the Gettysburg speech.

Of course the first programs of any radio series are experimental, and we shall have plenty of opportunity during the Summer to make good use of your ideas.

Sincerely yours,

(Signed) Henry

Mr. W. Randolph Burgess,  
55 Wall Street,  
New York, New York.

FK/hkb

7/11/41

July 11, 1941

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Mr. W. Randolph Burgess,  
55 Wall Street,  
New York, New York.

FK/hkb

7/11/41

W RANDOLPH BURGESS  
55 WALL STREET  
NEW YORK

July 3, 1941.

Dear Henry:

Thank you for sending me the tickets to the first Treasury radio hour which some of my family and I attended with very great interest. It was, on the whole, a fine job, and I thought your own remarks came over particularly well.

The great problem with this program is going to be to get just the right tone and still be effective with the masses of the people who are much more interested in listening to their favorite radio stars than they are in learning about defense bonds. I confess to a good deal of hesitation in judging a thing of this sort because it is so hard to know what the average person responds to. For what it is worth, I did have the feeling that the opening of the program, and particularly the part preceding your own remarks lost impressiveness because of so much jazz, and I did not like the songs about buying a bond for the same reason. I pass this reaction on to you with the hope of being helpful, but with all modesty, because it is so hard to judge these matters.

Charles Laughton's reading of the Gettysburg address was magnificent. I believe that makes more of an appeal to more people than jazz and songs. But that is, after all, the problem, to preserve a measure of impressiveness and dignity while getting lightness of touch.

At any rate the whole program is a good idea, and it would be interesting to see how it affects the bond selling program. Somewhere in the course of the program I hope that it may be possible to work in just a touch of the substantial selfish arguments for buying bonds; that many people are receiving more money than they ever saw before, and they ought to build up a

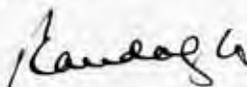
- 2 -

cushion of savings. I am sure Fred Allen is skillful enough to do that with a light touch.

All this for what it is worth.

With best regards,

Sincerely yours,



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

WRB.H

July 11, 1941

Dear Harold:

Thank you for telling me about our split infinitives. My sense of shock is even greater than yours, since the offense was committed by this Department.

I hope to speedily change the language of our pledge card and I also hope that if you hear of any other sins of this sort you will not fail to immediately let me know.

Sincerely yours,

[Signed] Henry

Hon. Harold L. Ickes,  
Secretary of the Interior,  
Washington, D. C.

FK/hkb

7/11/41



THE SECRETARY OF THE INTERIOR  
WASHINGTON

July 3, 1941.

My dear Henry:

I have had an even greater shock than the one experienced when Hitler declared war on Russia. I note this language on the pledge card that the Treasury is using in its campaign to sell defense savings bonds or stamps: "To systematically purchase," etc.

I have not read further for any additional outrages on the English language. I simply haven't the courage to do so.

Sincerely yours,

*Harold I. Peters*

Secretary of the Interior.

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

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

FRIDAY - JULY 11, 1941

Time: 3:45 - 4:00 P. M.

Program: Young Widder Brown

Station: WRC and National Broadcasting Red Network

Time: 8:00 - 8:30 P. M.

Program: Great Plays

Station: WJSV and Columbia Broadcasting System

Time: 8:30 - 8:55 P. M.

Program: Your Happy Birthday

Station: WMAL and National Broadcasting Blue Network

Time: 8:30 - 9:00 P. M.

Program: Uncle Walter's Dog House

Station: WRC and National Broadcasting Red Network

Time: 9:00 - 9:30 P. M.

Program: Wings of Destiny

Station: WRC and National Broadcasting Red Network

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

TREASURY DEPARTMENT

154

INTER OFFICE COMMUNICATION

DATE July 11, 1941

TO Ferdinand Kuhn, Jr.  
FROM Alan Barth

THE NEW RAMPARTS

Defense

Newspapers found drama in the occupation of Iceland; they handled the news with banner headlines. But most of them seemed to miss the vital significance of the event; their editorials hailed it as of paramount importance to American defense without recognizing in it any radical departure from the preceding short-of-war pattern.

A few commentators, however, saw in the landing of naval forces on foreign soil a genuine casting of the die, the commencement of undeclared war against Nazism. These few took literally the passage in President Roosevelt's message to Congress about the meaning of which Secretary Knox observed, "There's no room for any doubt."

Most newspapers -- especially those which have most ardently exhorted the President to make immediate use of the United States Navy to win the Battle of the Atlantic -- failed to grasp the full implication of his words: "As Commander-in-Chief I have consequently issued orders to the Navy that all necessary steps be

taken to insure the safety of communications in the approaches between Iceland and the United States, as well as on the seas between the United States and all other strategic outposts."

There were several causes for the editorial uncertainty over the President's intent:

(1) The period of inaction which succeeded Mr. Roosevelt's forceful declaration of national policy on May 27 induced doubt that his words would be translated into deeds. As The Washington Post remarked, the occupation of Iceland is "the first implementation of Mr. Roosevelt's fireside address."

(2) At a recent press conference in Hyde Park, the President reiterated the hope that the United States can keep out of war. His remark dampened the expectations of those who had already abandoned this hope and sought full-scale American intervention.

(3) The President's refusal a week ago to comment on Secretary Knox's plea for immediate use of the navy led to the supposition that he disapproved of such a course.

There has been almost universal endorsement of the move into Iceland as a measure of defense. Even isolationists, judging from the temperance of their comments, found it difficult to cavil at the safeguarding of this strategic outpost. Indeed, the general reaction indicates that the country has been all but completely won over to the principle of dynamic defense which the President advanced in

his last fireside talk. The public seems, at last, to have fully grasped the concept that defense, unlike charity, begins far from home.

This thesis having been accepted, the strongly interventionist newspapers now urge a further extension of it. They suggest occupation of a wide variety of defense vantage points all the way from Ireland to Dakar.

### Anxiety

Critics of the Administration have found ammunition for fresh attacks in certain recent statements from British sources. Generals Wavell and Auchinleck were quoted in news despatches a few days ago as foreseeing a need for American manpower. In addition, Prime Minister Churchill's assertion that British troops would remain in Iceland along with American marines was looked upon as heralding joint military action by the two countries. Such possibilities have provoked some degree of uneasiness among moderate commentators.

In this connection, there has been rather sharp division of opinion respecting the amendments to the Selective Training Law recommended by General Marshall. The strongly interventionist papers have endorsed his proposals; the isolationist press has condemned them as preparatory for an American Expeditionary Force. The bulk of the comment on the subject has been rather inconclusive, yet suggestive of certain misgivings. There appears to be a rather

widespread misconception that the law pledged the Government to require of men selected no more than a single year of service. The General's request for a lifting of the prohibition against the use of draftees outside the Western Hemisphere has occasioned some concern in the light of recent demands for a British invasion of Europe from the west.

#### Action

President Roosevelt's action in reaching an understanding with the Prime Minister of Iceland has been assailed on constitutional grounds by a minority of newspapers. It is the contention of these critics that the understanding amounted to a treaty and therefore required ratification by the Senate. Most commentators, if they alluded to this aspect of the matter at all, seemed to regard it as wholly academic and to be relieved that the President had made it so.

In an address delivered just prior to announcement of the Iceland decision, Bishop Hurley of Florida raised this academic question in general terms by proposing that the President exercise powers in the emergency without regard to Congress. This is a proposition with which editorial writers find it difficult to agree in the abstract. Yet the great majority of them have managed to endorse the President in every instance when he has taken decisive

- 5 -

action on his own initiative. The record supports a shrewd observation made in a recent column by Mr. Walter Lippman: "Experience has shown that the people have been reluctant to approve the necessary measures while they were being discussed theoretically but that they have approved overwhelmingly the specific measures when actually undertaken." The American people appear to regard strong leadership now as synonymous with vigorous action in the direction which they are clearly determined to take.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE July 11, 1941

TO Ferdinand Kuhn, Jr.  
FROM Helen Dallas

DEFENSE SAVINGS: GUNS OR BUTTER?

Newspapers in increasing number are taking the stand that people must be prepared to "do without" for National Defense. In order to build a barrier against inflation, it is being argued that consumers must buy more Defense Savings Bonds and less of other things, such as household appliances. It is noted that in this country there may well be a shortage of household appliances, just as there was a shortage of butter in Germany.

Some financial and editorial writers have pointed out that there is a tendency among consumers at this time to buy ahead. According to the Baltimore Evening Sun "there is plenty of evidence to prove that householders are storing staple food products; also that they are buying those semi-luxuries whose production and cost may soon be affected by Government priorities and by the excise taxes in the pending tax bill."

Other newspapers have expressed concern because people seem to be buying Defense Savings Bonds out of their savings, rather than out of their earnings. The American Banker says that what is

urgently needed is a campaign to have the public buy Defense Bonds out of current income. The Journal of Commerce points to increased activity on the part of the Defense Savings Staff of the Treasury, and notes that such a campaign for regular, systematic bond-buying is in progress. The Washington Post editorializes: "Now the problem is shown in its true dimensions -- how to tap income. Those current savings constitute the reservoir which the Government needs. Moreover, by tapping that income, the Government would succeed in accomplishing another purpose, namely, applying checks upon current consumption."

In some localities where June sales of the Series E Bond held up or even increased, financial writers say this is a sign that by selling these bonds to small investors the Government is selling to the very people who would otherwise spend the money on consumer goods.

Few, if any, newspapers have confused the kind of inflation that the Treasury is attempting to check with the type that occurred in Germany after the World War. On the other hand, many papers, even such small dailies as the Woonsocket (R.I.) Call, have attempted to educate their readers as to the meaning of inflation. There has been no evidence of panicky writing on the subject in any newspapers.

- 3 -

Magazines Cooperate

The ruddy babe in the Uncle Sam hat who a week ago peered out from the red, white and blue cover of the Sunday supplement, "This Week," reminding 7,000,000 readers that they should buy United States Defense Bonds, was the most recent contribution to the Defense Savings program from the magazine field. From the very beginning the magazines have shown a willingness to cooperate.

The Defense Savings program had hardly been launched when another big-circulation publication, Collier's, advised its readers through an editorial to buy Defense Bonds. A little later the Reader's Digest contributed a full back page featuring the Minute Man and an appeal from Secretary Morgenthau, and early in June Liberty published a featured article entitled "The Real Purpose of Defense Bonds."

In addition to these "general reader" magazines, all sorts of special-purpose publications have carried articles and promotion pieces on the Defense Savings program. The official magazines and news letters of various organizations cooperating with the program have given a great deal of space to it. These include the American Legion's "Legionnaire" and the Knights of Columbus' "Columbia". In addition, trade journals and house organs constitute another publications group that is beginning to carry articles and advertisements on Defense Savings.

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE July 11, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£65,000
Purchased from commercial concerns	£13,000

Open market sterling was quoted at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£5,000
Purchased from commercial concerns	£2,000

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	11-7/8% discount
Argentine peso (free)	.2385
Brazilian milreis (free)	.0505
Uruguayan peso (free)	.4380
Colombian peso	.5800
Mexican peso	.2070
Cuban peso	1-3/16% discount
Japanese yen	.2358

In Shanghai, the yuan was quoted at 5-1/4¢, up 1/32¢. Sterling advanced 1¢ to 3.91-1/2.

The Federal Reserve Bank of New York purchased 25,000 Japanese yen from a New York bank at the rate of .2359. The purchase was made by order and for account of the Bank of Finland.

In response to a cable from the Federal Reserve Bank of New York, inquiring whether the Swiss National Bank would accept dollars and supply 600,000 Swiss francs to be used by the Central Bank of Turkey for payments on merchandise in Sweden, the Swiss National Bank cabled back that they were limiting their dollar purchases to proceeds of Swiss exports and revenue on Swiss capital placed in the United States. They also expressed willingness to buy dollars against Swiss francs to be used for living expenses in Switzerland.

We sold \$1,995,000 in gold to the Bank of Brazil, which was added to the earmarked account of the Bank of Brazil as fiscal agent of the Brazilian Government.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$3,405,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

The price fixed in London for spot and forward silver was unchanged at  $23\frac{1}{4}$ , equivalent to 42.21¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at  $34\frac{3}{4}$ ¢.

We made no purchases of silver today.

A handwritten signature in dark ink, appearing to be 'J. M. P.', is centered on the page below the typed text.

**CONFIDENTIAL**

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid.

DATE: July 11, 1941, 6 p.m.

NO. : 686.

This is in reference to telegram No. 500 sent to the Department on the 1st day of July at 7 p.m.

All of my Pan American colleagues have asked me to assist them in making available their dollar funds deposited in Lisbon, Madrid and New York. My advice to them was that their Governments should be consulted.

WEDDELL

RR

EA:VOL

TO THE SECRETARY  
TECHNICAL ASSISTANT  
DEPT OF W. I. P.

SE 5 19 41 JUL 11 1941

TECHNICAL DEPARTMENT  
RECEIVED

C  
O  
P  
YDEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
EA 840.51 Frozen Credits/2435

July 11, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of the paraphrase of telegram no. 263, dated July 9, 1941, from the American Embassy at Bogota, together with a copy of the Embassy's telegram no. 249 referred to therein, concerning the issuance of certificates of nationality to Colombian citizens doing business with the United States.

## Enclosures:

1. No. 263 from Bogota,  
July 9, 1941.
2. No. 249 from Bogota,  
July 3, 1941.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Bogota, Colombia.

DATE: July 9, 1941, 2 p.m.

NO. : 263.

This refers to telegram no. 249 sent by the Embassy on July 3, 1941.

Yesterday it was suggested informally to the Commercial Attache by the Commercial Section of the Ministry of Foreign Affairs that if a requirement is made for certificates of nationality there be issued only one such certificate rather than the requirement as at present assumed that each supplier be furnished such a document by each importer.

The Secretary of the Bogota Chamber of Commerce (being a quasi-official agency since it is required that all partnerships and corporations register before operating legally) called in the afternoon yesterday to say that numerous requests for certificates had been received and although the Chamber of Commerce is willing to cooperate it did not wish to issue duplicate certificates. He made the suggestion that there be deposited one certificate with the Export Control Office in Washington, this Embassy or some other agency to be designated. Furthermore, the Chamber of Commerce is willing to give notice of any change in status after the issuance of the original certificate. This will not mean a great deal because of the inefficiency of the Chamber of Commerce and because, as the Department knows, any such certificates are without

value in the case of Germans many of whom have become Colombian citizens purposely. Further, political beliefs are not indicated by such evidence and the requirements as at present assumed would make it possible for many who are known to be Fascists or Nazis to continue to carry on business transactions with the United States as Colombian citizens and at the same time handicap many who sincerely believe in the principles of democracy.

One hundred and forty-three callers seeking information in connection with the regulations have been received at the Embassy since the 5th of July. There is a wide variation in the instructions from American exporters. Some of them demand a certificate which shows the customer's citizenship, others demand an affidavit which has been notarized and vised by the American Consul while still others request only that the names and nationality of the various members of the firm be given.

Since affidavits, certificates, documents sworn to before notaries, and simple statements, are being demanded by hundreds of agents, it is imperative that as quickly as possible the resulting confusion in commercial circles be cleared.

BRADEN

LMS

EA:VCL

Copy:bj:7-11-41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Bogota  
TO : Secretary of State, Washington  
DATED: July 3, 1941, 4 p.m.  
NUMBER: 249

## SECTION ONE

Numerous requests have been received at the Embassy for information as to the American action in the freezing of funds and air mail transmittal of all available regulations is requested. Information of specific nature is desired regarding the countries, especially those covered by Executive Resolution No. 8785, the status of European nationals resident in Colombia and the policy which the local banking institutions should follow regarding travelers checks, checks, and drafts drawn on banks in the United States by such nationals.

Firms in Colombia are being informed of the necessity of a new finance license which apparently must be obtained prior to the issuance of export licenses. Instructions have been issued to several agents to verify and report at once on the nationality of all customers and upon the nationality of those stockholders controlling more than twenty-five percent of the stock in the case of corporations. A request has been made of one agent for an affidavit covering his nationality, date of establishment,

- 2 -

whether or not a refugee, and reference on the grounds that no commissions can be paid "unless your records are submitted to the Federal Reserve Bank."

ACTION FWD

The Ambassador wishes to have an opportunity of studying the new regulations before making comment but desires to invite the Department's attention to the confusion existing in importing circles in Colombia. However necessary and advisable the regulations in effect in the United States have caused ill will and much confusion in Colombia and a minimum reduction is desirable. Requiring each agent (there are 1248 American manufacturers represented in Bogota alone) to make a survey such as indicated in the second paragraph of this telegram will result in much duplication and confusion. The Embassy has been gathering such material for years and there are now over 4,000 World Trade Directory reports in Washington in addition to special studies covering 639 German and Italian firms and individuals and the Embassy expressed the hope that these data will be used wherever possible before calling on private firms.

BRADEN

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Shanghai, <sup>China</sup> via H.K.

DATE: July 11, 1941, 1 p.m.

NO.: 834

FROM A. MANUEL FOX FOR THE SECRETARY OF THE TREASURY.

We believe that in the past two weeks we have interviewed everybody of any importance in business, governmental, and financial field, including well over one hundred different persons, with many of whom we have talked two and three times. We have checked and double checked every point and phase, and have collected a considerable volume of data, statements, and suggestions which it will take sometime to analyze and study, which we plan to do on route to Hong Kong and in ~~the~~ few days we shall be at Hong Kong. As soon as all of this material has been digested, we shall prepare a report. We feel sure that we have obtained a good grasp of the Shanghai situation and that much good will and better understanding have been created.

Spectators have made many attempts to circulate rumors but have not had much success. One day the rumor was that I had said that five cents is the right figure <sup>to</sup> established at, and the next day about five and one-half cents. This was followed in a few days by a rumor that I had resigned and then that I thought the right figure was five and one-quarter cents, and that I did not like Shanghai, that we were not going to support the market and that I had ordered the American and British banks to stop selling exchange futures. Another  
 rumor

-2-

rumor was that I had ordered the National City Bank to close its Canton and Peiping branches.

We have, of course, not yet formed any definite conclusions and we shall not until we have sifted the evidence. We had a discussion of some of our tentative observations and of the situation in general with Consul General Lockhart pointing out that general surprise had been manifested, that no control was exercised in connection with the operation of the British-Chinese equalization fund, that some (?) of these funds (?) and that such safe-<sup>guards</sup>~~guiding~~ measures as the freezing of Chinese balances in the United States would be welcome provided that exchange for recognized commercial and other needs of Shanghai would be made available, that some of the views here concerning exchange and trade appear to be unsound and (?), that no one connected with the United States service here that we have met appears qualified to observe, report, or (?) in regard to important exchange matters.

We may need Dawson, who seems to have an excellent grasp of the agricultural situation, in Chungking and Lockhart is willing to make him available for such service for a short time. The decision as to the need of this will be taken soon after I get back to Chungking. We have found Campbell of the Hong Kong office very helpful and he could be of future service to us in Chungking. Authority is requested for him to report to us at Chungking for a week

or

-3-

or ten days. I believe, and Lockhart agrees, that it would be a good idea for Lawrence Groves, the new Commercial Attaché at Shanghai, who I understand is ~~an~~ route, to spend a few days with me. I am leaving it to Lockhart to decide the best time for Groves to visit Chungking.

One interview with Ernest Allman, one of the American members of the Shanghai Municipal Council, may be of immediate interest. Shimada, the Japanese Commercial Attaché, having requested an interview, said that ~~while~~ it would be impossible for him to say so publicly the Japanese are anxious to see fapi stabilized because of the help this would give Japanese business men and others. At the same time, they are helping the Nanking Government circulate central reserve notes. Appreciate inconsistency (?) of these two positions. Shimada emphasized the Japanese desire for peace and their hope that negotiations on financial matters might be held between Japan, China, and the United States and that this would lead to peace.

You have probably received a full report from the Consulate concerning the new moves initiated by the Yokohama Specie Bank during the last few days to have the Shanghai Municipal Council accept central reserve notes. This has been the subject of conferences between ~~my~~ me and the chairman and some members of the Council. I have seen each of the three American members and am urging the importance of maintaining a sound position on this point and of supporting fapi. I feel some concern with respect

tw

to Allman. In view of the readiness of British members of the Council to compromise on some many matters, it is especially important that a firm stand be taken by American members on this. Unless they do so, our Consul General's position here will be difficult.

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

AT 8 AM 21 JUL 1941

TECHNICAL DEPARTMENT  
RECEIVED

EA:FL:PAK

174

BRITISH EMBASSY,  
WASHINGTON, D. C.

July 11th, 1941.

PERSONAL  
AND  
SECRET.

Dear Mr. Secretary,

I enclose herein for your  
personal and secret information a  
copy of the latest reports received  
from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Halifax*

The Honourable,

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

TELEGRAM FROM LONDON DATED JULY 10th, 1941Naval.

Freetown attacked by one aircraft A.M/8.

Ships in harbour were hit by machine guns and cannon-shells.

2. British submarine sank heavily laden merchant ship estimated 5,500 tons A.M/3 N.E. of Catania (Sicily).

3. Royal Air Force.

During daylight 9th 3 Stirlings with strong escort bombed aerodrome at Bethune. Thirteen enemy fighters destroyed certain, three probable, seven damaged. We lost 9 fighters but two pilots safe.

4. Night of 9/10 140 aircraft sent to Aachen and Osnabruck. Four missing.

5. Night of 7/8. Wellingtons successfully bombed Tripoli, on the following night Bengazi.

6. Yesterday Hurricanes from Malta attacked float-planes on the water at Syracuse destroying 3, damaging five.

7. On 8th twelve enemy aircraft bombed Luqa aerodrome at Malta destroying one Wellington.

8. Military.

Libya. 8th. Small groups of enemy armoured cars encountered frontier area, driven off by our patrols. Matruh raided by aircraft night of 7th/8th. Slight damage. Few casualties.

9. Syria.

Our forces at Palmyra have gained touch with northern force half way between Palmyra and Dier Es Zor.

/Coastal

- 2 -

Coastal Area. Part of our force has been moved round east of Damour and is in position covering Damour-Beirut road.

10. Russia. Finland.

Russians still hold Fishermans Peninsula Murmansk Kandalaksha. Baltic States. Germans pushing N.E. from Riga.

Ukraine.

Enveloping movement on Kiev apparently also attempted to turn Dniester line from Tarnopol.

RESTRICTED

G-2/2657-220 No. 438 M.I.D., W.D. 12:00 M., July 11, 1941.

SITUATION REPORTI. GERMAN-RUSSIAN FIGHT.

Ground: No reliable reports of changes in front lines. Heavy fighting is going on in the following critical areas: Salla (Finland), north of Ostrov, Polotsk, Bobruisk, Rogachev, Novograd-Volynsk, Mogilev-Podolsk.

Air: German strategic bombing has extended to the Moscow-Leningrad railway. This suggests progress of the German ground thrust: Pskov-Novgorod.

II. GERMAN-BRITISH FIGHT.

Air: German. Small scale raids on Great Britain.

British. Aerial offensive continued. Day attacks, involving few bombers and exceedingly strong pursuit escort, hit Le Havre and Cherbourg. Night effort was divided between the Rhineland and the invasion ports.

III. MEDITERRANEAN FIGHT.

Ground: Syrian hostilities are still in progress.

Air: Axis. Raids on Cyprus and Haifa.

British. Attacks on Naples and on numerous points in Syria, including Beirut.

RESTRICTED

CONFIDENTIAL

MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, July 11, 1941

TENTATIVE LESSONS BULLETIN  
No. 131  
G-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

This document is being given an approved distribution and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see letter TAG 350.05 M.I.D. (9-19-40) M-B-M.

GERMAN ANTI-AIRCRAFT DEFENSESOURCE

This bulletin is based partly upon the translation of an article which appeared April 9, 1941, in Die Wehrmacht, a semi-official German Army publication, and partly upon observations of an American official observer in Berlin.

CONTENTS

1. GENERAL
2. COMMENT
3. CONCLUSION

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GERMAN ANTI-AIRCRAFT DEFENSE

1. GENERAL

The war in the East as well as the war in the West brought various surprises to the enemy, chiefly through the use of new armament and equipment, part of which was unknown and part of unrecognized effect. In this category of armament belong, among others, the 20-mm. guns of the army anti-aircraft defense battalion - Flak\* Battalions - and the independent anti-aircraft defense companies - Flak\* Companies. Even in Germany these units are for the most part unknown, and only recently have they, because of their success, attracted attention.

The anti-aircraft defense battalions and anti-aircraft defense companies are infantry units, and as such they belong to the army proper. These troops wear the field grey uniform of the army and the identifying color insignia of the infantry, which serves to differentiate them from their air force comrades, the anti-aircraft artillery.

The anti-aircraft defense companies are completely motorized and are, therefore, unusually mobile and especially suitable for rapid employment. Each company has 12 guns with protective shields, mounted on self-propelled carriages. These weapons are ready for action at all times.

Protection against enemy air attacks on marching units, halts, barracks, bridging operations, river crossings, and narrow passes or defiles is the principal task of the anti-aircraft defense company. Anti-aircraft defense also assumes the task of defense of artillery in its firing positions and in the assembly area and the zone of action of the main attack. The countless enemy airplanes shot down is the tangible result of the most careful training during peace time, training in recognizing planes of foreign types, and training of men specially selected for measurement of ranges and dexterity in servicing guns. One single anti-aircraft defense company in the West was able to report 32 planes definitely recognized and shot down. Other companies have stated that they have shot down 10 to 20 Bristol-Blenheims, Hurricanes, Potez and other planes. Enemy machines can be shot down by army anti-aircraft units even during flights over the Channel.

