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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, November 8, 1941.
11/7/41

Press Service
No. 28-36

The Secretary of the Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be dated November 12, 1941, and to mature February 11, 1942, which were offered on November 5, were opened at the Federal Reserve Banks on November 7.

The details of this issue are as follows:

Total applied for - \$313,335,000
Total accepted - 150,018,000

Range of accepted bids: (excepting two tenders totaling \$110,000)

High	- 99.980	Equivalent rate approximately	0.079	percent
Low	- 99.938	" " "	0.245	" "
Average				
Price	- 99.950	" " "	0.200	" "

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

-oCo-

November 8, 1941
12:40 a.m.

Daniel
Bell:

All right, ready.

HMJr:

Okay. Dan, I've been doing quite a lot of thinking about this meeting Monday afternoon.....

B:

Uh huh.

HMJr:

.....with Byrd and Doughton.

B:

Yes, sir.

HMJr:

And my thought was this. I thought that we could approach from this - that what we in the Treasury want to do is to challenge all peace-time expenditures. Hello.

B:

Yes.

HMJr:

With the thought that they could be reconsidered and redirected towards the national defense efforts, see?

B:

Yes.

HMJr:

Now, that's a little bit different angle, see?

B:

Yes, sir.

HMJr:

Now, my thought is that particularly under - in one group - you take NYA, CCC, whatever work Studebaker does.....

B:

Yeah.

HMJr:

.....and WPA - they should all be re-examined in that light, and I think that anything that they are doing which isn't towards helping this country to get ready to defend itself, should be discontinued.

B:

I see.

HMJr:

See?

B:

Yes.

- 2 -

- HMJr: Now - and then particularly the training of the young men and women of this country should be under one person, and train them for national defense. Hello.....
- B: Yes, I get it.
- HMJr: And not have it under - all four of those agencies are doing it now.
- B: Well, all four of them are doing something on defense. NYA and, I believe, Education, are doing something on training. Whether WPA is, I don't know.
- HMJr: Well, you'll find that they are and you'll find that CCC, but all of these things are art projects, music projects, making trails in the forests, and God knows what. All - anything that would be done in the past, along peace-time efforts.
- B: Yes, I see.
- HMJr: They should be discontinued.
- B: Well, I agree with that. I was thinking about it on a little different basis, although not getting away from the challenge. I don't believe that you can do anything to reduce expenditures.....
- HMJr: Hello.
- B: I say I don't believe that you can do anything very much to reduce expenditures for the current fiscal year. They're pretty well set and going. You might do something on WPA, and I think the Budget is probably doing something. I know they put ninety-five million dollars of the CCC money in reserve, and they're prepared to show you what they've done on the reserve; but I think that it ought to be directed towards next year's budget.
- HMJr: Well, that's possible. But take that highway money.
- B: Well, you've got to do that before January 1 or the Agriculture Department will obligate it.

- 3 -

- WJr: Well, I think that that should be number one on our list.
- S: I do too.
- WJr: And I think that the Public Works.....
- S: Yes.
- WJr:certainly no new Public Works should be started, and some of them could be stopped.
- Q: That's right, and they just reported out of a committee in Congress the other day, a billion dollar river and harbor bill.
- WJr: Yeah. Well, let's.....
- S: Including the St. Lawrence Waterways.
- WJr: Well, let's have that up, too.
- S: Yes. Well, I thought maybe that Smith could tell you on these projects which we raise - in these organizations, such as, CCC, WPA and so forth - tell you what he contemplates doing in the 1943 budget which he's now considering.
- WJr: Well.....
- S: And if he is, say, cutting out ninety per cent of CCC in the Budget, well then there isn't anything that this committee needs to do except back up the Budget.
- WJr: Well, anyway, I've invited him to be there.
- S: Good.
- WJr: I wanted to give you this thing that's as between a peace-time effort and national defense.
- S: Well, I think that's right; and I think that it would be a good thing if they could agree upon some of the things that ought to be done and then this committee recommend a resolution.

- 4 -

HMJr: Well.....

B: Putting it through Congress, and then you have Congress on record.

HMJr: Well, something along those lines.

B: Yes, I get it.

HMJr: But I'll work on - if you'll have it ready for me Monday forenoon, I'll go over it with you and have a dress rehearsal.

B: All right. I'm working up the memoranda on each of those agencies as to what they're doing.

HMJr: Okay.

B: All right.

HMJr: Thank you.

B: Good-bye.

COPY

THE WHITE HOUSE
WASHINGTON

November 8, 1941

My dear Bob:

I understand that the Secretary of the Treasury recently consulted with you and other Congressional leaders about the inflation problem and the urgency of prompt tax legislation to counteract the inflationary pressures arising from the defense Program. It seems clear that if we are to prevent a further sharp increase in the cost of living and in the cost of the Defense Program itself, we must take immediate steps to absorb a large amount of purchasing power through additional taxes, and incidentally to pay cash for greater part of our defense production. We must remember that taxation is a necessary complement of price control legislation because the continuing effectiveness of price control is largely dependent upon the restriction of the demand for goods.

If these taxes are to restrain inflation they should be directed mainly at that part of the national income which is being devoted to the purchase of civilian goods, and should be of a character that will not increase the cost of these goods. Purchasing power so far exceeds actual and potential production of civilian goods that vigorous steps must be taken to reduce purchasing power more nearly to the level of production capacity.

Inflation is itself a most inequitable type of taxation. It grants no exemptions and recognizes no hardships, -- though a well-drafted tax bill can do both. I very much fear that unless we start within two or three months to withdraw through taxes a larger part of the current national income an even greater part may evaporate through inflation, and the upward spiral may gain such momentum that it will be difficult to regulate, despite all efforts through price control and similar measures. I do hope you will be

7

- 2 -

able to help us with this problem now.

Very truly yours,

(Signed) FRANKLIN D. ROOSEVELT

Honorable Robert L. Doughton,
House of Representatives.

Copy for the Secretary of the Treasury.

Material underlined added at the White House.
Material in parentheses deleted at the White House.

8

COPY

THE WHITE HOUSE
WASHINGTON

November 8, 1941.

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Very truly yours,

(Signed) FRANKLIN D. ROOSEVELT

Honorable Robert L. Doughton,
House of Representatives.

Copy for the Secretary of the Treasury.

11/10/41

10

Copies of this letter were sent to the following today:

Mr. Sullivan
Mr. Blough
Mr. Buffington

File
11/8/41

11-12

Mc Morris

THE WHITE HOUSE
WASHINGTON

11

November 8, 1941

My dear Bob:

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- 2 -

production capacity.

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Very truly yours,

(Signed) FRANKLIN D. ROOSEVELT

Honorable Robert L. Doughton,
House of Representatives.

Copy for the Secretary of the Treasury.

COPY
TREASURY DEPARTMENT
Telegraph Office

Handwritten: *Stutz*
copy
13

1941 NOV 8 AM 7 54

Baltimore Md Nov 7 1941
Hon Henry Morgenthau Jr
Secy of Treas

With reference Mister Graves visit to New York and subsequent conversation concerning the Bendix Aviation Corporations sponsorship of the Treasury Hour I wish to reassure you on behalf of the directors and management of our corporation that from the inception of our sponsorship of the Treasury Hour we have had only the desire to assist the Treasury Department in producing the most outstanding radio program possible and to in all things further the aims and objectives of the defense bond campaign. Despite efforts to the contrary our directors and principal management executives in session today in Philadelphia unanimously reaffirmed the foregoing. I sincerely trust that any reports of individual opinions relative to the Treasury Hour will not interfere in any way with the past and future pleasant relations. We wish to state that the Bendix Aviation Corporation must, does and will always disfavor any individual opinion which may be at variance with the interests of the corporation.

respectfully,

Vincent Bendix, President, Bendix Aviation Corp.
n.m.c. *cc - Hon Morgenthau*

FIELD ORGANIZATION *News Letter*

14

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



NOVEMBER 8, 1941

NUMBER 25

TO THE FIELD STAFF:

In producing Defense Savings sales which have been made to date, numerous marketing methods have been found successful and productive of results. For the most part, these methods are designed to encourage systematic and continuous purchasing.

Following is a list of plans and marketing methods generally in use by our State and local committees;

1. Payroll Allotment
2. Stamp Banks in stores, shops, schools, banks, etc.
3. Bank Depositors' Draft Plan
4. Buy-A-Bond-A-Month or Thrift Clubs
5. Direct purchase through post offices, banks, savings and loan associations, and other qualified issuing agents
6. Direct purchase by mail from the Treasury Department, using the convenient monthly reminder and return envelope.
7. Bonus payments in Defense Bonds and Stamps
8. Prizes and awards of various kinds in Defense Bonds and Stamps
9. Promotion of purchases of Bonds by organizations and corporations for their reserve accounts.

The educational portion of our program strengthens the belief of every American in our government and our own future. An individual who believes in himself and his country desires to help in this or any emergency. He appreciates thrift as an important national and personal virtue and is willing to sacrifice to that end.

Our educational work will not be complete until, by word of mouth, by personal contact, we have instructed everyone as to the many convenient and easy ways to purchase these securities. Everyone of these marketing methods should be used by our committees in every locality so that we may gain the end we are seeking--that which is best for our nation today and years from today.

Sincerely yours,

GALE F. JOHNSTON,

Field Director, Defense Savings Staff.

'Pocket' Battleships



What better investment, what better means of saving, for an American can be devised than Defense Savings Bonds and Stamps?

These securities make powerful pocket armaments for all of us. Besides, they give us an additional "share in America"—and our own security is strengthened with our country's.

— From the Journal and American, New York City

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POST OFFICE Department Launches

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EXHIBITS Relate Defense and Defense Savings - Page 12

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HAWAII Reports - Pages 14 and 15

MAINE Reports - Page 16

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NORTH CAROLINA Reports - Pages 18 and 19

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LABOR UNION Sponsors Defense Savings Booth - Page 20

PLUMBER-ARTIST Contributes Effective Poster - Page 20

News Letter

PROGRESS REPORT State by State Record of the Sales of Series E Defense Savings Bonds and Defense Savings Stamps From May 1 to October 1, 1941

BOND SALES

(Total Sales of Series E Bonds for the Five Month Period)

Alabama	\$3,890,000	Nebraska	\$ 3,804,000
Arizona	1,890,000	Nevada	494,000
Arkansas	2,785,000	New Hampshire	1,740,000
California	35,515,000	New Jersey	27,634,000
Colorado	4,386,000	New Mexico	856,000
Connecticut	11,244,000	New York	116,939,000
Delaware	1,202,000	North Carolina	5,287,000
District of Columbia	6,198,000	North Dakota	1,368,000
Florida	5,994,000	Ohio	30,342,000
Georgia	6,016,000	Oklahoma	5,607,000
Idaho	1,276,000	Oregon	7,676,000
Illinois	46,279,000	Pennsylvania	45,214,000
Indiana	10,498,000	Rhode Island	3,734,000
Iowa	7,709,000	South Carolina	2,210,000
Kansas	5,630,000	South Dakota	1,371,000
Kentucky	5,055,000	Tennessee	5,314,000
Louisiana	5,471,000	Texas	26,768,000
Maine	2,925,000	Utah	1,491,000
Maryland	7,450,000	Vermont	1,406,000
Massachusetts	24,453,000	Virginia	7,396,000
Michigan	22,348,000	Washington	10,004,000
Minnesota	10,379,000	West Virginia	3,446,000
Mississippi	3,126,000	Wisconsin	11,993,000
Missouri	19,679,000	Wyoming	985,000
Montana	2,427,000	Alaska	170,000
		Guam	4,000
		Hawaii	1,079,000
		Puerto Rico	107,000
		Samoa	3,000
		Virgin Islands	6,000
		Total	\$578,811,000

Notes: Figures are rounded to nearest thousand.

The total sales as shown here vary slightly from the total of \$571,216,000 previously reported for the same period because earlier report was based on cash deposits which did not take into account late sales.

News Letter

P R O G R E S S R E P O R T (Continued)

STAMP SALES

(Sales of Defense Savings Stamps by Months
With the Total for the Five Month Period)

State	May	June	July	August	September	Total
Alabama	\$ 21,600	\$ 17,100	\$ 25,000	\$ 25,000	\$ 48,700	\$ 137,400
Arizona	8,900	7,100	9,000	10,200	13,200	48,400
Arkansas	14,100	10,700	13,700	11,600	14,200	64,300
California	252,900	175,100	237,400	343,000	396,200	1,404,600
Colorado	17,000	13,300	20,200	27,900	31,800	110,100
Connecticut	65,400	75,100	111,500	135,700	145,500	533,200
Delaware	8,000	6,400	9,200	10,300	12,500	46,500
District of Columbia	90,400	83,700	155,000	237,500	296,900	863,500
Florida	44,700	30,200	47,800	59,400	52,000	234,200
Georgia	33,100	27,300	40,500	48,700	63,200	212,800
Idaho	4,300	3,800	4,900	5,800	18,700	37,500
Illinois	177,700	177,400	222,400	384,400	318,300	1,280,200
Indiana	35,600	34,200	49,500	71,800	82,000	273,100
Iowa	25,900	24,100	34,700	32,300	45,600	162,600
Kansas	22,200	18,100	27,400	28,900	31,100	127,700
Kentucky	25,600	17,200	27,000	30,400	49,300	149,500
Louisiana	34,800	27,200	41,500	41,200	43,600	188,300
Maine	19,600	17,600	23,600	19,000	33,600	113,400
Maryland	48,900	42,700	57,400	43,000	88,300	280,300
Massachusetts	172,200	139,900	186,200	251,400	283,600	1,033,400
Michigan	180,800	186,000	205,800	217,200	266,200	1,056,000
Minnesota	28,800	22,800	37,900	50,900	73,800	214,100
Mississippi	18,900	17,900	25,000	20,300	11,200	93,300
Missouri	100,100	73,300	108,400	155,800	145,500	583,100
Montana	9,400	7,800	9,700	13,500	6,100	46,500
Nebraska	20,800	15,400	20,600	20,000	16,300	93,200
Nevada	3,400	3,100	3,700	3,400	4,300	17,900
New Hampshire	15,700	13,300	16,900	14,200	18,400	78,500
New Jersey	150,700	135,300	177,900	190,600	138,700	793,200
New Mexico	5,800	4,100	6,400	10,000	11,800	38,200
New York	761,100	589,500	629,000	844,900	908,800	3,733,000
North Carolina	28,200	22,500	34,300	35,300	52,800	173,100
North Dakota	6,800	3,500	5,700	5,700	5,100	26,800
Ohio	173,300	120,600	148,800	208,500	260,200	911,400
Oklahoma	22,900	22,000	31,900	35,000	33,500	145,400

News Letter

STAMP SALES (Continued)

State	May	June	July	August	September	Total
Oregon	\$ 34,400	\$ 24,600	\$ 31,200	\$ 53,300	\$ 55,900	\$ 199,400
Pennsylvania	219,800	199,700	235,200	255,900	375,300	1,286,900
Rhode Island	34,900	23,900	33,200	43,900	47,900	183,800
South Carolina	15,100	15,100	20,500	19,900	21,400	92,100
South Dakota	5,900	4,400	6,600	4,200	6,300	27,500
Tennessee	34,800	24,000	35,900	37,800	59,900	192,400
Texas	148,700	127,800	164,600	174,800	142,300	758,200
Utah	6,400	5,200	7,100	11,200	12,900	42,900
Vermont	6,500	8,200	8,400	6,800	10,200	40,100
Virginia	42,100	29,500	41,500	54,800	68,000	253,900
Washington	39,200	35,700	57,600	79,500	82,200	294,200
West Virginia	17,600	14,800	19,300	17,700	25,400	94,800
Wisconsin	78,700	26,100	33,300	33,600	45,100	216,600
Wyoming	5,900	3,700	5,000	4,800	4,300	23,800
Alaska	500	700	1,000	500	200	3,000
Guam	***	***	**	-	-	---
Hawaii	3,200	3,700	6,900	5,000	-	18,700
Puerto Rico	5,400	4,800	6,800	6,200	300	23,500
Samoa	---	*****	100	---	-	100
Virgin Islands	300	200	200	---	-	800
Total	3,349,300	2,737,600	3,520,100	4,453,700	4,978,500	19,039,300



State Fair, Columbia, South Carolina, October 20 - 25, 1941

News Letter

POST OFFICE DEPARTMENT INITIATES COMPREHENSIVE PROGRAM TO INCREASE SALE OF DEFENSE BONDS AND STAMPS



A "Program for Guidance of Postmasters for Defense Savings Bonds and Defense Savings Stamps," is presented in an attractively illustrated manual recently distributed to post offices throughout the country.

In this manual the Postmaster's part in the Defense Savings Program is outlined as follows:

"Our FIRST Job . . . for all of us . . . Be Patriotic, Be Thrifty, Buy a Share in America."

This is a reference to the voluntary purchase plan for encouraging systematic savings, which is now being put into operation throughout the Postal Service. This plan was developed by a committee composed of representatives of all of the Postal Service organizations (associations and unions of postal employees) and has the full endorsement of leaders of these groups.

"Our SECOND Job . . . Display."

New materials have been prepared to enable postmasters to arrange attractive "Defense Windows" which are to be the focal points of all Defense Savings displays in post offices. (See illustration on next page.)

In addition to special interior displays, new Defense Savings posters are being distributed for mounting on post office trucks in cities where motor vehicle services are operated.

"Our THIRD Job . . . Educate staff so they may inform patrons accurately and courteously."

A new manual entitled "Questions and Answers about Defense Savings Bonds and Stamps for Use by Postal Employees" has been printed and will soon be ready for distribution.

* * *

In the Post Office Department, the Defense Savings Staff has an invaluable ally. Postmasters and postal employees in every part of the country are cooperating wholeheartedly and enthusiastically with Defense Savings Committees and are doing all that they can to extend public understanding of our Program and to make the securities which are a part of it, conveniently available to everyone.



News Letter

POST OFFICE DEPARTMENT (Continued)

Postmaster General Frank C. Walker, speaking on the Treasury Hour "Millions for Defense" on October 28th and addressing his remarks primarily to the Postmasters and postal personnel of the nation, said:

"We are now extending the sale of Defense Stamps to 17,000 of the small fourth-class post offices, making a total of 33,000 post offices in every county in the land which will be taking an active part in this great and unprecedented sales undertaking by the Postal Department. . . .

"Informative literature will soon be distributed through postal channels to every postal patron in the United States, marking the greatest mass distribution of material of this kind ever undertaken by any organization, public or private.

"In addition, a postal employee participation campaign will be undertaken at this time. This. . . will be on a purely voluntary basis, but with the outstanding record of the postal personnel down through the years. . . . there is no doubt in my mind that our own postal employees will set a splendid example for those outside the service through their whole-hearted and generous response to this appeal from their Government. . . .

"The Defense Savings Program requires and demands the wholehearted support of every American citizen, and I have instructed the employees of my department to serve you dutifully and to inform you fully as to the benefits and merits of the Treasury Department's program."

Postmaster General Walker recently returned from a visit to the Southwest. In many cities where he spoke, to postal workers and to general audiences, he stressed the importance of the Defense Savings Program. Under his leadership and inspiration, postmasters and postal employees everywhere will strive to maintain and surpass the splendid records they have already made in connection with the marketing of Bonds and Stamps.



NEW DISPLAY MATERIALS FOR RETAILERS

Pictured on this page are three of the attractive pieces of display materials newly designed by the Defense Savings Staff and soon to be distributed to one million retailers throughout the country. The way in which this distribution is to be made was outlined to State Administrators in Field Memorandum Number 125.



The Christmas poster is the work of J. W. Wilkinson of Baltimore, an artist whose designs for outdoor displays have won numerous awards. This poster will be available in two sizes, 11" X 14" and 22" X 28".

The gift envelope for Defense Stamp albums shown in this poster will be distributed through postal channels and is to be given free of charge upon request to purchasers of Defense Stamps. THE SUPPLY OF THIS ENVELOPE IS VERY LIMITED. Therefore, retailers who expect to sell Defense Stamps to be used as Christmas gifts should purchase their Stamps and secure these envelopes early in order to avoid disappointing their customers.

The Thanksgiving Day streamer (full size 9" X 27") and the new "Take Your Change" card (9" X 11") are reproduced below.

The holiday kits soon to be distributed to retailers will include these three pieces and the following other items: a decal transfer reading "Buy Defense Savings Stamps Here"; a card which retailers may sign to indicate that they intend to pay bonuses in Defense Bonds and Stamps and to cooperate with the Defense Savings Program in other specific ways; a clip sheet presenting advertising copy and other suggestions for "Holiday Promotions" and other information which retailers will find helpful.



News Letter

A SCHOOL THRIFT PROGRAM



Panama Park grammar school students have set the pace for school children taking part in the Defense Savings Program, Karl Lehmann, Deputy Administrator of the Florida Defense Savings Staff, reports.

Miss Mary C. Hoey, sixth grade teacher, started building interest in the defense program when she assigned children to make a list of the things that could be saved during an emergency. When they reached the topic of money, the students began having ideas of their own. Boys brought planks to school and made a booth; then they brought paint and dressed it up. Girls helped make the stand neat. Finished product is shown above.

Now, every day from 8:45 to 9:00 A. M. during the morning recess - the 28 sixth grade students open their booth and sell Defense Stamps to the other 500 Panama Park students. In two weeks, they sold \$102.00 worth of small denomination stamps.

SAVINGS BANK HELPS SELL STAMPS TO SCHOOL CHILDREN

In Rochester, N. Y., the Rochester Savings Bank, through its School Savings Department, has worked out a plan whereby it buys Defense Stamps, pastes them in properly identified albums, and holds them in safekeeping for the pupils until they have accumulated sufficient Stamps to purchase a Defense Bond.

In the first seven weeks of school, more than 4,000 students in Rochester and vicinity have purchased over \$8,500 worth of Stamps.

News Letter

TO THE LADIES

The Ladies Are Lending

Women's groups all over the country are investing club funds in Defense Savings Bonds. From California comes the story of a group that took the money it had saved to buy a club house and invested it in Bonds; and from Texas, an account of a club that had used its "furniture money" for Bonds. In both of these cases, the women wrote that, with prices high and with all available material and manpower needed by the government, they thought the wisest and most patriotic thing to do was to wait until after the emergency to make their purchases.

The Business and Professional Women's Club of Jackson, Mississippi recently invested its \$600 Marcia Gibbs Memorial Fund for underprivileged boys and girls in Defense Bonds. The Florida Business and Professional Woman's Clubs have invested \$500 in Defense Bonds. In New York City, the National Treasury of the Women's Auxiliary of the Veterans of Foreign Wars invested \$15,000 in Defense Bonds. In Denver, Colorado, the Woman's Club recently made a \$1,000 purchase.

Some other women's organizations which have recently invested reserve funds in Defense Bonds include: Companions of the Forest of America; District 12, Texas Graduate Nurses Association; Dobbs Ferry Woman's Club; Stockton Parlor, Native Daughters of California; Atlanta Pilot Club; and Atlanta Business and Professional Women's Club.

The picture at lower left shows leaders of the building association of the Portland (Oregon) Federation of Women's Organizations, photographed as they paid \$1,110 for Defense Bonds to M. A. Case, Assistant Manager of the Bank of California. From left to right, the ladies are Mesdames Emory Ingham, Charles Robison, and Emily Martin.

The picture at lower right shows Mrs. J. B. Robinson, Chairman of the Women's Division of the Hinds County Defense Savings Committee (right) delivering a Defense Bond to Mrs. E. B. McRaney and Mrs. Robert E. Pitard, officers of the Mississippi Federation of Music Clubs.



Portland Federation Leaders



Mississippi Music Club Officers

News Letter

TO THE LADIES

Food for Thought

"Buy a Share in America!" That phrase has been used so often on posters, in speeches and radio programs that, like the precious word "democracy," it is in danger of being worn threadbare and losing its meaning. We must not allow this to happen, for, if we do, we shall be blind to something exciting that is going on before our eyes.

That something is the spectacle of millions of Americans becoming stockholders in this going, growing concern - the United States - through investment in Defense Savings Bonds and Stamps.

To own a share in this concern is a privilege. It also implies a duty—the duty to see that the concern is well and honestly run, for the benefit of all the stockholders. As these words are written, millions of Americans are voting - for it is Election Day. Many of these men and women will feel a new thrill as they cast their ballot, a new sense of responsibility. They are the proud owners of a Defense Bond or Stamp - a symbol of their stake in America.

* * *

The Ladies Are Lending (Continued)

Surplus funds of the Pep Auxiliary No. 1325, Veterans of Foreign Wars, are being invested in Defense Bonds, as the picture at lower left indicates. Mrs. Reta Kluth, treasurer, and Mrs. Cora K. Hawes, president of the Pep Auxiliary, are here shown buying Bonds from Donald W. MacKay of the United States National Bank.

The picture at the lower right shows officers of the Oregon Federation of Business and Professional Women's Clubs, which has as its immediate objective the purchase of one or more Bonds by each of the 1,400 members of the 28 local units in the State.



Pep Auxiliary Officers



Oregon Business Women Leaders

News Letter

SPECIAL EXHIBITS RELATE NATIONAL DEFENSE AND DEFENSE SAVINGS

Millions of Americans have had the relationship between National Defense and the Defense Savings Program brought home to them in a striking and dramatic way by the displays of military equipment which have been arranged by the Special Activities Section of the Defense Savings Staff during the past six months.

"Treasury Houses" in WASHINGTON, NEW YORK and BOSTON have all had displays of Army, Navy, Marines, Air Force and Coast Guard equipment nearby. More recently the BALTIMORE NATIONAL DEFENSE EXHIBIT featured a "Treasury House" in the center of an outstanding group of military exhibits which occupied 84,000 square feet of floor space. Below are two views of this exhibition.



Similar displays were also arranged by the Defense Savings Staff at the TEXAS STATE FAIR in Dallas; the AK-SAR-BEN EXHIBITION in Omaha; the SOUTH CAROLINA STATE FAIR in Columbia; the ARIZONA STATE FAIR in Phoenix and the Denver AUTOMOBILE AND DEFENSE SHOW.

New "Treasury Houses" are scheduled to open in LOS ANGELES on December 1 and in SAN FRANCISCO on December 15 for "runs" of about 30 days when they will then be moved to new locations. Simultaneously the Standard Oil Company of California, sponsor of these Treasury Houses will open displays featuring Defense Savings in all of its 8000 service stations in nine Western States, Hawaii and Alaska. In OKLAHOMA CITY a "Treasury House" will be opened soon, sponsored by the Phillips Petroleum Company.

Tremendous enthusiasm and devotion to the Defense Savings Program on the part of men and women who are serving as volunteer members of the Defense Savings Staff is reported by the representative of the Special Activities Section, who has just returned from a trip through Omaha, Dallas, Phoenix, Denver, Los Angeles, San Francisco, Portland, Seattle, Salt Lake City, Albuquerque and Oklahoma City. In all of these places he met with State Administrators and members of State Committees and helped them develop plans for dramatizing our program.

News Letter

FIELD ORGANIZATION NEWS

Leaders Appointed in Seven States

TWO GOVERNORS have recently accepted Secretary Morgenthau's invitation to serve as Honorary Chairmen of Defense Savings Committees being organized in their states. The new Honorary Chairmen are: The Honorable Harlan J. Bushfield, Governor of South Dakota; and The Honorable James H. Price, Governor of Virginia.

TWO NEW ACTIVE CHAIRMEN can also be introduced at this time to the field staff; Eugene E. Pulliam, State Chairman for Indiana; and A. T. Hibbard, State Chairman for Montana.

Mr. Pulliam is president of the Indianapolis Broadcasting Company and a publisher of newspapers in Indiana and Oklahoma.

Mr. Hibbard, president of the Union Bank and Trust Company of Helena, succeeds A. A. Hoerr, who resigned when he severed his connection with the Helena Branch of the Federal Reserve Bank of Minneapolis and moved to Seattle to accept an executive position with the National Bank of Commerce there.

NEWLY APPOINTED STATE ADMINISTRATORS are: for Alabama, Joseph H. Lyons, Collector of Customs in Mobile; for Northern California, James G. Smyth, former Chief Clerk of the California State Assembly; for New York, Nevil Ford, vice-president of First Boston Corporation; and, for Wyoming, A. E. Wilde, former state bank examiner.

Radio Broadcast Launches Program in District of Columbia

FIVE RADIO STATIONS - WMAL, WJSV, WWDC, WINK, and WOL - broadcast simultaneously the first program sponsored by the Defense Savings Committee for the District of Columbia. This broadcast was from 10:30 to 10:45 P. M. on October 23, and the speakers included: Committee Chairman H. L. Rust, Jr., Congressman Jennings Randolph, Chairman of the House Committee on the District of Columbia, and District Commissioner Guy Mason. The National Symphony Orchestra offered musical selections.



Buy Protection with
DEFENSE BONDS

* * *

In the November 1 issue of the NEWS LETTER, the credit line was inadvertently omitted under the cartoon which appeared on Page 2. This cartoon, entitled "There are Bonds and Bonds" was originally published in The American Statesman, Austin, Texas.

* * *

Cartoon (left) from a recent advertisement of the Cincinnati Bell Telephone Company.

News Letter

H A W A I I

Press and Radio Cooperative: All Sections of Population Responding

100% COOPERATION from all of the newspapers and radio stations of the Territory is reported by Territorial Administrator Fred H. Kanne. Particularly helpful in publicizing the program have been the four daily papers of Honolulu, two of which are American-Japanese bilingual publications.

RESOLUTIONS OF ENDORSEMENT of the Defense Savings Program have been forthcoming from many organizations in the Territory including the American Legion, Japanese Contractors' Association, Associated Portuguese Welfare Association and the Filipino Federation of America.

TYPICAL OF THE FINE RESPONSE of Japanese residents and citizens of Japanese descent is the following resolution adopted unanimously by the 500 persons attending the celebration in honor of the 30th anniversary of the founding of the newspaper Jitsugyo-No-Hawaii:

"We, the Japanese residents of Hawaii, respect the United States of America which protects our life and property and thank her from the depths of our hearts for according the privilege and honor of citizenship to our children.

"We, in order to cooperate in the emergency which the nation is now facing, willingly and proudly send forth our children to serve in her armed forces, participate in the purchase of Defense Bonds, engage in the production of food and other essential commodities, and thereby make our humble contribution to the supply of the land of our residence.

"We believe this to be our duty, and also our pride, and accordingly make this declaration in the name of this meeting."

BLIND MAN'S PURCHASE DRAMATIZES FACT THAT ALL CAN HELP



Simon Haili, proprietor of the magazine stand at the postoffice, is pictured here as he invested his life savings, \$750, in a Defense Bond. From left to right (seated) Simon Haili; Postmaster Albert P. Lino; and Ambrose Nawaa, first member of Honolulu's blind colony to buy a Defense Savings Bond; (standing) Territorial Administrator Fred H. Kanne; Mrs. Grace C. Hamman, Director of Sight Conservation; and Deputy Administrator John Snell.

News Letter

HAWAII (Continued)

ARMY AUTHORITIES are cooperating fully in presenting information about Defense Savings Bonds and Stamps to both civilian and military personnel of the Army in the Territory.

THOUSANDS OF WORKERS engaged in constructing Naval Air Bases at Midway, Wake, Johnston and Palmyra have received Defense Bond leaflets through the headquarters of the Hawaii Division of the Defense Savings Staff.

INDICATIVE OF WIDESPREAD INTEREST in the Defense Savings Program was the trip on September 8th of more than 100 carpenters employed on the Mokapu project to the main postoffice in Honolulu where they lined up and bought nearly nine thousand dollars worth of Defense Bonds.

These men are members of Local 745 of the Carpenters Union and according to Frank E. Denison, union president, they represent practically every race on the Islands. The picture below shows a group of them as they received their bonds from Postal Cashier Joseph Pa (second from left).



AN UNUSUAL ESSAY CONTEST in which Defense Bonds are prizes is being conducted by Theo H. Davies and Company of Honolulu. Every two weeks this concern sponsors a full page advertisement featuring a photograph of some phase of community life which is a force for unity. For the best 200 word statements as to how the suggested subjects both benefit the individual and weld individual citizens together into a united community and nation, \$50 Defense Bonds are awarded.

THE VOLCANO GOLF CLUB awarded Defense Stamps to winners in its open tournament.

News Letter

MAINE

Many Service Clubs Helping: Allotment Plan Progressing

ONE OF THE VERY ACTIVE members of our field staff is George D. Hegarty, Maine's State Chairman for Service Organizations. Many Kiwanis, Lions and Rotary Clubs throughout the state have heard his stirring addresses on Defense Savings and been inspired by them.

SEVERAL SERVICE CLUBS have taken particular interest in bringing the objectives of the Defense Savings Program to all school children:

The Lions Club of North New Portland has presented ten-cent stamps to every school child in the eight grades and twenty-five-cent stamps to all high school students.

All the service clubs in Skowhegan, have taken as a project the raising of a fund to provide Defense Savings Stamps for the 1300 school children of this city.

FIRST SHOE FACTORY in the state to report practically all employees buying Defense Savings Stamps regularly is the Norwalk Shoe Company in Norridgewock. Extension of the salary allotment plan to all shoe factories is an important current objective. Similar efforts are also being made to introduce the plan in the cotton and woolen industry and the wood novelty manufacturing industry.

PROMOTION OF INTEREST in Defense Savings throughout the state has resulted from the unusual way in which the Empire Theatre of Portland advertised one of its recent pictures, "Parachute Battalion":

Twenty-five parachute dolls, three of which carried receipts good for \$25 Defense Bonds, were released by airplane over the city. (Photograph below shows the 8-year-old boy who found one of these dolls.) At the same time, the plane released 5,000 leaflets reading:



"To the People of Portland: The 'Parachute Battalion' arriving today at the Empire Theatre urges the people of Portland to cooperate with the United States Government By Purchasing U. S. Defense Bonds Now."

The day the picture began its run in Portland, the Saturday Evening Post for September 20 went on sale. The front cover of this issue featured parachutists in mid-air, and arrangements were made to paste copies of the leaflet described above on all copies distributed in Portland.

News Letter

O H I O

Schools and Colleges Enthusiastic About Football For Defense Week

FIRST BIG PROMOTIONAL EFFORT of the Ohio Defense Savings Staff was in connection with its "Football Week for Defense Savings," November 3 through 8 (later extended to November 12). At a large majority of the high school and college football games played during this period in Ohio, special demonstrations were arranged by school bands and other groups to dramatize the significance and importance of the Defense Savings Program to hundreds of thousands of football spectators.

PRIZE AWARDS of Defense Bonds and Stamps totalling \$1550 (maturity value) were offered by the Standard Oil Company of Ohio to stimulate interest in this competition. On the basis of photographs and written reports, three groups of prizes will be awarded: one group to colleges and universities, one to high schools with enrollments of more than 500, and one to high schools with enrollments less than 500. The judges of the contest are: H. C. Ernst, president, Ernst & Ernst, Cleveland; Grove Patterson, publisher, the Toledo Blade; Herbert W. Hoover, president, the Hoover Co., North Canton; Louis Bromfield, author and farmer, Lucas; and Kenneth S. Ray, state director of education and chairman of Football Week for Defense Savings.

ALL SCHOOLS were invited to participate and those which returned the entry blanks received kits containing official Defense Savings publications, posters, and arrangements of "Any Bonds Today?" for orchestras and bands.

DAILY NEWS BROADCASTS sponsored by the Standard Oil Company over Radio Stations WTAM (Cleveland), WLW (Cincinnati), and WSPD (Toledo) named schools which had entered the contest, and urged listeners to attend the games where Defense Bond demonstrations were scheduled. Many other radio stations cooperated by broadcasting news of those demonstrations which were of special interest to the listeners in their particular communities.

LOCAL CHAMBERS OF COMMERCE in some instances offered prizes for the best photographs and essays on local demonstrations; in other instances, provided professional photographers to make certain that local demonstrations were adequately portrayed; and cooperated in other ways to make the event successful.

. . .

ENDORSEMENT of the Defense Savings Program by the National Association of Retail Druggists, which met recently in Cleveland and heard an address by the Ohio State Administrator John M. McSweeney, is of general interest because of the importance of druggists to the success of the sale of Defense Stamps in retail stores.

FIFTY PRIZES in Defense Bonds and Stamps were awarded to the best entries in the annual Halloween celebration in Wooster.

News Letter

NORTH CAROLINA

Big Bonus Paid In Defense Bonds; More Mills To Have Allotment Plans

NEARLY 2000 EMPLOYEES of the Thomasville Chair Company will soon receive a Defense Bond bonus - one \$25 bond is to be presented to every employee who has been with the Company a full year.

"We hope these bonds will stimulate the savings idea, creating a keener desire on the part of all of us to save in every way for our National Defense," said T. Austin French, president of the Company, in announcing the bonus which will total nearly \$40,000. "We also hope that our employees will buy additional Defense Savings Bonds and Stamps, thereby contributing further to the Defense protection and welfare of our great country."

MANY FAIRS have had Defense Bond booths and displays. Here are pictures of the booth at the Catawba County Fair in Hickory (left), and the float in the Tobacco Festival at Wilson (below).



THE MOTORCADE which advertised the American Legion Fair in Durham, throughout that section of the state, featured Defense Savings - every car carried a large Minute Man poster.

RETAIL STORES throughout the state are not only selling Defense Stamps, but many of them can boast of 100% participation in systematic savings plans either through purchase of stamps or payroll allotment.

ORGANIZED LABOR is now giving serious attention to the problem of promoting the sale of Defense Bonds to union members. The October 8th meeting of the Charlotte Central Labor Union was largely devoted to this subject, according to the Charlotte Labor Journal. Many locals reported substantial investments in Series F and G Bonds.

News Letter

NORTH CAROLINA (Continued)

SYSTEMATIC EFFORT to bring the payroll allotment plan to the attention of all workers in the state is now underway. Life underwriters are cooperating with local committee chairmen in this effort.

GASTONIA MILLS, which have recently announced installation of allotment plans include:

Firestone Cotton Mills
Dixon Mills
Trenton Cotton Mills

LARGE ENROLLMENTS in allotment plans are reported by the:

Reynolds Tobacco Company (11,000 employees; participation more than 50%)
P. H. Hanes Knitting Company
(2,386 employees - 53%)
Hanes Dye & Finishing Company
(300 employees - 85%)
City of Winston-Salem (800 employees - 40%).

SCHOOL CHILDREN ARE HELPING! At the right, Arthur McEwen, Jr., eight year old patriot of Charlotte, N. C., purchases a Defense Bond with money which he has saved.

This picture appeared in the Charlotte Observer, September 28. The following Monday Arthur's teacher had the clipping on the school bulletin board, made a talk about the Defense Savings Program to the children, and encouraged a large number to begin saving Defense Stamps towards Bonds.



BARNWELL, SOUTH CAROLINA - A decision to postpone improvement and renovation of the Court House here was recently made by the Legislative Delegation and County Board. Improvement Bonds had been authorized, sold, and the proceeds, \$35,000, were on deposit in a local bank. However, the county officials decided that it was inadvisable to undertake this type of construction project at this time and voted to invest the \$35,000 in Defense Bonds. Interest from these Bonds will meet the interest charges on the improvement bonds and leave the county with a slight surplus.

SECRETARY MORGENTHAU CONGRATULATES WINNER OF DULUTH CONTEST



Miss Gladys C. Greenwood, a Duluth bank employee who won first prize, a \$50 Defense Bond, and a trip to Washington, D. C., in the unusual contest conducted by the Duluth News-Tribune and the Duluth Defense Savings Committee, receives congratulations from Secretary Morgenthau.

Miss Greenwood wrote the advertisement which was judged by readers of the paper to be the best of the 76 advertisements entered in the competition to write effective "copy" for Defense Savings Bonds. These advertisements were published over a period of several weeks in the News-

Tribune and all of them were reprinted as a special Sunday supplement on September 28.

UNION SPONSORS STAMP BOOTH



Harry Schwartz (left) president, Tulsa Federation of Labor and A.F.L. representative on the Oklahoma Defense Savings Committee, shakes hands with Falkner C. Broach, Vice-President, National Bank of Tulsa, and Chairman, Tulsa Committee, in front of the Federation of Labor's booth at the State Fair.

PLUMBER-ARTIST BOOSTS BOND SALES



Lieutenant-Commander Joel D. Parks of the Naval Research Laboratory in Washington, D. C., delivers a Defense Bond to Bryan Payne, a plumber employed in the laboratory shop. The poster on the desk, the work of Mr. Payne, symbolizes American working men digging down in their pockets to help their country in a time of need. Nearly 90% of the 191 employees in this unit of the Navy Department have pledged themselves to buy Defense Bonds and Stamps regularly.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Six Business Days of September, October, and November, 1941
 (September 1-8, October 1-7, November 1-7)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	November	October	September	November over October	October over September	November over October	October over September
Series E - Post Offices	\$10,660	\$11,396	\$11,487	-\$ 736	-\$ 91	- 6.5%	- 0.8%
Series E - Banks	<u>17,860</u>	<u>18,182</u>	<u>17,722</u>	- 322	<u>460</u>	- 1.8	<u>2.6</u>
Series E - Total	28,520	29,578	29,209	- 1,058	369	- 3.6	1.3
Series F - Banks	5,738	5,846	4,803	- 108	1,043	- 1.8	21.7
Series G - Banks	<u>40,534</u>	<u>37,517</u>	<u>34,846</u>	<u>3,017</u>	<u>2,671</u>	<u>8.0</u>	<u>7.7</u>
Total	<u>\$74,792</u>	<u>\$72,941</u>	<u>\$68,857</u>	<u>\$1,851</u>	<u>\$4,084</u>	<u>2.5%</u>	<u>5.9%</u>

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

November 8, 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

Daily Sales - November 1941
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
November 1941									
1	\$ 1,017	\$ 1,750	\$ 567	\$ 4,201	\$ 6,518	\$ 2,767	\$ 567	\$ 4,201	\$ 7,535
3	3,377	3,421	1,442	9,092	13,954	6,798	1,442	9,092	17,332
4	1,061	2,818	738	7,205	10,761	3,879	738	7,205	11,822
5	1,175	1,694	744	3,794	6,232	2,869	744	3,794	7,407
6	1,968	3,899	988	6,962	11,850	5,867	988	6,962	13,818
7	2,062	4,278	1,258	9,280	14,816	6,340	1,258	9,280	16,878
Total	\$ 10,660	\$ 17,860	\$ 5,738	\$ 40,534	\$ 64,131	\$ 28,520	\$ 5,738	\$ 40,534	\$ 74,792

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

November 8, 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.

THE SECRETARY OF THE NAVY

WASHINGTON

November 8, 1941

✓
Photostat 17
to Mr Haas
11-12-41

My dear Henry:

I am deeply grateful to you for that chart which one of your men brought over and left with me this morning, graphically illustrating the disposition of lend-lease funds. He tells me that similar charts for other classifications are to be produced. I am very anxious to have them all.

Thanking you for thinking of me in this connection, I am

Yours as ever,

Frank

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

November 8, 1941. 18

MEMORANDUM FOR THE SECRETARY'S FILES:

A meeting relative to the administration of Executive Order 8389 was held in Mr. Foley's office at 3:00 P. M. on November 7, 1941, attended from time to time by the following:

Messrs. Foley (Chairman), Pehle, B. Bernstein, Dietrich, Lawler, E. M. Bernstein and Timmons for the Treasury; Messrs. Fisher, Miller and Luthringer for State; Messrs. Shea, Jurenev, Rosenwald, Kreeger and Swidler for Justice; and Mr. Knapp for the Board of Governors of the Federal Reserve System.

