

DIARY

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FROM

The White House
Washington

1

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

COPY

JULY 20, 1941.

HON. HENRY MORGENTHAU, JR.,
FISHKILL, N.Y.

THE PRESIDENT WILL TELEPHONE YOU TOMORROW MORNING AND
SURELY SEE YOU BEFORE YOU LEAVE.

THE USHER.

(THE ABOVE TELEGRAM TRANSMITTED VIA WESTERN UNION AT 9:20PM)

DEFENSE SAVINGS STAFF
ADVANCE NOTICE RADIO PROGRAMS
 SUNDAY - JULY 20, 1941

Time: 1:30 - 2:00 P.M.

Program: AMERICA PREFERRED

This program is sponsored by the Treasury Department over a coast to Coast Mutual Network. Pierre van Praesen acts as Narrator. Guest Artists appearing are Jan Pearce, Tenor of the Metropolitan Opera. 25 Voices of New Opera Chorus and Herman Adler as Conductor. Professor Max Ascoli, President of the Mazzini Society and Martha Ostenso, Norwegian Novelist will be Guest Speakers.

Station: WOL and Mutual Broadcasting System

Time: 4:00 - 4:15 P.M.

Program: The Moylan Sisters

Station: WMAL and NBC Blue Network

Time: 5:30 - 5:55 P.M.

Program: Melody Ranch with Gene Autry

Station: WJSV and CBS Network

Time: 5:30 - 6:00 P.M.

Program: Dr. I. Q.

Station: WRC and NBC Red Network

Time: 7:00 - 7:30 P.M.

Program: Pause That Refreshes

Station: WJSV and CBS Network

Time: 7:30 - 7:45 P.M.

Program: Crime Doctor

Station: WJSV and CBS Network

Time: 7:30 - 8:00 P.M.

Program: One Man's Family

Station: WRC and NBC Red Network

Time: 9:00 - 10:00 P.M.

Program: Take It or Leave It

Station: WJSV and CBS Network

Time: 11:15 - 12:00 Midnight

Program: Music As You Like It

Station: WMAL and CBS Blue Network

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

LET

GRAY

Stockholm

Dated July 20, 1941

Rec'd. 11:11 a.m.

Secretary of State,
Washington.

445, July 20, 9 a.m.

One. With reference to the general license of June 20 exempting Swedish funds in the United States from the Executive Order of June 14, the Department's good offices are requested in obtaining from Treasury Department the necessary authority to permit certain transactions involving citizens of countries whose assets have been frozen, who are actually in Sweden, when upon thorough investigation by this Legation or the Swedish Riksbank or both it is ascertained that such payments would not be contrary to the purpose of the Executive Order.

Two. The Riksbank for instance considers itself estopped under present regulations of the Treasury Department from paying remittances from the **NEW YORK TIMES** for the expenses and salaries of its correspondent in Stockholm who is a French citizen, and its correspondent in Helsinki who is a Danish citizen. A second French journalist who has received a check for articles written for an American newspaper is unable to cash it.

Three.

-2- 445, July 20, 9 a.m., From Stockholm.

Three. The Riksbank also considers that in spite of present American regulations it should be possible to permit it to purchase dollar currency or checks from such diplomats as the Yugoslavian, Norwegian, Netherlands, Belgian, Greek and Polish Ministers and their staffs in Stockholm. The Yugoslavian Minister has tried without success to sell \$1,000 in currency to pay the traveling expenses of his son who is leaving Stockholm to go to Argentina.

Four. There are in Sweden many bona fide refugees, citizens of countries whose assets are frozen, who need currency for traveling but under present regulations as interpreted by the Riksbank they cannot obtain it. They cannot even cash remittances from the United States nor convert dollar assets into Swedish to cover living expenses in Sweden while awaiting an opportunity of traveling.

Five. Interest payments by the Norwegian Shipping Commission in New York on ships' mortgages held in Sweden, and small remittances made by the Commission to the Norwegian Legation and Swedish citizens, are not considered by the Riksbank as legitimate under present regulations.

Six. The Riksbank has requested special licenses in some of the above instances but not for
all the

-3- 445, July 20, 9 a.m., From Stockholm.

all the cases mentioned and it has also instructed the Financial Counselor of the Swedish Legation in Washington to discuss the general question with the Treasury Department. It is felt that unnecessary expense, delay and labor could be avoided if more authority could be granted, the Riksbank or the Legation to decide cases concerning which the facts are more readily available in Stockholm than in Washington.

GREENE

HSM

~~CONFIDENTIAL~~

6

Paraphrase of Code Cablegram
Received at the War Department
at 9:43, July 20, 1941.

London, filed: 16:05, July 20, 1941.

1. British Air Activity over the Continent.

a. Day of July 19. Three Stirling bombers with an escort of fighters which had been dispatched to Lille attacked their secondary target, Dunkirk. Heinkel bombers attacked as follows: 11, shipping off the Hague, claiming the destruction of five motor vessels totalling 20,000 tons; 8, a convoy of seven motor vessels off Horderney, claiming the sinking of four motor vessels totalling 25,000; and 2, shipping off Ostend, the results of which were not reported. A total of 570 fighters were employed as follows: 104 on interception patrols, 197 on offensive patrols, 40 on special patrols and 229 in the protection of shipping.

b. Night of July 19-20. A total of 84 bombers were dispatched as follows: 25 on sea mining in the mouth of the Elbe, 10 sea mining in the mouth of the Wesser, and 49 to attack the main station at Hanover, 60 percent of which attacked, the weather being good.

2. German Air Activity over Britain.

a. Day of July 18. 20 reconnaissance aircraft, 240 defensive fighters and 15 long range bombers were employed.

b. Night of July 18-19. The Germans used 5 reconnaissance aircraft, 5 fighters and 5 long range bombers.

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INFORMATION C...

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3. Aircraft Losses Reported.

a. British losses. Two Blenheims were missing from the operations of the day of July 19 and one Stirling was shot down into the sea by anti-aircraft fire. No fighters were lost.

b. Axis losses. During the day of July 19 German losses were as follows: 2 Me-109F's and 1 Me-109 destroyed, 7 Me-109's probably shot down, and 2 Me-109's damaged.

LEE

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 Forces
 Secretary of Treasury
 Assistant Secretary of War for Air
 Assistant Chief of Staff, G-3
 Air Corps

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CONFIDENTIAL

INFORMATION COPY

July 21, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: How are the tax boys?

Sullivan: Fine.

H.M.Jr: Anything new? (Laughter). Sullivan certainly pulled a Sullivan on himself. He calls me up in great excitement at a quarter of two my time Saturday. He just had to see me.

Sullivan: You weren't so excited.

H.M.Jr: Sullivan wasn't?

Sullivan: You weren't.

H.M.Jr: No, I know.

Sullivan: You said I called you in great excitement.

H.M.Jr: Sullivan was excited.

- 2 -

Sullivan: Run of the mill.

H.M.Jr: Well, anyway, Sullivan sounded run of the mill to me. He had to see me. I said, "You don't want, by any chance, to meet me at the airport?" He said, "It is just what I want." We got there at eight thirty this morning. He never went to bed at all.

Sullivan: You didn't keep me waiting long. There is one thing I would like to talk about before we leave to go up there.

H.M.Jr: Important, you mean?

Sullivan: Not very. We are granting a sixty-day extension on the filing of capital stock returns running to September 29. That extension is being granted without interest. There will be a press release to be given out on it today.

H.M.Jr: Without interest?

Sullivan: Yes, sir. That is the usual practice where there is an extension given to everybody.

H.M.Jr: Well, you do it and Mr. Bell and I are not going to say "No," but we are going to complain steadily for the next sixty days.

Bell: Complain without interest.

H.M.Jr: Complain without interest, yes. All right?

Sullivan: That is all right.

H.M.Jr: Is that right, Dan?

Bell: I guess so. We will yield reluctantly.

Sullivan: A corporation cannot file an intelligent capital stock tax return now, Dan, until they know what is going to happen to them. That press release will be ready today.

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H.M.Jr: All right, what else?

Sullivan: That is all right at the moment. If there is a change in the situation up there, we will call you back. Au revoir.

H.M.Jr: Au revoir. New Hampshire to you.

Sullivan: New Hackensack. (Laughter)

Klotz: He is a riot.

H.M.Jr: Harold, both Mrs. Morgenthau and Mrs. Roosevelt took the time to read this booklet on Savings Bonds in full. They both like it very much, with this exception. They being ladies, I will translate what they said for you. They think the photographs are lousy. Whoever did this - just come over here a minute. I mean, whoever did this - look, you have got to get a magnifying glass to see whether that is a sand pile or what it is. You tell me what that is.

Graves: A factory.

H.M.Jr: Well, you see the smoke. That is the only reason you know. You tell me what that is.

Graves: That is a cartoon.

H.M.Jr: It looks terrible. The pictures aren't good. Tell me what that is.

Graves: That is supposed to be --

H.M.Jr: I know, but it is awful. Now, what I would like very much - evidently over there Mr. Harford Powel doesn't have anybody that knows layout. Let this girl who has done a swell job get on the train and go up and see Mr. Geer.

- 4 -

- Graves: She has already seen Mr. Geer, but we will try to improve those.
- H.M.Jr: Go up there and get a decent layout. For instance, just for example, take that picture there. You have got all this white space here so you could make this picture --
- Graves: Bigger.
- H.M.Jr: Well, you could make it that size (indicating) if you wanted to and use up this white space and really have a good looking factory.
- Odegard: That small picture, Mr. Secretary, is not to be used.
- H.M.Jr: Well, with all due respect, I have waited one month for the thing, and I was told when it was handed to me, that it was finished, ready for Mrs. Roosevelt and Mrs. Morgenthau.
- Odegard: Except for that factory picture.
- H.M.Jr: Well, the others are - now look, that picture, you get something. This picture, you don't.
- Odegard: That is right. That is the one that is not to be used.
- H.M.Jr: Mrs. Morgenthau said, incidentally, whoever did the photographs for the book that was gotten out in connection with Archie MacLeish's "America" two years ago did a gorgeous job, the book he got out two years ago on the poems and the pictures. There was a book gotten out illustrating his poems and they did a beautiful job on that.

(Telephone conversation with Mr. Stephen Early follows:)

July 21, 1941
9:43 a.m.

HMJr: Good morning.

Stephen
Early: Good morning to you. Look, Henry.....

HMJr: Yeah.

E:this message and the radio recordings
and so forth has rather upset our day.....

HMJr: Yeah.

E:and in a - in another way, it's upset
our plans for those pictures today of you
and Dan.

HMJr: Why, that isn't today.

E: We were set for today.

HMJr: Well, we're not ready until August 1.

E: Well, when do you want it?

HMJr: August 1.

E: You want it on the - August the first.

HMJr: August the first.

E: The pictures - and not before then.

HMJr: No. We - we're not ready until August the
first.

E: All right. We'll make it August first then.

HMJr: Is - is that what you called up about?

E: Yeah, because it was set for today.

HMJr: Well then, whoever did it - there's some
misunderstanding.

- 2 -

E: Uh huh.

HMJr: So what we'd like to do would be the President to do the thing on August 1.

E: All right.

HMJr: Is - is that all right?

E: Yeah. We'll make it August 1, and be glad to do it.

HMJr: And the - the same time?

E: It was set for twelve-forty-five today.....

HMJr: Yeah.

E:and I was just going to say it'll be completely washed up with the message and the other things that it will have to compete with in the press today.

HMJr: Well, I'm sorry. We most likely didn't get it to you right, but it - it's the first of August we'd like.

E: Okay. We'll make it that.

HMJr: Thank you so much.

E: Twelve-fifty for August 1.

HMJr: Twelve-fifty, August 1.

E: Right.

HMJr: Thank you.

E: Thank you, Henry.

HMJr: Good-bye.

E: Good-bye.

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Schwarz: You prefer August 1, do you?

H.M.Jr: To today?

Schwarz: They offered today and I didn't know whether the President was going to be away.

H.M.Jr: What is the sense of having it today?

Schwarz: It keeps the interest alive. By August 1 you will have your --

H.M.Jr: Why don't you do what I tell you? I want it August 1.

Schwarz: The radio was August 1 --

H.M.Jr: I want the thing August 1. We are not ready. None of the literature is ready. You sent the thing out and - I mean, please do the things the way I want them.

Schwarz: Steve offered this time and we simply --

H.M.Jr: What?

Schwarz: Steve offered this time --

H.M.Jr: I don't want it. We are not ready. There is no literature ready. There is nothing in the hands of the banks. Bell hasn't sent out a thing. What is the use of having publicity when Bell isn't ready?

Schwarz: Twelve fifty on this one?

H.M.Jr: You are not ready. Nothing has gone out.

Bell: No, I thought that this was to benefit the President, that he didn't want to do the radio and he suggested that they do it now and have it ready August 1.

H.M.Jr: I don't know.

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Bell: I don't know what it is.

H.M.Jr: I am coming back all the way from my vacation for one day to have the publicity to start the thing on August 1. I mean, the whole thing was to be keyed on August 1. Isn't that your understanding, Ferdie? The whole thing. If we start the thing going now, nothing is ready.

Thompson: I have nothing this morning.

H.M.Jr: Dan?

Bell: That was one thing I wanted to bring up, that you weren't coming back until August 1. You understand that these notices and everything are dated August 1, and will be in the papers that morning.

H.M.Jr: That is right.

Bell: And not the next morning.

H.M.Jr: They will be in the papers August 1.

Bell: That is right.

H.M.Jr: That is perfect.

Bell: But you won't do anything until that evening?

H.M.Jr: I expect to get back here on Thursday night, the 31st, and be here on August 1 to help get this thing started.

Bell: But everything will go out --

H.M.Jr: That is right.

Bell:on the 31st for release in the morning papers. That is what I wanted to be sure of.

H.M.Jr: Sure. And the President buys the first bond on the thing, and I haven't given up hope yet to have him say something, but to do it

- 7 -

today, the thing is cold and he has forgotten about it and so forth and so on.

Bell: Several months ago Mr. - Congressman Ludlow brought in a constituent of his who suggested that we issue a Tax Anticipation Note for States, and now he has seen our announcement and he wants to come in and buy the first Note and get a little publicity out of it. The Congressman has written a letter in asking that he be permitted to do that.

H.M.Jr: Well, the President is going to buy the first one.

Bell: I don't think we ought to have that man from Indiana to buy any note as a publicity stunt.

H.M.Jr: No.

Bell: Mr. Sproul is here this morning with his committee and I am meeting with him at ten o'clock. Did you want to give him some time, say after lunch?

H.M.Jr: Well, right after ten, from ten to eleven, I am going to be locked up with these two gentlemen on the radio program.

Bell: I would prefer after lunch, if it is as convenient to you.

H.M.Jr: How long do you want?

Bell: It might take a half hour.

H.M.Jr: Can't give you a half hour.

Bell: We hope that we can thrash out everything in my office this morning.

H.M.Jr: I will give you fifteen minutes at two forty-five.

- 8 -

Bell: That is all right. That is all I have.

H.M.Jr: Harold?

Graves: I have a number of things that you have asked me about. Perhaps you would rather pass them over.

H.M.Jr: I will tell you, Harold, I want to pass them over and what I thought I would do is, you see, my plans now are to leave early Wednesday afternoon. I am going up and spend the night with my father, and I go up to Malone and go to this fishing camp where there is no telephone, and I live in a tent for a week. But Stephens will be at the telephone and he will see me at noon once a day, so he can bring messages in and out once a day for one week. I would like to have a meeting with your (Graves) group before I go.

Graves: Wednesday morning?

H.M.Jr: I am asking you. When would you like it?

Graves: At your convenience.

H.M.Jr: Shall we say at ten thirty?

Graves: Ten thirty Wednesday.

H.M.Jr: Oh, Harold, where is my poster?

Graves: Downstairs. We have that whole series of posters.

H.M.Jr: Downstairs?

Graves: They are all down there. They ought to go back today. I thought perhaps you could find a minute to go down and see them.

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H.M.Jr: Right after this.

Graves: Fine. There is one other important matter, or rather a matter that I would like to dispose of now. Mr. Stevenson of Philadelphia has reconsidered his acceptance of the State Chairmanship of Pennsylvania. You had him down an appointment tomorrow at three and I thought for you would excuse him from that.

H.M.Jr: He won't come?

Graves: Yes, but I see no particular point in his coming.

H.M.Jr: You mean he is not coming?

Graves: I was going to excuse him from that appointment.

H.M.Jr: Is he going to accept?

Graves: He is going to accept membership on the State Committee, but not Chairmanship.

H.M.Jr: You do have bad luck, don't you?

Graves: This was bad luck, but I think he was quite right.

H.M.Jr: O.K., Harold.

Graves: That is all.

H.M.Jr: Who has my Monday figures on the Bonds?

Haas: I do.

H.M.Jr: Let's have them now. I hear that it is terribly disappointing to Harold.

Graves: We are practically even, aren't we?

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Haas: That is right. Even because the E is making up for the others.

H.M.Jr: Harold is simply furious. (Laughter)

Haas: It is too good news.

H.M.Jr: That is what Harold gave me Saturday. Now, we are only one and eight tenths behind. That is through the eighteenth. I want to be ahead before I leave, George.

Haas: Well, Monday is usually big because there is a little accumulation. You will probably go over the top tomorrow. I am not sure about that.

Graves: I think you will.

H.M.Jr: The E is forty-five per cent ahead. I think that is wonderful.

Bell: It seems to me like we ought to get close to three hundred million this month.

Graves: Yes, you will go over three hundred million.

H.M.Jr: You have got two hundred and one million in eighteen days.

Bell: You have got twelve more days, and you are running an average of about ten million.

Graves: We will go over a billion before the end of the month, I think.

H.M.Jr: Gentlemen, that E is doing beautifully.

Haas: That other report is that State analysis.

H.M.Jr: All right.

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Haas: I have a partial report --

H.M.Jr: Excuse me, I skipped Schwarz. Chick?

Schwarz: I have a letter here from the National Lecture Bureau asking if we would ask you to speak in Chicago on August 25 or 26 before the National Association of Credit Jewelers. They said they have seven or eight thousand members.

H.M.Jr: I think they asked me once before. They offered me a diamond wrist watch or something. What do they offer this time?

Schwarz: Five hundred dollars which "He can donate to the U.S.O. if he desires."

H.M.Jr: Make it a thousand and I can keep it. I might consider it.

Schwarz: Last year they had Congressman Dies, and the year before, General Johnson. (Laughter)

H.M.Jr: You are getting worser and worser.

Gaston: We know who takes.

Schwarz: That tells us who takes.

H.M.Jr: Tell them I don't like the company.

Graves: Excuse me, you did ask me to mention that conversation I had with Senator George.

H.M.Jr: Oh, yes.

Graves: That is taken care of. I talked with him and it is a matter of clerical help in the office of our Administrator.

H.M.Jr: Do you mind if I call him up and just say everything is all right?

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- Graves: That is fine. We have been in touch with his man, that is all.
- Schwarz: That is all.
- Haas: On that material that you wanted at two o'clock, I have got a report on that. Henderson did my work.
- H.M.Jr: Well, tell him just as a matter - it is very amusing what happened. Tell them now.
- Haas: The Secretary called me up Saturday morning and asked me if I would get him some figures on increase in automobile production for the first six months of this year, radios and washing machines and other electrical appliances, and so forth, that had used these metals of which there is a shortage of. They asked me to tell Stacy May and Lubin, and so forth. So I got hot on it and got the figures together and wondered whether I was going to have it all together by Monday morning, and Sunday morning's paper had all the dope figured out for me, almost identical.
- H.M.Jr: Henderson called me to tell me he was going to do it.
- Haas: Oh, he did?
- H.M.Jr: Yes. He was very nice. He called me up to say he was so pleased.
- (The Secretary held a conversation on the telephone with Senator George).
- Graves: Fine.
- H.M.Jr: You are good to Senator George, but you don't take good care of me. Miss Pauline Wais hasn't heard yet.

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Graves: No, you see, we haven't yet gotten going in New York. We will probably have our office opened up there, I would guess, in about one week, and when we open up our office, then I intended - I have talked with Norman about that and we have it in mind.

H.M.Jr: Oh, where were we?

Haas: We were talking about this --

H.M.Jr: Oh, for the record, I thought - Leon Henderson told me that when he saw the President, the President told him that he had read our memorandum on the economic facts of life and he, Leon, said he doesn't think there is any question that it was - that it influenced the President in his decision, to let Leon go ahead with his work, because he said the President told him definitely he read my memorandum. You see, I didn't know whether he had read it or not. I thought it was interesting.

Haas: May I forget about these other things?

H.M.Jr: Yes.

Haas: O.K.

H.M.Jr: I am sorry, George, but Leon beat you to the draw. I mean, I beat him to the draw but he shot first.

Gaston: At the President's press conference that same day that you were over there, he indicated that he got something out of your memorandum, all right.

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H.M.Jr: Professor Odegard? Professor Odegard and Professor Kuhn, I told Mr. Sulds that I thought the program Sunday was much, much better.

I am going to give you two gentlemen something to do while I am gone. I want it when I come back. I want on the Treasury payroll an outstanding musician. I mean, we have got all these programs going, and I want somebody recognized in the musical world so that if he says, "Now this is a very nice piece, but I can give you something by the same composer, but much more exciting, or much more stirring - I want a music man who is really recognized. I think you can start with the man who used to be with the Library of Congress, whatever his name is. Anybody could tell you.

Graves: I have got a note of it.

H.M.Jr: He would be a good man to start with. Olin Downes would be a good man to consult. But we are doing so much in music, and there is so much difference in what - some is exciting, some is provocative, some of it leaves you very flat.

Kuhn: Olin Downes has been consulted several times.

H.M.Jr: Yes, but I would like a man who is here, and I want to call him in. It is a full time job, with three programs going every week, and there will be other things. I know you don't quite agree with me but--

Kuhn: I would like to talk to you about it.

H.M.Jr: I would like very much to have it. I think that we don't draw everything we can out of this thing. I mean, I am not good enough to

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say that this choir that they have from the new opera, just what was wrong with them, but there was something wrong with them. I don't know what it was. All I can say is this, there was something wrong, but how to make it right, I don't know. Somebody else would know that. I don't know why Kuhn doesn't quite agree with me.

Klotz: They all three have the same expression.

Kuhn: I can explain, Mr. Secretary. We already have at least two musicians on our payroll. One is with NBC, Dr. Frank Black, who is running those programs. One is Mr. Goodman, who is running the Texaco Program.

H.M.Jr: But I want somebody who is working for Henry Morgenthau, Jr.

Odegard: Do you want a musician, Mr. Secretary, or a musicologist?

H.M.Jr: I want a musicologist, because the greatest musicologist in the world, practically - I don't want to say in the world, but one of the recognized, is a Dr. Einstein that we helped bring over who is now at Smith. He is, in Vienna, recognized as one of the two or three greatest musicologists. I don't know whether he is too high-brow or not, but we brought him over and he is now at Smith.

Do you remember that man?

Klotz: Yes. I don't like him.

H.M.Jr: He was one.

I mean, somebody, for instance, who is so good that if he says, "Now this is what was the matter

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with those twenty-six voices yesterday - " there was something wrong with them - they can say it, and these women who are running this thing can't argue because he is recognized, you see.

Now, nobody in the Treasury has that, I mean is that good.

Klotz: It is very funny. (Laughter)

H.M.Jr: All right, what is the matter, Ferdie.

Kuhn: Well, it can be done, but I think in programs which are given to us in which great singers and musicians give their services, we can't as well tell them what is wrong with them.

H.M.Jr: But you do it. Let's take this chorus again. If, after a few suggestions, they don't like it, we can get some other choir. We don't have to use the new opera. But we are wedded to it now. After two or three times, if they don't get better, all right, we will get some other choir. There is this great choir down at Princeton. It is the school of - a choral school. Now, there is a great choir.

Gaston: St. Olaf's, Minnesota.

H.M.Jr: But that is a great choir. Because Mrs. Hull is somehow interested. They have got them on our program.

If a man says, "Well, Mr. Morgenthau, I can get you the Westminster Choir of Princeton, which will go on for you." I want the best.

Ferdie, just - let me have what I want for once, but I want the best. (Laughter)

Gaston: For your forum program--

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H.M.Jr: I want the fellow here, and I don't care if he only works once a month, but I can just as well have the best choir in America as to have a third rate choir, and the choir I had Sunday was a third rate choir. You will agree with that.

Kuhn: I didn't hear them. I couldn't.

H.M.Jr: But I mean you will agree we can get the best?

Kuhn: Surely.

H.M.Jr: And I want an outstanding musician who is here and will sit around and argue with me just the way Howard Dietz does or you fellows do, and who will psychoanalyze this music so we can get the stuff which is provocative. I mean, the music can just as well be provocative as it can leave you flat.

Kuhn: Beethoven's Fifth.

H.M.Jr: Can I have it?

Kuhn: Yes, sir.

H.M.Jr: Harold, may I have it? Thank you.

The answer is yes. (Laughter) All right.

Gaston: If you are looking for a choir for your forum program--

(Telephone conversation with Mr. Sullivan follows:)

July 21, 1941
10:05 a.m.

John
Sullivan: Hello, Mr. Secretary.

HMJr: Get good news, Sullivan?

S: No. There apparently has been quite a change overnight.

HMJr: Yeah.

S: For instance, Pat Boland, who was one of the strongest for this, is now against it; and it looks like four or five others are changing.

HMJr: Yeah.

S: Dan Reed wrote a blistering letter to Bishop Manning about this.

HMJr: To Bishop Manning, the Catholic?

S: No. And he, apparently, is changing; and it looks as though it's going to be terribly close.

HMJr: Who, Bishop Manning is changing?

S: I don't think so.

HMJr: Oh.

S: I don't think so. He - we haven't converted him yet.

HMJr: I see. Go ahead.

S: So the sixteen to nine is completely out the window.

HMJr: All right. Now are you - are you all washed up? As to suggestions?

S: Yeah.

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HMJr: Do you want a suggestion from me?

S: Yeah.

HMJr: Go in and tell them how I feel.

S: Right. I will do that.

HMJr: You've had yours. I was willing to play along with you.

S: That's right.

HMJr: Can you hold on a minute? Just wait a minute. Let me see if anybody disagrees with me. Will you stay there a minute, please?

S: Yes, sir.

(Secretary talks aside as follows:)

HMJr: Sullivan met me this morning and said he thought it was sixteen to nine and they were absolutely iron-bound, nobody could shake them, and he thought it was a mistake to recommend my plan, which is to have joint returns with the exceptions of people who have earned salaries up to fourteen thousand dollars, and it was only confusing.

So I said, "Well, John, you are in the front line trenches, and if that is what you want, all right; but if the thing goes against you, let me know."

Now he finds he hasn't got the votes, and I always think that the way to do it is the shortest line between two points. I believe in this plan. Why not say so? I mean, this is something I think is good.

Gaston: What position has John taken, against the joint returns?

HMJr: No, he said the Treasury has taken no position so far.

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Foley: He thinks now that they are going to re-consider and take it out of the bill?

HMJr: Yes.

Gaston: I would be glad to see them do it.

HMJr: Well, I feel this way. I always take the position - I can't feel that if I move this and this person, this is right, and I will do what is right; and I think this is right. I think a fellow might as well do it.

(Secretary again talks to Mr. Sullivan:)

HMJr: Hello.

S: Hello.

HMJr: I didn't take any advice, and I wasn't offered any. And I think that the best thing to do is this - is to follow my instincts and not try to - for me to figure what the other fellow's going to do.

You can use my name and say that I would like to see joint returns, with exception for earned income - the definition to earned income being from three to fourteen thousand.

S: Yes.

HMJr: See?

S: Yes, sir.

HMJr: And that is the position of H.M., Junior, who is at the moment Secretary of the Treasury.

S: And one of the reasons we haven't taken the position previously is that we have been trying to work this thing out.

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HMJr: Yes. And - and now it's jelled in the mind.

S: (Laughs)

HMJr: Now, how - how enthusiastic are you for that?

S: Yes. If we can do it, it's swell. It's much better than the other.

HMJr: No, that isn't what I mean.

S: You mean as a matter of strategy?

HMJr: No, as a matter of - of fairness. I mean as a matter of - of - as a just - just, is it just?

S: But it's very - it's a very considerable improvement on the first - on the flat proposal.

HMJr: Well anyway, John - if you ask, this is the way I feel.....

S: That's the way.....

HMJr: I never can go in for all these new offices, I mean, that this fellow that - this is the way I feel and I'm willing to stand up on my hind legs and say so.

S: Well, I'll say so for you right now then.

HMJr: Will you, please?

S: Right.

HMJr: Thank you.

S: Thanks.

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H.M.Jr: Excuse me, Herbert, for short-circuiting you.

Gaston: That is all right.

I think personally it is very fine for you to take that position. I personally believe there should not be joint returns.

Foley: I think there should be joint returns, and the only reason I hesitate is because if we come in now with this counter proposal, they may say that we are responsible for having killed joint returns in the bill, which I wouldn't want them to do.

H.M.Jr: Eddie, you know as much as I do what has been going on up to now.

Foley: Yes.

H.M.Jr: All right. Now, it is all over the Hill that we are opposed to this thing. Now, I have always taken the position - I am not trying to be a soap-box orator - that if I believe in something, say it and stick by it and never try to figure out all the in's and out's, what it does to you and so forth and so on.

Now, I let Sullivan have his head on this thing. I told him, "Go ahead, and, if you are wrong, I won't jump on you or anything else," but this is what he wanted to do. He didn't want me--

Foley: To say anything.

H.M.Jr: Didn't want me to say anything.

Foley: Yes.

H.M.Jr: And he said, "I have got the votes. I have

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played golf with Disney Saturday, and Disney said, 'It is sixteen to nine in the bag,' and so it is much better not to say anything than say what you want before the Senate."

I said, "John, you are in the front-line trenches, I haven't got the feel. I will go along with you. This is what you say is right. I have got my doubts, and I will go along, but, if it doesn't work, call me up."

Over the week-end the sixteen to nine have melted away. Now, he goes up and says, "This is the way Mr. Morgenthau feels," and I am willing to say so publicly, but John has had his way. It is all right. I have got to follow if he says that is the way the Committee feels. He is licked. I said, "If you are licked, call me," which he has done.

Gaston:

Yes, I would have approved advancing your plan with the thing a sure sixteen to nine for compulsory joint returns, because I think it is a much fairer plan than the straight joint returns plan. I think there was better argument while there was a strong majority in favor of the compulsory returns than there is now, but I think in either event I would have - you ought to introduce it.

H.M.Jr:

Herbert, I can't, whether it is Ed or you or somebody who is in there doing the thing every day, and if they say to me, "Look, this is the sense of the Committee. I am there every day, every night. This is what the Committee is going to do." I can say, "You are wrong," but I can say, "If you prove to be wrong, call me up and I will tell you what I think." You say, "The way to get a Coast Guard bill through - this is the way," and you say, "Henry, I am up there, I know," I

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have got to follow you, haven't I?

Gaston: Well, there is a question of our responsibility to recommend what we think is equitable.

H.M.Jr: Well, that was the word that I was grouping for, "equitable." I think this is an equitable plan. Well, the--

Schwarz: I would support it, Mr. Secretary, at press conference.

H.M.Jr: Pardon?

Schwarz: That will come out on the Hill by noontime, I should think, of the shift. I would support it this afternoon.

H.M.Jr: All right. We will see. If you hear from the Hill, let me know.

How far had we gotten? We have gotten by our musicologists, and there was unanimous support. (Laughter)

Now, what else?

Kuhn: I have only one thing to report to you.

H.M.Jr: Now that I have got a musicologist, we will get to important things. Isn't it wonderful, Dan, how enthusiastic this crowd is?

Bell: Yes, sir. You don't have to argue for it at all. (Laughter)

Kuhn: Phillip Murray's place tomorrow night will be taken by James Carey, the Vice President of the CIO, who has been okayed by Lubin. Lubin thinks he is going to do fine, and he has been suggested by the CIO themselves.

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H.M.Jr: Good.

Kuhn: That is all I have.

H.M.Jr: Just a minute. While we are on that, what time is that broadcast?

Kuhn: That is from nine-fifteen to nine forty-five.

H.M.Jr: And what time are you inviting those people in?

Kuhn: Eight-fifteen.

H.M.Jr: Well, that will come right in the middle of the other one.

Kuhn: No, the other one is seven-thirty to eight.

H.M.Jr: And this is from when?

Kuhn: Nine-fifteen to nine forty-five.

H.M.Jr: Now, I don't think we need those people here that much ahead of time.

Kuhn: We have already asked them and said that it would be good to go over the thing once.

H.M.Jr: All right.

Kuhn: I think it will be good.

H.M.Jr: O.K., all right.

Kuhn: I think, subject to Chick's approval, it might also be a good thing to tell the press conference about the fact that you got Green and Murray and so on to sit down together. Nobody seems to have awakened to the fact at all.

H.M.Jr: Well, the press say they won't handle it

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because it is radio stuff.

Schwarz: I would repeat it. It is closer to the time now, and I would repeat it again.

H.M.Jr: Harold, would you take a pencil, and each one of these organizations which are coming here, would you have you organization see whether, for instance, the Chamber of Commerce are sending out telegrams today notifying these people so that they will listen, you see? I would like to see the U. S. Chamber of Commerce, for instance, send out, if they would, a night letter, to every chamber of commerce in the United States, if they would do that, to listen. NAM the same, and all these others the same. And then at about one o'clock tomorrow, the same people who got the telegram on the first Treasury Hour in Washington, if they would get one again tomorrow for me.

Graves: That was the radio commentators, as I recall.

H.M.Jr: No, that was the Cabinet and a special list and heads of agencies and Robert Sherwood and a few people. There was a list of that. Let it go about one o'clock, a telegram in town. All right?

Kuhn: That is all.

H.M.Jr: I think if the Chamber of Commerce and NAM and all the rest of those people who will do that.

Cochran: You asked Viner last week to give you a list of the people whoknew Japanese. He gave me a list on Friday before he went away. I also showed him the cablegrams we have been getting from Japan. They are written by the Commercial Attache out there. They come once

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a week. He thought they were sufficiently good that you didn't need to supplement that service, that we could ask for special messages whenever we wanted them.