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\* The word Flak is compounded from the words of the German term Flieger Abwehr Kanone, which means anti-aircraft gun.

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Against ground targets, the antiaircraft units have had a success no less great. One antiaircraft defense company alone reported the destruction of 16 enemy tanks. Where 20-mm. guns were employed they were soon the terror of the enemy. The rapid rate of fire of this automatic weapon, and the penetrating effect of its explosive and armor-piercing shells, caused gaps during countless engagements which forced the enemy to break off the attack. Enemy machine gun nests were cleaned out in very short time; bunkers were neutralized by attacks on the openings; occupied villages and woods were mopped up. By neutralization of enemy fire the path was cleared for storming infantry units. Fire protection was given to courageous pioneers bridging streams; and the most stubborn enemy was destroyed in house-to-house combat by well aimed fire.

No terrain was too difficult, no order impossible to carry out. Unlimited confidence was placed in this army because of its great successes. The command, "20-mm. gun forward!" was often heard where the battle was thickest.

The men of the antiaircraft defense companies, just like their comrades in the infantry, displayed conscientious devotion to duty in performing their tasks to the limits of their capacity, and when the hymn of praise to the infantry is sung, the officers, NCO's, and men of this new arm are included in it as true infantrymen.

2. COMMENT

Much investigation and discussion has taken place concerning the question of whether German antiaircraft artillery units from the German Air Force are organically assigned, or are more or less permanently attached to units of the German Army. It is believed that the normal antiaircraft complement of an infantry, motorized, panzer, cavalry, or mountain division is an antiaircraft battalion armed with light and medium caliber materiel - 20-mm. and 37-mm. However, no positive evidence has been uncovered to confirm this belief.

A reliable informant stated that in the West in May, 1940, the antiaircraft defense of the German forces in the main attack over the Meuse, from Dinant to Sedan, remained in the hands of the German Antiaircraft Corps\* commanders until the crossing was effected. Then antiaircraft units were attached to other forces advancing on their missions. Some of the panzer divisions in the spearhead of the attack had as much as a regiment of antiaircraft attached.

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\* The German Antiaircraft Corps is an air force antiaircraft unit composed of two or more antiaircraft divisions.

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including heavy calibers - 88-mm. All German antiaircraft is at least dual purpose artillery - antiaircraft and antitank. When control of the air was definitely established by the German Air Force, the German antiaircraft units were released to perform their secondary and other special assignments, which explains how these units were able to destroy so many Allied tanks during the campaign in the West.

The statements made in the first part of this bulletin indirectly confirm the belief that antiaircraft artillery from the German Air Force is not assigned organically to German Army units. They also confirm the fact that there is a permanent need for light and medium antiaircraft artillery with German Army units.

According to the best information now available, German Air Force antiaircraft artillery units are attached to German Army units for special missions - to comprise task forces. Upon completion of the mission, the unit reverts to the control of the German Air Force.

The German Army antiaircraft units are armed with light and medium caliber antiaircraft material - manned by infantrymen - which are dual purpose weapons. It is thought that the battalion is the normal complement for a field army and that independent battalions and companies are available in the GHQ reserve. These independent units may be attached to units as small as a division.

It is believed that the training of these infantry antiaircraft units is conducted at training centers of German Air Force antiaircraft artillery.

### 3. CONCLUSION

Organic antiaircraft artillery of light and medium calibers is needed by the German Army in the field.

CONFIDENTIAL

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

Box 680  
Benjamin Franklin Station  
Washington, D. C.

July 12, 1941

D. W. Bell Esq.,  
United States Treasury,  
Washington, D. C.

Dear Mr. Bell,

In my letter of June 9th I sent you a revised list estimating the value of the items which it would be administratively difficult at the British end to handle under the Lease-Lend arrangements. You will remember that Mr Cox expressed the hope that we might find ways of further reducing this list. We have now heard from London that, as the result of their reviewing the position again, in the light of the gradually improving administrative arrangements which are being set up, they can foresee that a further reduction will in the end be possible.

The new arrangements cannot be brought into force immediately, but, when they are, the intention is to buy the following articles through the Lease-Lend procedure, provided of course these articles are eligible in that context:

Abrasives;  
Rutile, Bentonite, etc.

Timber;  
Borax, Resins, etc.

Efforts are also being made to bring a larger proportion of the chemical manufactures and drugs within the Lease-Lend procedure, though here also it will take from three to six months to set up the new administrative arrangements efficiently.

- 2 -

The eventual result of this, as shown in the attached table, is to reduce the total to \$m98, or (say) \$m100 in round figures.

Yours sincerely,

(Signed) J. M. Keynes

COPY - dm - 7/14/41

APPENDIX A

	<u>Thousands of dollars</u>	
	<u>First Revision</u>	<u>Second Revision</u>
Machinery Components	37	37
Chemical manufactures, Drugs	30	8
Sundry Materials, machinery and consumption goods	18	18
Vehicle parts	8	8
Abrasives	2	0
Rutile, Bentonite, Diatomaceous earth, Tin residues, Bismuth & miscellaneous non-ferrous metals	9	0
Miscellaneous paper, Bagasse, cotton and linen rags	3	3
Timber (other than Aero spruce and Aero plywood)	3	0
Borax, Razorite, Sundry chemicals, Fibestos & synthetic resins, Carbon black, Pine tar, Rosin, Turpentine & asphalt	6	0
Seeds	4	4
Oil plant equipment	20	20
	<hr/>	<hr/>
	140	98
	<hr/> <hr/>	<hr/> <hr/>

July 12, 1941

Files

Mr. Cochran

Mr. Livesey telephoned me from the Department of State at 12:15 noon today. He said that the Hays people had been pressing the Department of State for assistance in negotiating in the month of August a renewal of their arrangement with the British to permit the payment of dollars to the American moving picture industry covering rental of films sent to the United Kingdom. It appears that these rentals amount to approximately \$50,000,000 annually. The industry has cause to utilize approximately \$15,000,000 of this amount in England, leaving a balance of \$35,000,000 which it feels it must necessarily repatriate to United States each year. The arrangement which the industry has with the British for the current year provides that \$12,500,000 shall be paid across. The new fiscal year 1941-1942 begins with October. Mr. Steyne of the London Embassy is now in the United States and is to return to London shortly where he will be charged with the negotiation of the arrangement. He formerly assisted Ambassador Kennedy on this subject. Mr. Steyne is today in New York talking with the motion picture people.

Mr. Livesey stated that this subject has had the attention not only of the Secretary of State himself, but also of the President, and that both have spoken with Ambassador Halifax in behalf of the American industry's position. The State Department people now wanted to know from the Treasury whether the supply of dollars which the British have aside from Lend-Lease would permit the payment to the motion picture industry of a more satisfactory sum for this next fiscal year. Mr. Steyne suggests \$17,500,000, or 50% of the net amount of \$35,000,000, as a sum which he thinks might be made acceptable to both the British Treasury and the American industry. The point is made that the motion picture people have already accumulated approximately \$30,000,000 of blocked assets in London, and at the present rate this amount will increase rapidly. On the other hand, the industry has kept its promise with the British to continue to supply the London market with its usual requirements both as to quantity and quality of films. I told Mr. Livesey that I could report no improvement in the British position insofar as free dollars for such a purpose is involved. The Treasury and Lend-Lease people had been giving much attention to relieving the British shortage of dollars. I promised, however, to speak with my colleagues in the Treasury on the subject and call Mr. Livesey back by Tuesday evening at the latest.

BNQ:dm:7.14.41



THE ASSISTANT SECRETARY OF WAR  
WASHINGTON

July 12, 1941

Dear Mr. Secretary:

Many thanks for your note but I fear that I am not going to be as successful as I hoped. The major item is, of course, the Air Corps items and I have not had much encouragement as to them.

Sincerely,

The Honorable  
Henry Morgenthau, Jr.  
Secretary of the Treasury

July 12, 1941

TO:       The Secretary ✓  
          Mr. Adams  
          Mr. Callahan  
          Mr. Dietz  
          Mr. Graves  
          Mr. Houghteling  
          Mr. Kuhn  
          Mr. Mahan  
          Professor Odegard  
          Mr. Olney  
          Mr. Paige  
          Mr. Powel  
          Mr. Sloan

FROM:     Mr. Duffus

We have arranged with the District police department to prohibit parking on the north side of E Street between 14 and 15 Streets from noon to 8:00 p.m. to make it easier for the Service Bands to find parking space while giving concerts at "Treasury House".

They have all been given copies of the official parking stickers for their wind shields, such as is attached.

**OFFICIAL  
PARKING  
"TREASURY  
HOUSE"**

July 12, 1941

TO:       The Secretary ←  
          Mr. Adams  
          Mr. Callahan  
          Mr. Dietz  
          Mr. Graves  
          Mr. Gerety  
          Mr. Houghteling  
          Mr. Kuhn  
          Mr. Mahan  
          Mr. Olney  
          Professor Odegard  
          Mr. Paige  
          Mr. Powell  
          Mr. Sloan  
          Mr. Taplinger

FROM:     Mr. Duffus

News of The Day and Movietone News, released nationally July 11, carry a Defense Savings story of four Hollywood starlets, completing the sewing of a huge silk banner bearing the slogan, "Buy Defense Savings Bonds".

This was arranged by Howard Dietz and Bob Taplinger.



190  
FIELD ORGANIZATION *News Letter*

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



July 12, 1941. NUMBER 8.

TO THE FIELD STAFF:

The sale of Defense Savings securities now enters the third month. Results of sales in May and June will enable us to take stock of the effort thus far.

The Defense Savings Bond sales since the program began on May 1, to June 30 reached a total of \$707,195,000 cost price. The total sales of Defense Savings Stamps during the same period amounted to \$6,473,000.

During June the total number of bonds sold were divided approximately as follows: Series E - 998,000 bonds for \$98,725,000 cost price; Series F - 17,000 for \$22,965,000 cost price; Series G - 77,000 bonds for \$147,275,000. The total number of stamps sold in June was 9,378,000 divided in the following denominations: 10¢ - 1,629,000; 25¢ - 6,271,000; 50¢ - 919,000; \$1.00 - 509,000; \$5.00 - 50,000.

We are concerned primarily with reaching the largest possible number of bond buyers. The Series E denomination particularly is important as it is the general choice of the purchasers. We can gauge the effectiveness of our efforts, to a substantial degree, by the number of these bonds that go into the hands of individual owners.

The effect of stamp purchases (the stamps being installment payments on the bond), plus the Payroll Allotment Plan accumulations which are held until the cost of a bond is reached, will begin to be felt in the future weeks and months. The plans which provide for future bond sales—which have convenient, consistent, systematic saving as a prime objective—are sound, important, and should have full attention.

In addition, there are many more who can and will buy bonds every month, out of income. They should be educated to do so. That is our important task right now. An ever increasing number of monthly bond buyers should be our goal.

Sincerely yours,

GALE F. JOHNSTON

Field Director, Defense Savings Staff

31 STATE DEFENSE SAVINGS ADMINISTRATORS

Designation or appointment of nine additional State Administrators by Secretary Morgenthau brings to 31 the number of states and territories in which State Administrators of the Defense Savings Staff have been named. The new men are:

ARIZONA <u>William P. Stuart</u> Collector of Interval Revenue Phoenix	NEVADA <u>Robert L. Douglas</u> Collector of Internal Revenue Reno
COLORADO <u>Ralph Nicholas</u> Collector of Internal Revenue Denver	NEW MEXICO <u>Steven P. Vidal</u> Collector of Internal Revenue Albuquerque
IDAHO <u>John R. Viley</u> Collector of Interval Revenue Boise	OREGON <u>Ted R. Gamble</u> Portland
KANSAS <u>Evan Griffith</u> Topeka	RHODE ISLAND <u>Jos. V. Broderick</u> Collector of Internal Revenue Providence

WISCONSIN  
Frank J. Kuhl  
Collector of Internal Revenue  
Milwaukee

\* \* \* \* \*

Below is a list of all 31 of the states and territories in which there now are State Defense Savings Administrators:

<u>New England</u>	<u>East North Central</u>	<u>West South Central (Ctd.)</u>
Connecticut	Indiana	Oklahoma
Maine	Michigan	Texas
Massachusetts	Wisconsin	
Rhode Island		<u>Mountain</u>
Vermont	<u>West North Central</u>	Arizona
	Kansas	Colorado
<u>Middle Atlantic</u>	Minnesota	Idaho
New Jersey	Missouri	Montana
		Nevada
<u>South Atlantic</u>	<u>East South Central</u>	New Mexico
Florida	Mississippi	
Georgia	Tennessee	<u>Pacific</u>
North Carolina		Oregon
South Carolina	<u>West South Central</u>	Washington
West Virginia	Arkansas	—
		Hawaii

INTRODUCING:The Defense Savings Committee for MassachusettsHONORARY CHAIRMAN:

Governor Leverett Saltonstall

STATE ADMINISTRATOR:

Daniel J. Doherty

SUB-COMMITTEE CHAIRMEN:BankingDavid E. Hersee, President,  
Massachusetts Bankers Assn.LaborKenneth I. Taylor, Sec.-Treas.,  
State Federation of Labor.Joseph A. Salerno, President,  
Massachusetts Congress of  
Industrial Organizations.ProfessionalHon. Paul A. Dever,  
Former Attorney General  
of Massachusetts.YouthDon Moyer,  
Regional Scout Executive.Patriotic & FraternalDr. Wm. H. Griffin,  
Past Department Commander,  
The American Legion.ClergyRev. James H. Doyle,  
Assistant Director,  
Catholic Charitable Bureau,  
Boston.Dr. William R. Leslie, Minister,  
St. Mark's Methodist Church,  
Brookline.Rev. Dr. Joshua Loth Liebman,  
Brookline.TradeDaniel Bloomfield, Manager,  
Retail Trade Board of Boston.CHAIRMAN:Edwin C. Johnson, President,  
H. A. Johnson Company, Boston.IndustryJohn F. Tinsley, President,  
Crompton & Knowles, Worcester.Education

Stanley King, President of Amherst.

InsuranceCharles J. Diman, Vice President,  
John Hancock Mutual Life Insurance Co.Women's OrganizationsMrs. David A. Westcott, President,  
Mass. Federation of Women's Clubs.Miss Anna M. Manion,  
Past National Vice-President,  
American Legion AuxiliaryPostmastersCharles H. Slowey, President,  
Mass. Postmasters Association.Public Officials and EmployeesHon. Maurice J. Tobin  
Mayor of Boston.Laurence B. Flint,  
Assistant Executive Secretary,  
Mass. Selectmen's Association.Public UtilitiesSamuel T. MacQuarrie,  
Boston-Edison Company.AgricultureCharlie B. Jordan, President,  
Mass. Farm Bureau Federation.SpeakersHarold G. Jackson,  
Past State Treasurer of the  
Knights of Columbus.PublicityMartin B. Durkin, Exalted Ruler,  
Grington B. P. O. E.

M I S S O U R I  
St. Louis Organized to Reach All Groups

One of the largest Defense Savings Committees in the country is now functioning in St. Louis under Chairman Thomas N. Dysart, President of the St. Louis Chamber of Commerce, and Secretary E. W. Menti.

30 sub-committees:

Automobiles	Oil and Gasoline
Bankers	Physicians, Dentists & Hospitals
Business and Civic	Post Office Employees
Churches	Public Utilities
City and County Employees	Publicity
Colored Division	Real Estate
Contractors and Engineers	Retailers
Educational Institutions	Savings and Loan
Federal Employees	Service Organizations
Hotels and Restaurants	Speakers' Bureau
Insurance	Suburban Mayors
Investment Bankers	Veterans Organizations
Labor	Wholesalers
Lawyers	Women's Division
Manufacturers	Youth Organizations

Many of the sub-committees plan to send to members of the groups for which they are responsible, letters explaining the Program and reply cards reading as follows:

Dear Mr. (Sub-committee Chairman):

We will gladly cooperate in the Defense Savings Committee plan, and you may send us the following supplies:

1. \_\_\_\_\_ folders for employees
2. \_\_\_\_\_ counter cards
3. We will personally present the program to our employees  
     YES \_\_\_\_\_ NO \_\_\_\_\_
4. We will be glad to have a speaker from your Speakers' Bureau to talk to our employees -- YES \_\_\_\_\_ NO \_\_\_\_\_
5. Please send outline for "Payroll Allotment Plan" \_\_\_\_\_

SIGNED: \_\_\_\_\_

Three major sub-committees are the largest, and an analysis of the composition of these committees is impressive and will be of interest:

On the Manufacturers Sub-committee, each of the following industries is represented by one or more persons: beer, soft drinks, chemicals, drugs, paints, lead and zinc, fans and motors, control equipment,

(St. Louis Committee-Continued)

line equipment, meat packing, dairy products, bread, evaporated milk, tobacco, miscellaneous food products, hospital equipment, cotton, surgical sutures, beds, mattresses and bedding, structural steel, stoves and ranges, castings, sheet metal work, barrels and kegs, wire rope, scrap iron, machine tools, pumps, air compressors, boiler shop products, ordnance material, machine shop products, planing mill products, cooperage, wooden boxes, store fixtures, printing, paper boxes, ink, shoes, leather products, men's clothing and uniforms, women's apparel, bags, tents and canvas products, railroad cars, street cars, aircraft, and automobiles.

On the Wholesalers Sub-committees, the following lines are represented: building materials, plumbing supplies, coal, coke, ice, drugs, chemicals, paints, dry goods, clothing, shoes, women's apparel, machinery, grain, live stock, butter, eggs and poultry, fruit and produce, groceries, tobacco and cigars, furniture, floor coverings, hardware, sporting goods, jewelry, lumber, office supplies, and paper.

On the Retailers Sub-committee, there are several representatives of each of the following: downtown retailers, chain stores, groceries, drug stores, hardware stores and florists.

\* \* \* \* \*

Payroll allotment plans have been installed by many St. Louis concerns, including:

ALL RAILROADS headquartered there	MEASUREGRAPH COMPANY
ALL MANUFACTURERS OF LADIES' GARMENTS	P. G. GEORGE COMPANY
COLE CHEMICAL COMPANY	PROGRESSIVE SERVICE COMPANY
GENERAL AMERICAN LIFE INSURANCE COMPANY	WESTERN SUPPLY COMPANY

\* \* \* \* \*

SOME ST. LOUIS IDEAS:

All doctors and dentists have been given ten copies of the descriptive folder "For Defense Buy U. S. Savings Bonds" for their waiting rooms.

The St. Louis Municipal Opera Association includes Defense Savings Bond messages in its weekly programs (which throughout the Summer season are distributed to more than 10,000 persons nightly in this music-loving community.)

Hotels and restaurants carry Defense Savings messages on their menu cards.

Several envelope companies include Defense Savings messages on the flaps of the business envelopes they print without any expense to their customers.

NORTH CAROLINA  
Winston-Salem Committee Moves Into High

A Joint Committee for Defense Savings of Winston-Salem and Forsyth County, North Carolina, is reported to be fully organized and hard at work. It is setting a pace for other city and county committees in the state.

Senator Gordon Gray, Winston-Salem publisher, and James R. Fane, former Mayor and bank president, are co-chairmen of the Joint Committee and Mayor Richard J. Reynolds is the Honorary Chairman. These men were hosts to more than 80 committee members at a recent luncheon meeting addressed by Deputy State Administrator Miles.

Sub-committee groups sat at individual tables at this luncheon and remained thus after adjournment to map plans for their work.

The more important sub-committees, or sections, of this Joint City-County Committee are:

Speakers Bureau	Schools, Churches and Colleges
Publicity	Civic Organizations
Banking, Building and Loan, and other Financial Institutions	Merchandising Organizations
Industrial Groups	General Citizens
	Rural Communities

Special decorations, Defense Savings posters and flags made the Club Room of the Robert Lee Hotel unusually attractive. These decorations are to remain for at least two weeks for the benefit of the service clubs and other organizations which hold their regular weekly meetings there. At each of these meetings, the Defense Savings Program will be explained by a speaker provided by the Speakers Bureau of the Winston-Salem Committee.

Raleigh

Radio Station WPTF in Raleigh conducts a sidewalk quiz program three times a week, giving Defense Savings Stamps as prizes. The person being questioned pulls his question from a hat, and this slip of paper bears a number which determines the value of the stamp prize. Those winning stamps are urged to begin saving for a bond. This station also interviews prominent local citizens on various phases of the Defense Savings Program.

State Organization Endorsements

Strong endorsements of the Defense Savings Program have recently come from the following North Carolina organizations:

American Legion - North Carolina Department  
Postmasters Association  
Retail Merchants Association  
Citizen International, Carolina District  
Veterans of Foreign Wars

T E X A S  
Salary Allotment Underway and Popular

30,000 business firms in Texas have received a simple mimeographed message reading as follows:

"HAVE YOU BOUGHT YOUR SHARE IN AMERICA? If not, why not see about it today?

"Defense Bonds and Savings Stamps are on sale in practically every community in Texas, and the purchase of a bond or stamp today not only buys you a share in your Government, but it will provide you with a safe investment for your future.

"Have you thought about offering your employees the 'Salary Allotment Plan?' Many organizations in Texas have already done this and send us glowing reports of the results. If you are interested, you may secure details of the plans which have been submitted to us by addressing Frank Scofield, State Administrator, Defense Savings Staff, Austin, Texas.

"Any suggestions you may have will also be appreciated by this office."

Administrator Scofield advises that thousands of responses to this message have been received.

A Monthly News Letter is now being published by State Administrator Scofield for Defense Savings Committeemen in his State.

30 girls volunteered to spend their Fourth of July holiday in the Texas headquarters office, handling the voluminous correspondence of the Texas State Committee.

E l P a s o

144 business firms in El Paso employing 7,701 persons have made Defense Savings salary allotment plans available to their employees.

A Spanish version of the official folder "For Defense Buy U. S. Savings Bonds" was prepared by the El Paso County Committee.

W a c o

Rubber stamps carrying an American flag and the words

"Help Your Government  
While You Save Buy U. S. Defense Bonds"

were prepared by the Waco Defense Savings Committee and given to concerns which agreed to use them on the backs of all business envelopes.

### "HAWAII WILL NOT FAIL!"

In a radio broadcast over KGU in Honolulu, Defense Savings Administrator Fred H. Kanne opened the Defense Savings Program in the Territory.

"For upwards of 25 years, we have boasted of Hawaii's record in the first World War," said Mr. Kanne. "The 1937 Joint Congressional Committee reported, 'The loyalty displayed by the people of Hawaii during the World War, when they exceeded their draft quota, can certainly be expected to be repeated if America should again be engaged in war regardless of whom the enemy might be.'

"In addition to exceeding the draft quota in the first World War, I might add that Hawaii at that time also surpassed its quota of contributions in all other respects, including the purchase of Liberty Loan Bonds.... I am certain that the people of this Territory will not fail the Government at Washington in this crisis in the affairs of our nation."

\* \* \* \* \*

### ARMY COMPANY 100%

One infantry company of the United States Army already has hung up a 100 per cent record in the purchase of Defense Savings Stamps, the War Department has reported to the Treasury. This is Company C, 141st Infantry, Thirty-Sixth Division, at Camp Bowie, Texas.

Company members signed up at the suggestion of Captain Thomas McClure Williams, company commander, who called their attention to the campaign.

Captain Williams, who was confined to a hospital, felt he should be doing something for national defense despite his illness. He worked out a plan for voluntary stamp purchases and presented it to First Sergeant Elihu L. Venable, who secured the cooperation of postal officers and won the unanimous support of the men.

Some strange errands were necessary in order to get the 100 per cent participation: One private bought his stamps just before going under the ether for an appendectomy in a Brownwood, Texas, hospital. One member of the company went to Fort Sam Houston, carrying stamps to an officer and an enlisted man there. Two men in the company guardhouse were among the first to buy stamps.

\* \* \* \* \*

### Tie A String Around Your Finger

Dressed in red, white, and blue costume, an attractive girl in the lobby of the First National Bank of New Rochelle, N. Y., reminds all customers to buy Defense Savings Bonds by tying red, white, and blue ribbons on their fingers.

## INDIAN LEADER SUPPORTS DEFENSE SAVINGS PROGRAM



Chief Saunkeah, his wife, Anna Saunkeah, and their two sons, Jasper Saunkeah, Jr., age 8, and Elnor Saunkeah, age 14, in the studios of KOMA, Oklahoma City.

As thousands of Oklahomans gathered around their radios to hear the opening broadcast of the "Treasury Hour" one of Oklahoma's first families visited the studios of the radio station to take part in local ceremonies marking the new series. Chief Saunkeah is Chairman of the Kiowa Tribal Council. In everyday life he is a busy U. S. Marshal and is typical of the Indians who have made a place for themselves in the new balance of colors.

After the "Treasury Hour" broadcast, Chief Saunkeah told H. C. Jones, State Defense Savings Administrator that he would start work among his people to secure their support for the nation-wide effort.

U. S. GOVERNMENT PRINTING OFFICE: 1942-O-422274



SPECIAL PAMPHLET SENT TO UNIONS

The Treasury Department has just published a pamphlet, which will be distributed widely throughout the ranks of organized labor, entitled,

**"Three Plans for Systematic Saving  
for Members of Organized Labor."**

Plan No. 1-- Individual members of a union agree to make regular payments to the treasurers of their unions of sums over and above regular monthly union dues. Such additional payments are credited on the treasurers' books as "Defense Savings allotments."