Mr. Pehle reported to the committee a conversation he had this morning with Mr. Sowerwine, Treasurer of Anaconda Copper Company and a trustee of Silesian American Corporation. It appears that Anaconda would like to have Treasury clearance to send a letter to Ikap in Switzerland stating that if a Treasury license is granted or the freezing control is lifted, Anaconda Copper will agree to sell the stock of Silesian Holding Company to Ikap at \$6.85 per share. It appears as if Ikap now plans to purchase Silesian American bonds on the open market. Mr. Sowerwine and Mr. Wolfe went to the market on Monday morning, and the Stock Exchange suspended trading in Silesian American bonds. To prevent such purchases, Mr. Pehle pointed out that this committee must take positive action. It was suggested that we amend all licenses outstanding which have been issued under General Authorization No. 13 or General Authorization No. 53 so as to prevent dealings in listed securities in which trading has been suspended.

Mr. G. S. Walden of the Standard Vacuum Oil Company has addressed a letter to the Treasury Department with respect to his company's Manchurian claim. This claim in the amount of \$1,800,000 arose when certain oil properties in Manchuria were confiscated by the Japanese authorities in 1935. A separate claim for a similar amount was entered by the Asiatic Petroleum Company (Shell). The Japanese offered to settle in 1935 for \$535,000, but both Standard Vacuum and Shell rejected this offer. Another offer was made in 1937 but the necessary foreign exchange could not be procured by the Japanese. On September 2, 1941, Asiatic Petroleum Company received a telegram from the Japanese stating that a joint settlement in dollars could be arranged if the dollars to be paid to Standard Vacuum and Shell could be released from blocked Japanese funds in this country. The committee unanimously agreed that inasmuch as

this transaction was in essence a sale of American properties in occupied countries and payment therefor out of blocked Japanese funds in this country, the request should be denied. Since the letter from Walden indicated that Shell had approached the British on this proposal, it was agreed that the British should be informed of our action in this matter.

A reference was made to a recent application filed on behalf of the French Government to transfer \$200,000 from French Government funds to the American Friends Service Committee for the purchase in Switzerland of milk to be shipped to France. This application has already been denied, and, after reconsideration, the committee reaffirmed the denial.

Mr. Pehle reported that the only new development on the Swiss gold transfers was an application filed to transfer \$560,000 in gold from the earmarked gold account of the Bank of International Settlements to the earmarked gold account of the Banco de Portugal. In return the Banco de Portugal will release an equivalent amount of gold to the Bank of International Settlements from stocks which the Banco de Portugal has under earmark in Switzerland. Such gold could then be sold by the Bank of International Settlements to the Banque Nationale Suisse for Swiss francs. This application is being held with the other Swiss gold applications.

Mr. Bernstein stated that Mr. Dulles of Sullivan and Cromwell had called and said that Coudert Brothers had called him and asked for a discussion of the possibility of settlement of the suits by the Belgians and the Poles against the Bank of France in connection with the gold belonging to Belgium and Poland. Mr. Dulles indicated that he would not want to have any such discussions until he first knew that it was all right with the government. He indicated that he had no idea as to what kind of settlement Coudert Brothers might offer. He said he felt that his clients would not be interested in a settlement involving much less than all of the gold which they were claiming. The committee agreed that Mr. Dulles might be told that no objection is perceived to his talking to Coudert Brothers in order to see what they have in mind. Mr. Dulles should keep us advised as to such discussion and take no definite steps without letting us know.

Mr. B. Bernstein referred to a recent judicial decision in the Supreme Court of New York, Appellate Division, in the case of Commission for Polish Relief, Ltd., vs National Bank of Rumania,

in which it was held that Executive Order 8389 applied in persona, but not in rem. Mr. Bernstein said that he was presently working on legislation designed to clarify this situation.

Mr. Lawler informed the committee that a new proposal has been advanced in the Maywood Chemical case. It has been proposed that Williston & Company sell Mrs. Janner's interest in Maywood Chemical for cash and deposit such funds in a blocked account. Socony Vacuum would then instruct its subsidiary in Germany to effect payment to Mrs. Janner in reichsmarks. Socony Vacuum Oil Company would take an assignment of Mrs. Janner's interest in this blocked account. Mr. Lawler further stated that it has been learned through Switzerland that Mrs. Janner does not want to sell her Maywood Chemical Company stock. It was agreed that since this proposal does not differ materially from the others that have been brought forward, it should be denied.

Mr. Lawler said that another name has been proposed to the sub-committee as the president of Winthrop Chemical Company, that of Dr. Durrett, head of the medical section of the Federal Trade Commission. Five names have already been cleared by the sub-committee for this position and it was agreed that Dr. Durrett's name should be added to the list.

Mr. Lawler reported for the sub-committee on Sterling Products. To date our experience with Sterling Products has been that the company has not carried through any changes on its own initiative but has constantly had to be urged by the sub-committee. Mr. Lawler pointed out that Sterling Products has not complied with representations in the following respects: (1) Weiss and Diebold are still with Sterling Products; (2) the export division of Bayer is retaining all of its personnel at least until December 31, 1941; (3) no attempt has been made to get rid of Wojan; (4) many of the German employees of Sterling are still with the company; (5) in spite of specific statements in the representations, they have not attempted to do anything about two of their South American subsidiaries; (6) Sterling intends to sell through Bayer Export Division until December 31, 1941. It was the view of the committee that Mr. Lawler should prepare a statement and that Mr. Rogers should be called in to discuss the failure of Sterling to carry out certain of its representations. He is to be informed that unless appropriate action is taken by a specified time, this committee will consider what further appropriate steps must be taken.

With respect to the General Aniline & Film Corporation, Mr. Lawler pointed out that we do not know the exact details of its operations, and that it must be investigated on the ground. Mr. Gabler and Mr. Wilson should be called in and told that I. G. Chemie's interest in General Aniline & Film must be sold to acceptable interests. If it is sold we should still maintain some measure of control. If I. G. Chemie's interest is not sold, we can proceed to revoke the current business operating license for General Aniline & Film. Arrangements could be made to allow the defense portion of the business to be carried on under strict control. As Mr. Lawler pointed out that Schering is in the same situation, the committee decided to hold a special meeting on this joint problem.

A sub-committee was appointed to consider the desirability of issuing a license granting the status of generally licensed nationals to those persons who have been residing in the United States only at all times on and since June 17, 1940, but who the Treasury Department has ruled are not domiciled here. Among the members of the sub-committee will be Messrs. Arnold and Timmons.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE November 8, 1941

TO Mr. White

Confidential

FROM Mr. Ullmann

Subject: Commerce Confidential Report on the Aircraft Industry, September, 1941

1. Shipments by manufacturers of aircraft and products declined from \$149 million in August to \$122 million in September. (They ascribe this decline to changes in models.) In contrast to the size of shipments, the backlogs of aircraft orders unfilled at the end of September amounted to approximately \$7 billion, or almost sixty times the September shipments. The value of new orders placed in August was \$273 million, about one-half of the new orders in July.

2. Exports of aeronautical products during the month of August totaled \$52 million, an increase of \$9 million over July. British Empire countries received approximately 92 percent of this total.

3. The military plane construction program as scheduled in September, 1941, calls for 18,000 military planes during 1941, 26,000 in the first half of 1942, and 36,000 planes in the twelve-month period ending in June, 1943 -- or an accumulated total of 80,000 planes by the middle of 1943. Of these planes, 16,500 are allocated for our Army, 8,500 for the Navy, 16,000 for England and Canada; and, in addition, 6,000 heavy bombers apparently unallocated.

Production is above the scheduled rate necessary to meet the Government program of 18,000 planes in 1941. In September, 1,914 military planes were produced, an increase of 60 planes over August. (The report does not indicate if the term "military planes" includes trainer planes.)

4. The report contrasts labor conditions in the U. S. aircraft industry, handicapped by friction between the C.I.O. and A.F. of L. unions, to the different situation in Britain where labor seems to be chiefly concerned with increased production.

5. The report describes the changes in production schedules for heavy bombers. The latest schedule calls for 500 heavy bombers per month, which will weigh about 30 tons each as compared to the 24 tons of the Flying Fortress now in use. These bombers will cost slightly over \$300 thousand each.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN CONSUL, SHANGHAI
TO: Secretary of State, Washington
DATED: November 8, 1941, 9 a.m.
NO.: 1643

Opinions of prominent Shanghai Chinese commercial bankers regarding recent upheavals in Shanghai's financial and commodity markets are summarized as follows:

The many uncertainties connected with stabilization board's application of exchange control to Shanghai in mid-August, particularly in relation to coverage for maturing bills and existing commitments were the principal factors in unsettling local markets and disturbing public confidence in fapi. There was a scramble on the part of importers for foreign exchange wherever available and public confidence was disturbed with weakening of exchange rates. Speculators, hoarders and widespread public participation then greatly augmented the flight from fapi into goods and complete dislocation of markets during the past month resulted with no improvement visible. The rush was joined by banking regime's "Central Reserve Bank" which reportedly sold the major portion of fapi holdings acquiring gold bars, American banknotes, military scrip and cotton yarn as a hedge against depreciation which might continue further.

The banking regime's action in suspending trading in the local physical gold bar and cotton yarn markets toward the end of October represents only a nominal stabilized price attempt.

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In both items trading continues actively on the curb. Heavily involved in the manipulation of these markets are understood to be parties close to the Nanking regime, including the "Central Reserve Bank" and there is little reason to believe that there will be a long enforced suspension.

Price control measures by the Shanghai Foreign Municipal authorities even if rigidly or (?) enforced may alleviate the situation but cannot solve the basic problem of restoring equilibrium of commodity and exchange prices in the present situation.

Inevitable phenomena of war resulting from shortage of goods, currency inflation and other factors are rising commodity prices, but the principal reason for the present accelerated price rise and market demoralisation in Shanghai is the existence and the circumstances mentioned above which created the black exchange. Fluctuations are erratic as the black exchange market is very thin, but merchants generally are adjusting retail prices to these rates fearing difficulty, at better rates, in replacements.

Great sympathy with the Stabilization Board in its attempt to maintain the economic situation at Shanghai following the freezing order in late July is shown by these bankers, but they point out that the Board is handicapped by the lack of co-ordination between the Chinese and American and British trade (?)

- 3 -

As long as the American and British Governments, for example, permit goods to be shipped to Shanghai importers here will obtain exchange coverage in black market if refused by board thus defeating the aim of the board to channelize the trade of Shanghai. Such operations are facilitated by irregular practices by the banks in Shanghai and there is further confusion indicating that control over these banks cannot be maintained adequately by the Board.

It is maintained by Chinese bankers that if the Board's policy is to continue exchange support for Shanghai it should before irrevocable damage is done take cognizance of the black exchange market. Chinese bankers believe the Board should limit its support to a definite list of essential commodities which might possibly be handled by the Shanghai Municipal Council's approved importing firms and local distributors. It is recommended at the same time that the present exchange control measures be modified to permit the Shanghai banks, licensed and unlicensed, to restore free exchange trading excepting the stipulations of the freezing orders similar to the status prior to August 15 (when accounts in Shanghai banks in foreign currency were transferable) in order to increase the supply of exchange to the black market which they believe will definitely result in recovering rates and lowering commodity prices in the long run. Such action, it is anticipated, would involve an initial rush of importers to buy exchange requiring some support from

Stabilization Board, but such support involved would not be of long duration, nor large. The psychological effect, they believe, would be important and largely counteract the present condition now described as demoralized.

Up to the present no reason appears to be in evidence that either the Japanese or the Nanking regime is desirous of taking over control of Shanghai economy unless Shanghai is discarded by the Chinese National authorities particularly as neither has enough currency of its own to displace the Chinese currency and enforce control which would be effective. Failure of the national financial authorities to maintain equilibrium in the Shanghai situation is undoubtedly pleasing to them, but the present condition distresses them.

STANTON

Copy:lc:11/17/41

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SHANGHAI

NOVEMBER 8, 1941.

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FROM: JOCOBS (OFFICE OF U. S. TREASURY REPRESENTATIVE)

TO : DIVISION OF INVESTIGATIONS AND PATROL

FOR ALDER FROM COCHRAN AND FOX QUOTE RE YOUR URGENT MESSAGE RECEIVED THREE THIRTY THIS AFTERNOON TO SPAGENT SHANGHAI AT BOARD MEETING THURSDAY MORNING COCHRAN WAS INVITED TO RECOUNT HIS SHANGHAI OBSERVATIONS IT WAS RECALLED THAT ON THE PRECEDING DAY FOX HAD REVIEWED WITH KOARY THE DEPTS THREE SEVEN AND IT WAS EXPLAINED THAT FOX AND COCHRAN WERE PREPARING A REPLY TO IT WITH RESPECT TO FINAL TERMS TO AMENDMENTS TO EXISTING LICENSES AND ISSUANCE OF NEW ONES AT THIS TIME HALL PATCH RAISED THE QUESTION AS TO WHETHER IT MIGHT BE ADVISABLE AS TO WHETHER IT MIGHT BE ADVISABLE TO TAKE THE PROPOSED ACTION IN TWO STEPS COMMA THE FIRST BEING THAT OF PUTTING NEW REGULATIONS ON REMITTANCES AND THE SECOND TO COME LATER WITH RESPECT TO TRADE HALL PATCH FEARED THAT TRADE MIGHT BE HELD UP SOMEWHAT THRU INSTITUTION OF THIS NEW SYSTEM FOX SUPPORTED HALL PATCH ARGUMENT BOTH FOX AND COCHRAN THOUGHT THAT PROGRAM WAS INDIVISIBLE AND SHOULD BE PROCEEDED WITH AT ONCE COMMA PARTICULARLY CONSIDERING THE DELAY THAT HAS ALREADY ELAPSED AND URGENT NEED OF TAKING MEASURES AT EARLIEST PRACTICABLE DATE TOWARDS REPLENISHING THE FOND (?) ASSETS HALL PATCH MADE MENTION THAT NEGOTIATIONS WERE GOING ON BETWEEN BRITISH AND CHINESE OFFICIALS WITH RESPECT TO STOPPING LEAKAGE OF FOREIGN EXCHANGE THRU REMITTANCES AND TRADE PASSING OVER HONG KONG THE REMITTANCE PHASE WAS TO BE DEALT WITH YESTERDAY HALL PATCH THOUGHT THE PUTTING INTO EFFECT OF THE NEW AMER REGULATIONS OF NEW CHANGE FOR TRADE SHOULD AWAIT THE CONSUMATION OF BRITISH AGREEMENT WITH CHINESE ON HONG-KONG TRADE REGULATIONS FOX COCHRAN ARGUED THAT THE AMER SHOULD PROCEED AT ONCE THAT THIS IN EFFECT SHOULD ASSIST IN EXPEDITING THEIR END PHASE OF BRITISH CHINESE THESE VIEWS HAD THE SUPPORT OF OTHER MEMBERS AS WELL AS THAT OF VICE MINISTER FINANCE KOO WHO WAS ALSO PRESENT CONSEQUENTLY THE DECISION WAS TAKEN TO WITHDRAW THE OBJECTIONS

PART TWO FOLLOWS

Copy:bj:11-12-41

Section two. Urgent.

For Cochran to Alder.

In three separate cablegrams sent through Hong Kong Consulate General and Department of State we have today reported in full the arrangements made between China and Chinese national currency accounts which pertain particularly to remittances.

To study these carefully before promulgating their announcements. It is the view of Fox Cochran that aside from such possible reason for delay on Department's side, there is no reason to hesitate. We have sent this message to Hall Patch who is in accord therewith. It is not possible to consult or communicate with Niemeyer today since he is in Hong Kong. Cochran will be there tomorrow.

(From here on the message is unintelligible and service has been requested.)

FD: dm: 11/13/41

COPY

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This is a repeat of the second section of the cable dated November 8, 1941, from the Treasury Attache in Shanghai, the first section which was distributed on November 13.

SHANGHAI

NOVEMBER 8, 1941.

FROM: Daley - U. S. Treasury Representative

TO : Division of Investigations and Patrol

SECTION TWO URGENT FOR COCHRAN TO ALDER IN THREE SEPARATE CABLEGRAMS SENT
THRU HONG KONG CONSULATE GENERAL AND DEPT OF STATE WE HAVE TODAY REPORTED IN FULL
THE ARRANGEMENTS MADE BETWEEN CHINA AND HONG KONG WITH RESPECT TO CHINESE NATIONAL
CURRENCY ACCOUNTS WHICH PERTAIN PARTICULARLY TO REMITTANCES IT MAY BE THAT DEPT
WILL DESIRE TO STUDY THESE CAREFULLY BEFORE PROMULGATING THEIR ANNOUNCEMENTS IT
IS THE VIEW OF FOX COCHRAN THAT ASIDE FROM SUCH POSSIBLE REASON FOR DELAY ON DEPTS
SIDE COMA THERE IS NO REASON TO HESITATE WE HAVE SENT THIS MESSAGE TO HALL PATCH
WHO IS IN ACCORD THERewith IT IS NOT POSSIBLE TO CONSULT OR COMMUNICATE WITH
BREWSTER TODAY SINCE HE IS IN HONG KONG COCHRAN WILL BE THERE TOMORROW AND WILL
MENTION THIS TO HIM WITH SUGGESTION THAT HE COMMUNICATE DIRECTLY TO BREWLEY HIS
FICIAL VIEWS IN THE PREMISES COCHRAN'S ONLY CONCERN ON THIS WAS FEW OBJECT IS THAT
THE CONTEMPLATED BRITISH CHINESE ARRANGEMENTS MAY RESULT IN MAKING STERLING GREATER
THAN DOLLARS AVAILABLE TO STABLE AND FOR REMITTANCES EMANATING FROM USA BUT PASSING
OVER HONG KONG SINCE TRADE PHASE OF NEGOTIATIONS IS NOT YET COMPLETED AND THE
RESULTANT UNPREDICABLE COMA IT IS IMPOSSIBLE TO SAY WHAT THE SITUATION WILL BE
WITH RESPECT TO REPLENISHMENT OF DOLLAR ASSETS OF FUNDS AS COMPARED WITH STERLING
ASSETS FOX IS THOROUGHLY AWARE OF THIS SITUATION AND COCHRAN DISCUSSED IT THIS
MORN WITH FBI AND THIS AFTERNOON WITH HALL PATCH THE LATTER TWO GAVE EVERY ASSURANCE

THAT THIS MATTER WOULD HAVE THE CAREFUL CONSIDERATION OF BOARD IF INTIMATION
DID ARISE WHERE DOLLARS ARE BEING DEPLETED TOO RAPIDLY COMPARED WITH STERLING
SINCE SHANGHAI MARKET NEEDS A DEFINITE PSYCHOLOGICAL SHOCK IT WAS COCHRAN'S
THOUGHT THAT SOME STATEMENT MIGHT BE ISSUED SIMULTANEOUSLY BY BRITISH AND
AMERICAN GOVTS COMMA POSSIBLY CHINESE COMMA CONCERNING THE NEW MEASURES TAKEN
BY AMERICAN AND BRITISH AUTHORITIES COMMA BOTH WITH RESPECT TO AMERICAN REGU-
LATIONS COMMA HONG KONG ARRANGEMENTS AND ARRANGEMENTS WHICH THE BRITISH ARE
WORKING ON FOR FOLLOWING THE AMERICAN EXAMPLE UNQUOTE END OF MESSAGE

Copy:bj:11-21-41

TREASURY DEPARTMENT

31

INTER-OFFICE COMMUNICATION

DATE November 8, 1941

TO Secretary ^{Drummond} C. G. Mergenthaun
 FROM Mrs. ^{Miss} Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£19,000
Purchased from commercial concerns	£5,000

Open market sterling was quoted at 4.03-1/2, and there were no reported transactions.

The Uruguayan free peso moved off to .4675, thus cancelling yesterday's gain of 25 points.

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

Canadian dollar	11-1/8% discount
Argentine peso (free)	.2382
Brazilian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Venezuelan bolivar	.2530
Cuban peso	1/8% discount

There were no gold transactions consummated by us today.

No new gold engagements were reported.

November 10, 1941
9:30 a.m.

GROUP MEETING

Present:

Mr. Haas
Mr. Buffington
Mr. Schwarz
Mr. Barnard
Mr. Kuhn
Mr. Thompson
Mr. Gaston
Mr. Bell
Mr. Graves
Mr. Sullivan
Mr. White
Mr. Blough
Mr. Foley
Mrs. Klotz

H.M.Jr:

I have got a few things here. The President evidently sent the letter to Bob, and for the benefit of everybody I will read it. It is dated November 8th. That is Saturday. I just got it this morning. This is Doughton.

"My dear Bob: I understand that the Secretary of the Treasury recently consulted with you and other Congressional leaders about the inflation problem and the urgency of prompt tax legislation to counteract the inflationary pressures arising from the Defense Program. It seems clear that if we are to prevent a further sharp increase in the cost of living and in the cost of the Defense Program itself, we must take immediate steps to absorb a large amount of purchasing power through additional taxes, and incidentally to pay cash for greater part of our defense production. We must remember that taxation is a

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necessary complement of price control legislation because the continuing effectiveness of price control is largely dependent upon the restriction of the demand for goods.

"If these taxes are to restrain inflation they should be directed mainly at that part of the national income which is being devoted to purchases of civilian goods, and should be of a character that will not increase the cost of these goods. Purchasing power so far exceeds actual and potential production of civilian goods that vigorous steps must be taken to reduce purchasing power more nearly to the level of production capacity.

"Inflation is itself a most inequitable type of taxation. It grants no exemptions and recognizes no hardships, -- though a well drafted tax bill can do both. I very much fear that unless we start within two or three months to withdraw through taxes a larger part of the current national income an even greater part may evaporate through inflation, and the upward spiral may gain such momentum that it will be difficult to regulate, despite all efforts through price control and similar measures. I do hope you will be able to help us with this problem now. Yours very truly."

He didn't change a word. Chick, you might find out from Mr. Early whether he is going to give it out and so forth. I think it is good to get it out.

Schwarz:

It is a good letter.

H.M.Jr:

Then I see Chairman George of the Senate Finance Committee asserted tonight that tax revenue for 1941 will give approximately sixteen billion, three billion over the original, and increase business activity.

Sullivan: Who said that?

H.M.Jr: That is Senator George.

Bell: Is that '41?

H.M.Jr: Nineteen forty-one. Well, had you better --

Bell: It is wrong.

H.M.Jr: Three billion over the original Treasury estimates.

Gaston: He must have his own crystal ball.

H.M.Jr: Here is another thing. "Representatives of the House and Senate take their economy pleas directly to the Treasury today in the hope of cutting Congressional expenditure by at least a billion. Chairman Byrd" - and so forth - "have arranged to confer with Secretary Morgenthau."

Two-thirty, Chick, secret meeting. (Laughter)

Schwarz: Of the Ways and Means Committee.

H.M.Jr: Well, I know how to handle those boys from now on.

Sullivan: I don't want to interrupt you, go ahead.

H.M.Jr: O.K.

Klotz: He changed his mind.

H.M.Jr: I will give this to you (Morris) and you can have it photostated for Graves. This is from the President:

"Dear Henry, Many thanks for the special series

of commercial posters. I am particularly pleased to have them.

"This is indeed splendid cooperation and support of the Defense Savings Program."

Then for those of you who have not heard the Vincent Bendix telegram, I would like to read it. I have seldom gotten so much satisfaction out of anything. I told you a little bit about my troubles, didn't I?

Morris:

You just said you had them.

H.M.Jr:

Well, this fellow Dick Patterson sat next to Floyd Odlum and a man by the name of Hugh Baker, who is the head of the Blue Ridge Corporation, which I think is Floyd Odlum's. We are trying to find out. This fellow, Hugh Baker, proceeds to tell Patterson --

Foley:

Harrison Williams.

H.M.Jr:

Blue Ridge?

Foley:

I think so.

H.M.Jr:

Well, I think it is also Floyd Odlum. It could be both. Anyway, we are looking into it. Do you know yet, George, who Blue Ridge is?

Haas:

No, we didn't. Odlum's corporation has an interest in it but this whole question of the published interest and the beneficial interest is what we are working on now.

Kuhn:

Baker is a director of Bendix.

H.M.Jr:

That is right. Anyway, he proceeds - they tell me he was not drinking - to tell Dick Patterson and everybody that could hear him that - have you seen the answer --

Klotz:

No.

H.M.Jr:

...that they have been sold a bill of goods and misrepresentation and so forth and so on, on the Treasury Hour, and if they could only cancel it they would like to cancel it. And that when we got through with the program, if we asked them to renew, then he proceeded to use some of the foulest language I have heard since I have been in prep school, the kind of thing that fourteen and fifteen year old boys in prep school thought it was smart to use.

Anyway, he proceeded to tell us what we could do. Well, I was angry because - this was at a financial writers' dinner, and I know how these things spread in Wall Street, and so forth and so on - so I sent Harold Graves up to New York to call on Vincent Bendix to tell him that if he would send word to me in writing that he would like to cancel the Treasury Hour he would get a reply immediately complying with his request. On the other hand, if he wanted to continue it, he would have to sit down and write me a letter and ask me to continue because otherwise I would not continue. But I wanted a letter either way.

As I say, it is the first time anything like that has happened to me and I just wasn't going to let them get away with it. This is the telegram I got Saturday from Vincent Bendix. Then the funny part was, Bendix says now, the management, or the board of directors and the executive committee and both the finance committee and the executive committee have passed on this and there is no dissatisfaction. Mr. Hugh Baker is not a member of either. Hugh Baker tells them Vincent Bendix is on the shelf. This corporation is controlled by Blue Ridge and by General Motors and Vincent Bendix has got nothing to do with it. He is just on the shelf.

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Anyway, "With reference to Mr. Graves' visit to New York and subsequent conversation" -- and may I compliment you, Harold, on how you carried out the mission successfully. I was very much pleased.

"With reference to Mr. Graves' visit to New York and subsequent conversation concerning the Bendix Aviation Corporation's sponsorship of the Treasury Hour, I wish to reassure you on behalf of the directors and management of our corporation that from the inception of our sponsorship of the Treasury Hour we have had only the desire to assist the Treasury Department in producing the most outstanding radio program possible and to in all things further the aims and objectives of the defense bond campaign. Despite efforts to the contrary our directors and principal management executives in session today in Philadelphia unanimously reaffirmed the foregoing. I sincerely trust that any reports of individual opinions relative to the Treasury Hour will not interfere in any way with the past and future pleasant relations. We wish to state that the Bendix Aviation Corporation must, does and will always disfavor any individual opinion which may be at variance with the interests of the corporation. Respectfully."

You couldn't ask for anything more. That tells Mr. Hugh Baker where to go. I also could use the prep school language (laughter) which I haven't forgotten. Also farm yard. I have learned it from both places. They are both good schools.

Now one other thing. And Mr. Kuhn, in view of the President's letter and all that, I hope that registers.

Kuhn:

I would still like to talk to you about it today.

- H.M.Jr: That is all right, you will get a chance. If anybody wants a copy of the "Dear Bob" letter, ask Mrs. Klotz and she will furnish them with a copy and then who besides myself gets a summary of my mail each week from Mrs. Forbush?
- Kuhn: I get it.
- White: I think I used to get a few. I don't think I get them regularly. I have got three or four in the past.
- Kuhn: The last two have been very important, I think, and the people ought to have them.
- Sullivan: I would like to have that.
- H.M.Jr: Well, whoever wants them, if they will tell Norman Thompson, whoever wants them.
- Kuhn: Norman, could the last two be included instead of just this one? The preceding one was also very good.
- H.M.Jr: Well, whoever wants them, because the criticisms - to my amazement she says that there were a hundred and five letters to one, a hundred and five unfavorable to one favorable on my - I think it was on my Social Security.
- Kuhn: She said that --
- Bell: That many?
- H.M.Jr: One hundred and five unfavorable to one favorable.
- Kuhn: She said that the phrase "mopping up" infuriates people. Everybody with a fixed income resents it and writes in wildly about it.

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H.M.Jr: But those people are working on anything. The mail is quite interesting. It only comes in once a week.

Herbert?

Gaston: You indicated some curiosity about this Toledo Collector of Internal Revenue appointment. That is Sawyer's man, the State Chairman's man, and the underground gossip that I heard on it was that Ed Flynn had a talk with Hunter, the Congressman who is trying to get his secretary appointed, and that is Drew Pearson's and Bob Allen's friend, Congressman Hunter; and that Flynn had a talk with him and discovered that what Hunter was really afraid of was that Frazier Reams was going to run against him for Congress, and when he was assured that Frazier Reams, Sawyer's candidate for Collector of Internal Revenue, had no ambitions for Congress, then he said all right, he was willing to approve the appointment.

H.M.Jr: But this recognizes the State Chairman of Ohio?

Gaston: This recognizes the National Committeeman, Charles Sawyer.

H.M.Jr: Oh, the National Committeeman?

Gaston: Yes.

H.M.Jr: And where does it leave Pearson and Allen?

Gaston: In the soup.

H.M.Jr: I was just curious.

Sullivan: Not interested, just curious. (Laughter).

H.M.Jr: Well, I was curious.

Gaston: In a way, I suppose Hunter is reasonably satisfied, and all that they wanted was to please Hunter, because he had done something for them.

H.M.Jr: All right.

Gaston: I mentioned the other day an article about your little friend Shields. There is the article, if you are interested.

H.M.Jr: My little friend?

Gaston: Yes.

H.M.Jr: All right. Is that a picture of him?

Gaston: Yes.

H.M.Jr: That is not the man who came to see me.

Gaston: This was a young fellow over six feet tall. I thought that was why you called him your little friend.

H.M.Jr: That is not the man. The man that came to see me was sort of a small, little fellow, like a kind of a worn-out bookkeeper. (Laughter). He was the over-worked kind of fellow, he came in here, kind a mousy person. That is not the man.

Gaston: Not the man?

- H.M. Jr: No.
- Gaston: This story gives this man Shields the main credit for the conviction of Nucky.
- H.M. Jr: I think you will find it in Herman Oliphant's records. I wish you would look there and you (Thompson), because I turned him over to Oliphant. Who was the man who came in and talked to me from Atlantic City, that they wanted help from Nucky Johnson? You could look there, and we could look in Oliphant's records. Have you got Oliphant's records?
- Foley: No. His records were turned over to his family, but we have got the office records.
- Gaston: You spoke to me about a story on the Skidmore case. Manton and Elmer Irey brought Manton of Chicago in and we talked about the thing. That is so thoroughly tied in with all those other Chicago prosecutions that it seemed desirable to put together a story on the whole Chicago investigations that involved racketeering, and they have gone to work on that, and then I have spoken to Ferdie about it. If someone on the outside is to do a book on it, they could either wait until Madden has done his work or they could - he could come in on it at any time and there is an awfully good story in it.
- Ferdie and I got together a speech for me to deliver on Wednesday. I have only mimeographed copies. I haven't made a reading copy. Would you like to look at it today?
- H.M. Jr: I would like a copy. I will guarantee not to change it.
- Gaston: You don't need to give such a guarantee. It can be done. It is not until Wednesday.

H.M.Jr: Chick, get for me - is that all, Herbert?
Herbert?

Gaston: Yes.

H.M.Jr: Chick, get for me just what George did say,
if it is a press release, you see.

Schwarz: Right.

H.M.Jr: I want a copy of it, and I want Kuhn to have
a copy, and get one for Sullivan and Blough.
But I want it early.

Schwarz: Right after the meeting.

H.M.Jr: Is that all, Herbert?

Gaston: That is all, yes.

H.M.Jr: Ed?

Foley: Collado called last week from the State
Department, and last week and --

H.M.Jr: Better known as "Pete"?

Gaston: Collado. Better known as "Intransigent".

H.M.Jr: What did you do down in Mexico, anyway? I
thought you should be able to pronounce
Collado.

Foley: They didn't have any of those down there, did
they, Harry?

H.M.Jr: Go ahead.

Foley: He called and said they were transferring
permanently to Guatemala one of their people
to help the Minister down there with the

blacklist and freezing control problems, and he wanted somebody to go down from the Treasury for a couple of months.

H.M.Jr: O.K., I will go. (Laughter).

Foley: On the Swiss gold problem, Acheson called and said that everybody in the State Department, including Berle now, is unanimous in concluding that we shouldn't grant this license. They don't want to turn the Swiss down flat, and they are going to cable Harrison and tell him that it is improbable that anything can be done, but the matter is still under consideration, and then they want to call in after they have had -- call in the Swiss Minister after they have had a talk with us, and see if something can't be worked out whereby certain foods can go to Switzerland, and other materials that could be used for defense and for war will not be permitted to go, and they want to work it out with the British.

H.M.Jr: How about Swiss milk for French children?

Foley: Well, I suppose that will be one of the things that will be discussed.

H.M.Jr: You might bring it in, because I have always thought that that was a good thing, so it could be distributed by their friends in unoccupied France.

Foley: Well, they want to have a talk with us the latter part of this week to find some kind of policy in that area, and then call in the Minister and at that time advise him that the gold will not be permitted to be transferred, and then outline this other thing.

H.M.Jr: That is all right. You see, that is the way I take care of things. I stall Acheson long enough, you see. He has asked me three times to see you on the Swiss. All right. Give me a progress report on it, will you?

Foley: Yes.

H.M.Jr: Anything else?

Foley: Nothing else.

H.M.Jr: Strictly in the room, the Attorney General said that when he heard that they were going to give Moe Annenberg a - what do you call it?

Foley: Parole.

H.M.Jr: Parole in the winter time - this is very much in the room - he was shocked and sent for his Parole Board and said, "What is the difference between him and the other Chicago gangster?"

Sullivan: Capone.

H.M.Jr: "Capone and this one." He said, "Did you give Capone a parole?" They said, "No," and he said, "What are you giving this man one for? The only difference is he is rich and worse." He said he is absolutely opposed to it.

Foley: That is good.

H.M.Jr: I thought you would like to know. And then I called up the Attorney General and told him we were very much interested in these two men that are coming up who were formerly assistants of Mike Igoe. They were coming up in the court.

Foley: Yellowley and Glasser?

Schwarz: Glasser and Kretzke.

- H.M.Jr: He said he was also interested in giving it his attention, but he was afraid we would have a bad case.
- Morris: Nothing.
- Graves: You promised General Walker that you would look into the matter of providing for funds to install a map in each post office. We have made that arrangement.
- H.M.Jr: It has been done?
- Graves: We finished that, yes, sir.
- H.M.Jr: All right.
- Graves: You also sent me a note about the Kentucky matter that we have discussed before. I have talked with Senator Barkley over the telephone. He has been very busy, as you know, but he understands that we are receding on our original appointment in Kentucky and he is looking for a man. He named --
- H.M.Jr: You told Mr. Barkley?
- Graves: We discussed it over the telephone. So we are all straight on that except that we are now awaiting Senator Barkley's suggestion for a substitute.
- H.M.Jr: Harold, I got your weekly report. How many states are there in the Union? On your map, I noticed there were only forty-seven.
- Foley: He left out New Hampshire. (Laughter).
- Sullivan: We have a map all by itself.
- H.M.Jr: I noticed that New Hampshire was still white.

- Graves: Well, New Hampshire is technically white, but Mr. Sullivan recommended a very nice young man named Starr to use to serve as Administrator in New Hampshire, and he has been down here and everybody likes him very much.
- H.M.Jr: I was just interested on your progress report that we had forty-seven states in the Union.
- Graves: Well, if you mean New Hampshire, I think that will be all clear in a very few days.
- H.M.Jr: I meant New Hampshire.
- Sullivan: I told you I would get you a star.
- H.M.Jr: Do you think we are going to bring New Hampshire back into the Union?
- Graves: I think so. We have, as a matter of fact, now selections made everywhere except in Delaware. Delaware is the only truly white state in the Union.
- H.M.Jr: O.K.
- Graves: But we do have this difficulty in Kentucky.
- H.M.Jr: You have trouble with the DuPonts and the Sullivans?
- Graves: We are having some trouble in Iowa and Nebraska, but I hope this week to have everything cleared up except Delaware.
- H.M.Jr: O.K.
- Klotz: He (Sullivan) lacks an answer.
- H.M.Jr: He will, don't worry.

Graves: You sent me a note on Friday saying that on that day you would like to talk with me about an appointment of Mrs. Bellanca.

H.M.Jr: Well, ask for an appointment.

Graves: All right.

H.M.Jr: I wish you would talk to somebody like Rose Schneiderman or somebody. This Mrs. Bellanca is a very unusual woman. I wondered whether you could use her in the labor end and then a little bit more besides, maybe. You might start on inquiries. I think her husband, if I am not mistaken, is Bellanca the aviator, but she is a very unusual woman. But start asking --

Graves: She lives in New York, I assume.

H.M.Jr: Yes, but she might come down. I think his factory is in Baltimore, if I am not mistaken.

Schwarz: New Castle, Delaware.

H.M.Jr: When I spoke to Mrs. Morgenthau she said she wished she had thought of it first, so she could get her over there. Look into it, anyway. She worked in the last Democratic campaign. Everybody was very enthusiastic about it. I don't know which group of labor, but she stands very high with them. Look into it anyway. All right?

Graves: Yes.

H.M.Jr: Ferdinand? I got your notes about Dietz and these other people, and you will just have to be a little patient.

Kuhn: Right. I just thought you would like to know.

H.M.Jr: I take it this memo that you are working on, you are going to get something from Wickard's office.

Kuhn: They promised to send it over. I haven't had anything from them, although I talked to them Friday about it.

H.M.Jr: Would you see about that?

Kuhn: I will check on it. I had a good talk the other day with Jerome Kern, who followed it with a telegram saying that he is turning over to us free and untrammelled rights to the Secretary and or the Treasury Department to the song that he wrote for all public performances. He is coming to New York this week, and will stay in the East for two or three weeks. He said he would be very glad to come down to Washington at any time that you would like to see him, if you would like to see him.

H.M.Jr: Well, I have got to work with Bell this morning and this afternoon on this committee, so I am pretty well tied up, and then beginning tomorrow, you and I will go to work on my speech.

Kuhn: Right.

H.M.Jr: Roy is going to have something, in case I go in that direction.

Kuhn: Well, he won't be here for - I mean he won't be free to come down for another week or ten days, so there is a lot of time.

You asked to have this report each Monday morning. The only reason you haven't been getting it Fridays is that when you started

going to the farm I asked you and you said no, you didn't want them.

H.M.Jr: I just want it in my hand.

Kuhn: There is only that this week. Now, following your phone conversation, I am going to talk to Ed about the other.

H.M.Jr: You see, this week of all the weeks on the taxes it will be terribly important. Did you mail that stoppage letter?

Kuhn: He did, because he was taken off Thursday.

H.M.Jr: When will he go back?

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

H.M.Jr: He goes back today, for me. There is no argument. He starts this morning.

Kuhn: Is he in Washington?

Foley: Yes, I think so.

H.M.Jr: Well, he starts this morning because I have got to know what the editorial thing is on this whole tax reaction. Here it is and I haven't got a thing, and I am left high and dry.

Kuhn: We can bring him back and then if I can have Ed and Harry and John to help me in finding somebody else, we can get somebody else to do that.

H.M.Jr: They will have to, because here I am. I have got no editorial reaction on the tax thing. I can't work like that. I can't be sticking my neck out, way out in front, and not know what the reaction is on this whole tax - who is doing the economy letter?

Kuhn: Barth sent you one on Friday.

H.M.Jr: But who is going to do it from now on?

Kuhn: Well, whoever does this will do the economy one, also.

H.M.Jr: Meaning what?

Kuhn: Whoever does the one on taxes, inflation, and so on, will deal with non-defense expenditures.

H.M.Jr: Will you send for Merillat today and get him started?

Kuhn: Yes, and on the Barth thing --

H.M.Jr: I mean, you have got to give way to me.

Foley: Sure. I always do (laughter).

H.M.Jr: Well, that is what he (Kuhn) said, but I didn't know that until afterward. I am not trying to make myself out a hero when I just want somebody. He told me afterward we could do it too. I want my economy letter and I want my tax letter.

Kuhn: The Barth thing will continue to come each week. The only difference will be that it will come from over there.

H.M.Jr: That is all right. That is not my responsibility, but taxes and this economy thing are, and I am high and dry without any letter, and I shouldn't be. I shouldn't be.

Kuhn: I have nothing else.

H.M.Jr: You will start him off today, as long as he is finished with Ed?

Kuhn: Surely.

H.M.Jr: But I didn't want to - I didn't know it when I asked him, so I didn't want to make myself seem a nicer fellow than I was.

Blough: A rather good organization affiliated with the University of Pennsylvania is holding some tax sessions or meetings at the beginning of next month. It has invited several members of my staff to appear and read papers on various aspects of the Federal tax situation. I don't know whether you are interested in having anything said at this time or not.

H.M.Jr: I am interested in getting out a speech just now, Roy, and I am not going to worry about anybody else. I am counting on you and Ferdie to get me out a speech, and here it is Monday. Take it up at the end of the week and let's see where we are at, will you?

Blough: All right, sure.

H.M.Jr: I am not going to worry about anybody else. I want to get out a speech.

Blough: I just wondered whether we should reject or decline or accept.

H.M.Jr: Hold it a few days.

Barnard: I ran into something Saturday that I thought I ought to report to you. I don't know just how good this is, but I can reveal the source to you privately. I had a talk with a man Saturday who says that the distribution of business to these small fellows under the Odlum gang was a pretty bad racket, that a lot of go-betweens are getting a lot of money for alleged assignment of business and that also the CIO is involved in it. This man told me he could have made two hundred fifty thousand dollars if he had been a little crooked on this thing. It struck me that there might be the makings of a fine scandal in that. How you would get at it, I don't know; but perhaps it ought to be looked at.

H.M.Jr: I will talk to you later on.

Incidentally, I saw that our friend, the president of the Public Service of New Jersey, resigned from the America First Committee.

Did you see it?

- Barnard: Yes.
- H.M.Jr: Well, if your friend who gave you the information will be as good as McArthur, we will get somewhere. You remember I told you about him. I want to see you about it.
- George, who did you see Saturday with my chart?
- Haas: I saw Secretary Knox, and we were supposed to try to arrange an appointment with--
- H.M.Jr: What was Knox's reaction?
- Haas: He sat down and looked it over. He looked first at how much there was for reconditioning ships. He thought it was down, and I told him it was only fifteen days, but he said even so it was down. He seemed quite interested. I told him you wanted him to have it. He said he was very grateful. I think it would be probably good after you make the other charts if you would send him copies.
- H.M.Jr: You are sending one to Lubin?
- Haas: Yes, that will be made by eleven o'clock this morning.
- H.M.Jr: I think I had better send one to the President too because I don't want to have him hear about it from somebody else. Simply say this is the first of a series which will follow and send that to the President, Mrs. Klotz.
- Bell: On all defense?
- H.M.Jr: On all defense appropriations. This is the first of a series of charts on all defense appropriations. The other charts will follow

fairly soon.

Haas: There is some evidence of progress both in the Army and the War and Navy Departments. The War Department has sent over the air part, the aircraft part, but it is not quite in shape, so it probably won't be ready today.

H.M.Jr: Will you have another one of these for me tomorrow?

Haas: Yes, sir.

H.M.Jr: What is this?

Haas: This comes out about the tenth of the month. That is a monthly figure showing how much Defense Savings Bonds individuals bought.

Schwarz: I have nothing.

H.M.Jr: Harry?

White: We are compiling the exports and imports of blocked countries weekly. It started with a small organization. It has grown to large proportions. There are thirty clerks already. I have asked the Department of Commerce whether they wouldn't be willing to take the whole job over and give us the same service that we are getting ourselves. I think they will be glad to. We are going into it a little further. If they give us the same satisfactory service, it will be all right, won't it, to have them take the whole business over?

H.M.Jr: Yes. I would like you and Foley to stay behind and Mrs. Klotz, please.

Anything else, Harry?

White: That is all.

Buffington: Mr. Rabon, who visited a number of banks through the country, returned this morning on that "Know Your Tax" folder.

H.M.Jr: I would like to see him.

Bell: He has got a pretty good story. I talked to him this morning.

H.M.Jr: I won't get to him today.

Anything else?

Bell: He is writing a formal report on that.

Buffington: Nothing else.

H.M.Jr: What has happened to that suggestion of mine about having the banks put the Minute Man on their checks?

Bell: I don't know.

H.M.Jr: Will you give me another report on that?

Bell: Yes.