- H.M.Jr: I will have to let that go until I get back. You were going to give some suggestions, too, Ferdie. I will just have to let that go until I get back.
- Cochran: Did you want to clear that matter on Russian gold before you go? I wrote a memo on it Saturday noon.
- H.M.Jr: Weren't we going to ask Mr.--
- Foley: Oumansky. You were going to ask him.
- H.M.Jr: Well, what I think you ought to do is this, Merle, Through Mr. Welles' office, you see, so there will be no feeling, tell them that I would like to see Mr. Oumansky on that, you see.
- Cochran: All right.
- H.M.Jr: And I could do it at three o'clock tomorrow.
- Cochran: Three o'clock tomorrow?
- H.M.Jr: Yes, but I would like to talk to him about it.
- Bell: Could you give us some time to clear the letter?
- H.M.Jr: Just as soon as I hear.
- Cochran: Three o'clock tomorrow. All right, I haven't shown this memo to Dan's or Ed's office yet.
- H.J.Jr: Anything else?
- Cochran: For three tomorrow afternoon?

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H.M.Jr: Through Mr. Welles' office.

Cochran: Henderson spoke with me.

H.M.Jr: I want to do it through Welles' office.

Bell: Shouldn't he explain to Mr. Welles the reason why you want to do this?

H.M.Jr: Yes. You know the reason.

Cochran: Yes, I know it.

H.M.Jr: You are right, Dan.

Foley: The meeting with the Vice President at two-fifteen has been canceled.

H.M.Jr: Good.

Foley: Dean and I worked on that assignment you gave me after Cabinet over the week-end, and we didn't have time to finish that, and we are getting another form of order, and we are going to circulate it. Here is a report on the thing you gave me over the week-end, and I think maybe we had better get together.

H.M.Jr: Why should we get together?

Foley: So that we understand each other.

H.M.Jr: All right.

Gaston: You asked me about this J. Edgar Hoover thing. I didn't talk to J. Edgar Hoover. I found that the situation was a little bit different. The only one case we have found, this man who was invited to become an informer by an FBI man, he was told that it was very confidential, and he wasn't specifically told that he wasn't

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to tell his superior officers. He did on the first case that he thought it was worth the attention of FBI, he did tell his superior officers. I don't know whether they have attempted to approach other employees on the same basis, and there is nothing in the record to show that they knew he was a Customs employee, although, if they are investigators, they should.

H.M.Jr: Can I forget about it?

Gaston: I am inclined to think so, in view of this other thing we have got up.

H.M.Jr: All right. Anything else, Herbert?

Gaston: No.

I started to suggest a while ago that if you are looking for a choir for your forum program, you would do well to look at the choir of St. Olaf's Lutheran College in Northfield, Minnesota, which was one of the big choirs in the country, one of the important choirs of the country.

You know about it, don't you?

Odegard: Yes, it is very good.

H.M.Jr: Maybe we don't need a musicologist. Harold says we do. (Laughter)

Graves: This is too hot an issue. I refuse to comment.

H.M.Jr: Anything else?

Graves: Nothing else.

H.M.Jr: Each and all of you are invited to go downstairs and look at the thing down there.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 21, 1941

For Miss Chauncey

TO Secretary Morgenthau

FROM Mr. Cochran

At the Staff meeting this morning I mentioned that when Professor Viner was here last week the Secretary had asked him to provide a list of names of individuals speaking Japanese who might be competent to serve in Japan as Treasury representatives. I said that Dr. Viner had handed me such a list before leaving Washington on Friday. At the same time, I had shown him our file of cablegrams on financial and economic subjects received through the Department of State from the Embassy at Tokyo. Professor Viner told me, after glancing through these messages, that he saw no reason for the Treasury sending a special representative to Tokyo. He thought the Treasury Attache was covering the field better than any new person we might send out. I told the Secretary that we are receiving through the Department of State usually four long messages monthly from the Commercial Attache at Tokyo, reporting upon Japanese financial and economic conditions and developments. I recommended that we send special instructions, through the courtesy of the State Department, if we may desire any special reports from the Embassy at Tokyo on matters of interest to the Treasury. The Secretary said that this matter could await his return from vacation.



July 21, 1941
9:50 a.m.

HMJr: Hello.

Operator: Senator George.

HMJr: Hello.

Sen. Walter George: Hello.

HMJr: Henry Morgenthau.

G: Yes. Mr. Secretary, this is Senator George.

HMJr: Good morning. I just wanted to make sure that you were well taken care of on your request the other day for more help for the State of Georgia.

G: Mr. Graves told me that he would take the matter up directly with Mr. Allen, and I presume he did.

HMJr: He has, but the request from you was one that we'd like to comply with.

G: That's very nice of you, Henry. I appreciate it very much.

HMJr: Yes.

G: Mr. Allen told me that for the moment they did need - actually need a little more clerical help.

HMJr: Fine.

G: And I think that they understand the situation. You see we have a hundred and fifty-nine counties in Georgia, and it takes some little work to organize them.

HMJr: Well, I'm delighted that you're interested; and if you'll watch it down there a little

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bit, why that would be fine.

G: Oh, I'll be glad. I'm cooperating with them in every way I can. They're setting up a good organization, and they'll do a good job for you.

HMJr: Well thank you so much.

G: All right. Thank you, sir.

HMJr: Good-bye.

July 21, 1941
11:09 a.m.

Grace
Tully: Good morning, Mr. Secretary.

HMJr: Well, good morning, Grace.

T: How are you, sir?

HMJr: Fine.

T: That's good.

HMJr: Grace, at 11:05.....

T: Yes.

HMJr:over WMAL.....

T: Yes, sir.

HMJr:they carried this announcement. Got a pencil?

T: Yes, sir.

HMJr: "Fifteen Japanese troop ships.....

T: Yes.

HMJr:reported to sail.....

T: Yes.

HMJr:from South China.....

T: Yes.

HMJr:destination unknown."

T: Yes, sir.

HMJr: I think the President would like to have that.

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T: Yes, sir. I'm sure he would.

HMJr: What?

T: Yes, sir. I'm sure he would.

HMJr: You'll take care of it?

T: Troop ships.

HMJr: "Fifteen Japanese troop ships.....

T: Uh huh.

HMJr:reported to sail from South China.....

T: South China, destination unknown."

HMJr: Yes.

T: Right.

HMJr: That's WMAL, 11:05. I have people watching it continuously.

T: Yes.

HMJr: Twenty-four hours.

T: All right. Grand. I'll make a note for him and give it to him as soon as he gets to the office.

HMJr: Thank you.

T: Thank you, Mr. Secretary.

July 21, 1941
2:56 p.m.

HMJr: Hello.

John
Sullivan: Hello, sir.

HMJr: I got press at three, and I wondered how the battle on the Hill was going.

S: They- they're still battling.

HMJr: Well, shall I say anything at press?

S: I - I don't know. I don't think they'll vote for another hour or so the way it's going now.

HMJr: Oh, nothing going yet?

S: No. No, they haven't even taken.....

HMJr: Well, did you tell them where I stood?

S: Yes. Did you get Mr. Blough's memorandum?

HMJr: No. Who'd you give it to?

S: He left it with Lieutenant Stephens at five minutes of two.....

HMJr: Gosh ding it, I.....

S:giving you a resume of exactly what happened this morning.

HMJr: Now wait a minute, John. Will you, please?

S: Yes, sir.

HMJr: Hold on. (Talks aside.)

Hello.

S: Yes, sir.

HMJr: I've just sent for it, John.

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S: Yes, sir.

HMJr: Does that give the thing?

S: That gives the story.

HMJr: I see. Well, I'll read it. What else?

S: That's all. They've been fighting all morning, and.....

HMJr: Are you where you can talk?

S: Yes, sir, I am. I'm in a booth with Mr. Blough.

HMJr: A booth with - sounds immoral to me.

S: My God, they're in there talking about the morality of this law.

HMJr: (Laughs)

S: This is a good day to raise moral issues.

HMJr: All right. Cheerio.

S: Do you.....

HMJr: Good-bye.

S:want me to call you as soon as I hear anything - anything happens?

HMJr: Yes. I may be gone, but call me anyway.

S: Righto.

HMJr: Thank you.

S: Good-bye.

July 21, 1941. **MEMORANDUM FOR THE SECRETARY:****From:** Mr. Blough**Subject:** Compulsory Joint Returns before Ways and Means Committee. Monday morning, July 21, 1941.

Mr. Sullivan, Mr. Tarleau and Mr. Blough reached the Ways and Means Committee Room before any of the members had arrived.

When Congressman McKeough, who has taken charge of the proposal to require joint returns, came into the room Mr. Sullivan engaged him in conversation. Mr. McKeough listed 13 members of the Committee who he said were opposed to the compulsory joint returns provision. Mr. Sullivan also discussed with Mr. Boland the question and found that he was against compulsory joint returns and was actively seeking to influence the members against it.

Thereupon, Mr. Sullivan phoned the Secretary and informed him of the situation.

Upon his return he informed Chairman Doughton briefly that he was prepared to state the position of the Treasury Department on this question. Chairman Doughton then introduced the matter to the Committee and said that in years past the Treasury Department had taken a position on this question, that he thought it unfortunate that they had not done so this time and that he had just been informed that the Department was going to take a position but that he did not know what that position would be.

He then called upon Mr. Sullivan who stated that the Secretary was in favor of the provision to require joint returns of husbands and wives living together if relief were given for earned income where both husband and wife were working. Mr. Treadway then asked questions regarding the specific nature of the proposal. Mr. Tarleau explained the Secretary's proposal to separate the earned incomes up to \$14,000 from the compulsory joint return requirement and to apply that require-

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ment to all other income. Mr. Treadway then asked if a draft of language was prepared. He was informed that no definite draft was ready. He asked for an estimate of revenue loss and was informed that this would be ready shortly. In neither the explanation nor the ensuing discussion was the problem of complications mentioned. The comments were directed to the merits of the proposal.

The discussion indicated little if any sympathy on the part of the Committee for granting any special relief for earned income. Indeed a number of members of the Committee seemed to be in favor of joint returns largely because it would join the earned incomes where the wife was working. Considerable hostility was expressed to wives working, examples being given from the Government Service.

The discussion soon departed from the question of the special treatment of earned income and for the balance of the morning was devoted to a general discussion of compulsory joint returns. Mr. Buck opposed requiring such returns and stated that the Treasury position was belated and ambiguous and that even if definite language were available it would not be helpful since the suggestion did not go to the fundamental defect of compulsory joint returns. Mr. Weaver Myers of Mr. Stam's Staff told Mr. Blough that in his opinion members of the Committee looked upon the Treasury suggestion as being intended to sabotage the proposal for joint returns by splitting the members in favor of it into factions. Congressman McKeough expressed the view to Mr. Sullivan that the Treasury position was not helpful in furthering the case for compulsory joint returns.

It is understood that Mr. Stam hoped to have an opportunity to oppose the provision of special relief for earned income at the afternoon session. He is supporting the joint return requirement.

This memorandum is submitted at the request of Mr. Sullivan.

RS

July 22, 1941

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Compulsory joint returns before Ways and Means Committee, Monday afternoon, July 21, 1941.

The general discussion of compulsory joint returns was resumed when the Committee reconvened after lunch. Much of the discussion was on the subject of community property. By a vote of 15 to 10 the Committee decided not to reconsider the action by which it had tentatively adopted compulsory joint returns.

There was then some further discussion on the Treasury suggestion to give relief for earned income in the filing of compulsory joint returns. None of the members defended this suggestion while a number criticized it, displaying hostility to the idea of married women working. Mr. McKeough's motion that the Treasury suggestion be rejected was carried by an overwhelming voice vote.

The specific provisions for compulsory joint returns appearing in the bill were then explained to the Committee and a motion was made to adopt them. Since the personal exemptions are mentioned in this section of the bill the size of the exemption was the subject of a discussion which continued until adjournment at the hour (5 p.m.) previously determined.

RUB

July 21, 1941
3:53 p.m.

HMJr: Hello, Senator.

Homer T.
Bone: How are you?

HMJr: I'm fine.

B: Well, are you standing up to the racket
all right?

HMJr: Well, I'm alive.

B: I hope you're selling some bonds.

HMJr: We're selling a lot of bonds.

B: Yeah. I talked to Harold Graves the other
day and asked him how his show was going on,
and he seemed to think things were moving
along all right.

HMJr: We are selling a lot of bonds.

B: Yeah. They're certainly putting some steam
behind it, all right. And I get the papers
out home and along the Coast, Oregon and
California and everywhere, and they seem to
be going to town on the job.

Well, I called up here primarily just to take
a second of your time, to ask you about this
situation with respect to Collector Harris
out there - is there any reason we shouldn't
send his name down?

HMJr: None that I know of.

B: Well, I thought I'd call you. I don't want
to send it down and I'll have to - my colleague's
out in the State - but I told him - I got in
touch with his office today, and they're going
to wire him and I didn't want to do it if there's
any reason.....

HMJr: No, by all means.

- 2 -

B: Oh, well, that's fine then.
HMJr: Sure.
B: All right. Thank you a lot.
HMJr: Thank you. Good-bye.

July 21, 1941

File

Mr. Cochran

At 1 p.m. today Mr. Kintheim telephoned from the Department of State to let us know that a telegram had been received from London reporting the arrival of Mr. Coe at London on the evening of July 18. The message stated that Mr. Coe had reported to the Embassy for duty on the morning of July 19, 1941.





OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

July 21, 1941

MEMORANDUM TO THE SECRETARY:

As a result of a series of conferences between the textile industry and officials of Mr. Henderson's Office a new schedule of maximum prices for cotton cloth has been agreed upon and was announced Saturday.

Our buyer is enroute to New York this morning to negotiate for the material for China. He was in contact with the market all of last week but received no offers, presumably because the suppliers were awaiting the determination of price maximums by OPACS.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

Draft of Secretary Morgenthau's One-Minute Broadcast in the Opening Program of the N. B. C. Series, July 22, 7:30 to 8:00 P. M., E. S. T.

Good evening!

You are hearing the first of a series of distinguished musical programs which the National Broadcasting Company has prepared for the Treasury Department, to promote the sale of Defense Savings Bonds and Stamps. On this program, which will take place every week at this time, you will hear some of the finest musical talent in America today, presenting a richly varied ^{assortment} ~~program~~ of the music that America knows and loves.

I should like ^{to} ~~like~~ to express my gratitude to the National Broadcasting Company for their generosity in giving the time and talent which will make this entertainment possible. The artists whom you will hear tonight and on subsequent broadcasts are great figures in the musical world, and we are proud that they are bringing the message of the Defense Savings Bonds and Stamps to you. That message is a simple one. We know that all of you, whether you are listening from the industrial northeast, the cotton south or the agricultural west, are eager to do your part in the great cause ^{of} ~~of~~ American defense; and our only purpose is to let you know how you can do your part most effectively.

But right at this moment, our purpose is even simpler -- we want you to have a good time. So before the program goes on again, I should like to say only this -- thank you all, and I hope you enjoy these broadcasts.

Draft #2. Sent To Perry's House 7/21 at 8 pm
Draft of Secretary Morgenthau's One-Minute Broadcast in the
Opening Program of the N. B. C. Series, July 22, 7:30 to
8:00 P. M., E. S. T.

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Good evening!

You are hearing the first of a series of distinguished musical programs which the National Broadcasting Company is presenting for the Treasury Department, to promote the sale of Defense Savings Bonds and Stamps. On this program, which will take place every week at this time, you will hear some of the finest musical talent in America today. You will hear the music of our own country, the songs that every American knows and loves.

I wish to express my gratitude to the National Broadcasting Company for their generosity in giving the time and talent which will make this entertainment possible. The artists whom you will hear tonight and on subsequent broadcasts are well known in the musical world, and we are happy that they are bringing the message of the Defense Savings Bonds and Stamps to you. That message is a simple one. It is a message of pride in our American way of life, and of our determination to defend it. We know that all of you are eager to do your part in the great work of helping to pay for American defense; and our purpose is to let you know how you can do your part most effectively.

C

Draft 7/21/41

ROUND TABLE FORUM

on

DEFENSE SAVINGS BONDS & STAMPS

July 22, 1941

9:15 to 9:45 PM, EST

Led by:

The Secretary of the Treasury,
Henry Morgenthau, Jr.

Participants:

Mr. James B. Carey, National Secretary
of the Congress of Industrial Organizations.

Mr. Walter D. Fuller, President of the
National Association of Manufacturers.

Mr. William Green, President of the
American Federation of Labor.

Mr. Albert Hawkes, President,
United States Chamber of Commerce.

Mr. James A. Phillips, Chairman of the
Railway Labor Executives Association.

ANNOUNCER:

Ladies and gentlemen. An important discussion on national defense, with special emphasis on the defense bonds and stamps program is now taking place in the office of the Secretary of the Treasury in Washington, D. C. Participating are six of the leaders of American thought and action today. They are Secretary of the Treasury Henry Morgenthau, Junior, who is leading the discussion; James B. Carey, National Secretary of the Congress of Industrial Organizations; Walter D. Fuller, President of the

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National Association of Manufacturers;
William Green, President of the
American Federation of Labor; Albert
W. Hawkes, President of the United
States Chamber of Commerce; and
James A. Phillips, Chairman of the
Railway Labor Executives Association
and President of the Order of Railway
Conductors of America. Mr. Carey
represents the C. I. O. in the absence
of Philip Murray, the President. Mr.
Murray had accepted Secretary Morgenthau's
invitation to be present tonight, but was
forced to cancel his acceptance because of
illness. He is now in the Mercy Hospital

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in Pittsburgh. This is the first time in radio history that these leaders of such widely different national groups have appeared together on a single broadcast.

The Columbia Broadcasting Company is privileged to bring this remarkable forum to you on a nation-wide network.

The discussion is now in progress, and Secretary Morgenthau is speaking.

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MR. MORGENTHAU: Yes, Mr. Fuller, you're quite right when you say that the bonds program is actually an economic measure to prevent inflation. But I think the real significance of the bonds goes a lot deeper than that.

MR. FULLER: In what way, Mr. Secretary?

MR. MORGENTHAU: I believe that if the program is a success it will have a tremendous effect on the nation's morale. You know, government has become so complex these days that the average citizen sometimes throws up his hands and says "Sorry, it's just too much for me."

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It's a tendency that's given me much concern in recent years. I've noticed, particularly among the young people, an inclination to say, "What's the use? Government is too vast, too complicated for us. Let the government go its own way and solve its own problems. We can't do anything to help or hinder it -- we just don't count."

MR. GREEN:

I'm afraid there are a good many people who do say that, Mr. Secretary.

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MR. MORGENTHAU: Yes, Mr. Green. And that is why I'm so enthusiastic about the defense bonds program -- because here is a government problem, the greatest of all time -- the problem of speeding America into a position of impregnable defense -- and the Government is coming with that problem directly to the average man. We need money, but we're not trying to borrow that money from the big banks; we're coming to the individual citizens, the very ones who have been saying, "What can one man do?"

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And we're saying to them: "This is what you can do: you can come into partnership with Uncle Sam! We need you, each one of you. We want you to lend us your dollars to build the guns, the ships and the planes with which our fighting men will protect all of us." You see, Mr. Fuller, that's the aspect of the bonds that really appeals to me. When a man buys a national defense bond, the gap between him and his government is closed.

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He stands shoulder to shoulder with his responsible leaders, and he is proud that in time of crisis they have come to him for help. Not only is he participating in government -- he is assuming a share of responsibility in the biggest job America has ever undertaken. The defense effort is for the people -- under our democratic system it is of the people -- and through the bonds it really becomes a defense effort by the people --

And that, more than any other phase, is what I like about the defense bonds and stamps program.

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I'm sure you see my point, Mr. Fuller.

MR. FULLER: Certainly, Mr. Secretary. I think what you've said is undoubtedly the key point of the whole defense bonds idea. But you see, I was speaking as a business man when I emphasized the economic basis of it. All of us in the National Association of Manufacturers are primarily business men, and we tend to approach a problem from that angle.

MR. MORGENTHAU: Naturally.

MR. FULLER: Furthermore, I'm all in favor of getting the economics of this program over to the public as clearly as possible.

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You know, in line with what you were saying just now, Mr. Secretary, the average man isn't always to blame for being discouraged about his relation to the government. The experts who analyze the nation's policies usually make them sound so complicated that a plain citizen just gives up. Now take this bonds program, for example -- the economic idea behind it is as simple as apple pie, but by the time some experts get through explaining it, Mr. Secretary, you yourself would probably be a little confused about it.

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MR. MORGENTHAU: There's a great deal in what you say, Mr. Fuller.

MR. FULLER: Now as I understand it, isn't this the idea in a nutshell? We need several billion dollars to finance the defense program. There are only two ways we can get it, through taxation and through borrowing, and the government is doing both. If all the borrowing is done from the big banks, what happens is that the banks thereby create a mass of new purchasing power and turn it over to the government, and the government then pours it out to the public in payment for the things and services it buys.

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Well, your average citizen will tend to spend this new-found purchasing power on luxuries or on commodities he felt he couldn't afford until now. The result is a huge demand for commodities, they become scarcer and scarcer, prices begin to skyrocket, money doesn't buy half of what it used to buy -- and the country would then be well on the way to inflation. Is that correct?

MR. MORGENTHAU: You're stating the process very clearly, Mr. Fuller. Please go on.

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MR. FULLER:

Now on the other hand, if the government borrows the money from the average citizen, as it is doing through the defense savings bonds, no new purchasing power is created, but instead some of the already existing purchasing power is soaked up and put into the defense effort, where it can really do the most good right at present. The skyrocketing demand for commodities is held back, and the inflationary tendency is checked. Then, ten years from now, when with the help of Providence we will have returned to

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peace times, the money will be returned with interest to the average citizen, at a time when it will undoubtedly come in very handy.

Of course, Mr. Secretary, this is a sketchy and simplified version of the story, but wouldn't you say that was the essence of it?

MR. MORGENTHAU: Absolutely, Mr. Fuller, and I want to compliment you. You have explained it so simply, I don't think even an expert could confuse any of us now.

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MR. FULLER: Well, Mr. Secretary, I have great faith in the American people. And I'm sure when they grasp the soundness of the defense Bonds and Stamps idea, they're going to pitch in and really make a go of it.

MR. GREEN: Mr. Secretary, I'd like to comment on Mr. Fuller's remarks.

MR. MORGENTHAU: Please go ahead, Mr. Green.

MR. GREEN: It seems to me, Mr. Fuller, that you have stated the economic side of the bonds program about as well as it can be stated.

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But as you yourself started off by saying, you were speaking primarily as a business man.

I'm sure that the plain dollars-and-cents soundness of what you said would strike home to the manager of any American business, large or small, and also to the worker in any American factory.

But as a representative of labor, I would be inclined to stress an entirely different aspect of the defense bonds and stamps program.

MR. MORGENTHAU: And what would that be, Mr. Green?

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MR. GREEN: Simply this -- that we Americans, workers and managers alike, have something precious to defend here; we all want to help defend it, and this is the way we can do it. My point is, Mr. Secretary, that for every man that is young and independent enough to join the fighting forces there are ten men who have to stick to their civilian jobs. Now these men are no less patriotic than the young man who goes into an army camp; they are no less concerned about the dangers which threaten our beloved land.

MR. MORGENTHAU: I'm sure of that.

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MR. GREEN:

As a matter of fact, Mr. Secretary, I have always maintained that a worker in the defense industries is doing his utmost for the country in the same way as a soldier, so long as he continues to do his job cheerfully, and to the best of his ability. Every laborer who puts his heart and soul into his work at this time is, in a very real sense, contributing to the National Defense program.

MR. MORGENTHAU: I think that's quite true.

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MR. GREEN:

And yet, if I know the American working man, I don't think he's satisfied with just doing his job in the best way he can. It's in the American nature to want action -- direct action, and plenty of it, in a hurry -- when a great crisis comes up. And every American wants to feel that he's in that action, that he's part of it. To me, Mr. Secretary, there's where the defense bonds and stamps come in. They are the answer to every working man's desire to act directly in the defense of his country,

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as well as to build up a reserve for himself for a rainy day. He can send his dollars into the front line of defense. He can reach into his pocket, and pull out a thousand cartridges for Uncle Sam's fighters. Every working man in America, whether he can put aside fifty cents a week, or two dollars, or ten dollars, is going to save that money to go into defense bonds, as soon as he realizes that buying bonds is his way to get into this great defense effort. You can count on

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it, Mr. Secretary -- the workers of the American Federation of Labor are going to back the defense bonds and stamps to the limit.

MR. MORGENTHAU: I'm very happy to hear that. When William Green makes such a statement, I think I can count on it as an accomplished fact.

MR. HAWKES: Mr. Secretary.

MR. MORGENTHAU: Yes, Mr. Hawkes.

MR. HAWKES: Mr. Green touched on one important point there which I think could stand even further emphasis.

MR. MORGENTHAU: And what point was that?

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MR. HAWKES:

Well, when he said that the American people are anxious to take a more direct part in the defense program, he struck on what is probably the most important, and yet the least appreciated, fact about our countrymen today. Now, I've travelled a great deal around the country lately -- and I'm convinced that there is a tremendous reservoir of unused patriotism in America, just waiting to be tapped. We hear a lot of talk to the effect that our people are indifferent in the face of the present great crisis.

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If that be true, it can be cured. The unused patriotism of our people is the mightiest potential force in the world today. Our citizens are just waiting to be guided as to their duties.

MR. MORGENTHAU: Then, you do feel, Mr. Hawkes, that all classes and all shades of opinion will unite behind the defense bonds and stamps effort?

MR. HAWKES: Yes, beyond a doubt. In my travels through the country I have found practically no one in the ranks of labor or capital who is not in favor of defense full speed ahead. People

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are beginning to realize that what is now happening is a real crisis in their lives -- not a drama on the stage or screen. It's really happening, and it's a serious business -- as serious as any danger we will ever know in our time. The men and women of our country are facing this fact at last and with sober courage. Unless I miss my guess about the patriotism of our people in all walks of life, I think this defense bonds program will receive their full endorsement and support.

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All the government has to do is simply and intelligently to let the people know what's needed and what their duty is. In New Jersey where I am Chairman of the State Committee for Defense Savings, we have already had a fine meeting and are making excellent progress. The people in every walk of life recognize the need for thrift, the fulfillment of their duty and also that defense is for the protection of each and all. When the people recognize that this is a channel in which they

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can direct their unused patriotism -- when they understand that the government is relying on them to help finance the arms program and at the same time save our economic structure from the menace of inflation -- they will respond, as they have always responded to the country's call throughout its history.

MR. MORGENTHAU: I like your phrase, "unused patriotism" very much, Mr. Hawkes. Perhaps you have some ideas on how it can be stirred into action.

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MR. HAWKES:

Well, Mr. Secretary, I think your own defense bonds and stamps drive is one important answer to that question. I think it's one of the most constructive steps the government has taken in this crisis, and I hope other such steps will be patterned after it. First of all, it's a movement of a completely voluntary nature. Nobody's being ordered to buy the bonds, and no high pressure sales tactics are being used. The people are being told simply that the safety and stability of America now rests with them, and it will be

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strengthened by their regular purchases of Defense Savings Bonds and Stamps. The answer has been left to their patriotism and judgment; and I think the results of the drive so far more than justify this procedure. Wouldn't you say so, Mr. Secretary?

MR. MORGENTHAU: Unquestionably, Mr. Hawkes, and I'm very glad that you have described so well the approach of the Treasury to the bonds drive. We started the whole thing with the idea that the people did not want to be coerced -- they wanted to be informed. And the response to date, as you say, has completely met our expectations.

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MR. CAREY: Mr. Secretary.

MR. MORGENTHAU: Yes, Mr. Carey.

MR. CAREY: If you're finished --

MR. MORGENTHAU: Yes, of course, Mr. Carey. Please go ahead.

MR. CAREY: I just wanted to thank Mr. Hawkes for hitting so hard the point that seems to me to be the essence of this bonds and stamps drive -- namely, the fact that it's voluntary. That's one point I would have wanted to make very clear myself.

MR. HAWKES: I'm glad you feel that way about it, Mr. Carey. I've felt right from the start that it was of the utmost importance.

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MR. MORGENTHAU: Well, gentlemen, I am pleased to know that labor and management are in complete agreement on our voluntary plan.

MR. CAREY: Absolutely, Mr. Secretary. It seems to me there are two major philosophies abroad in the world today. One holds that people are a herd of sheep, and must be driven; the other maintains that people are reasonable fellow beings, and must be persuaded and led. Mr. Hawkes and I are agreed that the latter is the American way, and that's why we are so enthusiastic

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about the approach you are using in the defense bonds drive. The leaders of the C.I.O. have always proceeded on the assumption that working men were reasonable fellow beings who could get together to work out their common problems and decide on their common interests. Whatever success we have had in improving the conditions of our workers has been due to this fundamental philosophy of leadership. We are, therefore, whole-heartedly behind any constructive movement for national defense that proceeds on the same assumption,

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the effectiveness of voluntary
united action.

MR. MORGENTHAU: Yes, Mr. Carey, I am sure we all
agree that that is the key to our
whole plan of operation.

MR. CAREY: You see, Mr. Secretary, it's impossible
to emphasize that point too strongly.
The appeal to voluntary action has
already brought promising results from
the ranks of organized labor in the
early months of this drive. You know
of the action of many locals in the
automobile industry -- they voted to
have their employers set aside a

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percentage out of their pay envelopes each week to go toward buying defense bonds. The Treasury has been wise and far-sighted to let the initiative come from the unions. In every case the workers themselves have asked for a payroll allotment plan; it has never been forced on them by the employers.

MR. MORGENTHAU: Yes, I think that's one of the most encouraging developments for the bond program in the entire country. The idea is already spreading to other industries and I hope it will continue to spread.

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MR. CAREY:

I'm sure it will, Mr. Secretary.

As I say, I'm starting with the assumption, or rather the knowledge, that the working man is a reasonable fellow being. As such, he can see the advantages of that arrangement for himself, once they're brought to his attention. He knows that his money is absolutely safe; he knows that all he is really doing is saving his money at a good rate of interest; he knows that the credit of the United States Government stands behind the assurance that he will be able to

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cash in on his bonds at the end of ten years, or at any time during the interim if he needs the money. And most important of all, he knows that his money is working to defend democracy; real democracy that permits him to support his government voluntarily. I think I know American working men, Mr. Secretary, and I don't believe they can fail to respond to an appeal on that basis. Personally, I hope -- and I expect -- that this voluntary weekly savings plan will be adopted by large numbers of locals throughout the organization of the C.I.O.

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MR. MORGENTHAU: I am really grateful to you for that assurance, Mr. Carey. Such a response would be the finest kind of demonstration that organized labor stands solidly with the government in this great crisis.

MR. PHILLIPS: Mr. Secretary.

MR. MORGENTHAU: Yes, Mr. Phillips.

MR. PHILLIPS: I'm all in favor of what Mr. Carey has said, and I think he's demonstrated some very strong reasons for labor's support of the defense savings bonds and stamps -- but I do feel that he's passed over one of the most important aspects of the situation so far as labor is concerned.

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MR. MORGENTHAU: And what is that, Mr. Phillips?

MR. PHILLIPS: Well, it's more in line with what Mr. Hawkes was saying before, to the effect that Americans are at last waking up to the fact that this war is a tragedy that's really happening, a crisis that affects the future of every man, woman and child. That's as true of working men as it is of managers. You know, in the early stages of this world crisis I think many of us were asleep to its real meaning. Speaking for the railroad men of this country, I would say that

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we will buy defense savings bonds because each bond sold is a blow struck in the defense of our sacred freedom as a nation and as a group. The sale of defense savings bonds by the United States Treasury gives to every railroad man, employer or employee, a wonderful opportunity to contribute to the preservation of our democratic way of life and to express his gratitude for the priceless privilege of being an American. Through the purchase of these bonds and stamps the railroad men of America

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can help to give assurance to the struggling and oppressed workers of Europe and Asia so that political and economic freedom shall not perish from the earth. From every corner of the globe we hear the cries of the downtrodden. We can answer those cries by strengthening the forces of democracy and by giving hope to the world that a new and better day shall soon dawn.

The railroad men of Britain are risking their lives daily in the defense of their ideals. Through the purchase

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of defense savings bonds, the railroad men of America can prove to them that their sacrifices in our common cause have not been in vain. I feel, Mr. Secretary, that it is considerations like these -- serious and mature decisions about our own responsibilities in these terrible times -- which will move railroad men to support the defense effort by buying bonds and stamps.

MR. MORGENTHAU: Mr. Phillips, if our people are becoming aware of these considerations, then the outlook really is hopeful.

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MR. PHILLIPS: I firmly believe that they are, Mr. Secretary. They understand that today democracy is facing its greatest crisis. They endorse the fact that it is arming to defend itself against complete destruction by an immensely powerful enemy. They know at last that the so-called "New Order" has only contempt and animosity for those who believe in equality and justice. They are convinced that this new order means to wipe out the democratic ideal -- which, under our form of Government, guarantees to workers

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and owners alike the recognition of their rights to meet, to organize and to avail themselves of all possible machinery for adjusting inequalities in our social and economic life.

Because the railroad men of America believe in that ideal, they will do their best for democracy by buying defense savings bonds and stamps to the limit of their ability.

MR. GREEN:

Mr. Phillips, I think what you say for the railroad men goes for all the workers in this country.

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MR. FULLER: And for the owners and managers, too, Mr. Green. I think we all know how we stand today.

MR. HAWKES: Quite right, Mr. Fuller. I believe the membership of the U. S. Chamber of Commerce would go all the way with you on that statement.

MR. CAREY: And I'd like to say that I believe American labor is fully awake to its responsibilities.

MR. MORGENTHAU: Thank you, Mr. Carey. Mr. Hawkes, did you wish to say something?

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MR. HAWKES: Just this, Mr. Secretary -- in discussing this defense bonds and stamps program, or any other phase of national defense effort, there's one point that seems to me to be very important. All of us, employer and employee alike, have got to sacrifice our personal interests to keep our national balance. While this crisis is on we have to view our personal problems and conflicts in a new perspective. If we're going to face a common foe we must have unity among ourselves, otherwise we won't

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be able to stand up to him. Suppose five policemen were sent out to catch a killer, and suppose they had an argument among themselves and got so angry with each other that they decided not to look for the killer together but to go out and hunt him, every man for himself.

MR. GREEN: I'd say those were pretty bad policemen, Mr. Hawkes.