Plan No. 2-- Unions buy with their own funds and carry on hand supplies of Defense Savings Stamps for re-sale to their members.

Plan No. 3-- Unions arrange with employers for the establishment of regular payroll allotment programs.

In transmitting this pamphlet to officers of international and national unions, brotherhoods and federations, and local unions, the Treasury states:

"This pamphlet contains three plans for systematic saving on the part of members of your labor organization, for the purpose of supporting the National Defense program by buying Defense Savings Bonds. The United States Treasury requests that you consider these plans and adopt the one which is most suitable for your organization and members. . . ."

"The Treasury wishes to give every American citizen the opportunity to buy Defense Savings Bonds on a systematic basis, but the willingness to buy must come from the people themselves."

PURCHASES INDICATE ORGANIZED LABOR'S ENDORSEMENT

The United Mine Workers of America has purchased Defense Savings Bonds to the limit. The Treasury recently received a check for \$50,000, signed by Thomas Kennedy, Secretary-Treasurer, and counter-signed by John L. Lewis, President of the Union, to cover an investment in Series G Bonds.

Purchases of substantial blocks of Defense Savings Bonds have been reported by the Minnesota State Federation of Labor; Local 584 of the Milk Wagon Drivers Union in New York City; and by numerous other labor organizations, including the Auto Mechanics Local, Master Maritime Lodge, in Seattle, and the Carpenters Local of Longview, Washington.

Defense Bonds Are Testimonial Award

Five \$100 Defense Savings Bonds were presented to Carl Holderman, New Jersey State Chairman of Labor's Non-Partisan League, at a testimonial dinner given him by members of AFL and CIO unions.

MICHIGAN RETAILERS LAUNCH STAMP CAMPAIGN

Many retail stores in Detroit have had Defense Savings Stamps on sale since early in May. However, on July 10 efforts to sell these stamps through retail outlets were greatly intensified and the program was extended to the entire state:

The Institute of Distribution and the National Association of Food Chains arranged for their members to use Michigan as a test state for sale of Defense Savings Stamps.

The Michigan Chain Store Bureau, representing 1,500 stores, and the Michigan Retail Grocers and Meat Dealers Association, representing 6,000 outlets in the state, urged their members to sell Defense Savings Stamps.

The Michigan Retail Institute, representing a group of trade associations with a combined membership of 12,000, issued a special bulletin and urged its members to cooperate. The Michigan State Chamber of Commerce advised all local chambers of the details of the plan.

State associations representing Michigan druggists, retail hardware stores, dry goods stores, hotels and service stations all joined in bringing the Defense Savings Program to the attention of their members and in urging them to sell stamps.

Michigan radio stations, newspapers, and motion picture exhibitors undertook a special drive to publicize the availability of Defense Savings Stamps at retail stores.

Leading Michigan business men who have had Defense Savings Stamps on sale for some time in their stores report that their customers greatly appreciate the convenience of being able to buy these stamps when they are making other purchases. With the full cooperation of all the leading business men of the state, the sale of Defense Savings Stamps through retail outlets will get a thorough test in Michigan.

SPECIAL MATERIAL AVAILABLE FOR RETAILERS

The next page of this NEWS LETTER is a reproduction of the plaque prepared by the Defense Savings Staff and available without cost to stores which have Defense Savings Stamps on sale. Large posters with this plaque in the center and in the border

"Save for Security  
 . . . this store makes Savings Stamps available  
 to Encourage Thrift and Aid Our Country's Defense"

have also been prepared. Full information with reference to the availability of this material is being given to State Administrators.

**BUY**

**DEFENSE**

**SAVINGS**

**STAMPS**

**HERE**



NEW MATERIAL PREPARED FOR BANKS

The American Bankers Association, which prepared and distributed to all banks in the country a bulletin describing Defense Savings Bonds before they were placed on sale May 1, has now made available additional material which banks can use to sustain public interest in the program.

In a covering letter to all bank presidents, M. E. Selecman, A. B. A. Director of Advertising, says in part:

"Now the first, or 'announcement' phase of the campaign is over. From here on, it will be a matter of continuous public appeal and education. To help you with your local advertising, the A. B. A. Advertising Department has prepared the enclosed material. . . .

"Several innovations are included:

"The Defense Bond Envelope. . . .

"The Buy-Me-A-Bond plan. . . ."

The Authorization card in the American Bankers Association's "Buy-Me-A-Bond" plan reads as follows:

"I hereby authorize you, until further notice, to charge to my checking account on the last business day of the current month and of each subsequent month (or each alternate month or each third month) the amount of \$ \_\_\_\_\_ and use this amount to purchase and deliver to me a United States Defense Savings Bond, Series E, having a ten-year maturity value of \$ \_\_\_\_\_. Register Bonds in Name of \_\_\_\_\_."

DEFENSE SAVINGS ON CHICAGO BILLBOARDS

The First National Bank of Chicago has placed large (24 sheet) posters advertising Defense Savings Bonds on 160 prominently-located billboards in Cook County. The posters show the Minute Man and read:

FOR DEFENSE and Investment  
BUY United States Savings Bonds  
  
Through Any Bank, Post Office or  
The First National Bank of Chicago

Other banks have been given permission to use this poster.

### CONGRESSIONAL LEADERS DISCUSS PROGRAM

Vice President Henry A. Wallace led a round-table discussion on the Defense Savings Program broadcast over the Columbia Broadcasting System network recently. Participating in the discussion were:

Senator Scott Lucas of Illinois  
 Senator Arthur Capper of Kansas  
 Speaker of the House Sam Rayburn of Texas  
 Representative John W. McCormack of Massachusetts  
 Representative Fred L. Crawford of Michigan

They united in a radio appeal for "all kinds of Americans" to buy Defense Savings Bonds and Stamps.

### BOY SCOUT CAMP 100%

Every one of the 414 Boy Scouts at the first session of the Kansas City Boy Scout camp at Osceola, Mo., bought at least one Defense Savings Stamp and pledged themselves by resolution to purchase stamps continuously in the future. It is expected that each group of boys attending the five remaining sessions of the camp this summer will take similar action. At the end of the camp session, six boys — one chosen from each group — will, with appropriate ceremonies, present Governor Forrest Donnell, Honorary Chairman of the Defense Savings Committee for Missouri, a roster signed by campers who have pledged themselves to participate in the Defense Savings Program.

### TELEPHONE COMPANIES HELP

"Defense Bonds?" is the greeting used by telephone operators in Missouri in place of the familiar "Number Please." All non-automatic telephone exchanges in the state were asked by State Administrator Dan Nee to adopt this method of bringing the Defense Savings Program to the attention of the public. They responded enthusiastically.

### METERED MAIL PLUGS BONDS

Pitney-Bowes Postage Meter Company and the National Postage Meter Company, Inc., have designed slogan plates which many users of their equipment are now using to advertise Defense Savings Bonds. In addition to the plates designed by the manufacturers of this equipment, many users of postage meter machines have designed their own slogan plates to boost Defense Savings Bonds and Stamps.

### "BABY" BONDS

The merchants of Logansport, Indiana, are sponsoring an "All American Baby Popularity Contest" in which \$500 worth of Defense Savings Bonds will be awarded as prizes.

## FILLED STAMP ALBUMS BUY BONDS!

Here are some ways to get them started:

SOMEONE buys a supply of stamps, places them in separate albums, and resells them at such events as father and son banquets, club meetings, patriotic rallies, community picnics, etc.

- - -

CLUBS purchase stamps with funds in their treasuries and present each member with a stamp in an album at a meeting where the whole Defense Savings idea is explained.

- - -

OUT-OF-DOOR INFORMATION CENTERS are established where Defense Savings Stamps are on sale.

- - -

STAMPS ARE USED AS TIPS, to pay the boy who cuts the grass, or the girl who stays with the baby.

- - -

THE PRESIDENT OF A CIVIC CLUB raises funds for his club's educational fund or other special project in this way: He buys a \$1 (or \$5) Defense Savings Stamp, places it in an album and presents it, with appropriate remarks, to some other club member who is to add a stamp to the album and pass it along at the next meeting to another member, and so on until the album is filled.

- - -

A CLUB presents its new fathers with Defense Savings Stamps.

- - -

EMPLOYERS present their employees with the first stamp in a Defense Savings Stamp album together with an appropriate message. (Many concerns have not only done this, but have also promised to give their employees the last stamps to complete their albums for exchange for bonds.)

- - -

All of the above methods have been and are being used in various parts of the country to start people on the road to ownership of a Defense Savings Bond. Let the NEWS LETTER know of other ideas or stunts which are being used to start folks buying Defense Savings Stamps.

\* \* \* \* \*

### This May Cost Him Plenty!

In a small city in Texas, every school child has received a 10¢ Stamp from a strong believer in Defense Savings. This anonymous benefactor has let it be known that when a child has filled one card with Defense Savings Stamps, he can secure, through the superintendent of schools, the first Stamp on a second card.

### TREASURY HOUSE DEDICATED

Pictured on the next page is "Treasury House," a colorful pavilion constructed in part of glass banks, which has been erected in the park square at 14th Street and Pennsylvania Avenue, diagonally across the street from the Treasury Building, and presented to the Treasury Department by the Standard Oil Company of New Jersey.

Vice President Henry A. Wallace and Under Secretary of the Treasury Daniel W. Bell participated in the dedication of the building on July 1.

Attractive hostesses in light blue uniforms will be on duty in Treasury House from early morning until late at night, seven days a week, giving information about Defense Savings Bonds and selling Defense Savings Stamps.

Defense Savings Bonds are not on sale at Treasury House. However, a person who wishes to buy a bond is sold Defense Savings Stamps equivalent to the issue price of the bond desired and is then taken to the Treasury in an Army "jeep" car where he exchanges the stamps for a Defense Savings Bond. Later, if it seems desirable, a post office employee may be stationed at the building to issue bonds directly.

Varied attractions and programs have been arranged to interest the public and arouse and sustain interest in Defense Savings:

Equipment of the Army, Navy, Marine Corps, and Coast Guard is displayed in the immediate vicinity of Treasury House.

Special Details of enlisted men guard this equipment and answer questions concerning it.

Recruiting officers of the four services are on duty in "Defense Square."

An Army bugler sounds "retreat" and "colors" each evening as the colors come down from the Treasury House flagpole.

News bulletins from the United Press are announced over a public-address system every hour.

The "Esso Reporter" program is broadcast daily from the radio studio in Treasury House. A daily "quiz" program is conducted which awards those questioned, glass banks (similar to those used in the construction of the building) in which to start saving for a Defense Savings Bond.

Personal appearances of stage and screen stars; radio programs from the NBC networks; Army, Navy and other Government motion pictures; Army, Navy and Marine Corps band concerts; and many other special features are planned.

## DEFENSE SAVINGS INFORMATION CENTER DRAWS BIG CROWD



View of Treasury House in "Defense Square," Washington, D. C. Inset: Vice President Henry A. Wallace holding Defense Savings Stamps.

Here today in Washington we have further tangible evidence of the cooperation which America's industry is giving to the defense program. The Standard Oil Company of New Jersey has erected a novel glass house and has presented it to the Treasury Department. Here one can secure information concerning our Defense Savings Bond program, purchase Defense Savings Stamps, and view some of the types of military equipment obtained with funds which you are daily loaning to your Government through the purchase of these securities."

—DANIEL W. BELL, *Under Secretary of the Treasury.*

U. S. GOVERNMENT PRINTING OFFICE: 1941—O-40872

A Typical Bank Program in Tulsa

Newspapers and billboard ads announce that the bonds are on sale and push the slogans "FIRST — LET'S BUY BONDS AND STAMPS" . . . "The beginning of an airport for National Defense is in the purchase of Defense Bonds" . . . "It's our country and we're all working to build the defense that will keep it ours" . . . "Today's Minute Men are buying U. S. Defense Savings Bonds."

Specially printed folders and blotters carrying the messages - "First Let's Combine Thrift with National Defense," "First Let's Buy Defense Bonds," announce the bank's participation in program to all customers. . . .

Draft authorization blanks, "Please charge my account . . . each month and issue Defense Savings Bonds . . ." are distributed to all who wish to save systematically . . .

Electric signs, posters and stickers in bank lobby indicate that Defense Savings Bonds and Stamps are on sale.

Audichron, device which gives correct time to telephone subscribers, is equipped with record which advertises Defense Bonds — "Now is the time to buy Defense Bonds; the time is . . ." etc. (This device will bring some one of a dozen different Defense Bond messages to 500,000 prospective purchasers each month.)

Each bank employee is given one dollar's worth of Defense Savings Stamps in an album as a start toward a bond and promised the final dollar's worth to complete his album for exchange for a bond.

Payroll allotment plan is made available.

This is the program of the First National Bank of Tulsa, R. Otis McClintock, president of the bank, represents the banking profession on the Oklahoma Defense Savings Committee.

Hundreds of banks throughout the country are developing similar programs to bring the Defense Savings Program to the attention of the public and to keep it before the public.

**BANK TELLERS IN KEY POSITION TO PUSH SALES**

"Have you bought a Defense Savings Stamp today?" is the question on signs above the tellers' windows at the Amalgamated Bank of New York. Tellers, armed with full information about Defense Savings Bonds and Stamps, started 284 customers savings stamps to buy Defense Savings Bonds on the first day of their "campaign", according to James B. Murray, Vice President of the Amalgamated Bank.

These Lines Make One Think --

"He gave up a job in an air-conditioned office for maneuvers in the U. S. Tropics. What can you do? Save for Defense!"

--Savings Banks of Manhattan, Bronx, and Westchester County, N. Y.

"SAVE for the defense of this nation, . . . for yourself, . . . for your family, your children's education, your home -- BUY U. S. DEFENSE BONDS."

--The Huntington National Bank of Columbus (Ohio)

"Not every man can shoulder a rifle, but every American can serve both his country and himself by buying United States Defense Savings Bonds."

--Banks of New Haven (Conn.)

"Millions of Americans ask 'WHAT CAN I DO TO HELP?' . . . To help -- and the need for your help is real -- purchase United States Defense Bonds and Stamps!"

--Bowery Savings Bank of New York City

"FINANCING DEFENSE--The U. S. and Yours."

--Second Federal Savings and Loan Assn. of Cleveland (Ohio)

"The answer to 'WHAT CAN I DO TO ARM AMERICA?' It takes men, machines and money to build a strong National Defense . . ."

--Wechovia Bank and Trust Company of Winston-Salem (N. C.)

"TODAY . . . You Can Answer The Call of Your Country."

--Mutual Savings Banks of Massachusetts.

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The above are some "punch lines" from the many vigorously-worded advertisements placed by financial institutions in their local newspapers to arouse the public to the importance of participation in the Defense Savings Program.

A very rough estimate of the cost of this advertising is at the rate of \$1,500,000 to \$2,000,000 a year, according to Preston E. Reed, Executive Vice President, Financial Advertisers Association. The more than generous cooperation of the banks in the Defense Savings Program is greatly appreciated by Treasury officials and the Defense Savings Staff.

DEFENSE SAVINGS STAFFADVANCE NOTICE RADIO PROGRAMS

SATURDAY - JULY 12, 1941

Time: 6:30 - 7:00 P.M.

Program: Wayne King

Station: WJSV and Columbia Broadcasting System

Time: 7:30 - 8:00 P.M.

Program: Truth or Consequences  
Defense Bonds will be awarded as Prizes  
on this program in place of the usual  
cash.

Station: WRC and National Broadcasting Co. Red Network

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS

MEMORANDUM

July 12, 1941

To: PRICE ADMINISTRATION COMMITTEE  
From: R. E. Thompson, Secretary

Attached hereto are the following:

1. Minutes of the meeting of July 8.
2. Amendment extending civilian allocation program for borax and boric acid to July 30, 1941
3. Civilian allocation program for material and equipment entering into motor and electric coach and rail-car construction for city, suburban and inter-city common carrier passenger transportation.
4. Civilian allocation program for material and equipment entering into railroad, mine and industrial locomotive construction: steam, electric or Diesel.
5. Civilian allocation of 10,000 tons of galvanized sheets and 5,000 tons of black sheets for grain bin construction.

CONFIDENTIALSUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF  
PRICE ADMINISTRATION COMMITTEE

July 8, 1941

11:15 a.m.

Chairman: Mr. Henderson

Present: Miss Elliott, Messrs. March, Stevens, Pike, Lubin, Clayton  
O'Connell, MacKeachie, England, Barnes, Shields, Ballif,  
Galorath, Weiner, Ginsburg, Hoover, Plummer, Thompson1. Price movements and price legislation

Mr. Henderson called attention to the fact that during the past week there has been more discussion of prices and inflation than during any previous comparable period since the creation of the OPACS. He added that there has been a temporary halt in the price advance as shown by the Bureau of Labor Statistics index and indexes maintained by various publications, that this does not indicate that a method for keeping prices in line has been found, but it does indicate that the general purpose of OPACS to attack the more volatile and sensitive prices has been justified.

Mr. Henderson stated that he had nothing new to report concerning the proposed price legislation except that he expects to see the President this week. He later added that an informal group is handling the legislation at OPACS and that John Hamm is the point of contact. He asked that committee members send their inquiries and any information they may obtain as a result of discussions with members of Congress concerning the legislative situation to this group in order that the OPACS may have a catalog of the various points of view.

2. Consumer protection

Miss Elliott reported on some of the activities in which her Division is engaged to protect the consumer, and stressed the constructive step taken toward real consumer protection in the merging of the Consumer and Price Stabilization Divisions. The Policy Section in the Consumer Division is working closely with the Price Division, bringing to its attention all problems concerning general living standards in the country and all factors which will affect consumer living. In the Consumer Relations Section a field staff is being built up (1) to find out what is happening in certain localities and (2) to try to get to the consumers more intelligent information about what is going on. For example, an effort is being made to reach all types of people to educate them concerning what sacrifices it will be necessary to make in order that sufficient materials are available for the defense program.

A Quality and Standards Section under Dr. Brady's direction is being set up to help inform the consumer concerning what a dollar will buy. The Consumer Division is also participating in a large number of meetings to discuss not only what the Consumer Division is doing but also the role of OPACS in the defense program and the program's general significance. Mr. Henderson suggested that Miss Elliott send sample copies of some of the publications issued by her Division to the members of the Committee in order that they may be advised of the types of service extended by her Division.

### 3. Cotton textiles

Mr. Henderson reported that some of the textiles people are expecting a degradation of standards of textiles as one of the first accompaniments of the price order. Miss Elliott stated that her division is cooperating with the Bureau of Home Economics, and the retail people are also cooperating, in analyzing changes that are made, which information is then passed on to consumers. Mr. Henderson added that there is also the fear in connection with the cotton textile order that prices to the consumer will keep up though the mill margin has been limited.

Mr. Galbraith stated that converters' margins and prices have not yet reflected the sharp upward movement in prices since February and that the problem is now to keep them from responding. He added that one of the most controverted questions in connection with the order is its retroactive provision calling for the rewriting of previous commitments to the levels established in the order. He referred to inspired stories in the Wall Street Journal and the New York Times to the effect that OPACS would abandon the cotton textile field and that it was scared out of the cottonseed oil field. On the basis of the latter story, the cottonseed oil quotation went up between 25 and 50 points yesterday. He said corrective information would be published in this connection. However, work is going forward on the cottonseed oil schedule and on studies of inventories in the industry.

Mr. Henderson referred to the large inventories in cotton textiles and the improbability that the current high production is actually passing on to consumers. Mr. Clayton added that on the basis of previous experience it is probably true that large inventories are being built up. Mr. Henderson stressed the importance of the cotton textile order in that it affects to some extent what the farmer gets for cotton and whether or not the Wage and Hour Law will be maintained and added that an advisory setup will be devised which complaints can be made to OPACS. Mr. MacEachie added that, since a good many Army bids had been held up until the order went into effect, no real effect on Government purchases had yet been seen.

### 4. Consumer credit

Mr. Henderson reported that the Executive Order on the control of consumer credit has been completed and that a meeting had been held with Chairman Eccles of the Federal Reserve Board and that arrangements were being made for a meeting with Secretary of the Treasury Morgenthau to discuss it. If the order is satisfactory to the Treasury, it is presumed

that it will be placed in the hopper for clearance by all agencies to be affected by it.

5. Rubber tires

Mr. Galbraith reported that, as indicated at the last committee meeting, action on issuing a price schedule on rubber tires has been indefinitely postponed, inasmuch as conferences with mass distributors, manufacturers and dealers have indicated that there is little chance of a price advance which would more than reflect the increase in cost of crude rubber and of cotton.

6. Lumber

Mr. Galbraith reported that the lumber situation is far from satisfactory and that within the next two or three weeks it is probable that schedules will have to be issued on certain grades and types of West Coast lumber.

7. Furniture

Mr. Galbraith reported that the furniture situation has improved since the last meeting as a result, at least in part, of cooperative activity with the Federal Trade Commission which is looking into the justification for claimed advances in cost, and partly due to pressure which OPACS has put on the industry. The furniture showing at Merchandise Mart in Chicago opened about 5 percent lower than the New York showing, and much more interest is evidenced there in price stability than in New York.

8. Paper

Mr. Galbraith reported that, unless there is a rapid change for the better, OPACS is prepared to ask the Federal Trade Commission to investigate claimed cost increases in the paper industry.

9. Coffee

Mr. Galbraith stated that following preliminary meetings with the State Department, OPACS representatives are meeting with members of the Inter-American Coffee Committee this afternoon to try to get a meeting of minds on minimum price fixing in Brazil and Colombia instead of maximum price fixing in the United States.

10. Petroleum

Mr. Galbraith advised that work is now under way on a tentative schedule in connection with holding the prices on Eastern petroleum during the late summer and early autumn of this year when the shortage will be felt.

There was general discussion of the situation in the petroleum industry and particularly of the threatened shortage in the Northeast. Mr. Pike

stated that the major problem in his mind is the action to be taken in the event of the diversion of 200 tankers instead of the 50 about which discussion was had at the last oil meeting held by Secretary Ickes. The general feeling was that work should go forward as rapidly as possible toward the procurement of tankers, the building of pipelines, and any other measures necessary to assure an adequate supply of oil.

#### 11. Civilian allocation

Mr. Weiner reported that a series of conferences is being held with the consumers' durable goods industry and with the major consumers of metals outside of the railroad and construction fields to see what can be done in view of the curtailment which is bound to come. An effort is being made, through the participation of representatives of OPM's Labor Section and the Defense Contract Section, to avoid curtailment resulting merely from the application of priorities without consideration of the labor and production facilities thus released.

Later discussion brought out that the problem of civilian allocation is further complicated by the fact that in practically no commodity except aluminum has there been a definite estimate concerning military needs and hence there is no estimate on the amount available for civilian allocation.

#### 12. General economic over-all policy statement

Mr. Hoover reported that he is working on a series of conferences to develop facts for his general policy statement. Thus far there has been about a 13 percent increase in the processing of food, with the possibility of still further expansion.

#### 13. Accumulation of stock piles

Mr. Clayton reported on the problems the Metals Reserve Company faces in accumulating stock piles because present consumption of manganese, chrome, copper, tungsten, zinc, asbestos, etc., equals every ton that can be found for importation. The only way to stock pile in these cases is to take the material away from some industry or divert shipping needed to bring in materials for private industry for transportation of stock pile inventories.

Substantial progress has been made in stock piling rubber, principally because of the action of OPACS and OPM in curtailing rubber consumption and because the Rubber Reserve Company is the sole buyer of rubber for importation. Discussion disclosed that, in terms of maximum security, action comparable to that on rubber should be taken in other commodities. Though it is possible to control civilian consumption through the priority power and control over shipping and inventories, the most effective solution is for the Government to be the sole buyer.

Mr. Clayton pointed out that a careful study of ten or twelve strategic materials has shown that consumption in the United States is now about 60 percent of the world's production and some of the important sources

of production are now inaccessible.

Mr. Stevens commented that the provision in Secretary Stimson's proposal for importing defense materials without tariff permitting companies to import materials duty-free for use in Government contracts was, in his opinion, doubtful. He added that it would be simpler for the Government to make the purchases and resell to companies which need materials for Government contracts.

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The committee adjourned at 12:30 p.m. to meet Tuesday, July 15 at 11:00 a.m.

## Office of Price Administration and Civilian Supply

For release Saturday  
July 5, 1941

PM 673

Because the total defense and civilian demand continues temporarily to exceed the available supply, the Civilian Supply Allocation Division of the Office of Price Administration and Civilian Supply today extended from July 5 to July 30, 1941, its civilian allocation program for borax and boric acid used in manufacture of borosilicate glass. The original program was issued on June 6, 1941.

Text of the amendment extending the program is attached:

## TITLE 32 - NATIONAL DEFENSE

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION  
AND CIVILIAN SUPPLY

## Part 1311 - Borax and Boric Acid

Amendment Extending Civilian Allocation Program to  
July 30, 1941

On June 6, 1941, the Office of Price Administration and Civilian Supply issued a Civilian Allocation Program for Borax and Boric Acid. This program, unless extended, will expire July 5, 1941. The conditions necessitating the formulation of the program, however, still prevail. Accordingly, it is hereby directed that Section 1311.4, Effective date; expiration, be amended to read as follows:

§ 1311.4 Effective date; expiration. This program shall take effect on the 9th day of June 1941, and shall, unless sooner terminated by the Administrator, expire the 30th day of July 1941.\*

This amendment is issued pursuant to Executive Order No. 8734.