H.M.Jr: Is that all?

Buffington: Yes, sir.

H.M.Jr: I think you might prepare a letter for me to the President and get it in to Mrs. Klotz's hands, telling the President what we are going to do with these pamphlets, you see, and how they are going to be distributed. I would like him to know. And send him a copy of one. And then write a similar letter to all the Cabinet members, you see. In other words, if we don't tell them, they will never know. You might even give one to each of the nine-

thirty group. They might be interested.

White: Federal Reserve Board?

H.M.Jr: Yes, and include all the heads of independent agencies. You can get the list from Norman.

Dan?

Bell: I will be ready at eleven for a preliminary if you want it.

H.M.Jr: I will be ready at eleven. I would like Mr. Barnard to sit in on that.

Barnard: Eleven?

H.M.Jr: Yes.

Bell: The Investment Bankers Association is trying to get--

H.M.Jr: Excuse me, and Kuhn. Are you working this morning?

Kuhn: No.

H.M.Jr: It will be enough this afternoon. I want you to get the feel of it this afternoon. You come in at two-thirty.

Kuhn: On the Byrd Committee thing?

H.M.Jr: Yes. I want you to concentrate on my stuff. Come in at two-thirty.

Kuhn: Right.

H.M.Jr: Nicholson died.

White: Shanghai?

H.M.Jr: Yes.
They stick these things all over my desk.

Klotz: They shouldn't do that.

H.M.Jr: I don't know whether they see it; but Bell, White, and Foley should see that; and Herbert, let me know if there is anything I can do for Nicholson's family.

Gaston: Yes.

Bell: The Investment Bankers Association is trying to get an amendment to the Securities and Exchange Act so as to bring in all banks under that act, supervision of loans and so forth, the same as they do for borrowings that go through the public borrowings. They are having hearings in the Senate. No bill has been drafted, but it is with a view to drafting a bill. The Chairman of that Committee has asked Delano and the Federal Reserve Board and the FDIC for a report. They have gotten together and expect to submit on Wednesday a joint report which I have been over and it looks all right to me. You don't want to see it, do you?

H.M.Jr: No.

Bell: Other people in the Treasury have been over it. It looks all right and it is a very good report. They are opposed to it on the ground that there are enough supervisory agencies now, and they don't want another one. That is all I have.

H.M.Jr: I will see you at eleven.

Bell: Yes.

H.M.Jr: Did I send you a telegram or did you get a note?

Bell: I got a note this morning, but I didn't get any telegram. About the administrative bill?

H.M.Jr: Yes.

Bell: I will have the most of those on these sheets. The only one, maybe, that I haven't got is good roads this morning.

H.M.Jr: Anything else?

Bell: That is all.

Thompson: I had a telephone call this morning from Ugo Carusi, assistant to the Attorney General, telling me the Attorney General still wants to take over the investigating of Federal employees, but he wants to talk it over with Mr. Hoover. Hoover is out of town until Wednesday, and he will talk to him on Wednesday.

H.M.Jr: Am I correct that the note that the President sent me in which he said that each Department head should investigate the dollar-a-year men, each one could do as he pleased but--

Thompson: Suggests you use the FBI.

H.M.Jr: Isn't that the same thing?

Thompson: Oh, no, this is the work Ireys is doing on all the defense agencies.

H.M.Jr: What is the letter the President wrote where he suggests the FBI?

Thompson: That was just the dollar-a-year men.

Gaston: FBI has been investigating all the dollar-a-year men.

H.M.Jr: I don't understand it. I thought under a letter from the President of the United States the Treasury was investigating everybody on OPM and OEM.

Thompson: That is right.

Gaston: Except the dollar-a-year men. All the salary people. We are investigating the dollar-a-year men only as to their taxes. We are simply getting a list and checking them on their tax record.

H.M.Jr: Only that fellow?

Gaston: The dollar-a-year people, yes.

Thompson: But on all the others, which are running into some fourteen or fifteen thousand estimated cases, the Attorney General wants to handle that, and I think it is all right.

H.M.Jr: I wish you would call back Mr. Carusi and tell him as far as I am concerned I wish they would.

Thompson: I told him that was your view.

H.M.Jr: I was a little mixed. I told the Attorney General we had gotten this letter recommending FBI. I thought it was FBI as far as everybody is concerned.

Thompson: Oh, no.

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

Thompson: I don't know whether Mr. Sullivan reported Stewart McDonald's resignation as head of the Processing Tax Board.

H.M.Jr: Stewart McDonald?

Foley: Junior.

Thompson: He has gone out to the Philippines as adviser to them.

H.M.Jr: Well, don't fill it.

Thompson: Mr. Schwarz thinks we should fill it. He thinks there is a definite need for filling it.

H.M.Jr: Wait until we get some political lame duck.

Foley: He was the best man on the Board.

H.M.Jr: That isn't saying much.

Sullivan: That is right. The trouble now is--

Thompson: We are having a hard time getting you a new box, but they are still expecting it.

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

The White House is not planning to give out the letter to Chairman Doughton, but is leaving it up to him as the recipient to decide on releasing it. He read it to his Committee this morning, which means that it will be talked about, but he says that, rather than make public the letter and the reply he is now preparing, he would prefer to come down again with Senator George and talk over tax procedure with you. He is willing to give out the letters, however, if the President wishes.

Co 1/10

FOR THE PRESS

IMMEDIATE RELEASE

NOVEMBER 10, 1941

There follows the text of letters exchanged between the President and Honorable Robert L. Doughton, Chairman of the House Committee on Ways and Means. Under date of November eighth the President wrote Mr. Doughton as follows:

"I understand that the Secretary of the Treasury recently consulted with you and other Congressional leaders about the inflation problem and the urgency of prompt tax legislation to counteract the inflationary pressures arising from the Defense Program. It seems clear that if we are to prevent a further sharp increase in the cost of living and in the cost of the Defense Program itself, we must take immediate steps to absorb a large amount of purchasing power through additional taxes, and incidentally to pay cash for greater part of our defense production. We must remember that taxation is a necessary complement of price control legislation because the continuing effectiveness of price control is largely dependent upon the restriction of the demand for goods.

"If these taxes are to restrain inflation they should be directed mainly at that part of the national income which is being devoted to the purchase of civilian goods, and should be of a character that will not increase the cost of these goods. Purchasing power so far exceeds actual and potential production of civilian goods that vigorous steps must be taken to reduce purchasing power more nearly to the level of production capacity.

"Inflation is itself a most inequitable type of taxation. It grants no exemptions and recognizes no hardships, -- though a well-rafted tax bill can do both. I very much fear that unless we start within two or three months to withdraw through taxes a larger part of the current national income an even greater part may evaporate through inflation, and the upward spiral may gain such momentum that it will be difficult to regulate, despite all efforts through price control and similar measures. I do hope you will be able to help us with this problem now."

Under date of November tenth Chairman Doughton wrote the President as follows:

"Your letter of November 8th suggesting prompt consideration of the taxation aspects of our inflation problem has been given my most careful attention.

"I agree with you that the dangers of inflation must be of immediate concern to all of us. In this respect, the present attention of the House is directed to the bill reported by the Committee on Banking and Currency on November 7th and which will be debated in the House this week. It will require the full time and effort of the entire membership of the House, including the members of our Committee on Ways and Means, to perfect a bill of this character and magnitude.

"Last week Senator George and I met with Secretary Morgenthau to consider a Treasury proposal that taxation be used as a check upon inflation. The Treasury representatives presented this proposal to our full Committee and after consideration of their arguments it was our conclusion that action on the Treasury proposal should be deferred temporarily.

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"However, I realize fully that taxation is an important integral part of any anti-inflation program. While I cannot speak for the membership of our Committee, I wish to assure you of my own earnest desire, which I believe also to be the desire of my colleagues, to cooperate with you in an endeavor to find a practical and equitable approach to this problem.

"Senator George and I will be most happy, if you so desire, to discuss this matter with you and the Secretary of the Treasury at your convenience."

FROM: MR. SCHWARZ'S OFFICE

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TO: The Secretary

Senator George had no written statement but talked to a few reporters Saturday night. The most complete story is the one attached that was sent out by the United Press.

cc
11/10/41

Washington, Nov. 8--(UP)-- Chairman Walter F. George, D., Ga., of the Senate Finance Committee, said tonight that tax revenues for the calendar year 1941 will approximate \$16,000,000,000--\$3,000,000,000 above original Treasury estimates.

Increased business has "greatly setpped-up" revenue raising resources, george told reporters. He pointed out that a larger volume of business automatically brings greater tax yields. Despite the increased estimates of tax yield, additional revenue will have to be found, he said, unless "borrowings are higher than we now hope they can be." He said the national debt approximately \$55,000,000,000 and will rise above \$57,000,000,000 before the year end.

The Senate Finance Committee and the House Ways and Means Committee "probably will hold some hearings before the Christmas Holidays" to discuss suggestions by Secretary of the Treasury Henry Morgenthau to impose a 15 per cent "Withholding" tax, George said. The two Congressional groups will "in all likelihood" be ready to present proposals shortly after the next session convenes in January, he added.

He stressed that Morgenthau's proposal was "merely a suggestion and not in the nature of a decision, He merely desired to ascertain from the Legislative branch of Government whether action would be possible before the end of the year."

The 15 per cent withholding tax, which would be deducted from the weekly paycheck after certain exemptions were made, would raise approximately \$2,800,000,000, according to Treasury estimates, George said. Doubling of the social security tax, which also

has been proposed, would bring slightly less than \$1,000,000,000, he added.

After a meeting of Morgenthau and the House Ways and Means Committee when the Group voted to defer action before the end of the year, it was reported that the two proposals would raise \$4,800,000,000. George said that this impression was "erroneous." George said that Morgenthau expressed fears of inflation to the House Committee and said a withholding tax might go far to combat that by reducing purchasing power.

Total Federal expenditures of \$40,000,000,000 for 1941, he said, will make some form of revenue legislation essential for the coming year.

"I do not know whether there will be a general revision of tax legislation," he said. "But it is probable that there will be certain revenue revision."

If the Treasury maintains its policy of paying two-thirds of the defense and other costs with direct revenues, taxpayers must dig much deeper in their pockets than required by the administration's new tax proposal.

Continuance of this policy would necessitate doubling of the present annual tax bill of between \$12,000,000,000 and \$13,000,000,000 informed sources said.

Two-thirds of the prospective \$40,000,000,000 government expenditures next year would be about \$27,000,000,000. That is about 30 per cent of the prospective national income for next year.

November 10, 1941

SPEECH ON TAXATION AND INFLATION

Many people are no doubt wondering how it happens that new taxes are being talked about within a few months after a large tax bill was passed and, in the case of the income taxes, before the first payments have been made at the new rates. In ordinary times consideration of further taxation would certainly be postponed until there had been an opportunity to become adjusted to the taxes already imposed. These, however, are not ordinary times. The financial and economic problems growing out of the national defense program are of such a character as to call for prompt and vigorous steps.

The financing of the Federal Government is a matter of concern to all of us. In calendar year 1941 we expect to spend about \$20 billion and collect in all kinds of taxes \$9.5 billion. In calendar year 1942 we may spend about \$37 billion and collect about ^{\$16}~~\$21~~ billion under existing tax laws. This means that this year we shall spend \$10.5 billion more than we take in while next year we shall spend \$21 billion more than we take in. Next year we shall take in only about

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\$2 for every \$5 we spend, unless more taxes are provided, instead of taking in \$2 for every \$3 we spend, which we think would be about right.

It is much better to pay for defense as we go insofar as possible. We have the money now and we see the problem clearly now. The real cost cannot be postponed. Someone must pay now for the planes and tanks and guns we are making. Borrowing to pay for them simply postpones the final reckoning when we shall redistribute levying taxes to people the cost by repaying with interest those we borrow from now. It would be far better to divide up the burden and shoulder it now once and for all rather than to put off the unpleasantness until the future.

The fiscal needs of the government, however, are not the most important reason for talking about taxes again at this time. A much more pressing reason is that in recent months the cost of living has been going up rapidly. We have been watching the price picture day by day. Until well into this year the cost of living had scarcely gone up since the Fall of 1939. Now it has begun to rise rapidly as you are only too aware. Food has risen over 12 percent in about 6 months while the average cost of living has risen about

- 3 -

6 percent in the same time. After careful study we believe it will continue to rise, perhaps much faster if prompt steps are not taken.

It is not hard to see why the cost of living is rising. The defense program is giving millions of people work who were previously unemployed. Millions more are working longer hours or at higher pay rates, or both. The large volume of business means that profits are higher, although the new income and excess profits taxes are absorbing much of such profits. There is thus more and more money available to buy things with.

On the other hand, when we produce guns and planes, ships and tanks and other things for defense, we must use factories, raw materials, management and labor, power, transportation facilities, and many other things which are needed also in producing other kinds of goods. Fortunately for us now, our industrial machine had been running at rather slow speed before the defense program started. It has been possible to speed it up and to produce more goods of all kinds. During the early months of the defense program many people were better off than they had been and few people were worse off because the existing stores of goods and the increased

production ~~was~~ ^{were} sufficient to take care of the increased income which people had to spend and also to provide the defense goods that were being turned out.

The condition was not quite as happy as it might seem because defense production was not going as rapidly as it should ^{have gone.} The attitude was too much that of "business as usual." Now we see that the amount of defense production necessary to give us an adequate defense program was much greater than many people thought and that we have all too little time left to complete the program. So we are speeding up all over the country wherever possible the production of all kinds of goods for the defense program.

Some of the results are not very pleasant in many respects but they are quite inevitable. We ^{have run} ~~are~~ short of many kinds of vital materials -/aluminum, copper and steel. Action is being taken to increase the volume of production of these materials but that takes a long time. Certainly for many months there will not be enough of these materials to go around. There are also shortages of various kinds of manufacturing plants and certain kinds of skilled labor, and even unskilled labor may become scarce before long. Since defense must come

first, many of the things we would like to buy with our incomes, and which many of us for the first time feel we are able to buy, cannot be produced in sufficient volume. Indeed, the production of many of these goods has been ^{reduced} and will have to be ^{further} ~~reduced~~ reduced. People in general not only cannot buy more than ^{they have been} ~~buying~~ buying, which is what they want to do, but they must be prepared to get along with even less than ^{they have had.} ~~buying~~.

The shutting down of many plants because of the lack of materials to produce civilian goods and the shifting of these plants into defense production is a painful process which will take some time to complete. In the meantime there will be some unemployment and there may be a temporary lull in the demand for goods. Nevertheless, it seems clear that there ^{are} ~~is~~ at the present time and will be increasingly for the future until the end of the defense program, more dollars of income in the hands of people who want to spend them than the total value of goods and services available when these values are all added up at existing prices.

The excess of demand over supply leads to higher prices. If there are not enough goods and services to go around at present prices, people keep bidding the

prices up. At higher prices there are no more goods to go around but more money must be spent for the same amounts of goods. In this way, demand and supply are equalized at higher prices.

In more normal times, this increase of price which results when demand exceeds^d supply was a useful result since the higher price encouraged people to produce more goods, thus enlarging the supply of goods which people could buy. At the present time, however, it will do no good to increase prices because under present conditions people cannot produce more civilian goods of most kinds even though they want to do so. Thus the beneficial results of price rises do not take place.

Instead there are many harmful results from price rises. For one thing the cost of the defense program itself will go up as prices go up. This means more expenditure, more deficit, more taxes. Furthermore, for a person who has not had any increase in income the higher prices are the equivalent of a gross tax on that income. He is no better off than he would be if prices remained lower and taxes had taken away a substantial part of his income. In fact, he will be very much worse

off if he has an insurance policy or a savings account or other investments, because when he cashes in on these the amount of goods that he or his heirs can get will be less because prices are higher.

Rising costs of living and rising prices generally ~~also~~ do not take place evenly. Some prices go up more than others thus upsetting relations between prices of different things. The economy becomes unbalanced and people devote increasing amounts of time and attention to speculation. The evils of inflation are so great that it has well been called one of the major catastrophes which can happen to a country. Rising prices cause more price rises in a sort of spiral of inflation. If one price goes up it may increase the cost of something else leading to a higher price for it, which in turn causes other prices to go up and so on around and around, higher and higher.

From what I have said it is clear that the interest of the whole Nation lies in keeping prices from going up. One way to keep prices from going up is to put a legal upper limit to prices. This may be done in various ways. Prices may be fixed only for certain commodities which are of particular importance and

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subject to particular scarcity while other prices may be allowed to seek their level. Another way is to fix an upper limit on the prices of all goods and services which, of course, is much more difficult to enforce. So far as I know every country in this war has been obliged to establish some kind of price fixing to help prevent speculation, to keep down the advantages of wealthy people in buying high-priced goods, and in slowing down or stopping the spiral of inflation.

The fixing of prices, although an important method of controlling inflation, is not sufficient in itself to hold down prices. Some things legal controls are just not strong enough to do by themselves. The fact that upper limits have been placed on prices does not mean that there will be more goods to buy or that people will be less anxious to buy them. If nothing is done but fixing prices, long lines of people may form in front of stores, shelves may become empty - have indeed become empty in the last few months, some goods may be almost impossible to get, bootlegging is likely to occur - bootlegging of the necessities of life at prices higher than are permitted by the price fixing authorities.

In order that these difficulties with price fixing may not arise, it is necessary to cut down the demand for goods in one way or another. One way which may work successfully for articles that are bought on the instalment plan is to make the terms of credit less favorable and perhaps even to make it impossible to borrow money for the purchase of such goods. Another way is to ration goods by giving all the people ration cards and telling them how much of various things they can buy, so many gallons of gasoline, so many suits of clothes, and so on. This is in many respects a very just and equitable way since it keeps the goods from being monopolized by those with large incomes, but it involves a great deal of control over the individual's daily life and it is extremely difficult to administer. A less difficult, and I believe in general a less painful way of reducing the excess demand for goods, is through taxation - taxation which will take money out of the pockets of people who would otherwise spend it. This is not a pleasant thing to do. People certainly dislike giving up a large part of their income; but the point is that they must ^{and will} give up a large part of their income in one way or another, and taxes have less ~~generally~~ harmful effects than the other ways.

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The taxes to be effective must withdraw money from those who are going to use it in buying goods, - that means from the great mass of the people. Collecting taxes merely from the well-to-do misses the root of the problem which is the excess demand of all sorts of people in all sorts of walks of life. Insofar as possible it will be desirable to soften the blow for people with very low incomes and with large family responsibilities, but it will not be possible to soften the blow as much as we would like simply because if the taxes do not go to the root of the problem we may collect the money but we ^{shall} ~~will~~ not stop the inflation.

It is also desirable that the taxes imposed to prevent higher prices shall not themselves cause higher prices. The manufacturers' sales tax and the general sales tax have that disadvantage since these taxes in general enter into the prices of goods and ^{affect} people's incomes in much the same manner as inflationary price rises do.

Of course, taxes on the masses of people must also be accompanied by higher taxes on the more wealthy people. This is ~~un~~ equitable at any time and especially in a time like this. These taxes on the wealthy, however,

will not in general have much effect on their spending since the taxes may come out of their savings and since, if necessary, wealthy persons can spend their capital. The way to reach the mass ^{of the demand for goods} ~~markets~~ is through taxes on the mass of income and that kind of taxation will be necessary if we are to stop the inflationary rise of prices.

I do not recommend that we rely on taxation alone to control inflation. Reductions in governmental expenditures for non-defense purposes will reduce the inflationary effects of governmental expenditures and reduce the necessity for taxes. The prevention of unwarranted increases in wages and unwarranted increases in prices through price control will keep down the amount of income available for spending and thus prevent the danger of the inflationary spiral. We shall need every method possible - price fixing, restraint in increasing wages, reduced ^{non-defense} ~~governmental~~ spending, increased purchases of defense savings bonds, credit control and every other way we can think of. At the same time we should work to increase supply and production in every way we can - through increased efficiency, longer hours, and in other ways.

The person who has not had his income increased by the defense program is in a very unfortunate position. He suffers all the burdens of rising prices and rising taxes with none of the benefits of increased wages or profits. People in this position quite naturally say that the primary burden of the defense program should fall on those who have benefitted, ~~primarily~~ ^{through} higher wages, higher prices and higher profits. I have much sympathy for their problem and their point of view. Unfortunately the extent to which ~~the~~ ^{the especially high taxation of increase} ~~can be~~ ^{es in income} put into operation is disappointingly small. Many people are working now who did not work before. Surely we cannot expect to take from them all of their new earnings or even a large proportion of them. Some people have given up steady non-defense jobs and have moved their families so that they could do vitally important work in defense industries. Their pay may be much larger but the increase may be eaten up by the higher ^{their new} rents and higher living costs of ~~the~~ communities. Surely We ~~cannot~~ ^{should not} take from them all the increase or even a ^{very} large part of the increase in their wages under these circumstances. There are numerous other cases where people who are doing things for defense must be

allowed to have higher incomes if we are to get done the job that must be done. Inevitably a heavier burden -- whether in the form of higher prices or higher taxes or both -- will fall on people with fixed incomes than on these persons, although we must attempt insofar as possible to take in taxes excessive earnings, incomes and profits. The administrative problems of trying to distinguish the cases in which increased income should be ^{especially} taxed and when it should not be ^{so} taxed are very great.

Those with stable incomes should not forget that during the past decade they in general have been better off than other members of the community. During the bottom of the depression when many people were in extremely serious straits, persons with relatively fixed incomes defended themselves against criticism on the grounds that in other times they ^{would be} ~~were~~ worse off than the rest of the people. This is one of those times. It is in many ways unfortunate but it is inevitable not only in this country but in every country which has faced problems such as we are facing.

What I have tried to do is to put before you in brief form a picture of the economic and financial problems which a country faces when it devotes a large portion of its national income to defense. That we shall

be obliged to devote a larger portion to defense than we are now devoting is very clear when we consider the amounts which aggressor nations have been putting into their war machines - not merely this year or last year, but over a long period of years. It will take sacrifice - it will take a great deal of sacrifice. We must and shall do the very best we can to distribute this sacrifice as equitably as possible. We cannot hope to succeed fully - certainly the sacrifices of persons in the armed forces ^{are} ~~is~~ likely to exceed the sacrifices of any of the rest of us. Although we may fail in many ways to produce equity, if we prevent the inflationary rise in prices we shall at least have protected the mass of our population against one of the worst tragedies that could happen to our economic and political structure. That is a goal worth striving for.

Sales of Treasury Notes - Tax Series A and Tax Series B
During the months of August, September, and October 1941

Classified by denomination

(Par amounts in millions of dollars - As reported by the Federal Reserve Banks)

Series and denomination	Aug.	Sept.	Oct.	Total
Tax Series A				
\$ 25.....	.6	.3	.3	1.2
50.....	.8	.4	.4	1.6
100.....	<u>18.3</u>	<u>6.4</u>	<u>5.1</u>	<u>29.8</u>
Total - Tax Series A....	<u>19.7</u>	<u>7.1</u>	<u>5.8</u>	<u>32.6</u>
Tax Series B				
\$100.....	1.2	.5	.5	2.2
500.....	2.8	1.2	1.4	5.4
1,000.....	27.5	12.7	12.1	52.3
10,000.....	120.5	44.8	44.2	209.5
100,000.....	374.9	103.2	114.2	592.3
500,000.....	63.0	28.0	26.5	117.5
1,000,000.....	<u>485.0</u>	<u>91.0</u>	<u>233.0</u>	<u>809.0</u>
Total - Tax Series B....	<u>1,074.9</u>	<u>281.4</u>	<u>431.9</u>	<u>1,788.2</u>
Total - Both Series.....	<u>1,094.6</u>	<u>288.5</u>	<u>437.7</u>	<u>1,820.8</u>

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

November 10, 1941

Classification by Type of Purchaser of the Sales of Treasury Notes
Tax Series A and Tax Series B

During the months of August, September, and October 1941

(Par amounts in millions of dollars -
As reported by the Federal Reserve Banks)

Type of purchaser and month	Tax Series A	Tax Series B	Total
<u>Individuals 1/</u>			
August.....	16.0	50.0	66.0
September.....	6.2	21.1	27.3
October.....	<u>5.1</u>	<u>20.4</u>	<u>25.5</u>
Total.....	<u>27.3</u>	<u>91.5</u>	<u>118.8</u>
<u>Corporations</u>			
August.....	3.7	1,024.9	1,028.6
September.....	.9	260.3	261.2
October.....	<u>.6</u>	<u>411.5</u>	<u>412.1</u>
Total.....	<u>5.2</u>	<u>1,696.7</u>	<u>1,701.9</u>
<u>Total Sales</u>			
August.....	19.7	1,074.9	1,094.6
September.....	7.1	281.4	288.5
October.....	<u>5.8</u>	<u>431.9</u>	<u>437.7</u>
Total.....	<u>32.6</u>	<u>1,788.2</u>	<u>1,820.8</u>

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

November 10, 1941

November 10, 1941.

MEMORANDUM FOR THE FILES:

In response to the Secretary's telegram of November 9th, I discussed with him the matter of mail being received in reply to our "Know Your Taxes" leaflet and arrangements have been made to take care of this class of mail.

W. H. M.

COPY

83

5w FN

Wd5 28 COLL NT GOVT 4 ex (Duplicate of foned telegram)

1941 Nov 10 AM 8 13

TDWD FISHKILL NY NOV. 8/41

NORMAN THOMPSON
DLR 9 AM
TREASURY DEPT

PLEASE DISCUSS WITH ME MONDAY WHY SPECIAL ARRANGEMENTS HAS NOT BEEN
MADE TO TAKE CARE OF MAIL IN ANSWER TO OUR TAX LEAFLET

HENRY MORGENTHAU JR.

740a

REPRESENTATIVES OF THE HOUSE AND SENATE TAKE THEIR ECONOMY PLEAS DIRECTLY TO THE TREASURY TODAY HOPING TO CUT GOVERNMENT EXPENDITURES BY AT LEAST \$1,000,000,000.

CHAIRMAN BYRD OF THE CONGRESSIONAL COMMITTEE SET UP TO INVESTIGATE NON-ESSENTIAL EXPENDITURES, AND CHAIRMAN BOUGHTON OF THE HOUSE WAYS AND MEANS COMMITTEE, HAVE ARRANGED TO CONFER WITH SECRETARY MORCEN THAU.

11/10--R851A

November 10, 1941
10:20 a.m.

WJr: Hello, Harold.

Harold
Scott: Say, tell me what that two-thirty meeting is about.

WJr: Well, Byrd wrote me a letter and wants to know when I was going to give them something, you see?

WJr: Yeah.

WJr: You remember up there, they said that they wanted me to make some suggestions.

WJr: Yeah.

WJr: So I got a letter when they were going to go in.

WJr: Yeah.

WJr: So I told them before I made it publicly, I wanted to have a rehearsal with the Chairman and the Vice-Chairmen.

WJr: Yeah.

WJr: And then you remember I also told you, I said, before I gave anything I'd show it to you.

WJr: Yeah. Well, now here's the thing that bothers me. If I'm going to be consistent, I'm going to have to say that - that is, I don't think I ought to see your recommendation. That's the point.

WJr: Well, that's all right with me.

WJr: Yeah. Because I'm going to - they're going to say - because this is going to be very embarrassing, I think probably to both of us. They're going to say to me, "Well, does the Director of the Budget approve these recommendations?" And I'm going to say that I've already made my case - that I can't make a recommendation - and that was the thing that was bothering me.

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HMJr: Well, I just didn't - I remember I told you before I moved I'd show it to you.

S: Yeah.

HMJr: Well, I thought I'd do it - they said they wanted to come down here, and it's quite all right with me and I'll understand if you don't come.

S: Well, I - you can see why, if that's the subject of discussion, these two fellows are going to take back - you know you can't say anything confidential.

HMJr: Oh, they've already given it out to the press that you're coming. I didn't, they did.

S: They did.

HMJr: Well, I read it on the ticker.

S: Is that so. I haven't seen it.

HMJr: Yeah.

S: Well, I'll tell you, I'll call you - I want to think about it a little. It worries me.

HMJr: Well, Harold, you're welcome, if you come; and if you don't come, my feelings will not be hurt.

S: Yeah. Well, I may call you. I'll see what's on the ticker; and if I come over there, as I'd planned to do, then it would be almost in the nature of just an auditor, you might say, or listener.

HMJr: Well, it's.....

S: I don't want to seem to be uncooperative, but I think we don't, at the same time, want to get our wires all crossed up here.

HMJr: It's all right, just as long as anything that I'm doing on this thing - if I do anything, I want you to know about it before I do it.

S: Yeah.

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HMJr: And I'm going to invite you to sit in. Now, if you don't want to come, I - that'll be all right.

S: Yeah. Well, I wouldn't mind sitting in with you, you know, on that; but I just.....

HMJr: Well, that wouldn't help any, you know.

S: No, it won't help any as far as this goes; and I think maybe my sitting in will do some harm. Well, let me think about it a little.

HMJr: Any way you do it will be all right with me.

S: All right. Good-bye.

November 10, 1941
11:05 a.m.

RE NON-DEFENSE SPENDING

Present: Mr. Barnard
Mr. Bell
Mr. Heffelfinger

H.M.Jr: All right, gentlemen. This is what I would like to do; this is my thought, because whatever I am going to say, I am going to ask you (reporter) to be here this afternoon unless they throw you out. This is my approach to this thing. We started back in 1933 with a hell of a depression and everything we have done from then until this day is to get the country out of this depression, and all of these expenditures, special expenditures, have been designed through pump priming to put the country back on its feet.

Now, those conditions don't exist any longer. We haven't changed our method of spending. After all, this has all been fine up to now. We have still got all of these agencies doing just the same thing. Now, what I want to suggest to them, I have thought this over and I don't want to give them a billion dollar program, you see.

Bell: You do not?

H.M.Jr: I do not, this afternoon. At least, I don't think so. What I want to say is, "Now look, gentlemen, all I want to say is, I think that all of these expenditures should be re-examined in terms of national defense and if we go from twenty percent toward a hundred percent, it is

only a question of time before we are going to be short of skilled labor and therefore I think all of these agencies which are now working still on pump priming should be thrown in to one agency, which will be an agency whose sole purpose will be to train the young men and women of this country so that they can be useful for national defense.

"Now, in this readjustment, in the readjustment we go through, some people are going to be hurt, but from three to six months, if we really go on spending this money - in the first place there will be no need for our depression expenditures and in the second place there will be a shortage of labor. Why not be a little foresighted and let's get busy to train the men and women who are unskilled and out of jobs so that they can be useful in this defense thing." Now that is my approach.

What I am going to say is, "Let's take a look at some of the things which we can - now certainly the most glaring thing that we can stop is good roads." That is where I would start. Let's see if I remember my figures right. On good roads, we have spent five billion dollars since 1933. Is that right?

Bell: Approximately.

H.M.Jr: And if Congress would move this month, we could cancel an appropriation of a hundred and seventy-five million dollars.

Bell: A hundred and forty.

H.M.Jr: How much?

Bell: It is a hundred and seventy-five million expenditure but that is a lag and it is a hundred and thirty-nine or forty.

- H.M.Jr: You told me a hundred and seventy-five.
- Bell: I was talking about the expenditures we have before us.
- H.M.Jr: In order to do that you would need a resolution through Congress, wouldn't you?
- Bell: That is right.
- H.M.Jr: And then you would cancel that off the books and then if the Army and Navy would say that they need certain bridges widened, certain culverts and so forth, in order to move troops or trucks or big guns, that is something else, but each expenditure should be on the basis of troop movements and not on the basis of just supplementing a general highway program.
- Bell: That is right. And that might have the tendency of cutting down state expenditures by that amount.
- H.M.Jr: That is right. Now, suggestions. You see, I have been doing a lot of thinking without any figures before me, but I just want to suggest these things. One, cancel road matching program of a hundred and forty million.
- Bell: A hundred and thirty-nine is more accurate.
- H.M.Jr: A hundred and thirty-nine million. This would have the effect of cutting down on states as well.
- Bell: It may have the effect of reducing state appropriations.
- H.M.Jr: Can't help it. It has got to stop.
- Heffelfinger: This is a matching proposition mostly.
- Bell: There is no objection to them going ahead and building half as many roads as they did the

year before. They probably won't, but there is no objection to doing it.

Barnard: Well, in general we advocate that the states and municipalities as well as business should cut their expenses.

H.M.Jr: We have spent five billion on roads since 1933?

Heffelfinger: Thirty-two.

Bell: And that includes, Mr. Secretary, streets in cities.

H.M.Jr: Well, that is --

Bell: That is part of the whole thing.

H.M.Jr: Well now, that to me is the most glaring, Dan. Incidentally, what is the administrative expenses of roads?

Bell: We have not got that. We will have to get that.

Heffelfinger: They don't show that in expenditures.

H.M.Jr: Talk up if you think of anything.

Barnard: Yes, I will.

Bell: I don't think it would hurt if you are going to have to have a resolution through Congress, anyhow, on good roads. It certainly wouldn't hurt if this committee came out with a general resolution authorizing a reduction in those places where there would have to be a law changed and also saying that it is the consensus of this Congress that these other items should be reduced to a minimum or should be eliminated

during the emergency, such as CCC and so forth.

H.M.Jr: I know you have had that, but I don't know, they would know best. I am sorry they have given it out but I am on the spot and I am going to have to say something at four o'clock. I can't duck this thing. It was on the radio too.

Bell: Was it?

H.M.Jr: Yes.

Heffelfinger: They don't show any breakdown. They show the program. They have about five million here which appears to be administrative expenses.

Bell: I think that is about right. Somewhere between five and seven hundred million dollars a year. They set it aside in this special account, as I recall, for administrative expenses. In other words, the authorization for good roads, a hundred and thirty-nine million, they take a certain percentage of it. I think it is about thirty-five percent.

H.M.Jr: Incidentally, for your information, a very amusing thing happened. Harold Smith called me up, what was this meeting about. I told him. Well, he didn't think he would come. It would be very embarrassing to him. In the first place they would say, "Morgenthau is going to make suggestions. Do you concur?" He wouldn't know what to say. He would be on the spot.

So I said, "Well, Harold, I am doing it and you can come or not, just as you please. You are welcome and if you don't come it is all right." "Well, it puts me on the spot and may be embarrassing for you." I said, "I wouldn't have invited you if it would be

embarrassing for me." So I said, "Think it over and if you are here, all right, and if you are not, all right."

Bell: He is on the spot, though, Mr. Secretary. After all, he has no statutory authority whatever under this set-up.

H.M.Jr: Well, I am not on the spot.

Bell: Well, you are on the spot only for the President, and I take it you --

H.M.Jr: Well, as I said to Carter Glass, "I am going to make some recommendations even though I get fired," and Carter Glass said, "He won't fire you." (Laughter) Well, I can't help it, I am going to do it. Under the law I can report to the Congress. We got a letter, too, from Harry Byrd asking me for this.

Bell: Did you?

H.M.Jr: Yes, didn't you see it?

Bell: No.

H.M.Jr: The same day that I called him up the letter came in.

Bell: I think it is unfortunate that the committee is set up the way it is.

H.M.Jr: Now, look, don't let's go into that. Do you mind?

Bell: No, but you are going to be Harry Byrd's catspaw and goat, and he is going to get all the publicity out of it and you are going to do all the work and get all the blame. That is what I am afraid of.

- H.M.Jr: Two can play that game.
- Bell: Yes, that is his game.
- H.M.Jr: That is all right. But when I say I have put definite things up to Senator Byrd, now what is Senator Byrd going to do about it, and there is no use saying it is up to the President or anybody else. It is up to Senator Byrd. He is chairman of this committee and either they are a supine, wishy-washy group or they are not. Now, it is up to Senator Byrd. He asked me for suggestions and I have given them to him.
- Bell: That is the reason I want the committee to vote out a bill.
- H.M.Jr: That is all right.
- Bell: That gives the Director of the Budget something to hang his hat on.
- H.M.Jr: You have seen Harry Byrd and me have tiffs publicly and I don't think I always came out at the wrong end. You have had a lot of them too. I think we have come out pretty well.
- Bell: Before the committees we have come out pretty well.
- H.M.Jr: All right, he isn't so hot. I am glad now. The next thing is rivers and harbors.
- Heffelfinger: We don't have any breakdown except in the general.
- H.M.Jr: How much money is there there?
- Bell: They estimate that they will spend two hundred million dollars in the fiscal year 1942. That

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is this year. They spent two hundred nineteen in '41 and two thirteen in 1940.

H.M.Jr: How much have they spent?

Bell: All told?

H.M.Jr: This year so far.

Heffelfinger: It is down at the end now.

Bell: They have spent seventy-six million up to November 7 of this fiscal year.

H.M.Jr: They spent how much?

Bell: Seventy-six million.

H.M.Jr: November 7th?

Bell: Out of the proposed expenditure.

H.M.Jr: I didn't get it, I am sorry; how much?

Bell: Seventy-six million.

H.M.Jr: Out of how much?

Bell: Out of a proposed expenditure of two hundred million. Now, that is not appropriations, that is expenditures.

H.M.Jr: I understand. How much is there on the books for appropriations? Well, I had better use the two hundred million figure, hadn't I?

Bell: We are talking here about expenditures. If you want appropriations we will get you a table of it.

H.M.Jr: Is there any reason why the balance couldn't be cancelled and then reappropriated on the

basis of the needs for war?

Bell: It can be changed, it seems to me, to a national defense basis. Of course, the Engineer Corps will say everything is national defense and there are certain projects for which they probably have contracts that may have to be completed or rounded out. You can't take the whole two hundred million, I don't think, and I think the two hundred million probably includes somewhere between forty and fifty million dollars of maintenance, annual maintenance. But you could get certainly a sizeable chunk of that two hundred million, it seems to me, delayed until after this emergency is over.

E.C. Jr: That is right.

Barnard: A hundred million?

Bell: I should think you ought to get a hundred million.

H.M. Jr: I am going to say a hundred million.

Bell: Of course we don't know that but that is a guess you will have to make.

H.M. Jr: Well --

Bell: You can hope they don't pin you down to figures.

H.M. Jr: No.

Bell: We don't know the operating --

H.M. Jr: Now, rivers and harbors, good roads; what comes next?

Bell: Well, there are reclamation projects under

Interior. They estimated they will spend ninety-five million in 1942.

H.M.Jr:

How much have they spent?

Bell:

Eighty-six million in '41.

H.M.Jr:

How much have they spent this year?

Bell:

They have spent thirty-six million.

H.M.Jr:

That was November 7th?

Bell:

Yes, sir.

H.M.Jr:

Spent how much?

Bell:

Thirty-six million out of a proposed expenditure of ninety-five million.

H.M.Jr:

Well, they might save half of that.

Bell:

Well, there again you have got a lot of those western dams but there isn't any reason why they shouldn't slow it up. I think Smith would tell you that they did undertake to slow it up except in cases that are involved in national defense like Bonneville and they probably speeded that up.

H.M.Jr:

Well, ignorance is bliss. I can just point to these things. These are all the things that I started out with. These are things which were done for pump priming and accelerating. Rivers and harbors, reclamation projects, what else?

Bell:

Now, there is the Tennessee Valley --

H.M.Jr:

Well, I can be demagogic about this too.

Barnard:

Well, that is fair enough. Let him come through.

Bell: I don't know whether you want to put down the Tennessee Valley Authority.

H.M.Jr: No.

Bell: They spent from forty to fifty million dollars a year right through and now they have jumped that to a hundred million dollars on the basis of national defense.

H.M.Jr: We are terribly short there. You remember the President sent Stettinius up there to ask for that and everything else. What else? What comes next?

Bell: Well, let's see. Do you want to leave agriculture until the last?

H.M.Jr: All right.

Bell: Civilian Conservation Corps.

H.M.Jr: All right, CCC.

Bell: In the budget that went up in January, it was estimated that they would spend two hundred sixty-five million but the October fifth revision puts that at two hundred million and the budget has got a substantial part of that in reserve.

H.M.Jr: Estimated they would --

Bell: Spend two hundred million now, was the estimate.

H.M.Jr: How much have they spent?

Bell: They have spent seventy-eight million.

H.M.Jr: What?

Bell: Seventy-eight million to date.

- H.M.Jr: What is the administrative cost?
- Bell: It is a little difficult to get at the administrative costs here and if you figure everything in they are very high.
- H.M.Jr: Well, let's get it.
- Bell: They pay a hundred and sixty-seven million dollars a year for pay subsistence of the enrollees and ten million for camp maintenance and instructions, out of a total of two hundred seventy million. Now, the rest of it is salaries and expenses, care of enrollees, project salaries and project expenses, salaries, field, expenses, field, salaries, departmental, and expenses, departmental, which makes about ninety-two million dollars, which is awfully high; but you see what you have got in this situation for administrative expenses are really the enrollees' salaries doing the work around the camp. You take the project salaries and that is an enrollee.
- H.M.Jr: Let me have that sheet. Is that attached to something?
- Bell: Yes, attached to a big sheet. You see, that is the breakdown. You could say from there down is administrative expenses, but I would say down to that point where you have got project expenses it is probably all enrollees.
- H.M.Jr: But from here salaries, field?
- Bell: Beginning with that thirteen million, probably, would be the true administrative expenses. About twenty million.
- H.M.Jr: Which is the one you figure on, the two forty-seven?
- Bell: Yes, the two forty-seven is the one actually --

- H.M.Jr: Well, here is - now, I would be just curious how much those --
- Bell: Well, that is fifteen - seventeen.
- H.M.Jr: No, but actually, just the difference because you see they cut the appropriation but they don't cut the administrative expenditures.
- Heffelfinger: That thirty-six million there is practically all administrative expenses, too, for projects.
- Bell: Aren't they mostly enrollees?
- Heffelfinger: They say professional service, technicians, social technicians, automotive engineers, staff officers.
- Barnard: Teachers and so on.
- Bell: Nine hundred thousand dollars. You see, the reason for that is --
- Heffelfinger: Not nine hundred thousand.
- Bell: Cut in the appropriation for administrative expenditures.
- H.M.Jr: The point is that this is so much higher than

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the Army, there is just no comparison.

Bell: It costs about eleven hundred dollars or a little better, eleven hundred and fifty dollars a man to run CCC, and of course, the lower you can get it in number of enrollees, the higher your cost, because your expenses stay there. You have got your number of camps.

Barnard: Unless you cut it out.

Bell: Yes, that is right.

H.M.Jr: Well, you will hear in a minute what I am going to suggest. I have got a suggestion. Well, should I use this, this two seventy?

Bell: No, you should use the two forty-seven.

Heffelfinger: Yes, that is what actually was appropriated.

H.M.Jr: But that doesn't show how much - as it is running now, how much has been spent?

Bell: Well, I give you that amount.

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- H.M.Jr: You think the administrative cost is about twenty million?
- Bell: If you eliminate those project expenses which William thinks they are also administrative because they have got teachers and technicians and entertainers probably in there, camp supervisors, doctors, to take care of them, and that is part of the administrative expenses.
- H.M.Jr: Look at it the other way around. Payroll subsistence is a hundred and sixty-seven million. There is a hundred million dollars roughly for camp maintenance, salaries, expenses, and care of enrollees. What does that mean? They only get eleven million dollars?
- Bell: No, that means--
- H.M.Jr: It says here, "Pay and subsistence of enrollees."
- Heffelfinger: That is the welfare and things of that sort.
- H.M.Jr: Then I am right. There is a hundred million dollars out of the two seventy that could be cut.
- Bell: That is technically correct, but a lot of that expense is of the enrollee himself because he gets promoted from a private to a--
- H.M.Jr: That is nonsense.
- Bell: ... to a foreman or something like that.
- H.M.Jr: Now let me have NYA next. You haven't got copies of these?
- Bell: Yes. Mr. Barnard has one in front of him.

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H.M.Jr: We will put CCC first.

Bell: They all go with a group under Federal Securities.

H.M.Jr: Who is CCC under?

Bell: Federal Securities.

H.M.Jr: This is Federal Securities?

Heffelfinger: That is right.

H.M.Jr: And NYA is--

Bell: That is also Federal Securities.