MR. HAWKES: You're right, Mr. Green. We here represent five groups that are pledged to protect different phases of the national interest; and now we're all

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menaced by a gangster system which, beyond a shadow of a doubt, will wreck all our interests if it prevails. Seeing that that's so, it just doesn't make sense for each of us to go his separate way and stick to his own particular line of interest. First things first. The first thing, as of July 22, 1941, is to unite in the effort to secure ourselves from that menace. That's what I mean by preserving our national balance. If we all control and restrain our private interests for the sake of our national balance, America will weather the storm.

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MR. MORGENTHAU: Mr. Green -- you wish to add something to that?

MR. GREEN: I agree with Mr. Hawkes, and I think he's struck on a vital point. Occasionally we hear questions like this, usually from irresponsible and very immature people: "What guarantee do we have that after this war we'll have a perfect society? How do we know that all social injustice will be gone?" If only wars could be fought out on such a simple basis! We workingmen take a much more realistic viewpoint;

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we don't expect perfection in our lifetime, but we know what we've got, and we know it can be improved only in the democratic way, and we don't propose to let any foreign dictator or any foreign war machine take it away from us. We have labor organizations; we have the right of collective bargaining; we have increasing recognition under the law. On most of the European continents today no one could try to organize labor into free trade unions without danger of swift capital punishment.

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What labor organizations anywhere in the world enjoy the recognition and strength of the American trade unions? That's what we've got, and that's what we want to protect and strengthen and improve. It's not a choice between a perfect world and an imperfect world; there never has been such a choice in the history of mankind.

It's a choice between hope and hopelessness. Our hope lies in America, and we know it. That's why we'll buy defense savings bonds and stamps.

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MR. PHILLIPS: Excellent, Mr. Green. I'm with
 you all the way on that.

MR. GREEN: Thank you, Mr. Phillips.

MR. MORGENTHAU: Mr. Carey, I believe you wanted to
 say something.

MR. CAREY: Well, I just wanted to add this about
 labor's attitude. Although many
 American workers have felt the results
 of the boom by an increase in their
 earning power, many of them have just
 about attained the normal standard of
 living thereby and some of them are
 still struggling toward it. I can
 assure you, Mr. Secretary, that all

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these workers want to take part in the defense bonds program immediately, and for them I think the device of the Defense Savings Stamps will prove the answer. I would advise all workers who want to join in this program and yet cannot honestly afford to buy bonds as yet, to buy defense stamps as a token of their interest and their desire for unity. When enough of these stamps are saved they can be turned in for a bond; and meantime buying them will be an expression of unity with the government.

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MR. MORGENTHAU: I am very glad you made that point, Mr. Carey. It is of the greatest importance to the Treasury that the largest possible number of citizens take part in the defense savings program -- whether they start by buying a 25 cent stamp or by buying a 25 dollar bond is less important than the fact that by their purchase they show their enthusiasm for the national defense effort. What we are seeking is nothing less than nation-wide endorsement of this program.

What were you going to say, Mr. Phillips?

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MR. PHILLIPS: Mr. Secretary, my wife and I recently adopted a constructive program which I recommend to every American citizen when tempted to purchase any luxury. Simply refuse to make such a purchase. The net results of these two actions when followed by millions of people would be as follows: Tons of needed materials and thousands of skilled workers would be made available to the government with which to build planes, tanks, guns and ships for defense. Additional millions in

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funds would be transferred to the Government with which to finance defense. This program will help to prevent a rise in living costs and make our dollar purchase more necessities. This will go far to maintain our standard of living, and will be a blessing, particularly for those with small incomes. Then when victory comes and we face a readjustment, there will be billions of dollars in defense bonds readily available for purchasing power. These savings will keep factories running which would otherwise be

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closed. Thus one blessing will follow another and the cause of world democracy will be served by our adopting a wise and patriotic program. May I again urge that each and every one of us strike an effective blow for liberty by refusing to buy luxuries and instead buy defense bonds.

MR. FULLER: Mr. Secretary.

MR. MORGENTHAU: Yes, Mr. Fuller.

MR. FULLER: I sometimes think that the defense savings bonds program may prove a very healthy thing for our country in a way none of us has yet mentioned --

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namely, that it will re-emphasize the habits of saving and thrift on a nationwide scale. We are now engaged in large-scale spending for defense. It is necessary, and no serious-minded American is opposed to it. At the same time, we must remember that this crisis will not last forever. When it is over I should like to see the American people so disciplined in the ways of saving and thrift through this defense savings program, that they will insist on conducting our national finances in the same way. If the people's

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continuous purchase of the bonds and stamps will serve to increase and strengthen the good old-fashioned American habits of thrift, I think the program will have been worth while on that basis alone.

MR. MORGENTHAU: Well, then, I take it that we're all agreed? Is that right, Mr. Fuller?

MR. FULLER: Mr. Secretary, the National Association of Manufacturers is solidly behind the effort to make America secure from attack -- and therefore as its representative I have been happy to appear and to speak for this admirable bonds and stamps program.

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MR. GREEN: I think, Mr. Secretary, I have stated the position of the A. F. of L. as well as I can -- and I believe the response of the organization will speak for itself.

MR. HAWKES: Let me say for the U. S. Chamber of Commerce, Mr. Secretary, that we are with you wholeheartedly. The business and professional men in our membership will not lag behind any other group in their consciousness of America's situation. We will do our part.

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MR. CAREY: And for the C. I. O., Mr. Secretary,
I want to say that no more intensely
patriotic group of citizens exists
in our land -- and I know the results
of the bonds and stamps drive in our
organization will prove it.

MR. PHILLIPS: The railroad men stand firm with
the rest of the country, Mr. Secretary,
as they always have in any great
national emergency such as this.

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MR. MORGENTHAU: Thank you gentlemen, all of you, for your very clear and wholehearted endorsements of the defense bonds program. I cannot tell you how pleased I am to find such a united stand in this discussion. You represent groups including millions of Americans with widely divergent interests. Let us be frank about it, you have on occasion opposed and even clashed with each other -- yet you have made abundantly clear that on the issue of national defense, and more particularly on the defense bonds and stamps, you are of one mind.

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You have demonstrated beyond any doubt that on this question the representatives of capital and labor are completely agreed. You have provided a dramatic proof that America is able to unite in a time of crisis.

The very fact that the six of us can sit down together like this, for a common cause, is a symbol of unity to all the world. Here we are, the representatives of labor, business and government, all meeting in friendly discussion, all working together in the American way.

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I don't think it is exaggeration to say that this little discussion, informal though it has been, has been of historic importance -- for it is one of the most striking displays of national unity that this country has witnessed in the present crisis. And I want to express my genuine gratitude to all of you for taking part tonight. I hope that everyone who has heard our discussion understands the importance of buying defense bonds and stamps.

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If those of our citizens who had meant to start buying them next week or next month will resolve to start buying them tomorrow, and go on buying them, we will have accomplished our purpose. These bonds and stamps are a good investment, and they are a sound economic measure -- but most of all, they enable each one of our citizens to do his part in buying the ships, the planes and the guns that will make America strong and safe. The hope of all of us lies in the strength and safety of America.

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ANNOUNCER:

Ladies and Gentlemen, you just have heard an important discussion on national defense, emphasizing the Defense Bonds and Stamps campaign. This program was broadcast over a coast to coast network of the Columbia Broadcasting System from the office of the Secretary of the Treasury in Washington, D. C. Speakers were Henry Morgenthau, Jr., Secretary of the Treasury, who led the discussion; James B. Carey, National Secretary of the Congress of Industrial Organizations; Walter D. Fuller,

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President of the National Association of Manufacturers; William Green, President of the American Federation of Labor; Albert W. Hawkes, President of the United States Chamber of Commerce; and James A. Phillips, Chairman of the Railway Labor Executives Association, and President of the Order of Railway Conductors of America.

DEFENSE SAVINGS STAFFADVANCE NOTICE RADIO PROGRAMS

MONDAY - JULY 21, 1941

Time: 3:00 - 3:15 P.M.
Program: Backstage Wife
Station: WRC and NBC Red Network

Time: 1:15 - 1:30 P.M.
Program: Joyce Jordan
Station: WJSV and CBS Network

Time: 9:00 - 9:30 P.M.
Program: Famous Jury Trials
Station: WMAL and NBC Blue Network

Time: 9:00 - 9:30 P.M.
Program: Lady Esther Serenade
Station: WJSV and CBS Network

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

TO:

Miss Chauncey

7/21/41

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X Secretary asked some time ago to see the text of Count Sforza's radio address for defense savings bonds. Here it is.

F. K.

MR. KUHN

RADIO ADDRESS by COUNT SFORZA to THE ITALIANS OF AMERICA.

I come to talk to you in your homes as a countryman, as a friend, a friend who knows your thoughts, your feelings, and who also understands the uncertainties which some of you have until recently felt.

You love this free America which has afforded to so many of you a greater dignity in personal and civil life. But you retain, and you should retain, a feeling of faithful love for our ancient common country, Italy. The new American who is ashamed of his Italian origins, is being cowardly and stupid. Who can deny the possibility that the greatest writer, the most gifted artist, the profoundest philosopher of the United States of tomorrow may be a young American whose parents were born in Piedmont or in Sicily? I assure you that such is not only possible, but probable. I have seen some of these young fellows in the American universities to which I have been invited. Those who feel ashamed of their mother because she does the washing in an old-fashioned way, instead of using an electric machine which wears out the shirts, are merely pathetic creatures. But the young American who is loyal to his new country and at the same time proud of his noble Italian origin, is one of the most hopeful elements of the United States of tomorrow, in which all faiths and all nationalities will come together in a common love of liberty and human dignity.

It is to defend this generous America of today and of tomorrow that the Government in Washington is asking all citizens and residents of the United States to invest their savings in Defense Bonds now on sale.

What is your duty? Where do your interests lie?

Your duty and your interest is to buy as many as you can.

That it is in your own immediate interests is clear; you are deciding on a good investment -- and you entitle yourselves to the respect and confidence of all Americans of other national origins.

But if these reasons alone were to determine your decision, I would not be here to talk to you.

You must know and feel, deeply and proudly, that by buying Defense Savings Bonds and other similar American bonds, you are also contributing to Italy's freedom and to the independence and greatness of the Italy of tomorrow. And you know it well -- even those among you who, for old illusions, prefer to shut your eyes to the impending perils menacing today our Italian fatherland. For Italy faces the same dangers that imperil the United States: disguised invasion today, servitude tomorrow, by those mechanized barbarians, the Nazis. A murderous demagogue has made these poor fools believe that they are endowed with Germanic racial superiority. And therefore these barbarians despise in their hearts the Italians for their "outmoded" love of liberty, and likewise despise the Americans for their "adolescent" faith in the democratic principles that were taught them by Jefferson and Lincoln.

In a Europe become Nazi, Italy would be only a German colony, and America, in her turn, would be faced with a similar danger. Today the Nazis are paying compliments to the Italians; but God

preserve you, my friends, from knowing them as masters: their overbearing vanity would make your lives a constant humiliation, not only in Italy, but here as well.

Italians of America! Happily no disagreement will ever arise between a free Italy and the United States. The same goals and the same ideals will unite us tomorrow to create a more harmonious, peaceful, and humane world.

Italians, when Italy will speak again to the world in the language of Mazzini and Garibaldi, the United States will be glad to find in a free Italy a loyal and powerful collaborator, which she lacked in the Europe of Versailles. The Italy of tomorrow has, like the United States, a great and glorious task; the peace and union of Europe -- not the false and delusive union the dictators seek to establish, which scarcely hides the greatest of all perils: that we all become slaves to the Nazis.

Italians, by helping the United States today, by buying the Defense Savings Bonds, you can proudly tell yourselves: "We are loyal to America because we want to see a really great and free Italy such as our noblest spirits, from Dante to Mazzini, have envisioned it."

APPELLO DEL CONTE SPORZA PER RADIO

AGLI ITALIANI D'AMERICA

Italiani d'America,

Vengo a parlarvi, in seno alle vostre famiglie, come un compatriota, come un amico, un amico che conosce il vostro pensiero, i vostri sentimenti, e anche alcune vostre scusabili recenti incertezze.

Voi amate questa libera America che ha offerto a tanti fra voi una piu' alta dignita' di vita quotidiana e civile. Ma voi conservate, voi dovete conservare, un sentimento di fedele amore per la nostra antica patria comune, l'Italia. Il nuovo Americano che si vergogna della sua origine italiana e' o un vile o uno sciocco. Chi puo' escludere che il piu' gran scrittore o il piu' geniale artista o il piu' profondo filosofo degli Stati Uniti di domani sara' un giovane Americano i cui parenti nacquero in Piemonte o in Sicilia? Io vi dico che non solo e' possibile, ma che e' probabile. Ne ho visto, di questi giovani, nelle Universita' americane ove sono ora invitato. Quelli che si vergognano della modesta ma si' savia e coraggiosa madre loro, perche' fa ancora il bucato all'antica invece che colle macchina elettrica che rompe le camicie, quelli sono dei miserabili che fanno ribrezzo. Ma il giovane americano che e' leale alla sua nuova patria e fiero ad un tempo della nostra nobilissima origine italiana, quello - io l'ho visto - e' spesso una delle migliori speranze degli Stati Uniti di domani, ove tutte le fedi e tutte le nazionalita' dovranno fonderai in un comune amore della liberta' e della dignita' umana.

E' per difendere questa generosa America di oggi e di domani che il governo di Washington viene a chiedere a tutti i cittadini e a tutti gli ospiti degli Stati Uniti di consacrare i loro risparmi ad acquistare i Defense Saving Bonds - buoni di risparmio per la difesa - attualmente pronti in vendita.

Qual'e' il vostro dovere, qual'e' il vostro interesse?

Il vostro dovere ed il vostro interesse e' di acquistarne il piu' che potete.

Che sia il vostro diretto immediato interesse, e' chiaro. Voi vi decidete per un buon investimento - o acquistate un titolo di rispetto e di fiducia di fronte agli americani tutti di altre origini nazionali.

Ma se soltanto questo dovesse decidervi io non verrei a parlarvi.

Voi dovete sapere e sentire - profondamente e fieramente sentire - che acquistando i Defense Saving Bonds e altri analoghi titoli americani, voi contribuite anche alla liberta' d'Italia e alla indipendenza e al prestigio dell'Italia di domani.

Voi lo sapete bene - anche quelli fra voi che, per passate illusioni, preferireste chiudere gli occhi davanti ai pericoli che sovrappongono oggi alla nostra patria italiana! L'Italia e' minacciata dallo

stesso pericolo che minaccia gli Stati Uniti: l'invasione subdola oggi, l'asservimento domani, da parte di quei barbari meccanizzati che sono i nazi - poveri stupidi cui un demagogo assassino ha fatto credere che sono investiti di una pretesa superiorita' razzista germanica, e che quindi disprezzano, in fondo al loro cuore, gli Italiani come troppo antichi e troppo amanti di liberta' - e disprezzano gli americani come degli adolescenti che credono ingenuamente nelle formule democratiche che Jefferson e Lincoln insegnaron loro. In un'Europa divenuta nazista l'Italia non sarebbe che una colonia tedesca, in attesa che l'America lo diventi alla sua volta. Oggi i nazi fan dei complimenti agli Italiani. Che Dio vi guardi, amici miei, dal conoscerli come padroni: la loro insopportabile vanita' e prepotenza renderebbe la vostra vita un'umiliazione intollerabile di tutte le ore - in Italia come qui.

Italiani d'America! Per fortuna nessun dissidio potra' mai esistere fra l'Italia libera e gli Stati Uniti. Le stesse finalita', gli stessi ideali ci uniranno domani per creare un mondo piu' armonioso, piu' pacifico, piu' umano.

Italiani, quando l'Italia riparlara' al mondo il linguaggio di Mazzini e di Garibaldi, gli Stati Uniti saranno felici di trovare nell'Italia libera la collaboratrice leale e potente che manca loro nell'Europa di Versailles.

L'Italia di domani ha - come gli Stati Uniti - un grande e glorioso compito per la pace e l'unione dell'Europa - non la folle e menzognera unione dei dittatori - che mal nasconde il piu' atroce dei pericoli: che noi tutti diventiamo schiavi dei nazi.

Italiani, aiutando oggi gli Stati Uniti, acquistando oggi i loro Defense Saving Bonds - voi potrete fieramente dire a voi stessi: - Noi siamo leali all'America - anche perche' vogliamo veder domani, al fianco suo, l'Italia veramente grande e libera, quale i nostri spiriti piu' alti, da Dante a Mazzini, la sognarono.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 21, 1941.

TO Mrs. Kletz.
FROM Mr. Sulds.

The Secretary asked me yesterday to send him some biographical information on Madame Yolanda Mero-Irion. I hope the attached is sufficient.

Irvin Sulds

Attachment.

TREASURY DEPARTMENT

WASHINGTON



DEFENSE SAVINGS STAFF

July 21, 1941.

MEMORANDUM TO THE SECRETARY

MADAME YOLANDA MERO-IRION

Madame Yolanda Mero-Irion is the wife of Hermann Irion, one of the founders of Steinway and Sons. She is a former concert pianist and is now the Executive Director of the New York Musicians' Emergency Fund. She is one of the Executive Directors of the New Opera Company which will start its season in New York early in October. Madame Irion is Chairman of the Women's National Radio Committee. This is the organization which each year makes awards to the outstanding programs on the air. Madame Irion tells me that there are more than five million members on the Committee. She has expressed her interest in the "America Preferred" program and has been very helpful in lining up concert talent. She presented the New Opera Chorus to the program this past Sunday and has suggested that we make recordings of all programs so that through the facilities of the Women's National Radio Committee, we can distribute this combination of fine music and intellectual discussion in those communities where musicians of the type who will appear on our program, never venture.

Irvin Sulds

Irvin Sulds

7-21-41

Dear Henry:

Thank you for the information which your letter of June 24 contained regarding the sale of defense bonds in Auglaize County, Ohio. I have been interested in the reaction of the various pro-German communities to our defense activities and thought that their purchase of defense bonds might be looked upon as a tangible reaction.

Sincerely,

Claude R. Wickard

The Honorable,

The Secretary of the Treasury.

To: The Secretary ✓
Mr. Graves
Mr. Sloan
Mr. Powel

July 21, 1941

From: Mr. Duffus

We are using the stamp shown on this page
to stamp all Albums purchased at "Treasury House".



SOUVENIR ALBUM
WASHINGTON, D.C.



TREASURY DEPARTMENT
WASHINGTON

July 21, 1941

Memorandum for THE SECRETARY:

The following report is made of Stamp
sales at "Treasury House"

July 1-18	\$9,877.75
July 19	<u>388.05</u>
	\$10,265.80

GRAVES



TREASURY DEPARTMENT
WASHINGTON

July 21, 1941

Memorandum for THE SECRETARY:

The following report is made of Stamp
sales at "Treasury House"

July 1-19	\$10,265.80
July 20	<u>346.80</u>
	\$10,612.60

GRAVES

TREASURY DEPARTMENT

WASHINGTON

July 21, 1941

10:30 meeting

W 2-2

~~MM~~

Memorandum for THE SECRETARY

The following report is made of requests received for "Any Bonds Today?" from the experimental mailing of 10,000 cards:

	<u>No. Requests</u>	<u>No. Copies</u>
July 1 - 18	840	5077
July 19	<u>69</u>	<u>309</u>
Total	909	5386

GRAVES

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 21, 1941

TO: Secretary Morgenthau

FROM: Mr. Hagg

Subject: Analysis of Series E defense bond sales during June 1941.

Summary

We have analyzed the State distribution of Series E bond sales during June, to measure the relative effectiveness of the sales campaigns in the different States. (Sales during May were not used in the analysis, because of indications that the results from the first month of the campaign were not representative.)

The analysis presents the following conclusions:

- (1) Sales of the Series E bonds were heavily concentrated in the industrial States, as they should have been, since these in general are States with high per capita incomes and relatively dense populations. One-third of the total sales in June were in the three States of New York, Illinois, and Pennsylvania.
- (2) To appraise the effectiveness of the sales campaigns in the different States, we have computed an index of per capita income payments to workers, by States, as of April 1941. From the relationship of these income payments to bond sales, we are able to estimate what the proportionate sales in each State would have been if each had followed the average relationship.
- (3) This also provides a method of estimating each State's proportionate share of any pre-determined total.
- (4) Of most significance are the State sales which departed widely from the sales expectations based on per capita incomes. In certain important States -- notably in California, Indiana, Iowa, and North Carolina -- the volume

- 2 -

of sales appears unduly low. In certain States, on the other hand, sales during June were well above the sales expectations -- notably in Oregon, Missouri and Oklahoma.

(5) An analysis of the proportion of bond sales made through banks and through post offices indicates that the higher than expected sales were, in general, in those States where a greater than average proportion of the bonds were sold through banks.

(6) The analysis suggests possible means of increasing the effectiveness of the general sales campaign:

(a) The reasons for the better than average results in such States as Oregon and Missouri should be studied, with a view toward discovering more successful sales methods that may be applied in other States.

(b) In States where sales have been relatively low, the cause of the lag should be investigated, and additional pressure put on the agencies that have been falling behind.

(c) While the analysis suggests that the post offices, in general, have not been as successful as the banks in selling Series E bonds, there have been some important exceptions, notably in Oklahoma. The methods used by the post offices in those States might be applied more generally.

(d) Best over-all results will apparently be obtained by concentrating sales efforts in the States with highest per capita incomes, especially those which have benefited most from the defense program, as shown by increases in income payments.

(e) In other States, intensive sales efforts might be limited to the leading cities, local industrial centers, and defense plant areas.

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ANALYSIS OF SERIES E BOND SALES, JUNE 1941

Now that sales of Series E defense bonds are available by States for the month of June, it is possible to analyze them with a view to measuring the relative effectiveness of the sales campaigns in the different States. Sales during the first month of the campaign did not provide a satisfactory basis for such an analysis, since the organization was just getting under way in some States at that time, and early sales in certain States were apparently expanded by "full limit" purchases of Series E bonds by wealthy investors.

Sales concentrated in industrial States

The sales of Series E bonds during June were heavily concentrated in a few States (chiefly industrial) having relatively large populations and relatively high per capita incomes. In Table 1, attached, the sales are ranked by States in the order of volume. It will be noted that one-third of the total sales were in the three States of New York, Illinois, and Pennsylvania. Two-thirds of the sales were in 10 States, adding Ohio, California, Michigan, New Jersey, Massachusetts, Texas, and Missouri.

The above distribution, in general, is as it should be, since the bonds are being sold in the areas where workers' money is most plentiful. This is more clearly indicated in Table 2, which shows the State sales by regions, in comparison with total payrolls in manufacturing and trade for April 1941, and with the increase in payrolls over the previous year.

Of especial importance as markets for Series E bonds, of course, are the industrial States having recent large increases in payrolls together with high average earnings per worker. In Table 3 the States are ranked according to the percentage increase in factory and trade payrolls between April 1940 and April 1941. Average earnings per worker are also shown. In this table the important industrial States are underlined where high average earnings per worker have been accompanied by large increases in payrolls, indicating productive fields for selling defense bonds. These, for the most part, are the States where the bond sales in June were largely concentrated.

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"Sales expectations" calculated

As a basis for determining the effectiveness of the sales campaigns in the individual States, a standard of performance or "sales expectation" had first to be worked out for each State. Obviously, the States should normally be expected to contribute to the total sales of Series E bonds in accordance with the respective sizes of their income payments, particularly the income payments to the moderately-low income groups.

We have accordingly computed an "index of per capita income payments to workers" by States, as of April 1941, derived from salary and wage payments and cash farm incomes. While this index does not provide a perfect coverage, owing to the inadequacy of available income data, its dependability is indicated by a definite correlation with the per capita sales of Series E defense bonds in June.

In Table 4, the index of per capita income (Column 1) is compared by States with the per capita bond sales in June (Column 2). The general correlation between the two series of figures will be noted, although sales in a few States are seen to be outstandingly above or below the general trend.

On the basis of the observed relationship between the index of workers' incomes and the per capita sales of Series E bonds in June, we have computed the "expected sales" for each State per capita, assuming that each State contributed according to the average relationship to the index of workers' incomes. (See Table 4, column 3.) This method of computing the expected sales allows for the effect of regional variations in living costs, which are correlated with per capita incomes.

In Table 5, the expected total sales by States, computed on the above basis, are compared with actual sales of Series E bonds in June, and the States are ranked according to the ratio of actual sales to expected sales.

It will be noted that among the important States ranking high in their response to the sales campaign, Oregon, Oklahoma, and Missouri were particularly outstanding, Oregon selling a volume of bonds nearly twice as large as expected. At the bottom of the list, the important States falling far below expectations included California, Indiana, Iowa, and North Carolina.

- 5 -

It will be observed that this method of determining expected sales may similarly be used for computing the proportionate share of each State in any predetermined sales total, on the basis of income payments by States.

Sales expectations based on total incomes

For an approximate check on the expected sales as computed from the workers' income index, we have made similar computations based on total income payments by States. The most recent State figures on total income payments are those for the calendar year 1939, which do not reflect changes that may have occurred in the relative income positions of the different States since that year. Nevertheless, the expected sales calculated on this basis (see Table 6) show the important States in about the same relative positions as do the expected sales calculated from the workers' income index. California, for example, is again near the bottom of the list, while Oregon, Oklahoma, and Missouri are at the top.

It is of interest that the June sales of Series E bonds by States show a closer relationship to 1939 income payments than did the sales of Series D savings bonds in the year 1939. This seems to indicate that the present campaign is more effective, and exploits the sales possibilities in the various States more uniformly, than did the 1939 sales campaign.

Sales campaigns by banks apparently more effective

In seeking the causes of relatively high sales in certain States and relatively low sales in others, it was noted that the more successful campaigns, as a rule, were those in which larger proportions of the sales were made through banks. On the other hand, in California, North Carolina, Indiana, and Iowa -- important States in which sales were substantially below expectations -- the proportions of sales made through banks were in all cases below average. (See Table 7.)

This suggests that the success of the campaign during June depended strongly on the sales efforts of the banks, and that the post offices as a rule played a less important part. There were a few exceptions, however, notably in Oklahoma, where total sales were far above expectations and the larger proportion of them were made through post offices.

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Conclusions

The analysis of Series E bond sales suggests certain lines of action that should tend to increase the total volume of sales:

(1) The reasons for the better than average results in Oregon, Missouri, Oklahoma and certain other States should be studied with a view toward discovering better sales methods that may be applied more generally over the United States. It will probably be found that bank-sponsored campaigns have accounted for the good results in many cases, since the post offices have apparently been less aggressive. The active part taken by the post offices in such States as Oklahoma, however, could well serve as an example to other States.

(2) In States where the sales have been below expectations, the causes of these lags should be investigated, and additional pressure put on agencies that have been falling behind.

(3) The defense bond campaign should continue to be concentrated chiefly in the States with high per capita incomes, particularly those which have benefited most from the defense program. In States with relatively low per capita incomes, intensive sales efforts may be limited to the leading cities, local industrial centers, and defense plant areas.

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Table 1
Sales of Series E Defense Bonds in June 1941,
ranked by States

State	Sales in thousands of dollars	Percent of United States total	Cumulative total
New York	18,421	18.7	18.7
Illinois	7,320	7.4	26.1
Pennsylvania	7,181	7.3	33.4
Ohio	5,517	5.6	39.0
California	4,925	5.0	44.0
Michigan	4,782	4.8	48.8
New Jersey	4,742	4.8	53.6
Massachusetts	4,423	4.5	58.1
Texas	4,222	4.3	62.4
Missouri	3,903	4.0	66.4
Wisconsin	2,491	2.5	68.9
Connecticut	2,013	2.0	70.9
Washington	1,952	2.0	72.9
Indiana	1,835	1.9	74.8
Minnesota	1,806	1.8	76.6
Oregon	1,689	1.7	78.3
Iowa	1,398	1.4	79.7
Maryland	1,398	1.4	81.1
Oklahoma	1,325	1.3	82.4
Florida	1,235	1.3	83.7
District of Columbia	1,184	1.2	84.9
Virginia	1,160	1.2	86.1
Kentucky	1,011	1.0	87.1
Kansas	979	1.0	88.1
Colorado	899	.9	89.0
Louisiana	862	.9	89.9
Tennessee	861	.9	90.8
Georgia	801	.8	91.6
Alabama	783	.8	92.4
North Carolina	731	.7	93.1
Nebraska	703	.7	93.8
Rhode Island	667	.7	94.5
West Virginia	599	.6	95.1
Maine	510	.5	95.6
Arkansas	502	.5	96.1
Mississippi	447	.5	96.6
South Carolina	422	.4	97.0
Arizona	390	.4	97.4

Continued

Table 1
Sales of Series E Defense Bonds in June 1941,
ranked by States

State	Sales in thousands of dollars	Percent of United States total	Cumulative total
New York	18,421	18.7	18.7
Illinois	7,320	7.4	26.1
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Michigan	4,782	4.8	48.8
New Jersey	4,742	4.8	53.6
Massachusetts	4,423	4.5	58.1
Texas	4,222	4.3	62.4
Missouri	3,903	4.0	66.4
Wisconsin	2,491	2.5	68.9
Connecticut	2,013	2.0	70.9
Washington	1,952	2.0	72.9
Indiana	1,835	1.9	74.8
Minnesota	1,806	1.8	76.6
Oregon	1,689	1.7	78.3
Iowa	1,398	1.4	79.7
Maryland	1,398	1.4	81.1
Oklahoma	1,325	1.3	82.4
Florida	1,235	1.3	83.7
District of Columbia	1,184	1.2	84.9
Virginia	1,160	1.2	86.1
Kentucky	1,011	1.0	87.1
Kansas	979	1.0	88.1
Colorado	899	.9	89.0
Louisiana	862	.9	89.9
Tennessee	861	.9	90.8
Georgia	801	.8	91.6
Alabama	783	.8	92.4
North Carolina	731	.7	93.1
Nebraska	703	.7	93.8
Rhode Island	667	.7	94.5
West Virginia	599	.6	95.1
Maine	510	.5	95.6
Arkansas	502	.5	96.1
Mississippi	447	.5	96.6
South Carolina	422	.4	97.0
Arizona	390	.4	97.4

Continued

Table 1 (Continued)
 Sales of Series E Defense Bonds in June 1941,
 ranked by States

State	Sales in thousands of dollars	Percent of United States total	Cumulative total
Montana	386	.4	97.8
New Hampshire	267	.3	98.1
Utah	265	.3	98.4
Delaware	260	.3	98.7
Idaho	258	.3	99.0
North Dakota	234	.2	99.2
South Dakota	233	.2	99.4
Vermont	209	.2	99.6
Wyoming	178	.2	99.8
New Mexico	129	.1	99.9
Nevada	88	.1	100.0
Total	98,596	100.0	-

Table 2

Series E bond sales, June 1941, and factory
and trade payrolls, April 1941, by States

State and region	Bond sales June 1941 (\$thousands)	Payrolls 1/ April 1941 (\$millions)	Change in pay- rolls, April '40 to April '41 (\$millions)
New England			
Connecticut	2,013	52.2	17.0
Maine	510	11.2	2.5
Massachusetts	4,423	90.2	21.5
New Hampshire	267	7.7	1.8
Rhode Island	667	17.3	5.3
Vermont	209	3.9	.9
Total	<u>8,089</u>	<u>182.6</u>	<u>49.1</u>
Middle Atlantic			
New Jersey	4,742	91.1	24.5
New York	18,421	260.7	49.1
Pennsylvania	7,181	175.2	43.7
Total	<u>30,344</u>	<u>527.0</u>	<u>117.3</u>
East North Central			
Illinois	7,320	144.6	31.3
Indiana	1,835	59.2	15.1
Michigan	4,782	134.9	24.9
Ohio	5,517	147.8	42.3
Wisconsin	2,491	44.2	9.7
Total	<u>21,945</u>	<u>530.7</u>	<u>123.3</u>
East South Central			
Alabama	783	18.1	5.1
Kentucky	1,011	13.8	2.6
Mississippi	447	6.0	.7
Tennessee	861	20.0	3.3
Total	<u>3,102</u>	<u>57.9</u>	<u>11.7</u>
West South Central			
Arkansas	502	5.8	.9
Louisiana	862	13.7	2.2
Oklahoma	1,325	9.4	1.0
Texas	4,222	38.2	4.0
Total	<u>6,911</u>	<u>67.1</u>	<u>8.1</u>

(Continued)

Table 2 (Continued)

Series E bond sales, June 1941, and factory
and trade payrolls, April 1941, by States

State and region	Bond sales June 1941 (\$thousands)	Payrolls 1/ April 1941 (\$millions)	Change in pay- rolls, April '40 to April '41 (\$millions)
Mountain			
Arizona	390	2.5	.0
Colorado	899	8.9	1.2
Idaho	258	3.3	.6
Montana	386	3.7	.4
Nevada	88	.9	.0
New Mexico	129	1.6	.0
Utah	265	5.8	1.2
Wyoming	178	1.3	.0
Total	<u>2,593</u>	<u>28.1</u>	<u>3.5</u>
West North Central			
Iowa	1,398	17.6	2.2
Kansas	979	9.8	1.5
Minnesota	1,806	24.3	2.4
Missouri	3,903	40.9	5.5
Nebraska	703	7.1	.6
North Dakota	234	2.0	.1
South Dakota	233	2.1	.0
Total	<u>9,256</u>	<u>103.8</u>	<u>12.4</u>
South Atlantic			
Delaware	260	4.5	1.0
District of Columbia	1,184	7.8	.7
Florida	1,235	13.7	1.7
Georgia	801	22.0	4.4
Maryland	1,398	29.1	6.5
North Carolina	731	30.8	5.7
South Carolina	422	13.7	2.6
Virginia	1,160	22.8	4.4
West Virginia	599	15.0	2.8
Total	<u>7,790</u>	<u>159.5</u>	<u>29.7</u>

(Continued)

Table 2 (Continued)

Series E bond sales, June 1941, and factory
and trade payrolls, April 1941, by States

State and region	Bond sales June 1941 (\$thousands)	Payrolls ^{1/} April 1941 (\$millions)	Change in pay- rolls, April '40 to April '41 (\$millions)
Pacific			
California	4,925	107.3	23.0
Oregon	1,689	15.7	3.4
Washington	1,952	26.3	5.5
Total	<u>8,566</u>	<u>149.2</u>	<u>31.9</u>

^{1/} Payrolls in manufacturing industries and in wholesale and retail trade, derived from Department of Labor data.