Issued this 3rd day of July, 1941.

/s/ Leon Henderson  
Leon Henderson,  
Administrator

Certified to be a true copy  
of the original

John E. Hamm,  
Deputy Administrator

## Office of Price Administration and Civilian Supply

For Monday AM release  
July 7, 1941

PM 676

To insure adequate transportation facilities for the traveling public, the Office of Price Administration and Civilian Supply, through its Civilian Supply Allocation Division, today issued an allocation program providing preferential status on deliveries of materials and equipment used in the construction of cars and buses for urban or interurban lines.

A serious shortage of these types of passenger transportation equipment exists. It was decided to alleviate the situation by placing coaches and rail-cars used on urban and interurban lines on an equal footing as to materials and equipment with freight cars and locomotives, for which allocation programs already have been prepared.

The new program provides that deliveries of material and equipment necessary for the construction of motor and electric coaches and rail-cars for city, suburban and inter-city common carrier passenger transportation shall be given preference over all material and equipment going to any other civilian uses, subject only to a prior preference to deliveries for all such material and equipment as may be required under contracts with the United States or any department or agency thereof.

Text of the program follows:

TITLE 32 - NATIONAL DEFENSE  
CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Part 1320 - Civilian Allocation Program for  
Material and Equipment Entering into Motor  
and Electric Coach and Rail-Car Construc-  
tion for City, Suburban and Inter-City Com-  
mon Carrier Passenger Transportation.

There is a critical shortage in the nation's coaches and rail-cars. The total demand for material and equipment entering, directly or indirectly, into coach and rail-car construction is presently in excess of the available supply. It is necessary, therefore, to direct the distribution of such material and equip-

ment in order to insure an uninterrupted and unretarded supply for coach and rail-car construction.

Accordingly, pursuant to and under the authority vested in me by Executive Order No. 8734, and particularly Section 2 (a) thereof, the following program for allocation of coach and rail-car material and equipment among competing civilian demands is announced:

§ 1320.1. Preference rating on deliveries. All deliveries of material and equipment necessary for the construction of coaches and rail-cars shall be given preference over all material and equipment going into any other civilian use, subject, however, to a prior preference to deliveries for all such material and equipment as may be required under contracts with the United States or any department or agency thereof. The preference rating provided hereby shall be equal to the preference rating announced in 1313.1 and 1313.2 of this Chapter for material and equipment entering into freight car construction and repairs.\*

\*§§ 1320.1 and 1320.2 issued pursuant to the authority contained in Executive Order No. 8734.

§ 1320.2. Effective Date: Expiration. This program shall take effect on the 5th day of July, 1941, and shall continue until terminated by the Administrator.\*

Issued this 5th day of July, 1941.

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Leon Henderson  
Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL:

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John E. Hamm, Deputy Administrator

## Office of Price Administration and Civilian Supply

For Monday AM Release  
July 7, 1941

PM 577

Action to relieve a critical shortage of locomotives of all kinds was taken today by the Civilian Supply Allocation Division of the Office of Price Administration and Civilian Supply through issuance of an allocation program giving preferential delivery status to materials and equipment essential to their construction.

By this move, OPACS places locomotive makers on a par with freight car builders in their prior right to materials and equipment over other civilian uses. The allocation program for freight car materials was issued June 10, 1941.

Imperative demand of the defense effort for iron, steel, and other materials has caused scarcities. OPACS' allocation programs aim to insure an uninterrupted and unretarded flow of supplies to civilian manufacturers of goods and equipment most necessary to the public welfare. Additional railroad, mine and industrial locomotives and freight cars are urgently required.

The latest allocation program provides that all deliveries of material and equipment necessary for the construction of locomotives (steam, electric or Diesel) shall be given preference over all material and equipment going into any other civilian use, subject, however, to a prior preference to deliveries for all such materials and equipment as may be required under contracts with the United States or any department or agency thereof."

Text of the program follows:

TITLE 32 - NATIONAL DEFENSE  
CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Part 1319 - Civilian Allocation Program for  
Material and Equipment Entering into Rail-  
road, Mine and Industrial Locomotive Con-  
struction: Steam, Electric or Diesel.

There is a critical shortage in the nation's locomotives. The total demand for material and equipment entering, directly or indirectly,

into locomotive construction is presently in excess of the available supply. It is necessary, therefore, to direct the distribution of such material and equipment in order to insure an uninterrupted and unretarded supply for locomotive construction.

Accordingly, pursuant to and under the authority vested in me by Executive Order No. 8734, and particularly Section 2 (a) thereof, the following program for allocation of locomotive material and equipment among competing civilian demands is announced:

§ 1319.1. Preference rating on deliveries. All deliveries of material and equipment necessary for the construction of locomotives shall be given preference over all material and equipment going into any other civilian use, subject, however, to a prior preference to deliveries for all such material and equipment as may be required under contracts with the United States or any department or agency thereof. The preference rating provided hereby shall be equal to the preference rating announced in 1313.1 and 1313.2 of this Chapter for material and equipment entering into freight car construction and repairs.\*

\*§§ 1319.1 and 1319.2 issued pursuant to the authority contained in Executive Order No. 8734.

§ 1319.2 Effective Date; Expiration. This program shall take effect on the 5th day of July, 1941, and shall continue until terminated by the Administrator.\*

Issued this 5th day of July, 1941.

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Leon Henderson  
Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL:

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John E. Hamm, Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT

Office of Price Administration and Civilian Supply

For Monday AM Release  
July 7, 1941

PM 678

Aid for farmers facing a serious shortage of storage space for grain now being harvested was assured today by Leon Henderson, administrator, OPACS, when he issued a civilian allocation program providing for emergency preference ratings on 15,000 tons of sheet steel to be used in construction of grain bins.

The program provides that emergency preference ratings effective for obtaining such material shall be issued to the extent determined by the Office of Production Management to be consistent with the defense program. The allocation program includes 10,000 tons of galvanized sheets, of which approximately 6,000 tons have already been delivered to grain bin manufacturers, and 5,000 tons of black sheets. In allocating the remaining tonnage of galvanized sheets the director of Priorities will, as in the case of the tonnage already allocated, grant individual preference rating certificates among manufacturers in such manner as may be feasible.

More than 15,000 tons of steel could be used for construction of needed grain bins at the present time but this is all that can be diverted from other critical demands, thus making it necessary to construct additional bins from other materials. There is not sufficient time, however, to construct all the needed bins from materials other than steel.

Text of the programs follows:

TITLE 52 - NATIONAL DEFENSE  
CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Part 1321 - Civilian Allocation of 10,000  
tons of Galvanized Sheets and 5,000 tons of  
Black Sheets for Grain Bin Construction

There is a serious shortage in the facilities for storing grain now being harvested. This grain must be preserved at all costs short of impairing

critical military necessities. The time is too short to permit construction of all the required grain bins out of material other than sheet-steel. It is necessary, therefore, to allocate 10,000 tons of Galvanized Sheets and 5,000 tons of Black Sheets immediately, in order that necessary bins may be constructed to contain the grain now coming from the land. The additional need for grain bins must be met by the use of other suitable material, as a total of 15,000 tons of steel is all that can be diverted from other critical demands.

Accordingly, pursuant to the authority vested in me by Executive Order No. 8734, and particularly Section 2 (a) thereof, the following preference rating among competing civilian demands is announced:

§ 1321.1. Preference Rating. 10,000 tons of Galvanized Sheets and 5,000 tons of Black Sheets for the construction of grain bins shall be given an emergency preference rating effective for obtaining such material to the extent determined by the Office of Production Management to be consistent with the defense program.

The preference provided hereby includes approximately 5,000 tons of Galvanized Sheets already delivered to grain bin manufacturers. In allocating the remaining tonnage, the Director of Priorities will, as in the case of the tonnage already allocated, grant individual preference rating certificates among manufacturers in such manner as may be feasible.\*

\*§ 1321.1 and 1321.2 issued pursuant to the authority contained in Executive Order No. 8734.

§ 1321.2. Effective Date. This preference rating shall take effect on the 5th day of July, 1941.

Issued this 5th day of July, 1941

Loon Henderson  
Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL:

John E. Hamm, Deputy Administrator

July 12, 1941.

Mr. Cochran

Mr. Mackay

At 11:50 a.m., Mr. Lang of the Federal Reserve Bank of New York reported the following two transactions, according to information received from the Chase National Bank:

The New York agency of the Yokohama Specie Bank paid Chase \$2,000,000 for credit to the Bank of Brazil's account at the Chase.

The State Bank of the U.S.S.R., Moscow, confirmed the opening by Chase of an irrevocable sight letter of credit in favor of Licenciada Gaston Solana, Mexico, to cover a shipment of sisal. (Mexico is an exporter of a form of sisal used in the production of rope). Value of the credit was \$412,000.

Miami 7-12-41

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE July 12, 1941.

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£3,000
Purchased from commercial concerns	-0-

The Federal Reserve Bank of New York sold £15,000 in registered sterling to the American Express Company.

Open market sterling held steady at 4.03-1/2, and there were no reported transactions.

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	11-13/16% discount
Argentine peso (free)	.2385
Brazilian milreis (free)	.0505
Uruguayan peso (free)	.4380
Colombian peso	.5800
Mexican peso	.2070
Cuban peso	1-1/4% discount
Japanese yen	.2358

In Shanghai, the yuan again improved 1/32¢ to 5-9/32¢. Sterling advanced 2-1/2¢ to 3.94.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL  
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN  
AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended July 12, 1941

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
<b>PETROLEUM PRODUCTS</b>				
Fuel and Gas Oil (including Diesel Oil)	257,500 Bbls.	--	--	521,000 Bbls.
<b>Crude -</b>				
Blended or California High Octane Crude*	70,000 Bbls.	--	--	--
All Other Crude	--	--	--	--
<b>Gasoline -</b>				
Gasoline A**	--	--	--	410,000 Bbls.
Gasoline B*	11,760 Bbls.	--	55,800 Bbls.	667,574 Bbls.
All Other Gasoline	--	--	15,600 Bbls.	--
<b>Lubricating Oil -</b>				
Aviation Lubricating Oil***	37,726 Bbls.	--	--	60,419 Bbls.
All Other Lubricating Oil	66,773 Bbls.	--	7,800 Bbls.	968 Bbls.
Tetraethyl Lead***	--	--	--	--
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	--	--	--	--
<b>SCRAP IRON AND SCRAP STEEL</b>				
Number 1 Heavy Melting Scrap	--	--	--	4,709 Tons
All Other Scrap	--	--	--	15,407 Tons

Office of the Secretary of the Treasury, Division of Research and Statistics.  
July 14, 1941.

Source: Office of Merchant Ship Control, Treasury Department.

\* Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.

Aviation Gasoline.

As defined in the President's regulations of July 26, 1940.

ML

PLAIN

London

Dated July 12, 1941

Rec'd 10:14 a.m.

Secretary of State

Washington

2976, twelfth.

FOR TREASURY.

With reference to paragraph 2 of the Embassy's 2877, of July 7, the two day's House of Commons debate on production has thrown no light on the Government's wage policy question, the speaker having ruled that labor problems which were outside the scope of the debate would be discussed on the vote for the Ministry of Labor at a later date. In fact although Bevin, the Minister of Labor, is chairman of the "Executive" Production Council he was not put up by the Government to reply to any part of the debate, the Government spokesmen assigned being the Minister of Aircraft Production and the Parliamentary Secretary to the Ministry of Supply. No doubt this exclusion of labor and wages questions from debate was prompted by the fact that Sir Kingsley Wood's negotiations with the T.U.C. and Employers Federation have just been initiated.

WINANT

NG

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Vichy (Paris), France

DATE: July 12, 1941, 7 p.m.

NO.: 870

The following is from Matthews for the Secretary of the Treasury.

Reference is made to the Embassy's telegram No. 467, 4 p.m., dated April 21, 1941.

The following statement was made by an official of the National Bank of Belgium. This official just passed through Vichy. "All that remains of the Belgian gold at Kayes--French West Africa--namely, two-thirds, is at the present time en route either by truck across the desert toward Colomb-Béchar or on the Niger near Bamako." (Colomb-Béchar--a rail head in French Morocco.)

The official further stated that "it will all be in Berlin in three months unless something happens to it en route."

LEAHY

EA:PAK

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

RECEIVED  
JUL 14 1941

RECEIVED  
DEPARTMENT OF THE TREASURY

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229

RS

GRAY

TOKYO VIA SHANGHAI & N.R.

Dated July 12, 1941

Rec'd 11:55 a.m.

Secretary of State

Washington.

1585, July 12, noon.

The Government announced last night the adoption of a plan to revise the financial structure of the nation which in effect will place the control of all financial institutions in the hands of the Bank of Japan. Capital will be more effectively mobilized, the financial policy will be revised, changes will be made in the accounting, budget and taxation systems. The announcement which is lengthy will be studied by the Commercial Attache who will discuss it in his next week Russo-Japanese economic cable.

Sent to the Department via Shanghai.

Grew

LMS

sh:copy  
7-16-41

## PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Istanbul, Turkey

DATE: July 12, 1941, 2 p.m.

NO. 1 25

A report has been received by AP from Istanbul, under date of July 8, stating that bankers of Germany, using funds secured from the occupied countries, are purchasing French and Belgian holdings in Turkey. This report is of interest to the Treasury Department, which asks that you send by telegraph a report on any information on this matter you may have. This telegram is to be sent at the expense of the Treasury Department.

Welles, Acting  
(FL)

EA:FL:MMH

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

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RECEIVED  
DEPARTMENT

EA:LNW

RESTRICTED

G-2/2657-220 No. 439 M.I.D., W.D. 12:00 M., July 12, 1941.

SITUATION REPORTI. GERMAN-RUSSIAN FIGHT.

Ground: So far as is known, no change has occurred in the situation on the German-Russian front. Russians are organizing defense lines.

Air: No change in the general situation. Russian attempts to bomb Rumanian oil fields renewed.

II. GERMAN-BRITISH FIGHT.

Air: German. Light attacks on Great Britain.

British. Offensive continued. Last night attacks were made on German industrial targets and on Wilhelmshaven.

III. MEDITERRANEAN FIGHT.

Ground: No change in the situation.

Air: German attacks on Port Said and Tobruk.

RESTRICTED

**Surpluses of Code Collages  
Received at the War Department  
at 10021, July 10, 1941.**

London, filed 14790, July 10, 1941.

1. British Air Activity over the Continent.

2. Night of July 10-11. During this night 74 tons of high explosive bombs and 6000 incendiaries were dropped upon Cologne. In addition, secondary objectives were dropped 33 tons of high explosive bombs and 3000 incendiaries.

3. Day of July 11. Great Britain dispatched 730 fighters as follows: 287 on offensive patrols, 202 in the protection of shipping, 179 on interception patrols, and 62 on special missions. Three Stirling bombers dropped 14 tons of high explosive bombs on Eindhoven, while another three dropped 11 tons of high explosive bombs on the shipping at Le Trait. During these raids which were carried out with good results, no enemy pursuit or anti-aircraft activity was encountered.

4. Night of July 11-12. Bad weather prevented any large bomber activity. 36 bombers were dispatched to Wilhelmshaven, one of which crashed in England. The crew of this aircraft were not injured.

2. German Air Activity over Britain.

1. Day of July 10. Dispatched were 35 defensive fighters, 3 long range bombers and 10 reconnaissance aircraft.

2. Night of July 10-11. The Germans employed 10 mine-laying aircraft, 13 fighters and 60 long range bombers.

3. Day of July 11. Only small scale operations against shipping occurred.

3. Aircraft Losses Reported.

1. British Losses. During the day of July 11th six Spitfires ✓  
and 5 pilots were lost. 2 Spitfires were damaged.

2. Air Losses. 6 Me-109's and 2 Me-109's were shot down, 2 ✓  
Me-109's and 1 Me-109 were probably destroyed, and 7 Me-109's and 1 Me-109  
were damaged on July 11th. In addition to those already reported, 2 Me-111's  
were destroyed the night of July 7-8.

4. British Air Activity. Other Matters.

1. Waldenburg Bombing. Supply concentrations at Waldenburg were  
attacked with good results by 8 Wellington bombers dispatched from Hildesheim.

A statement has been made by the Air Ministry to the effect that  
one fighter squadron withdrawn from the Russian front or Central Europe  
are being returned to the western theater.

LHM

Distribution:

Secretary of War  
State Department  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence  
G. H. Q.  
Chief of the Army Air Force  
Secretary of Treasury  
Assistant Chief of Staff, G-3  
Air Corps

c. Day of July 12. Only a few operations against shipping were carried out.

3. Aircraft Losses Reported.

a. British losses. During the night of July 12-13, one bomber crashed and two were unreported. One Blenheim was unreported from the raid off IJmuiden on July 12. Two Spitfires and two pilots were also lost.

b. Aria losses. German losses for July 12th were as follows: 6 Me-109F's and 2 Me-109's destroyed, 1 Me-109F and 1 Me-109 probably destroyed, and 8 Me-109F's and 3 Me-109's damaged.

A cable has been received by the Air Ministry from Collier, a member of the British mission in Moscow, containing information obtained during a personal interview with Shaposhnikov and Stalin. The Russians, according to Stalin, are prepared to meet any contingencies which may arise. The I-18 fighter has demonstrated very good performance, having a speed of 390 miles per hour. Concentrations of German tanks and troop columns are being vigorously attacked, with good results by the Russian Air Force. Many German bombers are being shot down by Russian fighters. Germany is using many young and inexperienced pilots. The Russians also report having a two-engined bomber capable of a speed of 300 miles per hour and a range, carrying a bomb load of one ton, of 4000 miles, or, carrying a bomb load of three tons, of 1800 miles.

LEE

Distribution:

Secretary of War  
 State Department  
 Assistant Chief of Staff, G-2  
 War Plans Division  
 Office of Naval Intelligence (2)  
 G. S. C.  
 Chief of the Army Air Forces  
 Secretary of Treasury  
 Assistant Chief of Staff, G-5  
 Air Corps

CONFIDENTIAL

Paraphrase of Code Cablegram  
Received at the War Department  
at 10:30 a.m., July 13, 1941.

London, filed 15:45, July 13, 1941.

1. British Air Activity over the Continent.

a. Night of July 11-12. 31 tons of high explosive bombs and 1400 incendiary bombs were dropped upon Wilhelmshaven.

b. Day of July 12. Dry dock facilities at Arques were attacked by 3 Stirling bombers. A convoy off Ijmuiden and Teischa was attacked by 12 Blenheims, shipping in the Scheldt by 6 Blenheims, shipping off Ameland by 11 Blenheims, and shipping off Texel by 9 Blenheims. In all these raids thunder showers were encountered and poor results were obtained. A total of 534 fighters were dispatched as follows: interception patrols, 50; protection of shipping, 184; offensive patrols, 254; and special patrols, 46.

c. Night of July 12-13. During this night 61 bombers were sent to attack concentrations of stores at Bremen. One bomb of 4000 pounds struck between the Bremen railway station and the Deutsche shipyards. The weather was bad, however, and only about one-half of the bombers dispatched attacked the primary objective.

2. German Air Activity over Britain.

a. Day of July 11. Germany operated against England with 15 reconnaissance aircraft and 5 long range bombers. Over occupied territory, principally in the area to St. Omer, 230 fighters maintained defensive patrols.

b. Night of July 11-12. Dispatched were 15 long range bombers and 5 reconnaissance aircraft.

DEFENSE SAVINGS STAFFSPECIAL NOTICE

ADVANCE NOTICE RADIO PROGRAMS

SUNDAY - JULY 13, 1941

Time: 1:15 - 2:00 P.M.  
Station: WOL  
Program: "America Preferred"

This program is the premiere of a new series sponsored by the Treasury Department over the coast to coast network of the Mutual Broadcasting System. Pierre van Paaseen is the narrator and Herbert Gaston, Assistant Secretary of the Treasury, will speak from Washington, introducing the series. Jarmila Novotna, Metropolitan Opera star, will be the guest artist and will sing in Czech, Aria from Dvorak's Opera Rusalka, and in English, "Goin' Home", the Negro Spiritual used by Dvorak for his Largo in the New World Symphony.

Guest speakers on the program are to be Major Alexander de Severaky and Dean Alfange, and the guest dramatic star is to be Claude Rains. Maurice Maeterlinck, Edna Ferber, Countess Alexandra Tolstoy, Henri Bernstein, and David Lu will be the greeters, being introduced by Mr. van Paaseen to welcome the new series to radioland.

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

SUNDAY - JULY 13, 1941

Time: 4:15 - 4:30 P.M.  
Program: Olivio  
Station: WMAL and NBC Blue Network

Time: 6:30 - 7:00 P.M.  
Program: World News  
Station: WJSV and CBS Network

Time: 6:30 - 7:00 P.M.  
Program: Fitch Band Wagon  
Station: WRC and NBC Red Network

Time: 7:00 - 7:30 P.M.  
Program: What's My Name?  
Station: WRC and NBC Red Network

Time: 7:30 - 7:45 P.M.  
Program: Crime Doctor  
Station: WJSV and CBS Network

Time: 9:00 - 10:00 P.M.  
Program: Take It or Leave It  
Station: WJSV and CBS Network

Time: 11:00 P.M. - 11:15 P.M.  
Program: Socony News  
Station: WCAU - Philadelphia, Pa.

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS

July 14, 1941  
10:10 a.m.

RE EXCESS PROFITS

Present: Mr. Sullivan  
Mr. Blough  
Mr. White  
Mr. Haas  
Mr. Foley  
Mr. Viner  
Mr. Kuhn

H.M.Jr: John, I take it you know what this is about?

Sullivan: I do now, yes.

H.M.Jr: A memorandum to the President. I wrote the President a letter suggesting that - he wanted to do something, and I wrote him a letter suggesting that he have Doughton and Cooper down, and he said he would have them down and you and me tomorrow to talk it over.

Sullivan: Yes, sir.

H.M.Jr: What I am trying to do is to get ready a memorandum which I can send over to him tonight which he could read and have before him of what he would like to talk about to these gentlemen tomorrow. Now, first I would like to get something that satisfies me; and then, if possible, we will try to satisfy the other gentlemen in town who are interested in inflation and taxes, if that is possible.

- 2 -

First I would like to be satisfied.

Now, these two memoranda that I have here are helpful, but it is a question of melding them. Just let me review what I have in mind. It is this. I would like the President to recognize - there is no use of any longer talking about inflation because we have got inflation on it, it is with us, it is here. We can show the price charts - did you bring your charts with you, George?

Haas: Yes, I have a large and small edition.

H.M.Jr: And I would like the President to recognize the fact that it is here. It is no longer something we have got to be afraid of. This is the small chart?

Haas: That is right. It begins August '39 just before the war.

H.M.Jr: Burlap, a hundred and six percent; shellac, ninety-six; cotton, fifty-seven; and so forth. Tallow, one hundred thirty-five; cocoa, eighty-seven. Where is my old friend lumber?

Haas: That isn't in that group.

H.M.Jr: Is there another group on that?

Haas: We have the lumber prices, Mr. Secretary. The Bureau of Labor statistics doesn't have it in that particular index.

H.M.Jr: Well, sixteen raw materials have gone from about a hundred and eleven up to about a hundred and fifty-two, weekly average. Foodstuffs have gone from a little bit above a hundred - no, I am wrong. Raw materials have gone from about a hundred and twelve to a hundred and forty-one, and foodstuffs from

- 3 -

a low of a little over a hundred to about a hundred and fifty-five. So you can't talk about this is something that we have got to be afraid of. It is on. I would like the President to recognize this and one of the reasons I want him to recognize this is so that he will do something to make it possible for Leon Henderson to have the tools with which to work.

Now, under this thing there are certain things - I mean, I would like to have this attached to the thing I send to him tonight when we say, "Inflation is on us." I would like to say that - now, as to the Treasury's part of the inflation thing, Congress has given us, 1, everything that we need to draw out the people's savings. We have got all of that. And that thing is going very nicely. And the President would have understood that - we have gotten started with the Bonds and Stamps and on August 1 we are going to start on the tax anticipation notes, so that is nicely underway. On the bill, on the tax bill, Congress has done a good job in attempting to raise the three and a half billion, but in order to make this thing, and subsequent tax bills which will have to follow, sit well, businesses, irrespective of their previous earnings or their base or anything else, have to make a fair contribution of their earnings in excess of an equitable amount.

Now, the way the bill is written now, it doesn't do that. The thing that I wanted then was to - "And, for example, Mr. Doughton, here is company number one, two, and three." Some examples, you see.

Now, I have worked with the President for eight years on tax bills. If anyone will take the trouble to look up the memorandum that Mr.

- 4 -

Magill and I took up to Hyde Park when we were invited to spend the evening with the President on it - and it finally got down to about nine o'clock at night when he gave us two hours and we got just to number one. I have never gotten anywhere. He is not interested. But he did write me about excess profits, and he is interested in excess profits, and I think it is a mistake to talk about anything else, because we will never get anything further. If he talks about excess profits and backs up the so-called Treasury plan, that strengthens our hand tremendously with the Committee because they then know the President is behind us; and, if we subsequently want to go up and say we think you ought to do this or do that, the President once having backed us on excess profits, our position is much stronger. To go into these thousand and one other things, I think it is a mistake. He is not interested. In eight years I have never been able to get him to do it.

Sullivan: You mean to back us up on excess profits in this bill?