H.M.Jr: Now here they have - how much have they got to spend?

Bell: The estimate in the budget, October 5, is--

Heffelfinger: A hundred and fifty million dollars, ninety for regular and sixty million for defense.

Bell: Yes, here is the estimate. Ninety on the regular appropriation and sixty million dollars for defense, and this is what they have spent up to the end of October.

H.M.Jr: Well, if they only claim sixty for defense, why the hell - why the ninety?

Barnard: Yes.

Bell: That is right.

H.M.Jr: Why the ninety?

Bell: This is a training proposition.

H.M.Jr: Yes, but if this is the defense and that is all they can justify, you can bet your eye they have

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put into that sixty million dollars every damn thing that they can scrape. The ninety million dollars, I think, would go out.

Now, how are the administrative expenses?

Heffelfinger: They appropriated three million for the sixty million of defense and about six million for the ninety million of regular.

H.M.Jr: How much?

Heffelfinger: Three million on defense and six million on regular.

Bell: Five million eight?

Heffelfinger: Five million eight, yes.

H.M.Jr: Well, certainly, here, this ninety million, that would be a thing to cast one's eye on, wouldn't it?

Bell: Yes.

Barnard: Yes, it would.

Bell: Somebody ought to be satisfied that that is necessary for defense.

H.M.Jr: Well they at least have divided theirs up. That is something.

Bell: I think the Budget insisted on that.

H.M.Jr: They haven't got it for CCC.

Bell: CCC hasn't any defense, have they?

Heffelfinger: No.

H.M.Jr: This is a good job, boys. Now give me the next thing.

- Bell: Well, now, the next thing under this is Social Security Board.
- H.M.Jr: No.
- Bell: And if you want that--
- H.M.Jr: No, I don't want to do that.
- Bell: The next is Office of Education.
- H.M.Jr: That is what I want, Office of Education.
- Bell: That is Federal Security there. We are talking about Federal Security now.
- H.M.Jr: Wonderful. All the more reason why they should be consolidated. Now, let me get an explanation. Expenditures of the Office of Education.
- Bell: Now here is your office of Education down here. This first one is just Office of Education, is it?
- Heffelfinger: Well, Public Health Service is there, too.
- Bell: Then the October revision is seventy-one million for the regular, and they cut that twenty-two million, you see, and a hundred and eighteen million just shifted over.
- H.M.Jr: He had an appropriation--
- Bell: You see, there is a hundred and eighteen million there for national defense.
- Heffelfinger: They had some money last year, but we couldn't take it out of the regular fund.
- H.M.Jr: As I remember, there was an appropriation of sixty-five million to the Office of Education.

- Heffelfinger: That went from sixty-three in 1940 to a hundred and twenty-seven in 1941, but we couldn't pull it out. That is in the first column. Now this year they split it between the regular and the defense.
- Bell: In other words, you couldn't break down the hundred and twenty-seven into regular and defense.
- Heffelfinger: No, because it merged.
- H.M.Jr: So now they have got general, seventy-one million.
- Bell: And a hundred and eighteen million for defense.
- H.M.Jr: Well, now, what is the seventy-one million for?
- Heffelfinger: That is for their regular program, including Public Health Service, about thirty to thirty-five million on that.
- H.M.Jr: Oh, Public Health Service is in this?
- Heffelfinger: That is right.
And then your vocational grants to colleges and your regular program is in there.
- H.M.Jr: Are these all - now, what I want is just Studebaker's office, Office of Education.
- Heffelfinger: Well, our figures include that all in a lump sum.
- Bell: This is it down here, isn't it?
- Heffelfinger: Yes.
- Bell: These are their permanent things here, Office of Education.

H.M.Jr: College of agriculture and mechanic arts,
Bell: Those are grants.
H.M.Jr: Endowment of colleges, vocational education,
permanent appropriation, Public Health.
But this doesn't tell me - wait, national
defense.
Bell: You see this is that figure up there.
H.M.Jr: Payment of state training of defense workers
in vocational schools and colleges, a hundred
and eighteen million dollars.
Heffelfinger: They spent fifty million dollars of that in
the first four months of this year.
H.M.Jr: It is all the way down at the bottom.
Barnard: Yes, sir, I have got it. I know something
about it, too.
H.M.Jr: Office of Education. Now, they have to spend
a hundred and nineteen, right?
Heffelfinger: Right.
H.M.Jr: And have spent--
Heffelfinger: Fifty million in July to October.
Bell: Four months. That means they have got to
cut down on their program from here on or get
some more money.
H.M.Jr: Now, here is the thing. It would seem to me -
WPA isn't in here is it?
Bell: Not in this picture, no.

- H.M.Jr: Here is the thing I was thinking about, to take NYA, CCC, and public education and consolidate them into one bureau for training for national defense.
- Bell: I don't know what you would save out of that. I think that is the important thing.
- H.M.Jr: What you save is this, Dan. In the first place, you bring it out in the open. That is number 1. And you take your civilian corps - I mean, here you have got - now, I have gone into these little towns and most of the work of training for airplane factories when I was watching it was done by the community in the factories. They have done most of it. And here this thing is kind of all hidden, and I would say, if you had an office called the Office of Training for National Defense, and all of that was in one place with a man in charge of it, at least the damn thing would stick out and you would know what they are doing.
- This terrific overhead, a hundred million dollar overhead for CCC, you could just close up those camps. They are not in the right places anyway.
- Bell: Or at least you could just close it down to get to a nucleus that will maintain those buildings. There will have to be somebody around them. Then you could just close them down and have a few people on hand.
- H.M.Jr: Well, have one caretaker.
- Bell: One or two, something like that.
- H.M.Jr: Just one or two caretakers.
- Heffelfinger: For fire protection and to keep vandals away.

- H.M.Jr: Well, one or two caretakers. What do you think? It is all under McNutt.
- Barnard: I think it ought to be cut out except for the very minimum.
- H.M.Jr: Supposing this thing was all put into an educational program for training?
- Bell: I think--
- Barnard: You would still have a lot of genteel racket in it.
- H.M.Jr: Granted.
- Barnard: I know it. I have been in it. I have seen them doing it, and I have seen them doing it at - what they are really doing is trying to keep their educational organization together with a falling budget. That is exactly what they are doing.
- Stephens comes down here and gets them to put on some formal training things out at their camp. I go out and give them a lecture. I have done it twice and done it for nothing. Now I get paid for it.
- H.M.Jr: That is under what institution?
- Barnard: Office of Education, Stephens Institute of Technology.
- Bell: Mr. Secretary, that hundred and eighteen million for training for defense is going to be a permanent thing. We will never get rid of that hundred and eighteen million after this emergency is over.
- H.M.Jr: Well, Dan, all I can say is that I think this is a move in the right direction, and I think

when the public - now mind you - realizes that these three agencies - I am trying to think of the public - are all under Mr. McNutt, each one having administrative expenses, all doing some of the same things and all doing different things, that it is in line with economy to put the three under one person and have them confine themselves to training and let them examine - I mean if, for instance, they have got a machine shop and the fellow in it learns how to operate a lathe or something like that, it is for a useful purpose, but if it is to learn how to play the violin or paint a mural at these times, I don't think it is. It was formerly, but not now.

From what you (Barnard) say, I think they should challenge all these subsidies for these various institutes.

Barnard: They all ought to be challenged. Some of them are good, no doubt, but some of them are just wishful thinking at a time you have got to crowd everybody else down. It just isn't good.

Bell: Well, I would challenge them. I wouldn't get too much into the mechanical operations of these agencies as to their overlapping and so forth because each one of those fellows are expert in defending their institution and their organization, and they will show you where it is so different that there is just no connection between what Education is doing in training and what Aubrey Williams is doing in training. Now, they may in practice actually be the same.

H.M. Jr: Dan, excuse me. If you want to teach a man how to run a lathe or teach a man how to rivet, there is only one way to do it, and

that is to teach him, and you don't need three agencies to teach him, and what it gets down to is to find, what does national defense need? where is the bottle neck? what is the shortage? and then train the people for that particular profession. Isn't that right? When we found out near Norfolk the NYA and CCC both had schools teaching people how to become riveters and it turned out that the Navy had a school and that the Navy was training people and had for years and wouldn't take them from any other place because they said nobody could teach them how to work on the Navy but the Navy.

Bell: That is typical.

H.W.Jr: You heard about that, didn't you?

Bell: Sure.

H.W.Jr: So it gets down, what does the Army and Navy need? and then train them and then have this fellow Mr. Jones train these people for a particular purpose.

Now, if I was doing it, I would simply say, "Gentlemen, look, we stop everything and then we start entirely fresh and we find out what do they need and then this man in charge of training will train these people, using every existing facility to train them, but only train them for the right places and the other arts and crafts can just wait."

Now, I know they train them to make all kinds of damn fool things. That is the way I would do it. I would simply say, "If you start to try to get them to justify it, you will never - " but if you simply say, "As of the first of January everything stops and we start over again and we only train the people for these particular skills - " is that right?

Barnard: I think that is good sense.

H.M.Jr: They can't bluff you on that. What?

Bell: That may be - I don't know what the Budget is doing for its '43 picture. It may be that they are cutting a lot of these appropriations that we are talking about here today.

H.M.Jr: I doubt it.

Bell: CCC and all that may be materially reduced.

H.M.Jr: Now what is the next thing, Dan?

Bell: Good roads. This comes under the Federal Works.

H.M.Jr: I thought we were going to cancel that good roads thing.

Bell: Well, that is the sheet. You didn't go over it. This is just part of the program. This is what they have spent for the last four years, and this is what was recommended in the budget for October 5, revision, and this is what the program is for '43.

Now, this is obligated so there isn't anything we can do about it, but the new program is this, which Wickard will obligate on January 1.

H.M.Jr: We start out with that then. Is that the first thing? Then this is really number one, isn't it?

Bell: Good roads is number one.

H.M.Jr: This is number one. Well, what comes in number two? I had - wait a minute, now let's just see. Then I had rivers and harbors. Have

you got anything on rivers and harbors?

Bell: No, that was just the one item in the sheet.

H.M.Jr: Have you got anything on reclamation projects?

Bell: We don't have a breakdown of those things.

H.M.Jr: Then CCC comes next, right? That is number two and this is number three. Then we have number four. Now what comes next?

Bell: Well, I guess the next one is Soil Conservation.

H.M.Jr: Now, wait a minute, how about WPA?

Bell: Well, WPA is like rivers and harbors. It is one item and they estimate on this sheet - how much is that figure, eight hundred ninety five million they are going to spend?

Heffelfinger: It is over here on Federal Works. Eight hundred seventy-five million for '42.

H.M.Jr: Estimated what?

Bell: Will spend eight hundred seventy-five million dollars.

H.M.Jr: How much?

Bell: Eight seventy-five for '42.

H.M.Jr: And have spent how much?

Heffelfinger: Up to the end of October they had spent three hundred twenty-seven.

H.M.Jr: Now, that is under another department, isn't it?

Bell: Well, that is under Federal Works and also--

H.M.Jr: What else--

Bell: Good roads are under Federal Works.

H.M.Jr: Oh, oh. Good roads is also Federal Works?

Bell: Yes.

H.M.Jr: Well, now, supposing - I am just thinking out loud. Supposing I said on WPA that the same rule would apply. Now, do they break it down as between national defense and general projects?

Bell: No.

Heffelfinger: No, they haven't any breakdown on that.

Bell: Was that done in hearings?

Heffelfinger: No, I looked through the hearings, and I couldn't find any breakdown of what they contemplated on that program.

Bell: But it was announced shortly afterward that WPA was going to spend some seven hundred and fifty million dollars on defense projects.

Barnard: They do a lot of publicity, too. They circularize everybody on what they are doing for defense.

H.M.Jr: Well, gentlemen, if it was left to me, I would say the same thing. "Finish up everything as of the first of January and beginning with the first of January you have got to defend every dollar that you spend on a certificate from the Army and Navy that they need it." That is what I would do.

- Barnard: I think that is right.
- Bell: Oh, that would be difficult, Mr. Secretary. If a fellow has got a camp out here and can't use appropriated money, he will certify that he needs a road up the back way, and WPA will build it.
- H.M.Jr: Well, don't they have to specify what their projects are, and show them and explain them?
- Bell: Not so much any more.
- H.M.Jr: All right, would this shock you? Supposing we say then that the next appropriation for WPA, let them use this one up, but the next one goes entirely into training.
- Bell: Into training?
- H.M.Jr: Yes. One appropriation for training and nothing else, on the theory that there will be enough work for national defense to take care - to give work to everybody, that there shouldn't be another appropriation for WPA and every dollar go in for training.
- Bell: I think the argument there will be that a large part of the WPA now --
- H.M.Jr: That isn't recognized. It is a work program. For people under fifty.
- Barnard: Under these conditions where you are putting out more purchasing power you can absorb. That is the most extravagant way in the world to take care of relief, and they are not taking care of most of them anyway. It could all be cut out without doing any harm, in my opinion. There is no justification for that program under these conditions.

- Bell: Would you do anything differently? I mean, would you appropriate part of the money for relief of some kind? That is going to be the big question.
- Barnard: Relief expenditures are going down by the states almost everywhere.
- H.M.Jr: Do that through Social Security. Now, the Social Security fellows said they would take it up. O.K.
- Barnard: Of course we didn't go along with the money for it.
- H.M.Jr: No.
- Barnard: I don't think it is necessary now.
- H.M.Jr: As I understand it, WPA has never said that they would take care of the unemployment.
- Bell: No, they have tried to take care of the employables, of course, but they have got a lot of people between forty-five and sixty-five that can't get a job any place.
- H.M.Jr: They can now, Dan. Now, God damn it, they can. I picked my apples with men and women, average age of sixty years old, and a lot of them were seventy, and they did a perfectly good day's work, and some of them went up on ladders. If you took a census, I had seventy to a hundred people there, and I bet the average age was sixty, and some of them were well over seventy. They brought out old men and women that hadn't worked for years, and they worked and did an honest day's work.
- Bell: Did you take them off WPA?
- H.M.Jr: No, they weren't on WPA. I got four boys off

the road business. I don't know whether they were on WPA or not. They laid them off. They said they were going to lay them off, and I put them on, and they were pretty good, and most of them - they were pretty good. I got twenty boys from NYA, and they came down there and threw apples at each other, and Bailey said they had never been taught how to work. They didn't know what work habits were, and he said, "Mr. Morgenthau, I can't have them on the place." Then I had some high-school boys that the high school let me have, and it wasn't a day or two that they were there before they got a job with some trucking company. Kids, fifteen and sixteen years old. We are only spending twenty per cent of the national income, and if we go up to fifty or sixty or seventy per cent, every one of these people will be working, and if you appropriate the money - it is time enough that next July, if the people are --

Bell: That is about as soon as you can do most of these programs. You can start a real program beginning July 1, and it ought to be set out in this budget going up in January.

Barnard: If you don't cut these things down, you are competing against your own defense program, because a lot of those fellows will stay right there rather than do something else.

Bell: That is right. There will be a nice drive on Congress with all of these things.

Barnard: They will get a lot of drive from the press too when they hear this kind of talk. It looks like the Secretary means business.

H.M. Jr: What is that?

- Barnard: It will look like you mean business when you talk something like this to them. It is all to the good.
- H.M.Jr: All Federal money for training, and pick up the distress cases through Social Security.
- Bell: That means increased grants and money for Social Security.
- H.M.Jr: Well, that is all right. You can't let - I mean --
- Barnard: You have got to have a safety valve there.
- Heffelfinger: For the old people who can't work.
- H.M.Jr: Yes. I would pick up the distress cases through Social Security.
- Bell: And that doesn't mean necessarily old.
- H.M.Jr: No, I said distress cases. Do you see anything the matter with that?
- Bell: No, I think that is all right.
- H.M.Jr: The distress cases. But Dan, I have been here so long that I know - you see, I have told this to Dan. The only way to economize in this Government is to abolish certain functions. As soon as you try to pare them down, you are sunk. I heard at Cabinet - the man says, "You know, Mr. President, you have frozen a lot of my NYA money and I have got to have it back. Can I have it?" The President says, "Yes, you can have it back."
- Bell: That is too bad too, to say it that way, because the Budget didn't have a chance going over that to see whether or not he needs it. They just get an order from McNutt who says, "I

took it up with the President and he said, 'All right'".

H.M.Jr: What else have you got?

Bell: Agriculture.

H.M.Jr: I will have to take a big stiff drink before my press conference.

Bell: Soil conservation.

H.M.Jr: I think I will leave town or something after I do it.

Bell: The soil conservation and domestic allotment program is tied in with all of the whole Agriculture program, and here are the immediate objectives or activities covered, and some of them are - soil conservation program is inter-related with the purchase of commodities, you know, on that surplus marketing thing. That just gives you the - there is the amount estimated that will be spent this year just strictly on soil conservation. That is how much they spent this year, sixty million as compared with seventy million dollars last year at the end of October. These are the things for which the whole program will be spent.

H.M.Jr: Let me just read this.

Bell: CCC also comes in on it, and NYA.

H.M.Jr: Now, number one, preservation and improvement of soil fertility. You can certainly postpone that, can't you.

Bell: Well, I suppose you can. That is what they are paid for putting, I suppose, fertilizer

and things on the soil that they have always put on.

H.M.Jr: You are telling me (laughter).

Now, promotion of economic use and conservation of land. What is that?

Bell: Well, I suppose it is a crop rotation thing, and so forth, and using it in such a way that you get the most out of it.

H.M.Jr: All right.

Diminution of exploitation and wasteful and unscientific use. All right, that is out. Protection of rivers and harbors against soil erosion. I can take that out. Now, reestablishment of ratio between purchasing power --

Bell: That is the parity payments. Now, that is tied in with this. It isn't in these figures, but it is tied in with this whole program.

H.M.Jr: That is the two twelve.

Bell: Yes, sir.

H.M.Jr: That is out. Now, six, assistance in marketing of agricultural commodities. Hell, we have no export market and we are short on domestic goods.

Bell: That is your section thirty-two, Customs.

H.M.Jr: Assisting consumers to obtain an adequate study of supply. Ridiculous.

Bell: This is the same thing, except it is just strictly the soil conservation.

- H.M.Jr: Well now, this thing here, let me just get this thing, the activity of this program represents how much money, four hundred seventy-five?
- Bell: No, the last part of it represents four seventy-five.
- H.M.Jr: How much is this here?
- Bell: It is nine hundred and some million.
- H.M.Jr: But this part here, Dan?
- Bell: Four hundred seventy-five million. Now, I haven't made myself clear. This is the whole program, and this here is just the four seventy-five. The whole agriculture program is nine hundred and --
- H.M.Jr: Yes, but I still don't make myself clear. This page represents four hundred seventy-five million?
- Heffelfinger: That is right, but they have an allied program under parity payments which is on another page with another couple of hundred million dollars.
- H.M.Jr: But that isn't on page two?
- Bell: No, that is the next sheet. This is all interwoven. All we are giving you now is just the benefit payment stuff, so far as the figures are concerned. The total program is nine hundred seventy-six million. Now, the next one --
- H.M.Jr: But this thing - a fellow gets this four hundred seventy-five million --

- Bell: No, the four hundred seventy-five million is crop control. They get benefit payments for reducing acreage and rotating crops, and so forth.
- H.M.Jr: I see. Well, I still say that on this thing, this whole thing was designed to increase prices and so forth with an export market. We have no export market, and our prices are up, and the whole thing. I challenge the whole thing and make them justify and start from zero, over again, that is the way I would do it. If they are going to make the loans through Commodity Credit, and they give them a floor and then they have parity payments on top of that, in case they don't reach parity, well, I just think that the whole thing should be challenged and I am prepared to challenge it. I mean, it was designed in low prices with an export market. Now we have high prices and no export market. The same program can't fit both situations. What?
- Barnard: That is right.
- Bell: Now, those two sheets are also tied in with the one you just had. The first one is parity.
- H.M.Jr: That is all right.
- Bell: Parity payments, and this one is your Customs money, and instead - in addition to the Customs money, now that you have had all of this change in the world situation and your Customs receipts fell off, they went to Congress and got an appropriation of a hundred million to make that up. You would never lick them.
- H.M.Jr: Well, you may be wrong.
- Bell: And these are all of the other things that go along with agriculture. There is quite a --

H.M.Jr:

Well, we can handle them.

Bell:

There are quite a few of them. Here is the farm tenant act, and what they have done here is shifted from a Budget basis to an RFC basis. In other words, RFC is making loans to buy these farms. Now, the minute a farm goes bad and the note isn't paid, Jesse Jones says, "Well, O.K., Mr. Secretary, come across with the money." We give them money and it is then charged in the Budget.

H.M.Jr:

Which is the farm resettlement? That is one of the few things I am for.

Bell:

This is the farm security. And that is also the same way. That is shifted from a Budget basis to an RFC, and here is the rural electrification. That is also shifted from a Budget basis to an RFC basis, so you see our expenditures are running down here to almost nothing, and these are going up. And this is the sugar act, which pays - more than pays for itself, you see. We don't need that in the picture, I don't think, at all. That is the farm credit administration which shows you that in 1941 we got receipts of seventy-five million because of the return of the capital. This year they are going out. There is fifty-nine million going back into the banks for cooperative, and fifteen million going back to the production credit corporation, which makes the whole program, if it meant anything in the first place, it just looks silly. You take it out this year in order to help your Budget and you are putting it right back in the year when you shouldn't.

H.M.Jr:

Why do they put it back?

Bell:

I don't know. It seems to me they have got enough money.

H.M.Jr: I should think so. I think I am all right, gentlemen, and I simply think this. Anything that I say here this afternoon will be with the idea that it will get out, and I am not going to - I think I am going to stick to general principles along the lines that I am talking, you see.

Bell: That is very good, I think.

Barnard: What is this, a meeting of the committee?

H.M.Jr: No, I said I would have suggestions, and I told Byrd and Doughton that before I met with the committee I would like to have a trial run with them. They are coming down today and fortunately I have a press conference at four o'clock. This meeting is in my office, and I am not going to let Byrd go out and sound off outside. I am going to do my own sounding. You put it very well, a lot of this stuff is in competition with national defense, and I think that we can't wait on this training program. It is just - we just haven't got enough skilled people, that is all there is to it. Every country that is at war goes through that experience. They haven't got them. And you can't train a man and a woman to operate these things overnight. It takes time.

Barnard: Well, all the big concerns like the the Navy would rather do their own training. I asked Federal Shipbuilding with this enormous expansion, "Where do you get them?" They said, "We take fellows who only have a mechanical proclivity and we train them." Western Electric does.

Now, the public training fits in with the program for the small fellow.

Heffelfinger: Henry Ford does it.

H.M.Jr: But they add it to the price of the ship, Federal Shipbuilding.

Farnardt: But they do it very efficiently and only do as much as they need to do, that is the point.

H.M.Jr: I went through Curtiss Wright at Paterson, New Jersey, and alongside every employee who was forty or fifty years old was a young boy learning on the actual machine and on the actual operation. Then they went to night school besides.

Heffelfinger: Small shops can't do that. They have to get their people from outside.

H.M.Jr: When I went to this concern up here, Lycoming, whatever the name of the town was.

Helli: Hagerstown?

H.M.Jr: No, it is up there in Pennsylvania. But the director of public schools put in a wonderful system, working with Lycoming, and they were delighted. Glenn Martin told me that a lot of his people trained through trade schools in Baltimore, but they work together, and I think that a lot of these people pay these men a salary while they are going to the trade school, but at least the little I have seen, it gets down - the President brought Owen D. Young's son down here last summer to do this very thing under Harry Hopkins, to work out a program, and Young stayed around here a month and worked out a program of training and then disappeared. It seems it was never adopted.

Helli: You don't want these big sheets, do you?

H.M.Jr: You will be here, and you will be here at press too.

Bell: Will I?

H.M.Jr: I will see you at two thirty again.

Bell: Are you going to clear with Byrd what you say at press? He is Chairman of the committee.

H.M.Jr: I may ask him to stay at my press conference. What?

Bell: That is an idea.

H.M.Jr: I will say, "Harry, why don't you stay here and whatever we are going to say, let's say it together." He will have to stay. We have done that before, you know. That isn't a new trick.

Bell: That is a good trick.

H.M.Jr: I think that is the answer.

November 10, 1941
2:30 p.m.

RE NON DEFENSE EXPENDITURE

Present: Mr. Bell
Mr. Heffelfinger
Mr. Kuhn
Senator Byrd
Mr. Doughton
Mr. Barnard

H.M.Jr: I just wanted to say, we will go through with everything except WPA. I don't have to do it all in one day, you see, because I am afraid I will stir up so much anyway. What I have got is over a billion dollars without WPA.

Bell: I didn't add it up. Did you?

Heffelfinger: No.

Bell: There was two hundred fifty million of CCC. Oh, well, if you take in Agriculture, yes. A hundred and forty million of good roads, that is three eighty and half of Agriculture - the whole Agriculture?

H.M.Jr: Well, I figure five hundred million on that.

Bell: There is most of it right there, eight eighty.

Kuhn: Rivers and harbors.

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Bell:

A hundred million for that would be nine eighty. Part of it will be reclamation and the educational thing I think you put down this morning.

(Senator Byrd and Mr. Doughton entered the conference.)

W.W.Jr:

Well, I had a telephone call from the Director of the Budget this morning. I invited him to be here, and he said he didn't think he could come because he thought it would be embarrassing to him and maybe to me, so I said, "Well, I invited you because I wanted you," and he said, "Well, if I come, I will call you up." But anyway, I haven't heard anything more from him, so I don't know whether he is coming or not. I just wanted to report that I did invite him.

We in the Treasury here have been studying this thing pretty hard and the way I look at the thing is this. We started back in '33 trying to devise schemes to get us out of this depression. I think that most of them worked pretty well. Now we find ourselves facing a national defense effort where our expenditures will go three and four times or more what they were before. I have been working along the lines of how we could change some of these pump-priming efforts to direct them into the lines where they will be useful for national defense and stop the waste and the unnecessary expenditure because it isn't needed any more for pump-priming.

Now, the first suggestion - I take it that is what you want, don't you, Harry? You want suggestions?

Byrd:

Yes, sir, facts and figures.

H.M.Jr: Well, the first suggestion we are going to make is this. Congress has between now and the first of January--

(Mr. Barnard entered the conference.)

H.M.Jr: The first suggestion that we have is this good roads program, I think it is called. Congress has from now until the first of January if it wants to rescind this appropriation of a hundred and thirty-nine million dollars, matching. It is a matching program. None of it is designed for national defense. If they feel that they need bridges or higher tunnels or other things to get guns or troops across, that is one thing; but none of this, as I understand it, is designed for national defense.

Bell: Not unless there is a plan for national defense on one of these highways.

H.M.Jr: But talking generally.

Bell: Generally speaking, no.

H.M.Jr: And not only would this save a hundred and thirty-nine million dollars of federal money but the chances are the states would cut down by that much also.

You (Byrd) as a former governor know that. This is the most easy and most difficult. If you can get this through Congress you can get anything through. There is a hundred and thirty-nine million dollars which you would have to act on immediately because, as I understand it, the money goes out on the first of January, doesn't it?

Bell: The Secretary of Agriculture makes the allocations on - usually on January 1 or the last

few days in December, and when he makes that allocation it becomes an obligation of the United States Government to meet it. That is written right into the law.

- Byrd: That is where it is matched, isn't it?
- Bell: Yes, sir.
- H.M.Jr: And you suggested this could be done through a resolution, didn't you?
- Bell: Yes.
- H.M.Jr: You (Byrd) would know that better than we would, but couldn't that be a resolution?
- Byrd: It could be.
- Doughton: Are you talking about the fiscal year '43 now?
- Bell: Yes. '42 is already committed. There is nothing we can do about that. We are stuck for that. It is really '42 calendar year. But your money won't begin to go out until about July 1, which will be in the fiscal year '43.
- H.M.Jr: Now, the next thing we have got here is rivers and harbors. They have got an appropriation of two hundred million, and up to November 7 they have spent seventy-six. We think it would be perfectly proper to challenge the remaining appropriations, as to whether they are deepening all harbors and rivers which are necessary for the defense of this country or whether some of them are inland where it is not necessary, and we think that there could be a very goodly amount of money saved there because when it was set up they didn't have this in mind.

Bell: These are estimated expenditures, Mr. Secretary, and not appropriations.

H.M.Jr: You had better tell that to Bob.

Bell: I say these are estimated expenditures, taken out of the 1942 budget, and they are not appropriations. They are based on appropriations, but there is a difference between appropriations and expenditures.

On rivers and harbors there was a bill just reported out by one of the committees. I think it added up to about a billion dollars, including the St. Lawrence waterway project. That is now pending, I think, in the House.

Doughton: The difference between authorization and appropriation is the difference between appropriation and expenditures.

Bell: That is right.

H.M.Jr: The same is true of reclamation projects. They have got the ninety-five million dollars to spend.

Bell: That is right.

H.M.Jr: And they have spent thirty-six million.

Now, some of them - they may need the power for national defense. Maybe some of the things could be postponed or slowed down.

Now, I take three agencies next together, CCC, NYA, and the Office of Education. Now, all three of them are in Federal Security, all three of them. All three of them have got something to do with the training of our people. We think that we ought to have one bureau, we don't say where, which would have

solely to do with the training of men and women for defense. Just one bureau that would have - and that the CCC, NYA, and the Bureau of Education would be consolidated in to one bureau.

Doughton: Well, now, do you regard now the CCC and the NYA and the general education program, do you regard them as essential adjuncts to national defense now or only--

H.M.Jr: Well, it depends upon - now, you take, for instance, CCC, we can't find - they most likely are doing some national defense work, but--

Doughton: That is kind of incidental rather than direct, isn't it?

H.M.Jr: Yes. We sent a man out to look at some of this stuff, and he went down in the Norfolk area and in that area he found the CCC and NYA projects both training men in riveting for the Navy. Then he went down to the Navy - wasn't it riveting?

Kuhn: Yes.

H.M.Jr: It was something along that line. They he went down to the Navy and found that the Norfolk Yard for years have trained their own men and said they wouldn't think of taking the men from any other agency. And still here they were, both of these agencies training these men supposedly for the Navy, and the Navy said they wouldn't think of taking them because no one knew how to train them but the Navy.

Doughton: That is very reasonable.

H.M.Jr: This may not be fair, but out of two hundred seventy million dollars for CCC--

Bell: Two hundred forty-seven.

H.M.Jr: Well, I was using--

Bell: No, the appropriation money. That is what was estimated.

H.M.Jr: Well, out of two hundred forty-seven million, amount appropriated, a hundred and fifty-three goes for pay, subsistence to the enrollees and the rest of it goes for pay and subsistence - we have got charts here, and we will give you this. We will give you all of this.

Byrd: That is the expenses of the camps.

H.M.Jr: The rest of it is for the foremen and salaries of the caretakers and so forth and so on. It is unbelievable.

Byrd: In other words, the enrollees get a hundred and fifty-three million--

H.M.Jr: Out of the two forty-seven.

Byrd: And ninety-four then would be the administrative expenses and the cost, is that it?

H.M.Jr: Yes.

Bell: They probably wouldn't call it all administrative expenditures, but it is overhead.

H.M.Jr: Now, you asked me a question, Bob. Under NYA they have got their thing set up regular, ninety million; defense, sixty million. That is the way they have got it set up.

But we here feel that as this program gets going, it is only going to be a question of time before you are going to be short of skilled people, and it is terribly important to have one agency that is responsible for training these people. While it was very useful to have the trails and the trees and all the rest of that stuff as projects, we have got our woods in beautiful shape now as a recovery program, but now that we are trying to train men to make ships and guns, et cetera, we think that these three agencies could be consolidated, and you would save a lot of overhead.

Doughton: Oh, those things can wait until the emergency is over, anyhow. If they need to be revived, it would be necessary to revive them then to take care of unemployment.

H.H.Jr: We think every subsidy to every college and university by the educational people should be challenged.

Byrd: What saving would it be if you consolidated those three?

H.M.Jr: Do you want to make a guess, Dan?

Bell: Bell, I don't know what part of it is training, but you have got two hundred and forty million dollars in the CCC.

Byrd: And they are having difficulty getting enlistments in the CCC, aren't they?

Bell: Yes, they are. Now, we estimated in the October fifth revision of the budget that they would spend only - two hundred million, wasn't it?

Heffelfinger: Yes.

Bell: Two hundred million dollars, so that there has been some cut off the January budget, due to the fact that they couldn't recruit the personnel. The National Youth Administration we will take first. It is estimated that it would spend during the fiscal year 1942 ninety million under general expenditures and sixty million under national defense.

Now we challenge the ninety million, as to why that shouldn't wait, as Mr. Doughton says, until after the emergency. Now, whether or not you could save some of the sixty by consolidating with one bureau this activity plus the educational activity for training, we don't know, but certainly you could save some overhead expenses.

On the office of education, they are spending a hundred and nineteen million for grants to state universities for education and training of defense workers. Now, in addition to that, they are spending about fifty million dollars for - well, I take that back because part of that is public health. They are spending about twenty-five million dollars for grants to states for vocational education and so forth.

Byrd: You say the hundred and nineteen million is supposed to be for defense?

Bell: Yes, sir, that is what it is labelled.

Byrd: I don't see how they do that. By what process do they spend a hundred and nineteen million for defense through colleges?

H.M.Jr: That is vocational, mechanical engineering and training, and so forth.

But you have got three agencies, each one doing a little bit, you see, Harry, and we think it is terribly important that it should be under one man and in one spot. I don't say where. I am going on the assumption - I have been around this Government for nine years and the only way to economize is to cut functions out. You can't do it by cutting them down.

Byrd: I should think you could economize some on the administrative, of course, but the major savings have got to come from cutting them out.

H.M.Jr: But at least you know if it was in one place and it was for defense training it would be there so you could at least take a look at it.

Doughton: Well, that is what these camps are training them for. They are training them primarily for that purpose. When you get them in to these institutions I wouldn't think the training could be the same.

H.M.Jr: Well, I don't think the people would be dissatisfied if they knew that we were training a man to run a lathe or to run some kind of a defense thing and was turning him out into a good mechanic. I am sure they would be pleased with that, but you can't find it. It is all over the place.

Byrd: Now, your charts will give these exact savings, proposed savings, will they?

Bell: They will give the amounts to be expended this

year, which we think ought to be questioned and challenged and gone into.

Byrd: You say that is clear on the charts?

Bell: Yes, sir.

H.M.Jr: All we can do is to suggest to the committee that they challenge some of these appropriations, and I take it that that is what you have in mind.

Byrd: That is right.

Doughton: You remember the committee and you have got more detailed information on this. We have got to rely to a great extent on you about the basic facts we stand on.

H.M.Jr: Well, I am giving it all to you. Don't forget, Bob, the Appropriations Committee, particularly in the House, are going to have the most detailed hearings on every one of these appropriations and they are there also. They hold hearings for how many months?

Bell: Oh, they will begin the first week in December and run through until March.

H.M.Jr: And they are there as members of this committee and they hold the most detailed hearings, bureau by bureau.

Doughton: All we can do is do our duty and some of it will be up to them.

H.M.Jr: That is what I am trying to do.

Bell: It seems to me, Mr. Secretary, that you have got to know pretty soon, probably next month, what the Budget is going to do on the 1943 appropriations for these things that we have

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pointed out here. It may be that they are going to take quite a slice out of these items.

- H.M.Jr: But we don't know.
- Bell: You won't know that probably until the middle of December.
- H.M.Jr: And you see Harold Smith isn't here so we can't embarrass him by asking him.
- Byrd: Well, we can go ahead and make our recommendations, regardless of what the Budget does. We don't have to wait on the Budget.
- Bell: Except that you might recommend that CCC be cut a hundred million, say, and he might come out in the Budget with a cut of a hundred and fifty million.
- Byrd: Well, that is all right.
- Bell: Well, I wouldn't think you would want that. That isn't likely.
- Byrd: This is independent of the Budget and we have got to work it independent of the Budget. I don't think it is the function of our committee to wait to see what the Budget does and then follow their recommendations. I think it is the function of the committee as representing these two branches of Congress and the Appropriating Committee and the Finance Committee to make up what we regard as proper and legitimate cuts under the conditions. I mean, I just express that as my thought, Mr. Doughton, that we don't have to wait on the Budget at all. If we did, then it won't be any use having a committee.

- Doughton: The closer cooperation we could have between our committee and the Budget, I think the better results we could hope for. In other words, if they were pulling back and trying to defeat what we do, that would cripple us to a very serious degree.
- Byrd: As a matter of fact, we won't get any information about the Budget, I don't imagine, until it is announced, because you can't give a committee of fourteen information about the Budget without getting it into the newspapers.
- Bell: No.
- Byrd: It just can't be done.
- H.M.Jr: It was on the radio last night that you gentlemen were coming down here.
- Byrd: Was it?
- H.M.Jr: It was on the radio.
- Byrd: Well, you can't keep these things quiet. But I mean at this point I want to say that of course I will give nothing out about this meeting today.
- Doughton: Anything to be given out will be for you to give out.
- H.M.Jr: When we get through I want to talk to you about it because there was this radio announcement and then there was something on the ticker this morning, so I have a regular weekly press conference at four o'clock, so I went through hell the other day after I came down off the Hill. I said no in seven different languages and I never got such a pounding from the press in my life, so I don't particularly enjoy it.

Byrd: What did you say no about?

H.M.Jr: Well, I appeared before Mr. Doughton in executive session.

Byrd: Oh, at that meeting.

Doughton: Yes.

H.M.Jr: And I said it was executive session and I can't help it that somebody went out and talked, so I said I have got to be around here a little while longer and if Mr. Doughton asks me up again and it is executive session, I will keep my mouth shut.

Doughton: Somebody acted very shabby about that.

H.M.Jr: I am just explaining. I went through hell last Thursday. I have never been pounded so by the press in my life but I didn't give an inch. But we can talk when we get through because, as I say, there has been other --

Byrd: I haven't given anything out at all.

Doughton: Well, I haven't and I am not going to unless it is mutually understood.

H.M.Jr: How far did we get, Dan?

Byrd: Down to the consolidation of the CCC and NYA and Office of Education.

H.M.Jr: Can you give them some of those charts, Heffelfinger?

Bell: We have got Federal Security Agency.

H.M.Jr: I want to go to Agriculture next. How much is the appropriation for Agriculture?

- Bell: We estimate they will spend nine hundred seventy million.
- H.M.Jr: Well, when we come to Agriculture, this is the way I feel. By golly, we have got all three farmers here so I ought to do all right, oughtn't we? You have still got your cattle, haven't you, Bob? You still got some cattle you are feeding down there?
- Doughton: How is that?
- H.M.Jr: You are still feeding some cattle down there?
- Doughton: I got too poor. I have been in public life too long to engage in business. To keep out of bankruptcy my boy had to take it over.
- H.M.Jr: Harry and I want to see that you farmers don't get any subsidies.
- Doughton: It doesn't take much hard work to raise apples.
- H.M.Jr: Do you know that apples are somewhere near sixty or sixty-five percent of parity? Don't you think we ought to do something about it?
- Byrd: Sure, it ought to be a hundred and ten.
(Laughter)
- Doughton: I invested in apples once.
- H.M.Jr: When it comes to Agriculture with about a billion dollar program, this is the way I feel about it. This program was designed first when prices were - well, I can remember in '32 when you could get all the oats you wanted at six cents and corn at ten cents a bushel, so everything was designed to bring prices up. But we also had an export market. Now, they are using the exact same program with no export

market, I mean except what we send under Lend-Lease, and prices approaching parity, and we keep on spending the same amount of money and with a program on for the Department of Agriculture to increase production.

Now, when you look over some of these things like preservation and improvement of soil fertility, promotion of economic use and conservation of land, diminution of exploitation and wasteful and unscientific use of national soil resources, and so on and so on, well, I just challenge five hundred million dollars of this Agricultural appropriation and I don't see why some of these soil conservation things that we are doing couldn't be postponed until this war is over.

Doughton:

Yes, there has been a great deal done. The farmers have been helped immeasurably by these appropriations and their farm lands are built up and they can wait and should wait.

Why, if conditions were normal I would say we were going too far with it out of the pockets of the taxpayer.

- H.M.Jr: With the exception of apples, everybody is getting a pretty good price but Harry and I --
- Doughton: You haven't curtailed the apple production, have you?
- H.M.Jr: No, it has increased.
- Doughton: Not by law, I mean.
- H.M.Jr: No, the law has left us alone.
- Byrd: He is not under the law.
- H.M.Jr: But as I say, when you stop to think how this thing was born and the conditions under which it was born, and then here we are today, the Government being the biggest buyer of agricultural products, and every effort being made to increase production, and we still go on as though we still had ten cent corn and six cent cotton. Now, the thing doesn't make sense. It just doesn't make sense.
- Doughton: Well, it was necessary to do it once. It is ruinous to continue it. You can't keep it up.
- H.M.Jr: I agree with you, it was necessary in the early days to keep us from having a revolution among the farmers, but I don't think it is necessary today.
- Doughton: Well, you call a doctor in and it is not necessary to keep on giving medicine and having operations and paying hospital bills and drug store bills and all that kind of thing, and nurse bills after the patient is on his feet. That is what we are doing now.
- Byrd: He stated it pretty well that time. He hit the nail on the head.

- H.M.Jr: Well, that very, very roughly is our approach here.
- Byrd: What will these aggregate, Henry, the total?
- H.M.Jr: Well, they will come somewhere between seven hundred fifty to a billion dollars. They will approach a billion dollars.
- Doughton: what is that now?
- H.M.Jr: These suggestions that we are making will approach a billion dollars.
- Doughton: That you have made thus far.
- Bell: Depending on how much you take from each one, of course.
- Byrd: What have you done with the WPA?
- H.M.Jr: I thought I would put it off until we knew more about how this defense program was coming along, until we knew more about the employment situation. I didn't see that - I mean, if we are going to have a victory program, and they are going to double up the defense expenditures, and the President makes a public announcement on that line, I don't know whether he is, but if he is going to say that they are going to double the present defense, and I just hear that around in the air, I mean, I have got no authority, well then, I don't think there will be much question of what would happen to the unemployed, but I think they have still got - well, I would just like to wait a little bit on that. I don't see that we are going to - look, if Congress would pass a resolution on that the very first thing, that would give the country more courage along these lines than anything I can imagine. If Congress would pass a resolution saying that no more

state aid for '43 on roads, I don't know anything that would encourage them more than that, along these lines that we are talking about.

Doughton: Well now --

H.M.Jr: If they would pass that, then by God you would be pretty near ready.

Doughton: Mr. Secretary, in my country I think they would reluctantly agree to anything that is necessary in the national defense program, but in my country, and so far as my knowledge and information goes, and contact with the people, there would be a shout of approval if you cut out most of this WPA, while there would be a terrible groan if you cut out this appropriation for roads. In my country it is this WPA. Now, if the farmer can't get any help at all, you can't get help. His farms are growing up, and you can't get any help. Housewives can't get any help. Women over there somewhere may be making mattresses or running a sewing room or something like that, but they can't get any help. Just to give you an illustration --

H.M.Jr: Well, Bob, there is nothing to keep you from suggesting it. I personally feel I would like to wait a month or so.

Doughton: I would like to have done it a long time ago.

H.M.Jr: Well, there is nothing to keep you from doing it now.

Doughton: I can't do it.

H.M.Jr: Well, you can speak.

Doughton: Of course, you are just saying what you conscientiously believe, but I am just giving

my opinion about it, but that is one of the first things. I know, I can't say about New York City and Chicago and Kansas City. I can't say about that, I don't know.

H.M.Jr:

But why can't you --

Doughton:

I think I really know the problem of the country people, and I know they don't need this WPA, and haven't needed it for a long time, and it is really a drawback. it has really given us all kinds of trouble and it is really spoiling the people, and it is really depressing agriculture, and it is really turning so many people against the Administration. They are cussing mad about it.

H.M.Jr:

Well, there is nothing to keep you from saying it.