Table 3

Average earnings per worker in manufacturing and trade, April 1941, and percentage increase in average earnings April 1940 to April 1941

State	Average earnings per worker, annual rate (dollars)	Increase in average earnings (percent)
Arkansas	1,005	23.5
Alabama	977	18.7
Ohio	1,524	16.3
Connecticut	1,424	15.6
Rhode Island	1,226	15.3
Pennsylvania	1,380	15.2
Maine	1,095	14.4
Oregon	1,440	14.3
Indiana	1,357	12.3
Vermont	1,143	11.6
Massachusetts	1,287	11.2
Georgia	878	11.0
New Hampshire	1,071	10.8
New Jersey	1,390	10.7
West Virginia	1,261	10.7
South Carolina	820	10.4
Virginia	1,024	9.5
Delaware	1,292	9.3
Tennessee	964	9.3
Kentucky	1,063	9.0
Maryland	1,204	8.9
Wisconsin	1,330	8.7
Utah	1,669	8.7
Illinois	1,373	8.4
California	1,417	8.2
Washington	1,467	7.7
North Carolina	867	7.7
New York	1,457	7.0
Nebraska	1,053	6.4
Kansas	1,015	5.6
Colorado	1,236	5.6
Missouri	1,171	5.3
Louisiana	911	4.6
Florida	904	4.4

(Continued)

Table 3 (Continued)

Average earnings per worker in manufacturing and trade, April 1941, and percentage increase in average earnings April 1940 to April 1941

State	Average earnings per worker, annual rate (dollars)	Increase in average earnings (percent)
Iowa	1,084	4.3
Montana	1,258	3.3
Michigan	1,625	3.2
Arizona	1,153	2.7
Minnesota	1,198	2.2
Oklahoma	1,010	1.9
Idaho	1,128	1.9
North Dakota	979	1.0
District of Columbia	1,322	0.5
Texas	994	0.3
Mississippi	750	0.3
New Mexico	963	- 1.8
South Dakota	877	- 1.9
Wyoming	1,204	- 3.6
Nevada	1,286	- 3.8

Derived from Department of Labor data, covering payrolls and workers employed in manufacturing and in wholesale and retail trade.

States underlined are important manufacturing States with high average earnings per worker showing largest percentage increases in average earnings.

Table 4

Actual sales of Series E bonds, and expected sales, June 1941, and index of workers' income, April 1941

State	Per capita income index $\frac{1}{2}$ April 1941 (U. S. average = 100)	Actual bond sales June 1941 (Dollars per capita)	Expected sales
District of Columbia	214	1.79	1.66
Connecticut	162	1.18	1.21
Nevada	155	.80	1.15
California	138	.71	1.00
New York	138	1.37	1.00
Michigan	137	.91	.99
Wyoming	132	.71	.95
Illinois	130	.92	.93
Ohio	128	.80	.91
Rhode Island	127	.94	.90
New Jersey	125	1.14	.89
Massachusetts	124	1.02	.88
Washington	123	1.12	.87
Iowa	122	.55	.86
Delaware	120	.98	.85
Montana	116	.69	.80
Wisconsin	115	.79	.80
Indiana	114	.54	.79
Vermont	113	.58	.78
Oregon	111	1.55	.77
Pennsylvania	111	.73	.77
Arizona	111	.78	.76
Maryland	111	.77	.76
Minnesota	106	.65	.72
Colorado	102	.80	.68
Idaho	100	.49	.67
New Hampshire	97	.54	.65
Maine	97	.60	.64
Nebraska	96	.53	.64
Kansas	92	.54	.60
Florida	92	.65	.60
Missouri	91	1.03	.59
Utah	90	.48	.58
South Dakota	84	.36	.53
North Dakota	79	.36	.49
Texas	75	.66	.45

(Continued)

Table 4 (Continued)

Actual sales of Series E bonds, and expected sales, June 1941, and index of workers' income, April 1941

State	Per capita income index ^{1/} April 1941 (U. S. average = 100)	Actual bond sales June 1941 (Dollars per capita)	Expected sales
Virginia	72	.43	.43
West Virginia	70	.31	.41
New Mexico	63	.24	.35
Louisiana	62	.36	.35
Oklahoma	58	.57	.32
North Carolina	56	.20	.30
Tennessee	55	.30	.30
South Carolina	54	.22	.28
Georgia	53	.26	.28
Kentucky	51	.36	.27
Alabama	49	.28	.25
Arkansas	44	.26	.22
Mississippi	34	.20	.16

^{1/} Index of per capita income of workers, April 1941, derived from salaries and wages and cash farm income.

Table 5

Sales of Series E defense bonds, June 1941

Actual sales, and expected sales based on an index of income payments to workers

State	Actual sales (Thousands of dollars)	Expected sales (Thousands of dollars)	Percent actual of expected
Oregon	1,689	884	191
Oklahoma	1,325	777	171
Missouri	3,903	2,362	165
Texas	4,222	3,035	139
New York	18,421	14,176	130
Kentucky	1,011	806	125
Mississippi	447	360	124
Washington	1,952	1,601	122
New Jersey	4,742	3,915	121
Arkansas	502	447	112
Colorado	899	812	111
Massachusetts	4,423	4,020	110
Delaware	260	239	109
Alabama	783	754	104
Florida	1,235	1,199	103
District of Columbia	1,184	1,164	102
Louisiana	862	864	100
Rhode Island	667	680	98
Arizona	390	402	97
Virginia	1,160	1,207	96
Maryland	1,398	1,466	95
Tennessee	861	908	95
Illinois	7,320	7,748	94
Wisconsin	2,491	2,641	94
Connecticut	2,013	2,179	92
Pennsylvania	7,181	8,018	90
Maine	510	572	89
Georgia	801	910	88
Michigan	4,782	5,511	87
Kansas	979	1,139	86
Minnesota	1,806	2,120	85
Ohio	5,517	6,668	83
Montana	386	475	81
New Hampshire	267	336	79

(Continued)

Table 5 (Continued)

Sales of Series E defense bonds, June 1941

Actual sales, and expected sales based on an index of income payments to workers

State	Actual sales (Thousands of dollars)	Expected sales (Thousands of dollars)	Percent actual of expected
Nebraska	703	885	79
Utah	265	338	78
South Carolina	422	566	75
West Virginia	599	824	73
North Dakota	234	329	71
Wyoming	178	252	71
Vermont	209	298	70
Idaho	258	372	69
California	4,925	7,316	67
Nevada	88	134	66
New Mexico	129	199	65
South Dakota	233	360	65
Indiana	1,835	2,867	64
North Carolina	731	1,147	64
Iowa	1,398	2,314	60
Total	98,596	98,596	-

Table 6

Series E Defense Bonds, June 1941

Actual sales, and expected sales based on
per capita incomes in 1939

State	Actual sales (Thousands of dollars)	Expected sales (Thousands of dollars)	Percent actual of expected
Oregon	1,689	834	203
Mississippi	447	231	194
Missouri	3,903	2,367	165
Alabama	783	519	151
Oklahoma	1,325	879	151
Arkansas	502	361	139
Texas	4,222	3,132	135
Arizona	390	296	132
Washington	1,952	1,534	127
Kentucky	1,011	834	121
New Jersey	4,742	3,990	119
Wisconsin	2,491	2,137	117
Colorado	899	811	111
Florida	1,235	1,132	109
Kansas	979	914	107
New York	18,421	17,612	105
Tennessee	861	832	103
Michigan	4,782	4,626	103
Nebraska	703	693	101
Connecticut	2,013	2,045	98
Illinois	7,320	7,498	98
South Carolina	422	439	96
Iowa	1,398	1,460	96
Massachusetts	4,423	4,640	95
Virginia	1,160	1,225	95
Minnesota	1,806	1,923	94
Maine	510	544	94
Louisiana	862	921	94
Rhode Island	667	713	94
Georgia	801	867	92
Ohio	5,517	6,132	90
Vermont	209	234	89
Maryland	1,398	1,571	89
Montana	386	436	89
North Dakota	234	264	89
Pennsylvania	7,181	8,158	88

Continued

Table 6 (Continued)

Series E Defense Bonds, June 1941

Actual sales, and expected sales based on
per capita incomes in 1939

State	Actual sales (Thousands of dollars)	Expected sales (Thousands of dollars)	Percent actual of expected
District of Columbia	1,184	1,362	87
Idaho	258	308	84
South Dakota	233	279	84
Utah	265	320	83
Indiana	1,835	2,289	80
Wyoming	178	230	77
New Hampshire	267	352	76
Delaware	260	361	72
New Mexico	129	180	72
West Virginia	599	844	71
North Carolina	731	1,061	69
Nevada	88	140	63
California	4,925	8,066	61
Total	98,596	98,596	-

Table 7

Percentage of Series E bond sales distributed
by banks, June 1941, by States

State	Percent	State	Percent
District of Columbia	78.9	Utah	53.6
Oregon	76.6	Louisiana	52.4
Connecticut	74.8	Nevada	52.3
Arizona	72.6	Wyoming	52.2
Washington	68.4	Wisconsin	49.7
New York	68.2	New Mexico	49.6
New Jersey	68.0	North Carolina	49.2
Idaho	67.4	Mississippi	49.0
Pennsylvania	65.4	Vermont	48.8
Missouri	65.2	Kentucky	47.6
Massachusetts	64.8	South Dakota	47.6
Alabama	63.7	California	46.4
Michigan	63.5	Illinois	46.2
Rhode Island	62.5	Indiana	43.7
Maine	59.6	North Dakota	41.9
South Carolina	58.5	Colorado	41.4
Maryland	58.4	Minnesota	40.8
Florida	58.2	Kansas	40.7
Texas	56.1	West Virginia	40.1
New Hampshire	55.8	Oklahoma	39.6
Ohio	55.2	Montana	38.6
Delaware	55.0	Arkansas	35.1
Georgia	54.1	Iowa	34.3
Virginia	54.0	Nebraska	28.6
Tennessee	53.7		

UNITED STATES SAVINGS BONDS

Sales in July Compared with June, 1941
On Basis of Issue Price

First Sixteen Business Days
(June 1-19, July 1-19)

(Amounts in thousands of dollars)

Item	Sales		Increase or Decrease (-) in July Compared with June	
	July	June	Amount	Percent
Series E - Post Offices	\$ 33,126	\$ 26,002	\$ 7,124	27.4%
Series E - Banks	<u>59,786</u>	<u>38,887</u>	<u>20,899</u>	<u>53.7</u>
Series E - Total	92,912	64,889	28,023	43.2
Series F - Banks	15,700	20,672	- 4,972	- 24.1
Series G - Banks	<u>100,506</u>	<u>130,845</u>	- <u>30,339</u>	- <u>23.2</u>
Total	<u>\$209,119</u>	<u>\$216,406</u>	- \$ <u>7,287</u>	- <u>3.4%</u>

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

July 21, 1941.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States Savings Bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS

CONFIDENTIAL

Daily Sales - July 1941
On Basis of Issue Price

(In thousands of dollars)

Date	All Bond Sales				Post Office Bond Sales	Bank Bond Sales				
	Total	Series E	Series F	Series G		Series E	Total	Series E	Series F	Series G
July 1941										
1	\$ 9,505	\$ 2,387	\$ 957	\$ 6,160	\$ 595	\$ 8,910	\$ 1,793	\$ 957	\$ 6,160	
2	11,612	4,066	845	6,701	1,735	9,877	2,331	845	6,701	
3	15,045	4,903	843	9,299	2,077	12,969	2,827	843	9,299	
5	22,900	9,589	2,437	10,875	3,191	19,709	6,397	2,437	10,875	
7	11,028	6,315	472	4,242	3,908	7,120	2,407	472	4,242	
8	11,226	4,867	1,197	5,162	1,346	9,881	3,522	1,197	5,162	
9	16,570	6,277	880	9,413	2,229	14,341	4,048	880	9,413	
10	11,430	6,018	605	4,808	2,459	8,972	3,559	605	4,808	
11	16,311	8,504	1,197	6,610	2,405	13,905	6,098	1,197	6,610	
12	12,689	4,482	860	7,347	1,672	11,017	2,810	860	7,347	
14	13,435	7,754	1,046	4,636	3,060	10,375	4,693	1,046	4,636	
15	10,083	4,754	602	4,728	1,458	8,625	3,296	602	4,728	
16	11,994	5,541	808	5,645	1,645	10,349	3,896	808	5,645	
17	15,332	6,213	1,189	7,930	1,799	13,533	4,414	1,189	7,930	
18	12,404	6,730	836	4,837	2,042	10,362	4,689	836	4,837	
19	7,553	4,513	926	2,114	1,505	6,048	3,007	926	2,114	
Total	\$209,119	\$ 92,912	\$ 15,700	\$100,506	\$ 33,126	\$ 175,993	\$ 59,786	\$ 15,700	\$100,506	

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

July 21, 1941.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States Savings Bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

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TREASURY DEPARTMENT
WASHINGTON

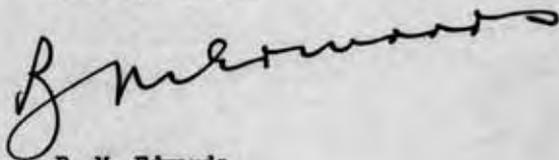
July 21, 1941.

PERSONAL

Dear Mr. Morgenthau:

When I returned to my office this afternoon from the conference in your office, I found that Mr. P. D. Houston, President of the American Bankers Association, had called to see me. He was in a hurry to take the four o'clock plane to New York and left before I got back to my office. Therefore, I did not get to see or talk with him.

Sincerely yours,



B. M. Edwards

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 21, 1941

TO Secretary Morgenthau

FROM Mr. Coshran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£52,000
Purchased from commercial concerns	£84,000

Of the £84,000 purchased, £75,000 were bought from the Nestles Company, New York.

In the open market, sterling was again quoted at 4.03-3/4, and there were no reported transactions.

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

Canadian dollar	11-1/2% discount
Argentine peso (free)	.2380
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 was unchanged at 5-5/16¢, and sterling remained at 3.94-1/4.

The Swiss National Bank, in a cable sent to one of the New York banks today, stated that its buying rate for dollars was now 4.30 Swiss francs per dollar, equivalent to .2325-1/2 per Swiss franc. The Bank's former buying rate was 4.30-1/2, equivalent to .2322-7/8. On remittances, the Bank stated that its buying rate was 4.29, equivalent to .2331.

We sold \$10,000,000 in gold to the Central Bank of the Argentine Republic, which was added to its earmarked account.

No new gold engagements were reported.

In London, spot silver was fixed at 23-7/16d, up 1/16d. The forward quotation was also 23-7/16d, unchanged. The U.S. equivalent of this price is 42.55¢.

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 34-3/4¢.

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We made five purchases of silver amounting to 400,000 ounces under the Silver Purchase Act, all of which were bought for forward delivery. Of this amount, 175,000 ounces represented new production from Peru, and 225,000 ounces represented new production from various foreign countries.

We also purchased 75,000 ounces from the Bank of Canada under our regular monthly agreement.

A handwritten signature in dark ink, appearing to be 'B.M.P.', is centered on the page.

CONFIDENTIAL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE July 21, 1941

TO Secretary Morgenthau
 FROM Mr. Haas
 Subject: The Business Situation,
 Week ending July 19, 1941

Summary

(1) The rise in sensitive commodity prices has tapered off somewhat. Nevertheless, the BLS all-commodity index rose 0.4 point to 88.1 in the week ended July 12. As a result the index stood at the highest level since the week ended April 3, 1937, when the peak for that year was reached at 88.3. With that exception, the all-commodity index has reached the highest level since 1930.

(2) The New York Times index of weekly business activity declined nearly 2 points in the week ended July 12, making a total decline of 4.2 points in two weeks from the record high of 132.8 reached at the end of June. However, inaccurate allowance for holiday influences has probably distorted the recent movement of this index. Thus, Barron's index of business activity in the week ended July 12 rose 0.7 point to a new high at 139.2.

(3) New freight cars on order on July 1 totaled nearly 93,000 -- the largest number on order since 1923. However, deliveries of new freight cars have been lagging and it is now estimated that the number on hand by October 1 will fall 20,000 short of earlier predictions.

(4) The scarcity of steel scrap is regarded as a threat to a continuation of near capacity operations in the steel industry. Steel operations last week rose 0.4 point to 97.2 percent of capacity but were still 2.7 points below the level reached at the end of June.

(5) The value of United States exports of domestic merchandise in May, totalling \$376,000,000, was virtually unchanged from the previous month. Agricultural exports, which have been stimulated by lend-lease arrangements, reached year-earlier levels for the first time since last July.

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- 2 -

The general situation

The initial recovery in business activity from the July 4 holiday week has faltered somewhat in such basic lines as steel operations, cotton mill activity, and miscellaneous freight traffic. On the other hand, electric power output has jumped to a new high and automobile production is showing less than the usual seasonal decline. At the same time heavy construction contracts continue to be awarded in very heavy volume with the total last week again running over \$200,000,000, although somewhat below the previous week's record figure.

The stock market has shown a tendency to flatten out after its recent rise and the volume of trading has dropped off. The upward surge in sensitive commodity prices has tapered off somewhat, although some commodities have shown further strength and the broad BLS index has risen to a new high.

Basic commodity price index slightly higher

Although prices of foodstuffs were a trifle lower at the end of the week, industrial material prices showed a further gradual rise (see Chart 1) with the result that the BLS index of 28 basic commodities rose fractionally during the week ended July 18. Partly due to the rise in cotton prices, the Dow Jones futures index last Tuesday reached the highest level since 1937, but by the end of the week the index had fallen slightly below the previous week's close.

The imposition of price ceilings and other forms of Government control is materially cutting into the volume of futures transactions in certain commodities. Thus, when the New York Commodity Exchange recently cut down its staff, it was pointed out that only one out of the 7 commodities traded on that exchange was not subject to some form of control.

BLS all-commodity index again higher

The BLS all-commodity index (nearly 900 commodities) rose 0.4 to 88.1 in the week ended July 12, reaching a new high since the week ended April 3, 1937 when the index stood at 88.3. With this sole exception the index now stands at a higher level than at any time since 1930.

Weekly business indexes show divergent trends

The New York Times weekly index of business activity declined nearly 2 points in the week ended July 12. This decrease carried the index down to 128.6, or 4.2 points below the record high reached in the last week in June. (See Chart 2, top section.) However, the spurt in the index in the period preceding the July 4 holiday week, and subsequent reaction, probably reflects to some extent inaccurate allowance for holiday factors. Thus, Barron's index of business activity in the week ended July 12 ran counter to the Times index and rose .7 to a new high at 139.2

The strongest sustaining factor in the Times index during the week mentioned was a rise in electric power production to a new record high. (Refer to Chart 2, middle section.) This strong showing was partly due to increased hydroelectric power output in the southern States as a result of recent rainfall. Heavy rains between July 2 and July 14 resulted in a substantial gain in reservoir storage of hydroelectric plants in the south-eastern States, although water reserves are still far below normal. While these rains have somewhat eased the power shortage prevailing in that area, it is reported that curtailment of power use will have to be continued.

Index of cotton mill activity declines

After climbing sharply in June, the New York Times seasonally adjusted index of cotton mill activity, as originally reported, showed a further sharp rise in the first week in July. However, a downward revision has now been made in the index for the week mentioned, and a further decline is shown for the week ended July 12. (Refer to Chart 2, middle section.) While the index still stands at a very high level, the decline in this component has been a prime factor in the drop in the New York Times index of business activity thus far this month.

Although cotton mills are understood to be sold ahead solidly for several months to come, trading in the goods market recently has been upset by the price ceilings set for certain kinds of cotton goods near the end of last month by OPACS. During the past week conferences have been held between cotton trade representatives and OPACS officials, and at the end of the week it was announced that certain

- 4 -

upward adjustments would be made in the price ceilings originally invoked. While the actual effect of this action remains to be seen, the upward revision has been received with approval by the textile trade, and appears likely to release a heavy volume of orders that had recently been held in abeyance.

Total freight carloadings in the week ended July 12 recovered sharply from the decline of the previous holiday week, but they are still somewhat below the levels of late June. (Refer to Chart 2, lower section.) While loadings of ore have moved up to an all-time high, coal and miscellaneous freight loadings are still below pre-holiday figures. During the first week of July, holiday periods in both anthracite and bituminous coal mines apparently retarded the normal coal movement. Bituminous coal production in the first week in July fell below year-earlier levels, but production in the following week rebounded and ran 15 percent above the corresponding week in 1940. (Refer to Chart 2, lower section.)

Freight car orders gain but deliveries lag

In order to cope with the rising volume of traffic, the railroads stepped up the number of new freight cars on order on July 1 to nearly 93,000 -- an increase of approximately 28,000 in a month and the largest number of cars on order since 1923. However, actual installations of new cars in the first 6 months of the year totalled 36,000, or about the same number as were installed in the first half of 1940. Car builders have been hampered by inability to obtain materials, particularly steel plates, and the Defense Transportation Commissioner recently stated that deliveries of freight cars may fall 20,000 cars short of the goal originally set for October 1 of this year.

Steel scrap shortage threatens capacity steel operations

The shortage of steel scrap is reported to be getting even more serious, and continues to be a threat to the maintenance of near-capacity operations in the steel industry. During the past week the mid-year convention of the Institute of Scrap Iron and Steel called upon the OPM and OPACS to act upon recommendations made by the Scrap Advisory Committee on June 10 for enlarging the supply of steel scrap. Among the recommendations were an accelerated campaign of

- 5 -

wrecking old automobiles, the promotion of a national salvage week, and more liberal price measures to encourage a flow of scrap from remote areas. Meanwhile the tightness in the supply of steel scrap is further complicated by the fact that pig iron supply is also tight, with inventories of many consumers seriously depleted.

The problem of curtailment in the production of civilian goods has been brought nearer to crystallization by the action of OPACS in announcing last week a contemplated reduction of 50 percent in the output of automobiles, refrigerators, washing machines and ironers. This will release for defense uses important amounts of steel, aluminum, zinc, copper, and other metals.

Further rise in steel order backlog

New orders booked by the U. S. Steel Corporation in June declined about 13 percent from the previous month, but the backlog of unfilled orders showed a further rise as shipments still ran behind the lower volume of new orders. (See Chart 3.) Finished steel shipments of the Corporation were moderately below the May total, but this was more than accounted for by the fewer number of working days in the month. On a daily average basis, shipments actually exceeded the previous peak, reached in March, by a slight margin. Reference to the upper section of Chart 3 will disclose that, with the output of the Corporation at virtual capacity, monthly shipments since March have not varied widely.

In order to provide a more accurate appraisal of the unfilled-orders situation in the industry, steel companies last week were submitting to the Iron and Steel Industry Committee a new analysis of orders and backlogs. These figures were divided into four classifications, consisting of (1) defense, (2) other domestic business, (3) British and (4) other exports.

Steel operations last week rose 0.4 point to 97.2 percent of capacity, a figure which is still 2.7 points below the rate prevailing in the week before the July 4 holiday week. During the current week operations are scheduled but moderately higher at 97.9 percent of capacity.

- 6 -

New orders moderately higher

Our index of new orders in the second week in July rose to 219.9 from 216.1 in the previous week. (See Chart 4.) The rise in the index was due to a 22 percent increase in steel orders to the highest level since the first week in May. Textile orders dropped back to the level reached at the end of June and orders for all other products than steel and textiles declined moderately.

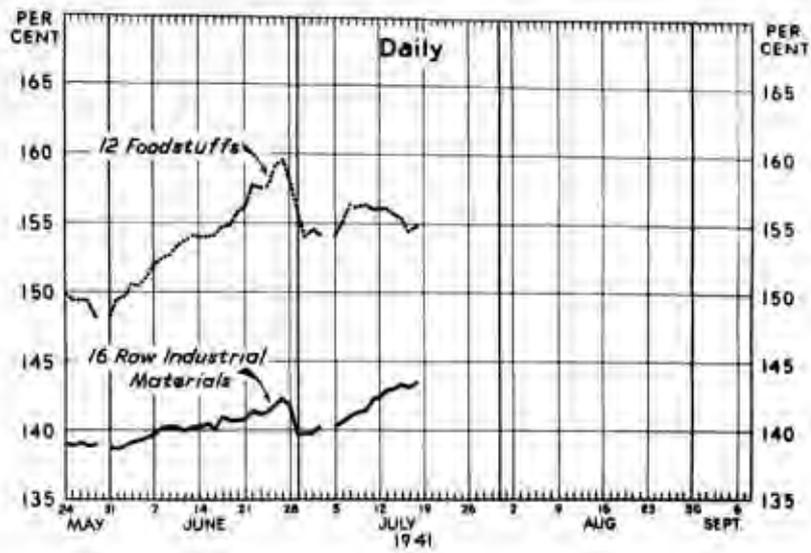
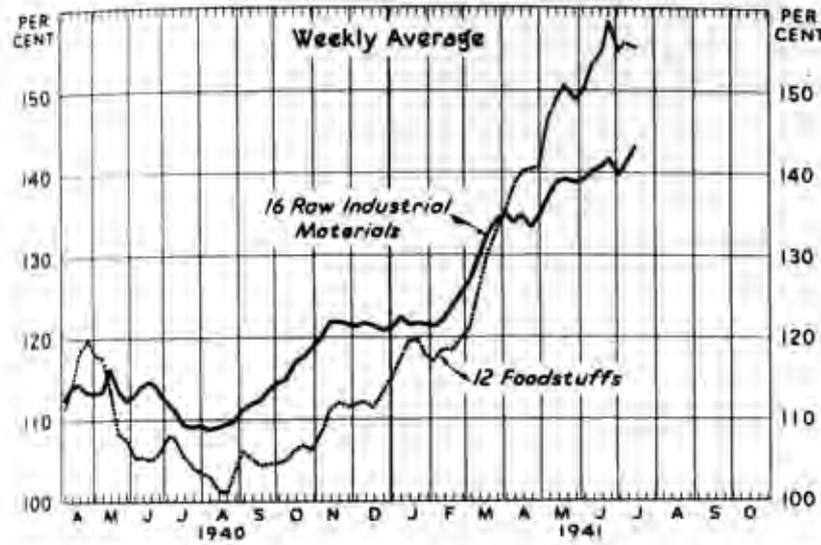
Agricultural exports higher in May

Export figures for May, just released by the Department of Commerce near the end of last week, reveal that total exports of United States merchandise were virtually unchanged from April at \$576,000,000. During the month, however, a significant increase occurred in agricultural exports as a result of shipments made under the provisions of the lend-lease law. Although still running abnormally low -- only 10 percent of the total -- agricultural exports in May rose 31 percent above the previous month and reached year-earlier levels for the first time since last July. (See Chart 5.) Exports of dairy products were nearly 5 times greater than in May 1940, while exports of dried fruits were nearly 7 times greater than in the corresponding month last year.

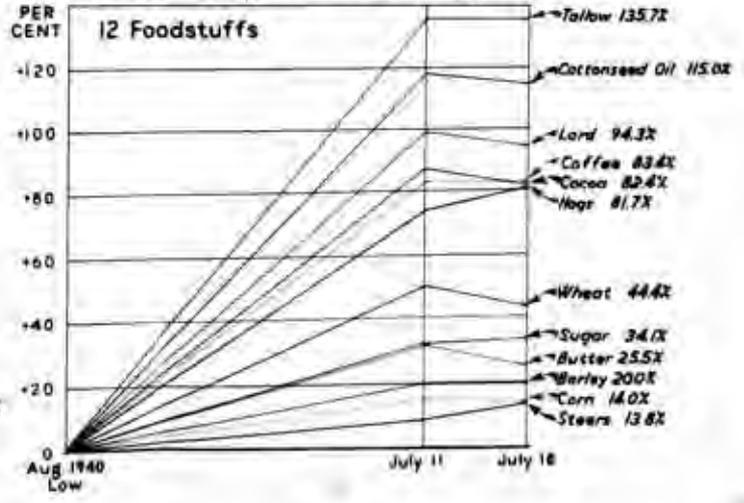
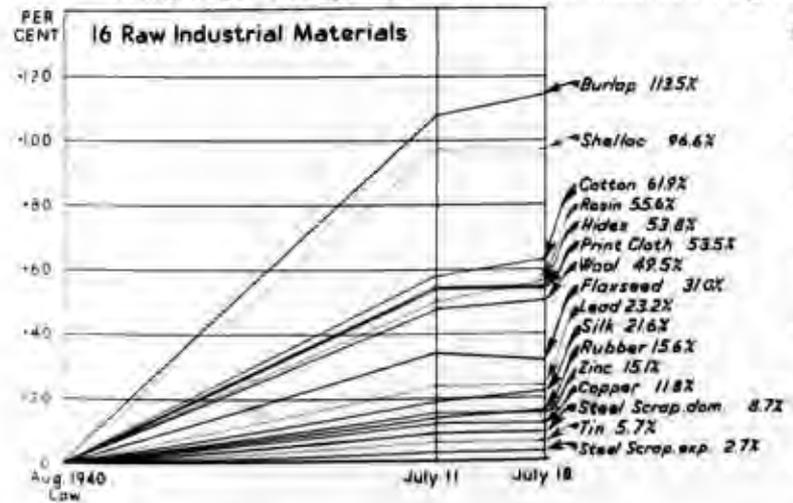
On the other hand, the leading non-agricultural exports -- machinery, aircraft, and iron and steel -- all showed declines in May. (Refer to Chart 5.) Aircraft exports totaling \$54,000,000 were 19 percent below the previous month, but were still above any other month on record.

MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100

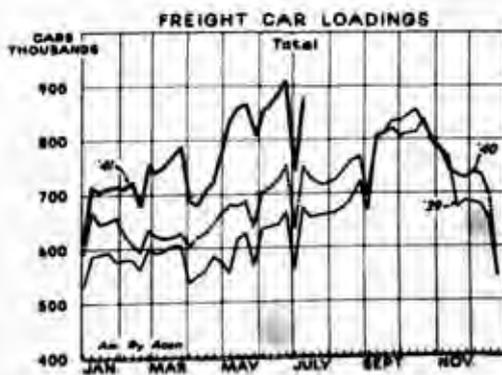
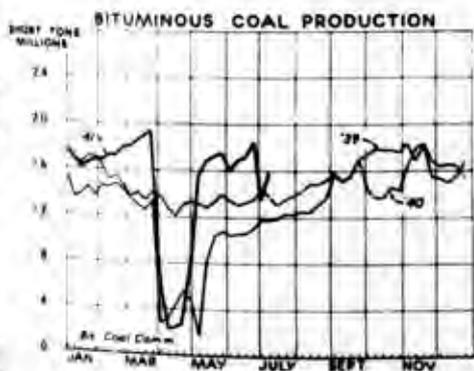
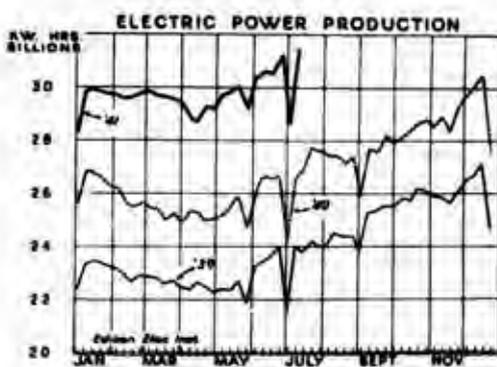
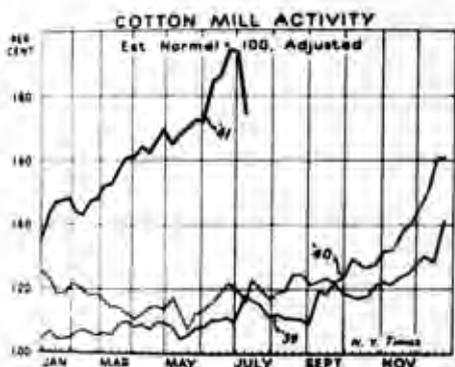
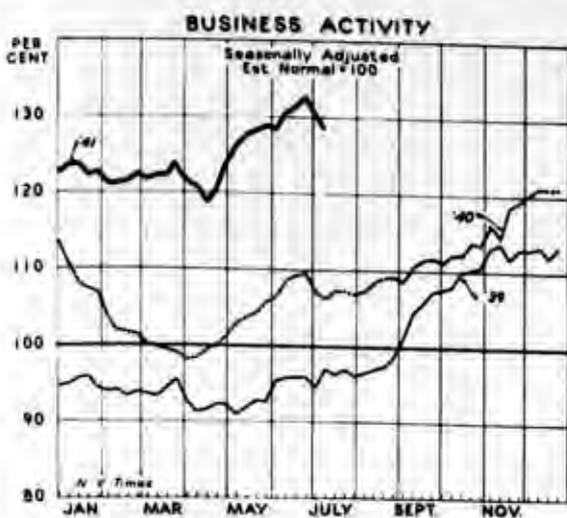


Percentage Change for Individual Commodities, August 1940 Low to July 11 and to July 18, 1941

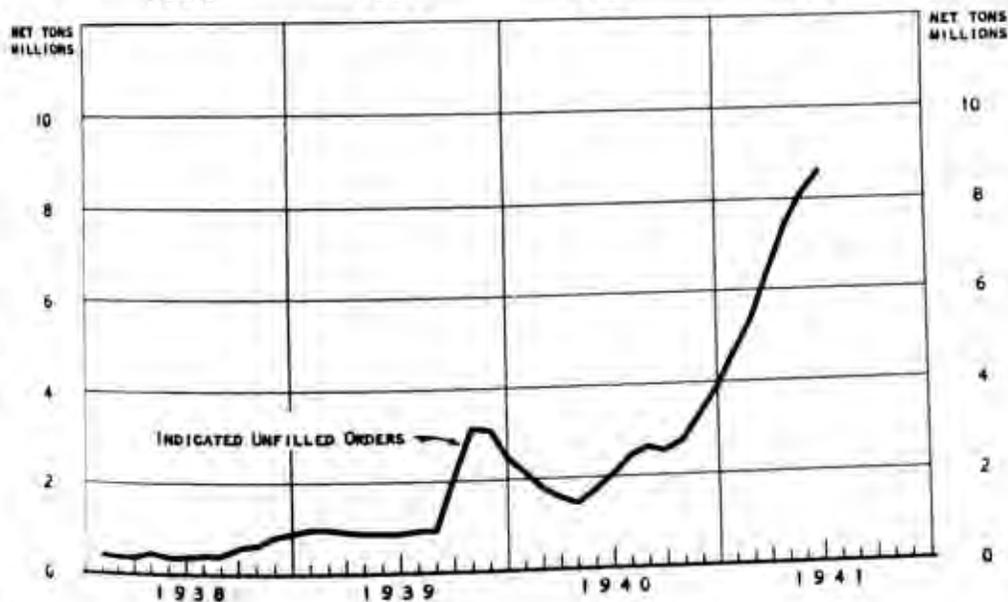
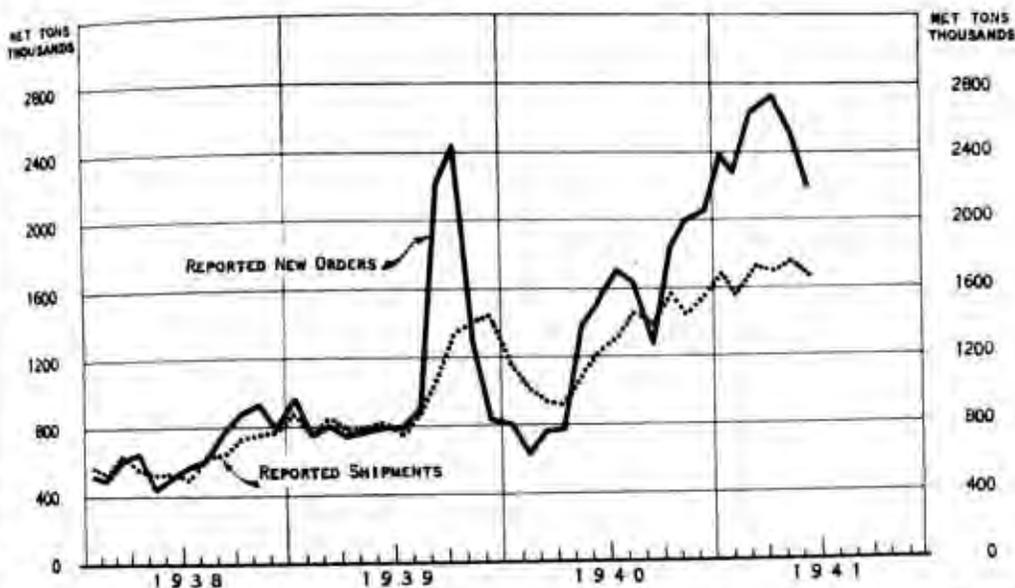


SELECTED BUSINESS INDICES

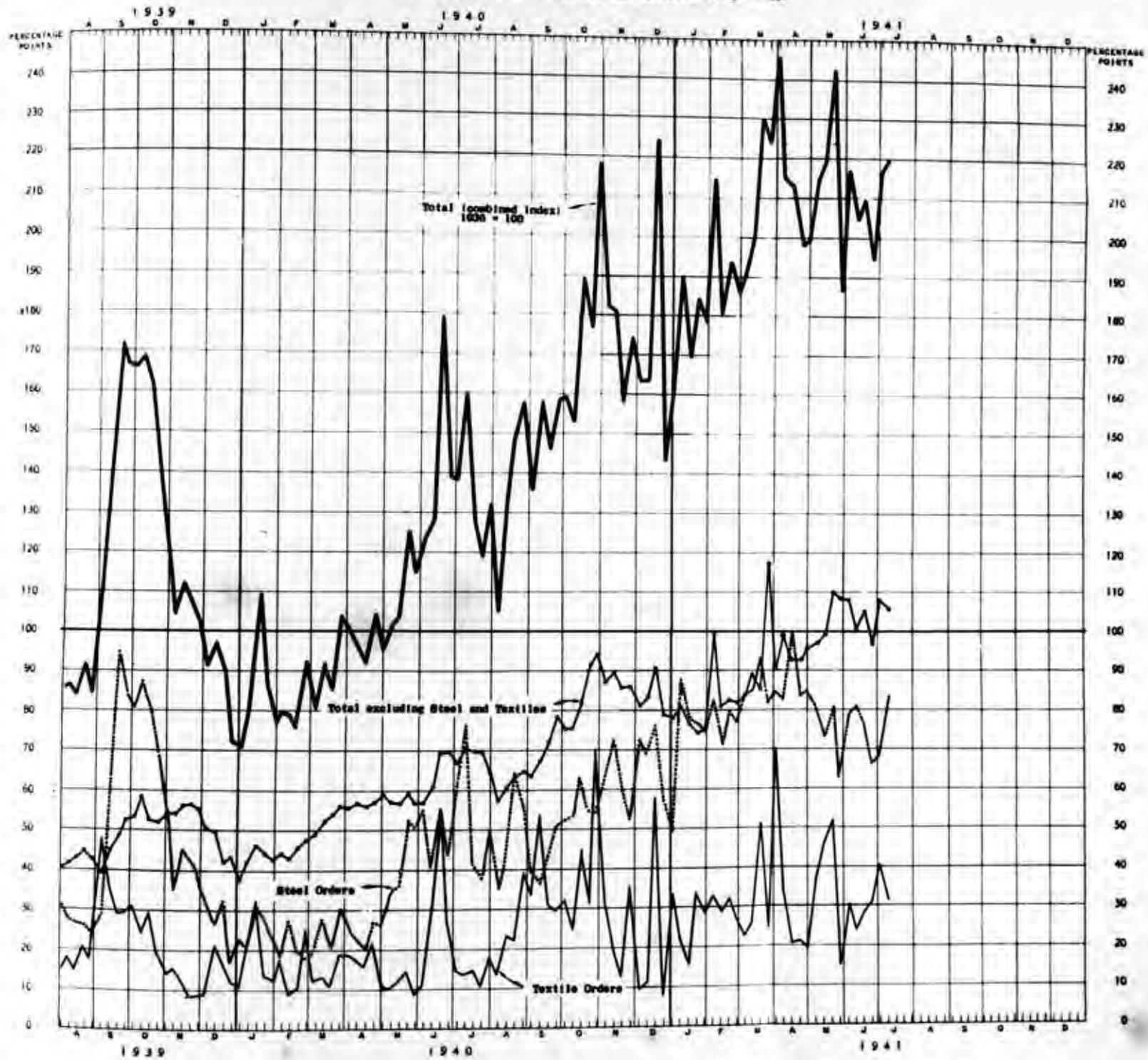
166



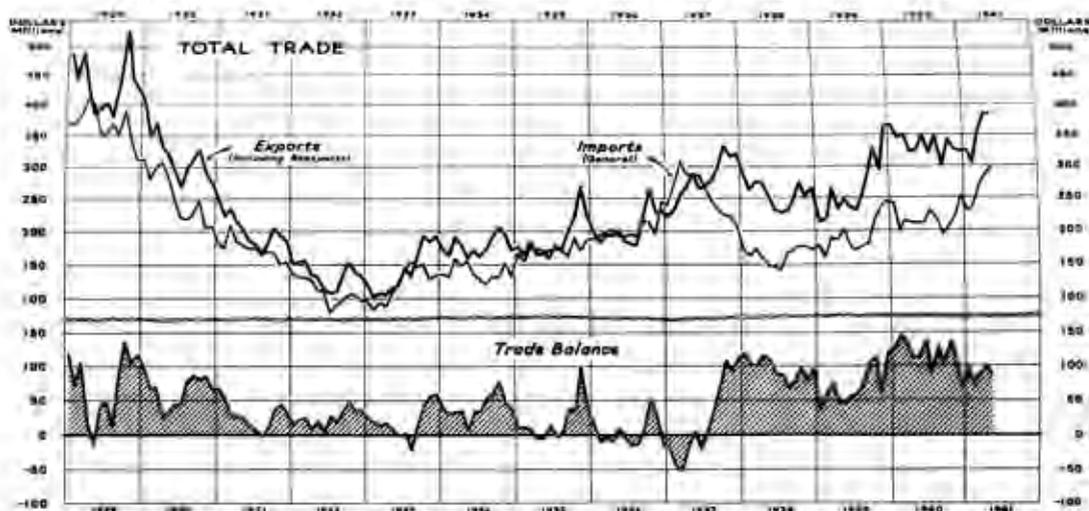
REPORTED NEW ORDERS, SHIPMENTS, AND INDICATED UNFILLED ORDERS OF THE U.S. STEEL CORPORATION



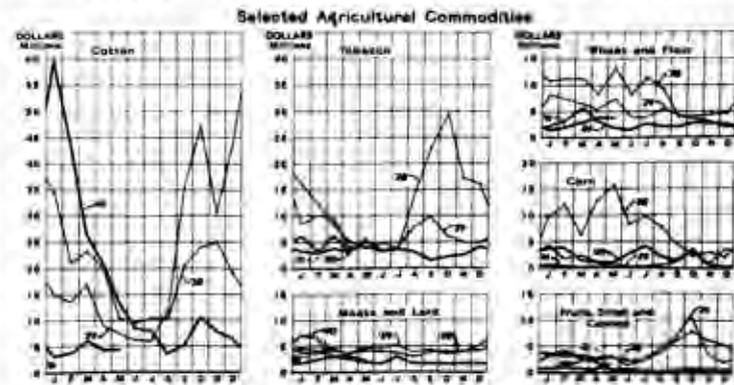
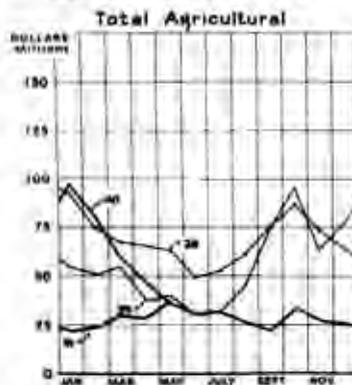
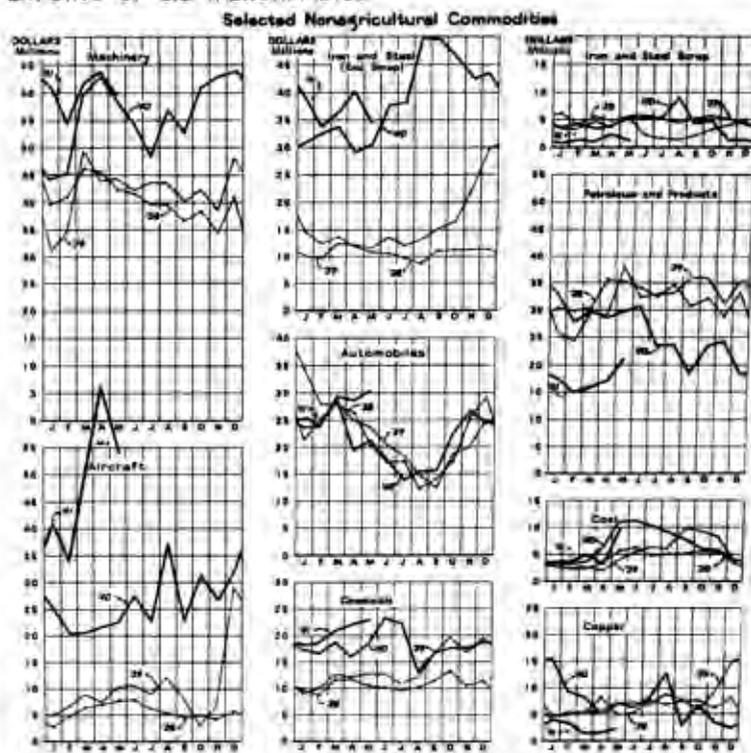
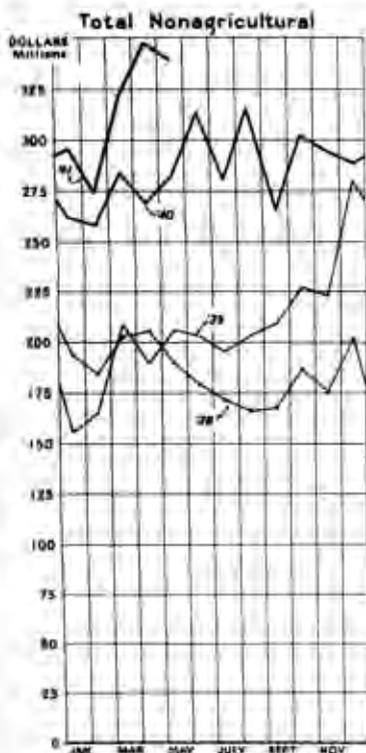
INDEXES OF NEW ORDERS
 Combined Index of New Orders and Selected Components



U.S. TOTAL TRADE AND EXPORTS BY COMMODITIES



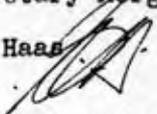
EXPORTS OF U.S. MERCHANDISE



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 21, 1941

TO Secretary Morgenthau
FROM Mr. Haas 

Employment under the Work Projects Administration again showed a large decline to 1,030,000 persons during the week ended July 9, 1941. This was 142,000 less than the number employed during the preceding week.

Attachments

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week ending 1940-41	Number of Workers (In thousands)
December 4	1,832
December 11	1,855
December 18	1,872
December 25	1,878
January 1	1,880
January 8	1,887
January 15	1,894
January 22	1,895
January 29	1,895
February 5	1,892
February 12	1,893
February 19	1,885
February 26	1,867
March 5	1,806
March 12	1,764
March 19	1,736
March 26	1,708
April 2	1,662
April 9	1,634
April 16	1,607
April 23	1,586
April 30	1,560
May 7	1,519
May 14	1,497
May 21	1,474
May 28	1,464
June 4	1,442
June 11	1,423
June 18	1,410
June 25	1,368
July 2	1,172
July 9	1,030

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

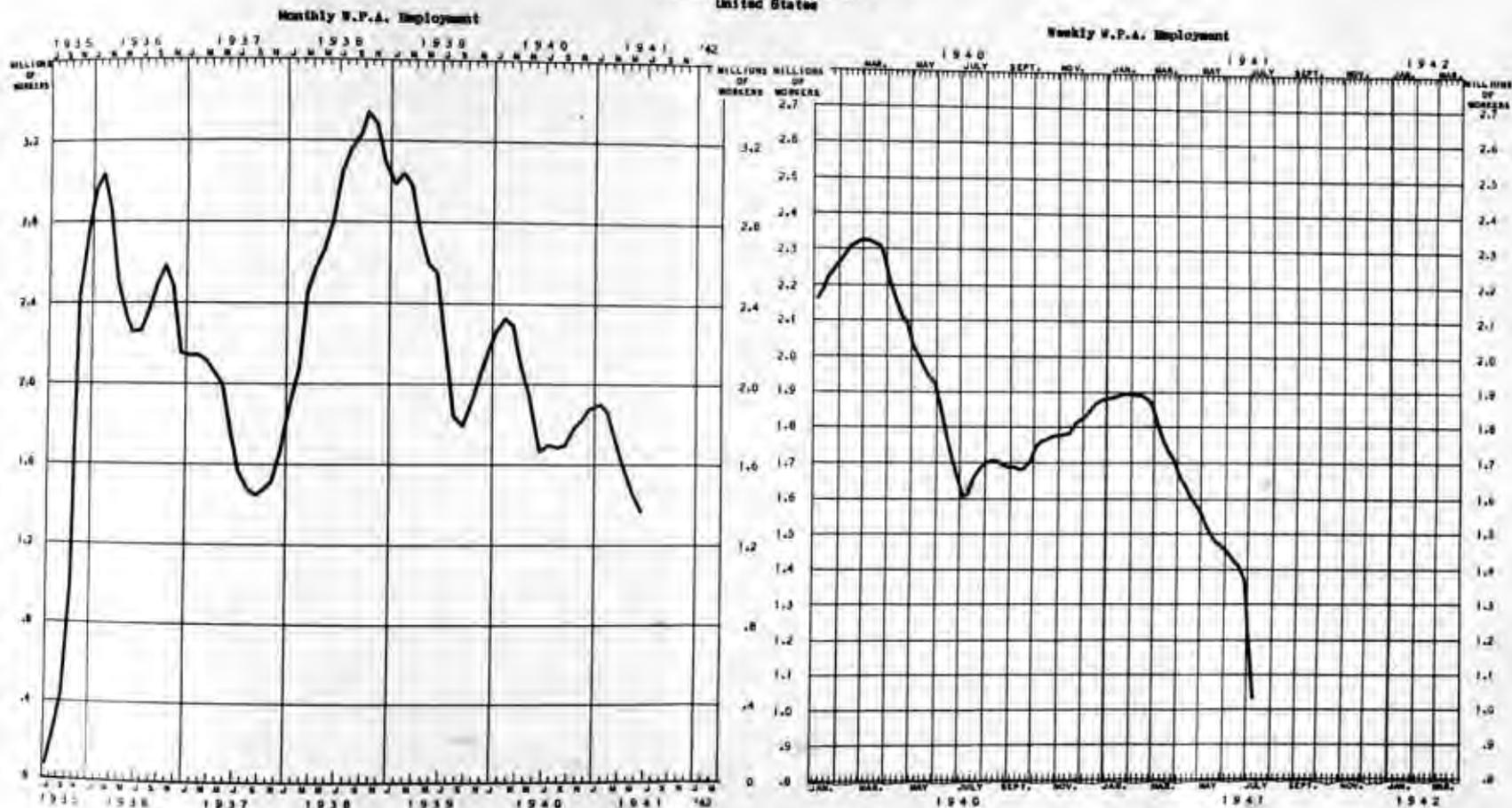
	Number of Workers (In thousands)
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464
June	1,368

Source: Work Projects Administration.

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.

WORK PROJECTS ADMINISTRATION
Number of Workers Employed
United States



SOURCE: WORK PROJECTS ADMINISTRATION

2501 PALISADE AVENUE
NEW YORK CITY

New York, July 21st 1941

Mr. Henry Morgenthau,
Secretary of Treasury,
Treasury Department,
Washington, D.C.

My dear Mr. Morgenthau,

May I thank you for the very kind reception you gave me, and for the interest you took in my suggestion concerning Liberia.

In the meantime I found out that Liberia had offered in the first year of the war a treaty to France protecting it against German aggression. The French Government refused in the last moment to conclude this treaty because it feared that American public opinion might consider it conflicting with the American interests in Liberia.

The fact that Liberia had asked shortly French protection might form an important precedent for America. I received this information by my very reliable friend Monsieur Alexis Leger, former Secretary General at the Quai d'Orsay, now working as exile at the Library of Congress in Washington. He will certainly be ready to give eventually all further details to your Government.

Very sincerely Yours

RN Coudenhove-Kalergi

Count R.N. Coudenhove-Kalergi

FLA-267

FUTURE RELEASEFUTURE RELEASEC O N F I D E N T I A L

FEDERAL LOAN AGENCY

WASHINGTON

July 21, 1941

This statement must be held in confidence and not used or referred to in any way until after 5 A. M. Eastern Standard Time or Noon British Summer Time July 22, 1941.

With the approval of the President, and at the request of the Federal Loan Administrator, the Reconstruction Finance Corporation has authorized a loan to the United Kingdom of Great Britain and Northern Ireland of \$425,000,000. The loan is made under specific authority granted the RFC by Congress in an Act approved by the President June 10, 1941 for the purpose of providing the British with dollar exchange without having to sell their securities and investments at forced sale. The proceeds will be used by Great Britain to pay for war supplies in this country contracted for prior to the enactment of the Lend-Lease Bill.

The collateral includes securities of United States corporations listed on the New York Stock Exchange having an aggregate value at present quoted prices of approximately \$205,000,000, unlisted securities of United States corporations estimated to be worth approximately \$115,000,000, and capital stock of 41 British owned United States insurance companies estimated to have an aggregate net worth of something over \$130,000,000. The going concern value of the insurance companies is substantially more than this figure. There will be no change in the control or management of these direct investments, including the insurance companies. Their financial position and stability will continue unaffected.

In addition to the foregoing, there will be assigned to the RFC the earnings of the United States branches of 41 British insurance companies not incorporated in this country. The net assets of these branches in this country, evidenced by investments in the United States over and above reserves necessary to meet their policy obligations in this country, is approximately \$200,000,000, consisting largely of cash and United States Government securities.

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The collateral will be pledged to the RFC and deposited with a Federal Reserve Bank as in the case of other loans made by the RFC.

The interest and dividends on the collateral, together with the earnings of the United States branches of the 41 British insurance companies, have averaged approximately \$36,000,000 a year for the past five years, all of which will be applied to the payment of interest and principal of the loan.

The loan will bear interest at the rate of 3% per annum and mature in 15 years, provided that an extension for 5 years may be made if two-thirds of the principal has been repaid by the end of 15 years.

On the basis of the past five years, the available income would amortize the loan in approximately fifteen years.

The funds will be available to the British as needed to meet their commitments at the approximate rate of \$100,000,000 a month.

The listed and unlisted securities pledged include the stock or other securities of the Corporations enumerated in the accompanying schedules.

Listed Securities

Allied Stores Corp. 5% Cumulative Preferred
 Allis-Chalmers Mfg. Co. Common
 Amerada Corp. Capital
 American & Foreign Power Co. Inc. \$7 1st Cumulative Preferred
 American Locomotive Co. 7% Cumulative Preferred
 American News Co. Capital
 American Rolling Mill Co. Common
 American Smelting & Refining Co. Common
 American Sugar Refining Co. 7% Cumulative Preferred
 American Telephone & Telegraph Co. Capital
 American Tobacco Co. "B" Common
 Arkansas Power & Light Co. \$7 Cumulative Preferred
 Barnsdall Oil Co. Capital
 Briggs Manufacturing Co. Capital
 Chrysler Corp. Common
 Columbia Gas & Electric Corp. 6% Cumulative Preferred "A"
 Commercial Investment Trust Corp. Common
 Commonwealth & Southern Corp. \$5 Cumulative Preferred
 Consolidated Gas Electric Light & Power Co. of Balt. Common
 Continental Baking Co. 8% Cumulative Preferred
 Eastman Kodak Co. Common
 Electric Power & Light Corp. \$6 Cumulative Preferred
 Flintkote Co. Common
 First National Bank of the City of New York
 General American Transportation Corp. Common
 General Motors Corp. Common
 Gillette Safety Razor Co. \$5 Cumulative Convertible Preference
 W. T. Grant Co. Common
 Great Northern Ry. Co. Preferred
 Ingersoll-Rand Co. Common
 Leaw's Inc. Common
 P. Lorillard Co. Common
 Marlin-Rockwell Corp. Common
 McGraw Electric Co. Common
 Monsanto Chemical Co. Common
 National Biscuit Co. Common
 New York Air Brake Co. Common
 Oxford Paper Co. \$5 Cumulative Preference
 Public Service Corp. of N. J. Common
 Radio Corp. of America Common
 Radio Corp. of America \$3.50 1st Cumulative Convertible Preferred
 St. Joseph Lead Co. Capital
 Sears, Roebuck & Co. Capital
 Sarvel Inc. Common
 Shell Union Oil Corp. Common
 Simons Co. Capital
 Socony-Vacuum Oil Co. Inc. Capital
 Standard Brands Inc. Common
 Standard Oil Co. (Indiana) Capital
 Sterling Products Inc. Capital
 Timken Roller Bearing Co. Common
 Tri-Continental Corp. \$6 Cumulative Preferred
 United Shoe Machinery Corp. Common
 U. S. Steel Corp. 7% Cumulative Preferred

Listed Securities - Continued

Vick Chemical Co. Capital
 Westinghouse Air Brake Co. Capital
 Wheeling Steel Corp. \$5 Cumulative Convertible Prior Preferred
 F. W. Woolworth Co. Capital
 Youngstown Sheet & Tube Co. Common
 American & Foreign Power Co. Inc. 5 $\frac{1}{2}$ %, Debentures 1st March, 2030
 Cities Service Power & Light Co. 5-1/2%, Debentures 1st November, 1952

Unlisted Securities

United States Potash Co. Inc.
 Delta & Pine Land Co. of Mississippi
 Delta Planting Co.
 Linen Thread Co. Inc.
 Yardley of London Inc.
 Ferguson-Sherman Mfg. Corp.
 R. T. French Co.
 Atlantis Sales Corp.
 Oldbury Electro-Chemical Co.
 Lea & Perrins Inc.
 Arkwright Finishing Co.
 Interlaken Mills
 Distillers Co. Ltd. (Del.)
 Morganite Brush Co. Inc.
 B. Priestley & Co. Inc.
 Firth-Sterling Steel Co.
 Keasbey & Mattison Co.
 Funch, Edge & Co. Inc.
 Twenty-five Broadway Corp.
 Baker Perkins Inc.
 Pacific Molasses Co. Ltd.
 A. J. White Ltd.
 Menley & James Ltd.
 Hecht, Lewis & Kahn Inc.
 Crown Mills Inc.
 F. W. Berk & Co. Inc.
 American Association Inc.
 Mica Insulator Co.
 C. Tennant Sons & Co. of New York
 American Thread Co.
 Joseph Tetley & Co. Inc.
 Dunlop Tire & Rubber Corp.
 J & P Coats (R. I.) Inc.
 Clark Thread Co.
 Clark Thread Co. of Georgia
 North Georgia Processing Co. Inc.
 Stowell-MacGregor Corporation

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Unlisted Securities - Continued

Spool Cotton Co.
Jonas Brook & Bros. (U. S. A.)
Dentists Supply Co. of New York
F. W. Cook Co.
Norma-Hoffman Bearings Corp.
Ensign-Bickford Co.
Okenite-Callender Cable Co. Inc.
Pembroke Chemical Corp.
Josiah Wedgwood & Sons, Inc. of America

Willard Hotel,
Washington, D.C.,

21st July, 1941.

Dear Mr. Secretary,

The Agreement relating to an advance on some of our assets in this country has been signed today and I have received instructions from the Chancellor of the Exchequer to take this opportunity of telling you how much he appreciates the warm encouragement and powerful help you have given in the succession of problems which have presented themselves in recent times.

The Chancellor the the Exchequer wishes me to add that he constantly has reason to recognize that the British cause has no truer friend in the United States of America than yourself.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

F Phillips

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

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MEMORANDUM

FROM British Supply Council in North America

TO Mrs. Henrietta Klotz

Compliments of E.N. Gray

STATEMENT 24.AIRCRAFT SHIPPED TO U. K. AND OVERSEAS COMMANDS.

TYPE	DESTINATION	ASSEMBLY POINT	By Sea	By Air
			during week ending June 28/41	during week ending July 20/41.
<u>ALL</u> Airacobra	U. K.	U. K.	2	--
<u>TISS</u> Tomahawks	Middle East	Port Sudan	30	--
<u>TTED</u> Chesapeake	U. K.	U. K.	4	--
<u>GLAS</u> Boston III	U. K.	U. K.	6	--
<u>SOLIDATED</u> Catalina	U. K.	U. K. (via Bermuda)	--	1
<u>THRED</u> Hudson V	U. K.	U. K. (via Gander)	--	31
TOTALS			42	32

British Air Commission,
July 21, 1941.

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE July 21, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
July 14	144,973	27,098	172,071	
15	206,714	33,519	240,233	
16	185,151	Nil	185,151	
17	130,411	83,026	213,437	
18	215,481	20,927	236,408	
19	Nil	Nil	Nil	
	<u>882,730</u>	<u>164,570</u>	<u>1,047,300</u>	
Sales from Feb. 22, 1940 to July 12, 1941	<u>274,041,182</u>	<u>36,152,773</u>	<u>310,193,955</u>	
Total Feb. 22, 1940 to July 19, 1941	<u>274,923,912</u>	<u>36,317,343</u>	<u>311,241,255</u>	311,241,255
\$ proceeds of non-vested securities sold July 7, 1941 to July 12, 1941			200,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 to July 5, 1941			<u>229,000,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 to July 12, 1941			<u>229,200,000</u>	<u>229,200,000</u>
			GRAND TOTAL	<u>540,441,255</u>

JMP

TREASURY DEPARTMENT

185

Miss Chauncey

INTER-OFFICE COMMUNICATION

DATE July 21, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
July 14	5,263	144,973	42,000	27,098
15	6,671	206,714	38,000	33,519
16	5,477	185,151	Nil	Nil
17	4,343	130,411	124,900	83,026
18	8,305	215,481	36,000	20,927
19	Nil	Nil	Nil	Nil
	<u>30,059</u>	<u>882,730</u>	<u>240,900</u>	<u>164,570</u>
Sales from Feb. 22, 1940 to July 12, 1941	<u>9,575,504-1/2</u>	<u>274,041,182</u>	<u>43,934,750</u>	<u>36,152,773</u>
Total Feb. 22, 1940 to July 19, 1941	<u>9,605,563-1/2</u>	<u>274,923,912</u>	<u>44,175,650</u>	<u>36,317,343</u>

J.M.R.

July 21, 1941.

MEMORANDUM

To: Secretary Morgenthau
From: Mr. Gaston

mg

In response to your request I am attaching two memoranda on the office of Mr. Wiley and Mr. Klaus, the first of which deals with the work they are doing and the second with the personnel.

In accordance with my understanding of your wishes, this office has operated and is operating in a liaison capacity and not with any administrative responsibilities.

Mr. Wiley and Mr. Klaus have established good relations with F.B.I. and get a great amount of material from that source. Most of this has dealt with the monitoring of foreign funds accounts, which was undertaken by F.B.I. largely along the lines of suggestions made by Mr. Klaus. A good deal of other material arrives, however, dealing with suspected individuals and their activities and this is being analyzed and indexed in Mr. Wiley's office. I regularly refer to the Wiley-Klaus office intelligence reports from Coast Guard, Customs, O.N.I. and M.I.D., as well as those from F.B.I. That office is charged with putting them together and passing on the information to any offices of the Treasury which might be interested. Another source of information has been the Rockefeller Committee on Cultural Relations and all of that "black lists" material has gone to Wiley and Klaus for combining with our own information from Customs and other sources. Out of all this we have been able to make through Mr. Wiley and Mr. Klaus a great many valuable suggestions to F.B.I. and others.

Mr. Klaus has also been drawn into the examination of suspected material received by Customs. He is

- 2 -

making all the contacts with other departments of the Government on this material, thus assisting Customs in discharging this burdensome responsibility. Final decisions as to the exclusion or admission of material have been put up to me and I consult Mr. Cairns frequently as to the legal basis for action.

Mr. Peabody, Intelligence Unit Special Agent, has been working in the Wiley-Klaus office for several months. His function is to analyze F.B.I. reports to see if income tax investigations are warranted and by agreement with Irey and Helvering has sent to the field a very considerable number of cases for tax investigation. The W. R. Davis case, which now looks very promising, originated in this way and we have supplied a great deal of information to F.B.I. to supplement their work.

The material put together by the Wiley office is, I believe, proving very useful to Foreign Funds.

As a liaison office, I think this office is performing a very useful function and that it should be continued. I do not think it should be given any supervisory or administrative functions, but that it should be held to its present scope.

Field investigations for the Foreign Funds Control are being made by a special unit of the Customs Agency Service under Erwin May who receives assistance when necessary from the Customs Agency Service proper and reports directly to Pehle.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE July 9, 1941

TO Mr. Gaston
FROM Mr. Wiley

Generally speaking, this office serves as a clearing house for information on subversive activities coming from sources inside and outside of the Treasury. Certain projects, initiated and carried on under the supervision of this office, account for the mass of routine work. In addition the office has engaged in the performance of special assignments upon the direction of the Secretary.

A large part of the work is devoted to the subversive aspects of foreign funds. Prior to the recent extension of freezing control to Germany and Italy, a large amount of material was collected in this office—deriving mainly from FBI and income tax but also from ONI, MID, Customs, and other sources—bearing upon Axis funds and their possible use for subversive purposes. An elaborate FBI monitoring project was initiated after conferences between Mr. Klaus and FBI and has been generally supervised by this office, although the information obtained has also been sent to the State Department by FBI. We have collected information, for instance, concerning the accounts of embassies and consulates, as well as on the movement of foreign funds generally. Since June 14, 1941, this office has been working continually—over week-ends and spending a large amount of overtime—supplying Messrs. Bernstein and Pehle with the names of individuals and corporations whose accounts might be blocked and making recommendations concerning the freezing policy in its subversive activities aspects. Mr. Klaus and the staff have been acting as consultants and advisors to Messrs. Pehle and Bernstein and their staffs in dealing with applications for licenses on the part of various individuals and corporations under suspicion (for example, I. G. Farben, Ferdinand Kertess, various travel bureaus, etc.).

As a result of the work of this office also, the Department of Justice began its investigations, now pending, of the Ruckwanderer mark and food package rackets.

I do not expand upon our relations with FBI, in view of the present uncertainty of the precise scope of FBI's monitoring of foreign accounts. FBI proposes to continue to monitor the accounts of unfrozen countries and there is some question about its activities in general license countries (primarily Switzerland, Soviet Russia, and Sweden). Heretofore this office has served as the source of information for the Treasury concerning the daily movement of funds in United States accounts and the tracing of cash withdrawals.

Another principal project of this office has been the initiation and supervision of income tax investigations directed to disclosing subversive activities. For this purpose Mr. Irey has supplied a Special Agent from his staff to act as liaison between this office and agents in the field. Conferences have been had by Mr. Klaus with Deputy Commissioner Mooney and Mr. Wenzel as a

- 2 -

result of which a procedure has been established in the field for a thorough and careful audit of 1940 tax returns of various suspect individuals and corporations concerning whom information has been gathered and indexed. It must be remembered that so far Internal Revenue agents have been the only governmental officers able actually to enter establishments, examine books and records, and ask questions. Already these investigations have been extremely profitable (we have even been enabled to assert greatly increased tax liabilities in certain cases, principally Japanese firms), and we have obtained clues as to ownership or control of businesses for freezing purposes; much of the evidence upon which accounts of important enterprises have been blocked derived from these income tax investigations. A coordination has been effected, under a designated Internal Revenue agent, of a group of agents in all the New York districts to work as one unit in this project. Elsewhere in the country special instructions have been sent out for the handling of specific cases. In this work we have provided effective liaison with FBI as well as with ONI and MID, and we have frequently sent copies of reports to FBI and to the Anti-Trust Division. It may be noted that this office has been instrumental in the coordination of activities with FBI in the William Rhodes Davis case and the Pioneer Import Company case, and also in the making of several cases now in their preliminary stages.

As a result of conferences held by Mr. Klaus, Immigration and Naturalization has initiated the first census of persons on diplomatic and treaty merchant visas in the United States. The census will be useful for Foreign Funds as well as to trace the activities of subversive persons, and for other purposes.