H.M.Jr: I want him to back us up on the Treasury plan on excess profits.

Sullivan: You are having that changed in this bill?

H.M.Jr: Oh, very much so. I have been all over this, confidentially, with the Speaker, and he is with us, and the plan I am following is Speaker Rayburn's advice to me, how to handle it. He told me to do it this week, because the bill would be reported out a week from Tuesday. He said, "The President must do it this week." I am following his advice. He said, "What is the matter with the bill," and I told him what was the matter with it from the standpoint of excess profits.

- 5 -

He said, "That makes sense to me." So I am just going through the thing, and then, as I say, if the President will say, "Well, now, this is the thing that I don't like. There are other things, but this is the thing. I want the Treasury plan, and this is why I want it, the way you gentlemen have written it, and it permits these companies and so forth to get out, and the laboring man has got just as much right to ask for increased wages just as long as this company can earn forty-five or fifty or sixty percent without paying an excess profits. In order to have an equitable relationship, I have got to have this kind of a bill."

And then at the end, I would like to give a plug for Leon Henderson so as to lay the ground for him, simply say, "Now, of course this won't come up before your Committee." I take it it doesn't, is that right?

Sullivan: What?

H.M.Jr: Leon Henderson.

Sullivan: Price control?

H.M.Jr: Yes.

Sullivan: No.

H.M.Jr: But at least he can say, "Much as it wants it, the Executive end has been unable to cope with things." Let's take a look at things. There they are. But I have said consistently we would fight this thing tooth and nail, and we have done everything we can with existing machinery, and here is the situation, and at a not too distant date, I am going to ask for proper legislation to meet this situation, you see, and that lays the ground for the next thing to

- 6 -

follow.

Now, vary, very roughly, that is the way I feel; and, if you don't all shoot at once, one at a time, each talk until he is out of breath, I don't care who starts. We will let each fellow talk, just as long as you don't all shoot at the same time.

Foley:

Would this be in lieu, Mr. Secretary, of a message to Congress, I mean this discussion between the President and Doughton and Cooper?

H.W.Jr:

This thing is to tell these gentlemen what the President has in mind. I am going to put in, from my standpoint, a hundred percent what I would like to have. Let's say he takes my memorandum as it is written. Then he discusses it. It gives these men the chance to say, "Well, that is all right, Mr. President, we will go along with this, but we can't go along on that." Then based on the results of our conference with these people, I take it he will write a message, you see. But the purpose is discussion just like we are having now, and after discussion we come back and the President writes a message to Congress, unless they say, "All right, Mr. President, you don't have to write a message, we will give you what you want." If they say, "Well, if that is what you want, all right, we will give you what you want," then he won't have to write a message.

But you see, what I have been trying to do here is - I have said it to anybody that would listen to me, whether it is Lauch Currie or Harry Hopkins, who keeps saying, "Are you satisfied with the bill," and I say, "No, what about the President? He won't help me. Should we talk to him?" "Yes." Anybody who

- 7 -

will bring it to the President's attention, wonderful, but I can't get the President interested.

The day after Sullivan appeared, the President had a morning press conference, and I asked him to say something. The Ways and Means Committee sat there and did nothing waiting for the President's press conference, and he did nothing, and they said, "Well, he is not interested in it." Right?

Sullivan: Yes.

S.L.Jr: So what I have been trying to do is, he will only do so many things. Up to now, he just hasn't been interested, and if we have the opportunity to lay the Treasury's problem plus the old, old problem on inflation and Lauch Currie's theory, I am a hundred percent in opposition to it, that we should sit back and wait until the bottle necks are broken and get increased production, and the President shouldn't talk about inflation and throw the spotlight on it, I am just a hundred percent in disagreement with it. He can say whatever he wants. There is no use talking any more about the danger of inflation. It is right on us. We are right in the midst of it. While you wait until OFM has re-organized and the Aluminum Company increases their plant and steel increases their plants and - they gather up the aluminum pots. It is unbelievable. They are going to gather up the aluminum pots and sell them to the junk dealers. Let the junk dealers sell them back - the money they get for that they are going to give to the airplane companies to buy new aluminum. That is the way it was explained in Cabinet. It is just unbelievable. Somebody said, "You had better call it off." "Well, we have had our publicity. It is too late now."

- 8 -

Sullivan: Say that again.

H.M.Jr: As I got it Friday, the aluminum is going to be gathered - everybody has got to give up their pots. Now, what you are going to buy in place of it, I don't know. It is going to be sold to the junk dealers. From the junk dealers, it goes for the use of anybody that wants to buy it, and the money that they get for it, they give to the airplane companies to buy, what do you call it, virginal aluminum?

Blough: Virgin.

H.M.Jr: I told my Missis as far as she was concerned she could hang on to her pots. Why give them to the junk dealers?

Viner: Well, it is important that they get out of the kitchens.

H.M.Jr: If--

White: They will get out of the kitchens faster if they donate them for defense.

H.M.Jr: Well, everybody is very - Ed, you start it. What is the matter with what I am saying?

Foley: There is nothing the matter with that. I think that that is fine. The thing that bothers me is what comes after the meeting and the timing of that. It seems to me that a message discussing a tax bill that hasn't been reported is a little bit unusual.

H.M.Jr: Now, Ed, don't worry about that.

Now, look, you have got the Speaker who advised us, and Doughton and Cooper are going to have a chance to advise the President on that. What?

- 9 -

- Foley: Sure.
- Well, they know much more about it than we do.
- H.M.Jr: Well, they know more about it than I do. I won't say they know more about it - but I mean, that is the advice - do you mind my just saying that? I mean, don't worry about that part of it.
- Foley: No.
- H.M.Jr: If that is what the Speaker wants and Doughton and Cooper have a crack at the President, I wouldn't worry about that.
- Foley: The only thing that I was going to lead up to was this: that perhaps we might be considering the result of the conference which I think is admirable to be something like this. When you appear before the Ways and Means - I mean before the Finance Committee on the Senate side, you can say all these things about undistributed profits, excess profits, and the changes in the tax laws that you think are necessary, and then the President can back you up at a press conference.
- H.M.Jr: No. The die is set on this. As far as the procedure for the next twenty-four hours, Ed, it is set.
- Foley: Well, I agree with the procedure for the next twenty-four hours. I was looking beyond that.
- H.M.Jr: Well, personally knowing - I don't think anything will be accomplished unless the President sends a message to Congress. Nothing that Sullivan or I can say will have the slightest effect.
- Sullivan: You are entirely correct, sir.

- 10 -

- H.M.Jr: I mean, the die is absolutely cast against us in the Senate. I can go up there and tear my gory locks and they will just laugh at me.
- White: Ed, the emergency period justifies breaking precedents at various times.
- H.M.Jr: It is a perfectly dignified, highly proper way to proceed. And the main thing is to try to get the President to put his mind on this thing.
- Sullivan: That is right. I am in hearty accord with that, and I think the other thing that goes along with it is that I think if there could be announced some recognition of the fact that price control needs to be buttressed with taxes on nonessential consumption goods, and I don't know whether Leon would be reluctant to have that recognized or not, but that is what he has been trying to do all along is have us help him on his price control.
- H.M.Jr: I think he would be delighted. That is what he has been talking about.
- White: You say taxes are nonessentials?
- Viner: I think the commodity phase has to be carefully thought out because you are using your - those taxes now for a new set of purposes, whereas, as I see it, the drafts I have seen, you have discovered the deepest roots you have dug in the past, and you are going deeper in the same ones rather than adjusting it to the new problems, and I would say there - my thinking is superficial, I haven't spent much thought on it - but that is the essential commodities, the scarce ones, that you want to tax.
- Sullivan: That is right.

- 11 -

- Viner: It is the ones that it will be necessary to ration, and I would let moving pictures and ice cream sodas and cigarettes, I would let them be produced without any extra taxation now as long as they are not using resources that anybody wants for any other purpose. You are going to have a problem to maintain national income while building the war machine. You are going to have the problem of maintaining morale and of making people think they are getting something out of their wages. Let them have those cheap and in volume that don't interfere, but then slam down on the things like aluminum.
- H.M.Jr: If I understand Currie, you are half way between Currie and myself, but I wouldn't even say that, because I agree with you a hundred percent.
- Sullivan: He is half way between Currie and Leon.
- H.M.Jr: Yes, that is what I was groping for.
- Viner: Well, check up on Leon, because I haven't talked to him.
- H.M.Jr: But you haven't--
- Viner: I haven't talked to him--
- H.M.Jr: What you say would agree with me entirely.
- Viner: Wouldn't you, Harry?
- White: Yes. I think there are two objectives here which they are likely to confuse. One is the question of making available at not too high a cost necessary raw material for our defense effort. There is a quite - which is the one that you were directing yourself against.

- 12 -

The other objective which may be confused in this is preventing the index of general prices to rise as a result of taxes.

Maybe that is what Henderson has in mind.

Viner: Well, there is a third objective, and that is that if things are going to be rationed, they are going to go high unless you have a very rigid price control. This is where you get the windfalls.

The Treasury gets it instead of the person who happens to hold the stock.

White: That is right, but you don't ration movies. You only ration these goods, and that is why you have the additional necessity for imposing taxes.

Viner: I would not say this, Mr. Secretary, I think it would be discreet at this stage to assume that you are not going to have serious difficulties with other agencies of the Government, that if they get together, they can work out a scheme which will suit you and them.

H.M.Jr: We have started on that basis.

- 13 -

Vinert: I don't know anything about the record, but the last couple of days I have had a chance to talk to a number of people, and have learned something of what is going on, and my guess is that you could get an administration policy on the commodity tax side - I am not talking about excess profits at all now - which would fit in to what the Treasury ought to want. That is just a guess. You would find that Currie and Henderson and OPM would all be willing to play in with what I would think would be a good set-up on the commodity tax side, so that we oughtn't to get in the spirit that necessarily we are going to find we have either divergent aims, which I don't think we do, or divergent theories.

H.W.Jr: Who would you - who could I talk to at OPM?

Vinert: I would say one person you might talk to is Sidney Hillman because he talked with me yesterday and I know that he is looking around and he has been talking around town and I think he has got some interesting ideas and is looking for a light. I think he sees the problem right. He has got one of your angles. He says, "How can I tell my labor people that they mustn't ask for increases in raises if their cost of living rises without an obvious justification in it in war needs?" He wants a - something on the tax side to fit in.

White: That is the excess profits tax.

Vinert: He is thinking of individual commodities, too.

H.W.Jr: He is not interested in excess profits unless he has changed.

Vinert: I didn't hear any word on that.

White: Hillman isn't?

- 14 -

- H.M.Jr: No.
- White: That is very strange.
- H.V.Jr: I asked him originally.
- White: Maybe he didn't understand it.
- H.V.Jr: I asked him months ago.
- White: Well, certainly he doesn't represent labor then, because labor is very definitely interested in an increase in excess profits and would go a hundred per cent down the line with what you have just indicated.
- H.M.Jr: Well, look, again let me come back to this, Jake: The important thing is to get something on paper, which I believe, that is it. Then, after we get as near combined as possible, then we can show it to other people, but the way it is now we haven't got anything down yet that I can put my name to. Right?
- Viner: Well, the only - only one more word. I would say there that on these documents, I think it would be very good technique if I am right in sensing that there hadn't developed any frictions or - it would be very good technique to get these people together at the framing stage.
- H.M.Jr: We have done that. We have asked everybody. I never thought of Sidney Hillman, but we have asked Lubin and Currie, Eccles, Henderson. The only person we didn't ask was OPM. That is why I asked you who to talk to over there.
- Viner: Well, I think Hillman has been talking with Henderson very much.

- 15 -

Blough: Your point was, have such a conference in the drafting stage and not later.

Viner: At least if later we are very, very careful to present these as tentative ideas and not as something frozen.

H.M.Jr: Well, Jake, let's get something on paper first that I can go down the line on.

Viner: Well, would you want to commit yourself at an early stage?

H.M.Jr: Jake, but let me get something down --

Viner: Oh, you mean your own. Oh, sure.

H.M.Jr: Let me get something down first that I am willing to try to feel.

Foley: There isn't much time.

White: I think Kuhn could help --

H.M.Jr: Something that I can sell myself. At least if I meet these people, "What does the Treasury think?" and I can answer.

White: I don't think Kuhn can shoot at both objectives without making - getting bad results on both, that a memorandum for the President I think he would make very different than a speech for the Budget and I think that here he has attempted the latter and it is not suitable for your first purpose.

H.M.Jr: He understands that.

Kuhn: That is right.

White: Well, what I say.--

- 16 -

- H.M.Jr: He understands that.
- Kuhn: Harry, on that point, if there is a speech or message, it has got to be in general terms, but if there is to be a memorandum for the President to discuss with Doughton and Cooper, that can be much more specific, an entirely different kind of document.
- White: That is right.
- H.M.Jr: Well, the fact that it isn't that is nobody's fault but my own, so I go back again to the kind of things that we want on the memorandum. Personally, I would like to head off Number One with something about inflation and why it is on us, you see.
- White: The danger in that point being rather not what exists at present, but that we have not yet reached anything like full effort and if we are getting price rises under present effort, therein lies the great danger when we go into the full effort.
- H.M.Jr: Well, Harry, don't make it--
- White: Well, when you say inflation is upon us, I am a little bit --
- Viner: I would say it threatens. I see, that is a selection of highly sensitive commodities, and I want to see what does the BLS look like.
- Haas: It was seventy-five in August, 1939 and it is a hundred on that chart. It is eighty-seven now.
- Blough: Which is quite a lot.
- White: Well, you can so define it, but that has happened any number of times before. I think

- 17 -

you can make a stronger case when you say, "If that is the kind of price rise we get with spending only twelve billion a year, what is going to happen when we increase it?"

Viner: It is not at all clear to me that the increase that has taken place to date is an undesirable one, taking all into account. Also, I don't think the President ought to admit that he has already lost control of the situation.

White: Right.

Viner: Because there is doubt as to whether --

H.M.Jr: I don't agree with you at all. That is the whole trouble around Washington. We are always covering up.

Viner: Not me. You can't accuse me of that.

H.M.Jr: We are always on order. Everything is on order. Now, why not call a spade a spade?

White: You can do that by citing the facts of the price index, but I don't think you should call it inflation.

H.M.Jr: You will never get legislation for Henderson unless he calls this thing a spade. What do you want, Jake, what more do you want?

Viner: I would say that is a little excessively conservative, that is all.

H.M.Jr: Who, you or me?

Viner: You. I wouldn't frighten the public by telling them this thing is on already. I would say it is an imminent threat. That I

- 18 -

think it is. If we did nothing more, it is coming, but I wouldn't say it is here. The threat is here. I would put it this way and there is a compromise.

Kuhn: But this is not a public statement we are discussing. It is something to be told to these two congressional leaders at the White House tomorrow.

White: I don't think you are justified in telling them that, either.

Viner: Yes, say the threat is here.

H.M.Jr: I am simply amazed at you.

Viner: It is the feeling that Henderson has or others that prices are going up.

H.M.Jr: I am amazed at you people. I don't know what you want.

Blough: Isn't it partly this, that the word "inflation" has certain connotations to the general public which the present situation does not quite yet justify?

Viner: That is right.

Blough: But that strictly speaking it is inflation, but the public doesn't understand the word to mean quite the same thing?

White: On technical grounds you might question that too.

Viner: I would say, speaking as a technical economist, we have had inflation. But then, we have had some years in the spring, and a decrease in the fall.

- 19 -

White:

Define what you mean as "inflation". You don't mean the same thing.

(Telephone conversation with Mr. Doughton follows:)

July 14, 1941  
10:48 a.m.

H.M.Jr: Wait a minute, gentlemen. All right, go ahead.

Operator: Go ahead.

H.M.Jr: Hello.

Robert Doughton: Hello, Henry. How are you?

H.M.Jr: I'm fine. How are you?

D. Oh, I'm not much to brag on, but still, I'm getting along, I reckon.

H.M.Jr: Yeah.

D. What's the news?

H.M.Jr: Well, I got a message that you, Jere, and John and I will meet the President at eleven tomorrow.

D. Well, that's what I want to check up with you on.

H.M.Jr: Yeah.

D. I don't - I didn't know a thing about what it's about; but I wondered if it wouldn't be a good idea if, at least for the present, it would be easy - of course, the President called to keep it out of the papers - and if so if we could get round by your office and get in some way and not get it in the papers too much?

H.M.Jr: Well, I don't know what the President has in mind, Bob. But that would be something you'd have to take up with General Watson.

D. Yeah. Well.....wait a minute, I had that in mind. You know the Republicans has been going along pretty well on this tax bill.

- 2 -

H.M.Jr: Yeah.

D. You see we'll be down there - they'll see a hundred buggers, you know.

H.M.Jr: Yeah.

D. Always looking for some excuse - well, I won't say that, but they do very often avail themselves and take advantage of some. They'll be holding some private conferences and not letting them in.

H.M.Jr: Yeah.

D. I don't know - you don't know what it's about, do you?

H.M.Jr: Oh yes, I know what it's about; but I meant as to whether he wants it - whether he wants it known or not.

D. Whether he wants it kept out of the papers.

H.M.Jr: That I don't know.

D. Yeah.

H.M.Jr: But that will be something that - if you don't mind - I'd take up with General Watson.

D. All right. I'll call the General and see what he has to say.

H.M.Jr: All right. If I can be of any service, let me know.

D. All right. Thank you very much.

H.M.Jr: Good-bye.

D. Good-bye.

- 20 -

H.M.Jr:

Well, now, where were we? We were getting down to technical questions.

White:

I think it is a little more important than that. Viner says that technically we have inflation, but when he says that he is defining inflation in a way which is very different from what I think you have in mind when you say "inflation". As he defines it, it is not necessarily bad. It might well be good. You would have to examine it. As you are defining it, it is something that is bad, and if that is the way you want to use it, I say that even on technical grounds you might doubt whether we have inflation here.

H.M.Jr:

Are you people willing to talk about price rises?

Viner:

I am willing to talk about an imminent threat of inflation in the evil sense and that - of the necessity of taking more precautions than we have yet taken if we don't have it in pretty full sweep before the end of the next twelve months.

H.M.Jr:

I will tell you what I am going to ask. I am going to ask you two gentlemen (Viner and White) to give me, just as condensed as you can - well, White, Haas and Viner, just give me what you people think the President should have, not as a public statement, as a memorandum to him on the theory that he is not aware of what is happening to the prices and what has happened during the last twelve months, what we should do to make him aware - what has happened where we have only spent these few billion dollars and with forty or fifty billion dollars on the books. If a few billion dollars has done "X", what the balance will be and what steps have been taken through the legislative

- 21 -

end of the Government to keep these things from getting out of line and at the same time to reduce consumption of those things which are so highly necessary for defense purposes. Now, do you think the three of you could give me something right after lunch on that?

White: Isn't that a large part of your statement?

H.M.Jr: No, it isn't, just that part. Don't you think that that is a separate thing as long as --

Blough: I don't quite see how you can separate it because you go on from there. The first part of what you said I think could be separated. The last part, you got into the question of how to meet it, and when you get into the question of how to meet it, then you have fiscal means, tax means, and so on.

H.M.Jr: All right, then, I will just keep them down to a definition, something that will satisfy the three of them, and then if you (Blough) would carry on from there, you see.

Blough: I think they might go beyond definition to the threat, where we are and the threat of what is likely to happen, and then --

White: Well, that is what the Secretary --

H.M.Jr: I am not going to limit them. If the three of those gentlemen would get together and come back here and - we will say at two o'clock, you see. Just taking that end of the thing, and then, Blough, if you could pick this thing up, you see, any place you want, but particularly on that part where the excess profits bill - the bill as written now falls short of the Treasury plan, and give examples. Is that right, John?

- 22 -

Sullivan: Yes.

H.M.Jr: Where the present bill differs from the Treasury plan and where it falls short.

Sullivan: Yes. I think that you will recall that I asked you if this was aimed at a change in the present bill.

H.M.Jr: Yes.

Sullivan: I think I would be doing something less than my duty if I didn't tell you that I don't think the House Committee is going to change and I think the importance of the conference is going to be the effect on the next bill.

H.M.Jr: No, I am sorry. You can't sell me that.

Sullivan: I am not trying to sell you anything. I just want to give you my opinion on that.

H.M.Jr: That is all right - you may perfectly well be right, but again all I am trying to do is to bring the President up to the minute on the situation as the Treasury sees it, in consultation with these other agencies after we get something down, you see. Now, therefore, this is a question of information, and if we can get this thing down in writing, where does the present bill differ from what the Treasury wants as far as excess profits, you don't have to philosophize, just the facts.

Blough: Would it not be desirable in addition to tie it in with these other measures?

H.M.Jr: If you can, so much the better.

Sullivan: I think it would.

H.M.Jr: After I got the facts, I thought Kuhn could take them and make them readable and delectable.

Blough: May I suggest that I do what I can to hook a piece on to what these gentlemen are going to do, which will cover the ground as well as I can, and then Kuhn can take it --

H.M.Jr: You do it as well as you can, but the main thing is, if these three men will write - I am not asking them to do it differently. I think they are pretty close together. If you three men will write a statement as to what you think the present price situation is, so that the President will be aware of it, and what can we look forward to if the thing continues at the present rate, and what we should do about it. Harry, is that all right?

White: Fine.

H.M.Jr: Is that charging you?

White: Fine.

H.M.Jr: I wouldn't bring any outsiders in at this stage. It is difficult enough. We have got enough cross currents here.

Foley: That is right.

White: Yes. I think there should be no disagreement.

H.M.Jr: You and Viner evidently think that the present amount of price rise doesn't hurt us.

Viner: I said that I am not sure that it has gone further than was desirable. I am not sure that it hasn't been positively desirable.

White: I think it should be brought to his attention.

Viner: But I am seriously concerned as to the future.

- 24 -

- H.M.Jr: But granted since the spring of thirty-seven the President hasn't said a word about prices --
- White: It is time. It is definitely time he said something.
- H.M.Jr: And Henderson has an impossible job.
- White: And I think that moving into the period that we appear to be, I think Henderson must have greater powers, and therefore that is another reason why the President should be made cognizant. I think he also needs more power.
- H.M.Jr: Anyway, do you know what I want at this stage?
- Viner: I think so, yes.
- H.M.Jr: Do you, George?
- Hann: I think so.
- H.M.Jr: Harry?
- White: Yes.
- Foley: I think you have simplified it very much.
- H.M.Jr: Roy?
- Plough: I think I can see the outline.
- H.M.Jr: Do you think I am on the right track?
- Kahn: Yes.
- Foley: So long as we are planning on a conference to bring the President up to date, make him aware of the problem, I think everybody in this room is in agreement; there will be no trouble.
- White: Where did you get the rate of six billion a year expenditure? This is a very low figure.

- 25 -

Viner: Six billion, that is right. It was budgeted for six.

Blough: It is this last year.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE July 12, 1941

TO Secretary Morgenthau  
FROM Mr. Kuhn

These rough drafts, one in general terms and one more specific, have been shown to Mr. Gaston, Mr. Foley, Mr. White, Dr. Viner and Mr. Currie. I attach a brief summary of Mr. Currie's telephone comments.

Leon Henderson was delighted to hear about the President's intentions, and said that he would be thinking about the subject over the week-end. He will be going to Atlantic City Monday for the day, to make a speech, but Mr. Hamm will be available any time you want him on Monday. He indicated that he was strongly in favor of linking taxes to prices, and also felt that the statement ought to be broad and general in scope.

Mr. Eccles also said that he would be at your disposal any time Monday, for as long as you would need him.

Mr. Bell was not at the office today, but I shall get these drafts to him over the week-end so that he can be primed on Monday morning.

*J.K.*

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE July 12, 1941

TO Secretary Morgenthau  
FROM Mr. Kuhn

Lauchlin Currie said on the telephone that he had serious mental reservations about the Kuhn draft, but that he liked the Blough suggestions very much.

He did not like the idea of linking taxes and inflation, and thought that the Kuhn draft was too much a "clarion call against inflation". He felt that as long as we have idle manpower in this country there is no need for an over-all reduction of consumer production.

He thought that the President's statement ought to express two principles: (a) equality of sacrifice, and (b) keeping civilian demand in line with the capacity to produce. The tax bill, he said, is not really designed for a reduction of civilian demand.

He said one omission in both the Kuhn and the Blough drafts was the matter of joint returns. He thought that the President wanted to favor joint returns, and also wanted the Treasury's position on this matter made perfectly clear.

*F.K.*

Rough Draft

*Mr. Keiser's  
second draft* 267

I am sending this message to the Congress because there are serious decisions that must be made on the home front, and made now, if we are to muster all our strength for the tasks that lie ahead. These are decisions of domestic economic policy. Their scope is as big as the nation itself, as small as the pots and pans in every American kitchen. But they are inseparably linked to the defense of our country and the maintenance of our freedom.

The time has come to act as vigorously against rising economic dangers at home as we have acted, and intend to act, against the rising tide of tyranny abroad.

The broad facts are well known to every member of the Congress, and I do not need to recite them at length today. Our colossal defense effort has now reabsorbed, directly or indirectly, millions of those who have been unemployed in the last three years. Our national pay envelope is fatter than ever before, and more American workers are leading a more abundant life than ever before.

Our giant industrial strength is being roused as never before. Our supplies of certain raw materials for civilian use are being required more and more for the weapons of defense. And our effort is only beginning.