Doughton:

Well, I am saying it.

H.M.Jr:

Well, not publicly.

Doughton:

No, I don't care if it goes to the world, if you quote me to the world.

H.M.Jr:

I am not going to quote you.

Doughton:

Every time I go home they are on me about it. I will just give you a little instance now. I will put it almost personally. I have a brother who will be eighty-six years old in January.

H.M.Jr:

Just a young fellow.

Doughton:

A young fellow. He is active in his profession. He is active in business. He has got a farm he looks after there personally. His wife is

about seventy-seven or -eight. I went into his home the other morning. He lives in a small town, a county seat. He had just come in from milking the cows. His wife had just gotten breakfast. He says, "We can't get any help at all. We can't get any help". And that is just - not many people that old, of course, but that is the common lot of people in our country. They can't get any help. They don't want to get on the WPA and those who do get on WPA are smoking a cigarette and watching their watch all the time. They are seeing how many hours they work and how late they can get in and how early they can get out. In the first place, you can't get them off WPA, and if you get them off, they won't work. Do you know anything about that, Senator?

- Byrd: Absolutely.
- Doughton: It is an awful situation.
- H.M.Jr: Well, as I say, I can only - you asked me and I offered.
- Doughton: Well, you are basing your information --
- H.M.Jr: And I am just saying that I think if a start was made along this line it would be a big bite and I would like to watch this --
- Doughton: You don't think it would be a big fight to cut it down, do you? You couldn't limit it, but we have been cutting it some.
- H.M.Jr: Cut down what?
- Doughton: This WPA appropriation.
- H.M.Jr: Well, I think everything I have suggested here means a big fight.

Doughton: Yes, I think so.

H.M.Jr: Because you are interested in roads, somebody else is interested in something else --

Doughton: I am not going to fight the appropriation in roads. I believe in it.

Byrd: I think it will be a bigger fight if you don't try to cut out this function that has been in since 1933. If you propose to leave that intact, I think it will destroy the whole program. I am perfectly willing to vote for the road program, although I agree with Mr. Doughton that probably that does as much good as most of the money the Federal Government is spending. I will vote for it. But if our report exempts the WPA and then advocates these other cuts, it is going to be very hard to justify before the Congress. In fact, you can't justify it.

H.M.Jr: Well, Harry, I am only one member of how many people up there?

Byrd: Fourteen.

H.M.Jr: Do you count Smith and me as members?

Byrd: Sure.

H.M.Jr: I mean, there is twelve plus us two.

Byrd: That is right.

H.M.Jr: Well, I am only one in fourteen.

Byrd: I know. I am just giving my views about it. I mean, from the standpoint of getting the united support of the country, so far as it is possible to get united support, it will be

greatly injured, that support, if we eliminate any reduction in WPA, because if there is one thing in my judgment that should be reduced with these colossal all-defense expenditures, it is the WPA. The reason to establish it was because of lack of employment and now the indexes show that we have got a greater employment than we have enjoyed for many, many years. I don't know how long. We can get those figures. So the very reason for its establishment doesn't exist today.

Doughton: Senator, there are no unemployed in the country of people that are willing to do a reasonable day's work for a day's pay. There are no unemployed. I don't know how much there is in the cities. Probably some, but I don't know how much. This national defense program is taking up the slack. I do know the situation in the country. We don't need it in the agricultural country anywhere.

Byrd: You have got the non-employables, but they ought to be taken care of, some way, it seems to me, by the old age pension system.

Doughton: Here is another thing, Senator. Why is it, in this great emergency, with these unemployables, that the states and local authorities haven't got some authority? They just shift it off on the Federal Government and bankrupt the Federal Government. They can take care of that, and they ought to have had to do more than they have been doing all the time, and they can do it.

E.M. Jr: I am not leaving the WPA out, personally. I just want to see what happens in the next month or so on the defense appropriation, you see. That is all.

Byrd: Henry, I think that we can all assume that as much of the defense appropriation is going to be spent, as much defense money is going to be spent as it is possible to be spent, as you have the equipment and the factories to spend. We all must face facts. The reason more hasn't been spent up to this time is that we simply haven't had the equipment, the factories, the machinery to do it, so the only thing that you would have to do would be to find out if there is this equipment in existence to spend the money, because it has all been appropriated. We have appropriated far more than we can spend.

H.M.Jr: I agree with you but --

Byrd: It isn't a question of the President coming out and talking about doubling the program. That is not the point at all.

H.M.Jr: I didn't make a speech at the beginning, but I will tell you now, what I have said here today, I purposely haven't discussed it with the President because - I mean, I haven't discussed this with the President.

Doughton: Well, these are just --

H.M.Jr: These are suggestions for the committee which I am willing to stand up publicly and back.

Doughton: This is a discussion --

H.M.Jr: I am willing publicly to back what I am saying here today, but I just want you to know that I haven't had any dress rehearsal with him.

Byrd: I understand. I didn't think you had.

Doughton: This is just a discussion of viewpoints based on your suggestions.

H.M.Jr: That is right.

Doughton: That is all.

H.M.Jr: That is all.

Doughton: Which I greatly respect.

H.M.Jr: I hope it goes better than my taxes (laughter).

Byrd: He (Doughton) doesn't say anything.

H.M.Jr: Let's have it, Bob, even if it hurts me.

Doughton: Oh, no.

H.M.Jr: Well, that is my story, gentlemen, anyway.

As soon as the stenographer left the room Mr. Doughton began a long denunciation of W.P.A. and other non-defense expenditures which he said were bothering the people in his State. He said that his constituents and other letterwriters raised the question of economy continually during the Ways and Means Committee's hearings on the tax program, and that of all government expenditure W.P.A. was the most difficult for them to understand. He said that in his State people could not get help when they wanted it, and he described W.P.A. workers as lazy, cigarette-smoking "clockwatchers". He admitted that he did not know conditions in cities like New York, Chicago, and Kansas City, but spoke knowledge only of his own State and similar non-industrial areas.

As for the proposal to economize on good roads, Mr. Doughton felt that roads were the most useful of all the Government's non-defense expenditures, but said nevertheless that he would support any recommendations to cut out this form of spending.

Senator Byrd said that he, too, would support such a recommendation.

The Secretary then asked Senator Byrd, as Chairman of the Committee, "What next?" Senator Byrd replied the next step was to call a meeting of the Committee to take up the Secretary's suggestions and to hear additional information from the Director of the Budget. He suggested that there should be no publicity until the meeting of the Committee, which he thereupon fixed at 10:30 A.M. on Friday, November 14th.

Mr. Doughton then asked whether there was any possibility of cutting government personnel, such as some of the "thousands" who he understood had been brought to Washington by Leon Henderson. The Secretary replied that cutting of personnel was just "peanuts" as far as any real economy was concerned. He said he had found in nine years of experience here that the only way to economize effectively was to cut functions rather than people.

Mr. Doughton and Senator Byrd insisted, however, that any reduction of government personnel would have a good effect on the country, and suggested that the Committee get information on the subject of personnel from the Director of the Budget.

Mr. Doughton asked to know how many of the new government employees were really "producing", but Senator Byrd said that nobody would know that.

Senator Byrd then reverted to the matter of publicity. He warned against giving to newspapers any information which would mention a particular sum of money to be saved. He said the only hope he had of effecting economies was to get public sentiment back of the savings, and to get the people back home interested in the subject.

Senator Byrd added that he saw no usefulness for bringing in a report for less than \$1 billion and a half in economies. Both Senator Byrd and Mr. Doughton promised not to give out a word themselves, and both agreed that if anything were given out before Friday the Secretary ought to do it.

The Secretary suggested that it would be unwise and useless to keep next Friday's Committee meeting and executive session, ~~secret~~ but he agreed that as far as today was concerned the word was "mum".

Senator Byrd then promised that if the economy committee made recommendations which the appropriations committee did not follow, he would make a fight on the floor of the Senate.

Mr. Doughton again talked at length about economy as it came up during the tax hearings. The Secretary replied that a start was being made right now, and Mr. Doughton said that he was very much pleased with today's meeting.

Senator Byrd again appealed against any publicity on a dollar basis and the Secretary assured him that he would rather stick to functions in describing the economies to be made.

7A

154 COMPARATIVE STATEMENT OF THE PUBLIC DEBT
 ON JUNE 30 OF EACH YEAR, FROM 1930 TO 1941

AND SEPTEMBER 30, 1941

(In millions of dollars)

	Sept. 30, 1941	June 30, 1941	June 30, 1940	June 30, 1939	June 30, 1938	June 30, 1937	June 30, 1936	June 30, 1935	June 30, 1934	June 30, 1933	June 30, 1932	June 30, 1931	June 30, 1930
Bonds:													
Treasury bonds	30,169	30,215	26,055	24,218	21,346	19,436	17,168	14,019	15,679	13,417	13,460	12,754	11,379
U. S. Savings bonds (current redemption value)	5,132	4,314	2,905	1,858	1,238	800	316	62	-	-	-	-	-
Adjusted Service bonds	236	241	761	783	819	889	945	-	-	-	-	-	-
Government Life Insurance bonds, special series	500	500	800	800	800	800	-	-	-	-	-	-	-
Depository bonds	54	-	-	-	-	500	-	-	-	-	-	-	-
Matured bonds	51	49	74	34	41	71	106	149	5	6	8	11	15
	36,142	35,319	30,295	27,903	23,944	21,696	18,535	14,230	15,684	13,423	13,468	12,765	11,354
Notes:													
Treasury notes	7,061	5,698	6,383	7,243	9,147	10,617	11,381	10,023	6,653	4,548	1,361	452	1,626
Special notes	3,660	3,328	2,553	1,983	1,278	708	480	478	278	232	204	169	764
Matured notes	38	43	39	25	23	19	21	11	5	6	11	35	2
	10,759	9,069	8,975	9,251	10,448	11,344	11,882	10,512	6,936	4,786	1,476	656	2,392
Certificates of Indebtedness:													
Treasury certificates	-	-	-	-	-	-	-	-	1,517	2,108	2,726	1,802	1,264
Special certificates	2,498	2,292	1,721	1,287	898	350	146	156	118	92	105	122	-
Matured certificates	3	3	4	4	5	6	9	13	18	35	26	5	13
	2,501	2,295	1,725	1,291	903	356	155	169	1,653	2,235	2,857	1,929	1,277
Treasury bills (maturity value)													
Matured bills	1,305	1,603	1,302	1,308	1,154	2,303	2,354	2,053	1,404	954	616	445	156
	94	106	83	75	68	17	29	56	25	18	14	-	-
	1,399	1,709	1,385	1,383	1,222	2,320	2,383	2,109	1,429	972	630	445	156
Old debt, etc.:													
Pre-war and Postal Savings bonds	196	196	196	196	197	198	200	855	831	806	790	776	773
Debt bearing no interest and old matured debt	369	373	390	415	452	511	625	826	520	317	267	231	233
	565	569	586	611	648	709	825	1,681	1,351	1,123	1,057	1,007	1,006
Gross public debt	51,346	48,961	42,968	40,440	37,165	36,425	33,779	28,701	27,053	22,539	19,487	16,801	16,185
Summary													
Public Issues													
Interest-bearing	44,132	42,267	37,602	36,116	33,900	34,742	32,363	27,012	26,084	21,834	18,652	15,228	15,158
Non-interest-bearing (matured debt, etc.)	356	374	391	354	389	625	790	1,056	373	381	326	282	263
Special Issues	6,658	6,320	4,775	3,770	2,676	1,558	626	28,068	633	26,657	22,215	19,178	15,421
	6,658	6,130	4,775	3,770	2,676	1,558	626	633	396	323	307	291	764
Total	51,346	48,961	42,968	40,440	37,165	36,425	33,779	28,701	27,053	22,539	19,487	16,801	16,185

On basis of Daily Treasury Statement

Office of the
 Under Secretary
 October 14, 1941.

ACTUAL RECEIPTS AND EXPENDITURES FOR FISCAL YEARS 1942 TO 1941, INCLUSIVE, AND ESTIMATES FOR FISCAL YEAR 1942

(In millions of dollars)

	Estimated 1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	TOTAL 1932 TO 1941, INCLUSIVE
RECEIPTS												
Internal Revenue:												
Income tax (including unjust enrichment tax)	7,079	3,470	2,125	2,189	2,640	2,163	1,487	1,099	818	746	1,067	17,734
Miscellaneous internal revenue	3,991	2,967	2,345	2,232	2,279	2,181	2,010	1,657	1,470	858	904	18,903
Social Security taxes:												
Employment taxes	890	691	605	530	514	194	-	-	-	-	-	2,534
Tax on employers of 8 or more	117	98	108	101	90	88	-	-	-	-	-	455
Taxes upon carriers and their employees	160	137	121	109	150	*	*	*	*	*	*	517
Processing tax on farm products	-	-	-	-	-	*	77	521	353	-	-	951
National unemployment insurance contributions	8	7	5	-	-	-	-	-	-	-	-	12
Customs	414	392	349	319	359	486	387	343	313	251	528	3,529
Miscellaneous receipts:												
Proceeds of government-owned securities:												
Foreign obligations	-	*	*	*	1	1	1	1	33	99	-	129
Other	200	130	79	58	65	60	20	38	57	22	23	833
Panama Canal tolls	-	20	23	25	25	25	25	25	27	23	23	242
Seigniorage	-	62	44	23	36	49	39	38	1	1	*	319
Other miscellaneous	-	90	128	81	82	87	60	58	56	70	72	764
Total Receipts	12,899	8,289	5,925	5,668	6,242	5,294	4,116	3,800	3,116	2,080	2,006	46,815
Debits:												
Net appropriations to Federal Old-Age and Survivors Insurance Trust Fund	861	661	538	503	587	265	-	-	-	-	-	2,354
Net Receipts	11,998	7,507	5,387	5,165	5,655	5,029	4,116	3,800	3,116	2,080	2,006	44,161
EXPENDITURES												
Departmental (excluding Department of Agriculture) ^{1/}	617	645	559	525	498	525	428	364	313	356	433	4,646
Department of Agriculture	1,170	1,106	1,376	1,250	879	998	978	940	641	109	388	8,663
Post Office Department (deficiency)	1/	30	42	41	44	42	86	64	52	117	203	720
Interest on public debt	1,275	1,111	1,041	941	926	866	749	821	797	689	999	8,500
Refunds of taxes and duties	87	90	91	68	100	56	34	76	64	70	101	770
District of Columbia (U. S. share)	8	4	6	5	5	5	6	5	6	6	10	62
Federal Loan Agency	8	11	14	18	25	35	36	95	207	348	500	1,309
Federal Security Agency	807	744	805	758	717	680	696	472	358	42	31	5,493
Federal Works Agency	1,148	1,037	1,007	2,735	1,772	2,288	1,565	389	349	292	295	13,329
National Retirement Board	9	7	8	3	1	5	*	-	-	-	-	22
Tennessee Valley Authority	100	51	39	41	42	42	49	36	11	-	-	311
River and harbor work and flood control	200	219	213	193	199	211	224	203	151	118	117	1,872
Reclamation projects (Department of Interior)	95	86	96	79	65	59	64	41	25	25	26	566
Warrenton Canal	18	39	25	10	11	12	11	9	10	13	11	151
Warrenton Administration	370	553	557	557	582	582	578	557	507	763	785	6,020
National Emergency Relief Administration	-	-	1	2	4	12	496	1,821	707	38	-	3,081
National Works Administration	-	-	*	*	*	*	1	11	805	-	-	817
National Deposit Insurance Corporation capital	-	-	-	-	-	-	-	-	150	-	-	150
Supplemental items	50	-	-	-	-	-	-	-	-	-	-	-
Subtotal	6,160	6,532	7,079	7,226	5,971	6,444	5,941	5,905	4,913	2,988	3,499	56,390
National Defense	18,000	6,080	1,657	1,306	1,029	729	399	689	531	680	754	14,484
Revolving funds (net)	28	8,136	34	92	121	206	11	345	496	74	62	1,323
Transfer to Postal Deposits	393	231	208	162	220	603	1,814	71	71	121	221	3,746
TOTAL Expenditures, excluding Post Office Department	24,581	12,711	8,998	8,707	7,229	8,177	8,666	7,010	6,021	3,863	4,515	75,917
Excess of receipts over expenditures (excluding debt and interest on public receipts)	12,580	5,104	3,611	3,542	1,384	3,149	1,550	3,209	2,896	1,784	2,529	31,758
Excess of receipts over expenditures	100	64	129	98	65	104	409	574	360	460	413	2,113

1/ Excess of credits, deduct.

* Less than \$500,000.

1/ Excludes Maritime Commission which is classified with National Defense.

1/ Included in Supplemental Items.

REFUND ADMINISTRATION AND
 AGRICULTURAL ADJUSTMENT ADMINISTRATION (ACT OF AUGUST 24, 1935)

All expenditures under this classification are included in the general group.

Expenditures (checks paid)(In millions)	A.A.A.	S.N.A.A.
Fiscal year 1938 - - - - -	\$15.0	\$23.1
1939 - - - - -	133.3	77.2
1940 - - - - -	51.5	91.1
1941 - - - - -	<u>187.0</u>	<u>51.9</u>
Estimates for 1942:		
January Budget - - - - -		200.0
Oct. 5, 1941, Revision - - - - -		<u>240.2</u>
Actual expenditures		
July, 1941 - - - - -		21.1
August 1941 - - - - -		18.9
September 1941 - - - - -		11.1
October 1941 - - - - -		<u>19.6</u>
Total, first 4 months - - - - -		70.7
Total, July-Oct, 1940 - - - - -		58.2

Program authorized

Sec. 32 of the act of Aug. 24, 1935 (7 U.S.C. 612e), appropriates for each fiscal year an amount equal to 30 per centum of the gross receipts from duties collected under the customs laws during the period Jan. 1 to Dec. 31, both inclusive, preceding the beginning of each such fiscal year, to be used by the Secretary of Agriculture to (1) encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce; and (3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

In addition to the permanent appropriation authorized under Sec. 32, the Congress has appropriated additional amounts for expenditure pursuant to Sec. 32. The additional amount appropriated for 1942 is \$100,150,000.

Activities

The activities under this expenditure option, as indicated in the estimates of expenditures for 1942, contained in the 1942 Budget, are as follows:

Group.

All payments under this classification are included in the general

appropriations (where paid) (in millions):

Fiscal year 1938	- - - - -	\$705.9
1939	- - - - -	577.9
1940	- - - - -	605.1
1941	- - - - -	465.1
Total for 1941		<u>2,354.0</u>
January Budget	- - - - -	475.0
October 5, 1941 Revision	- - - - -	475.0
Actual expenditures		
July, 1941	- - - - -	25.3 ^{1/2}
Aug.	- - - - -	9.0
Sept.	- - - - -	6.4
Oct.	- - - - -	19.2
Total, first 4 months		<u>60.0^{1/2}</u>
Total - July-Oct. 1941	- - - - -	70.3

^{1/2} Includes \$15.0 repaid to Commodity Credit Corporation in fiscal year 1942 which was borrowed from that Corporation and spent in 1941.

2.0.0.

The act of July 2, 1940 provides that the Secretary of Agriculture may borrow up to \$90,000,000 in each fiscal year beginning with 1941 from the Commodity Credit Corporation, to make crop insurance premium advances and to make advances for conservation materials (grants of aid), etc., such loans to be repaid from subsequent appropriations or unobligated balances of appropriations.

Activities covered by program

The objectives of the Agriculture Conservation and related programs

- (1) Preservation and improvement of soil fertility.
- (2) Promotion of the economic use and conservation of land.
- (3) Distillation of experimentation and useful and scientific use of national soil resources.
- (4) Protection of rivers and harbors against the possibility of silt erosion to aid in maintaining the navigability of waters and water courses and in flood control.
- (5) Reestablishment use of the ratio between the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during 5-year period August, 1909 - July, 1934, etc.

- 2 -

- (6) Assist in marketing of agricultural commodities for domestic consumption and for export.
- (7) Regulate interstate and foreign commerce in cotton, wheat, corn, tobacco and rice ~~etc~~ through storage of reserve supplies, loans and marketing quotas.
- (8) Assist consumers to obtain adequate and steady supply of such commodities.

The Soil Conservation and Domestic Allotment Act authorizes payments or grants of other aid to producers measured by

- (1) their treatment or use of their land, or a part thereof, for soil restoration, soil conservation, or the prevention of erosion;
- (2) changes in the use of their land;
- (3) their equitable share of the normal national production of any commodity or commodities required for domestic consumption and exports, etc.

All payments under this classification are included in the general group.

		<u>Amount Collected</u>
Expenditures (checks paid) (In millions)		
Fiscal year 1938 - - - - -	\$5.9	\$70.6
1939 - - - - -	61.9	62.4
1940 - - - - -	62.8	62.1
1941 - - - - -	70.8	74.7
Estimates for 1942		
January Budget - - - - -	62.0	60.0
October 5, 1941 Revision - - - - -	62.0	
Actual expenditures		
July, 1941 - - - - -	1.6	
Aug. " - - - - -	.2	
Sept. " - - - - -	.9	
Oct. " - - - - -	3.4	
Total, first 4 months - - - - -	6.1	
Total - July - Oct. 1941 - - - - -	12.9	

Objectives of PROGRAM

Expenditures under this caption arise out of the provisions of the Sugar Act of 1937 as extended by the Act approved October 15, 1940. The 1940 amendments extended the provisions of the Sugar Act of 1937 to include conditional payments on the 1941 crop of sugar beets and sugar cane, quotas and allotments covering the marketing of sugar in the calendar year 1941 and excise tax on the marketing of sugar through June 30, 1942. Appropriations for each fiscal year of a sum not to exceed \$75,000,000 for the purpose of administration of the Sugar Act of 1937 are authorized by Section 502 of the Act.

The objectives of the Sugar program are --

- (1) The establishment of quotas and allotments regulating the supply of sugar available for marketing in the continental United States and from all sugar-producing areas supplying the United States market which will (a) stabilize the price of sugar so that the consumers are not required to pay average prices in excess of those necessary to maintain the domestic industry as a whole, (b) protect the domestic industry, and (c) sustain or expand an export trade with countries marketing sugar in the United States.
- (2) The making of conditional payments with respect to sugar or liquid sugar commercially recoverable from sugar beets

or sugarcane grown on farms for the extraction of sugar, or liquid sugar conditioned upon (a) the elimination of child labor; (b) payment of fair or equitable wages to field laborers; (c) adjustment of the production of sugar beets and sugarcane on each farm to the amount required to provide the farm's proportionate share of the corresponding sugar-market quota; (d) in the case of processor-growers, the payment to other growers from whom they purchase sugar beets and sugarcane of fair and reasonable prices for such sugar beets and sugarcane; and (e) the carrying out of approved farming practices for preserving and improving the fertility of the soil and for preventing soil erosion.

- (3) The making of surveys and investigations to accomplish the purposes of the act and also the making of recommendations in accordance therewith with respect to the terms and conditions of contracts between the producers and processors of sugar beets and sugarcane and the terms and conditions of contracts between laborers and producers of sugar beets and sugarcane.

All payments under this classification are included in the general group.

Expenditures (checks paid)(in millions)	
Fiscal year 1938 - - - - -	619.5
1939 - - - - -	225.0
1940 - - - - -	198.3
1941 - - - - -	<u>275.0</u>
Estimates for 1942	
January Budget - - - - -	205.0
Oct. 5, 1941 Revision - - - - -	205.0
Actual expenditures	
July, 1941 - - - - -	11.1
August - - - - -	12.5
September - - - - -	18.1
October - - - - -	<u>22.7</u>
Total first 4 months - - - - -	70.4
Total July-October, 1941 - - - - -	142.1

During 1942 the total funds available for expenditure are as follows:

Unexpended balance July 1, 1941 - - - - -	202.0
Appropriated July 1, 1941 in 1942 Appropriation Act - - - - -	<u>212.0</u>
	<u>414.0</u>

Parity payments may be made on cotton, corn, wheat, rice and tobacco. It appears from the hearings before the House Appropriation Committee that the price of the 1941 crop during the period through March, 1942, determines whether there will be any parity payments for 1942 crops. Producers of the five basic commodities will plant them for the crop year 1942 during the fiscal year 1942, the earliest planting being that of winter wheat in the fall of 1941. About the only parity payments to be made before June 30, 1942, from the 1942 appropriation will be for wheat, the other parity payments, while being obligated and appropriated in the fiscal year 1942, will be paid in the fiscal year 1943.

Thus, payments currently being made in the fiscal year 1942, are, for the most part, in connection with 1941 crops and obligations for such payments arose in the spring of 1941.

FARM CREDIT ADMINISTRATION - OTHERFiscal year 1941

(In millions)

Banks for Cooperatives, reduction in capital stock - - - - -	-66.0
Production Credit Corp. reduction in capital stock - - - - -	- 15.0
Other - - - - -	<u>1</u>
	<u>- 75.3</u>

Fiscal year 1942

Administrative Expenses - - - - -	5.0
Banks for Cooperatives, increase in capital stock - - - - -	59.0
Production Credit Corps., increase in capital stock - - - - -	15.0
Other - - - - -	- 2.6
	<u>76.4</u>

FARM SECURITY ADMINISTRATION

Part of the 1942 expenditures are classified in the general group, and part are reflected under transactions in checking accounts of governmental agencies.

Expenditures (checks paid) (In millions)

	<u>General</u> <u>Account</u>	<u>WFO</u> <u>Funds</u>
Fiscal year 1938 - - - - -	\$180.1	-
" " 1939 - - - - -	187.6	-
" " 1940 - - - - -	158.5	-
" " 1941 - - - - -	62.2	\$111.3
Estimates for 1942:		
January Budget - - - - -	65.0	100
October 5, 1941 Revision - - - - -	60.0	120 1/2
Actual expenditures:		
July, 1941 - - - - -	47.2	} 13.2
Aug. " - - - - -	4.2	
Sept. " - - - - -	4.8	
Oct. " - - - - -	4.5	
Total, first 4 months - - - - -	\$16.7	\$13.2
Total, July-Oct. 1941 - - - - -	23.1	20.0

1/ Approved authorization in Act of July 1, 1941.

Reconstruction Finance Corporation

In addition to expenditures from regular appropriations included in the budget for the fiscal years 1941 and 1942 the Reconstruction Finance Corporation was authorized to make advances to the Secretary of Agriculture up to \$125,000,000 for 1941 and \$120,000,000 for 1942.

Activities of the Farm Security Administration from appropriated funds and advances from the Reconstruction Finance Corporation, as indicated by estimates of expenditures included in the 1942 Budget, are as follows:

	(In millions)
Rural rehabilitation loans - - - - -	\$96.5
Rural rehabilitation grants - - - - -	20.9
Rural rehabilitation services:	
Farm and home management assistance - - - - -	17.6
Investigation of applications, and making, collecting, and servicing loans and grants - - - - -	11.7
Farm debt adjustment - - - - -	2.0
Migratory labor camps - - - - -	4.4
Other activities - - - - -	2.9
Administrative expenses - - - - -	7.7
Total - - - - -	\$166.0

FARM TENANT ACT

Part of the 1942 expenditures are classified in the general group, and part are reflected under transactions in checking accounts of governmental agencies.

Expenditures (checks paid)(In millions)	<u>General</u> <u>Budget</u>	<u>R.F.C.</u> <u>Funds</u>
Fiscal year 1938 - - - - -	\$ 3.1	
1939 - - - - -	26.6	
1940 - - - - -	41.8	
1941 - - - - -	<u>27.1</u>	<u>29.5</u>
Estimates for 1942		
January Budget - - - - -	5.3	50.0
Oct. 5, 1941, Revision - - - - -	<u>1.0</u>	<u>20.0</u>
Actual expenditures		
July, 1941 - - - - -	.7	) 14.9
August, 1941 - - - - -	.7	
September, 1941 - - - - -	.6	
October, 1941 - - - - -	<u>.6</u>	
Total first 4 months - - - - -	2.5	14.9
Total - July-October, 1940 - - -	16.8	1.0

RECONSTRUCTION FINANCE CORPORATION

In addition to expenditures from regular appropriations included in the budget for the fiscal years 1941 and 1942, the Reconstruction Finance Corporation was authorized to make advances to the Secretary of Agriculture up to \$50,000,000 for 1941 and \$50,000,000 for 1942 for loans in accordance with Title I of the Bankhead-Jones Farm Tenant Act.

Activities included under the caption "Farm Tenant Act" from appropriated funds and advances from the Reconstruction Finance Corporation, as indicated by estimates of expenditures included in the 1942 budget, are as follows:

	(In millions)
Farm tenancy loans - - - - -	\$50.0
Technical services, including county committees - - - - -	1.6
Administrative Expenses - - - - -	.9
Liquidation and management of resettlement projects - - - - -	.7
Land utilization and retirement of submarginal land	
Acquisition of land - - - - -	.9
Management, operation, etc. of land acquired - - - - -	<u>1.1</u>
Total - - - - -	55.4

RURAL ELECTRIFICATION ADMINISTRATION

Part of the 1942 expenditures are included under general budget, and part are reflected under transactions in checking accounts of governmental agencies, etc.

Expenditures (checks paid)(In millions)	General Fund	R.F.C. Funds
Fiscal year 1938 - - - - -	15.2	46.5
1939 - - - - -	37.7	100.0
1940 - - - - -	38.0	-
1941 - - - - -	24.2	36.0
Estimates for 1942		
January Budget - - - - -	4.2	40.0
Oct. 5, 1941 Revision - - - - -	8.0	139.0 ^{1/}
Actual expenditures		
July, 1941 - - - - -	1.5	) 25.0
August - - - - -	1.2	
September - - - - -	1.4	
October - - - - -	1.1	
Total, first 4 months - - - - -	4.7	25.0
Total, July-October, 1941 - - - - -	12.3	-

^{1/} Balance available - no estimate of expenditures submitted.

R. F. C.

In addition to loans and expenditures authorized from appropriated funds under the budget, the R. F. C. has been authorized from time to time to advance moneys for making rural electrification loans, as follows:

Fiscal year 1942 - - - - -	\$100,000,000
Fiscal year 1941 - - - - -	100,000,000
Prior years - - - - -	146,500,000
	<u>346,500,000</u>

Practically all expenditures of the Rural Electrification Administration are for loans and the purchase of property in accordance with the Rural Electrification Act of May 20, 1936.

EXPENDITURES FOR AID TO AGRICULTURE FOR FISCAL YEARS 1932 TO 1941, INCLUSIVE, AND ESTIMATE FOR FISCAL YEAR 1942

(In millions of dollars)

	Estimated 1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	TOTAL 1932 TO 1942, INCLUSIVE
Summary:												
Department of Agriculture	1,107.0	1,346.1	1,455.8	1,477.0	1,286.3	1,150.7	1,123.5	1,170.5	65.4	72.6	114.3	1,182.3
Agricultural Adjustment Program, etc.	976.6	967.7	1,139.7	786.7	456.0	527.0	629.5	711.3	291.9	-	-	1,510.3
Farm Credit Administration	111.0	-278.2	35.0	46.3	71.1	73.6	38.8	202.4	415.5	131.1	325.1	1,061.0
Farm Security Administration	67.0	89.5	200.3	210.3	183.2	210.2	140.5	86.4	2.4	-	-	1,122.8
Rural Electrification Administration	8.0	24.2	36.0	37.8	15.2	8.9	1.4	*	-	-	-	125.5
Total	1,269.6	937.3	1,958.6	1,288.3	851.8	970.4	933.7	1,071.1	775.3	203.7	439.4	4,971.8
Department of Agriculture												
107.0	134.1	145.8	147.0	128.3	1150.7	1123.5	1170.5	65.4	72.6	114.3	114.3	1,182.3
Agricultural Adjustment Program, etc.:												
Agricultural adjustment program:												
Agricultural Adjustment Administration	1.7	1.9	2.0	7.9	10.8	10.7	372.6	711.8	289.1	-	-	1,406.8
Agricultural Adjustment Administration (Act of August 24, 1935)	225.0	187.0	51.5	133.3	15.0	42.3	24.2	-	-	-	-	453.3
Surplus Marketing Administration	15.2	53.9	91.1	77.2	23.1	-	-	-	-	-	-	245.3
Agricultural contract adjustments .....	.2	.1	.3	.5	1.0	116.8	135.5	-	-	-	-	256.2
Soil Conservation and Domestic Allotment Act	475.0	465.1	605.1	477.9	309.9	357.2	.3	-	-	-	-	2,309.5
Administration of Sugar Act of 1937	48.0	30.4	48.8	61.9	3.9	-	-	-	-	-	-	167.0
Price Adjustment Act of 1938 and parity payments	205.0	198.3	215.0	19.5	-	-	-	-	-	-	-	432.8
Federal Crop Insurance Act:												
Administrative Expenses	5.0	5.0	3.3	3.3	-	-	-	-	-	-	-	11.6
Subscriptions to capital stock of Federal Crop Insurance Corporation	-	6.0	3.0	1.0	-	-	-	-	-	-	-	14.0
Commodity Credit Corporation:												
Restoration of capital impairment	1.6	2/ -	2/119.6	-	94.3	-	-	-	-	-	-	213.9
Subscriptions to capital stock	-	-	-	.1	.1	-	96.9	.1	2.6	-	-	100.0
Total	976.6	967.7	1,139.7	786.7	456.0	527.0	629.5	711.3	291.9	-	-	1,510.3
Farm Credit:												
Farm Credit Administration:												
Crop Loans	-	.3	3.2	-1.0	3.5	27.4	-1.3	-4.4	-52.4	37.1	61.0	74.3
Federal Farm Mortgage Corporation:												
Capital stock	-	-100.0	-	-	-	-	-	-	199.9	.1	-	100.0
Reduction in interest rates	9.0	9.3	7.1	7.8	3.7	-	-	-	-	-	-	39.9
Federal Land Banks:												
Capital stock	-	-57.4	-	.2	4.7	-3.8	-1.0	1.9	-1.7	-1	125.0	47.7
Subscriptions to paid-in surplus	-	-11.4	.5	11.6	21.0	35.2	32.3	33.5	40.9	-	-	145.6
Reduction in interest rates	27.0	27.9	28.7	30.4	32.1	32.8	32.3	12.3	7.0	-	-	300.7
Federal Intermediate Credit Banks:												
Capital stock	-	-10.0	-	-	-	-	-	15.0	25.0	28.0	2.0	30.0
Regional Agricultural Credit Corporations	-1.4	-1.4	-2.4	-5.2	-7.0	-13.9	-17.8	8.6	7.8	38.8	-	6.5
Loans to Joint Stock Land Banks	-	-	-	-	-1	-3	-1	-9	.9	-	-	.5
Other	76.4	-75.3	-2.1	2.5	-	-3.8	-3.5	136.1	108.3	27.2	136.2	406.6
Total	111.0	-278.2	35.0	46.3	71.1	73.6	38.8	202.4	415.5	131.1	325.1	1,061.0
Farm Security:												
Loans and relief in stricken agricultural areas	60.0	61.2	158.5	183.6	180.1	209.7	198.0	81.0	2.4	-	-	84.0
Farm Security Administration	60.0	61.2	158.5	183.6	180.1	209.7	198.0	81.0	2.4	-	-	799.9
Farm Tenant Act:												
Loans .....	.3	17.8	30.4	30.5	2.3	-	-	-	-	-	-	71.1
Other	5.7	9.5	11.4	6.0	.8	-	-	-	-	-	-	27.7
Total	67.0	89.5	200.3	210.3	183.2	210.2	140.5	86.4	2.4	-	-	1,122.8
Rural Electrification:												
Rural Electrification Administration:												
Loans	4.8	20.7	35.5	35.6	13.7	8.0	1.4	-	-	-	-	114.5
Other	3.2	3.5	2.5	2.2	1.5	.9	-	-	-	-	-	10.5
Total	8.0	24.2	38.0	37.8	15.2	8.9	1.4	*	-	-	-	125.5

1/ Excludes items under "Farm Security - Loans and relief in stricken agricultural areas" which are classified in Daily Treasury Statements for these years under "Departmental - Department of Agriculture."

2/ Department of \$1,637,445.51 in this year, appropriated on July 3, 1941, and paid to Corporation in September, 1941.

3/ Impairment applicable to fiscal year 1939. Corporation repaid to Treasury for fiscal year 1940, \$43,756,731.01 which is included in miscellaneous receipts for that year.

4/ Excludes expenditures for refugee relief.

SPECIAL CHARGES OF EXPENDITURES FOR FISCAL YEARS 1932 TO 1941, INCLUSIVE, AND ESTIMATE FOR FISCAL YEAR 1942

(In millions of dollars)

	Estimated 1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	TOTAL 1932 TO 1941, INCLUSIVE
DEPARTMENTAL ^{1/}												
Legislative establishment	24.0	24.2	23.1	22.0	26.3	24.7	25.1	20.1	17.8	21.5	27.3	229.6
Judicial ^{2/}	12.0	11.4	8.2	9.5	-	-	-	-	-	-	-	77.0
Executive Office:												
Executive proper .....		.5	.5	.4	.5	.5	.4	.5	.4	.4	.4	4.7
Bureau of the Budget .....		.9	.6	.4	.3	.4	.2	.3	.2	.2	.2	3.6
National Resources Planning Board	3.0	.8	.8	.7	.8	1.0	.8	1.0	*	.1	.1	6.1
Other .....		.7	.8	.8	.7	1.2	1.5	.8	.1	-	-	6.6
State Department	23.0	22.7	24.2	19.2	21.0	19.8	17.7	18.2	11.7	15.2	18.8	187.4
Treasury Department ^{2/}												
Refugee relief	15.0	11.2	-	-	-	-	-	-	-	-	-	11.1
Other	236.0	304.6	177.2	176.4	168.0	180.5	166.0	124.6	113.8	140.6	174.5	1,626.6
War Department (non-military) ^{2/}	10.0	3.7	2.2	2.9	2.8	3.1	.8	2.5	4.6	1.9	4.8	29.3
Department of Justice	55.0	61.1	59.1	48.1	52.3	49.9	47.3	42.1	40.9	54.7	63.2	520.8
Post Office Department	-	.1	1.7	-1.7	2.9	-2.6	-2.2	*	12.2	.1	.1	12.0
Department of the Interior ^{2/}	109.0	109.7	111.4	133.7	100.1	106.2	62.1	74.2	50.6	46.2	55.1	852.7
Department of Agriculture:												
Refugee relief	10.0	5.4	-	-	-	-	-	-	-	-	-	5.6
Department of Commerce:												
Civil Aeronautics Authority	30.0	13.4	24.1	16.4	10.1	8.7	7.1	6.9	3.2	9.3	9.1	150.1
Other	33.0	45.1	42.7	25.0	23.3	26.4	29.0	24.9	19.2	26.2	33.3	291.1
Department of Labor ^{2/}	29.0	29.5	19.4	14.7	13.1	10.6	5.1	3.2	1.8	2.3	2.2	93.2
Independent Offices and Commissions	75.0	70.6	64.3	59.9	74.5	98.1	70.0	50.7	34.4	36.7	44.3	603.2
Unclassified	-	- .2	.1	-.1	.2	-.5	1.4	-.2	*	-.9	*	-
Total (checks issued)	645.0	650.3	557.5	530.0	497.1	525.2	432.8	370.0	313.2	356.2	433.6	4,666.4
Adjustment for disbursing officers' checks outstanding	-	-.8	+ 1.4	-.7	+ .4	-.7	-.5	-.4	-	-	-	-15.1
Total (checks paid)	645.0	649.5	558.9	529.3	497.5	524.5	428.3	369.6	313.2	356.2	433.6	4,651.3

* Less than \$50,000.

^{1/} Includes Department of Agriculture, Other (\$107,000,000) and U. S. Maritime Commission.^{2/} Expenditures prior to 1939 are reflected under the Department of Justice.^{3/} The classification of general expenditures for public building construction and for War Department (non-military) previously reflected under Treasury Department and War Department (military) prior to the fiscal year 1934, are now reflected under Federal Works Agency, Public Buildings Administration (construction), and War Department (non-military), respectively. The expenditures of the U. S. Housing Corporation, previously reflected under the Department of Labor for the fiscal years 1932 to 1937, inclusive, are included under the construction classification for Public Buildings Administration. The expenditures of National Military Parks, previously reflected under War (national defense) during the fiscal years 1932 and 1933 are now classified under Interior, Departmental, and expenditures under the Emergency Conservation Work for the fiscal year 1933, amounting to \$14,248,461.23 previously reflected under War (national defense) are now classified under the Federal Security Agency, Civilian Conservation Corps.

SPECIAL CHARGES IN EXPENDITURES FOR FISCAL YEARS 1932 TO 1941, INCLUSIVE, AND ESTIMATES FOR FISCAL YEAR 1942

(In millions of dollars)

	Estimated 1942 ✓	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	Total 1932 to 1941, Inclusive
PUBLIC ROADS												
Public Roads Administration ✓	175	174	355	191	223	341	231	307	255	165	181	2,277
Highways, roads, streets, etc. under Emergency Relief Appropriation Acts of 1935 to 1941, inclusive, excluding expenditures by Public Roads Administration ✓	460	368	836	535	611	434	-	-	-	-	-	3,459
Highways, roads, streets, etc. under Public Works Administration Act of 1938:												
Public Works Administration												
Grant Funds ✓	25	30	68	-	-	-	-	-	-	-	-	120
Loan Funds ✓	-	1	2	-	-	-	-	-	-	-	-	3
	57	79	1,124	738	952	645	300	255	165	181		5,413
IRRIGATION PROJECTS												
Department of the Interior ✓	95	86	96	79	66	77	64	41	25	35	36	364
Irrigation and water conservation under Emergency Relief Appropriation Acts of 1935 to 1941, inclusive:												
Agriculture Department	-	1	1	1	1	-	-	-	-	-	-	4
Public Works Administration	-	-	-	-	-	8	9	-	-	-	-	2
Work Projects Administration	18	30	53	43	66	46	11	-	-	-	-	257
War Department, Corps of Engineers	-	1	4	20	13	11	-	-	-	-	-	51
Other organizations	-	3	-	-	-	1	-	-	-	-	-	4
	104	131	139	179	191	131	42	25	25	26		884

✓ On basis of checks paid (Daily Treasury Statement).

2/ On basis of checks issued (Reports of Emergency Relief expenditures).

3/ Budget estimates as of October 5, 1941.

PUBLIC BUILDINGS

Public Buildings Administration:												
Construction ✓	50	52	38	51	77	96	88	58	70	106	86	711
Other ✓		17	17	15	15	13	12	9	9	20	24	130
Public Buildings under Emergency Relief Appropriation Acts of 1935 to 1941, inclusive:												
Public Works Administration:												
Loans and Grants to States 2/												164
Work Projects Administration ✓												791
Veterans' Administration												4
Agriculture Department												1
Public Works Administration												7
Navy Department - Yards and Docks	140	146	228	171	266	195	-	-	-	-	-	74
Treasury Department - Coast Guard												2
War Department - Quartermaster Corps												88
Other												2
Public Buildings under Public Works Administration Act of 1938:												
Public Works Administration												
Grant Funds ✓	38	117	170	-	-	-	-	-	-	-	-	326
Loan Funds ✓	1	5	7	-	-	-	-	-	-	-	-	13
Agriculture Department	-	1	2	-	-	-	-	-	-	-	-	4
Interior Department	-	1	2	-	-	-	-	-	-	-	-	3
Justice Department	-	1	2	-	-	-	-	-	-	-	-	3
Navy Department - Yards and Docks	1	1	1	-	-	-	-	-	-	-	-	22
Treasury Department - Coast Guard	1	9	12	-	-	-	-	-	-	-	-	8
Veterans' Administration	1	2	6	-	-	-	-	-	-	-	-	13
War Department - Quartermaster Corps	1	8	4	-	-	-	-	-	-	-	-	52
	4	23	24	-	-	-	-	-	-	-	-	110
	255	386	513	363	385	275	67	88	128	110		2,444

✓ On basis of checks paid (Daily Treasury Statement).

2/ On basis of checks issued (Reports of Emergency Relief expenditures).