Another activity of this office is the scrutiny of material coming through Customs--mostly film and literature--from defense aspects. For example, all German film, all film of possible military nature coming up from Latin America and the possessions (Canal Zone, Philippines, Samoa, etc.) for development or screening in the United States, all literature of possible strategic or defense importance, maps, and unusual articles are scrutinized here and recommendations made. As a result of the work of this office, a procedure has been developed in Customs by which all film sent into the United States undeveloped is developed at Eastman Kodak (and not at Agfa Ansco, which is German controlled) under Customs' supervision and all doubtful film screened here. In the viewing of this material consultation is had with the appropriate departments, such as ONI, MID, FBI, and State. An example of unusual work of this category done in this office was the recent detection of a means of communication between the German Embassy and Berlin by high-speed radio teletype in code. It was discovered in this office that a shipment of "office materials" to the German Embassy was really a Siemens-Halske Heliograph machine, and steps are now being taken for the monitoring of this kind of communication by Coast Guard. This office also recently discovered the use of color film for transmission of radio telegraph code signals, which we have brought to the attention of FBI and the Army and Navy. We are now on the look-out for micro-films and micro-photographs.

mw

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE July 18, 1941

TO Mr. Gaston
FROM Mr. Wiley

WJ

I am informed that you have requested, through Mr. Klaus, a brief statement of the personnel of this office. It consists, in addition to myself and Mr. Klaus, of the following:

1. Charles Runyon

Mr. Runyon is a lawyer assigned from the Legal Division by Mr. Foley to assist Mr. Klaus. He is largely carrying the ball at this time in preparing information under Mr. Klaus's supervision for the use of Foreign Funds in blocking German and Italian accounts. He has other duties, such as cooperating with Mr. Peabody in digesting and analyzing complicated FBI fund reports on Axis firms in the United States.

2. Fred S. Peabody

Mr. Peabody is a Special Agent of the Intelligence Unit assigned by Mr. Irey to act as liaison between this office and the Bureau of Internal Revenue. Mr. Peabody's activities are mainly devoted to transmitting requests from Mr. Klaus and myself for income tax reports on persons suspected of subversive activities and to supervising agents in the field who are carrying on a large-scale and so far highly successful project of investigating, from an income tax angle and also a social security tax angle, the activities of various persons suspected of subversive activities. The information received is routed to the interested departments (FBI, Anti-Trust, ONI, MID, Foreign Funds, etc.). Material obtained through this project, incidentally, has been of great value in ascertaining German and Italian accounts subject to freezing and giving information useful to the Legal Division in deciding upon licenses. Mr. Peabody performs his work under the close supervision of Mr. Klaus.

3. Elizabeth J. Barham

Miss Barham is a language student and is used to index the material collected in this office, to translate the documents and other materials that are received in German, and to some extent French and Italian, and to carry out research projects in the Library of Congress and elsewhere. Her work covers not only fund activity but material coming through Customs. She was formerly a teacher.

4. Julius Davidowitz

Mr. Davidowitz was taken on as a typist and stenographer with the understanding that he would do other work suitable to his abilities. He assists Messrs. Peabody and Runyon, and it is expected that he will take over the foreign funds monitoring work (limited to countries not frozen) that has been done by Mr. Chase up till now. He has some German language training, and it is expected that he will be used from time to time to assist in research work. (He was editor of a college magazine and is interested in historical research.) Mr. Davidowitz also acts as a stenographer for Messrs. Peabody and Runyon in writing reports to Foreign Funds Control and elsewhere.

5. Virginia O'Neale

Miss O'Neale is secretary to Mr. Klaus and acts as office manager. She is at present on vacation leave and is expected to return in September.

6. Nancy Roberts

Miss Roberts is acting as secretary to Mr. Klaus in Miss O'Neale's absence. Otherwise, she assists Miss O'Neale and acts as stenographer to Messrs. Peabody and Runyon.

7. Billie Jenkins

Miss Jenkins is my own secretary. A good portion of her work involves the receipt and distribution of mail.

Temporarily the Administrative office has assigned, or agreed to assign, one or more stenographers to relieve the increased stenographic burden of this office.

John

July 21, 1941

My dear Mr. Secretary:

Receipt is acknowledged of Acting Secretary Welles' letter of July 19.

I am happy to designate E. H. Foley, Jr. to serve as the Treasury representative on the interdepartmental committee to carry out the provisions of the President's Proclamation of July 17, 1941 authorizing a proclaimed list of certain blocked nationals and controlling certain experts.

Sincerely yours,

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

The Honorable
The Secretary of State

7-21-41
Orig. taken by E.H.Foley, Jr.
to the office of Ass't
Secretary Acheson at 12:15
noon where the first meeting
of this committee was being
held.

M

KHF:s 7-21-41

DEPARTMENT OF STATE

(Seal)

Washington

July 19, 1941

My dear Mr. Secretary:

There has been established in the Department of State a Division of World Trade Intelligence under the administrative supervision of Assistant Secretary Dean Acheson to carry out the provisions of the President's Proclamation of July 17, 1941, authorizing a proclaimed list of certain blocked nationals and controlling certain exports.

It is my considered opinion that a committee should immediately be established to be composed of representatives of the Department of State, Treasury, Justice and Commerce and the Administrator of Export Control and the Coordinator of Commercial and Cultural Relations Between the American Republics to bring about the effective collaboration of the various agencies of the Government concerned and to permit the discharge of their respective responsibilities.

I have designated Assistant Secretary Acheson to serve as chairman of this committee to represent the Department of State, and I shall appreciate it if you will inform me of the representative designated to serve the interests of your Department and the national defense.

Sincerely yours,

(Signed) Sumner Welles
Acting Secretary.

The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
July 21, 1941

TO Secretary Morgenthau
FROM Mr. Foley

I had a conference on Saturday with Dean Acheson, lasting for several hours, relative to the program to be followed in the Far East. Mr. Acheson showed me a memorandum indicating that a three-point program was to be worked out by Monday morning, the program relating to the extension of freezing control to Japan and China, prohibiting or restricting the importation of silk and other important commodities from Japan into the United States and reducing the octane quality of gasoline shipped to Japan and also the quantity of petroleum products to be shipped to Japan.

After considering all the aspects of the problem, we agreed upon the following program:

(1) Japan.

Extend freezing control to Japan, which would automatically place trade between Japan and the Continental United States and Hawaii on a specific license basis. This is unquestionably very strong action vis-a-vis Japan, but apparently that is what is desired. Sometime hereafter, we would work out a system whereby we would license the export of quantities of oil, cotton, and other commodities, to be paid for, in effect, by an equivalent dollar amount of silk.

Mr. Acheson indicated that the State Department has all the papers prepared on the export control aspects of the petroleum problem, and that the State Department plans to reduce the annual export of petroleum products to Japan to 1,000,000 barrels per year, beginning July 1, as against the current rate of petroleum exports to Japan of 4,000,000 barrels per year.

- 2 -

(2) China.

Freezing control would be extended to China and general licenses given to the Chinese Government and its Central Bank. Private Chinese nationals would also be generally licensed to transfer all of their dollar funds to the Government or Central Bank. We would generally consult with the Chinese Government before permitting Chinese nationals to transfer their dollar funds otherwise than to the Chinese Government or Central Bank.

We would also generally license export-import trade with China, including the occupied areas, but excluding Manchuria. At some later time, and after taking the matter up with the Chinese and Mr. Fox, we would work out a more specific program controlling trade with China and particularly the occupied areas. General licenses would also be given to the Universal Trading and China Defense Supplies companies, as well as to American, British, Russian and Dutch banks in China and the remaining Chinese governmental banks.

(3) Philippine Islands.

The extension of freezing control to China and Japan would present a number of important problems in the Philippine Islands which would need immediate attention in view of the fact that there are so many Chinese and Japanese banking and business concerns in the Philippines and so much of the Philippine trade is carried on with Japan and China.

It is proposed to generally license all Philippine trade with Japan and China, leaving, for the present, the problem of exports of strategic materials from the Philippines to Japan to be handled by Export Control. We are also proposing to issue broad general licenses to Japanese and Chinese banking and business institutions in the Philippines

- 3 -

with the view to setting up some system of getting reports and otherwise investigating those banking and business institutions which we have reason to suspect. Military and Naval Intelligence in the Philippines would be of considerable help to us in determining which business and banking institutions needed close watching.

About a week ago High Commissioner Sayre cabled that he needed immediately more personnel to handle freezing control problems. The extension of freezing control to Japan and China would so increase the problems in the Philippines that it is essential that the Treasury send a group of five or more men, by plane, to the Philippines. Two of these men should come from Mr. Pehle's staff, two men from the Comptroller of the Currency's staff, and one or two should be from the Legal Division.

I have prepared a full set of Treasury documents needed to carry out the foregoing program of Japanese and Chinese freezing control.

(4) Additional points:

(a) You will recall that several months ago the British suggested that both Great Britain and the United States freeze the Chinese assets and perhaps also the Japanese assets. It may be that this Government should advise the British of what is contemplated so that parallel action could be taken by the British.

(b) French Indo-China is already covered by freezing control, as a possession of France. Dean Acheson stated specifically that the State Department does not want freezing control extended to Thailand (Siam).

(c) We should have a large staff of bank examiners from the Comptroller of the Currency's office ready

- 4 -

to go into the many agencies located in this country of the Yokohama Specie Bank and the Sumitomo Bank.

(d) Should this Government warn the Chinese of the contemplated action, to be sure they still want us to do it? This, of course, would involve the risk of leakage.

P. H. Fh.

July 19, 1941.

Mr. Welles requests that the necessary papers be prepared for putting into execution:

1. A freezing of Japanese and, simultaneously, of Chinese funds;
2. A prohibition (restriction?) of imports of silk (and other important imports?) from Japan;
3. A lowering of the specification for octane content of gasoline and a reduction in the qualities of lubricating oils export of which to Japan may be licensed and establishing of a quota for exports of petroleum products based on a period in which the exports were not abnormally large.

Mr. Welles said that he would like to have these papers ready by Monday.

PA/HISER:FLB

July 21, 1941

File

Mr. Cochran

At 10:45 this morning, Mr. Coyne, Financial Attache of the Canadian Legation, called on me. He stated that on Saturday he had received a letter from Mr. Gordon of the Canadian Foreign Exchange Control Board, concerning the matter of Canada giving United States dollar exchange for remittances to China. Mr. Coyne told me that the information which I had given him previously, including that received from Mr. Raymond of the Bank of China in New York, together with supplemental information which the authorities at Ottawa have now gathered there, makes it unnecessary for any cablegram of inquiry to be sent to China. He said that the primary question is for the Canadian authorities themselves to decide whether they desire to continue to yield United States dollar exchange for the purpose under reference. He understands the various problems involved, including those that our own Stabilization Fund faces with respect to dollars which we send to China possibly getting eventually into the hands of Japanese. In the circumstances, the Canadian inquiry may be considered closed, and the letter to Mr. Currie should be answered accordingly.



EMC:lsp-7/21/41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Hong Kong, China

DATE: July 21, 1941.

NO.: 254

SECTIONS ONE AND TWO.

FROM FOX FOR THE SECRETARY OF THE TREASURY.

STRICTLY CONFIDENTIAL.

This supplements my Shanghai telegram. With the assistance in arranging appointments of Mr. Hall Patch, Far Eastern Financial Adviser of the British Treasury, the American Consulate and United States (?), we interviewed over one hundred persons. Included were all important representatives of Government, finance, business, industry, commerce, and real estate. Most of them are competent in exchange, investments, banking, and the like. Some knew little about foreign exchange. Some who freely discussed exchange and freezing of Chinese funds appeared to have stereotyped or erroneous ideas.

Memoranda of these interviews have been used in preparing the following reports:

1. Shanghai manufacturing and commerce. Japanese regulations increasingly irk foreigners. Although Hanking recently has tried to induce resumption of operations of Chinese industrialists in the occupied area, Chinese continue to leave the Settlement.

There is an acute storage problem in Shanghai as there is an enormous volume of goods. There are large reserve stocks of cotton. Speculators hold such goods in anticipation of

92-

of further depreciation of the currency and an increased shipping shortage. Rice is extremely high priced because of hoarding rather than of shortage. Shanghai stocks of coal have been reduced to three months supply by Japanese restriction on coal supplies in Indochina and in Central and North China. The hoarding question is being handled adequately by a strong governing body but at present no punitive power exists in Shanghai. Contentious issues are avoided by the Shanghai Municipal Council, and the Chinese Government, which lacks enforcement powers, is not exercising effective control. Bankers and businessmen whose money-making opportunities would be greatly curtailed, were adequate measures taken, dominate the Municipal Council. The Japanese, who exercise much indirect control over the Settlement and who are represented on the Council, have no interest in correcting a situation which, in the long run, results in bringing about social unrest and business chaos. The hoarding of commodities is only part of the larger problem of speculation and hoarding which envelops Shanghai like a fog. There is no such problem in the Japanese controlled areas nearby since the army authorities insist on (?) price control and capacity production.

The stocks and productive capacity of Shanghai serve as a reservoir for the occupied areas and the Japanese. While a fiction is maintained that the Chinese (?) administration is a unit and intact, as far as concerns the
exportation

-2-

exportation of goods, there is no distinction between Shanghai and (?). The Japanese simply buy goods in Shanghai in open market and transport them without inspection into the occupied zones. There is no rationing of gasoline and oil, and Japanese can and do buy large amounts. When the Shanghai Municipal Council recently attempted by competition to break the speculative prices of rice, the result was large requisitions and purchases on the local market and large shipments and transshipments of goods from Shanghai to Germany. This lucrative trade, in which price is a secondary factor, has been profitable to several American companies. The regular channel for this trade has been Dairen via Manchouli and then by (?) trans-Siberian railway. The British have known for a long time that Shanghai was a major leak in their blockade. Russia's involvement in the war has now stopped this.

The gradual tightening of the Japanese blockade is producing diminution in the volume of goods which reaches free China, including petroleum, products, cotton, yarn, piece goods, machine tools, automobile parts, and tobacco. Diminution in the flow of goods to free China is expected although some of it is under Japanese control from which wholesale (?) is obtained by military officers.

So regular have these practices become that at least one German and one (?) accept goods for the free areas under their guarantee of safe delivery. Such goods are sometimes carried by Japanese-controlled boats and railroads and

-4-

and passed through the front lines.

Goods are not rationed in Shanghai. Gasoline can be bought at prices equivalent to twenty-five cents (American currency) a gallon. Purchases of the masses have been reduced to the barest necessities by the currency depreciation and (?) prices. There are numerous deaths from malnutrition everyday.

BRUNING

KAIFUFAK

TO THE DEPARTMENT
TECHNICAL SERVICES
OFFICE OF THE

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RECEIVED
DEPARTMENT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Hong Kong, China
via H.R.

DATE: July 21, 1941.

NO.: 254

SECTIONS THREE, FOUR, AND FIVE.

Goods of Japanese, British, Chinese, Swiss, German and American manufacture are still being carried by department stores here.

2. The influence of the Japanese. Having regard to the question of the probable effect of the freezing of Chinese funds, we have given attention to the extent of the influence of the Japanese in Shanghai as well as other places in China.

It is the consensus of opinion that trade has diminished in those parts of China which have been taken over by the Japanese. As a result of many discriminations practiced by the Japanese against American business in the northern provinces, many American firms have withdrawn.

A list of these discriminations would be long. An example of such discriminations is the case in which American owners and occupants of a large modern apartment building were subject to inconveniences (?) of many types. I am convinced, from my observations of many similar instances of practiced Japanese discriminations, that sufficient proof to support invoking Section 328 of the United States Tariff Act of 1930, or similar provisions, against the Japanese.

It is

-2-

It is my conviction that there is little likelihood that the freezing of the Chinese funds would cause the Japanese to take possession of the International Settlement immediately. This statement is made in view of the fact that increasing pressure has already been exercised by the Japanese in and near the International Settlement as well as the French concession where the Japanese have already taken over the Chinese courts, and, with the aid of local police, frequently arrest Chinese and take possession of property belonging to them.

Apparently, the Japanese have gone just about as far as they have dared. They could have taken over the International Settlement at any time, but the usefulness of having a free market and the healthy regard for America have served as deterrents to their taking possession. This conclusion has been confirmed by Admiral Glassford personally. He also stated that the task of the Americans in Shanghai would only be complicated should further concessions be made to the Japanese in Shanghai.

At present, there is a tendency especially on the part of the British to compromise and to appease with the Japanese. This is a situation, it is felt, which may, unless it is held in check, cause a great deal of difficulty. It is the belief of several British business men that they could operate as well under the Japanese as they have under the Chinese.

SUMMARY

-5-

SUMMARY OF JAPANESE PRACTICES WHICH ARE PURSUED IN
MAINTAINING CONTROL OVER ECONOMIC AND OTHER ACTIVITIES
IN FOREIGN SETTLEMENTS OF SHANGHAI.

1. CUSTOMS

Direct control of the customs is now exercised by the Japanese. All duties which are collected on foreign imports are deposited to a special account with the Yokohama Specie Bank. These are then made available to the puppet Nanking Government.

2. TAXATION

Direct control of taxes has also been seized by the Japanese. The Nanking authorities (?) on Chinese and foreign business establishments would be held responsible for the payment of income taxes on 1940 profits during the month of July. Apparently the most important of these taxes is the (?) tax, a commodity tax, which is collected at the source on the output of piece goods, cotton yarn, matches, spirits, and tobacco.

3. (?) FROM OCCUPIED AREA

During normal times, seal, rice, and cotton flew into Shanghai from the hinterland. At the present time, these movements have ceased because Shanghai has been isolated due to its severance from the hinterland by the Japanese. Should any commodity be permitted to reach the area, it is taxed heavily by the forced payment at every movement

of goods.

-4-

of squeeze. In the case of eggs coming from (?) occupied zones, it was learned from an (?) importer that no less than thirty-two instances of squeeze were levied.

4. BREAKING OF SQUEEZE

Business concerns, in their attempts to break this vicious squeeze play, are met with reprisals which are severe. Drivers of an egg importer were blackjacked when the importer attempted to open up new and less costly channels. The trucks were hijacked from the streets of the Settlement and were driven across the mythical boundaries of the Settlement where the Shanghai police apparently can not exercise any authority in the case.

5. PROTECTIVE ASSOCIATIONS

According to reports, Chinese manufacturers of cotton and yarn piece goods have received phone calls in which they have been asked to regulate their production in order that the (?) prices prevailing might be maintained. (Investigations which have been made indicate that the calls originated in the Hongkew area where the Japanese cotton mills are located.) If the manufacturers failed to comply with such a request, threats of plant bombing, destruction of goods or personal physical violence were threatened to follow.

6. DANGEROUS SITUATION IN SHANGHAI

Few Chinese personages remain in Shanghai because

their

-3-

their lives are in constant danger. An executive, (9) William, of Jardines, of one of the largest British companies in Shanghai was kidnaped recently. Upon payment of one million Chinese dollars, he was released. Another kidnaping of mention was that of a prominent Chinese banker who was released after a few months of negotiations on the payment of a large ransom. Shanghai's busy streets witness almost every day similar kidnapings and shootings in daylight.

Over one hundred employees of the Bank of China were spirited away during the month of March. It is believed that much of the kidnaping is done by the Nanking police authorities at 76 Jessfield Road. It is also believed that some petty gangsters, who operate on their own, assist in these kidnapings and shootings. As long as their friends are not victims, the Japanese do not try to reduce crime and, too, it serves to heighten the uneasiness and tension of the situation.

T. RETIREMENT

A new angle has been revealed. It has been learned that a Chinese judge in the French concession persistently resisted all pressure and was (9) (9). A beautiful female decoy attracted his attention. It was not long before his debts were so heavy that he was forced to make peace with the authorities, and today he is the chief of the Nanking-controlled Chinese courts in (9) town. It seems that any means are considered as fair means in the winning of prominent Chinese to support the Nanking Government.

A. WERT

-4-

B. THEFT

It is quite evident that organized gangs from areas outside prey upon the Settlement. An example of this is as follows: At the present time, motor cars are in great demand by the Japanese. If a used car is in good condition, it sells here at the United States factory price for new cars plus transoceanic freight, plus \$US200 profit. Sixty auto thefts were recorded during the thirty days of June. Among the thefts was the car of an outstanding magazine editor. There is no possible hope of recovery.

3. Speculation and gambling. Shanghai has become a refuge for capital from three distinct sources--namely, free China, occupied areas, and abroad--because of its international character and extra-territoriality.

There has been an attempt on the part of the Chinese Government to check the flow of funds to Shanghai and to reverse the flow of such funds. It is estimated that about six hundred million Chinese dollars left Shanghai for free China during the first six months of 1941. In spite of this, the flow continues into Shanghai. It is entirely probable that at least as much has moved in the other direction. There are enormous amounts of funds attempting to escape Japanese control as well as from abroad.

BEIJING

KAI PAK

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Hong Kong, China,
via N.R.

DATE: July 21, 1941, 9 a.m.

NO. : 254

SECTIONS SIX, SEVEN, AND EIGHT.

Over fifty million United States dollars from Chinese holdings abroad was repatriated to Shanghai in the twelve months following the fall of France. The motive impelling the return of these funds was fear the British wartime restrictions would increase and the United States would impose freezing. The total amount of fapi in the Shanghai area today is estimated at the unprecedentedly large amount of two to three and a half billion Chinese dollars.

Opportunities for investing these Shanghai funds profitably in local industry and commerce are limited especially by the increasing shipping shortage and the increasing trade restrictions in other countries. Because of this lack of investment opportunities, Chinese banks in Shanghai are limiting old accounts, refusing new accounts, and reducing interest on savings deposits.

The accumulated capital therefore seeks other outlets. Speculative fever is sweeping the area like a prairie fire; for fear of further depreciation, there is a flight from money to things; the wealthy are packing goods in warehouses. There is unparalleled activity on the commodity exchanges handling rice, cotton, and rubber futures; there is a real estate boom; stock and bond markets are active. This

-2-

trade, for the most part, is simply gambling. Chungking sometime ago ordered the closing of gold and silver exchanges. They have since been reopened under the auspices of Nanking, but trading is mainly in fictitious paper bars. For example, during the week ending June 21 there were sales of 55 fiat gold bars but of 23,800 hundred paper bars. Such activity is condemned by Chinese, American and British bankers alike. This gambling spills over into legitimate operations and affects transactions in foreign exchange and commodities. Speculators in the foreign exchange market are currently over-sold to the extent of six to eight million United States dollars.

4. Foreign exchange requirements. The legitimate requirements for foreign exchange in Shanghai are larger than they have formerly been. Manufacturers who formerly could make purchases of meat and food stuffs from local or nearby supplies and pay local currency must now use foreign exchange. Formerly the Shanghai Municipal Council had only an indirect interest in foreign exchange except possibly for coal, rice, et cetera. Since the Japanese have appropriated or bought up nearby coal, rice, and cotton, the Chinese and others have confined other sources and must use foreign exchange for their purchases. There are some special problems of foreign exchange such as the Shanghai Power Company in the Settlement. This company is allowed by the Japanese only a small part of the coal which it formerly received from the North. It has recently had

to obtain supplies from distant sources, including even the United States and has had difficulty in obtaining them, shipping being a major difficulty. Textile mills, of which (?) percent are Japanese controlled, use sixty percent of the power. Electricity for other purposes has had to be restricted. The company uses the needs of Japanese mills for power as a (?) (?) Japanese pressure on the company to increase the number of its Japanese employees. While free availability to the company would therefore provide Japanese textile mills with (?), I would not recommend that the provision of exchange to the power company be curtailed even in case funds are frozen, as this would antagonize the Japanese.

Up to recently, it has been possible to use American dollars to obtain supplies for shipment to Japan and Germany and raw materials for the manufacture of products for use by Japanese and Germans. Only during the past month, I understand, have these operations been curtailed, and only partially then, by export control. Exchange control would provide a much needed curb on the movement of such supplies through Shanghai.

5. The freezing of Chinese funds. Inquiries seeking to trace who were the major beneficiaries of fund A brought out information that generous portions of it went to Japanese speculators and inside Government officials. A few positively asserted that the amounts which went to the Japanese were large; others that large amounts went to speculators and

-4-

the Japanese got little, although Shanghai is the main center for Japanese activity in American dollars. There were very bitter and positive assertions by some that the worst offenders against fund A were high Government officials. It is an obvious conclusion that a considerable part of the (?) (?) (?). Some naively ignoring the degree of control the Japanese already exercised, expressed strong conviction positively opposed to the introduction of control of exchange operations, which they said would lead to introduction of yen-control currencies and to the assumption by the Japanese of complete control of exports and imports (?) (?) a truce.

Very many favored any measure of exchange control tending to check speculating. They were convinced that it would be a great boon to business were a tentative program adopted that would check the gambling and extreme speculation which are not prevalent in Shanghai. They were sure that much of fund A could have been (?). They urged that corresponding safe guards should be provided for the new fund.

There was a general misunderstanding by bankers, brokers, and laymen of the word freezing. The prejudice of some against freezing arose from fear even on the part of Chinese that unfreezing would be handled by the Chinese Government alone. Objections to freezing often gave way to hearty approval when it was explained that the United States and Great Britain would participate in the control.

After careful examination of the evidence, I am firmly

convinced that it would be foolhardy to expose the new stabilization fund to the manipulations of Shanghai speculators and the Japanese without establishing reasonable safe guards to protect it from unnecessary wastage. Any doubts I might have had before visiting Shanghai as to the advisability of freezing Chinese funds have entirely vanished since my visit. While foreign exchange should be provided to all (1) (1), a system to provide necessary scrutiny of all foreign exchange applications should be introduced either before or simultaneously with the beginning of the functioning of the new stabilization fund. It is, therefore, my unhesitating recommendation that all Chinese funds in the United States be frozen, that the American and British Governments should take simultaneous action, and that a satisfactory organization for unfreezing Chinese funds should be established. END QUOTE.

This is the end of the message.

RRUINS

EA:FL:PAK

Copy:bj:7-27-41

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YPARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, BERLIN
TO: Secretary of State, Washington
DATED: July 21, 1941
NO. : 2909

CONFIDENTIAL - NOT FOR PUBLICATION

With reference to my telegram of July 19, no. 2892, a Deutsche Volkswirt article indicates an intention on the part of the Berlin Bourse to introduce measures which would restrict stock quotations fluctuations to from 1% to 1 1/2% of the market value and eliminate quotations unless half of the stocks demanded are available in cases where the stocks are currently quoted and one fourth in cases of stocks with uniform quotations. Prague and Vienna have had similar measures in effect for some time. One step further was recently taken by the Vienna Bourse in a measure which made all transactions which involved a rate change subject to the approval of the authorities of the Bourse. The Deutsche Volkswirt statement is the only announcement which has appeared as to the measures contemplated by the Berlin Bourse. The semi-official character of this publication, however, should be kept in mind.

(Section Two) A decline in stock market quotations which began Thursday and continued through Saturday may be attributed partly to rumors concerning the plan. From

-2-

Wednesday to Saturday the total declines in the stocks which have been most (*) range from 3 to 5% of the market value. A similar drop occurred after a speech by Reich Economic Minister Funk last March when he announced the decree concerning dividend limitations. At that time however the slump did not last long and apparently was not desired since official pronouncements were made that the decree did not represent the severe curb on profits which business had anticipated.

(Section Three) The weekly report of the Berliner Handels Gesellschaft and statements of the press indicate that the decline now taking place represents a fundamental shift in the stock market trend, which since the first of May has been steadily rising. Within the last few days steps have been taken by the Bourse authorities to prevent abuses and to bring about the sale of some stocks on the part of stockholders and particularly banks, according to a statement appearing in the Frankfurter Zeitung. It would seem that the present slump has to some extent at least been forcibly produced and officially desired.

(*) Apparent omission.

Copy:bj:7-29-41

BRITISH EMBASSY,
WASHINGTON, D.C.

PERSONAL AND
SECRET

July 21st, 1941

Dear Mr. Secretary,

I enclose herein for your
personal and secret information copies
of the latest reports received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Wavile Butler

The Honourable

Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.

TELEGRAM RECEIVED FROM LONDON

DATED JULY 18th. 1941.

1. Reconnaissance Taranto shows "Cavour" sunk in harbour by naval aircraft on November 11th is now in floating dock.
2. Night of July 17th/18th. Wellingtons attacked Palermo harbour. Smoke screen obscured results of bombs aimed at four cruisers and six destroyers.
3. On July 18th Bomber Command Blenheims escorted by fighters hit 6,000 ton ship off Gravelines. Later ship observed beached, believed to be the same. One enemy fighter and two bombers destroyed. Three Blenheims missing. (One of the crew safe).
4. Fockewulf aircraft attacked convoy 240 miles west of Ireland on July 18th was shot down after causing slight damage to one British ship.
5. Attacks by enemy aircraft p.m. July 18th and night of July 18th/19th off east coast causing no damage or casualties.
6. Night of July 18th/19th bad weather over United Kingdom prevented Bomber Command operations.
7. Night of July 17th/18th at Hull 129 were killed and 222 seriously injured.
8. Russia. German pressure continues in Smolensk sector and Ukraine.

TELEGRAM RECEIVED FROM LONDON JULY 20TH, 1941

1. British submarine shelled two laden 500 ton schooners anchored west of Tripoli, Libya leaving one badly damaged the other sinking p.m. July 15th. H.M. Submarine Umpire sunk in collision off the East Coast early a.m. July 18th. Commanding Officer and 14 men picked up.
2. Daylight July 19th, Royal Air Force attacked enemy shipping off the Hague, Ostend, Dutch and Norwegian coasts, and in the Skaggerack, and Bay of Biscay claiming hits eight merchant ships totalling 48,000 tons and damage to 3 more totalling 5,500 tons and one flak-ship 500 tons. New form of sea-level attack used off the Dutch coast. Spitfires and Hurricanes provided escort and cover the the two above operations destroying 3 enemy aircraft probably destroying 7 and damaging
2. We lost 3 bombers and two fighters.
3. Enemy lately endeavoured to supplement over-strained land transport by using coastwise shipping from their Northern European quarters. Recent successful attacks by Royal Air Force and British submarine caused enemy shipping losses or damage amounting to over 200,000 tons during the last week, including the above which is very serious for the enemy.
4. Night of July 19th/20th. 49 aircraft despatched to attack Hanover and others engaged in mine-laying, two missing.
5. Night of July 17th/18th. Wellingtons hit the mole at Derna and started fires. On July 18th Blenheims scored direct hits on power house Tripoli (Libya). 1 Blenheim lost. Night of July 18th/19th. Swordfish from Malta attacked Tripoli Harbour.

-8-

6. Night of July 18th/19th. Twenty enemy aircraft attacked Alexandria, nine others attacked Malta. On July 18th four enemy aircraft bombed Nicosia, Cyprus, damage slight.

7. Finland and Baltic front - Little change.

White Russia -German spear-head East of Smolensk appears to be continuing its advance but the Russians are attacking on the flanks.

Ukraine. Thrust East of Berdichev towards the Dniepor is continuing with heavy fighting.

Bessarabia. The German claim to have reached Dniester River at several points is correct but the situation is vague.

NO OBJECTION TO PUBLICATION
IN SERVICE JOURNALS

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, July 21, 1941

TENTATIVE LESSONS BULLETIN
No. 135
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.

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GERMAN AIR FORCE PIONEERS

SOURCE

This bulletin is based upon a translation of an article which appeared April 29, 1941, in *Deutsche Wehr-Beitraege*, a German magazine. It is published in the belief that, despite its propaganda content, it may throw some light on one of the major problems confronting an air force which is attempting to operate from an area in which there are no adequate airdromes.

NO OBJECTION TO PUBLICATION
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GERMAN AIR FORCE PIONEERS

The air force engineer companies, the men of which may be recognized by the black mirrors on their coat collars, are among the youngest units of the German Air Force. The missions of these companies are within the sphere of the Air Force, and the performance of these missions is of decisive importance, especially in the occupied territories.

When the German Supreme Command states that the Air Force has carried out a certain number of flights against England from an air base in France, or that 500 airplanes from the flying fields on the Channel coast have started in one single night for a great attack upon an English armament center, those figures conceal an immense amount of work, of difficulties, and of preparations, both technical and organizational.

Germany's Air Force, contrary to popular belief, has not found in France the perfectly constructed airports which meet all requirements. The flying fields on the Channel coast, in the interior of France, and in the west especially, had been woefully neglected, as a rule, and thus had little in common with a fully equipped airport as that term is understood in Germany. A great deal of courage and cleverness was often required to land or take off at these fields; they were not only rolling, hilly, and undulating, and nearly always much too small, but they were also surrounded by thickets and woods, which conjured up many dangers, especially for night flyers. The approaches too were in very poor shape, the roads usually being of a temporary nature. Vehicles, particularly the heavy trucks and tanks, would sink to their axles in the mud, and when one car was approached by another from the opposite direction an almost insurmountable difficulty would arise. Moreover, accommodations were lacking; in many cases flight units had to be encamped in tents. Hangars were only half-ready, not yet ready at all, or hardly started; rooms for headquarters of units, for commandant's offices, for flyer's quarters, were lacking. There was not enough space for parking aircraft, for tanking, for ammunition. In brief, everything was just in the making, and the little that existed had been largely destroyed, or otherwise disabled. When winter set in, and later, when the less cold but wet season in the west began, the task became especially urgent. It soon became evident in most of the airports that the ground, soaked to the subsoil with water, was not in a condition to support heavy battle planes. Under the weight of these planes the thin layer of humus would crumble, and the wheels of the undercarriage would sink down into the mud and stick fast. Because of this, starting and landing, particularly at night, soon became the most dreaded moment of the whole flight to meet the enemy.

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First it would snow, then it would thaw; and in many places the flying fields finally turned into huge marshes.

These problems, which outwardly seemed small in the balance of success, had first to be surmounted before real success could come. In the solution of these problems, the Air Force engineer companies, which had been employed originally as auxiliary troops at various air headquarters, proved themselves, and assured themselves for all time in the history of this war, of their place as the pioneers of the Air Force. Because of the possibility of their military employment and because of their mobile organization, they soon took the foremost part in construction of flying fields. This work conformed to their original mission, and while their successes have not become manifest directly, they have indirectly, through daily reports published by the Supreme Command of the Army.