Congress has appropriated or authorized expenditures of billions for the new fiscal year, but we are still spending on defense at the rate of only 6 billion a year. We must do better than this, much better, if we are to be sure of keeping America strong and safe and free.

When payrolls rise and when civilian supplies of commodities run short because of defense needs, conditions are ripe for a rising spiral of prices. More and more money becomes available for fewer and fewer things, and the natural response of prices is to go up.

The rises so far have been nothing but danger signals. I propose to heed those danger signals. This Administration is determined to check the spiral before it can do substantial damage. The consequences of inflation are too harmful to workingmen, businessmen and farmers alike for any responsible official to permit the process to make further headway.

But this Administration cannot prevent inflation by waving a magic wand. The job calls for effort, understanding, self-control, from every American group and every individual. It calls for the same kind of unity which our people have shown so magnificently in the defense effort now and in other crises in the past.

There are, of course, many ways of checking a vicious spiral of costs and prices.

One way, and the most effective, is to skim the cream from purchasing power so that current earnings are put to work for the Government instead of being spent on private consumption. Whether this is done by taxation or by the purchase of defense bonds, it serves the triple purpose of keeping prices down, of providing the dollars that are needed for defense, and of releasing scarce materials for military use.

Another way is to control prices by voluntary cooperation of those who produce and sell the goods. These, and many other methods, will help. We are using at least three methods already.

The Ways and Means Committee of the House of Representatives is now drafting a tax bill which will raise \$3½ billions in additional revenue. I should like to express my thanks and the thanks of the whole country for the energy, thought and courage with which the committee is carrying out its great task.

The Treasury is about to begin the sale of tax anticipation notes, to make the payment of income taxes prompt and easier, and its sales of Defense Savings Bonds to great numbers of people are now approaching the first billion dollars.

The OPACS has been vigilant and vigorous in bringing all possible pressure to bear whenever sharp price increases have been threatened.

These are useful steps, but they are not enough. The defense effort has grown to such giant proportions that it now dominates our entire economic life. Bolder measures are needed now. In these days of total war a total defense is called for. Our economy must be integrated for defense, integrated as closely as our army and navy and our planes that guard the skies.

A case in point is taxation, which provides a large part of the billions that are needed for national security. Our national thinking on taxation has changed as rapidly as the scale of the defense program itself. Two years ago, one year ago, it might have seemed fantastic to attempt the raising of twelve billion dollars a year from taxes, or to increase tax revenue by three and a half billion dollars in a single year. The American people have accepted this goal with a cheerfulness that is a proof of their commonsense and their patriotism.

Yet even the proposed increase of three and a half billions, even the total goal of twelve billion dollars from revenue, now threaten to be inadequate in the light of the vast expansion of defense spending. In the past week the Congress has been asked for eight billion dollars in additional

expenditure for the Army and Navy, on top of the thirty-three billion appropriated for all purposes during the fiscal year just ended. I know that we shall be able to raise still greater revenues if necessary--and it may be necessary before long. We can do this job, and any job, if we set ourselves to do it.

But taxes are more than sources of revenue. They are more than a democratic method of paying for the immense and indispensable services which the Government renders to every citizen. Taxes can and should be, also, the most useful of all methods of curtailing excess purchasing power, and therefore the best of all methods of preventing inflation.

Moreover, taxes can and should be an adjunct to the defense production program by reducing the competition for the materials that are needed in the defense industries. We do not have a limitless supply of steel, aluminum, rubber and many other essential components of ships and planes and guns. We can, to some extent, reduce the competition by priorities; we can also give the right of way to defense production by imposing stiff excise taxes on certain articles or materials that compete directly with the weapons of defense.

It is my hope that Congress will use the tax weapon unhesitatingly wherever the supply of a vitally important

defense material for defense purposes is blocked by unnecessary consumer demand.

The usefulness of taxes in the present emergency, quite apart from their revenue-raising value, is still more apparent in the field of excess profits taxes. It is a settled principle of the American people that the makers of defense weapons shall not grow rich out of their country's danger. In accordance with this principle, the profits of defense industries are already heavily taxed, and will be taxed still more heavily by the time the pending tax bill is enacted into law. It is also a settled principle, disputed by none, that taxes shall be imposed in accordance with ability to pay. In line with this principle, we have long had a graduated individual income-tax, which grows steeper as it reaches into the higher incomes.

But these two principles have not yet been followed closely enough in the field of corporate taxation generally. Only a minority of American business is not benefiting, directly or indirectly, from the enormous expansion of purchasing power caused by the defense program.

Yet under the present excess profits law scores of rich and successful corporations pay no excess profits tax at all. If they were earning huge and consistent profits in the

previous four years they are allowed to keep those profits now, although this is the year of the greatest emergency that we as a nation have faced for 150 years.

The non-defense company that is producing, perhaps, a non-essential luxury, and producing it at a huge profit year after year, often pays no profits tax at all, even if its profits are as high as forty-three per cent of its invested capital.

To my mind this provision of the existing law is inequitable and dangerous. It is inequitable because it violates the principle that all should pay for defense in accordance with their ability to pay. Companies that make larger than average returns on their investment have, by and large, a greater ability to pay taxes, for every dollar of profits, than other corporations, and they can be called upon equitably to pay additional taxes. We face unprecedented financial burdens today; it is fair and economically sound to burden the prosperous concerns relatively more heavily than the less prosperous.

The gaps in the existing excess profits law are worse than inequitable. They are dangerous because they tend to create in the minds of millions of American farmers and workers the notion that some, well able to pay, are not bearing their fair share of the burden. The time may soon come

when we shall have to ask farmers and workers to accept new sacrifices for the sake of their country. It will be difficult to expect farmers not to ask for higher prices, difficult to expect workers not to demand higher wages, if they feel that others are being allowed to keep huge profits virtually intact. I know that our farmers and workers will cooperate cheerfully, willingly, patriotically, if they feel convinced that the rich and successful corporations are doing their part.

The control of inflation and the prevention of great resulting harm can be achieved only through an integrated effort along many fronts. In this great economic battle the taxation front is an important sector, and a sound excess profits tax is one of the key positions to be won. When that position has been stormed and taken, there will be no further justification for any citizens or groups of citizens to aggravate the problem through unwarranted price and wage demands which must inevitably lead to further increases.

National interest comes ahead of self-interest in these critical days. The defense of our country calls for a united effort, in every field of our national life. We have reached a point at which the course of profits, prices and wages must somehow be controlled, firmly, fairly and effectively, if our economy is to function without damage to our people and to our sacred cause.

7/12/41

Suggested Comments on the Tax BillCommittee to be congratulated

The Ways and Means Committee is to be congratulated on holding firmly to the goal of \$3.5 billion of revenue from the tax bill, despite the high tax rates which achieving that goal requires. It is important that the yield of the tax bill shall not fall below that level. In fact, it is apparent from the size of the appropriations and the pressures of consumer purchasing power on prices that taxes even beyond this amount will have to be raised not later than next year. For the time being, however, the \$3.5 billion goal is a good one and we should digest these taxes before going on to still higher ones.

Excess profits tax

The excess profits tax plan tentatively adopted by the Committee is an improvement over the present excess profits tax. The revenue will be much larger although to a considerable extent this is due merely to higher rates. Some of the larger defense industries with low rates of return in the base years will pay excess profits tax, whereas they are now exempt.

- 2 -

However, the excess profits tax plan fails to correct one fundamental weakness of the present law. It exempts from the tax profits in excess of a reasonable return on invested capital unless those profits are also in excess of the profits of the base period years. Thus, the <sup>kind of</sup> profits which for more than a generation have <sup>A</sup> been defined as excess profits <sup>is</sup> ~~are~~ not taxed under a law which is called an excess profits tax law. Failure to tax such profits is unfortunate for a number of reasons:

(1) The highly prosperous, well established corporation which has been making 30, 40, 50 percent or more on its invested capital has a much larger ability to pay taxes than a corporation which has been earning only 3, 4, or 5 percent on its invested capital, even though the dollar incomes of the two companies are the same. Taxation of corporations in accordance with ability to pay calls for higher taxes on the profits of corporations in excess of reasonable average return.

(2) The corporation which has been making high returns in the base period years is given a competitive ~~dis~~advantage over newly organized concerns or concerns which have been struggling to establish themselves.

- 3 -

The latter types are limited to a much smaller tax-free return than are the former. The effect is to confirm monopolies in their control and to protect well established prosperous businesses against competition.

(3) If we are to expect all classes of society, including laborers and farmers, to accept the sacrifices of the emergency period and not to press for every possible dollar of advantage, they must be convinced that sacrifices are being distributed according to ability and that no one is making unreasonably large profits. The stability of our prices and wages is thus to a considerable extent dependent on the imposition and enforcement of a true excess profits tax.

#### Estate and gift taxes

It would seem that in the new revenues provided by the tax bill tentatively adopted, estate and gift taxes have not been sufficiently tapped. Under existing law a person can give away \$40,000 during his lifetime plus \$4,000 each year to each of any number of persons without paying any gift tax. At his death his estate is allowed an exemption of \$40,000 plus an insurance exclusion of an additional \$40,000. Thus,

- 4 -

a person may have a very substantial fortune without being subject to any estate or gift tax under existing law, or if a tax is paid the effective rates will be very low because of the exemptions and the two separate rate schedules.

As a result of the high exemptions there are only about 12,500 estates each year large enough to be subject to the Federal estate tax. This is only one percent of the approximately 1,200,000 adults who die each year in the United States. A situation where 99 percent of the population is exempt from this tax should be corrected, especially since the estate tax is one of the very few taxes which can be imposed in accordance with the principle of ability to pay.

Furthermore, considering our needs for revenue and the desirability of applying the ability to pay principle, the present rates of the estate and gift taxes are far too low. It seems to me that the Committee, in providing relatively small increases in tax rates and in failing to lower the estate and gift tax exemptions, has not made appropriate use of these taxes in this period when all tax burdens are becoming increasingly heavy.

- 5 -

Excise taxes

I note that the Committee has placed a rate of 7 percent on passenger automobiles while imposing rates of 10 percent on a number of other manufactured commodities, including some which have no bearing on the defense program. The Committee may have held down the automobile tax in the feeling that they did not wish to burden automobile purchasers. I do not believe that a higher tax would have the effect of being burdensome. The production of passenger automobiles will undoubtedly have to be greatly restricted. It would be extremely difficult to prevent price rises on cars sold by retailers or the setting up of a "black market" in new and slightly used cars. The excise tax will in all probability come out of windfall profits which otherwise would be secured by profiteers in automobiles. Accordingly, I believe the tax on automobiles should be very much higher than that provided by the Committee, probably at least 15 or 20 percent.

It would also be well to reexamine the durable consumers' goods field to see if any additional items can be found which might be subjected to excise taxes. I realize that not all commodities competing with

- 6 -

defense are suitable for excise taxation but where they are suitable the incidental effects of the tax in discouraging demand and in reducing windfall profits should not be overlooked.

One of the excise taxes which I believe would be unfortunate is the annual use tax of \$5 on automobiles. There are approximately 32,000,000 automobiles being operated in the United States and the owner of every car, big or small, old or new, would pay the same tax. This proposed tax is the same on the low priced old automobile or truck which a small farmer receiving very little cash income in the course of the year is obliged to own to carry on his farming operations, and the fine new Cadillac or Lincoln which the owner has only for pleasure. I believe this is the nearest thing to a poll tax we have ever had in the Federal tax system. Even the carriage tax of 150 years ago had classified rates depending on the size and fineness of the carriage. Furthermore, the Treasury informs me that they have never had the problem of collecting a tax from such a huge number of people and that they anticipate the enforcement would be difficult and expensive.

- 7 -

Suggested tax bill to remove inequities and plug loopholes

I understand that the Committee is limiting this bill to the accomplishment of a strictly revenue-raising job and that the problems of removing tax inequities and plugging loopholes, which must be met from time to time, are being postponed until later. I believe this was a wise decision but I would urge the desirability of doing the other job also. There has been no ~~opportunity for~~ such revision since 1938. From the viewpoints of the taxpayer and the Treasury a considerable number of matters have arisen which require attention and when the tax rates are high these inequities and loopholes take on a larger importance than ever.

July 14, 1941  
2:00 o'clock p.m.

RE EXCESS PROFITS TAX

Present: Mr. Gaston  
Mr. Blough  
Mr. Kuhn  
Mr. Sullivan  
Mr. Bell  
Mr. Foley  
Mr. White  
Mr. Haas  
Mr. Viner

H.M.Jr: Where are the fellows that were going to have the first piece?

Blough: They are probably writing it.  
  
(Messrs Foley, White, Haas and Viner entered the conference).

H.M.Jr: Did you fellows all have a good two-hour lunch? Is the stenographer writing it?

Viner: We didn't quite succeed in doing in the two hours what was a three-months job, but I think we are within fifteen minutes of it.

Gaston: He is good.

Viner: Sure, I am good. (Laughter)

Gaston: It is a three-hour job.

White: You can take the next eleven weeks off.

Viner: Things are coming from stenographers from three or four quarters, and it will probably be somewhat of a mess, but I think it has

- 2 -

material in it, because we used out assistants instead of doing it ourselves. We think it is going to be pretty good.

- White: Give us another half hour and we will have it ready.
- H.M.Jr: Do you want to be excused?
- White: We prefer it, yes, at least I would.
- H.M.Jr: What would you do in the next half hour?
- Viner: The stuff has been thrown together and it is coming from the stenographers. We would like to have a last look to see if it didn't get garbled in transmission and what not.
- H.M.Jr: Why not let's hear what he (Blough) has and then we will go back and pick yours up.
- Viner: Sure.
- Blough: It was a short hour for me, too.
- Kuhn: Roy is good.
- Blough: No, I had a draft.
- H.M.Jr: What do you do, have two drafts, one that I ask for and one that you think I ought to have?
- Blough: No. I mean, I used this morning's draft and just refurbished it a bit.
- H.M.Jr: Read it out loud.
- Blough: Well, I have a few copies here. I don't have enough.
- H.M.Jr: I am surprised at you fellows. I would say

- 3 -

the only reason I asked you people to do it in two hours, I thought it was an accumulation of a lifetime of knowledge.

Haas: You have got something there.

Blough: You can't get your mental filing cabinets open that fast.

Viner: You know what happens to a lifetime's accumulation of anything. Lots of dust and mold gather on it, and you have to scrape it off.

H.M.Jr: Jake, I think the Washington week-end is good. You had better stay here a couple more. All right, go ahead.

Blough: Well now, the idea is that we already have the problem laid out and the dangers, and so on.

H.M.Jr: All been done?

Blough: That has all been done. This is awfully sketchy at the beginning, but I have indicated how I think possibly we could lead in to the tax end of it. "Important steps have already been taken or are being taken. The Congress has made provision for a campaign to withdraw, through borrowing, savings which might otherwise be used for the purchase of goods. The campaign to sell bonds and stamps is well under way." And that can be expanded. "On August 1 the Treasury Department places into operation a plan for selling tax anticipation certificates which will facilitate the prepayment of income taxes and will more promptly withdraw purchasing power represented by such taxes. The Ways and Means Committee is holding firmly to the goal of three and a half billion dollars of revenue from the tax bill. Every effort has been made to use voluntary means for limiting price rises."

- 4 -

- H.M.Jr: Well now, I think that opens up swell. I like that. It is very good.
- Blough: "Those steps are not sufficient to meet the imminent threat of a dangerous price rise. Further action should be taken in a number of directions. It is my intention to ask Congress for the power to regulate prices. The efficacy of that regulation will be enhanced through an intelligent tax policy formulated with price control in mind." That, I should think, might be expanded there.
- H.M.Jr: I sent you all copies of what Henderson said over the ticker on his speech.
- Blough: Yes. "It is important that the yield of the tax bill shall not fall below the three and a half billion dollar level. In fact, it is apparent from the size of the appropriations and the pressures of consumer purchasing power on prices that taxes even beyond this amount will have to be raised not later than next year." The language is bad there, as Viner pointed out. "For the time being, however, the three and a half billion dollar goal is a good one and we should digest these taxes before going on to still higher ones.
- "The demands for the most scarce commodities and the large windfall profits which dealers and others may make by evading price control should be reduced through excise taxes imposed on the goods which compete with defense. Thus the tax on passenger automobiles might be made much higher than the seven per cent provided by the Committee. The Committee may have held down the automobile tax in the feeling that they did not wish to burden automobile purchasers."

- 5 -

- H.M.Jr: Just a second. That Isn't quite clear. The "may have held down".
- Flough: May have not been willing to go higher.
- H.V.Jr: Do you mind doing it the other way?
- Flough: "The Committee might have been not willing to raise the automobile tax higher than that in the feeling that they did not wish to burden automobile purchasers. I do not believe that a higher tax would have the effect of being burdensome." You can strike the "I" out. "The production of passenger automobiles will undoubtedly have to be greatly restricted. It would be extremely difficult to prevent price rises on cars sold by retailers or the setting up of a 'black market' in new and slightly used cars. The excise tax will in all probability come out of windfall profits which otherwise would be secured by profiteers in automobiles." There may be some inconsistency here, with the idea that we are going to have price legislation, but I don't think so.
- "Automobiles are mentioned only as a most important example. There are a number of other commodities in this same class also."
- H.V.Jr: Do you mind putting that before, the demands are more scarce?
- Flough: Yes.
- H.M.Jr: Simply say, "I am going to take automobiles as an illustration," and then give the thing.
- Flough: "The tax on passenger automobiles might be made much higher," and so forth and so on, and then, "Automobiles are mentioned only as

- 6 -

a most important example. There are a number of other commodities in the same category. The demands for such commodities and the large windfall profits which dealers and others may make by evading controls," and so forth.

H.M.Jr:

Please.

Blough:

"A basic revision of the excess profits tax plan is also very desirable. The excess profits tax plan tentatively adopted by the Committee is an improvement over the present excess profits tax. The revenue will be much larger although to a considerable extent this is due merely to higher rates. Some of the larger defense industries with low rates of return in the base years will pay excess profits tax, whereas they are now exempt.

"However, the excess profits tax plan fails to correct one fundamental weakness of the present law. It exempts from the tax profits in excess of a reasonable return on invested capital unless those profits are also in excess of the profits of the base period years."

H.M.Jr:

Now, again, may I suggest that this come first, and then some of the larger defense industries would follow that? Give the unfavorable one first and the favorable one last, because the President wants to emphasize the unfavorable one.

Blough:

Well --

H.M.Jr:

You could just switch it around.

Blough:

But I am now going on to elaborate the unfavorable.

- 7 -

- H.M.Jr: All right.
- Blough: The idea was, although you have done one thing good, it is pretty bad in other respects.
- H.M.Jr: All right.
- Blough: "A study by the Treasury Department shows that one out of five profit-making corporations with assets of one million dollars and over averaged more than ten per cent net income on their reported equity capital during the years 1935 to 1938, and that one out of twenty-five companies made more than thirty per cent.
- "A manufacturer of tractors with approximately forty-five million dollars equity capital averaged approximately eighteen per cent after taxes on that capital during the base period years 1936 through 1939."
- H.M.Jr: Now - and he pays no excess profits?
- Blough: Well, most of these companies made more in forty than they made in thirty-nine and previous years, and they paid relatively little, but they do pay some.
- H.M.Jr: I see. All right.
- Blough: And I see the point there. I will have to elaborate that. The point is not that they don't pay any excess profits.
- Sullivan: They pay on the excess over the eighteen per cent.
- Blough: But they don't pay any excess profits tax on any of the eighteen per cent.
- H.M.Jr: I think that isn't quite clear.

- 8 -

- Blough: All right, I can dress that up, I am sure.
- H.M.Jr: Go ahead.
- Blough: "A company which has practically a monopoly on one of the important defense materials" --
- H.M.Jr: Something like this: After paying all of his taxes, he still makes eighteen per cent on his capital.
- Sullivan: Free from excess profits taxation.
- H.M.Jr: No, I was going to say after paying all forms of Federal taxes.
- Viner: He doesn't.
- Blough: He did through thirty-six to thirty-nine, that is right.
- H.M.Jr: But - well, what does he do under the law as it is drafted?
- Blough: Under the law as it is drafted, they take the earnings before taxes instead of after taxes in making the computation. He is going to be hit somewhat harder under the law as drafted.
- H.M.Jr: If you don't mind, this example doesn't do the point. The point I want to get is, how much is this fellow going to make on his invested capital after he has paid all his Federal taxes? Is he going to earn eighteen per cent or what?
- Blough: No, a great deal more than eighteen per cent after he has paid all his taxes.
- H.M.Jr: Any way you put it, Roy, old man, I don't think you have brought it out.

- 9 -

- Blough: 'here are two things to be brought out. Let's see if either of them --
- H.M.Jr: See if this statement that I am making is correct. This is what I told the Speaker, without any experts around. I most likely was wrong. I said that if a company was able to earn a million dollars a year from thirty-seven to thirty-nine, inclusive, after paying all Federal taxes, that the bill as drafted would still permit him to earn that million dollars.
- Blough: It is not quite correct.
- Sullivan: For your purpose it was. The only thing that makes it incorrect is the shift.
- H.M.Jr: Well, but for my purpose --
- Sullivan: Yes, you could --
- H.M.Jr: Now, the point that I want is, if it is true - I don't know whether it is true and this is what I want, and I want it simple just like I said it, only if it is true - that if these people - their earnings, so to speak, were frozen on an average of those four years and that might have been forty per cent on the capital during that average period, he can still earn that same forty per cent.
- Blough: In the case of this tractor manufacturer, if his earnings were frozen at the thirty-six to thirty-nine average, he would have had eighteen per cent after taxes.
- H.M.Jr: Yes, but you see where you missed - he makes - but what does he do under the bill as drawn? Does he still make the eighteen?
- Blough: Very close to it.

- 10 -

Sullivan: Practically.

White: You could say virtually the same.

H.M.Jr: but you don't say it.

Blough: I go on after the examples --

H.M.Jr: But for each one. I would let it sink in through the repetition.

Blough: I see.

H.M.Jr: Through the base period this fellow was able to earn eighteen per cent on his invested capital after he paid all his taxes. The way the bill is drawn, he still will earn the eighteen per cent.

White: He still will earn practically the same amount.

H.M.Jr: You repeat that each time, if what I am saying is true.

Blough: What you are saying is true.

Sullivan: Yes, it is.

H.M.Jr: Then I would drive it in by repeating it each time.

Blough: Instead of having one paragraph on the top of page five, you would put it with each example.

H.M.Jr: Sure.

Blough: Yes.

H.M.Jr: And as the bill is drawn, that condition would still exist.

- 11 -

- Viner: He says it on the next page.
- H.M.Jr: But it is so far off, Jake, that by the time you get there you say, "What the hell, what is the matter with that?"
- Blough: I see the point, Mr. Secretary. Well then, the same criticism applies to all of these and also to two or three other examples.
- H.M.Jr: Page five.
- Blough: "These are some of the more prosperous companies. The excess profits tax law now in operation, as well as the tentatively approved bill, allows them to earn free of tax practically as much as they did in the base period. The kind of profits which ever since the excess profits tax of 1918 has been defined as excess profits, is free from tax under a law which is called an excess profits tax law." Then probably there should be a paragraph:
- "Failure to tax such profits is unfortunate for a number of reasons."
- H.M.Jr: Just a moment, please. Oh, for the President's use the tractors are all right. What is the defense monopoly that you mentioned?
- Blough: Aluminum Company of America.
- H.M.Jr: All right, then, say Aluminum Company of America. Let him decide whether he wants to use it or not.
- Blough: Might put it in parentheses so he could leave it in or leave it out. The next one is Coca-Cola. Then the tractor company is Caterpillar and I have Chrysler Motors.
- H.M.Jr: Got a steel company, have you?

- 12 -

Blough: We may be able to find a steel company with that sort of record, but steel companies didn't make that sort of records.

H.M.Jr: How about Savage Arms or Western Cartridge?

Blough: They did very well in 1939. I am not sure their average was good enough. We will check into that.

Sullivan: That would be the unfortunate example to use because they are making so much more now than they made in the base period.

H.M.Jr: And they get hit.

Sullivan: Oh, socko.

H.M.Jr: All right. Then you go on with one.

Blough: "Failure to tax such profits is unfortunate for a number of reasons:

"(1) The highly prosperous, well established corporation which has been making thirty, forty, fifty per cent or more on its invested capital has a much larger ability to pay taxes than a corporation which has been earning only three, four, or five per cent on its invested capital, even though the dollar incomes of the two companies are the same. Taxation of corporations in accordance with ability to pay calls for higher taxes on the profits of corporations in excess of reasonable average return.

"(2) The corporation which has been making high returns in the base period years is given a competitive advantage over newly organized concerns or concerns which have been struggling to establish themselves. The

- 13 -

latter types are limited to a much smaller tax-free return than are the former. The effect is to confirm monopolies in their control and to protect well established prosperous businesses against competition.

"(3) If we are to expect all classes of society, including laborers and farmers, to accept the sacrifices of the emergency period and not to press for every possible dollar of advantage," and thus bring about more inflation, "they must be convinced that sacrifices are being distributed according to ability and that no one is making unreasonably large profits. The stability of our prices and wages is thus to a considerable extent dependent on the imposition and enforcement of a true excess profits tax."

H.M.Jr:

Now, it is all right with me. Here is my schedule, so we don't misunderstand each other. At four o'clock I want to send something to the President, see, and I am going to say in the thing, that this is still in rough form, that we want to polish it up here in the Treasury and we are going to show it to these half-dozen people tonight and tomorrow morning and we will give him another draft when we come over here at eleven, but I want it to go over at four. If I don't get it over there, he won't read it. So if you will do this and get it over and then we will have copies and I will write the letters to the various people I want to send it to.