CIVILIAN CONSERVATION CORPS

All 1942 expenditures are classified in the general group and none are included in the National Defense classification.

Expenditures (checks paid):

	(In millions)
Fiscal year 1938 - - - - -	\$326.4
" " 1939 - - - - -	290.4
" " 1940 - - - - -	283.2
" " 1941 - - - - -	<u>297.4</u>
Estimates for 1942:	
January Budget - - - - -	265.0
October 5, 1941 Revision - - - - -	<u>200.0</u>
July, 1941 expenditures - - - - -	20.8
Aug. " " - - - - -	19.2
Sept. " " - - - - -	17.7
Oct. " " - - - - -	<u>16.9</u>
Total first 4 months - - - - -	74.6
Total - July - Oct. 1940 - - - - -	94.2

The program of the Civilian Conservation Corps as indicated by estimates of appropriations for 1942, contained in the 1942 Budget, is as follows:

	Estimate of Appropriations	Amounts Appropriated
Pay, subsistence, etc. of enrollees	\$167.3	\$153.4
Camp maintenance and construction	10.5	8.9
Salaries and expenses, care of enrollees - - - - -	11.3	10.4
Project salaries - - - - -	36.1	32.9
Project expenses - - - - -	24.8	22.2
Salaries, field - - - - -	13.1	12.5
Expenses, field - - - - -	4.2	3.9
Salaries, Departmental - - - - -	2.2	2.2
Expenses, Departmental - - - - -	.6	.6
TOTAL - - - - -	<u>\$270.0</u>	<u>\$247.0</u>

NATIONAL YOUTH ADMINISTRATION

Expenditures for 1942 are classified both in the general group and in the National Defense classification.

Expenditures (checks paid) (In millions)

	<u>General</u>	<u>Defense</u>
Fiscal year 1939 - - - - -	878.1	-
1940 - - - - -	94.6	-
1941 - - - - -	136.4	-
Estimates for 1942:		
January Budget - - - - -	97.6	1.6
October 5, 1941 Revision - - - - -	90.0	60.0 ^{1/}
July, 1941 expenditures - - - - -	12.2	.5
Aug. " " - - - - -	7.6	2.1
Sept. " " - - - - -	7.9	3.2
Oct. " " - - - - -	7.6	4.2
Total first 4 months - - - - -	35.3	10.0
Total - July - October 1940 - - - - -	25.6	-

^{1/} Included in supplemental estimates submitted May 13, 1941.

The program of National Youth Administration as indicated by estimates of appropriations, contained in the 1942 Budget, is as follows:

	<u>Estimate of Appropriations</u>	<u>Amounts Anticipated</u>
<u>General:</u>		
<u>Project supervision:</u>		
Personal services at area offices - - -	4.8	
" " " resident centers - - -	2.3	
" " " local projects - - -	5.7	
" " " student work program - - -	.5	
<u>Other project expenses:</u>		
Out-of-school work program - - - - -	5.6	65.0
Student work program - - - - -	.2	
<u>Pay of youths:</u>		
Resident centers, out-of-school program	6.8	
Local projects, out-of-school program -	42.5	
Student work program - - - - -	27.3	
Administrative salaries and expenses - - -	5.8	5.8
Total, General - - - - -	<u>101.8</u>	<u>91.8</u>
<u>National Defense:</u>		
To provide employment for needy young persons between ages of 17 and 24, inclusive, in resident and workshop projects which furnish work experience preparatory to employment in defense occupations (includes wages to youth, materials, equipment, etc.) - - - - -		
	57.0	57.0
Administrative expenses - - - - -	3.0	3.0
Total, National Defense - - - - -	<u>60.0</u>	<u>60.0</u>

SOCIAL SECURITY BOARD

Expenses for 1942 are practically all classified in the general group, only \$1.5 million is included in the National Defense classification. This latter item is for "selecting, testing, and placement of defense workers."

Expenditures (checks paid) (in millions)

	<u>Estimates for 1942</u>		<u>1941</u>	<u>1940</u>	<u>1939</u>
	<u>Oct. 5/41</u>	<u>January</u>			
Administrative Expenses - - - -	\$ 25.7	\$25.7	\$22.2	\$20.9	
Grants to States:					
Old-age assistance - - - - -	265.0	260.1	227.6	208.8	
Unemployment Compensation Administration - - - -	62.0	63.0	58.3	58.9	
Dependent children, etc. - - -	75.0	63.2	45.4	31.0	
Aid to blind - - - - -	9.0	7.1	6.2	5.3	
Other-Public unemployment offices - - - - -	3.0	4.2	4.5	5.6	
Total - - - - -	446.0	439.7	423.3	364.2	330.5

Actual expenditures:

	<u>1941</u>	<u>1940</u>
July - - - - -	\$ 57.2	\$ 61.7
August - - - - -	40.7	31.9
September - - - - -	31.4	15.8
October - - - - -	52.2	53.3
Total - - - - -	181.4	162.7

FEDERAL SECURITY AGENCY - OTHER

This classification includes primarily the following items:

Office of Federal Security Administrator
Office of Education
Public Health Service

Expenditures for 1941 include additional amounts relating to National Defense which were not susceptible of segregation from general expenditures. National Defense expenditures for 1942 are separately reported for that year.

Expenditures (checks paid)(in millions)	<u>General</u>	<u>National Defense</u>
Fiscal year 1938 - - - - -	\$ 54.5	-
1939 - - - - -	59.3	-
1940 - - - - -	63.0	-
1941 - - - - -	<u>127.1</u>	(included in general)
Estimates for 1942		
January Budget - - - - -	93.7	94.3
Oct. 5, 1941 Revision - - - - -	<u>71.0</u>	<u>112.2</u> ^{1/}

^{1/} No details in Budget estimates. Amounts as reported by agencies Nov. 1, 1941.

Actual expenditures:		
July, 1941 - - - - -	\$14.3	\$ 2.8
August, 1941 - - - - -	7.0	27.1
September, 1941 - - - - -	3.0	12.6
October, 1941 - - - - -	<u>6.9</u>	<u>7.9</u>
Total first 4 months - - - - -	31.2	49.9
Total July-October, 1941 - - - - -	38.2	(included in general)

Principal items of expenditures by above agencies on basis of amounts included in 1942 estimates of appropriations, are as follows:

General

Office of Education

Permanent appropriation Colleges of Agriculture and the mechanic arts - - - - -	\$ 2.5
Further endowment of colleges of A. & M. A. - - - - -	2.5
Vocational education	
Permanent appropriation - Act of Feb. 23, 1917 - - - - -	7.0
Further development - - - - -	13.5

Public Health Service

Pay of personnel & maintenance of hospitals - - - - -	7.3
Divisions of Venereal Diseases & Mental Hygiene - - - - -	7.9
Grants to States for public health work - - - - -	11.0

National Defense

Office of Education

Payments to States for Education and training of defense workers in vocational schools, colleges, etc. -	112.2
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FEDERAL ROAD ADMINISTRATION

All 1942 expenditures under this caption are reported under the general classification, and none are reported under National Defense.

Expenditures (checks paid) (In millions)

Fiscal year 1938	-----	\$223.4
" " 1939	-----	191.0
" " 1940	-----	164.9
" " 1941	-----	174.1
<u>Estimates for 1942:</u>		
In January Budget	-----	165.0
October 3, 1942 Revision	-----	173.0
<u>Actual expenditures:</u>		
July, 1942	-----	\$24.6
Aug. "	-----	18.4
Sept. "	-----	17.6
Oct. "	-----	20.9
Total first 4 months	-----	81.5
Total - July - Oct. 1942	-----	74.4

The principal items of expenditures under this classification, on basis of estimates of expenditures indicated in 1942 Budget, are as follows:

Federal-aid highway system	-----	\$110.0
Secondary or feeder roads	-----	20.0
Elimination of grade crossings	-----	34.0
Public lands highways	-----	1.0
Total	-----	<u>\$165.0</u>

METHOD OF FINANCING FEDERAL-AID WORK

For a number of years it has been the practice for each Congress to enact legislation authorizing appropriations for Federal-aid highway work for each fiscal year of the succeeding two-year period. The last act of this character was approved September 3, 1940 and contained the following authorizations:

	<u>Fiscal Year 1942</u>	<u>Fiscal Year 1941</u>
Federal-aid highway system	\$100,000,000	\$100,000,000
Federal-aid secondary or feeder roads	17,500,000	17,500,000
Federal-aid grade crossings	20,000,000	20,000,000
Public lands highways	1,500,000	1,500,000

The Federal Highway Act provides that the authorization for each fiscal year shall be apportioned among the States not later than January 1 next preceding the beginning of the fiscal year for which the appropriation is authorized. The Act further provides for the approval of projects following the apportionment of any year's authorization with each approval constituting a contractual obligation of the Federal Government for the

payment of its pro rata share of the cost of the projects so approved. These appropriations remain available for obligation for one year following the fiscal year for which authorized. Under this procedure expenditures for Federal-aid highway work during the fiscal year ending June 30, 1942 became an obligation of the Government prior to January 1, 1941. Expenditures for this purpose for the fiscal year July 1, 1942 to June 30, 1943 will be obligated before January 1, 1942, unless the Public Roads Administration has already appropriated the amount authorized for the fiscal year 1943.

Contracts for the construction of approved Federal-aid highway projects are actually entered into by the State highway departments. After work on such projects has actually been accomplished, the States submit reimbursement vouchers claiming the Federal pro rata share of the cost. There is a considerable time lag between the incurring of obligations, through the approval of projects, and the need for cash to make the actual payments to States. This time lag varies from 9 to 13 months on highway projects and from 11 to 14 months on grade crossing projects, with an average of about 11 and 13 months, respectively.

This method of financing the Federal-aid work, with States providing the funds initially, makes it possible to proceed with the work under the authorization well ahead of the appropriation. As an illustration of this procedure it may be noted that the \$100,000,000 estimate of appropriation of regular Federal-aid for 1942 is part of the \$115,000,000 authorized for the fiscal year 1941, leaving \$15,000,000 of the 1941 authorization for a later appropriation.

The next Federal-aid Highway Authorization Act would ordinarily be approved in 1942 and would include authorizations for appropriations for the fiscal years 1944 and 1945.

SPECIAL CLASSIFICATION OF EXPENDITURES FOR FISCAL YEARS 1932 TO 1941, INCLUSIVE, AND ESTIMATES FOR FISCAL YEAR 1942

(In millions of dollars)

	Estimated 1942 ¹⁾	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	TOTAL 1932 to 1941, INCLUSIVE
FEDERAL SECURITY AGENCY												
Civilian Conservation Corps	200	257.4	283.2	290.4	326.4	385.8	486.3	435.5	331.9	14.2	-	2,811.1
National Youth Administration	90	136.4	94.6	78.1	^{2/} 51.2	^{2/} 65.6	^{2/} 35.5	-	-	-	-	461.4
Social Security Board:												
Administrative Expenses		25.7	22.2	20.9	19.6	15.4	.5	-	-	-	-	104.3
Grants to States (Social Security)		390.3	337.5	304.0	254.8	152.9	25.6	-	-	-	-	1,465.1
Other	446	4.2	4.5	5.6	11.0	16.6	14.0	7.0	1.7	.8	.9	66.2
Unclassified		-	-	-	-	-	-	-	-	-	-	-
War (Includes Public Health Service, Office of Education and Office of Administrator of Federal Security Agency)	71	127.1	63.0	99.3	54.5	44.1	36.3	29.3	24.8	26.7	30.4	495.5
TOTAL	877	944.0	865.1	758.3	717.5	580.6	596.2	471.8	358.4	41.7	31.2	3,404.8
FEDERAL WORKS AGENCY												
Public Buildings Administration:												
Construction		51.7	58.1	51.4	76.7	76.3	66.0	58.0	78.7	109.6	86.0	710.5
Other	50	17.0	16.9	14.8	14.8	12.6	11.8	9.4	9.0	21.8	24.1	152.3
Unclassified		-	.1	-	-	-	-	-	-	-	-	-
Public Roads Administration	175	174.1	164.5	191.0	223.4	349.6	231.4	206.6	246.3	164.7	184.8	3,296.6
Public Works Administration:												
Grants (Act June 21, 1938)		98.8	218.7	255.0	-	-	-	-	-	-	-	612.5
Loans (Act June 21, 1938)	35	1.0	21.8	18.7	-	-	-	-	-	-	-	41.5
Administrative Expenses		3.7	17.9	23.4	15.1	27.4	25.5	14.6	6.3	-	-	133.9
Revolving Fund:												
Loans and Grants to States, etc.	15	22.8	59.4	100.8	136.9	224.5	172.3	137.7	78.6	-	-	932.8
Loans to railroads		-	-	-	-3.3	-3.1	-27.6	66.2	70.7	-	-	2.6
U. S. Housing Authority ^{3/}	13	6.0	1.9	8.6	20.7	-	-	-	-	-	-	37.2
Work Projects Administration	875	1,384.6	1,477.3	2,161.5	^{4/} 1,421.3	^{4/} 1,830.8	^{4/} 1,208.1	-	-	-	-	9,403.2
Other	-	.4	.1	-	-	-	-	-	-	-	-	.5
TOTAL	1,163	1,659.9	2,064.8	2,835.3	1,905.6	3,509.2	1,608.7	592.8	496.2	392.1	264.0	14,264.3
Federal Emergency Relief Administration	-	-	.5	1.7	4.1	12.1	495.6	1,821.0	707.4	37.9	-	3,080.9
Civil Works Administration	-	-	*	.2	.2	.3	.7	11.3	805.1	-	-	817.8
River and harbor work and flood control	200	212.5	212.9	193.0	198.5	235.0	223.7	203.0	150.7	118.4	116.8	1,870.6
Tennessee Valley Authority ^{3/}	100	51.2	39.1	40.8	42.0	43.0	46.8	36.1	11.0	-	-	311.0
Panama Canal	16	39.1	25.0	9.8	11.4	11.4	11.5	9.0	9.9	12.9	10.7	121.0

* Less than \$50,000.

^{1/} Revised October 5, 1941

^{2/} Exclusive of administrative expenses included under Work Projects Administration.

^{3/} Includes operations from appropriated funds only.

^{4/} Includes administrative expenses, National Youth Administration.

Office of the Under Secretary

November 5, 1941.

PUBLIC ROADS ADMINISTRATION

All 1942 expenditures under this caption are reported under the general classification, and none are reported under National Defense.

Expenditures (checks paid) (In millions)

Fiscal year 1938 - - - - -	\$223.4
" " 1939 - - - - -	191.0
" " 1940 - - - - -	164.5
" " 1941 - - - - -	<u>174.1</u>
Estimates for 1942:	
In January Budget - - - - -	165.0
October 5, 1941 Revision - - - - -	175.0
Actual expenditures:	
July, 1941 - - - - -	\$14.6
Aug. " - - - - -	18.4
Sept. " - - - - -	17.6
Oct. " - - - - -	<u>20.9</u>
Total first 4 months - - - - -	\$71.5
Total - July - Oct. 1940 - - - - -	74.4

The principal items of expenditures under this classification, on basis of estimates of expenditures indicated in 1942 Budget, are as follows:

Federal-aid highway system - - - - -	\$110.0
Secondary or feeder roads - - - - -	20.0
Elimination of grade crossings - - - - -	34.0
Public Lands highways - - - - -	<u>1.0</u>
Total - - - - -	<u>\$165.0</u>

METHOD OF FINANCING FEDERAL-AID WORK

For a number of years it has been the practice for each Congress to enact legislation authorizing appropriations for Federal-aid highway work for each fiscal year of the succeeding two-year period. The last act of this character was approved September 5, 1940 and contained the following authorizations:

	<u>Fiscal Year 1942</u>	<u>Fiscal Year 1943</u>
Federal-aid highway system - - - - -	\$100,000,000	\$100,000,000
Federal-aid secondary or feeder roads - - - - -	17,500,000	17,500,000
Federal-aid grade crossings - - - - -	20,000,000	20,000,000
Public Lands highways - - - - -	1,500,000	1,500,000

The Federal Highway Act provides that the authorization for each fiscal year shall be apportioned among the States not later than January 1 next preceding the beginning of the fiscal year for which the appropriation is authorized. The Act further provides for the approval of projects following the apportionment of any year's authorization with such approval constituting a contractual obligation of the Federal Government for the

payment of its pro rata share of the cost of the projects so approved. These apportionments remain available for obligation for one year following the fiscal year for which authorized. Under this procedure expenditures for Federal-aid highway work during the fiscal year ending June 30, 1942 became an obligation of the Government prior to January 1, 1941. Expenditures for this purpose for the fiscal year July 1, 1942 to June 30, 1943 will be obligated before January 1, 1942, unless the Public Roads Administration has already apportioned the amount authorized for the fiscal year 1943.

Contracts for the construction of approved Federal-aid highway projects are actually entered into by the State highway departments. After work on such projects has actually been accomplished, the States submit reimbursement vouchers claiming the Federal pro rata share of the cost. There is a considerable time lag between the incurring of obligations, through the approval of projects, and the need for cash to make the actual payments to States. This time lag varies from 9 to 13 months on highway projects and from 11 to 14 months on grade crossing projects, with an average of about 11 and 13 months, respectively.

This method of financing the Federal-aid work, with States providing the funds initially, makes it possible to proceed with the work under the authorization well ahead of the appropriation. As an illustration of this procedure it may be noted that the \$100,000,000 estimate of appropriation of regular Federal-aid for 1942 is part of the \$115,000,000 authorized for the fiscal year 1941, leaving \$15,000,000 of the 1941 authorization for a later appropriation.

The next Federal-aid Highway Authorization Act would ordinarily be approved in 1942 and would include authorizations for appropriations for the fiscal years 1944 and 1945.

CIVILIAN CONSERVATION CORPS

All 1942 expenditures are classified in the general group and none are included in the National Defense classification.

Expenditures (checks paid):

	(In millions)
Fiscal year 1938 - - - - -	\$326.4
" " 1939 - - - - -	290.4
" " 1940 - - - - -	283.2
" " 1941 - - - - -	<u>257.4</u>
Estimates for 1942:	
January Budget - - - - -	265.0
October 5, 1941 Revision - - - -	<u>200.0</u>
July, 1941 expenditures - - - - -	20.8
Aug. " " - - - - -	19.2
Sept. " " - - - - -	17.7
Oct. " " - - - - -	<u>16.9</u>
 Total first 4 months - - - - -	 74.6
Total - July - Oct. 1940 - - - -	94.2

The program of the Civilian Conservation Corps as indicated by estimates of appropriations for 1942, contained in the 1942 Budget, is as follows:

	<u>Estimates of</u> <u>Appropriations</u>	<u>Amounts</u> <u>Appropriated</u>
Pay, subsistence, etc. of enrollees	\$167.3	\$153.4
Camp maintenance and construction	10.5	8.9
Salaries and expenses, care of enrollees - - - - -	11.3	10.4
Project salaries - - - - -	36.1	32.9
Project expenses - - - - -	24.8	22.2
Salaries, field - - - - -	13.1	12.5
Expenses, field - - - - -	4.2	3.9
Salaries, Departmental - - - - -	2.2	2.2
Expenses, Departmental - - - - -	.6	.6
	} 201	} 19.2
 TOTAL - - - - -	 <u>\$270.0</u>	 <u>\$247.0</u>

NATIONAL YOUTH ADMINISTRATION

Expenditures for 1942 are classified both in the general group and in the National Defense classification.

Expenditures (checks paid) (In millions)

	<u>Regular</u>	<u>Defense</u>
Fiscal year 1939 - - - - -	\$78.1	-
1940 - - - - -	94.6	-
1941 - - - - -	136.4	-
Estimates for 1942:		
January Budget - - - - -	97.6	1.6
→ October 5, 1941 Revision - - - - -	90.0 ?	60.0 1/ ←
July, 1941 expenditures - - - - -	12.2	.5
Aug. " " - - - - -	7.6	2.1
Sept. " " - - - - -	7.9	3.2
Oct. " " - - - - -	7.6	
Total first 4 months - - - - -	35.3	
Total - July - October 1940 - - - - -	25.6	

1/ Included in supplemental estimates submitted May 13, 1941.

The program of National Youth Administration as indicated by estimates of appropriations, contained in the 1942 Budget, is as follows:

	<u>Estimates of Appropriations</u>	<u>Amounts Appropriated</u>
<u>General:</u>		
Project supervision:		
Personal services at area offices - - -	4.8	}
" " " resident centers - - -	2.3	
" " " local projects - - -	5.7	
" " " student work program - - -	.5	
Other project expenses:		
Out-of-school work program - - - - -	5.6	86.0
Student work program - - - - -	.2	
Pay of youth:		
Resident centers, out-of-school program	6.8	}
Local projects, out-of-school program -	42.5	
Student work program - - - - -	27.3	
Administrative salaries and expenses - - -	5.8	5.8
Total, General - - - - -	<u>101.8</u>	<u>91.8</u>
<u>National Defense:</u>		
To provide employment for needy young persons between ages of 17 and 24, inclusive, in resident and workshop projects which furnish work experience preparatory to employment in defense occupations (includes wages to youth, materials, equipment, etc.) - - - - -		
	57.0	57.0
Administrative expenses - - - - -	3.0	3.0
Total, National Defense - - - - -	<u>60.0</u>	<u>60.0</u>

FEDERAL SECURITY AGENCY - OTHER

This classification includes primarily the following items:

Office of Federal Security Administrator
Office of Education
Public Health Service

Expenditures for 1941 include additional amounts relating to National Defense which were not susceptible of segregation from general expenditures. National Defense expenditures for 1942 are separately reported for that year.

	<u>General</u>	<u>National Defense</u>
Expenditures (checks paid) (in millions)		
Fiscal year 1938 - - - - -	\$ 54.5	-
1939 - - - - -	59.3	-
1940 - - - - -	63.0	-
1941 - - - - -	<u>127.1</u>	(included in general)
Estimates for 1942		
January Budget - - - - -	93.7	94.3
Oct. 5, 1941 Revision - - - - -	<u>71.0</u>	<u>118.81</u>

1/ No details in Budget estimates. Amounts as reported by agencies Nov. 1, 1941.

Actual expenditures:		
July, 1941 - - - - -	\$14.3	\$ 2.8
August, 1941 - - - - -	7.0	27.1
September, 1941 - - - - -	3.0	12.6
October, 1941 - - - - -	<u>6.9</u>	<u>7.5</u>
Total first 4 months - - - - -	31.2	49.9
Total July-October, 1940 - - - - -	38.2	(included in general)

Principal items of expenditures by above agencies on basis of amounts included in 1942 estimates of appropriations, are as follows:

GeneralOffice of Education

Permanent appropriation Colleges of Agriculture and the mechanic arts - - - - -	\$ 2.5
Further endowment of colleges of A. & M.A. - - - - -	2.5
Vocational education	
Permanent appropriation - Act of Feb. 23, 1917 - - - - -	7.0
Further development - - - - -	13.5
Public Health Service	
Pay of personnel & maintenance of hospitals - - - - -	7.3
Divisions of Venereal Diseases & Mental Hygiene - - - - -	7.9
Grants to States for public health work - - - - -	11.0

National DefenseOffice of Education

Payments to States for Education and training of defense workers in vocational schools, colleges, etc. -	118.8 ✓
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OFFICE OF THE DIRECTOR

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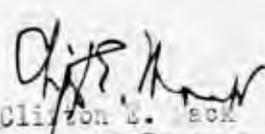
TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

November 10, 1941

MEMORANDUM TO THE SECRETARY:

At a conference held at the Office of Lend-Lease Administration on November 5, it was announced that effective November 17, allocation of funds would be made on a program basis and a working fund would be established to handle items that could not be programmed.

A requisition has been received calling for semi-finished steel requirements for the first two quarters of 1942. A request is being made for the allocation of this steel for at least one quarter or two quarters if possible rather than looking to monthly allocations as has been the practice heretofore.


Clinton E. Mack
Director of Procurement

Attachment

UNITED STATES GOVERNMENT
OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301
(11/1/51 - 11/1/51)

REGISTRATIONS OF HAND (as of beginning of week)
REGISTRATIONS RECEIVED DURING WEEK

210,742,882.02
80,813,119.00

TOTAL

* 209,061,764.02

REGISTRATIONS AWAITING DESIGNATION OF IN O.P.B.

82,198,623.48
38,625,254.75

AWAITING ALLOCATIONS OF FUNDS
REGISTRATIONS AWAITING ALLOCATIONS OF
MATERIAL O.P.B.

8,095,000.00

TOTAL

* 132,610,889.23

TOTAL REGISTRATIONS OF HAND AVAILABLE FOR PURCHASE

IN O.P.B. DURING WEEK

* 160,242,880.79

* 12,000,313.19

TOTAL

* 138,480,567.60

LESS:
CANCELLATION BY D.P.C.
TRANSFER TO HAND DESIGNATED
TOTAL OF REGISTRATIONS OF HAND AVAILABLE FOR FINAL
PURCHASE ACTION

28,100.00
2,500.00

40,600.00

* 168,306,067.60

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Treasury Department, Procurement Division
STATEMENT OF LEASE-LEND ALLOCATIONS
Made Since Inception of Program

As of November 8, 1941

Purpose Classification	Allocations (Trans. Directive)	Contracts Executed			Balance	
		Unliquidated Obligation	Expenditures	Total	Unobligated	Unexpended
<u>United Kingdom</u>						
114 Transport, Utility & Other, Aircraft	\$ 6,515,000.00	\$ 81,837.35	\$ 4,365,474.79	\$ 4,447,312.14	\$ 2,067,687.86	\$ 2,149,525.21
115 Training, Aircraft	190,000.00	—	185,840.00	185,840.00	4,160.00	4,160.00
244 Misc. Auto. Parts & Accessories	699,366.00	308,239.72	217,441.02	585,680.74	113,685.26	421,924.98
540 Machinery & Equipment	540,216.00	226,530.96	27,882.59	254,413.55	285,802.45	512,333.41
629 Other Agric. Products	3,903,567.00	177,259.07	—	177,259.07	3,726,307.93	3,903,567.00
631 Machine Tools	60,900.00	16,897.40	4,665.84	21,563.24	39,336.76	56,234.16
632 Agric. Implements	16,427,034.00	7,537,166.92	3,360,619.56	10,897,785.48	5,529,248.52	13,066,415.44
633 Road Bldg Equip., Materials & Supplies	9,940,424.00	5,359,104.94	1,842,238.90	7,201,343.84	2,739,080.16	8,098,185.10
634 Elec. Equip., Materials & Supplies	7,097,990.00	2,813,671.90	198,089.48	3,011,761.38	4,086,228.62	6,899,900.52
635 Fire Fighting Equipment	1,657,114.00	548,185.68	393,606.26	941,791.94	725,322.06	1,273,507.74
636 Railroad Equipment	4,216,455.00	2,266,237.79	—	2,266,237.79	1,950,217.21	4,216,455.00
639 Machinery, Equipment & Supplies	22,972,742.10	11,953,461.19	364,474.14	12,317,935.33	10,654,806.77	22,608,267.96
641 Iron & Steel	102,987,068.90	55,428,562.58	33,825,844.36	89,254,406.94	13,732,661.96	69,161,224.54
642 Copper and Brass	12,070,541.00	8,230,383.47	3,546,554.87	11,776,938.34	293,602.66	8,523,986.13
643 Aluminum	1,145,462.00	43,034.79	39,563.66	82,598.45	1,062,863.55	1,105,898.34
644 Zinc	7,527,400.00	1,893,169.04	3,221,481.68	5,114,651.32	2,412,748.68	4,305,913.32
648 Other Metals & Alloys	13,942,726.00	10,283,308.76	2,450,985.40	12,734,294.16	1,207,501.84	11,490,810.60
649 Non Metallic Minerals	8,586,500.00	—	6,500.00	6,500.00	8,580,000.00	8,580,000.00
652 Phosphates	8,798,000.00	2,199,778.17	2,464,443.95	4,664,222.12	4,133,777.88	6,333,556.05
659 Other Chemicals	18,050,660.00	8,003,362.80	1,283,508.92	9,286,871.72	8,763,788.28	16,767,151.08
660 Petroleum & Coal Products	2,542,400.00	419,714.58	570,569.25	990,283.83	1,552,116.17	1,971,830.75
670 Textiles & Clothing	28,224.00	18,000.00	—	18,000.00	10,224.00	28,224.00
680 Timber Products	16,069,978.00	6,534,060.13	527,907.53	7,061,967.66	9,008,010.34	15,542,070.47
686 Civilian Medical Supplies	1,696,048.00	1,019,239.54	342,997.78	1,362,237.32	333,810.68	1,353,050.22
690 Communities Not Otherwise Classified	42,582,693.50	23,983,748.05	692,342.11	24,676,090.16	17,906,603.34	41,890,351.39
Total - United Kingdom	\$310,357,579.50	\$149,344,955.43	\$59,993,031.09	\$209,337,986.52	\$100,919,592.98	\$250,264,548.41

Treasury Department, Procurement Division
 STATEMENT OF LEASE-LEND ALLOCATIONS
 Made Since Inception of Program

As of November 30, 1941

Purpose Classification	Allocations		Contracts Executed			Balance	
	(Trans. Directive)	Unliquidated Obligations	Expenditures	Total	Unobligated	Unexpended	
Republic of China							
016 Explosive Propellant Powders & Miscellaneous Ammunition	\$ 50,000.00	\$ 51,825.00	\$ --	\$ 51,825.00	\$ -1,825.00	\$ 50,000.00	
114 Transport, Utility & Other, Aircraft	270,000.00	--	--	--	270,000.00	270,000.00	
244 Misc. Auto. Parts & Accessories	954,000.00	232,559.75	67,981.79	296,141.54	857,858.46	890,418.21	
419 Misc. Quartermaster Supplies	3,725,000.00	2,974,986.28	345,758.79	3,320,745.07	404,254.93	3,379,241.21	
633 Road Bldg. Equip., Materials & Supplies	797,500.00	574,626.51	169,466.06	744,092.57	53,407.43	628,033.94	
634 Elec. Equip., Materials & Supplies	228,959.00	832.25	--	832.25	228,126.75	228,959.00	
639 Other Mach., Equip., Materials & Supplies	130,800.00	--	--	--	130,800.00	130,800.00	
641 Iron & Steel	5,302,089.50	2,990,574.45	52,946.62	3,043,521.08	2,258,568.42	\$ 249,142.88	
642 Copper and Brass	1,820,000.00	352,500.00	707,209.61	1,059,709.61	760,290.39	1,112,790.39	
643 Aluminum	66,150.00	--	72,549.04	72,549.04	-6,399.04	-6,399.04	
644 Zinc	207,500.00	194,330.00	213,181.66	112,501.66	494,998.34	604,318.34	
645 Lead	936,000.00	263,547.32	425,463.82	609,011.14	326,988.86	510,536.18	
648 Other Metals & Alloys	841,453.00	93,229.28	--	93,229.28	748,223.72	841,453.00	
651 Nitrates	137,500.00	--	--	--	137,500.00	137,500.00	
659 Other Chemicals	712,395.00	29,400.00	--	29,400.00	682,995.00	712,395.00	
660 Petroleum & Coal Products	8,101,161.00	4,870,589.30	290,124.66	5,160,713.96	2,940,447.24	7,211,036.54	
690 Commodities not Otherwise Classified	3,218,632.00	1,564,357.65	320,773.58	1,885,131.23	1,333,498.77	2,897,858.42	
Total - Republic of China	\$ 28,199,139.50	\$ 14,198,343.80	\$ 2,661,055.43	\$ 16,859,405.23	\$ 11,339,734.27	\$ 25,538,084.07	
695 Working Fund for Emergency	\$ 10,000,000.00	\$ 292,686.27	\$ --	\$ 292,686.27	\$ 9,707,313.73	\$ 10,000,000.00	
Allocation Adjustment Reserve	\$ 50,048,887.00	\$ --	\$ --	\$ --	\$ 50,048,887.00	\$ 50,048,887.00	
Total Allocations for Purchase	\$ 398,505,806.00	\$ 143,835,951.93	\$ 62,654,086.52	\$ 225,490,078.02	\$ 172,015,527.98	\$ 335,851,519.48	
Administrative							
830 Miscellaneous & Contingent Expenses	\$ 5,000.00	\$ --	\$ --	\$ --	\$ 5,000.00	\$ 5,000.00	
900 Administrative Expenses, 1941	24,269.00	1,020.64	10,030.95	11,051.59	13,217.41	14,238.05	
900 Administrative Expenses, 1942	275,000.00	66,661.33	91,205.32	157,866.65	117,133.35	183,794.68	
Total - Administrative	\$ 304,269.00	\$ 67,681.97	\$ 101,236.27	\$ 168,918.24	\$ 135,350.76	\$ 203,032.73	
Grand Totals	\$ 398,809,875.00	\$ 163,903,533.87	\$ 62,755,322.79	\$ 226,658,996.26	\$ 172,150,878.74	\$ 336,054,552.21	

Certified Correct

[Signature]
 H. J. Querin
 Chief, Finance Division

NOV 10 1941

My Dear Admiral Land:

I should greatly appreciate it if you would make arrangements to supply me as soon as possible with the following information for each appropriation act and contract authorization act, approved since January 1, 1940, and defense aid allocations, providing for construction under Maritime Commission auspices of vessels and equipment for national defense:

- (1) Name of act.
- (2) Date approved.
- (3) Amount appropriated or authorized for construction of vessels and equipment (and excluding payroll, subsistence, travel, etc.).
- (4) Value of contracts let to date.
- (5) Disbursements made to date.
- (6) Construction progress to date, expressed as a percentage of the total value of contracts let.

I have asked Mr. George C. Haas, Director of Research and Statistics of the Treasury Department, to assemble this information for me. Please have the requested information for each act forwarded to him as soon as it has been compiled rather than holding it until the information for all of the acts has been compiled.

Sincerely,

(Signed) E. Morgenthau, Jr.

Rear Admiral Emory S. Land, Chairman,
United States Maritime Commission,
Washington, D. C.

ML:esa 11/8/41

Fac Copy

November 10, 1941

My dear Mr. President:

This is the first of a series of charts on all defense appropriations. The others will follow fairly soon.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Handwritten notes:
"Forest 3/11"
"Forest 3/11"

Delivered by Secret Service 1:20
S.M.C.

Distribution of chart "FIRST APPROPRIATION FOR
LEND-LEASE, Approved March 27, 1941":

- Nov. 7 - copy to Secretary (given by him to
the President) *Dr 11-10-41*
 - copy to Secretary Stimson
- Nov. 8 - copy to Secretary Knox
- Nov. 10 - copy to Dr. Lubin
copy to Mr. Stettinius
- Nov. 12 - copy to ~~Miss~~ Chauncey
- copy to Vice President Wallace
- copy to ~~Secretary~~ Hull

11/7/41

189

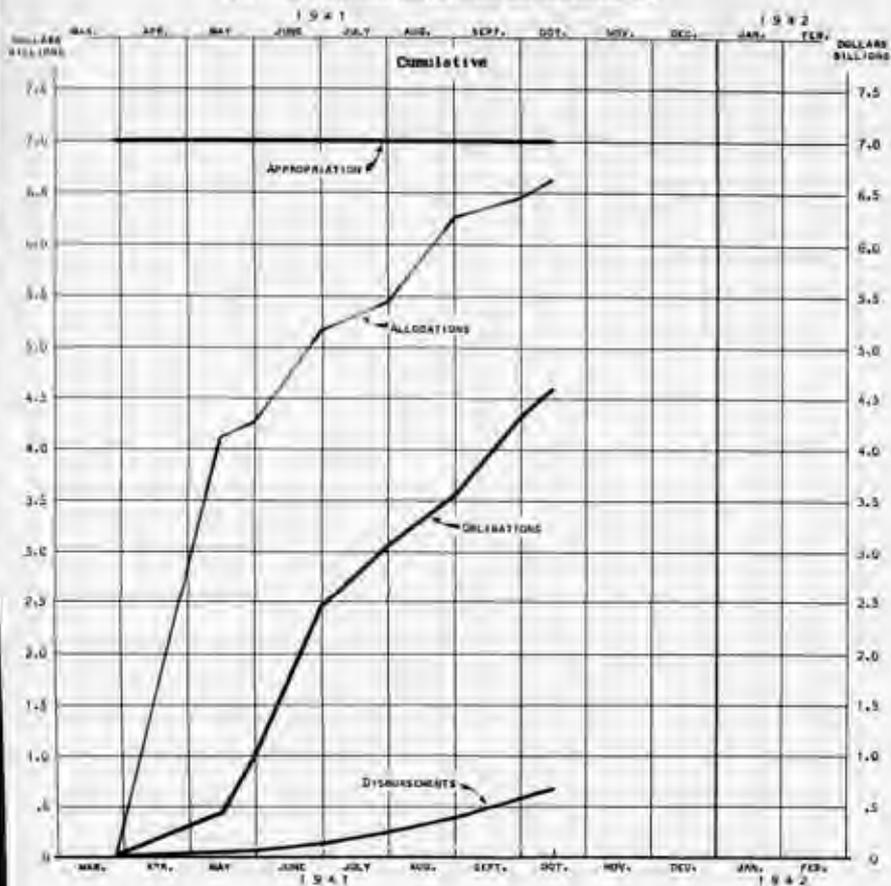
Bell and Haas gave a copy of this to
Stimson and Knox and Stettinius.

Joseph P. ...
with Bell

12.12.41

FIRST APPROPRIATION FOR LEND-LEASE
Approved March 27, 1941

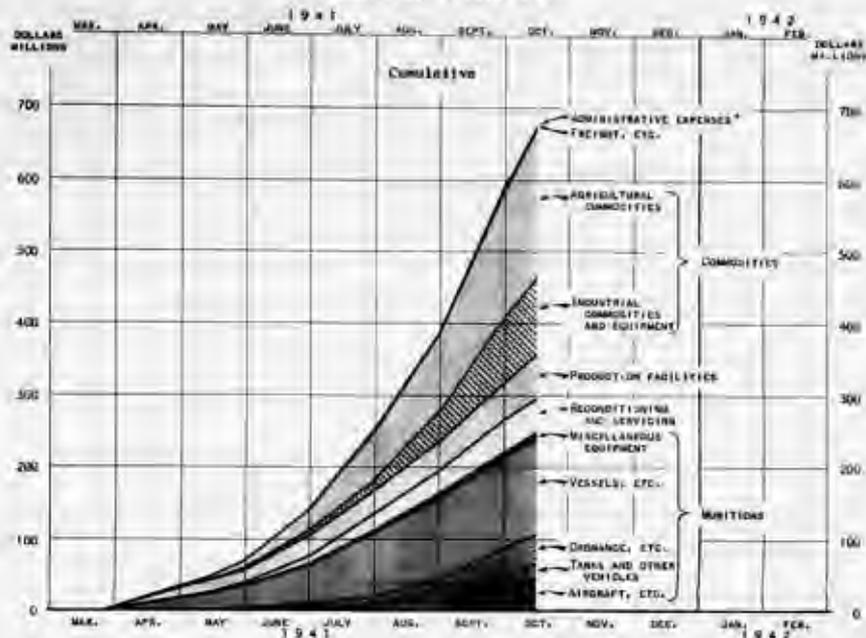
Total Allocations, Obligations and Disbursements



(in billions of dollars)

	Mar. 27	May 15	Mar 31	June 30	July 31	Aug. 31	Sept. 30	Oct. 15
Cumulative								
Appropriation	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Allocations..	-	4,133	4,277	5,177	5,446	6,281	6,458	6,638
Obligations..	-	446	995	2,458	3,057	3,556	4,331	4,600
Disbursements	-	43	68	140	252	389	550	676
		Mar. 27	May 15	June 30	July 31	Aug. 31	Sept. 30	Oct. 15
Noncumulative								
Appropriation	7,000	-	-	-	-	-	-	-
Allocations..	4,133	145	900	869	835	175	182	
Obligations..	446	549	1,463	699	469	775	869	
Disbursements	43	25	72	112	127	201	86	

Disbursements by Categories



(Millions of dollars)

	Mar. 27	May 15	May 31	June 30	July 31	Aug. 31	Sept. 30	Oct. 15
Cumulative								
Administrative expenses... Freight, etc.	-	-	-	-	-	-	-	2
Commodities	-	6	8	20	71	211	181	231
Agricultural commodities	-	-	-	-	-	-	-	-
Industrial commodities and equipment	-	6	8	12	12	42	86	107
Total commodities	-	6	8	20	71	150	274	318
Production Facilities... Reconditioning and servicing	17	20	29	34	34	31	50	58
Munitions	1	4	12	21	21	32	47	50
Miscellaneous equipment, Vessels, etc.	-	-	1	1	1	6	7	8
Ordnance, etc.	24	32	53	42	110	126	132	132
Tanks and other vehicles	-	-	2	11	11	11	20	20
Aircraft, etc.	-	-	2	6	6	11	13	13
Total munitions	24	32	58	60	138	180	207	207
Grand total	-	43	68	140	252	387	590	676
		Mar. 27	May 15	June 30	July 31	Aug. 31	Sept. 30	Oct. 15
Noncumulative								
Administrative expenses... Freight, etc.	-	-	-	-	1	-	-	-
Commodities	-	6	2	12	44	40	71	79
Agricultural commodities	-	-	-	-	-	-	-	-
Industrial commodities and equipment	-	6	2	12	12	42	86	107
Total commodities	-	6	2	20	66	70	118	148
Production Facilities... Reconditioning and servicing	17	3	9	5	7	8	8	8
Munitions	1	3	6	10	10	15	15	15
Miscellaneous equipment, Vessels, etc.	-	-	-	1	5	1	1	1
Ordnance, etc.	24	6	21	17	12	15	16	16
Tanks and other vehicles	-	-	2	11	11	11	20	20
Aircraft, etc.	-	-	1	7	7	14	13	13
Total munitions	24	10	29	46	46	52	57	57
Grand total	43	19	51	71	117	137	201	207

¹Less than \$500,000
Source: OFFICE OF LEND-LEASE ADMINISTRATION

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Nov. 10, 1941.

TO Secretary Morgenthau
FROM Mr. Haas

Miss Chauncey gave me your message with regard to taking a copy of the Lend-Lease chart to Vice President Wallace and Secretary Hull. As each of the charts has to be colored by hand it will be late in the afternoon before the additional copies are completed, and as I have an appointment to see Mr. Stettinius at 4 P.M., the appointments to see Mr. Wallace and Mr. Hull could not be made until after 4:30 P.M. Under these circumstances, I am wondering if you might not prefer to have me ask Mr. Fitzgerald to attempt to arrange appointments for me to see them on Wednesday, tomorrow being a holiday.

November 10, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES

Secretary Morgenthau's Home
Washington, D. C.
November 9, 1941 - 8:45 P.M.

The Secretary saw White at 6:15 P.M. at White's request. White told Secretary Morgenthau he had talked at some length with Mr. Philip Murray that day at Mr. Murray's request. Mr. Lee Pressman was present during the conversation with Mr. Murray. White recounted briefly his conversation with Mr. Murray as follows.

Mr. Murray stated that he had been informed by Davis, head of the Defense Mediation Board, that the Government representatives on the Board had decided in favor of an open shop on the captive mine issue before them. He stated further that Davis was going to see the President Monday morning and that a formal Mediation Board meeting was to be held Monday morning, at which time the formal vote would be taken. Murray felt that Davis would not have taken the position he had unless he had a prior intimation from the President that such a decision was satisfactory to the President. Mr. Murray stated that such a decision would be disastrous to the whole defense program because it might engender conflict between organized labor and the Administration. The merits of the question before the Mediation Board in Murray's opinion and, according to Murray, in the opinion of all fair-minded persons, would so clearly warrant a decision in favor of the closed shop in the captive mines that the only conclusion labor could draw from an adverse decision was that the Chairman of the Mediation Board and some of the other members were so eager to strike a blow against Lewis that they lost sight of the grave consequences which such action might have on the entire defense program. In his view, the decision would be so unfair that if such a decision were made he had no course left but to resign from the Mediation Board and other members of the C.I.O. would likewise resign. He also felt that as a consequence of such a decision Lewis would call out the captive mine workers on strike -- some 50,000 of them. More than that, he felt that Lewis might also call out all the coal miners -- some 300,000 -- under authority of a provision in U. M. W. contract with the commercial producers which Lewis interprets as providing that power without violation of the contract.