These companies are attached to the air force in France at almost every place in which there is a flying field. Ordinarily the men are lodged in huts, or barracks in the vicinity of the fields. At daybreak they drive or march to the building sites in long columns; there they work until noon; after a brief luncheon period they resume their tasks, working until evening. As far as it is compatible with their duties, training in military discipline is continued, although not as a main theme. The Air Force engineer companies, however, are by no means only a military labor troop, comparable to an organized building-labor unit in uniform; they are integral units of the Air Force and they are always ready to take up arms. They belong to the military in the fullest sense of the word - they are soldiers.

The scope of their accomplishments must be left to the future. In this short account, which derives its material not from official statistics, but from direct experiences, and from viewing and examining the conditions of the flying fields from the date of occupation until the present, may be placed one additional statement of fact: the companies of Air Force engineers, in conjunction with other units temporarily assigned to the Air Force, have played a major part in creating the air bases for use against England, and their work shall bear full fruit only when the final action in the air begins.

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RESTRICTED

G-2/2657-220

No. 446 M.I.D., T.D.

12:00 H., July 21, 1941

SITUATION REPORTI. EASTERN THEATER.

Ground: German-Finnish troops continue their attacks in Karelia, northeast of Lake Ladoga. German mechanized columns appear to have been checked by Russian reinforcements along the Luga river between the Finnish Gulf and Lake Ilmen.

Considerable Russian forces hold Oesel and Dago islands at the mouth of the Gulf of Riga. Other Russian groups also appear to hold a portion of Esthonia bordering on the Gulf of Riga to the west of Tallin. A Russian force of unknown size has been encircled by German columns to the north of Vitebsk, between Vitebsk and Nevel.

Some ground has been gained by German mechanized columns to the east of Smolensk. German infantry columns, marching behind the mechanized spearheads, have reached the line: Vitebsk--Orsha--Mogilev.

To the south of the Pripet marshes, advanced mechanized forces are stated by the German High Command to have encircled Kiev. To the south of Kiev, another German mechanized column has reached the area of Swnigorodka. Infantry columns following the armored units had reached the general line Innitza--Berdischew on July 16th. German troops have crossed the Dniester river from Bessarabia and are advancing towards Balta and Tiraspol.

Air: No change.

II. WESTERN THEATER.

Air: German. Light night raids over a wide area of Great Britain.

British. Continuation of the offensive. Night attacks centered on the Rhineland and on the Invasion Coast.

III. MEDITERRANEAN THEATER.

Ground: Aggressive British patrolling from Tobruk.

Air: Axis. Malta was attacked.

British. Raids on Naples, Derna, Bardia and Benghazi.

RESTRICTED

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, July 22, 1941.
7/21/41

Press Service
No. 26-67

The Secretary of the Treasury announced last evening that the tenders for \$100,000 or thereabouts, of 91-day Treasury bills, to be dated July 23 and to mature October 22, 1941, which were offered on July 18, were opened at the Federal Reserve Banks on July 21.

The details of this issue are as follows:

Total applied for - \$292,753,000
Total accepted - 100,127,000

Range of accepted bids: (Excepting two tenders aggregating \$250,000)

High - 99.982	Equivalent rate approximately	0.071	percent
Low - 99.974	" " " "	0.103	"
Average Price - 99.975	" " " "	0.098	"

(81 percent of the amount bid for at the low price was accepted)

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July 22, 1941
9:45 a.m.

GROUP MEETING

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

H.M.Jr: Right after this meeting, I am supposed to see Gaston, but I am going to ask him to wait a minute or two, with Waesche, if he would, because I want to clear up something - I will tell you. I can - it will only take a minute. Herbert?

Gaston: I have got a couple of letters. It won't take long.

H.M.Jr: I will clear Gaston and then right after that I want to see Odegard and Kuhn and Graves. So I will clear you first, Herbert, and then see those three gentlemen.

Gaston: Right.

H.M.Jr: Do you want to go on the Hill, John?

Sullivan: Yes, sir.

H.M.Jr: All right.

- 2 -

Sullivan: I called you about two minutes after you left to report on the vote yesterday. We gained one vote.

H.M.Jr: What was the vote?

Sullivan: Fifteen to ten. If they had voted before luncheon, I think it would have been very much closer. The vote we took from the other side was Jere Cooper, who had previously been against--

H.M.Jr: Where are we? Who is "We" and where are we? What side are we on?

Sullivan: Oh, there is only one side, isn't there?

H.M.Jr: I don't know.

Sullivan: The Treasury position in favor of joint tax returns.

H.M.Jr: I never heard you say that before.

Sullivan: What do you mean?

H.M.Jr: Just that, seriously, you have never taken a position before. I am serious.

Sullivan: I thought we decided yesterday we were going to.

H.M.Jr: As of yesterday.

Sullivan: That is right. And as of yesterday after the decision, we gained one vote. That was Jere Cooper.

H.M.Jr: In the morning you said it was sixteen to nine. That is why I don't follow you.

Sullivan: That is right, but when we checked up there, the apparent vote was thirteen to twelve against.

- 3 -

H.M.Jr: Yesterday it was sixteen to nine and we gained one and it was fifteen to ten, and I couldn't follow you.

Sullivan: I meant of those who voted against the proposal before. We gained one vote by our position and that was Jere Cooper.

When I was out to call you and give you the results of that, after having presented the relief for earned income that you desired, they voted on that by a voice vote, and that was turned down almost unanimously.

The thing the Committee is more interested in than anything else is in getting couples where both husband and wife are working. That is the one thing they are interested in. It is amazing.

H.M.Jr: That is what they want?

Sullivan: Oh, they think that by this they can send a lot of women back into the homes where they belong and put a lot of idle men to work.

H.M.Jr: Do they believe in taking the vote away from the women?

Sullivan: I don't know.

H.M.Jr: If that is the way they feel, they must be mentally about at that condition, about thirty years ago.

Sullivan: We all were just astounded at their reaction yesterday, weren't we, Roy?

H.M.Jr: They must be mentally about where they were when the question was, "Should women vote?"

- 4 -

- Sullivan: I think they are going to vote on excess profits today, which will be just about the way it was before, twenty to four or nineteen to five, something like that. I assume you want us to go down swinging on that, don't you?
- H.M.Jr: Yes. Well, at least the Treasury proposal with its modifications didn't do what you thought it would do, upset the whole thing, because the vote yesterday was fifteen to ten.
- Sullivan: That is right. But the proponents of it, McKeough, particularly, came around and said, "Well, this is a complication that is going to ruin it."
- H.M.Jr: If you don't mind one criticism, knowing we had this in mind, I think you should have had more information ready on your memorandum I got from you. You had no information ready. You didn't know how much difference it would make in revenue.
- Sullivan: Who didn't?
- H.M.Jr: You. This is a memorandum that I got at noon from Blough. When the Committee asked you, "How much difference does it make?" - let's call it the Morgenthau proposal - over the straight joint returns, the answer to it that the Treasury made was, "We don't know." "Have you got a draft ready?" "No, we have not got a draft ready." In other words, you had nothing ready.
- Sullivan: That is true, but we wouldn't have had the bill out if they had to work on that.
- H.M.Jr: But the Treasury had three or four days in which they could have gotten it out.
- Sullivan: Not a draft.

- 5 -

- H.M.Jr: Was there no piece of paper on that proposal?
- Sullivan: No, sir.
- H.M.Jr: Why not?
- Sullivan: Because Tarleau and Beaman and that crowd say it would take ten days to draft that.
- H.M.Jr: They didn't make a start, did they?
- Sullivan: They have been working day and night on this bill that just came in, sir.
- H.M.Jr: Tarleau?
- Sullivan: Certainly, and his whole shop.
- H.M.Jr: How about estimating?
- Sullivan: That could have been done and should have been done. You are right on that.
- H.M.Jr: I am fifty per cent right, and that is victory. All right. Well, I am satisfied. At least we have made our position. I would still say to go ahead and do the estimating, even though it is today.
- Sullivan: That, I expect, is ready now. It was started yesterday.
- H.M.Jr: At least we have taken what I think is a tenable position, so that when we go before the Senate to propose it formally, they can't say in the House, "Well, why didn't you give it to us?" So I am satisfied with yesterday's results.
- Sullivan: Yesterday morning I had O'Donnell telephone down and start them in on their estimates.

- 6 -

- H.M.Jr: You were shooting pretty fast at me, putting things up to me, and I think the way the day ended, it is all right. Aren't you satisfied?
- Sullivan: Sure.
- H.V.Jr: Blough?
- Blough: I am satisfied. I think we are better off before the Senate than this got in before the House.
- H.M.Jr: I was taking some awfully long shots, but I have no regrets about what happened yesterday. How about you, Roy?
- Blough: None whatever.
- H.M.Jr: I am still available today.
- Sullivan: Right. I will call you when anything important develops.
- H.M.Jr: I am planning to leave right after lunch tomorrow, not to get back until August 1, just so everybody knows it.
- Sullivan: Bon voyage.
- H.V.Jr: And John, Thursday afternoon I will be over New Hampshire. Don't ask me for a decision. Remember the last time?
- Sullivan: If they vote this thing out Wednesday and nothing happens up to Sunday, you wave to me when you go by, because I will be there too. (Laughter)
- H.M.Jr: Remember the last time?
- Sullivan: Do I remember? Yes.
(Mr. Sullivan left the conference.)

- 7 -

H.M.Jr: It took place all in your office, didn't it?

Klotz: Mr. Bell will remember.

Bell: Yes. The whole office was in the air.

H.M.Jr: Well, we have got him off. Who has got something that they think is important, instead of running around the room? What about this Russian business?

Bell: We are ready on that. That is one thing. I have two more I would like to bring up.

H.M.Jr: When will you be ready?

Bell: Any time you are ready.

H.M.Jr: Well, shall we say eleven o'clock?

Bell: Yes, sir.

H.M.Jr: Please let Harry White see it and be up to date on it, will you?

Bell: He will be.

H.M.Jr: And I would like to have, when you come in, the statement that I agreed to originally on the one hand, and the other one.

Bell: Merle has that back history all set out in a memorandum. It is quite long.

H.M.Jr: Were you in on that? Get in on it.

Foley: On the Russian gold? Yes, Bernie has been in on it.

H.M.Jr: What else is there that is important?

Bell: Well, I have two questions I want to raise.

- 8 -

H.M.Jr: Why don't you stay behind after that?

Bell: All right. Well, one is that - what is being done about preparing a speech for you on August 1st?

H.M.Jr: I am not going to make a speech.

Bell: I thought you were.

H.M.Jr: No, I am just going over and have my picture taken at the White House.

Bell: Then you are not going to make any radio address?

H.M.Jr: No. What else?

Bell: It is all right then.

H.M.Jr: Just go over there and get the publicity of having the President buy one. But you had better find out while I am gone how much he will buy.

Bell: All right.

H.M.Jr: You had something you wanted to bring up, Ed.

Foley: I have two things. First, with the trouble brewing in the Far East, I think we will have to have some people in Manila if freeze control is extended to Japan and China. Sayre sent us a cable last week and said he urgently needed additional people to administer the freeze control, and I think if we are not going to tie business up, tighter than a drum, in Manila, we had better have a couple of bank examiners, an economist, and a couple of Pehle's people and a couple of lawyers on the ground when this thing goes into effect.

H.M.Jr: How about a farmer?

- 9 -

Foley: Well, he probably could do a lot of good.

Bell: No accountant?

H.M.Jr: A farmerette.

Foley: That is a group of about six, and I think that we ought to start them out right away.

H.M.Jr: Well, if you and Bell and White and Cochran tomorrow morning will give me the recommendations, or even at eleven o'clock, and let the State Department know so we can clear it with them just the way we did with Coe, I will sign it and get the fellows off on the first Clipper.

Foley: All right.

Bell: Do you need the bank examiners?

Foley: Yes, because we are going to have a big bank problem, Dan. Most of those bank clearances out there involve China and Japan, and I think that is going to be the big part of it. We will have to do the same thing there that we did with the bank up in New York.

H.M.Jr: Well, if I might suggest, I think you ought to take some West Coast bank examiners.

Foley: Yes, from San Francisco. They examine those banks out there anyway.

Bell: They are a little short of good bank examiners. They have lost a good many.

Foley: Well, they may have a couple of people out there anyway, because the West Coast Chief Examiner examines those Manila banks.

Bell: That is right.

- 10 -

- H.M.Jr: Well, I will give you until tomorrow morning, and have it all locked up for me.
- Foley: Sure. And the other thing is in - is in connection with the investigations for freeze control. We are unanimous here in believing that the policing of the freeze control is as essential a part of the function of administering that order as any other part of the order, and we should set up an organization taking from existing agencies within the Treasury the necessary people to do it. Now, when I put it up to Justice, Frank Shea thought that because the Alien Property Custodian might soon be appointed and would probably be in the Department of Justice, that they ought to have this information and that they ought to do all the investigating. Now, there is no more logic to that than there is for them to do the investigating for Internal Revenue, or Customs, or any of the other parts of the Treasury administration, and if it is agreeable with you, I think Herbert and I could make an appointment with Francis Biddle and clear this with Biddle, but we will never be able to do it with Shea.
- H.M.Jr: If the gossip is right, it kind of puts Biddle on the spot, you see, because the gossip is that it is J. Edgar Hoover who is keeping Biddle from being Attorney General. Now, if Biddle gets into a fight with Hoover, it puts Biddle on the spot.
- Foley: Well, he doesn't have to get into a fight with Hoover, and I don't think Hoover wants this. I think this is just Francis Shea. My behind the scenes information is that Hoover takes the position that he will do any job that the policy people determine he should perform, but he isn't looking for any new things.

- 11 -

- H.M.Jr: Isn't there some way to get to Hoover first?
- Foley: Well, Herbert and I could go see him, if that is agreeable.
- Gaston: He probably wants it. I am inclined to disagree with Ed. I think he probably wants all the power he can get.
- Foley: Well, his old man said that they didn't want it.
- Gaston: He did? I don't think I agree with that.
- H.M.Jr: Well, I think the thing to do to keep Biddle from getting on the spot on that, would be if Herbert and you would arrange to see Hoover first and sound him out. If he says, "I want this," then that is another thing. If he says he doesn't, then go ahead with your Biddle thing, but I don't want to put Biddle on the spot. Herbert?
- Gaston: Yes.
- H.M.Jr: I mean, it is more important to have Biddle Attorney General than it is that we do the investigating.
- Foley: Well, there is another way to do it, Mr. Secretary, and that is just to go ahead and not make an issue of it at all, just go ahead and do it.
- It is perfectly normal that we should, and it is ridiculous to think that we should even ask them about it.

- 12 -

H.M.Jr: We will go ahead.

Gaston: Yes, I think that is the thing to do.

Foley: Dean Acheson agrees with us a hundred percent.

H.M.Jr: If Dean is with us, go ahead.

Gaston: I think that is the right thing to do.

H.M.Jr: I say go ahead. Don't ask anybody.

Foley: All right. That is all right.

H.M.Jr: Now, this investigative force, who is it going to be responsible to?

Foley: John Pehle.

H.M.Jr: Is that all right with you?

Gaston: That is all right with me, yes. They will have our assistance in recruiting the force, getting people, but so far as the reports on the cases are concerned, they will be responsible directly to him.

Foley: This fellow May, who used to be our man in Berlin, will be the man in New York who will be in charge.

H.M.Jr: Well, that is all right, if it is all right with you.

Foley: We can work it out without--

H.M.Jr: All right, let's go ahead and do it.

Foley: any friction outside the Treasury, and I think it would be perfectly normal for us to go ahead and do it just the same as we organized

- 13 -

a staff in New York, in Manila, wherever the necessity arises.

- H.M.Jr: While we are doing this thing, let's pick up Sammy Klaus and put him somewhere.
- Gaston: I have had quite a - I have got a memorandum for you that I haven't given you on that thing. They are doing useful work in the job where they are now.
- H.M.Jr: But Sammy is very unhappy.
- Gaston: He is?
- H.M.Jr: Very.
- Gaston: All right then.
- H.M.Jr: As he says, "Here I am a sixteen-cylinder engine working on two cylinders. (Laughter)"
- Foley: It is nothing new for Sammy to get off that speech. He can add sixteen more cylinders, if that is necessary.
- H.M.Jr: I just want to lift him. We will leave the rest there for the time being, but I think Wiley is going over with Donovan anyway.
- Gaston: Do you?
- H.M.Jr: Well, Donovan has asked him to.
- Gaston: I didn't know that.
- White: You spoke of May being in charge of that. Wouldn't Sammy be either a very able assistant to him or - he, after all, knows much more than May does about that. May is a - if you want a front, May could be the front and Sammy can be the assistant.

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- Klotz: That is a good suggestion.
- Foley: That is kind of a hard thing to work out, but - I mean placing Sammy, because if you just put him in charge of these investigations, that will be an affront to his dignity, and Sammy is a useful fellow to have around as a trouble-shooter, because he is capable and he is resourceful.
- H.M.Jr: I didn't make any suggestions. I said, "Give him something so that at least he can use half of his cylinders."
- Foley: O.K.
- H.M.Jr: I will tell you what I would suggest. I would wait a day or two. I think you will find that Wiley will be working with Donovan. If that happens, what can you have Sammy do as a lawyer?
- Foley: Well, I could use him with Bernie as a lawyer, but he doesn't like that very much either, because he kind of thinks he is a little older than Bernie, and he doesn't want to be under Bernie.
- H.M.Jr: I am not going to worry about that. I mean, I am responsible for the set-up. I set it up. Is that right? I want to wind it up.
- Is something off, Herbert, kind of--
- Gaston: Wouldn't you like to know something about what they are doing down there?
- H.M.Jr: I would love to know if anybody could tell me. I have asked again and again. I can't find out. I don't get a single thing on them.

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Gaston: I have two memoranda, one written by them and one by myself, telling what they are doing.

H.M.Jr: I have asked again and again. I don't know who they give the information to. I don't get it.

Gaston: You told them not to give the information to you, to give a report to me.

H.M.Jr: Then why don't you give it to me, Herbert?

Gaston: I haven't thought there was anything that needed your attention.

H.M.Jr: Then what are they doing?

Gaston: There are a great many other people who are reporting things to me that I see no need of taking up with you. I can tell you what they are doing. They are doing quite a bit of useful work.

H.M.Jr: What, for instance?

Gaston: They are getting - you started them out as a contact office with FBI. They have improved the contacts with FBI. They did suggest a lot of work for FBI which was more useful to FBI than to us. They have been feeder for FBI. They pulled in Revenue Special Intelligence Unit man, Peabody, and have had him do a lot of work on suspected cases that came up from FBI, and he has instituted work in the field by the Revenue agents in Intelligence Units, and that stuff has been fed back to FBI. They have been analyzing a lot of stuff that comes from FBI and a lot of stuff that comes from any other agency of the Government that might tie into a picture of subversive activities so far as they affect

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the Treasury and have been distributing the information where it would seem most valuable.

H.M.Jr: Herbert, give me one piece of information. You are telling me about organization. Tell me one piece of information.

Foley: Well, they developed the Reuckwanderer mark case and sent it over to Justice, and Justice is now going ahead and presenting that evidence to a grand jury in New York.

Sammy was the one that found all that out and followed it up after we turned it over to Justice.

H.M.Jr: You have under you (Gaston) a Coordinator of Treasury Intelligence.

Gaston: Yes, yes.

H.M.Jr: Why can't the Coordinator of Treasury Intelligence do that very thing, and why isn't he?

Gaston: He could, except that it has no relation to the work that they do in the regular Treasury enforcement jobs. It ties in with this subversive activities stuff. As a matter of fact, this office, Wiley's and Klaus' office, has done more assistance to FBI than they have to Treasury. They have acted as a contact point between the Treasury and FBI with most of the help going to the FBI, although we have got some information that has proved valuable. We have started off on several income tax cases that are quite likely to pan out, and we were able to get more information through them from FBI probably than we would have been able to get through any other means because of the antagonism of FBI toward the Treasury investigative agencies.

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- H.M.Jr: Well, how long is your memorandum?
- Gaston: Two pages.
- H.M.Jr: Well, let me have it.
- Gaston: I intended to bring it in this morning. I just dictated it yesterday, because I just got their report.
- H.M.Jr: I have asked repeatedly to be told what they do or get any kind of information. The thing was - it was so much from Hoover to me that I gave to you, and then if there is anything that comes up through, let me have it. It was certainly months since I have gotten a memorandum from you via Wiley from Hoover of anything.
- Gaston: I don't think there is anything that has been worth your attention.
- H.M.Jr: Then I say that they are not worth while, keeping a group that must cost the Treasury twenty or twenty-five thousand dollars a year with all those people down there.
- Gaston: Well, of course I didn't start this group, but I wouldn't have started it, but I do think that their usefulness has improved materially and some of the work we have been doing we will have to make other provisions to do.
- H.M.Jr: I said I started it and I say I think it is a mistake, and I would like to wind it up, but I will read your memorandum before I do.
- Gaston: Well, I just say that in fairness to them, I think you should read the memorandum.
- H.M.Jr: I can't read it until I get it, but I have been asking - well, you send it in to me, and

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I will read it.

Gaston:

Yes.

H.M.Jr:

Norman?

Thompson:

We are taking on about three hundred temporary employees in the Savings Bond Division to bring up to date our mailing lists and four or five million tax returns.

H.M.Jr:

That is the five thousand and over?

Thompson:

Yes.

The Civil Service registers are pretty well loaded with colored people, so that we will probably have over a hundred colored people.

H.M.Jr:

Good. I am delighted.

Thompson:

I thought that would please you. It will be the biggest pick-up of colored people we have had yet.

H.M.Jr:

Dan?

Bell:

I have one other thing, but I will clear it at eleven.

H.M.Jr:

Harry?

White:

I have nothing.

Schwarz:

Here are the clippings. That is all I have.

H.M.Jr:

Peter?

Maas:

Here is the daily report. That was unusually low today. Harold was right yesterday.

Graves:

That is comparing it between Saturday and some

- 19 -

other day of June. That doesn't mean anything.

H.M.Jr: I know it.

Cochran: Sir Frederick Phillips left this last night. It is the agreement with the RFC on that loan.

H.M.Jr: Oh!

Cochran: Part of it is confidential. There is a schedule there that gives the amount in this case.

Coe arrived safely at London and reported for duty on the nineteenth. The State Department had a cable yesterday.

Argentina bought ten million dollars of gold from us yesterday.

H.M.Jr: If you (White) could pick up what the President said on the United Press ticker - I don't know whether I have it in the paper or not - I am looking at White - how he felt at his Friday press conference about the British making a profit on Lend-Lease material. He made quite a statement.

White: I didn't see it. Friday?

H.M.Jr: Well, I got it from the press ticker, and then I don't think the White House would give us actually what they said, will they?

Schwarz: He could have a carbon of our summary report, which was quite detailed, or else we could ask the White House for that transcript.

H.M.Jr: Well, in any case, I want to get that to Coe for his guidance, you see. I sent Coe a cable.

You look up and you will see, but I sent him

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a cable about making a profit, and the President made the statement Friday. See if you can get it on the wires tonight to Coe for his guidance and also in the cable say, "Bring this to the attention of both the Ambassador and Harry Hopkins," or "Bring it to the attention of the Ambassador, Hopkins, and Coe."

The President made this statement you see. You can make it, "Following my cable of Friday, I want to bring this to the attention of the Ambassador, Hopkins, and Coe," what the President said. I didn't know he felt that. He said, "It wouldn't be according to Hoyle for them to make a profit on this Lend-lease material."

White: This telegram is to go to whom?

H.M.Jr: Ambassador Winant, for the attention of the Ambassador, Hopkins, and Coe.

White: Right.

Cochran: That is all.

H.M.Jr: And the way I did it last time, I just wrote a letter to Mr. Welles and said, "My dear Mr. Welles: Please send this following cable and charge it to the Treasury."

White: You have examined the statement and know that it is accurate, as to what their intentions are?

H.M.Jr: That is why I say, if we could get the stenographic notes of the President, we would have it exact.

White: Yes.

If there is some question in my mind as to the

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accuracy of the President's understanding of what they are doing, I will bring it to your attention before the cablegram goes.

- H.M.Jr: He knows. I brought it up in Cabinet. He was a little bit weaker on the statement at Cabinet than he was to the press. He said, "Well, they have their methods of distribution. It would be a little hard for them to change." But in the press, he said, "It wouldn't be according to Hoyle for them to make any profit on Lend-Lease material."
- White: Well, I don't know whether this is the place you want to discuss it, but, as I understand what they are doing, I don't know whether it would fit right into that category.
- H.M.Jr: Walk it in here at eleven o'clock. Try to get to me then.
- Foley: I haven't anything more.
- H.M.Jr: Herbert?
- Gaston: No, I have nothing more.
- H.M.Jr: I will do Herbert and Admiral Waesche, and in five minutes graves and Kuhn and Odgard can come back.

July 22, 1941

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Excess profits tax before Ways and Means
Committee, Tuesday morning, July 22, 1941.

The personal income tax provisions of the tentative Ways and Means Committee bill were adopted without change.

Mr. Cooper moved to reconsider the excess profits tax plan tentatively adopted by the Committee. This motion set off further discussion of the Treasury excess profits tax plan and the recommendation of the President. Mr. Cooper's motion was lost by a vote of 19 to 5, the 5 supporting the motion being Congressmen Cooper, Cullen, Boland, Hill and Healey. The Committee by this vote reaffirmed its stand on excess profits.

An attempt was made by some members of the Committee to eliminate the special 10 percent tax on income comprising the excess of the invested capital credit over the average earnings credit. This 10 percent tax had been recommended by the Treasury. Mr. Stam spoke against this special tax. Mr. Sullivan defended it and Mr. Blough presented an example of the type of company it was intended to reach. After an exchange between Mr. Knutson, who was vigorously opposed, and Mr. Sullivan, the Committee retained the special 10 percent tax without a record vote.

When it recessed for the noon hour the Committee was considering the excess profits tax title of the bill section by section.

RB

July 23, 1941

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Ways and Means Committee, Tuesday afternoon,
July 22, 1941.

The Committee approved the tentative draft of the excess profits tax except that the exemption granted in the existing law for profits from the "mining of tungsten, quicksilver, manganese, platinum, antimony, chromite or tin" was repealed. This elimination occurred when one member of the Committee endeavored to have an additional mineral added to the list.

The increase in the rate of the capital stock tax from \$1.00 to \$1.25 was approved.

The increases in the estate and gift taxes were approved.

The 1932 excise taxes and the defense tax rates imposed last summer and not changed in the present bill were made permanent. The increases on playing cards, safe deposit boxes and distilled spirits were approved. The period for payment of the floor stocks tax on distilled spirits was increased from 7 months to 9 months.

Lower rates on wines than the Treasury recommendations which had been previously approved were accepted after lengthy debate.

RB

July 22, 1941
11:05 a.m.

RE RUSSIAN GOLD

Present: Mr. Bell
Mr. Foley
Mr. Cochran
Mr. White
Mr. Bernstein

H.M.Jr: Mr. Bell?

Bell: Well, Merle has a memorandum of the history of the case and then we have three forms of a letter.

Cochran: That is the letter from Mr. Welles. (Letter dated July 16, 1941).

It is the final paragraph in the last enclosure there.

H.M.Jr: Can I take a minute? Will you all bear with me for a minute while I read this?

Bell: Yes.

The last sentence that I read of this is Oumansky's letter, "The Government of the United States will not take with respect to the Union of Soviet Socialist Republics any measures prohibiting or curtailing exports or imports of gold or silver which shall not be applied with respect to all other countries."

White: As we all agree, that means you couldn't freeze them without freezing everybody else, which I take it you wouldn't accept for a moment.

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H.M.Jr: No.

Cochran: That is the text to which you agreed.

H.M.Jr: Well, I won't do any more - I won't treat them any worse or any better than I do any other country.

Foley: In similar circumstances.

Cochran: We have three phrases here.

White: We need another phrase to convey that thought.

Foley: In other words, if England were invaded you would freeze English gold. If Russia is invaded you would freeze their gold, just as you froze France.

H.M.Jr: Yes, but it is like all this argument that you were bringing up this morning. Shouldn't we ask somebody's permission to go ahead and have an investigative force or not, and I say, "Go ahead and don't ask anybody."

Now, all he says is that the United States "will not take with respect to the Union of Soviet Socialist Republics any measures prohibiting or curtailing exports or imports of gold or silver which shall not be applied to all other countries."

Why can't I say, "Of course, Mr. Ambassador, I agree with that. I won't treat you any worse than I would England."

Foley: Under similar circumstances.

White: That is all right because that conveys your thought.

Foley: I am afraid there will be an ambiguity there.

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- H.M.Jr: I will say, "I won't treat you any better of any worse than I would England."
- White: You can tell him that orally.
- Bell: As to all other countries, I think you would have to take all countries into a freezing order before you could take Russia.
- Foley: That is what he could argue, and there is an ambiguity there, Mr. Secretary, and I think you ought not to leave it open to a difference of opinion.
- Cochran: I mean, we have fixed three different letters.
- One, if you felt you had to agree with it, which you don't, and the second one, if you want to revert to the original policy, which was followed, of saying, "The foregoing continues to be the policy of the Government of the United States, and it is also the established policy of the Government of the United States not to enter into any undertaking which might tend to limit its freedom of action in the purchase of gold." That is the phraseology we originally used with the Russians.
- White: It isn't necessary to be quite so --
- Bell: Well, that gives you complete freedom of action in every way, and that is what you have always wanted.
- Cochran: And this is the compromise here. We are right at the end of that paragraph.
- White: It isn't a compromise, is it, if you are saying that you won't treat them any better or worse than any other country under similar circumstances?

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H.M.Jr: I don't want to add the "similar circumstances". I don't know what that means. It doesn't mean anything to me. That is most ambiguous. Look, this is what I want to say to this fellow alone: "Now look, Mr. Ambassador, under pressure and everything else from Congress to stop buying gold from Russia, I kept right on doing this thing. You and I understand each other. Now, what I am saying to you, as long as I am Secretary of the Treasury, I won't treat you any better or any worse than I would England or any other country." But if you try to draft that and put that into language, you get all kinds of technical things. "Are you willing to take my word?" His answer would be, "Of course I would."

Cochran: Then get him to eliminate this completely from the exchange of notes with the State Department.

H.M.Jr: That is what I thought.

Cochran: Well, that is better.

H.M.Jr: If we get the thing down into writing - "After all, the best record, Mr. Ambassador, is my record for the last eight years. Now, is there anything - I can only go on that. But I don't want to have my hands tied and I don't know what will come up any more than you do from day to day, but I am telling you, as long as I sit here I won't treat you any better or any worse. I will treat you just the same as I would any other country that we are at peace with."

White: I think that might be well followed with an illustration. Say, for example, supposing he wanted us to freeze. In their own interest they might want you to freeze.

Bell: Countries have asked you to freeze their own assets, and he might be around asking the same thing.

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H.M.Jr: Well, I can say, "Take Chiang Kai-shek. There is a case. He has asked us to freeze and I can't get it by the State Department. He might want us to freeze.

Bell: I think if you can do it informally, it is better.

Whiter: It would be better informal. If, however, he insists or his Government insists --

H.M.Jr: Then I will say, "I am going away for ten days and when I come back I will give you an answer."

Bernstein: Supposing he says you were willing to give that other statement to him last fall. Why aren't you willing to give it to him now?

H.M.Jr: Because my lawyers tell me that that has a restrictive clause. We didn't see it at the time. Well, there are other --

Bell: Well, the situation has changed completely.

Cochran: I have given you a paragraph on that, if you want it.

H.M.Jr: If you don't mind, I don't want any papers on those things. If I am unsuccessful - and last fall the reason that I wanted to do it is, and he knows it, because it was the only Goddamned thing he could get out of this Government, and they kept pressing us for it and then when we agreed to give it to them, the State Department wouldn't pass it on to them, and he knows that. He knows that I agreed to it and he knows that Welle's had it and that Welle's wouldn't give it to him. Did you know that?

Bernstein: You mentioned that the other day.

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H.M.Jr: Yes. So he isn't going to bring it up. And I was doing it because I wanted some place, somewhere in the whole Government, some person who would carry out the President's mandate, do something to keep Russia on the fence so we can keep peace in the Pacific, and the only place in the whole Government that was carrying out the President's direct orders was myself.

Now, I was carrying out what the President wanted. So I said to Oumansky, "Tell me what you want." I said, "Write it out. It is yours."

White: The assurance that may be troubling them is --

H.M.Jr: And I was the only person who was doing what the President said to do at Cabinet, what he had ordered us to do. Nobody else was doing what the President wanted. It wasn't what I thought. I mean, I wasn't carrying out my own personal wishes. It was what the President wanted. Now, to answer the very good point that you raised, "my lawyers tell me if I sign this it might be restrictive, and it might set a precedent. Don't ask me to do this, Mr. Ambassador. Just take my word for it. You conduct your own negotiations with the State Department and leave us out," and the chances are ninety-nine to a hundred he will say, "O.K."

Bell: Did you want Welles' letter before you see that other language?

White: You see, they may want to send a lot of gold here on earmark, and they may want assurance that that gold will be free to them. You simply cannot give them that assurance.

H.M.Jr: I can't do it, and I won't do it.

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- Bell: What is exactly what they do want to do, isn't it?
- Cochran: Yes.
- White: And I say you cannot give them any assurance that the gold will be theirs to use freely under all circumstances.
- H.M.Jr: No, and I will tell him so.
- White: You couldn't give it to any country, Mr. Secretary?
- H.M.Jr: I couldn't give it to any country.
- Cochran: That is by far the happiest solution, if you can eliminate it completely from the State Department's exchange.
- H.M.Jr: Now of course, the State Department isn't going to like that because they again want to use us as a stalking horse.
- Cochran: But they realize this would be a very serious commitment, since it is in no other commercial agreement.
- H.M.Jr: I will say, "Now, Oumansky, don't press me on this because I won't do it." I will say, "Don't press me and don't lose the friendship of the Treasury vis-a-vis the State Department for you." He is smart. He will get that.
- White: I think if he understands that you couldn't give it to England or anybody else - it is not a question of Russia.
- H.M.Jr: I have got to use the old bean, don't you think I have?
- Bell: Yes.

- B -

Wochran: Oh, yes, sure.

Foley: Sure.

H.M.Jr: Now, Dr. Morgenthau wants to talk to his patient, White, alone. He is a damn bad patient.

Bell: Ecoles does not agree on the paragraph of the executive order we sent him, and Henderson doesn't either. They both think it is not quite fair. They think it will stick out like a sore thumb when it comes to the public eye. They think there has been so much cooperation here that they don't see any reason why that should be put in. You will get their assurances that nothing will be issued without first being shown to the Treasury. Of course, this thing will go out, you know, with a blast. It will be the regulations. We will all get a chance at the regulations.