Sullivan:

Are we going to leave this now?

H.M.Jr:

Yes.

Sullivan:

I question the last sentence in the first paragraph on page two.

- 14 -

- White: Will you excuse us, Mr. Secretary? We need every minute then.
- H.M.Jr: When are you going to come back, after my press conference?
- White: Well, we need - to weave it in with this, we need at least an hour altogether, to make a finished job of it.
- H.M.Jr: I will see you sharp at 3:30. That is an hour and five minutes. That will give you a five per cent bonus.
- Sullivan: I think there is an implied --
- H.M.Jr: Go ahead.
- Sullivan: An implied promise of no more taxes on forty-one income, which I think is unfortunate.
- H.M.Jr: All right, Roy, take it out. Have you got any suggestions, Herbert?
- Gaston: No, not at all.
- H.M.Jr: Dan?
- Bell: What is the purpose of it, Mr. Secretary? I don't get the idea. There is no recommendation or anything. Is it a message to Congress or just a public statement?
- Foley: To bring the President up to date for his discussion tomorrow.
- H.M.Jr: The President of the United States wrote me a letter that he wanted to do something about excess profits, you see. I wrote him back after talking with the Speaker of the House and asking his advice. He said the President

- 15 -

just couldn't send a message to Congress unless he saw Doughton and Cooper first. Well, he is seeing Doughton and Cooper and Sullivan and me tomorrow at eleven. Now, what I am trying to do is to prepare something for the President, who hasn't thought about this, and get the facts to him and give him the Treasury viewpoint or my viewpoint on the thing, so that he will read it tonight, and I want to show it to Henderson and Eccles and Currie and somebody from OPM and let them chew on it tonight. I am going to invite them to be here at 8:30 tomorrow morning and get their suggestions.

Bell: That is the only purpose of this memorandum? This is not going to be made public, is it?

H.M.Jr: No, no. The President should have this and then after he has seen it and talked to these people, he will turn to Sullivan and me and say, "Now, prepare a letter or a statement," or "Don't do anything," but this is to inform the President, but not for public consumption.

Bell: It is all right from that standpoint.

H.M.Jr: It is the kind of thing - like I said to Roy, "Give me a memorandum what happened on the tax bill." He gives me a memorandum and I give it to everybody in the nine-thirty group. It hasn't got out yet.

Bell: You are going outside the nine-thirty group tomorrow.

H.M.Jr: We will do the same thing with this. We will give it to him and it is his property, and I am going to tell each person, "Now don't forget, this is the property of the President of the United States," you see. He may say,

- 16 -

"Well, I don't want to do anything." He may say, "Well, do it this way." There is one way I hope he won't do it, and that is a letter to Doughton.

Bell: That answers my question. It doesn't appeal to me as a message.

Foley: It is not supposed to be, Dan.

H.M.Jr: They started off with a message this morning because I asked them to give me one and after doing it this morning I wanted to save Gaston's and your time. I mean, I have done nothing than this all morning. Nothing has jelled yet, so you haven't missed anything except that I saved your time.

Gaston: I read Ferdie's draft Saturday and I thought that was along the general line of the argument you will probably want to use.

H.M.Jr: It is an argument and this is a memorandum, that is the difference.

Viner: Mr. Secretary, how does this - how is this supposed to fit in to the other memorandum that we have been working on?

H.M.Jr: Well, yours is sort of a preamble.

Viner: But it is to be part of a joint document?

H.M.Jr: Yes. I mean - I envisage that you fellows are coming in with the over-all thing.

Viner: That is right.

H.M.Jr: And this is the tax end of it.

Viner: Then it fits, although I imagine that they

- 17 -

will go back now and take out a few tax comments we have in there. I don't know.

H.M.Jr: Well, that is all right.

Kuhn: Roy ties it up beautifully in the last paragraph there with the preamble. You start on prices and then show how taxes affect prices and then at the end you clinch it, and I think it is good.

H.M.Jr: Shall we meet again at 3:30? Have I overlooked anybody? Has anybody any suggestions?

7/14/41

Suggested Material on Taxes

Important steps have already been taken or are being taken. The Congress has made provision for a campaign to withdraw, through borrowing, ~~these~~ savings which might otherwise be used for the purchase of goods. The campaign to sell bonds and stamps is well under way. On August 1 the Treasury Department places into operation a plan for selling tax anticipation certificates which will facilitate the prepayment of income taxes and will more promptly withdraw purchasing power represented by such taxes. The Ways and Means Committee is holding firmly to the goal of \$3.5 billion of revenue from the tax bill, ~~and is to be congratulated.~~ Every effort has been made to use voluntary means for limiting price rises.

Those steps are not sufficient to meet the imminent threat of a dangerous price rise. Further action should be taken in a number of directions. It is my intention to ask Congress for the power to regulate prices. The efficacy of that regulation will be enhanced through an intelligent tax policy formulated with price control in mind.

It is important that the yield of the tax bill shall not fall below the \$3.5 billion level. In fact, it is apparent from the size of the appropriations and the pressures of consumer purchasing power on prices that taxes even beyond this amount will have to be raised not later than next year. For the time being, however, the \$3.5 billion goal is a good one and we should digest these taxes before going on to still higher ones.

The demands for the most scarce commodities and the large windfall profits which dealers and others may make by evading price control should be reduced through excise taxes imposed on the goods which compete with defense. Thus the tax on passenger automobiles might be made much higher than the 7 percent provided by the Committee. The Committee may have held down the automobile tax in the feeling that they did not wish to burden automobile purchasers. I do not believe that a higher tax would have the effect of being burdensome. The production of passenger automobiles will undoubtedly have to be greatly restricted. It would be extremely difficult to prevent price rises on cars sold by retailers or the setting up of a "black market" in new and slightly

- 3 -

used cars. The excise tax will in all probability come out of windfall profits which otherwise would be secured by profiteers in automobiles.

Automobiles are mentioned only as a most important example. There are a number of other commodities in this list also.

A basic revision of the excess profits tax plan is also very desirable. The excess profits tax plan tentatively adopted by the Committee is an improvement over the present excess profits tax. The revenue will be much larger although to a considerable extent this is due merely to higher rates. Some of the larger defense industries with low rates of return in the base years will pay excess profits tax, whereas they are now exempt.

However, the excess profits tax plan fails to correct one fundamental weakness of the present law. It exempts from the tax profits in excess of a reasonable return on invested capital unless those profits are also in excess of the profits of the base period years.

A study by the Treasury Department shows that one out of five profit-making corporations with assets of \$1 million and over averaged more than 10 percent net income on their reported equity capital during the years 1935 to 1938, and that one out of 25 companies made more than 30 percent.

A manufacturer of tractors with approximately \$45 million equity capital averaged approximately 18 percent after taxes on that capital during the base period years 1936 through 1939.

A company which has practically a monopoly on one of the important defense materials had earnings after taxes during the base period years averaging approximately 19 percent of the 1940 invested capital.

A large manufacturer of beverages received during the same period earnings after taxes averaging over 25 percent of its 1940 reported equity capital. An automobile corporation on the basis of published financial statements averaged over 30 percent of its 1940 equity capital during 1936 to 1939.

- 5 -

These are some of the more prosperous companies. The excess profits tax law now in operation, as well as the tentatively approved bill, allows them to earn practically as much as they did in the base period. The kind of profits which ever since the excess profits tax of 1918 has been defined as excess profits, is free from tax under a law which is called an excess profits tax law. Failure to tax such profits is unfortunate for a number of reasons:

(1) The highly prosperous, well established corporation which has been making 30, 40, 50 percent or more on its invested capital has a much larger ability to pay taxes than a corporation which has been earning only 3, 4, or 5 percent on its invested capital, even though the dollar incomes of the two companies are the same. Taxation of corporations in accordance with ability to pay calls for higher taxes on the profits of corporations in excess of reasonable average return.

(2) The corporation which has been making high returns in the base period years is given a competitive advantage over newly organized concerns or concerns which have been struggling to establish themselves.

- 6 -

The latter types are limited to a much smaller tax-free return than are the former. The effect is to confirm monopolies in their control and to protect well established prosperous businesses against competition.

(3) If we are to expect all classes of society, including laborers and farmers, to accept the sacrifices of the emergency period and not to press for every possible dollar of advantage, they must be convinced that sacrifices are being distributed according to ability and that no one is making unreasonably large profits. The stability of our prices and wages is thus to a considerable extent dependent on the imposition and enforcement of a true excess profits tax.

July 14, 1941  
2:39 p.m.

Marriner  
Eccles:

Hello.

HMJr:

Marriner?

E:

Yes, Henry.

HMJr:

Good afternoon.

E:

How are you today?

HMJr:

I'm fine. We're working hard on a memorandum for the President which I have to give him at eleven tomorrow.

Hello.

E:

Yes.

HMJr:

Now what I'd like to do - it isn't finished yet. I'm going to try and finish it between four and five and send it over to you so you could read it tonight.

E:

Yeah.

HMJr:

And I'm calling a meeting at my office at eight-thirty tomorrow morning.

E:

Yeah.

HMJr:

Some of your friends will be here. Is that too early?

E:

That's all right. I can - it's a little early for me, but I can make it.

HMJr:

Well.....

E:

I'll have to go home earlier tomorrow night.  
(Laughter)

- 2 -

HMJr: What? Well, don't go to bed tonight.

E: Yeah. That's fine. That's a good idea.  
(Laughter)

HMJr: Well, the point is, there's no use having it at nine or nine-thirty and then take suggestions and not be able to incorporate them.

E: That's right.

HMJr: See what I mean?

E: That's right.

HMJr: Pretend you're on Daylight Saving. That makes it nine-thirty.

E: Well now, who's going to be there?

HMJr: Well, there'll be Lubin and Currie and I hope Henderson, somebody from OPM.

E: Uh huh.

HMJr: What?

E: O.K.

HMJr: Those people I'm sending copies to.

E: Well, could I bring Post over with me?

HMJr: Surely. Surely.

E: Well, you say that'll be over about four o'clock?

HMJr: Well, no I wouldn't - no, I - the earliest that it could be is five. I'll have them call your secretary in case you're not there to find out where the stuff.....

E: No, I'll be here until seven.

- 3 -

HMJr: Oh.

E: I'll be here in the office until seven.

HMJr: All right.

E: So any time.....

HMJr: Yeah.

E: Then I'll get over it tonight.....

HMJr: Yeah.

E: .....and meet in the morning at eight-thirty  
in your office.

HMJr: That's right.

E: Okay, then.

HMJr: Thank you.

E: All right. Good-bye.

July 14, 1941  
2:42 p.m.

HMJr: Hello.

Operator: Mr. Currie.

HMJr: Hello.

Lauchlin  
Currie: Hello.

HMJr: Lauch?

C: Yes.

HMJr: This statement that we're working on.....

C: Uh huh.

HMJr: .....for the President, ought to be ready some  
time around five.

C: Uh huh.

HMJr: I'm going to send it over to you, and then  
I'm asking - Eccles has already accepted -  
you, and anyone else I can get.....

C: Uh huh.

HMJr: .....to meet at my office at eight-thirty,  
so that if you have any suggestions, I can  
incorporate them; because I'm seeing the  
President at eleven.

C: Eleven in the morning.

HMJr: Yes.

C: Okay.

HMJr: We'll get it into your hands tonight wherever  
you are.

- 2 -

C: Yeah. On the - going to a dinner - this Canadian-American Economic Committee Group, but I can get out of that, I guess.

HMJr: Well, I'll get it over to you; and I'd appreciate your criticisms and we'll take it in the morning.

C: Yeah. You said - that's eight-thirty tonight, you meant?

HMJr: No, eight-thirty tomorrow morning.

C: Oh, eight-thirty tomorrow morning. Oh, that's all right then. Yeah.

HMJr: No, eight-thirty in the morning. I know you like that hour.

C: Yeah.

HMJr: I'll have coffee here for you, if you want it.

(Laughter)

C: No, I'll be there.

HMJr: All right.

C: That's - I haven't got any place on my calendar for eight-thirty, though. It starts at eight-forty-five.

HMJr: No, eight-thirty at the Treasury.

C: All right.

HMJr: Thanks.

C: Thanks.

HMJr: Thank you.

July 14, 1941  
2:45 p.m.

Isador  
Lubin: Hello. How are you?

HMJr: Hello, Lub. Are you far from me now?

L: No, I'm across the street at the moment.

HMJr: Lub, we're preparing a memorandum to the President for eleven o'clock tomorrow on taxes and prices.

L: Yeah.

HMJr: I hope to have it ready at five.

L: Yeah.

HMJr: I'm going to get it into your hands.

L: Okay.

HMJr: And I'm asking Eccles and Currie to meet at my office at eight-thirty tomorrow morning.

L: Yeah.

HMJr: And I'd like your criticisms.

L: All right. I'll be there.

HMJr: Suggestions. Eight-thirty A.M.

L: All right. Tell your secretary to leave a copy in my office in your building, and I'll be there around six.

HMJr: Do you want any coffee served here tomorrow morning?

L: I don't know. I doubt it. I get up too early for that.

- 2 -

HMJr: I'll have some coffee ready anyway for  
you fellows.

L: All right. Eight-thirty at your office.

HMJr: Right.

L: Swell. Good-bye.

HMJr: Good-bye.

July 14, 1941  
2:46 p.m.

Sidney Hillman: Hello, Mr. Secretary.

HMJr: How are you?

H: Very good, thank you. How are you?

HMJr: Fine.

H: Very good.

HMJr: Mr. Hillman, the President called down the leaders in the Ways and Means Committee tomorrow at the White House at eleven o'clock.

H: Yes.

HMJr: And we're preparing in the Treasury for him a statement on prices and inflation and taxes.

H: Yes.

HMJr: Now, I don't know who in OPM particularly is interested or would like to see it before we show it to the President.

H: I certainly would like to see it. Very much.

HMJr: All right. Now I tell you what I'd like to do. It'll be finished around five o'clock tonight.

H: Yes.

HMJr: I'm also showing it to Eccles and Currie and Lubin and Henderson.

H: Yes.

HMJr: And I'm inviting these gentlemen to come to my office at eight-thirty tomorrow morning and

- 2 -

tell me what they like and don't like about it.

H: Well, of course, Lubin could represent me.

HMJr: No, I'd like - no, Lubin is here for the President, you see.

H: Yeah.

HMJr: But I wanted you, if you would, for the OPM.

H: Well, five o'clock I've got my - what we call OPM Staff Meeting.

HMJr: Yeah.

H: That takes in the heads, and that will last until about seven o'clock.

HMJr: Uh huh.

H: See? So if you have got five o'clock, I can send over someone to represent me.

HMJr: I'll send over.....The statement would be finished.

H: I see. By five o'clock.

HMJr: And I'll send it to you.

H: Yes.

HMJr: But then we're not going to have a meeting on it until eight-thirty tomorrow morning.

H: I see.

HMJr: Do you think you'd care to come then?

H: Well, if I can, I will.

HMJr: Yeah.

H: If you send over, I'll appreciate it.

- 3 -

HMJr: I'll send it over to you, and at eight-thirty tomorrow morning we're going to consider it; and anybody that's got any suggestions, I'd like to have them.

H: Very good.

HMJr: Thank you.

H: Yes, sir.

July 14, 1941  
2:55 p.m.

HMJr: Hello.

Henderson's  
Secretary: Yes, sir.

HMJr: This is Mr. Morgenthau speaking.

S: Yes, Mr. Morgenthau.

HMJr: I'm working on a memorandum for the President  
for eleven o'clock tomorrow.

S: Hello.

HMJr: On prices.

S: Yes.

HMJr: Mr. Henderson knows about it.

S: Uh huh.

HMJr: And I'm asking the people like Mr. Eccles  
and Mr. Currie to meet at my office at  
eight-thirty tomorrow morning.

S: Uh huh.

HMJr: In order to give me the - Hello.

S: Yes.

HMJr: In order to give me the benefit of their  
suggestions.

S: Uh huh.

HMJr: Now, could you get this off in a telegram  
to Mr. Henderson?

S: I'll try to reach him. I think he's en route  
back from Atlantic City. He made a speech  
up there this morning.

- 2 -

HMJr: I know. Now where should I send this memo to?

S: Send it over here to us, sir.

HMJr: Where?

S: 2501 "Q" Street.

HMJr: Okay. And then you'll see that he gets it?

S: I'll see that we get ahold of him some way. Eight-thirty tomorrow morning in your office.

HMJr: That's right.

S: Righto.

HMJr: Thank you.

July 14, 1941  
3:30 p.m.

RE EXCESS PROFITS TAX

Present: Mr. Sullivan  
Mr. Gaston  
Mr. Kuhn  
Mr. Blough  
Mr. Bell  
Mr. Foley  
Mr. White  
Mr. Haas  
Mr. Viner

H.M.Jr: Everybody is going to be here at eight-thirty tomorrow morning.

Kuhn: Henderson?

H.M.Jr: Couldn't get Henderson, but his secretary is taking care of it. Do you want me to do you, Roy?

Blough: There are one or two paragraphs that I would like to read. I must say, I have seldom been quite so frantic as I have trying to get this done this afternoon.

H.M.Jr: It just shows how good you are.

Blough: The better you are, the more frantic you get, is that it? I am sorry, Mr. Secretary.

H.M.Jr: That is all right.

Blough: I should have said, "The better I am, the more frantic I get."

- 2 -

H.M.Jr: That is what I thought you meant.

Blough: That is what I meant.

The first page I am just holding out because I assume they will take their first page and that will be the way in which they will fit it in. I would like to read, though, two or three paragraphs fitting together some of the later material.

"It is important that the yield of the tax bill - "  
I am sorry, Mr. Secretary.

H.M.Jr: Take your time.

What is this, a change? Is this the way it is going to read?

Blough: Yes.

H.M.Jr: It is down to three pages now?

Blough: No, there are a couple coming yet from the typists, but I can read the whole thing pretty much as it will be.

H.M.Jr: All right.

Blough: "It is important that the yield of the tax bill shall not fall below the \$3.5 billion level. In fact, it is apparent from the size of the appropriations and the pressures of consumer purchasing power on prices that taxes even beyond this amount will have to be raised not later than next year."

Then leaving out the sentence which says anything about--

Sullivan: That is right.

- 3 -

Blough:

"In formulating the excise tax program, an important consideration should be the diversion of producers and consumers demand from scarce commodities which compete with the defense program.

"Thus the tax on passenger automobiles might well be made much higher than the seven percent adopted by the Committee. The Committee may have decided not to impose a higher tax because they did not wish to burden automobile purchasers. It is probable that a higher tax would not have much effect on prices to automobile purchasers. It would be extremely difficult to prevent price rises - " this is all mixed up. Either I or my secretary -  
"It would be extremely difficult to prevent price rises on cars sold by some retailers or the setting up of a 'black market' in new and slightly used cars."

There is a sentence omitted that says, "Production will be much lower than last year," and that must be put in. Then from that it follows that it would be extremely difficult to prevent price rises because of that cut in production.

"The excise tax will, in all probability, come out of windfall profits which otherwise would be secured by profiteers in automobiles. Automobiles are mentioned because they are perhaps the most important examples. Other commodities which may be in the same category should be examined to determine whether an excise should be imposed and, if so, whether it should be on the final product or on a scarce material entering into the product."

Mr. Viner suggested that enlargement.

"Through such taxes, the demands for the most

- 4 -

scarce commodities and the large windfall profits which may be made by those evading price control would be reduced."

And I am wondering whether that may have helped the excise portion in Mr. Sullivan's mind any.

Sullivan: You say that the increase in taxes is not going to be borne by the purchaser, Roy?

Blough: In automobiles, I say that.

Sullivan: I don't think our experience justifies that remark, do you?

Blough: I don't think we have any experience bearing on it, because next year the number of automobiles produced will be reduced, tax or no tax.

Sullivan: And they will all be sold.

Blough: And they will all be sold, tax or no tax.

Sullivan: That is right, and your theory is that because there will be a shortage of supply, in relationship to the demand, that the people will pay that increased tax themselves?

Blough: The people are going to pay higher prices whether there is any tax or not, and that the tax will come out, not so much of the consumer in higher prices, but out of these intermediaries who are selling the cars and who are going to get higher prices even if you impose legislation. Some of them are going to get higher prices. If you would rather leave that idea out, I am entirely willing to do so.

Bell: Would that come out on trade-in values, where you increase your trade-in values? Is that

- 5 -

the way they cover that up?

Blough: In part.

Bell: Otherwise, I don't see how you get it out of windfall.

Sullivan: It seems to me when you are selling a scarcity commodity, Roy, you can pass on all the tax you want to pass.

Blough: May we continue the discussion shortly?

H.M. Jr: Yes.

Blough: Suppose we had ten cars to be sold to ten people, and the price of cars was set at, let's say, five hundred dollars. Now suddenly we have only five cars to be sold, and there is still the same number of people wanting them and wanting them as badly. You can get more than five hundred dollars for your car.

Now, the question that arises is, can you get still more for your five cars if there is a tax on them? and I think, if the market is quite free, the answer is, "No." You will not get any more for your cars. I am inclined to think that where you have a partially controlled market, as this would be, that there would be - part of it would come out of the consumer, and that this statement is probably too sweetening, but I think a large portion of it will not come out of the consumer.

Sullivan: That statement might come back to haunt you, Roy, when you were talking in favor of certain types of taxes for--

H.M. Jr: Let it go tonight, and you can come in with suggestions too, if you want to tomorrow; but we have got to go to press.

- 6 -

Elough: Well, that was my understanding, Mr. Secretary.

H.M.Jr: Yes, go ahead.

Elough: We are on the next page now. I haven't numbered these pages because they could fit in more easily.

"A basic revision of the excess profit tax plan is also very desirable. In some respects, the excess profits tax plan tentatively adopted by the Committee is an improvement over the present excess profits tax. The revenue will be much larger, although to a considerable extent this is due merely to higher rates. Some of the larger defense industries with low rates of return in the base years will pay excess profits tax, whereas they are now exempt. However, the excess profits tax plan fails to correct one fundamental weakness of the present law. It exempts from the tax profits in excess of a reasonable return on invested capital unless those profits are also in excess of the profits of the base period years. Substantial numbers of companies make large earnings. A study by the Treasury Department shows that one out of five profit making corporations with assets of one million dollars and over averaged more than ten percent net income on their reported equitable capital during the years 1935 to 1938, and that one out of twenty-five companies averaged more than thirty percent. The manner in which the present law and the Committee's tentative plan exempt important amounts of excess profits is shown in the following examples.

"After paying all taxes, an automobile company, Chrysler, made during the base period years of 1936 through 1939 approximately twenty-eight percent.

- 7 -

H.M.Jr: Wait a minute. I think in sending this out to these other people we had better leave that out. Don't you think so?

Blough: It is against the law to send it out with that in.

H.M.Jr: Strike it out.

Blough: Do you want it striken out of the copy that goes to the White House also?

H.M.Jr: Yes.

Blough: All right.

"Twenty-eight percent on the basis of published financial statements as the company has not filed its excess profits tax return. Practically all, ninety-five percent, of this amount can be earned tax free under the present law and under the Committee plan after deducting a computed excess profits tax on the 1940 earnings above the base period average the company still has left twenty-four percent of its invested capital under the present law and twenty-one percent under the Committee proposal."

H.M.Jr: Excuse me. The average company still has left twenty-four percent of - isn't it "on."

Blough: "On", it should be. "Twenty-four percent return on its invested capital."

H.M.Jr: I am right, am I not?

Blough: Yes, sir, that is a slip. It might have been left "an income of twenty-four percent of," in which case it might be all right.

I have the other two sheets now.

- 8 -

- H.M.Jr: I need one clean copy for the President, and then there are five other copies I should have.
- Blough: Yes.
- H.M.Jr: The only hurry is the one to the President, you see.
- Blough: Well, I--
- H.M.Jr: Have you got plenty of help back there?
- Blough: I have help. I can't be two places at once, but as soon as I am through here I will take it out and get it going again.
- H.M.Jr: Yes. Go ahead.
- Blough: "The tax returns of the manufacturer--"
- H.M.Jr: I mean, there is one clean copy for the President. We will get that started with a reasonable number of carbons, and then she can do some more if we have to. For instance, Eccles is in his office until seven. Henderson isn't there. We can save those until later, you see. She has to make two runs, I suppose.
- Go ahead.
- Blough: I will have these examples in somewhat better shape by morning also.
- H.M.Jr: All right, that is all right.
- Blough: "The tax returns of a manufacturer of tractors with approximately forty-five million dollars of equity capital indicate that after all taxes it averaged approximately 18 percent during 1936-1939, which amount continues to be tax-free."

- 9 -

"A company--"

H.M.Jr: Read a little faster, Roy.

Blough: "A company (Aluminum Company of America) which has practically a monopoly on one of the important defense materials had earnings after taxes during the base period years averaging approximately 19 percent of the 1940 invested capital, which it can continue to earn tax-free.

"A large manufacturer of beverages (Coca-Cola) can continue to earn free of tax over 25 percent of its 1940 reported equity capital.

"Thus, large amounts of the kind of profits which ever since the excess profits tax of 1918 has been defined as excess profits, is free from tax under a law which is called an excess profits tax law."

Now, that is a little argumentative. I don't know if you want that.