Division of Monetary
Research

- 2 -

Murray further pointed out that the C.I.O. convention in Detroit was on November 17, and that he planned to make a strong statement supporting the President's foreign policy, but that he would have an extremely difficult time of it if he were confronted with a labor situation in which apparently the Administration had condoned what labor regards as so serious an attack upon labor rights. He thought that the atmosphere of the C.I.O. convention would become one of antagonism to the Administration because Lewis might well attempt to exploit the situation and attempt to demonstrate to the delegates that his opposition to the Administration had in fact been well-founded. Murray stressed the fact that Davis, who is a level-headed chap, was probably so blinded by his antagonism to Lewis that he could not see this issue clearly.

Murray also stated that Lewis, in return for a favorable decision by the Board, has offered to make the following contribution to the defense program. He proposed a contract that would insure no interruptions in coal mining up to March 1943. Murray thought this was a very substantial contribution to the defense program and a measure which Lewis could guarantee by virtue of the excellent discipline in coal mine unions.

Murray further thought that the President had not been advised of all the angles to the situation nor had he been fully apprised of the grave dangers which would threaten the defense program in the event an adverse decision were rendered. Murray felt it was extremely important that the President be so apprised before the President saw Davis Monday morning, otherwise the President might commit himself to Davis to an action from which there would be no easy retreat. He hoped that Secretary Morgenthau would see his way clear to explain it to the President. He would be glad to go with him if the Secretary and the President so desired. He stated that it would be very helpful if he could talk to the Secretary about the matter before Monday.

White told Murray that it was his opinion that the Secretary would be most reluctant to barge in on the question of labor, which was out of the Treasury's field of responsibility. White asked Murray why he couldn't use some other method of approach with the President or see the President himself. Mr. Murray gave reasons why each of the names suggested would be inappropriate or ineffective for the purpose at hand and also explained that though the

Division of Monetary
Research

- 3 -

President might see him, he might not see him in time to state his case and if he did ask to see the President, the President might regard his explanation as a case of special pleading inasmuch as he represented one of the sides in the controversy.

After much discussion, White stated that he would get in touch with Mr. Morgenthau and set the matter before him and see whether he would want to discuss the matter further with Murray.

After Mr. White recounted to Secretary Morgenthau his conversation with Murray, the Secretary asked a number of questions and decided to telephone the President to ascertain whether or not the President wanted him to get in on the matter and whether the President wanted him to see Murray. The Secretary then telephoned to the President and reported that the President said he would be glad to see Philip Murray. The Secretary said that the President also stated that to his knowledge the Board had not yet decided on the matter and was not, he thought, meeting until Tuesday. The Secretary also stated that the President had expressed himself as being very strongly opposed to a closed shop decision in this case and stated that an open shop decision in this instance would help Murray, not hurt him, and that if the C.I.O. wanted to fight on the matter, as much as he (the President) disliked a fight on his hands of that character, the Government would have to take it on and would win.

The President urged Secretary Morgenthau to talk with Mr. Murray and to repeat to him what the President had said. White then telephoned Murray and informed him that the Secretary would see him at 8:45 that evening at the Secretary's home.

At 8:45 Mr. Murray called at the Secretary's home. Mr. White was present. The Secretary reported to Mr. Murray that the President would be glad to see him the next morning and also told Murray that the President had felt that a decision by the Board for an open shop would help Murray rather than hurt him at this time. He also told Murray that the President had said he was cognizant of the animosity between Davis and Lewis.

Mr. Murray then stated that he felt the President could hardly have a complete picture of the situation if the President deemed the Board's decision wise. Murray explained to Secretary Morgenthau what the situation was, running over much the same ground that he had with White earlier in the day.

Mr. Morgenthau agreed with Murray that it would be most unfortunate if there developed a struggle between Labor and the Administration at this time. The Secretary had some suggestions to make, particularly with respect to calling the President's attention to the fact that the same Mediation Board had favored a closed shop in the Bethlehem Shipyard Case a year ago. The present case, the Secretary agreed, appeared to present a stronger case for labor in view of the extremely large portion of mines already operating under a closed shop and the very high percentage of workers belonging to the Union. He felt that if the same Board made a decision in the Bethlehem Case favoring closed shop, it could hardly in fairness make a different finding in this case. He thought the President may have forgotten the Bethlehem Case and thought it would be helpful if Murray could remind him of the episode.

Murray stressed to the Secretary his eagerness to support the President's foreign program and to get labor wholly behind the defense program and earnestly hoped that the President would help make it possible for him to make a complete success of his plea for C.I.O. support of the President's program at the coming convention. Murray stated that he had never gotten anything from the President although the President had on several occasions stated he was in entire agreement with Murray in proposals the latter made to the President but nothing had ever come of the President's apparent favorable reception of Murray's proposals.

The interview ended about 10:00 P.M. and Mr. Murray expressed his appreciation for the Secretary's sympathetic hearing and for the Secretary's assistance in the matter. Murray stated that he would telephone the Secretary sometime, after he had seen the President, and let him know how the matter stood.

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Noted by Dr. White and returned on
November 13. Original is in
President's folder.

157
November 10, 1941

Sunday night. Six fifteen.

Harry White came to see me and explained to me that Philip Murray wanted to see me because he's very anxious to place before the President what he considers the true facts about this coal strike.

I said, "Before I see Philip Murray, I'd want to ask the President whether it would be agreeable to him," because I knew what White told me, that Philip Murray wanted to see the President. I didn't want him to come here and then call on the President and have the President turn Murray and me down, which would be embarrassing for all concerned.

I called the President and got him immediately on the telephone, and asked him whether he'd care to have me see Murray and he said he would, and that what Murray really wanted was to see the President, and the President said, "I'd love to see him." So I said that Murray felt that the President hadn't got the entire story, that there was a bitter feud between Davis, Chairman of the Mediation Board, and Lewis, and that Davis was having his judgment colored through this feud. The President said yes, there was such a feud.

Then I went on to tell the President that Murray said if he got an unfavorable ruling from the Mediation Board, he, Murray, would have to resign from the Board and that he was very much afraid that they would then call a strike of the entire CIO and that this thing would build up Lewis tremendously. The President said, "Murray is wrong, it will not build up Lewis; but I want you to tell Murray that they can't have a closed shop in this coal mine and that if he's going to call out the entire CIO, it's the CIO against the Government; and while I'd hate to get into a war with Japan, we'll lick them in the long run, and the same thing holds true with CIO. If we get into a fight with them, the Government will win. And I want you to tell him that."

So I said to the President, "Well, I'll have him tonight and listen to him." So the President said, "Well, I want you to do more than that. Tell him some of these things that I've been telling you."

I then called up General Watson and told him that the President said to find out where he, the President, could reach Murray at nine-thirty tomorrow morning and told Watson that they could reach Murray at the Hotel Carlton. Then Watson said, "You know you haven't had lunch with the President in a long time. I'll try to put you down for lunch tomorrow." And I said, "Please note that I haven't hinted at being asked to lunch, and it's been months." Then the General said, "I know," he said, "it's time that you should be invited to lunch."

I'm curious to see what happens. I'm also curious to see whether the President really sends for Murray and whether Watson reminds him.

COPY

1999

November 10, 1941

Dear Mr. Bendix:

This is just to tell you how much I appreciate the spirit and the substance of your telegram of November 8. I am especially glad to know that you feel as you do about the Treasury Hour, and that your directors unanimously share your view.

We, too, have had the pleasantest relations with you and your fellow-executives, and hope they will continue.

Thank you again for your frank and friendly message.

Sincerely,

(Signed) E. Merges, Jr.

Mr. Vincent Bendix,
Bendix Aviation Corporation,
30 Rockefeller Plaza,
New York, N.Y.

cc Bob Merges

THE SECRETARY OF THE TREASURY
WASHINGTON

200

November 10, 1941

Dear Mr. Bendix:

This is just to tell you how much I appreciate the spirit and the substance of your telegram of November 8. I am especially glad to know that you feel as you do about the Treasury Hour, and that your directors unanimously share your view.

We, too, have had the pleasantest relations with you and your fellow-executives, ~~and we are truly grateful for the direct and tangible help which you have given the Treasury by your sponsorship of our radio program, and hope they will~~
continue.

Thank you again for your frank and friendly message.

Sincerely,

Mr. Vincent Bendix,
Bendix Aviation Corporation,
30 Rockefeller Plaza,
New York, N. Y.

Treasury Department

TELEGRAPH OFFICE

201

W10 MA

WUWD10 158 1 EXTRA NT

BALTIMORE MD NOV 7 1941

HON HENRY MORGENTHAU JR

1941 NOV 8 AM 7 54

SECY OF TREAS

WITH REFERENCE MISTER GRAVES VISIT TO NEWYORK AND SUBSEQUENT
CONVERSATION CONCERNING THE BENDIX AVIATION CORPORATIONS SPONSORSHIP
OF THE TREASURY HOUR I WISH TO REASSURE YOU ON BEHALF OF THE DIRECTORS
AND MANAGEMENT OF OUR CORPORATION THAT FROM THE INCEPTION OF OUR
SPONSORSHIP OF THE TREASURY HOUR WE HAVE HAD ONLY THE DESIRE TO ASSIST
THE TREASURY DEPARTMENT IN PRODUCING THE MOST OUTSTANDING RADIO
PROGRAM POSSIBLE AND TO IN ALL THINGS FURTHER THE AIMS AND OBJECTIVES
OF THE DEFENSE BOND CAMPAIGN. /DESPITE REPORTS TO THE CONTRARY OUR

W10/2 MA

Treasury Department

(YUWD10/2

TELEGRAPH OFFICE

DIRECTORS AND PRINCIPAL MANAGEMENT EXECUTIVES IN SESSION TODAY
IN PHILADELPHIA UNANIMOUSLY REAFFIRMED THE FOREGOING I SINCERELY TRUST
THAT ANY REPORTS OF INDIVIDUAL OPINIONS RELATIVE TO THE TREASURY HOUR
WILL NOT INTERFERE IN ANY WAY WITH THE PAST AND FUTURE PLEASANT
RELATIONS WE WISH TO STATE THAT THE BENDIX AVIATION CORPORATION MUST,
DOES AND WILL ALWAYS DISAVOR ANY INDIVIDUAL OPINION WHICH MAY BE AT
VARIANCE WITH THE INTERESTS OF THE CORPORATION.

RESPECTFULLY

VINCENT BENDIX PRESIDENT BENDIX AVIATION CORPN

747AM NOV 8

November 10, 1941

202

My dear Dick:

I am enclosing herewith, for your perusal, a copy of a telegram which I received from Vincent Bendix and copy of my answer to him.

Thank you for bringing this matter to my attention. You will see from the enclosed correspondence that the issue is closed.

Yours sincerely,

(Signed) Henry

Col. Richard C. Patterson, Jr.,
State Chairman, Defense Savings Staff,
1270 6th Avenue,
New York, N. Y.

cc. Bob Morgan

n.m.c.

WD 168 Defense
Bonds (11-4-41)MB

10:1b-1713.

NOV 10 1941

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

I have your letter of November 4, 1941, requesting that the necessary instructions be issued to the proper military authorities authorizing the participation of troops and the display of military equipment at Defense Savings celebrations held by state organizations through the country for the purpose of promoting the sale of Defense Bonds and Stamps.

The War Department has been cooperating insofar as practicable in furnishing troops and displays of military equipment at "Defense Shows" and it is desired to continue such cooperation provided the personnel and equipment are available and no expense to the War Department is incurred.

It is believed that the procedure which has heretofore been followed should be continued and that all requests for such participation be made to the War Department. This procedure is deemed more practicable and satisfactory than if standing orders were issued to the field forces.

Sincerely yours,

HENRY L. STIMSON

Secretary of War.

NOV 15 1941

THE SECRETARY OF THE NAVY
WASHINGTON

-2(5)(411028)

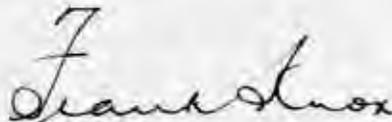
November 10, 1941

My dear Henry:

I very much appreciate your sending me compilations of the references to the Navy and the Marine Corps made in your Defense Bond broadcasts.

We all know, of course, how important it is for the American people to be able to express in tangible form their support of the National Defense Program. Such an opportunity is offered by the Defense Bond campaign which has already met with great success in mobilizing the financial resources of the country for the task ahead.

Sincerely yours,



The Honorable,
Henry Morgenthau,
Secretary of the Treasury

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

205

TELEPHONE: REPUBLIC 7880



Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

November 10, 1941

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

Dear Mr. Secretary:

Thanks for your further letter of the 7th instant,
enclosing set of charts showing the speed with which
Lend-Lease requisitions are being converted into actual
orders by your Procurement Division. We appreciate your
letting us have this information.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Morris W. Wilson".

Morris W. Wilson,
Chairman.

T

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

206

CONFIDENTIAL

DATE November 10, 1941

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation
Week ending November 8, 1941

Summary

Prices

(1) General commodity prices have continued the sidewise movement that has been in progress for nearly two months. However, basic commodity prices moved somewhat higher in the first week of November, which may foreshadow a renewed rise in the ELS all-commodity index.

(2) Reflecting the 43 percent rise in farm prices, cash income of farmers in September rose 46 percent above year-earlier levels. Total cash farm income in 1941, including Government payments, is forecast by the Department of Agriculture at about \$11,200,000,000, as compared with \$9,120,000,000 last year, and is expected in 1942 to approximate \$13,000,000,000.

Business Activity

(3) Industrial activity continues to be maintained around recent peak levels despite materials shortages, labor troubles and priorities difficulties. The New York Times index of business activity showed a further moderate gain in the week ended November 1 and rose 0.7 point to 127.6. During the same period, Barron's index of business activity was unchanged at 159.5 for the second consecutive week.

(4) Despite operating difficulties caused by labor troubles and scrap shortage, the steel industry last month set a new high record for steel ingot production at 7,243,000 net tons. This was more than 100,000 tons above March 1941, the highest previous month on record.

(5) Civil nonagricultural employment in September rose above all previous records for the sixth consecutive month. The total of 40,065,000 was 7 percent above the 1929 peak.

BLS all-commodity index levels off

For nearly two months the BLS all-commodity index of wholesale prices has moved sidewise at a level close to the 11-year high reached in September. (See Chart 1, upper line.) This leveling off was due chiefly to lower prices for farm products and foods.

During the week ended November 1, prices of farm products included in the index rose 1.4 points, but were lower than the average level for September and October. Food prices also rose moderately. The combined index in the week ended November 1 stood at 91.6, representing an advance of 18.3 percent over the low of August 1940.

Basic commodity index higher

The BLS price index of 28 basic commodities (lower line on Chart 1) has increased 45.9 percent since the August 1940 low. Its continued upward movement during the week ended November 7 may foreshadow a renewed rise in the all-commodity index.

In the week ended November 7, increased prices of food-stuffs contributed practically all of the gain in the index of basic commodity prices. (See Chart 2.) Prices of industrial materials, most of which are subject to ceiling prices, remained practically unchanged. Commodity prices during the past week have reflected uncertainty over the outcome of the price control bill, and reports of prospective exports to Russia. A strengthening factor in the wheat market was a report that over 300,000,000 bushels of this year's wheat crop are under Government loan, with the probability of another 50,000,000 to 100,000,000 bushels being added.

Price limits reduced in futures markets

Commodity exchanges were asked by Secretary Wickard on Friday to reduce immediately their daily price fluctuation limits on futures trading, "as a protective measure against price disturbances from wartime developments." The requested limits on cotton, wheat, rye and barley amount to one-half of the present limits; on other commodities the reduction is smaller. This move should have little or no effect in reducing speculative activity, but it may serve to restrain sharp price movements that might result from a temporary lack of buying or selling orders.

Farm income continues upward

A 43 percent increase in farm prices was largely responsible for an increase in cash income of farmers to \$1,325,000,000 in September 1941, or 46 percent over the September income last year, according to preliminary Department of Agriculture figures. Government payments included in the September total were reduced to \$28,000,000, versus \$54,000,000 last September.

The total cash farm income, including Government payments, is forecast by the Department of Agriculture at about \$11,200,000,000 for 1941, as compared with \$9,120,000,000 in 1940. Looking toward next year, the Department estimates that cash income from farm marketings and Government payments will approximate \$13,000,000,000, assuming a price rise of about 10 percent from present levels. This would be the largest since 1919, when farm income totalled \$14,400,000,000, but farmers' production and living costs in 1942 are likely to be substantially below those of 1919.

Taking into account the relative decline in the farm population as compared with the non-farm population, Department of Agriculture figures show that the estimated net cash income per person on farms (including Government payments) will be higher this year than in any year since 1920, while the income per person not on farms will probably be below the levels of 1926, 1928 and 1929. (See Chart 3.) The rapid rise in per capita farm incomes during the World War period, and the later severe decline, are shown on the chart.

Conservation payments, except for wheat, to be lower in 1942

Lower rates of payments in 1942 under the Soil Conservation Program for all crops but wheat were announced by the Department of Agriculture on November 3. Since the Department of Agriculture expects the total funds budgeted for the 1942 program to be about the same as in 1941, approximately \$500,000,000, the changes in rates merely signify a different distribution of the payments.

Conservation payments to farmers are based on the amount of each crop which would have been raised, with normal yields, on that part of their acreage which is retired from production or diverted to soil-building crops. The rate for wheat was increased to 10.5 cents a bushel, from 8 cents in 1941, owing to a more than 13 percent reduction in acreage allotment because of the 1941 record surplus.

Industrial activity maintained around peak levels

Industrial activity continues to be maintained around recent peak levels despite materials shortages, labor troubles and dislocations caused by priorities. Preliminary estimates indicate that industrial production last month showed little change from the record high reached in September, and weekly business indexes have shown a firm tendency recently.

Barron's index of business activity in the week ended November 1 was unchanged at 139.5 for the second consecutive week. During the same period, the New York Times index rose 0.7 point to 127.6. The gain in this index was largely due to an increase in electric power production to the highest level on record, and a substantially less than seasonal decline in miscellaneous freight carloadings. Automobile production last week showed a further slight increase to a total of nearly 94,000 units, although output still ran well behind year-earlier levels, in view of the OPM curtailment program and other factors.

October steel output at record high

With coal supplies again flowing to the steel industry as a result of the truce in the captive coal miners' strike, the steel industry last week was probably able to carry out its operating schedule of 98.2 percent of capacity. Nevertheless, the rate scheduled for the current week has dropped back to 96.6 percent.

The steel industry last month set a new production record, despite operating difficulties caused by the scrap shortage and labor troubles. The 7,243,000 net tons of steel ingots and castings produced in October were more than 100,000 tons above March 1941, the best previous month on record. Despite the heavy output of steel, 636 out of 1,897 metal working companies recently polled by the Iron Age indicated that they were short of steel, although not all of this number had to cut operations because of such shortage. The companies covered by the poll indicated that on the average 65 percent of their current operations were for defense.

Non-agricultural employment at new high

In the face of reports of employment dislocations arising from priorities and materials shortages, civil non-agricultural employment in September rose 439,000 to 40,065,000. This figure is 7 percent above the 1929 peak and represents the sixth consecutive month in which employment has topped all previous records.

Although factory employment in September rose 2.1 percent above the previous month, the gain was slightly less than seasonal. This was attributed to a tapering off in the expansion of employment in the heavy metals and machinery industries, employment dislocations in the hosiery, silk and rayon industries, and a less-than-seasonal employment increase in the automobile industry. Illustrating the manner in which expanding defense activity has been offsetting employment declines in industries suffering from material shortages or priorities difficulties, one may cite the contrasting experience of the aircraft, shipbuilding and silk and hosiery industries. During August and September, gains in aircraft and shipbuilding employment were estimated at 37,000 and 35,000 respectively, while a confidential BLS report estimates the combined loss in the hard-hit silk and hosiery industries during the same period at 33,000.

Decline ahead in private construction

Employment in construction work in September was 30 percent above year-earlier levels, but serious curtailment in private construction will follow the drastic limitations imposed on non-defense construction last month by SPAB. Doubtless due to rising costs and materials shortages, mortgages selected for appraisal by the FHA (exclusive of defense housing under Title VI) had already dropped noticeably under year-earlier levels by the latter part of September. As will be seen by referring to Chart 4, this trend was accelerated in October.

As gauged by the cost of construction of a standard 6-room frame house at St. Louis, construction costs levelled off last month. After showing the rapid rise of 10 percent from June to September, aggregate costs were unchanged at \$7,584 in October, with a further slight rise in labor costs offset by a slight decline in the prices of materials.

After an unprecedented volume of heavy construction awards in July, a sharp decline has ensued in later months, and the contract awards have recently reached the lowest level of the year. (See Chart 5, upper section.) Nevertheless, aggregate awards thus far in 1941, as reported by the Engineering News Record, have run 61 percent above the corresponding period of last year. Contracts let for private construction during the period showed a gain of only 9 percent, but public construction jumped 83 percent. New orders for construction steel have shown a declining trend since September, and last month fell well below year-earlier levels. (See Chart 5, lower section.)

Railroad wage problem still unsettled

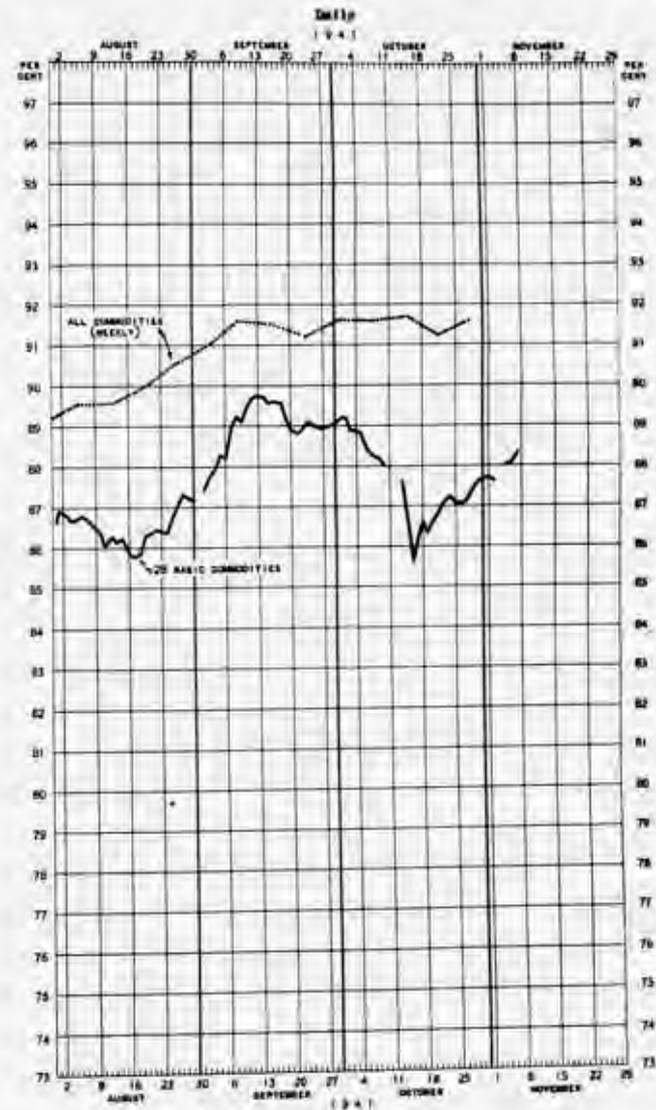
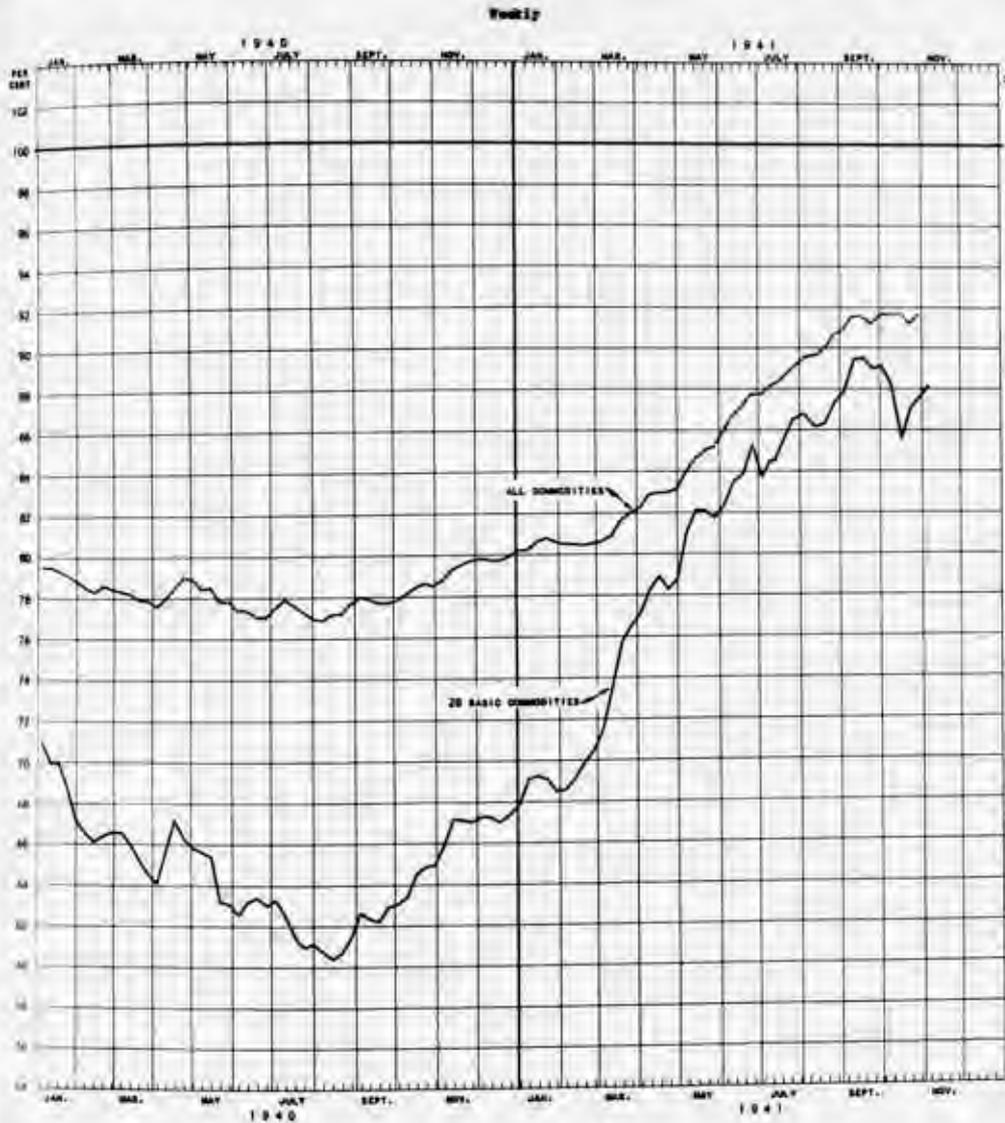
Recommendations of the Presidential Fact Finding Board with respect to wage increases for railroad labor have not been accepted by the labor unions, and the unions have announced that a strike will be called, probably for December 5. The recommendations provided for an increase of 7.5 percent in the wages of operating employees and 13.5 percent for non-operating employees. It was estimated that the cost of the wage increase to the railroads, beginning September 1, would be about \$270,000,000 on an annual basis, which would be partly offset by the consequent reduction in income taxes. This figure contrasts with estimated net income for Class I railroads of \$359,000,000 in the first 9 months of 1941, and forecasts of \$525,000,000 - \$575,000,000 for the entire year.

New orders higher

Due almost entirely to an increase in steel orders, our index of new orders in the week ended November 1 rose 8 percent. (See Chart 6.) Steel orders rose to 107 percent of capacity from 85 percent in the previous week. Textile orders showed a very small rise, while orders for other products than steel and textiles declined slightly. The combined index of new orders has been running for several months substantially below earlier levels, probably in part because of the elimination of excessive forward ordering.

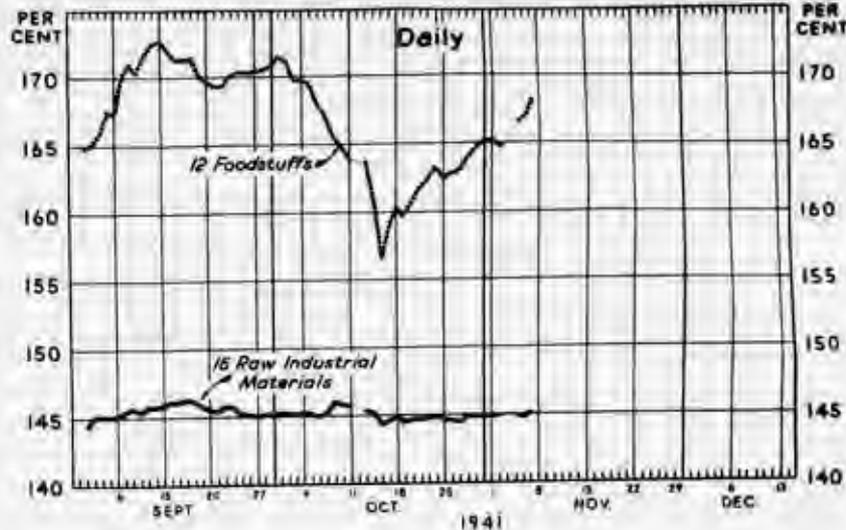
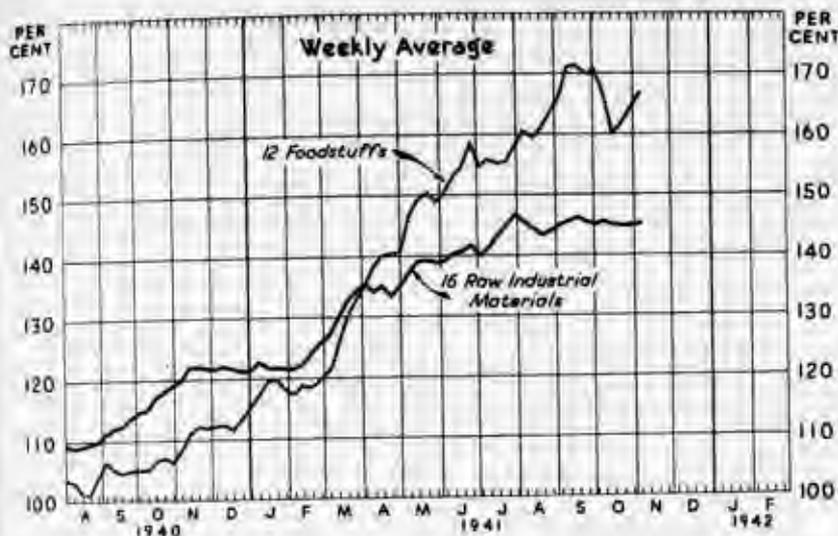
B.L.S. INDEXES OF WHOLESALE COMMODITY PRICES
1926 = 100

212
CHAPTER 1

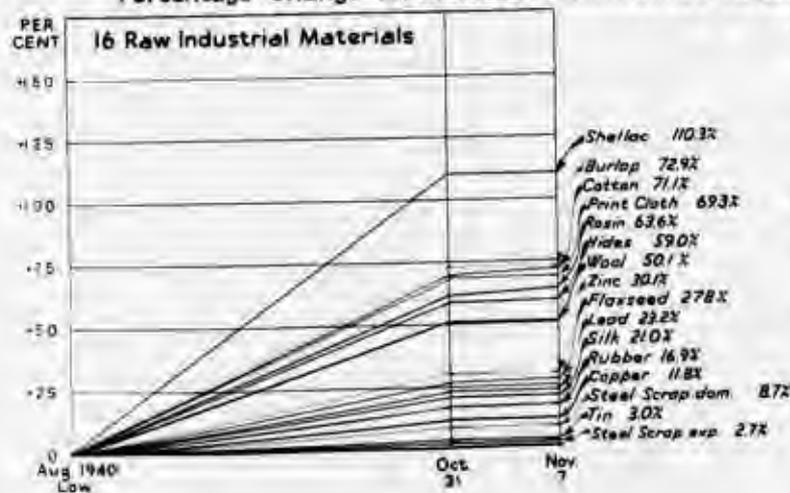


MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100

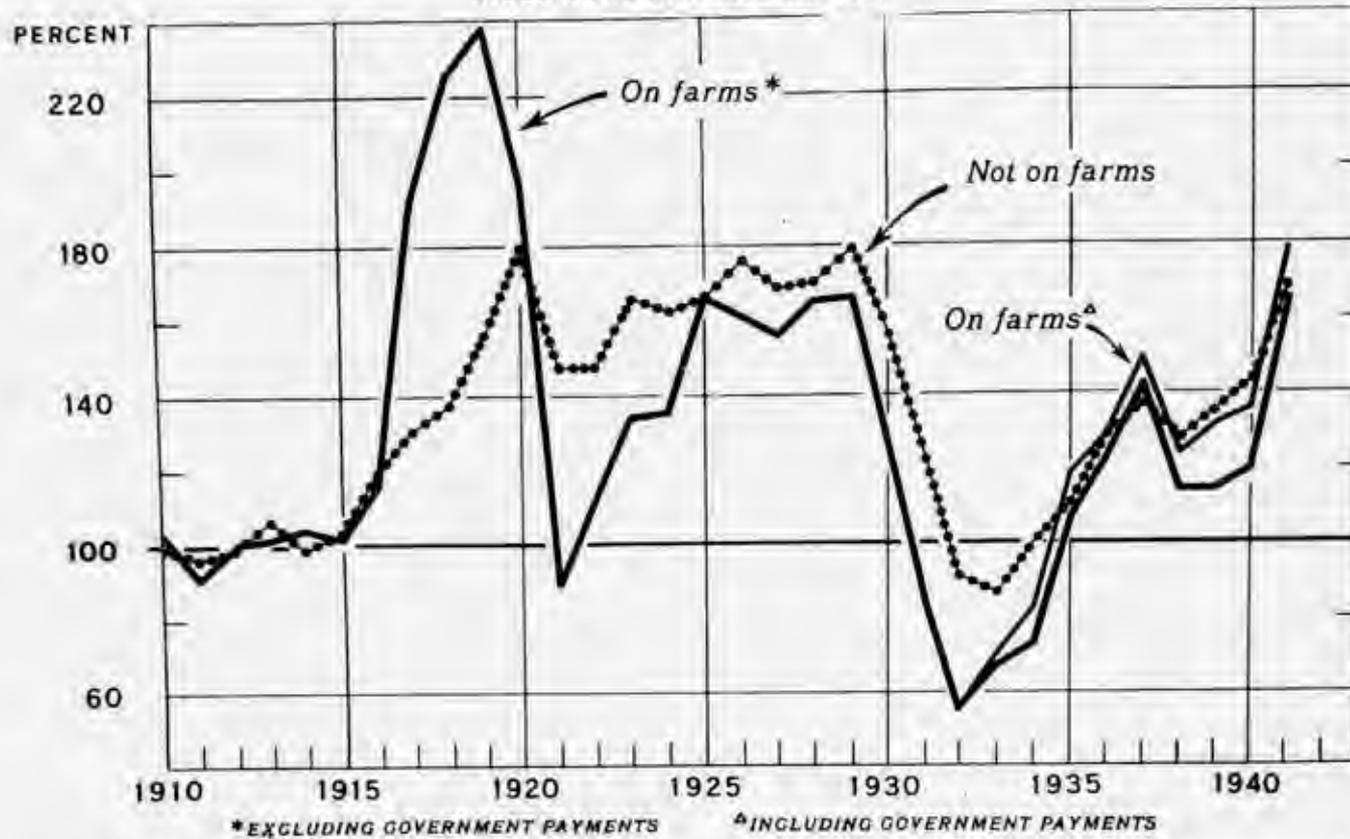


Percentage Change for Individual Commodities, August 1940 Low to October 31 and to November 7, 1941



INCOME PER CAPITA, ON FARMS AND NOT ON FARMS, UNITED STATES, 1910-41

INDEX NUMBERS (1910-14=100)

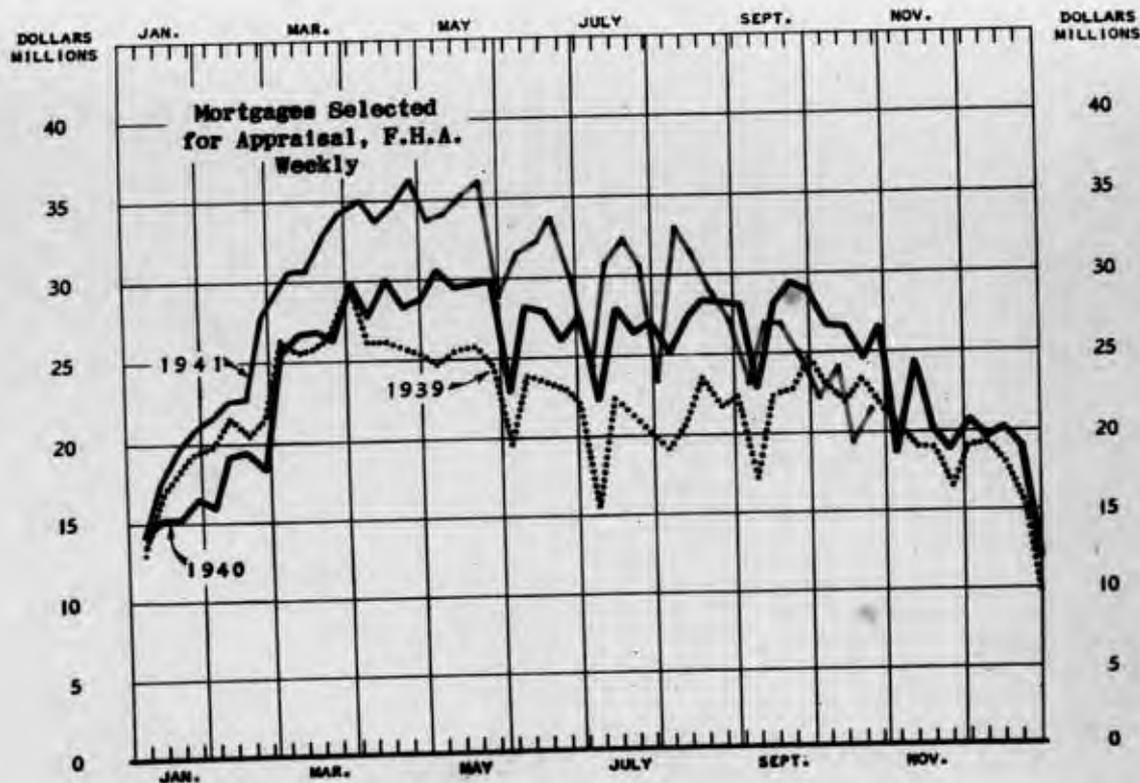


U. S. DEPARTMENT OF AGRICULTURE

NEG. 35402 BUREAU OF AGRICULTURAL ECONOMICS

Chart 3
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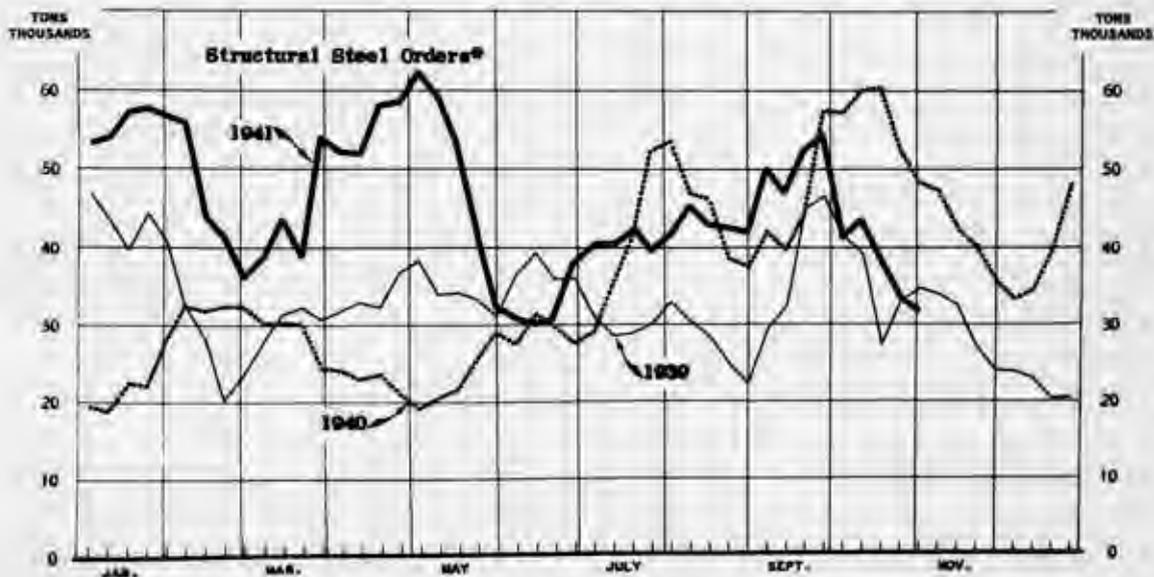
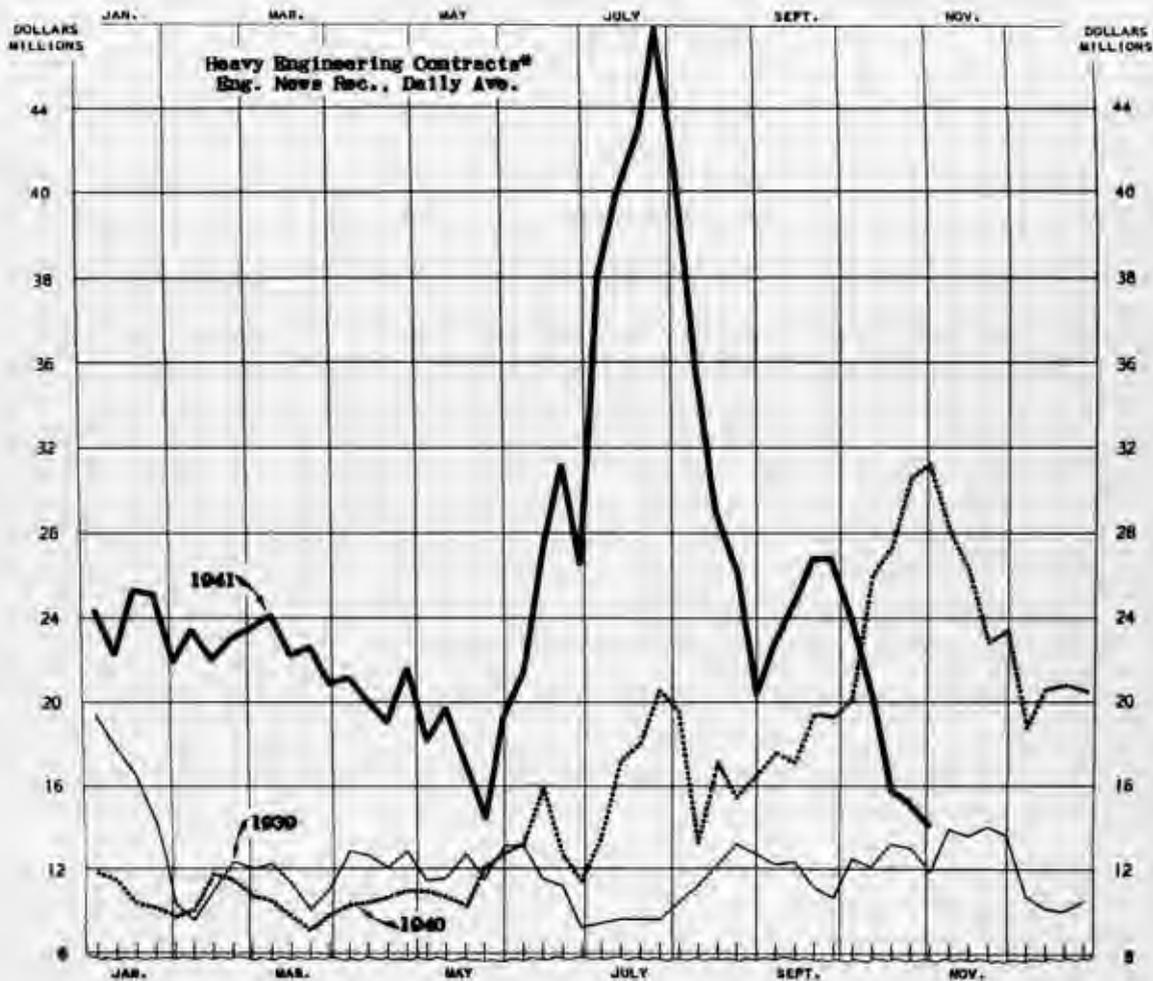
MORTGAGES SELECTED FOR APPRAISAL, F.H.A.
Weekly



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

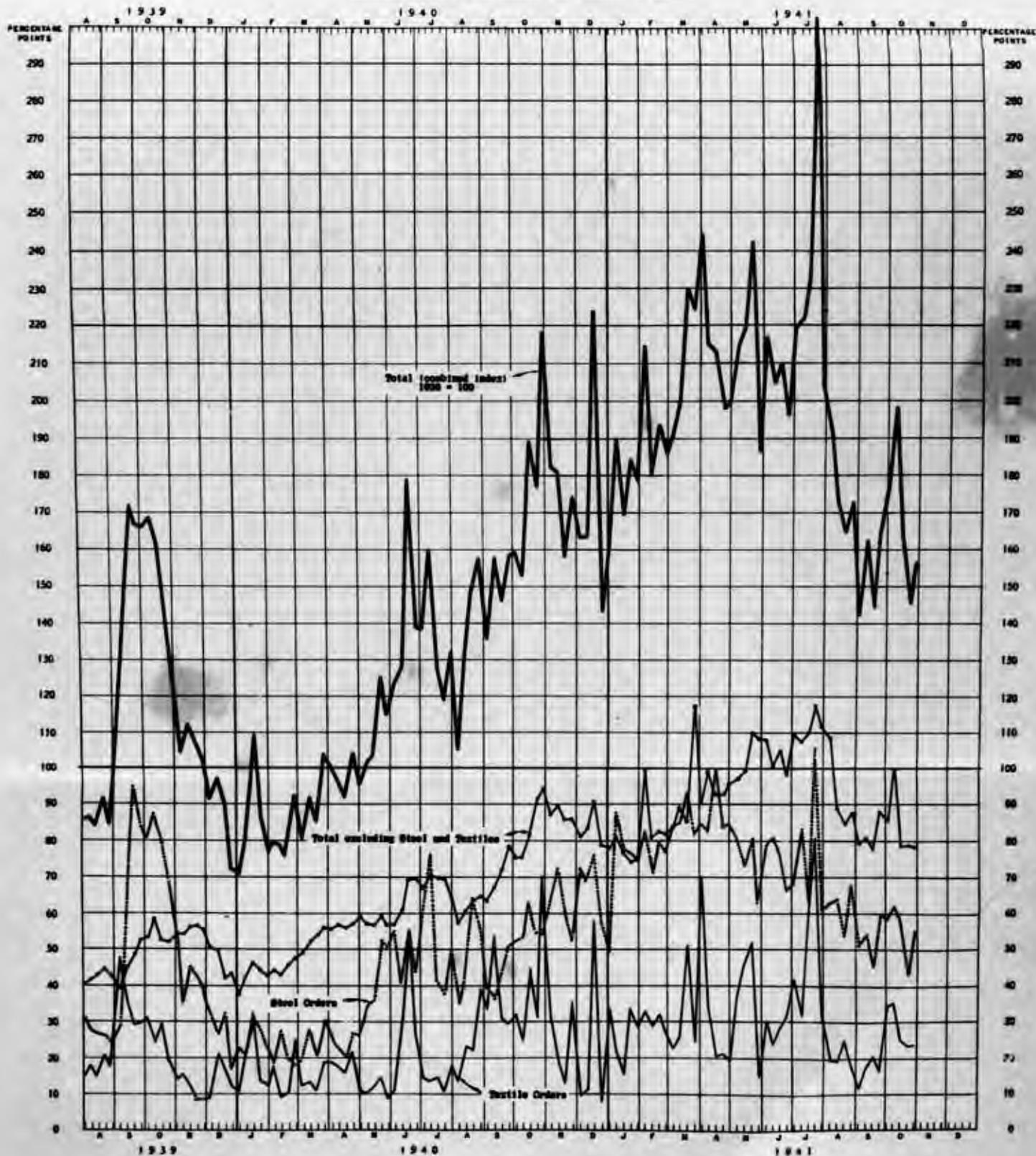
215
C-260
Chart 4

CONSTRUCTION CONTRACTS AND STRUCTURAL STEEL ORDERS



* FOUR-WEEK MOVING AVERAGE PLACED ON FOURTH WEEK

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



TREASURY DEPARTMENT

218

INTER OFFICE COMMUNICATION

DATE November 10, 1941

TO Secretary Morgenthau

FROM Mr. Haas

Employment under the Work Projects Administration reached 1,047,000 persons during the week ended October 29, 1941. This was 3,000 more than the previous week's employment and 14,000 more than the number of persons employed at the end of September.