H.M.Jr: Let me tell you a little story about that. Mrs. Roosevelt was driving a car the other day and she went over the line. A motorcycle cop came up and said, "Pull over there," you see. He says, "Don't you know you are on the wrong side?" And she says, "I am sorry." "Show me your license." She pulled it out. He looked at the license and said, "Isn't it a lovely day? I hope you have a nice trip. Goodbye." I won't give in.

Bell: I really think it is terrible if you don't.

H.M.Jr: I am sorry, I won't give in.

Bell: Well, he is going to call you up.

H.M.Jr: That is all right, I won't give in.

Bell: I think you should give in.

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H.M.Jr: No.

Bell: I don't think it is the most important thing that we have between us and those two crowds.

H.M.Jr: No. I told you that the other day.

Bell: I know you did, but I think you will before it is over with and somebody else will argue, not me.

H.M.Jr: No. Of course, if you can get these four people on your side, I might reconsider. I haven't talked to them. I haven't talked to them this week anyway about it. I may have last week, but I haven't this week. No, I am sorry.

Bell: Well, Eccles is going to call you up and ask for a conference with you on this same thing.

H.M.Jr: I am here. I will see him up in Malone, New York. No, I am not going to give in.

Bell: I think you are making a mistake.

July 22, 1941
11:55 a.m.

HMJr: Hello, how are you?

Arthur Purvis: Very well, thank you. And you?

HMJr: I'm all right. Arthur, I'm leaving right after lunch tomorrow.

P: Are you?

HMJr: I am going away for a week, and I just wanted to say good-bye and hope that you had a grand trip.

P: Have you made up your mind on Canada yet?

HMJr: No, I'm waiting to hear from you people. Mrs. Klotz spoke to Miss Brady.

P: About that other place that I - curiously enough, it's the one I mentioned to you, that I used to go to with the bridge crowd.

HMJr: That's right.

P: That one we're - that one they are getting further information from from Canada. I just want to put this thought in your mind, as between the two places.

HMJr: Yes.

P: At the first, you will get a combination which will add very, very greatly more interesting things, and you'll also have the ones you get at the Laurentian Club.

HMJr: Yeah.

P: At the Laurentian Club, you'll only get the lake end, the chain of lake ends.

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HMJr: I see.

P: And in my opinion it would tend to be - it would tend to be a hotter place, and not quite so stimulating.

HMJr: I see. So you lean toward the other place.

P: Because of the stimulating air on the northern St. Lawrence, as distinct from the hills in the Laurentians which are rather shut in.

HMJr: Oh.

P: You see, I have a place in the same range of Laurentians, and I know what happens in the summer.

HMJr: I see. Well.....

P: Off balance, unless you had any very great leanings, I would recommend the first.

HMJr: Well, I'm willing to take your recommendation.

P: Good for you.

HMJr: I haven't felt sorry yet when I have.

P: (Laughs)

HMJr: And - will Miss Brady be here, or is she going with you?

P: No, she won't go.

HMJr: Will she.....

P: She'll be here, and she will be a fulcrum to get anything that Mrs. Klotz wants.

HMJr: Well, then let's leave it this way. I'll be back here on the first of August.

P: Yes.

- 3 -

EMJr: And I'll get - but you could tell them now, if you would, that we - we'd get up there about the fifteenth.

P: About the fifteenth.

EMJr: Yes.

P: Thank you very much, Henry.

EMJr: And we'd stay for about - we'd figure on staying for about two weeks, you see.

P: Good.

EMJr: We won't be there Labor Day, which will most likely please them, because we'll be home Labor Day.

P: Yes.

EMJr: So they can figure on - I don't - Canada has Labor Day, doesn't it?

P: That's right.

EMJr: So - I mean, we'll not be there over that Labor Day week-end.

P: All right. I'll so tell them.

EMJr: Now, you're not going to be gone very long, are you?

P: No. No, I don't think more than two or three weeks.

EMJr: Oh, as long as that?

P: Well, two anyway.

EMJr: Well, with this money now that they've gotten from Jones, your people ought to be all right.

P: For the time being, I should think, yes.

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HMJr: Well, that'll last them for awhile.

P: (Laughs) Quite.

HMJr: And I'm having - I'm having Cox and Lovett and McCloy for lunch today.

P: Oh yes.

HMJr: And if there's anything on that, I'll give you a ring before I go.

P: Yes. I'd like to hear anything that transpires in that line. Thank you very much, Henry.

HMJr: Good luck.

P: I hope you have a very good time.

HMJr: Thank you. And I hope you have a successful voyage.

P: Thank you.

HMJr: Good-bye.

P: Good-bye.

July 22, 1941
12:59 a.m.

HMJr: Hello. Hello.

Frank Knox: Hello, Henry.

HMJr: Hello, Frank. How are you?

K: Fine.

HMJr: Frank.....

K: I'm sitting here eating lunch with a friend of yours.

HMJr: Beg pardon?

K: I say I'm sitting here eating lunch with a friend of yours.

HMJr: Who's that?

K: Ernie King.

HMJr: Oh.

K: Admiral King.

HMJr: Give him my best regards.

K: I'll do that.

HMJr: If you give him as good a lunch as he gave me, he's eating well.

K: Well, he - I'm not.

HMJr: (Laughs)

K: It's very simple.

HMJr: Frank, I wonder if you could help me out? Very, very confidentially, with the knowledge and the approval of the State Department, we want to get six men to the Philippines

- 2 -

so that when we freeze, they're to go into the banks and all that sort of thing.

K: Yeah.

HMJr: And we can't get them on Tuesday's clipper, but if you thought that there were any of your ships going as far as Honolulu, then we have a better chance to get them on Honolulu on a clipper to the Philippines.

K: Well, it takes six days to go from the Pacific Coast to Honolulu by ship.

HMJr: No, we think-we think we can get them on a clipper out of Honolulu.

K: Then go by the ship from San Francisco to Los Angeles to Honolulu?

HMJr: No, I meant if you were flying any ships out.

K: Oh, flying them out?

HMJr: Yes.

K: I don't think so, but I'll check it, Henry, and let you know.

HMJr: Well, it's really almost important enough, I'm so bold to suggest that you send them out as far as Honolulu, because we want the men there and Sayre wants them there.

K: Who wants them there?

HMJr: Sayre.

K: Who's Sayre?

HMJr: The High Commissioner.

K: Oh. Oh yes, Sayre. Sayre, yeah.

HMJr: The High Commissioner.

K: I see.

- 3 -

HMJr: And he and the State Department and - this is very hush-hush business. Mr. Welles won't even tell anybody over there that.....

K: How many people are you sending?

HMJr: Six. Bank examiners and that sort of thing.

K: Well, there's only - we've only got two ships in the Navy that could take six people that long and that far, and I think both of them are on the East Coast.

HMJr: Well, could they get them as far as Honolulu?

K: I say they're both on the East Coast, these.....

HMJr: Oh.

K:two four-engine ships, and.....

HMJr: Oh.

K: The one's in over-haul and there's only one in commission.

HMJr: Oh.

K: And that's in service right now.

HMJr: I see.

K: It's on another mission.

HMJr: Yeah.

K: I don't believe we've got - unless we'd send them and divide them up into three or four PBY's and shot them out that way. Pretty darned uncomfortable way to go.

HMJr: Yeah.

K: Let me talk it over with our aeronautical people and see what can be done. I'll call you back, Henry.

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HMJr: Well, if I'm not here - because I'm leaving at two - I'm going away for a week - Ed Foley's in charge of this.

K: Foley?

HMJr: Yeah. Edward.

K: I - I'll call Foley.

HMJr: Well, ever so much obliged.

K: All right, Henry. You're going away for a week?

HMJr: Yeah.

K: How do you get that way?

HMJr: Well, I guess.....

K: God, I wish I could.

HMJr: Oh, go on.

K: (Laughs)

HMJr: I'm going up to Malone, New York. I'm only two and a half hours.

K: Yeah, I know; but it's a nice place to be - Malone, New York.

HMJr: It's a very nice place.

K: (Laughs) Well, I hope you have a nice vacation. I'll call Foley.

HMJr: Thanks.

K: All right, Henry.

HMJr: Good-bye.

July 22, 1941
2:40 p.m.

HMJr: Have you finished the cutting?

Ferdinand
Kuhn: I've finished the cutting. Now it's - now
it's about to be typed.

HMJr: Oh. Ferdie.....

K: Yes.

HMJr: How come it wasn't done last night - I mean,
how come you.....

K: Well you - don't you remember you wanted
it up at your house?

HMJr: Yeah, but I meant that the cutting wasn't
done. I mean, it's not the right number
of words.

K: Well, the cutting depended partly upon
changes that other people put in. We
didn't know what changes they were going
to make.

HMJr: Yeah.

K: This thing went out to five different people
and they had their scripts back yesterday.

HMJr: Yeah.

K: And.....

HMJr: I mean, I just don't quite understand why
it wasn't out yesterday instead of today.

K: Well, that could have been done had we had
their scripts back earlier.

HMJr: Wasn't it all back yesterday morning?

K: It was back yesterday.

- 2 -

HMJr: Yeah.

K: And then you had to - you had to work in all the changes and get it up to you in the evening. I cut fourteen hundred words out.

HMJr: Well, I think - if you don't mind my saying - you made a mistake and made extra work for you and Peter. I would have had the script man here yesterday.

K: Yeah.

HMJr: Right here as the stuff comes in to you.....

K: Yeah, well he.....

HMJr:and that would have.....

K:he's doing other jobs also.

HMJr: Yeah, but you see this throws so much on you and Odegard of actually manual work.....

K: Yeah, I know it.

HMJr:and doesn't leave you free to think.

K: I know it.

HMJr: And that's what I'm thinking about.

K: Well, I hope that we can work it differently the next opportunity we have.

HMJr: Well, I was just thinking - you know, I like to keep you two men for idea men and not for manual labor.

K: I know. Well, I'm afraid I'm not much use today.

HMJr: (Laughs)

K: Anyway, we've cut it down so that I think it's going to be within the right length

- 3 -

and leave plenty of room.....

HMJr: Are you going to practice it?

K:and we're going to practice it ourselves, and there'll be a reading copy either by the time you go or a few minutes after.....

HMJr: Well.....

K:up at your house.

HMJr: Well, Ferdie.....

K: Yes.

HMJr:now, I want my thirty seconds' leeway.

K: Well, that's what I've tried to give you. I cut and cut and cut. (Laughs)

HMJr: (Laughs) I'm laughing.

K: Yeah. You don't believe me?

HMJr: Oh yes. You sound like "Axe-man, spare that tree".

K: I sound like a surgeon in a hospital.

HMJr: No, more like a wood-chopper.

K: Yeah.

HMJr: All right, but.....

K: Well, we'll have it for you.....

HMJr:but I - don't you think my - my - what-you-call-them - criticisms are constructive?

K: Certainly. And - you mean about turning it over to the script man?

HMJr: Yeah, that if he'd have been here yesterday it would have saved you and Peter all the work.

- 4 -

K: Well, they always do that with script. Every time these technical scripts come in I get the feeling they're too long, and these people ought to know their business and keep them within the time.

HMJr: Okay. All right.

K: All right.

HMJr: Thank you.

K: I'll have it for you.

July 22, 1941
4:10 p.m.

Preston
Delano: Yes, Mr. Secretary.

HMJr: Preston?

D: Yes.

HMJr: I read your memoranda, and it didn't satisfy me at all.

D: Oh, I'm sorry.

HMJr: And so I turned the matter over to Foley to handle for me.....

D: All right.

HMJr:and he will be in touch with them, and please give him anything and everything that he wants.

D: Of course.

HMJr: I'm quite worried about it.

D: Well, I'm very - I'm very sorry. I - I guess - you don't want me to discuss it to you over the phone?

HMJr: No, but I'm just telling you that I've turned it over to Foley and it's in his hands.

D: All right.

HMJr: And he's going to go to the bottom of it.

D: We'll give him every bit of help.

HMJr: Thank you.

D: Right, sir.

HMJr: Good-bye.

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STANDARD FORM NO. 14 A
APPROVED BY THE PRESIDENT
MARCH 10, 1925

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

July 28, 1941 (Personal)

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

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**MR. AND MRS. HENRY WOODSTRAW
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**PLEASE LISTEN TO PROGRAMS TONIGHT SEVEN THIRTY TO EIGHT ON KBC STATION WEE
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TITLED PUBLIC AFFAIRS BOTH PROGRAMS EASTERN STANDARD TIME**

HENRY

GEF/dbs/ro

July 22, 1941

Those who will be at the Treasury this evening from the Columbia Broadcasting System are:

Robert Pilcher, Engineer
Lee Vickers or Park Simmons, Announcers
Paul Glynn, Publicity
Anne Gillis

National Broadcasting Company:

Clyde Clark, Engineer, 5 P. M.
Ross Fillion, Night Supervisor

Albert Hawkes and John O'Leary, Chamber of Commerce

Walter D. Fuller, National Association of Manufacturers

James Carey, C. I. O.

William Green, A. F. of L.

James A. Phillips, Railway Labor

Vincent F. Callahan

Charles J. Gilchrest

Peter Odegard

Harold Graves

Ferdinand Kuhn

Draft of Secretary Morgenthau's One-Minute Broadcast in the
Opening Program of the N. B. C. Series, July 22, 7:30 to
8:00 P. M., E. S. T.

Good evening!

You are hearing the first of a series of distinguished musical programs which the National Broadcasting Company is presenting for the Treasury Department, to promote the sale of Defense Savings Bonds and Stamps. On this program, which will take place every week at this time, you will hear some of the finest musical talent in America today. You will hear the music of our own country, the songs that every American knows and loves.

I wish to express my gratitude to the National Broadcasting Company for their generosity in giving the time and talent which will make this entertainment possible. The artists whom you will hear tonight and on subsequent broadcasts are well known in the musical world, and we are happy that they are bringing the message of the Defense Savings Bonds and Stamps to you. That message is a simple one. It is a message of pride in our American way of life, and of our determination to defend it. We know that all of you are eager to do your part in the great work of helping to pay for American defense; and our purpose is to let you know how you can do your part most effectively.

July 22, 1941
8:10 p.m.

HMJr: Hello.

Secretary to
Mr. Hummert: Yes.

HMJr: This is Henry Morgenthau, Jr.

S: Mr. Secretary, I'm glad to hear your voice.

HMJr: I've just listened to this program, and we're all delighted here.

S: Well, that's - I'm delighted for all of us.

HMJr: And I wish you'd tell everybody, and I can't tell you how much I appreciate all the trouble you've been taking in getting the program, and writing the script, and everything else.

S: Well, I can't thank you enough for calling me, and I'll transcribe your - transmit your message to everyone here.

HMJr: Fine.

S: They've at least tried.

HMJr: Well, come down - not too - some time after the first of August. I'd like to get better acquainted.

S: Well, I should like very much to do that with you; very, very much.

HMJr: Well, I hope to see you soon.

S: Well, let's hope that we keep going.

HMJr: Right.

S: Thank you very, very much.

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HMJr: Good-night.

S: Good-night.

Reading copy 7/22.

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ROUND TABLE FORUM

on

NATIONAL DEFENSE BONDS & STAMPS

July 22, 1941

9:15 to 9:45 PM, EST

Led by:

The Secretary of the U. S. Treasury,
Henry Morgenthau, Jr.

Participants:

Mr. James B. Carey, National Secretary of
the Congress of Industrial Organizations

Mr. Walter D. Fuller, President of the
National Association of Manufacturers

Mr. William Green, President of the
American Federation of Labor

Mr. Albert Hawkes, President, United States
Chamber of Commerce

Mr. James A. Phillips, Chairman of the
Railway Labor Executives Association, and
President, Order of Railway Conductors of
America

ANNOUNCER:

Ladies and gentlemen. An important discussion on national defense, with special emphasis on the defense bonds and stamps program, is now taking place in the office of the Secretary of the Treasury in Washington, D. C. Participating are six of the leaders of American thought and action today. They are Secretary of the Treasury Henry Morgenthau, Junior, who is leading the discussion; James B. Carey, National Secretary of the Congress of Industrial Organizations; Walter D. Fuller, President of the

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National Association of Manufacturers;
William Green, President of the
American Federation of Labor; Albert W.
Hawkes, President of the United States
Chamber of Commerce; and James A.
Phillips, Chairman of the Railway
Labor Executives Association. Mr. Carey
represents the C. I. O. in the
absence of Philip Murray, the
President. Mr. Murray had accepted
Secretary Morgenthau's invitation to
be present tonight, but was forced to
cancel his acceptance because of

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illness. We are sorry to hear that he is now in the Mercy Hospital in Pittsburgh, and all of us will want to wish him a speedy recovery.

This is the first time in radio history that these leaders of such widely different national groups have appeared together on a single broadcast. The Columbia Broadcasting Company is privileged to bring this remarkable forum to you on a nation-wide network. The discussion is now in progress, and Secretary Morgenthau is speaking.

MR. MORGENTHAU: Yes, Mr. Fuller, you're quite right when you say that the bonds program is actually an economic measure to prevent inflation. But I think the real significance of the bonds goes a lot deeper than that.

MR. FULLER: In what way, Mr. Secretary?

MR. MORGENTHAU: I believe that if the program is a success it will have a tremendous effect on the nation's morale. And that is why I'm so enthusiastic about the defense bonds program -- because here is a government problem, the greatest of all time -- the problem of speeding America into a position of impregnable defense -- and the government is coming with that problem directly to the average man.

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We need money, but we're not trying to borrow that money from the big banks; we're coming to the individual citizens, the very ones who have been saying, "What can one man do?"

And we're saying to them:

"This is what you can do: you can come into partnership with Uncle Sam! We need you, each one of you. We want you to lend us your dollars to build the guns, the ships and the planes with which our fighting men will protect all of us." You see, Mr. Fuller, that's the aspect of the bonds that really appeals to me.

When a man buys a national defense bond, the gap between him and his government is closed. Not only is he participating in government -- he is assuming a share of responsibility in the biggest job America has ever undertaken. The defense effort is for the people -- under our democratic system it is of the people -- and through the bonds it really becomes a defense effort by the people --

And that, more than any other phase, is what I like about the defense bonds and stamps program.

I'm sure you see my point, Mr. Fuller.

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MR. FULLER: Certainly, Mr. Secretary. I think what you've said is undoubtedly the key point of the whole defense bonds idea. But you see, I was speaking as a business man when I emphasized the economic basis of it. All of us in the National Association of Manufacturers are primarily business men, and we tend to approach a problem from that angle.

MR. MORGENTHAU: Naturally.

MR. FULLER: Futhermore, I'm all in favor of getting the economics of this program over to the public as clearly as possible.

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Now as I understand it, isn't this the idea in a nutshell? We need several billion dollars to finance the defense program. There are only two ways we can get it, through taxation and through borrowing, and the government is doing both. If all the borrowing is done from the big banks, what happens is that the banks thereby create a mass of new purchasing power and turn it over to the government, and the government then pours it out to the public in payment for the things and services it buys. Well, your average citizen will tend to spend this new-found purchasing

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power on luxuries or on commodities he felt he couldn't afford until now. The result is a huge demand for commodities, they become scarcer and scarcer, prices begin to skyrocket, money doesn't buy half of what it used to buy -- and the country would then be well on the way to inflation. Is that correct?

MR. MORGENTHAU: You're stating the process very clearly, Mr. Fuller. Please go on.

MR. FULLER: Now on the other hand, if the government borrows the money from the average citizen, as it is doing through the

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defense savings bonds, no new purchasing power is created, but instead some of the already existing purchasing power is soaked up and put into the defense effort, where it can really do the most good right at present. The skyrocketing demand for commodities is held back, and the inflationary tendency is checked. Then, ten years from now, when with the help of Providence we will have returned to peace times, the money will be returned with interest to the average citizen, at a time when it will

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undoubtedly come in very handy.

Of course, Mr. Secretary, this is a sketchy and simplified version of the story, but wouldn't you say that was the essence of it?

MR. MORGENTHAU: Absolutely, Mr. Fuller, and I want to compliment you. You have explained it so simply, I don't think even an expert could confuse any of us now.

MR. FULLER: Well, Mr. Secretary, I have great faith in the American people. And I'm sure when they grasp the soundness of the Defense Bonds and Stamps idea, they're going to pitch in and really make a go of it.

- MR. GREEN: Mr. Secretary, I'd like to comment on Mr. Fuller's remarks.
- MR. MORGENTHAU: Please go ahead, Mr. Green.
- MR. GREEN: It seems to me, Mr. Fuller, that you have stated the economic side of the bonds program about as well as it can be stated. But as you yourself started off by saying, you were speaking primarily as a business man.
- As a representative of labor, I would be inclined to stress an entirely different aspect of the defense bonds and stamps program.
- MR. MORGENTHAU: And what would that be, Mr. Green?

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MR GREEN:

Simply this -- that we Americans, workers and managers alike, have something precious to defend here; we all want to help defend it, and this is the way we can do it. As a matter of fact, Mr. Secretary, I have always maintained that a worker in the defense industries is doing his utmost for the country in the same way as a soldier, so long as he continues to do his job cheerfully, and to the best of his ability. Every laborer who puts his heart and soul into his work at this time is, in a very real sense, contributing to the National Defense program.

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MR. MORGENTHAU: I think that's quite true.

MR. GREEN: And yet, if I know the American working man, I don't think he's satisfied with just doing his job in the best way he can. It's in the American nature to want action -- direct action, and plenty of it, in a hurry -- when a great crisis comes up. And every American wants to feel that he's in that action, that he's part of it. To me, Mr. Secretary, there's where the defense bonds and stamps come in. You can count on it, Mr. Secretary -- the workers of the American Federation of Labor

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are going to back the defense bonds
and stamps to the limit.

MR. MORGENTHAU: I'm very happy to hear that. When
William Green makes such a statement,
I know I can count on it as an
accomplished fact.

MR. HAWKES: Mr. Secretary.

MR. MORGENTHAU: Yes, Mr. Hawkes.

MR. HAWKES: Mr. Green touched on one important
point there which I think could
stand even further emphasis.

MR. MORGENTHAU: And what point was that?

MR. HAWKES: Well, I've travelled a great
deal around the country lately -- and
I'm convinced that there is a tremendous

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reservoir of unused patriotism in America, just waiting to be tapped. The unused patriotism of our people is the mightiest potential force in the world today. Our citizens are just waiting to be guided as to their duties.

MR. MORGENTHAU: Then, you do feel, Mr. Hawkes, that all classes and all shades of opinion will unite behind the defense bonds and stamps effort?

MR. HAWKES: Yes, beyond a doubt. In my travels through the country I have found practically no one in the ranks of labor or capital who is not in favor

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of defense full speed ahead. People are beginning to realize that what is now happening is a real crisis in their lives -- not a drama on the stage or screen. It's really happening, and it's a serious business -- as serious as any danger we will ever know in our time. The men and women of our country are facing this fact at last and with sober courage. In New Jersey where I am Chairman of the State Committee for Defense Savings, we are making excellent progress.

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When the people recognize that this is a channel in which they can direct their unused patriotism -- when they understand that the government is relying on them to help finance the arms program and at the same time save our economic structure from the menace of inflation -- they will respond voluntarily, as they have always responded to the country's call throughout its history.

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MR. MORGENTHAU: I like your phrase, "unused patriotism" very much, Mr. Hawkes, and I'm very glad that you have described so well the approach of the Treasury to the bonds drive. We started the whole thing with the idea that the people did not want to be coerced -- they wanted to be informed. And the response to date, as you say, has completely met our expectations.

MR. CAREY: Mr. Secretary.

MR. MORGENTHAU: Yes, Mr. Carey.

MR. CAREY: If you're finished --

MR. MORGENTHAU: Yes, of course, Mr. Carey. Please go ahead.

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MR. CAREY: I just wanted to thank Mr. Hawkes for hitting the point that seems to me to be the essence of this bonds and stamps drive -- namely, the fact that its voluntary. That's one point I would have wanted to make very clear myself.

MR. HAWKES: I'm glad you feel that way about it, Mr. Carey. I've felt right from the start that it was of the utmost importance.

MR. MORGENTHAU: Well, gentlemen, I am delighted to know that labor and management are in complete agreement on our voluntary plan.

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MR. CAREY:

Absolutely, Mr. Secretary. It seems to me there are two major philosophies abroad in the world today. One holds that people are a herd of sheep, and must be driven; the other maintains that people are reasonable fellow beings, and must be persuaded and led. Mr. Hawkes and I are agreed that the latter is the American way, and that's why we are so enthusiastic about the voluntary approach you are using in the defense bonds drive.

MR. MORGENTHAU:

Yes, Mr. Carey, I am sure we all agree that that is the key to our whole plan of operation.

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MR. CAREY:

You see, Mr. Secretary, it's impossible to emphasize that point too strongly.

The appeal to voluntary action has already brought promising results from the ranks of organized labor in the early months of this drive. You know of the action of many locals in the automobile industry -- they voted to have their employers set aside a percentage out of their pay envelopes each week to go toward buying defense bonds. The Treasury has been wise and far-sighted to let the initiative come from the unions. In every case

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the workers themselves have asked for a payroll allotment plan; it has never been forced on them by the employers. Personally, I hope -- and I expect -- that this voluntary weekly savings plan will be adopted by large numbers of locals throughout the organization of the C.I.O.

MR. MORGENTHAU:

I am really grateful to you for that assurance, Mr. Carey. Such a response is the finest kind of demonstration that organized labor stands solidly with the government in this great crisis.

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MR. PHILLIPS: Mr. Secretary.

MR. MORGENTHAU: Yes, Mr. Phillips.

MR. PHILLIPS: I'm all in favor of what Mr. Carey has said, but I do feel that he's passed over one of the most important aspects of the situation so far as labor is concerned.

MR. MORGENTHAU: And what is that, Mr. Phillips?

MR. PHILLIPS: Well, it's more in line with what Mr. Hawkes was saying before, to the effect that Americans are at last waking up to the fact that this war is a tragedy that's really happening, a crisis that affects the future of

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every man, woman and child. You know, in the early stages of this world crisis I think many of us were asleep to its real meaning. Speaking for the railroad men of this country, I would say that we will buy defense savings bonds because each bond sold is a blow struck in the defense of our sacred freedom as a nation and the preservation of our democratic way of life. Through the purchase of these bonds and stamps the railroad men of America

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can help to give assurance to the struggling and oppressed workers of Europe and Asia so that political and economic freedom shall not perish from the earth. I feel, Mr. Secretary, that it is considerations like these -- serious and mature decisions about our own responsibilities in these terrible times -- which will move railroad men to support the defense effort by buying bonds and stamps.

MR. MORGENTHAU:

Mr. Phillips, if our people are becoming aware of these considerations, then the outlook really is hopeful.

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MR. PHILLIPS: I firmly believe that they are, Mr. Secretary. They are convinced that this so-called "new order" means to wipe out the democratic ideal -- which, under our form of Government, guarantees to workers and owners alike the recognition of their rights to meet, to organize and to avail themselves of all possible machinery for adjusting inequalities in our social and economic life. Because the railroad men of America believe in that ideal, they will do their best for democracy by buying defense savings bonds and stamps to the limit of their ability.

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- MR. GREEN: Mr. Phillips, I think what you say for the railroad men goes for all the workers in this country.
- MR. FULLER: And for the owners and managers, too, Mr. Green. I think we all know how we stand today.
- MR. HAWKES: Quite right, Mr. Fuller. I believe the membership of the U. S. Chamber of Commerce would go all the way with you on that statement.
- MR. CAREY: And I'd like to say that I believe American labor is fully awake to its responsibilities.
- MR. MORGENTHAU: Thank you, Mr. Carey. Mr. Hawkes, did you wish to say something?

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MR. HAWKES: Just this, Mr. Secretary. We here represent five groups that are pledged to protect different phases of the national interest; and now we're all menaced by a gangster system which, beyond a shadow of a doubt, will wreck all our interests if it prevails. Seeing that that's so, the first thing, as of July 22, 1941, is to unite in the effort to secure ourselves from that menace.

MR. MORGENTHAU: Mr. Green -- you wish to add something to that?

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MR. GREEN:

I agree with Mr. Hawkes, and I think he's struck on a vital point. We workingmen don't expect perfection in our lifetime, but we know what we've got, and we know it can be improved only in the democratic way, and we don't propose to let any foreign dictator or any foreign war machine take it away from us. We have labor organizations; we have the right of collective bargaining; we have increasing recognition under the law. On most of the European continent, today no one could try to organize labor into free trade unions without danger of swift capital punishment.

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What labor organizations anywhere in the world enjoy the recognition and strength of the American trade unions? That's what we've got, and that's what we want to protect and strengthen and improve. It's not a choice between a perfect world and an imperfect world; there never has been such a choice in the history of mankind. It's a choice between hope and hopelessness. Our hope lies in America, and we know it. That's why we'll buy defense savings bonds and stamps.

MR. PHILLIPS: Excellent, Mr. Green. I'm with you all the way on that.

MR. GREEN: Thank you, Mr. Phillips.

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MR. MORGENTHAU: Mr. Carey, I believe you wanted to say something.

MR. CAREY: Well, I just wanted to add this about labor's attitude. Many American workers have felt the results of the boom by an increase in their earning power, but many of them have just about attained the normal standard of living thereby and some of them are still struggling toward it. I can assure you, Mr. Secretary, that all these workers want to take part in the defense bonds program immediately, and for them I think the device of the Defense Savings Stamps will prove the answer.

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MR. MORGENTHAU: I am very glad you made that point, Mr. Carey. It is of the greatest importance to the Treasury that the largest possible number of citizens take part in the defense savings program -- whether they start by buying a 25 cent stamp or by buying a 25 dollar bond is less important than the fact that by their purchase they show their enthusiasm for the national defense effort. What we are seeking is nothing less than nation-wide endorsement of this program.

What were you going to say, Mr. Phillips?

MR. PHILLIPS:

Mr. Secretary, my wife and I recently adopted a constructive program which I recommend to every American citizen when tempted to purchase any luxury. Simply refuse to make such a purchase. The net results of these two actions when followed by millions of people would be as follows: Tons of needed materials and thousands of skilled workers would be made available to the government with which to build planes, tanks, guns and ships for defense. Additional millions in funds would be transferred to the Government with which to finance defense.

This program will help to prevent a rise in living costs and make our dollar purchase more necessities. This will go far to maintain our standard of living, and will be a blessing, particularly for those with small incomes. Then when victory comes and we face a readjustment, there will be billions of dollars in defense bonds readily available for purchasing power. These savings will keep factories running which would otherwise be closed. Thus one blessing will follow another and

the cause of world democracy will be served by our adopting a wise and patriotic program. May I again urge that each and every one of us strike an effective blow for liberty by refusing to buy luxuries and instead buy defense bonds.

MR. FULLER:

Mr. Secretary.

MR. MORGENTHAU:

Yes, Mr. Fuller.

MR. FULLER:

I sometimes think that the defense savings bonds program may prove a very healthy thing for our country in a way none of us has yet mentioned --

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namely, that it will re-emphasize the habits of saving and thrift on a nationwide scale. When this crisis is over I should like to see the American people so disciplined in the ways of saving and thrift through this defense savings program, that they will insist on conducting our national finances in the same way. If the people's continuous purchase of the bonds and stamps will serve to increase and strengthen the good old-fashioned American habits of thrift, I think the program will have been worthwhile on that basis alone.

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MR. MORGENTHAU: Well, then, I take it that we're all agreed? Is that right, Mr. Fuller?

MR. FULLER: Mr. Secretary, the National Association of Manufacturers is solidly behind the effort to make America secure from attack.

MR. GREEN: I think, Mr. Secretary, I have stated the position of the A. F. of L. as well as I can -- and I believe the response of the organization will speak for itself.

MR. HAWKES: Let me say for the U. S. Chamber of Commerce, Mr. Secretary, that we are with you wholeheartedly. We will do our part.

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MR. CAREY:

And for the C.I.O., Mr. Secretary,
I want to say that no more intensely
patriotic group of citizens exists
in our land -- and I know the results
of the bonds and stamps drive in
our organization will prove it.

MR. PHILLIPS:

The railroad men stand firm with
the rest of the country, Mr. Secretary,
as they always have in any great
national emergency such as this.

MR. MORGENTHAU: Thank you gentlemen, all of you for your very clear and wholehearted endorsements of the defense bonds program. I cannot tell you how pleased I am to find such a united stand in this discussion. You represent groups including millions of Americans with widely divergent interests. Let us be frank about it, you have on occasion opposed and even clashed with each other -- yet you have made abundantly clear that on the issue of national defense, and more particularly on the defense bonds and stamps, you are of one mind.

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You have demonstrated beyond any doubt that on this question the representatives of capital and labor are completely agreed. You have provided a dramatic proof that America is able to unite in a time of crisis.

The very fact that the six of us can sit down together like this, for a common cause, is a symbol of unity to all the world. Here we are, the representatives of labor, business and government, all meeting in friendly discussion, all working together in the American way.

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I don't think it is exaggeration to say that this discussion, informal though it has been, has been of historic importance -- for it is one of the most striking displays of national unity that this country has witnessed in the present crisis. And I want to express my genuine gratitude to all of you for taking part tonight.

If those of our citizens who had meant to start buying ^{bonds} ~~them~~ next week or next month will resolve to start buying them tomorrow, and go on buying them, we will have accomplished our purpose.

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These bonds and stamps are a good investment, and they are a sound economic measure -- but most of all, they enable each one of our citizens to do his part in buying the ships, the planes and the guns that will make America strong and safe.

The hope of all of us lies in the strength and safety of America.

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ANNOUNCER:

Ladies and Gentlemen, you just have heard an important discussion on national defense, emphasizing the Defense Bonds and Stamps campaign. This program was broadcast over a coast to coast network of the Columbia Broadcasting System from the office of the Secretary of the Treasury in Washington, D. C. Speakers were Henry Morgenthau, Jr., Secretary of the Treasury, who led the discussion; James B. Carey, National Secretary of the Congress of Industrial Organizations; Walter D. Fuller,

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President of the National Association
of Manufacturers; William Green,
President of the American Federation
of Labor; Albert W. Hawkes, President
of the United States Chamber of Commerce;
and James A. Phillips, Chairman of the
Railway Labor Executives Association,
and President of the Order of Railway
Conductors of America.