H.M.Jr: Don't let's argue about it now.

Blough: Now the rest of it is just the same.

H.M.Jr: All right.

Now, look, get this thing started. Have you people got anything that you could let him have? Do you need any help down there?

Blough: The shortage is in pica typewriters, Mr. Secretary. We have two pica typewriters, but it will only take about fifteen minutes for that to be rerun.

H.M.Jr: All right. Go ahead.

Blough: We will do it this way with those changes.

- 10 -

H.M.Jr: And if Mr. Sullivan or anybody else wants to argue with you afterward, they can; but see the thing through, you see, and then come back. I am sitting here waiting.

Blough: Well, may I come back before I come with the papers or not until I come with the papers?

H.M.Jr: No, come back to listen to these other three sharks.

The chances are nine out of ten he won't look at this draft, but I promised it to him this morning, originally. Am I right, Dan?

Bell: That is right.

H.M.Jr: I will never forget. I think that Roswell Magill must have spent a minimum of three months getting a statement ready for the President. He had fifteen items, and he never got further than one. He came to my bedroom up at Hyde Park after the meeting, and he said, "God, I might just as well go back to teaching. This is terrible." I said, "No, this is just Roosevelt. You did all right." He says, "I never got beyond number one." I said, "What did you think you were going to do." Gee, he felt awful.

Kuhn: What was it, the same kind of thing?

H.M.Jr: Yes.

He worked all summer on the thing.

Sullivan: Was that on the loophole?

H.M.Jr: In connection with a tax bill, just the preparation. I get a little philosophical about it. I am doing it at eight-thirty tomorrow morning.

- 11-

He says, "It is terrible." I said, "What?" and he says, "The wisdom."

Kuhn: Viner is wonderfon on statements, though. He has a very sharp eye. He can tell where something is wrong.

Bell: He is a great critic.

Kuhn: Wonderful.

H.M.Jr: I say - did you see the figures on the bonds, just statistics? They are wonderful.

Bell: The E's are going up, I understand. That is very important.

Gaston: That shows the effect of the propaganda, the E's going up.

Kuhn: Sure.

H.M.Jr: It was very satisfactory. We will have a billion by August 1.

Bell: Well, that is the place where we want to get the money, too.

(Mr. Haas, Mr. Viner, and Mr. White entered the conference.)

H.M.Jr: Is it all out of Viner's pipe now?

Viner: No, sir.

H.M.Jr: God, we have done Blough, you know.

Viner: I know. You mean he is dead? (Laughter)

H.M.Jr: No, he can work under pressure. (Facetiously)

(Secretary on White House phone.)

- 12 -

Hello.....

Miss Grace Tully, please.....

Hello, Grace.....

We are working on a tax statement for the President. What would be the latest I could get it over to you and you could get it to the President.....

Well, if I give it to some Secret Service fellow to give it to you to give it to him, do you think it might work.....

Right.....

Right.....

Thank you.....

H.M.Jr: Do you (White) want to read it?

White: Do you want it read aloud?

H.M.Jr: I will read. I don't read very well, though.

Foley: Let Harry read it.

White: I will read it, if you like.

H.M.Jr: Yes.

White: "The Present Price Situation.

"Since the beginning of the war, wholesale prices have risen about 16 percent, of which rise the greater part has occurred during the past five months.

"The cost of living index has increased 5-1/2 percent since the beginning of the war.

- 13 -

"The index of 28 basic commodities has increased 48 percent since the beginning of the war. This latter constitutes--"

H.M.Jr: What do you mean, "beginning of the war"? That doesn't date it.

Bell: September '39.

Haas: August '39.

H.M.Jr: Well, if we don't have time now, for tomorrow's statement, do you mind saying August, '39?

White: Right.

There will be a lot of changes that will have to be made.

"This latter constitutes a danger signal of inflation which must not be ignored. The wholesale price index always lags greatly behind the index of basic commodities, while the cost of living index does not show anything like the full effects of inflation until long after the seeds of inflation have taken deep root."

H.M.Jr: Just a second. Yes.

White: "The pattern of price rises summarized above roughly resembles the price movements during the first two years of World War I -- little rise in the cost of living, a moderate rise in the wholesale price index, and a sharp rise in basic commodities. Apparently we are at the same point in price history as in 1916 -- on the edge of inflation."

H.M.Jr: Is that you, George?

Haas: That is everybody.

- 14 -

H.M.Jr: It is good, anyway.

White: "The forces making for further price rise are both potent and persistent:

"(1) Estimated Defense spending during the fiscal year 1942 will be two and a half times as much as in the fiscal year 1941, exclusive of any extension of the Defense program since July 1.

"(2) More important in its bearing on the danger of inflation than the figures for expenditures of the coming year are the estimates of deficit spending. The net deficit for the fiscal year 1942, as estimated by the Director of the Budget, will be \$12.8 billions, compared with \$5.1 billions for the previous fiscal year. This assumes the present tax structure. If the present tax bill is passed by Congress, the deficit will be reduced by \$2-1/2 billions--"

Sullivan: Three and a half.

Bell: Two and a half.

Sullivan: No, that is right.

White: ".... but it will still be twice that of fiscal 1941."

H.M.Jr: Again for tomorrow, no one can follow that. The deficit will be reduced by two and a half billion, but it will still be twice that - I never liked that - twice that of fiscal year '41.

Viner: Put the figure in.

H.M.Jr: Yes, the figure.

- 15 -

- Viner: It will still be ten billion, which is twice that of 1941.
- H.M.Jr: That is right.
- Bell: Is the President going to understand the two and a half billions?
- H.M.Jr: What?
- Bell: I wonder if the President will understand this?
- H.M.Jr: I doubt it.
- Viner: Well, then you could add that the revenue yield of the new tax bill in its first year--
- H.M.Jr: The two and a half has to be spelled out, and that twice the fiscal year '41, those things, but I am not going to bother with it tonight.
- White: "This deficit does not take account, moreover, of the new defense expenditure estimates just submitted by the President, and whatever is expended on account of these estimates during fiscal 1942 will be added to the deficit, unless it is offset by yet additional taxes.
- "(3) During the past year the inflationary force of the Federal deficit has been supplemented by--"
- H.M.Jr: Just a minute, please. Why do you put in that about "yet additional taxes"?
- White: There might be more taxes in addition to the three and a half billion.
- Viner: Taxes not yet proposed. If there is still another tax bill in addition to this tax bill.
- White: I think it can be deleted.

- 16 -

- H.M.Jr: I don't like that sentence. It is kind of thrown in there.
- White: Yes.
- H.M.Jr: Just cut out that part about its being offset. Go ahead.
- White: "(3) During the past year the inflationary force of the Federal deficit has been supplemented by an expansion of bank credit. Total loans of all member banks expanded by an estimated \$2.8 billions, or by 20 percent during the fiscal year 1941. This rise, moreover, has been proceeding at an accelerated pace -- 33 percent of the total estimated increase taking place during the final quarter.
- "(4) To the fiscal and monetary factors likely to cause price increases during the next fiscal year, the physical factors of reduced shipping space and other difficulties in the way of imports should be added."
- H.M.Jr: I don't get that.
- Haas: Prices will go up, and you can't get ships.
- Viner: Prices will go up, because imports are cut off.
- H.M.Jr: All right.
- White: "Though there are factors appearing to check inflationary trends, such as some surplus--"
- Viner: Operating.
- White: Operating, yes.
- "... to check inflationary trends, such as some surplus stocks of agricultural commodities,

- 17 -

unemployment - unemployed labor resources, and partially employed production facilities, most of these factors were present in the fiscal year 1941 in greater degree and yet did not serve to restrain price rises even though the forces making for price rises were then much weaker. It would, therefore, be unwise to count on these to any important extent.

"Important governmental steps have already been taken or are being taken to check inflation.

"Every effort has been and is being made to limit price rises through voluntary cooperation of OPACS. These measures to restrain price rises though they have unquestionably been helpful are inadequate to meet the situation confronting us. We have gone only a small part of the way--"

- H.M.Jr: Is that the end?
- White: The rest of the way is on one page.
- Kuhn: That leads into Roy's stuff.
- White: No, there is a page before Roy's, and I am not so sure it leads in very smoothly. It should have been ready by now.
- Kuhn: Voluntary cooperation by OPACS.
- Viner: No, with OPACS.
- H.M.Jr: Am I crazy, that as bank loans go up excess reserves go down?
- Gaston: That is right.
- H.M.Jr: You don't say anything about it.
- Viner: It is the bank loans. It is not the excess

- 18 -

reserves. Excess reserves are unused inflationary power. They don't inflate themselves. It is the loans. Excess reserves go into action.

- H.M.Jr: It is funny nobody wrote that. The newspapers always say - well, this morning, all the papers had a story, "Excess reserves are down because bank loans have gone up."
- Viner: That is excess reserves exercising their inflationary power.
- Gaston: They are no longer hanging over the money market.
- Viner: They are now in operation.
- Gaston: Tom Smith today was telling how they are getting a lot of overflow business. Banking is very active in that part of the country. There are a lot of accounts for the local banks to handle.
- H.M.Jr: All I have done is this and signing mail for Defense Savings Bonds.
- Where is the third page?
- White: George has gone to look for it. It was in George's outfit that it was done.
- Viner: Have you got it now, George?
- Haas: Yes.
- Viner: Here he is, on the spot.
- White: Oh, here it is.
- George, I just said this was done in your place.

- 19 -

Gaston: You got it out of Harris, didn't you, George?

Haas: What, this one?

Gaston: Yes.

Haas: This is such a mess I am not sure of anything.

H.M.Jr: You fellows act as though you were being rushed.

White: Well, I think the interesting thing in this document is what we have left out. (Laughter)

H.M.Jr: Why?

White: The table was full of it. We have only gone a small part of the way it will be necessary to go.

"We must attack the problem on all fronts if we are successfully to prevent inflation. We present below some specific tax proposals. The problem cannot, however, be met by tax measures alone, but must be attacked on a broad front by a variety of methods. In addition to these tax proposals, we recommend supplementary action along the following lines:

"(1) OPACS must be given the power to fix prices where necessary. Price fixing must be regarded as a supplement to priorities and rationing."

H.M.Jr: You have got "a complement".

White: "Without the power to impose a ceiling on prices where necessary, the task of restricting prices is made much more difficult. The mere possession of such power tends to make the exercise of that power unnecessary. On the other hand, in the absence of inadequate fiscal

- 20 -

program to mop up excess buying power, the attempt to prevent unwanted price increase by fiat is bound to break down here as it has done elsewhere, when unaccompanied by these supplementary methods."

H.M.Jr: Let me read that. You put a mouthful in that.

Sullivan: It is an awfully good paragraph.

White: It is not clearly stated.

H.M.Jr: Wait a minute. "On the other hand, in the absence of an adequate fiscal program."

White: That really should be a paragraph and the idea is to show that mere price fixing is not nearly enough. It will break down unless it is supplemented by a fiscal program.

Viner: And by other methods --

H.M.Jr: What is the matter with our fiscal program? Why isn't our fiscal program adequate?

Viner: Not heavy enough.

Sullivan: That is the purpose of this entire memorandum, to indicate that we are not going to absorb sufficient additional purchasing power.

H.M.Jr: That is right. All right.

White: It is not wholly clear, the way it is, but that was what we intended.

Bell: It doesn't seem to me to be necessarily a part of that OPACS power.

Viner: What doesn't?

Bell: Last sentence.

- 21 -

Viner: Oh, yes, it is.

Sullivan: Trying to show the relationship between the OPACS power and the fiscal program.

Foley: Either one isn't adequate in itself.

Viner: You need a battery of things. That is the point we tried to make.

White: I think Dan's point is that the transition is not well pointed out.

"(2) Increase the supplies of goods required for military and civilian needs. Increased output is in itself a major objective of our defense program and the most effective and desirable means of preventing inflation. There should be further exploration of the possibilities of inducing expansion of production facilities and labor supply where such response could not be expected to occur automatically.

"(3) Extension of the present system of priorities to include systematic rationing of scarce supplies to consumers.

"(4) Extension of the general controls over bank credit.

"(5) Extension of controls over--"

Viner: "Establishment."

White: "... Establishment of controls over the entire field of consumer credit."

"(6) Creation of controls over capital issues.

"(7) An extension of the Social Security program along lines by which greater coverage

- 22 -

and contributions would increase the inflow of funds from current income - " George, will you continue?

H.M.Jr: I will do it.

".... during the emergency and would not involve any substantial increase in the out-flow.

"(8) A reduction of non-essential Federal expenditures and the Federal lending and underwriting program, such as non-emergency housing expenditures and mortgage guarantees.

"(9) Promotion of economy in State and local governmental expenditure and a curtailment of their borrowing for non-emergency expenditures.

"Even with substantial action along all of these lines it seems probable to us that a substantial amount of undesirable price inflation will occur in this fiscal year if our tax program is not carried farther than has as yet been proposed. We, therefore, urge that the tax program now under consideration by Congress be reexamined in the light of the following considerations."

White: And then will follow his.

H.M.Jr: May I say this? We have been doing a lot of kidding. For the time involved, I think you people have really done a masterpiece. I am delighted. Here is the thing, gentlemen. You can go on with this through until midnight, you see.

Now, you (Blough) are going to have yours in a few minutes, aren't you?

Blough: Double spaced, Mr. Secretary.

- 23 -

White: Well, I am having this double spaced.

Blough: You are?

Foley: Marvelous. (Laughter)

H.M.Jr: Now, what I would do is, I need an original for the President, and then five other copies. Miss Chauncey has the letters.

Viner: Mr. Secretary, one more thing. I didn't hear what you said about midnight. I would like, if it is possible--

H.M.Jr: May I read my letter to - that I have written to the President?

Viner: This is in connection with the form here. That when you present it you say that there are little rough edges that we are--

H.M.Jr: Let me show you what I have written to the President.

Bell: At the top of page three, you say, "We present below some specific tax proposals." I didn't understand that Mr. Blough's memorandum represented tax proposals.

H.M.Jr: Where is that?

Bell: First paragraph at the top of page three. They are really comments on it.

H.M.Jr: See if this is all right.

"My dear Mr. President:

"I am enclosing herewith a draft of the memorandum which we have prepared in the Treasury. I have sent copies in strict

- 24 -

confidence to Chairman Eccles, Hillman, Currie, Lubin, and Henderson. They are coming to my office at eight-thirty tomorrow morning to give me the benefit of their suggestions and criticisms.

Therefore, when I see you at eleven, I will give you a second draft which will incorporate, wherever possible, the suggestions of these men."

You see?

Viner: Well, now, we can polish up here in preparation for tomorrow morning.

H.M.Jr: That is right.

White: I think in your note to Eccles and the others, I think it might be a little helpful if you would suggest that this is a rough draft, and we are polishing it off.

Viner: Yes, but a draft without changing--

H.M.Jr: Would you like, "I enclose herewith"- and put in my own handwriting - "a rough draft"?

White: That is right.

H.M.Jr: Does that make everybody happy?

Viner: Yes.

H.M.Jr: Well, now, "I am sending you herewith, in strict confidence, a rough draft"?

Viner: "In rough draft." Say, "in rough draft."

H.M.Jr: "A rough draft."

I tried out the most marvelous new movie seats.

- 25 -

I think I am going to have one in Mrs. Klotz's room.

H.M.Jr:

Did you try it?

Chauncey:

It is very comfortable.

White:

I should imagine it would help all around if you had regular evening movies once a week, and we wouldn't get our programs confused, if you have got good seats and good movies.

H.M.Jr:

It is a little bit too subtle for me, Harry. What program?

White:

I never know what evening to set aside for the movies here.

Sullivan:

How about a matinee, Harry?

White:

Well, my wife wants to see them too.

H.M.Jr:

What happened last Wednesday? Is that the one you are complaining about?

White:

Well, no.

H.M.Jr:

I am not planning to give one this week.

Viner:

I have been told I didn't get my glass bank.

Sullivan:

What glass banks?

H.M.Jr:

Two banks for both of them. When are these things going to come through? When is yours going to come through?

Blough:

I anticipate them within ten or fifteen minutes.

H.M.Jr:

Six copies?

Blough:

It will be about half an hour before I have six.

- 26 -

- H.M.Jr: And I would like one at the house.  
Now, you were questioning something, Dan.
- Bell: I said in this memorandum it says at the top of page three that there are set out below specific tax proposals, and I didn't look upon Roy's memorandum as containing tax proposals.
- Gaston: Quite right.
- H.M.Jr: Can that be changed?
- Sullivan: "Some tax suggestions."
- Bell: They are more in the nature of comments.
- White: Well, Dan's point is that they are not proposals, but comments.
- H.M.Jr: Yes, and the President hates the word proposals. I would say, "Some tax comments."
- Haas: "Some comments on the present tax bill."
- (Telephone conversation with Vice President Wallace follows:)

July 14, 1941  
4:22 p.m.

Operator: Go ahead.

HMJr: Hello.

Henry  
Wallace: Hello, Henry.

HMJr: Hello. How are you?

W: Oh fine, Henry. On this thing the President asked me to survey for him, on this economic defense thing.....

HMJr: Yeah.

W: ..... would it be possible for you to meet tomorrow afternoon?

HMJr: Yes.

W: Would two o'clock be O.K.?

HMJr: Two-fifteen would be a little bit better.

W: Two-fifteen? All right.

HMJr: Two-fifteen gives me a chance to have my tomato juice.

W: That's right.

HMJr: Where, Henry?

W: Why, the Senate's meeting tomorrow; and if it could be in my office over in the Capitol Building.....

HMJr: I'll be there.

W: Two-fifteen tomorrow.

HMJr: May I bring somebody with me?

- 2 -

W: Yes. It would be fine.

HMJr: All right. I'd be glad to come.

W: We'll try and have enough chairs.

HMJr: Thank you.

W: I thought I'd have Jesse and Secretary Hull has been designated, but I don't think he'll be here tomorrow.

HMJr: Yeah.

W: And.....

HMJr: This is on this question of.....

W: Economic defense. It's rather in the international aspect of it, I would say.

HMJr: Right. I'll be there, and if I may.....

W: The objective of it is to see - get the judgment of - of this group of four Cabinet members as to whether there should be an Executive Order to set up something of the sort and if so, what should be in the Executive Order.

HMJr: Right. Then you don't mind if I bring a couple of my boys with me?

W: Well, I think a couple would be a plenty.

(Laughter)

HMJr: What?

W: I think a couple would be a plenty. But.....

HMJr: Yeah.

W: I think a couple would be all right.

HMJr: Well, I'd like to bring White, for one.

- 3 -

W: Yeah. That'll be fine.

HMJr: And I don't know who else has been working on it. I'll find out.

W: Good. That'll be fine.

HMJr: Thank you.

W: Good.

- 27 -

- H.M.Jr: Who else has been working on this?  
Have you?
- Gaston: Well, it touches the things I have been doing very closely. Of course Ed has been working on some suggested orders on this thing and has gotten into it different times.
- H.M.Jr: But you have been working on it too?
- Gaston: Well, we have the Export Control policing and I have been nominally a member of Maxwell's Policy Committee which never decides policy.
- H.M.Jr: Well, maybe I had better take nobody up and say, I can't decide until I talk it over here.
- Foley: Well, what they are talking about, I assume, is the Executive Order that we talked about with Justice many, many months ago when we wanted to have all of that put here in the Treasury.
- Gaston: I think Ed has probably been all around the problem from different angles better than anybody else.
- H.M.Jr: I think I will go alone. I can't take up three people. You heard him. I had better go alone. If you people have any chance, breathing spell - I won't commit myself on anything. That is the best way.
- Now, where were we?
- Did you have any other suggestions, Dan?
- Bell: No. I think pages one and two were being re-written to take in those other suggestions.
- H.M.Jr: Now, what else?

- 28 -

What are you fellows doing? Are you tied up on this thing?

White: Well, no, they are just typing it.

H.M.Jr: Keeping you here five minutes, does that hold up anybody's working?

White: No, as far as I am concerned, the typists are typing it.

H.M.Jr: Well, will the people put the thing in Miss Chauncey's hands, and the economists' thing comes first and the other thing comes second. You had better staple them together, you see.

Kuhn: Do they fit together all right?

H.M.Jr: Not quite, but that is something unimportant.

Blough: May I suggest that if we put a roman two and tax comments on the top of the first page of our material, it still won't fit at this time, but it will look better.

Chauncey: It will be a memo in two parts?

H.M.Jr: That is right.

Chauncey: And Dr. White will send me some and Mr. Blough will send me some?

H.M.Jr: It ought to be here soon.

Is there anything particular I should know about this foreign thing?

H.M.Jr: While you were out of the room, White, Wallace called up, and the President has asked him to get State and everybody together tomorrow at two-fifteen, and I asked if I could bring up a couple, and he sort of hesitated. Well,

- 29 -

I decided I had better go up alone, I guess.

White: You know, I think he has been asked to head up--

H.M.Jr: The President asked him to send for the four Cabinet members.

White: I think he has been asked to head up the economic warfare.

Gaston: The main feature of the situation is that Maxwell, as Export Control Administrator, is rapidly extending his powers. It is pretty hard to tell just where the policy decisions originate, but he has accumulated terrifically formidable powers and shows every disposition to extend them, and I think it seems to all the rest of us that there should be some over-all policy control that really works to watch that thing.

H.M.Jr: I think what I am going to do, on second thought, is this: It gets down to the question of drafting, doesn't it, a bill?

Gaston: Yes.

Foley: An Executive Order, not a bill.

H.M.Jr: Well, all right, and if anybody has any extra time and they want to tell it to Foley, then I will take Foley up with me, so if anybody has anything they want to tell him, go ahead.

But you (White) have got to concentrate tonight on this tax thing, and tomorrow, so you are not available.

White: Whatever you say. It is immaterial.

H.M.Jr: Please don't, Harry. I will try not to make

- 30 -

any commitments, you see. My feeling, Herbert, is this, just so it gives you a chance to go after it. My feeling is this: I frankly don't want anything to do with it.

Gaston: Well, I think that is right. It is going to be terrific.

H.M.Jr: Now, do you want to take the position - is there anything that you want to sell me that the Treasury should do? You might just as well do it now as any time. My inclination is to keep out of it. I think we have got just about all we can swing now, and a little more.

Foley: Well, we are in it up to our ears with this freezing control. We are in it more than Maxwell, Mr. Secretary, because we have got hold of the thing and Maxwell hasn't. Maxwell is only out on the fringe. Ours is an overlapping and a much more comprehensive control than Maxwell's.

H.M.Jr: Well, that is on--

Foley: The movement of credits, the movement of funds.

H.M.Jr: But when it comes to imports?

White: Well, yes. The decision - it is all involved in the exchange control, but the decision as to what imports or exports to permit as distinct from the blocked countries does not reside in this Committee and does reside in Maxwell's Committee and should reside, probably, in the State Department, but it should be operated through this Committee, so that I don't think you can step out of the picture because you are in with both feet, but I do think that there are some areas in which the Treasury is not in and doesn't want to go in.

- 31 -

- Viner: Also you have to do policing--
- Gaston: We have to do a lot of administrative work, wherever the policy is made.
- White: That is right.
- H.M.Jr: That is all right.
- Gaston: But we do tangle with the policy on the credit stand, where we just can't dodge it.
- Foley: Can't dodge it.
- H.M.Jr: Well, this isn't something--
- Foley: You will have to take your place on the Committee.
- H.M.Jr: I am not unfamiliar with this. I mean, you are involved less in this tax thing than anybody else.
- Foley: Yes.
- H.M.Jr: I know this stuff. Well, anyway--
- White: I think the State Department is more concerned in fighting Maxwell than anybody else, and I think I would let them do it.
- H.M.Jr: In fighting him?
- White: Yes, opposing him. He is treading much more on their territory than anybody else.
- Gaston: He proposed a bill which undoubtedly is going to be killed, but which went into censorship and control of communications, control of shipping, control of financing, control of imports. It was an amazing document that he allowed Faddis to introduce, but I think that

- 32 -

bill is dead.

- Viner: Herbert, isn't there another bill that has been drafted by Smith or in Smith's shop--
- White: Yes, not a bill but an Executive Order. It is the one we went over.
- H.M.Jr: Will you (Kuhn) ride home with me? I am leaving now.
- Kuhn: Yes.
- White: Which was much preferable to what Maxwell designed and which I thought was going through. I don't know what held it up.
- H.M.Jr: May I thank all of you very much for the job. I think you have all done a swell job. And I will be here tomorrow at eight twenty-nine.
- Gaston: Would you like this same group?
- H.M.Jr: Yes, very much.
- Who is going to bring Sullivan in?
- Sullivan: Who do you think is going to unlock the door for you when you get in? Sullivan?
- H.M.Jr: Then I am afraid I will not be present.
- This is the only other thing. Oscar Cox called me up, couldn't he see me on tax amortization.
- Sullivan: Who is this?
- H.M.Jr: Oscar Cox.
- I said, "No, thank you," that I had two men who considered it the apple of their eye. The names were Foley and Sullivan, and he could see either

- 33 -

one or both of them, but I wasn't interested. I just thought I would tell you.

Sullivan: Well, they tried to--

H.M.Jr: I told him I wasn't interested, and he could see either one of you.

Sullivan: They tried to put us in the hole on this thing.

H.M.Jr: But I want you to know that if anybody quotes me, it ain't so.

Sullivan: Right.

H.M.Jr: Well, thank you all. I will be here in the morning, and Sullivan is acting as doorman.