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week ending 1941	Number of Workers (In thousands)
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
July 16	1,016
July 23	1,025
July 30	1,036
August 6	1,041
August 13	1,042
August 20	1,043
August 27	1,045
September 3	1,043
September 10	1,037
September 17	1,035
September 24	1,033
October 1	1,032
October 8	1,037
October 15	1,040
October 22	1,044
October 29	1,047

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

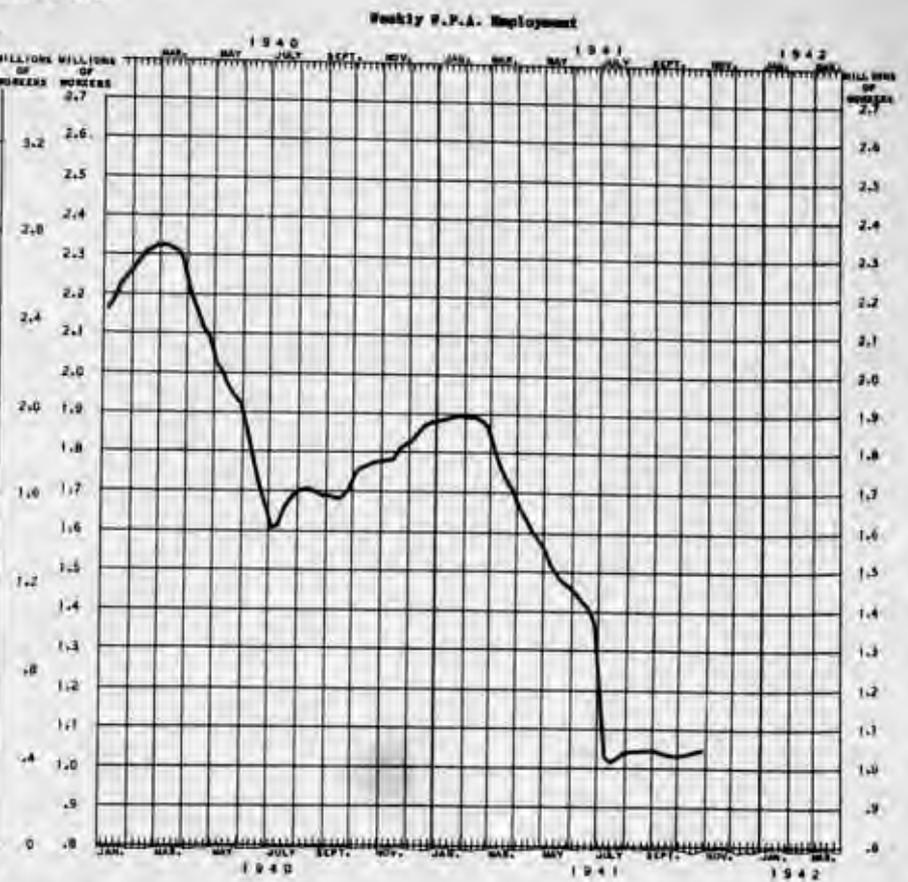
	Number of Workers (In thousands)
1939	
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464
June	1,368
July	1,036
August	1,045
September	1,033
October	1,047

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

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EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN
AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended November 8, 1941

	: JAPAN :	: RUSSIA :	: SPAIN :	: GREAT BRITAIN :
PETROLEUM PRODUCTS				
Fuel and Gas Oil (including Diesel Oil)	--	--	127,740 Bbls.	623,476 Bbls.
Crude -				
Blended or California High Octane Crude*	--	--	--	--
All Other Crude	--	--	--	--
Gasoline -				
Gasoline A**	--	208,930 Bbls.	--	529,000 Bbls.
Gasoline B*	--	70,000 Bbls.	--	735,764 Bbls.
All Other Gasoline	--	--	--	56,000 Bbls.
Lubricating Oil -				
Aviation Lubricating Oil***	--	108 Bbls.	40,520 Bbls.	167,400 Bbls.
All Other Lubricating Oil	--	18 Bbls.	1,225 Bbls.	37,092 Bbls.
Tetraethyl Lead***	--	--	--	--
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	--	--	--	--
SCRAP IRON AND SCRAP STEEL				
Number 1 Heavy Melting Scrap	--	--	--	21,000 Tons
All Other Scrap	--	--	--	--

Office of the Secretary of the Treasury, Division of Research and Statistics.
November 10, 1941.

Source: Office of Merchant Ship Control, Treasury Department.

* Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.

** Aviation Gasoline.

*** As defined in the President's regulations of July 26, 1940.

THE WHITE HOUSE
WASHINGTON

November 10, 1941

Dear Henry:

Thank you for the additional
report on prices of clothing and household
furnishings, but I can't use it for a time.

Affectionately,



OFFICE OF THE
LEND LEASE ADMINISTRATOR
Washington, D. C.

224

515 22d Street NW.

November 10, 1941

Dear Secretary Morgenthau:

Oh, if we had only really gotten going on your ideas about Basra last April when you first mentioned them.

Sincerely,

Oscar Lot

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



OFFICE OF
THE MINISTER OF MUNITIONS AND SUPPLY
OTTAWA, CANADA

Nov. 10th, 1941.

Dear Mr. Morgenthau:

I have your note of November 7th, and am looking forward to a discussion with you at an early date. Unfortunately, our Parliament is in session at the moment, which makes it difficult for me to get away, but I expect an adjournment within the next ten days, which should enable me to be in Washington around November 20th or 21st.

If an earlier conference seems desirable, please wire me, and I will go to Washington immediately.

I will wire you as soon as I am able to fix a definite day, in order that we may arrange a time and place for meeting.

With kind regards,

Yours sincerely,

L. D. Howe

Henry Morgenthau, Jr., Esq.,
The Secretary of the Treasury,
Washington, D.C., U.S.A.

November 10, 1941

My dear Mr. Hoover:

This will acknowledge receipt of your letter of November 5th with reference to the Banco de la Provincia de Buenos Aires.

I appreciate having the information contained in your letter.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Edgar Hoover,
Federal Bureau of Investigation,
Department of Justice,
Washington, D. C.

File n.m.c.

JOHN EDGAR HOOVER
DIRECTOR

**Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.**

November 5, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

Reference is made to my letter dated September 4, 1941, which made reference to the Banco de la Provincia de Buenos Aires, Buenos Aires, Argentina.

Additional information has been received from the same source that a credit to cover shipments of 52 kilograms of platinum at 9,200 Argentine pesos per Brussels, excluding freight by air from Buenos Aires to Suchow, was opened in May, 1941, in the Banco Frances e Italiano by the Banco Commerciale Italiana for 478,400 Argentine pesos, by the Eledebra, S.R.L. It was reported that this credit was to lapse on June 15, 1941.

Informant states that when the above-mentioned bank receives the platinum, it is to deliver it to Celestino Ghiringhelli, Calle Brazil 71, Buenos Aires, who will arrange shipment to Italy.

Informant reports that the exchange cover for this credit will be obtained as follows: 350,000 Swiss francs from the Banca Svizzera, Switzerland, and 130,000 Argentine pesos from the Banco de la Provincia de Buenos Aires. Informant states that this definitely discloses representations by the Banco de la Provincia de Buenos Aires on behalf of the axis powers.

Sincerely yours,

J. E. Hoover

*Foley
Pelle
Wate*

TREASURY DEPARTMENT

228

INTER OFFICE COMMUNICATION

DATE November 10, 1941

TO Secretary Morgenthau
FROM Messrs. Foley and Penle

As of the opening of business November 10, 1941, there were 1946 pending applications in the Foreign Funds Control.

Pending figures for previous weeks are as indicated:

October 6	5009
October 13	4365
October 20	2292
October 27	2440
November 3	2082

J. W. Penle
S. W. F. L.

TREASURY DEPARTMENT

229

INTER-OFFICE COMMUNICATION

DATE November 10, 1941

TO Secretary Morgenthau

FROM Mr. Bell

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>
Nov. 3	3,115	47,898	12,000	10,308
Nov. 4	Nil	Nil	Nil	Nil
Nov. 5	1,340	23,532	Nil	Nil
Nov. 6	910	36,916	Nil	Nil
Nov. 7	340	18,373	10,000	5,634
Nov. 8	20	1,702	Nil	Nil
	<u>5,725</u>	<u>128,421</u>	<u>22,000</u>	<u>15,942</u>
Sales from Feb. 22, 1940 to Nov. 1, 1941	<u>9,823,131-1/2</u>	<u>280,942,137</u>	<u>45,401,016</u>	<u>37,293,259</u>
Sales from Feb. 22, 1940 to Nov. 8, 1941	<u>9,828,856-1/2</u>	<u>281,070,558</u>	<u>45,423,016</u>	<u>37,309,201</u>

swB

Miss Chauncey

TREASURY DEPARTMENT

230

INTER-OFFICE COMMUNICATION

DATE November 10, 1941

TO Secretary Morgenthau

FROM Mr. Bell

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>	
Nov. 3	47,898	10,308	58,206	
4	Nil	Nil	Nil	
5	23,532	Nil	23,532	
6	36,916	Nil	36,916	
7	18,373	5,634	24,007	
8	1,702	Nil	1,702	
	<u>128,421</u>	<u>15,942</u>	<u>144,363</u>	
Sales from				
Feb. 22, 1940 to				
Nov. 1, 1941	<u>280,942,137</u>	<u>37,293,259</u>	<u>318,235,396</u>	
Sales from				
Feb. 22, 1940 to				
Nov. 8, 1941	<u>281,070,558</u>	<u>37,309,201</u>	<u>318,379,759</u>	318,379,759
\$ proceeds of non-vested securities sold			700,000	
Oct. 27, 1941 to Nov. 1, 1941				
\$ proceeds of non-vested securities sold			236,300,000	
Sept. 1, 1939 to Oct. 25, 1941				
\$ proceeds of non-vested securities sold			237,000,000	237,000,000
Sept. 1, 1939 to Nov. 1, 1941				
			<u>GRAND TOTAL</u>	<u>555,379,759</u>

9 Units sold from Aug. 18, 1941 to Nov. 8, 1941 for \$42
 11 Shares Stock Dividend sold Aug. 18, 1941 to Nov. 8, 1941 for \$123
 55,772 Rights sold from July 24, 1941 to Nov. 8, 1941 for \$102,853

sub B

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

231

DATE November 10, 1941

TO Secretary Morgenthau
FROM Mr. Kamarok
Subject; Monthly Report. Royal Air Force Bombing Activity
in October, 1941

Comment:

R.A.F. raids in October appear to have been on about the same scale as during the preceding few months. There still seems to be the same concentration in number of attacks on ports, docks, and shipping.

In contrast to earlier months, the R.A.F. made more attacks (23 raids) on the leading cities of the occupied areas than it did on the leading German cities (12 raids). Since all of the German-occupied cities in question are ports, this probably is a by-product of the Royal Air Force's offensive against enemy shipping facilities.

Division of Monetary
Research

-2-

1. <u>Losses</u>	<u>Losses during October</u>	<u>Total Losses in Raids to November 1</u>
R.A.F. bomber losses in bombing raids in Northern Europe	87	1,198
2. <u>Analysis of Targets</u>	<u>Attacks during October</u>	<u>Total Number of Attacks to November 1</u>
Ports, docks, shipping	90	1,318
Industrial plants	23	868
Airdromes and seaplane bases	22	826
Oil refineries, synthetic oil plants and tank farms	<u>4</u>	<u>354</u>
Total of above	139	3,366

-3-

3. <u>Leading Cities Attacked</u>	<u>Attacks during October</u>	<u>Total Number of Attacks to November 1</u>
A. <u>Germany</u>		
Cologne (industrial center)	2	91
Bremen (port)	4	84
Hamburg (port)	2	80
Emden (port)	2	58
Wilhelmshaven (port)	1	54
Mannheim (industrial center)	1	54
Kiel (port)	0	53
Berlin (industrial center)	0	49
Gelsenkirchen (synthetic oil)	0	43
Essen (industrial center)	0	42
Hanover (synthetic oil)	0	41
Total of above (11 cities)	12	649
B. <u>Occupied Areas</u>		
Boulogne (port)	6	110
Ostend (port)	6	87
Brest (port)	8	81
Calais (port)	2	74
Flushing (port)	0	63
Lorient (port)	1	51
Total of above (6 cities)	23	466
C. <u>Italy</u>		
Turin (industrial center)	0	13
Naples (port)	1	13
Total of above (2 cities)	1	26

TREASURY DEPARTMENT

234

INTER OFFICE COMMUNICATION

DATE November 10, 1941

TO

FROM Mr. White

Subject: Conversation with Bewley regarding Anglo-Russian gold

At 11:30 on November 5, Mr. White, with Mr. Coe present, talked to Mr. Bewley. Mr. Bewley called at the suggestion of Mr. White.

Mr. White explained to Mr. Bewley that he had asked Mr. Gromyko, Charge d'Affaires, Soviet Embassy, whether Mr. Gromyko had received any word from his Government in response to our earlier query as to their anticipated gold sales to United Kingdom and United States. Mr. Gromyko replied that he had not yet received an answer from his Government. He said that his Government had, however, asked him whether there were any armaments for which the British had paid dollars which were available for sale to Russia aside from some searchlights involving a comparatively small sum. Mr. Gromyko had tried to find out whether there were any such goods, but no one on the British side in Washington seemed to know.

Mr. Bewley said that he did not know whether there were any more goods available to the Russians for which the British had paid dollars. Mr. White asked Mr. Bewley who on the British side Mr. Gromyko should get in touch with. Mr. Bewley replied that he did not know who did know, but agreed to try to find who in Washington on the British side knew anything about this matter.

Mr. White informed Mr. Bewley that a Mr. Jopson in the British Embassy had rung him up after a conversation with the Russians. Mr. Bewley agreed to talk with Mr. Jopson and tell him what was being done.

November 10, 1941

My dear Dr. Soong:

This will acknowledge receipt of your letter of today's date with enclosed memorandum.

Thank you for your courtesy in making this information available to me.

Yours sincerely,

(Signed) H. Morgenthau, *HM*

Dr. T. V. Soong,
1601 V Street, N. W.,
Washington, D. C.

n. m. c. has file

By Messenger *4:20 Brown*

236

1601 V STREET N. W.
WASHINGTON, D. C.

November 10, 1941

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

Dear Mr. Secretary:

I enclose a memorandum in which I have attempted to set out in one page the situation as to the impending Japanese attempt to cut the Burma Road and with respect to the acceleration of American aid necessary to thwart it. I also attach a page stating the situation with respect to the planes and ordnance China needs now.

I have given a copy to Dr. Hu Shih for his information in connection with his conference with the President today.

I am taking the liberty of sending you a copy because I wish to keep you fully informed.

With the highest respects,



T. V. Soong

MEMORANDUM RE: CHINA AND THE IMPENDING ATTACK ON THE BURMA ROAD.

Since I saw Mr. Morgenthau, Mr. Currie, and on October 31st, the President, I have talked to Messrs. Stimson, Knox, Hopkins, Stettinius, General Burns and various officers of the War Department. They have all been most cooperative and kind.

As yet however, there has been no tangible answer to the Generalissimo's request for planes and tanks to defend the Burma Road. In fact it appears the President alone can make the decisions that will bring China the needed assistance now.

The Japanese continue to prepare a pincers attack on Kunming, one drive through the mountains, the other not through mountains but around to the east of the mountains through Kwangsi where tanks can be used.

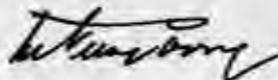
The problem of China's air defense against this drive is peculiarly a problem of American position because China is relying on the American group headed by Colonel Chennault, an American Army Colonel now air adviser to China to protect the Burma Road. General Magruder (and I understand also Major McHugh, U.S. Naval Attache' to China,) have cabled that Colonel Chennault's force of approximately 90 American pilots and 100 P-40 airplanes in Burma is inadequately equipped to assist the Generalissimo in repelling the attack on the Burma Road. They indicate that if this air force tries to fight it may be destroyed with disastrous repercussions.

Magruder further suggests that if Chennault's force does not fight it will be considered a breach of faith by the Chinese which may have serious consequences in both the Chinese and international situations.

Magruder therefore suggests reinforcing Colonel Chennault immediately with more planes, possibly transporting them by aircraft carrier.

The President indicated to me that he would take up with the British the question of obtaining British planes and crews from Singapore. Magruder has explored this possibility in China and finds little chance of obtaining such aid unless the United States moves first.

Conferences with Lend-Lease authorities and the Army and Navy have revealed the steps that can be taken now to accelerate aid to China. They are specifically outlined in an attached memorandum. They involve planes and ordnance which can be taken from stock or through diversion only by the President's decision.



November 8, 1941

MEMORANDUM RE: MATERIALS FOR CHINA.

After exploring the situation, the following immediate action appears possible if the materials are taken from stock or by diversion rather than from future production.

Airplanes 80 SBD-1, 2, or 3 (or Army A-24's - same planes without arrester hooks) to be carried to the Philippines by a U.S. aircraft carrier and flown from there to China. The U.S. Army and Navy have a total of over 250 of these planes. Colonel Chennault has pilots in Burma who can fly them without further training. They are dive bombers already fully equipped which can carry 1275 lbs. of bombs 1450 miles at 210 m.p.h. The Louisiana maneuvers showed they were especially effective against ground targets such as those presented by a Japanese advance to cut the Burma Road.

Ordnance 80 additional 37mm Anti-Tank guns and 120 Light Tanks to go with the 60 A.T. guns and 70,000 rounds of 37mm ammunition China is getting immediately under existing schedules. Without these weapons China cannot hope to resist the Japanese panzer invasion of level Kwangsi on the way to Kunming.

48 old type 2.95 howitzers with 50,000 rounds of ammunition now in the Philippines. These could be used to repel the other pincer of the Japanese attack in the mountains of Yunnan.

24 3" A.A. guns (now superseded in U.S.A. by 90mm A.A.) These are specifically intended to protect three vital bridges over three large rivers which the Burma Road crosses and which must be defended against air attack by batteries of 4 guns each at both ends.

750 cal. 50 A.A. machine guns. These are essential to defeat either drive because of Japanese command of the air. If not sent, the advantages of the hilly terrain in Yunnan will be nullified. Some cal. 30 A.A. might also be sent.

Part of the 800 tons of powder which is desperately needed. The Chinese arsenals will run out of powder by next January. Some must be shipped soon to be useful then.

Would it be possible to direct the Army and Navy to make these planes and ordnance available now?

W. H. H. H.

November 8, 1941

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 840.51 Frozen Credits/4197

November 10, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 432, dated November 6, 1941, from the American Embassy, Chungking, China, transmitting a message reporting a communication from the Chinese Foreign Office concerning Chinese foreign exchange control.

Enclosure:

From Embassy, Chungking,
No. 432, November 6, 1941.

COPY

PARAPHRASE OF MESSAGE RECEIVED

240

FROM: American Embassy, Canking via H.R., China.

DATE: November 6, 1941, 11 a.m.

NO. : 432.

Following is the substance of a third-person note received from the Chinese Foreign Office:

When Chinese funds were frozen, the Government of the U.S., in order to facilitate the export and import trade of China, designated certain foreign and Chinese banks to assume charge over financial transactions. In order to protect Chinese and foreign commercial interests, there was established a requirement that monthly reports of receipts and payments be submitted by these banks to the American financial authorities. For the sake of thoroughness, provision was also made for investigating whether companies and traders are operating in accordance with the terms of their permits. In order to promote cooperation it is proposed by the Chinese Government that the Government of the United States shall supplement the present provisions by a requirement that Chinese and foreign companies and merchants who have received permits shall submit to the Chinese Commission for the Control of Foreign Exchange monthly reports of receipts and payments of Chinese foreign exchange. When (omission) and upon presentation of cause, the Commission may then consult with the Government of the U.S. and request the issuance of additional permits or the cancellation of permits already issued.

After stating that such a measure is requisite for the complete control of foreign exchange and for the attainment of the original objective of the freezing of Chinese funds, the Foreign Office requests that the Embassy report this by telegraph to the Government of the U.S.

The Embassy is taking no action on this beyond informing the Foreign Office that its request has been referred to the Department by telegraph.

The foregoing has been repeated to Hong Kong for Fox's information.

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DEPARTMENT OF STATE
WASHINGTON

November 10, 1941

In reply refer to
FF 893.51/7334

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of the paraphrase of a telegram from the American Consulate in Kunming, China, dated October 28, 1941 concerning the establishment in Kunming of a branch office of the Chinese Currency Stabilization Board.

Enclosure:

Copies of paraphrase
of telegram from Kunming
dated October 28, 1941.

COPY

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consul, Kunming, China.
TO: Secretary of State, Washington.
DATED: October 28, 1941, noon.
NUMBER:

On October 21 a branch office of the Chinese Stabilization Board was established in Kunming in charge of Dr. W. H. Taylor and Dr. W. H. Lin. Foreign exchange applications may be made through the four banks. These will also make a preliminary investigation. Applications will be reinvestigated by the Board and foreign exchange may be supplied at an official rate upon the endorsement of both Dr. Lin and Dr. Taylor. It is reported that the black market is still active especially in transactions in rupees and Hong Kong dollars. It is Taylor's feeling that the black market will probably continue and if kept at a minimum by control this should not cause undue concern.

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DEPARTMENT OF STATE
WASHINGTON

244

In reply refer to
FF 840.51 Frozen Credits/4218

November 10, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of the paraphrase of a telegram no. 1696 from the American Embassy at Rio de Janeiro dated November 8, 1941 concerning the Embassy's request for information in connection with permits for the financing of shipments to Brazil of United States products.

The Secretary of State would appreciate being advised of the reply to be made to the telegram under reference.

Enclosure:

Copies of paraphrase
of telegram from Rio de
Janeiro dated November 8,
1941.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil.

DATE: November 8, 1941, 6:31 p.m.

NO. : 1696

This refers further to my telegram no. 1469 which was sent to the Department on the tenth of October.

This matter is one which continues to be of concern to the Bank of Brazil. The Treasury is kindly requested to furnish information to the Embassy in connection with any permits recently granted which either directly or indirectly concern the use of funds to finance shipments to Brazil of United States products. Please inform me if this is a step which is contrary to the policy of the Treasury Department.

CAFFERY

840.51 Frozen Credits/4218

DEPARTMENT OF STATE

246

Washington

November 10, 1941

In reply refer to
FF 84Q.51 Frozen Credits/4209

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits five copies of the paraphrase of telegram No. 125, dated November 5, 1941, from the American Consulate, Saigon, French Indochina, regarding needs of local tobacco industry for American tobacco.

Enclosure:

From Consulate, Saigon,
No. 125, November 5, 1941.

Copy:ec:11-12-41

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate, Saigon, French Indochina.

DATE: November 5, 1941, 5 p.m.

NO.: 125.

The Consulate refers to its telegram No. 112, 5 p.m., under date of the 9th of October, regarding the local tobacco industry's needs for American tobacco.

The largest tobacco manufacturer in Indochina, Manufacture Indo Chinoise de Cigarettes, a subsidiary of British American Tobacco Company, yesterday unwillingly ordered 175 tons of tobacco leaf from Japan to meet its immediate needs because it was unsuccessful in obtaining the unblocking of funds so as to be able to purchase American tobacco.

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DEPARTMENT OF STATE

248

Washington

In reply refer to
FF 840.51 Frozen Credits/4212

November 10, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits five copies of the paraphrase of a telegram from the American Consulate, Leopoldville, Belgian Congo, Africa, dated November 7, 1941, concerning a Free French dollar deposit in a British bank at Lagos.

Enclosure:

From Consulate, Leopoldville,
November 7, 1941.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate, Leopoldville, Belgian Congo, Africa.

DATE: November 7, 1941, 4 p.m.

NO. : (No number).

The High Commissioner asks if a dollar deposit which the Free French have in a British bank at Lagos can be transferred for deposit in an American bank without being frozen. Money obtained from the sale of goods in the U.S. would be deposited in the account in the bank there and would be used to pay bills in the U.S.

MALLON

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TREASURY DEPARTMENT

250

INTER-OFFICE COMMUNICATION

DATE November 10, 1941

TO Secretary ^{for Mr. Chauncey} Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£71,000
Purchased from commercial concerns	£ 9,000

Open market sterling was quoted at 4.03-1/2, and there were no reported transactions.

The Argentine free peso, which closed at .2382 on Saturday, improved to a final quotation of .2387 today.

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

Canadian dollar	11-3/16% discount
Brazilian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Uruguayan peso (free)	.4675
Venezuelan bolivar	.2530
Cuban peso	1/8% discount

We purchased \$1,125,000 in gold from the earmarked account of the Bank of Mexico.

No new gold engagements were reported.

A cable received from Bombay this morning reported that the gold market in that center was very active during the past week, with rising prices attributed to the Hindu marriage season and speculative hoarding. As of November 8, the Bombay gold price was equivalent to \$35.18, representing a gain of more than \$1.00 over the November 1 quotation. The silver market in Bombay was quiet, with the November 8 price, equivalent to 44.78¢, about unchanged from the quotation of November 1.

A price of 23-1/2d was again fixed in London for both spot and forward silver, equivalent to 42.67¢.

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¢.

We made no silver purchases today.

The Federal Reserve Bank's report of November 5, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled \$62,331,000, an increase of \$2,142,000 since October 29. Of this increase, \$1,872,000 took place in deposits held by the Bank of Taiwan's New York agency for account of banks in Japan and Manchuria, this gain being accompanied by a rise of \$1,966,000 in the Taiwan agency's loans to such banks. No appreciable change occurred in selected items from the statement of Yokohama Specie Bank's New York agency.

CONFIDENTIAL



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

252

DATE November 10, 1941

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Summary of Military Reports

R.A.F. Activity

During the night of November 7/8, just over 400 bombers were sent out. 170 of these were dispatched to Berlin, 55 to Mannheim, 52 to Cologne, and smaller numbers to other cities. (This is the biggest British bombing raid reported to date. The largest prior to this was the attack on August 5/6 when 384 bombers participated).

(U.K. Embassy, London Telegram, November 8, 1941)

During the day of November 4, Hurricanes bombed two airdromes in the occupied territories.

On November 6, Hurricanes with fighter escort, bombed barges and gun posts in northern France and a gasometer in Holland was left burning.

(U.K. London Telegrams, November 5, 7, 1941)

(The British are increasingly using Hurricanes as bombers. They were first mentioned as used to bomb an airport in Sicily early in October. This is probably the Mark I Hurricane, the eight-gun model used in the Battle of Britain; the latest Hurricane is the Mark II, carrying twelve machine-guns or four cannon.)

German Activity in South Atlantic

A British tanker of 6,500 tons was shot at by a submarine (first reported as a surface raider) on November 4, 600 miles west of Freetown, (i.e., between Africa and Brazil). The ship is proceeding, apparently undamaged.

A British 5,000 ton ship is believed to have been torpedoed 300 miles west of Walfish Bay (South West Africa, 800 miles north of Cape Town) on the morning of November 3. The messages intercepted were incomplete.

(U.K. Embassy, London Telegram, November 5,6, 1941)

(The location of these two attacks indicates the use by the Germans of submarines possessing very long range or the use of some intermediate African fueling station).

Russo-German War

"Despite Adolph Hitler's Munich speech declaring that Leningrad was completely cut off, informed sources (in London) said, some secondary railway lines connecting with lines to Moscow never have been in German control, although German planes and mechanized patrols had been able to cripple Russian transport part of the time."

(London, A.P. dispatch in N.Y. Times, November 10,1941)

BRITISH EMBASSY
WASHINGTON, D.C.

PERSONAL AND
SECRET

November 9th, 1941

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from London
on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

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

TELEGRAM RECEIVED FROM LONDON
DATED NOVEMBER 8th, 1941

NAVAL

On the 7th British ship of 6,448 tons damaged by bomb off Farns Isle proceeding to harbour. British ship of 8,532 tons outward bound torpedoed 800 miles west of Ireland.

On October 28th Polish submarine scored one hit Italian ship of 5,413 tons (Citta Di Palermo class) off Naples. November 2nd, 26 miles East by North of Trapani she attacked 3,000 ton laden merchant ship; torpedoes missed but crew abandoned ship and submarine sank ship by gunfire.

October 23rd in Petali Gulf British submarine sank 2 small caiques, one flying Nazi flag. On 15th she hit with 3 torpedoes 6,000 ton merchant ship by 2 destroyers in Gulf of Athens. Results unobserved.

Night of 31st/1st. Another British submarine shelled Merchant ship scoring 50 hits probably same ship torpedoed on October 22nd as salvage activities were observed.

Of French convoy intercepted on 2nd South of Durban 3 ships have arrived at East London and 2 Port Elizabeth.

MILITARY. RUSSIA. CALININ.

Germans have not yet consolidated their position. Moscow, Russian continues, thus preventing German progress. This, heavy fighting

continues. Byelgorod-Donets basin German forces are advancing in some sectors. Rostov, no German progress. Crimea, no further information.

ROYAL AIR FORCE.

United Kingdom, day November 7th, 1943 offensive sorties by fighters over North East France and Belgium. Targets attacked by cannon and machine gun fire included oil refinery at Verton, wireless station at Scheeningen Berak aerodrome and military camps and transport. Bombers escorted by fighters set fire to oil refinery near Beauchamps. Four ME 109's destroyed, one Spitfire missing. Coastal aircraft claim 3 hits on small merchant vessel off Kristiansand and hits are claimed on small ship off Terschelling.

Night of 7th/8th. Just on 400 aircraft despatched mainly as follows:-

Berlin 170, Cologne 52, Mannheim 55, Ostend 25, Boulogne 20, Essen area 25.

MIDDLE EAST.

Night of 5th/6th, day November 6th and Night of 6th/7th, attacks made on Benghazi Tripoli (L) and Naples.

BRITISH EMBASSY
WASHINGTON, D.C.

November 6th, 1941.

PERSONAL AND SECRET.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

(For the Ambassador)

R. I. Campbell

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram from London dated November 5th, 1941.

Naval. M.G.B. missing from operation off Calais night of 2nd/3rd has been towed into harbour.

British tanker 6470 tons, reported attacked by surface raider 0530/4th 620 miles west south west of Freetown; various forces ordered to area.

Suez Canal temporarily closed after unexploded object dropped south of middle lakes.

In three of the ships of French convoy ordered into South African port there were 481 service personnel.

Five ships totalling 22,266 tons have been sunk out of convoys G52 east of Newfoundland; from four of these all crews but four men known saved.

British ship 4,953 tons believed torpedoed 300 miles west of Walfish Bay a.m. 3rd but messages intercepted were incomplete.

October 22nd, His Majesty's submarine "Urge" sank in Gulf of Hammamet 1500 ton southbound escorted merchant ship and 4000 ton merchant ship at anchor. His Majesty's submarine "Ursula" scored two hits medium sized merchant ship southbound in convoy a.m. 18 (sic) 50 miles southwest of Suez. This vessel probably sank.

Military.

Finland. Despite Finnish claims, Russians categorically deny any German or Finnish advance on Murmansk front.

Crimes.

Germans have captured Bakhchisarai (between Simferopol and Sebastopol) and their claim to have

captured/

-2-

captured Fedosia is probably correct.

Day of 4th. Fighters attacked locomotives railway waggons and factories Cherbourg area and Hurricanes bombed Le Touquet and Berck aerodromes.

Royal Air Force.

Night of 4th/5th approximately ninety aircraft operated against Essen (28) Ostend (10) Kiel area (3) Dunkirk (10), shipping off Frisian Islands (12). One or more hits claimed on 5500 merchant vessel off Terschelling.

BRITISH EMBASSY
WASHINGTON, D.C.

November 8th, 1941.

Personal and Secret.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram from London dated November 7th.

1. Naval. Northern patrol trawler Kingston Agate intercepted Swedish merchant ships "Vasaholm" and "Tuna-holm" p.m. November 6th 200 miles west Faroes which are being escorted into harbour for examination.
2. His Majesty's submarine Trusty sank 5000 tons laden merchant ship in southbound convoy off Cephalonia October 25th.
3. His Majesty's submarine Tetrarch now overdue is presumed lost.
4. Royal Air Force. United Kingdom. Night November 5th/November 6th Cherbourg 20 tons H.E. Off Frisian Islands tanker set alight also 6500 ton merchant vessel and escort vessel damaged.
5. Day of November 6th. Hurricanes with fighter escort bombed barges and gun posts in northern France and gasometer in Holland left burning.
6. Night of November 6th/November 7th.
7. Small forces sent to Havre, St. Nazaire and on offensive patrols.
7. Middle East. Night of November 4th/November 5th and next day fires started among petrol and stores dumps at Benghazi, Berca, Benina and Derna.
8. Night of November 5th/November 6th. Castel Benito 22 tons H.E. (including three 4,000 pounds) on Administrative buildings, hangars and ammunition dumps.

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BRITISH EMBASSY,
WASHINGTON, D. C.

November 7th, 1941.

PERSONAL
AND SECRET

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

R. J. Campbell

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

TELEGRAM FROM LONDON DATED NOVEMBER 6, 1941.SUMMARY.

1. NAVAL. H. M. Ship "Neptune" and His Majesty's A.S. "Hobart" took part in bombardment of Bardia area night of October 25th/26th.
2. British tanker W.S.W. of Freetown was probably shot at by U-boat not attacked by raider. Only one shot fired at dawn. She is proceeding apparently undamaged.
3. Now understood that only four ships were torpedoed out of convoys O 52.

4. MILITARY.

Russia. Central Front. German attacks from Kalinin to Tula are reported to have made no progress.

Crimea. On November 3rd Germans had reached point 14 miles from Sebastopol. Germans claim to have reached Black Sea south of Yaila Mountains is as yet unconfirmed.

5. Royal Air Force.

United Kingdom. Night of November 4th/5th docks at Ostend and Dunkirk received 13 tons H.E.

6. Day of November 5th. Over Northern France fighters attacked MT railway trains barges and gun positions.

7. November 5th/6th. Main targets Cherbourg (25) anti shipping off Frisian Islands (Siemens).

8. Middle East. Third and fourth dumps near Benghazi and on Tobruk-Bardia Road and workshops near Brega aerodrome bombed.

9. A.M. November 5th. Eight Blenheims attacked convoy two merchant ships; four direct hits on one merchant ship left sinking fast 02 degrees N. Benghazi. Second merchant ship straddled destroyer machine gunned. Two Blenheims were lost.

BRITISH EMBASSY
WASHINGTON, D.C.

November 10th, 1941.

Personal and Secret.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

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

Telegram from London dated November 9th.

1. Naval. Reported fighter aircraft from "Audacity" (auxiliary aircraft carrier) escorting convoy, shot down Focke Wulf on 8th, 260 miles west of Oporto.
2. Night of 8th/9th ships Aurora Penelope [words undecypherable] intercepted convoy previously reported at 1360 miles East of Messina Strait. Estimated two destroyers several merchant ships, number uncertain sunk. Two destroyers escaped. No damage to our ships so far reported. Morning of November 9th aircraft reported two enemy cruisers two destroyers two or [word omitted] merchant ships thirty miles from position of engagement. One merchant ship was on fire.
3. November 8th two small British merchant ships damaged by aircraft off East Coast. One in convoy slightly damaged but proceeding, one disabled while off Sunderland, tugs were sent to assist her.
4. Royal Air Force. Night of 7th/8th further reports. Of the 400 despatched, 339 aircraft claim to have attacked primary or other targets; 37 missing and one crashed on landing (crew safe). Aircraft on Berlin encountered very bad weather, thick cloud and no ground detail visible; 72 attacked including 11 heavies and 92 tons of high explosive and 10,100 incendiaries dropped. Bursts believed in [word undecypherable] and Tempelhof areas also in West End where fires observed. About 60 tons of high explosive and 2,000 incendiaries dropped on Cologne where numerous fires reported and in Mannheim. At Ostend and Boulogne bombs fell across the docks and started fires.
5. Naval. Reported fighter aircraft from "Audacity" (auxiliary aircraft carrier) escorting convoy, shot down Focke Wulf on 8th, 260 miles west of Oporto.

-2-

escorting Hurricane Bombers, anti Flak Hurricanes and Blenheims operated against St. Pol where considerable damage caused to alcohol distillery and Gosnay where chemical works were hit.

6. Night of 8th/9th; 86 aircraft despatched mainly as follows. Essen (54) Dunkirk (18) Ostend (8).

7. Middle East. Night of 6th/7th 30 tons of H.E. dropped on Derna.

November 11, 1941
10:25 a.m.

1604
Mr. Larson: Hello, Mr. Secretary.

W.Jr: Leon, good morning. The Vice President has told me twice - the last time this morning - that you have a tax plan; and he said that at the SPAB Board, which took place, I think, yesterday or the day before, he asked you whether you had informed the Treasury of it and you said that you had. Now, I've checked up, but nobody here in the Treasury knows anything about it.

W: Well, now, here's - I made a report as to the attitude on taxation we had taken, and its importance and its place in relation to price work and the SPAB's work. It was not a program for any tax bill or anything like that. It was a resume of what we'd done in connection with installment credit, the position we'd taken on the taxation from the beginning, how acutely it was related to our price and supply problems, and - but not a program for a tax policy at all.

W.Jr: Well, I can only repeat what he told me, and he seemed very much surprised and I was very much embarrassed that I didn't know anything about it.

W: Well, you couldn't have been any more embarrassed, Henry, than I was by the latest moves you've made.

W.Jr: The moves I've made?

W: Yeah.

W.Jr: What's that?

W: Well, I mean on the - on your tax program and letters to - I mean, and the letter to Doughton today and things like that.

W.Jr: Didn't you like that letter?

- 2 -

- H: Well, I liked the letter all right, but the other thing left me just bewildered. I mean, I'd - I don't know whether - I don't know - I wouldn't say we had an understanding or anything. I just can't see how I can - I don't see how I can operate in good cohesion with you if we don't know even what's going to be proposed, if we read it in the papers the same as anybody else does.
- HMJr: Well, to get back to the other thing. I, for two weeks now, it's over two weeks ago that the Vice President told me about this. He said, "Now -" he spoke of your plan on taxes and I didn't want to call you up, but he spoke to me about it again today; and so I figured that you had something.
- H: No. Here's.....
- HMJr: And I think he said a man by the name of Goldsmith, he thought, at SEC had worked it up for you.
- H: No. What we - here's what had happened completely. We - there was a - Wellade brought up in SPAB the question of civilian supply. I was asked at the next meeting to make a report on what were the major policies that influenced civilian supply, what were the standards that we used in the plans for the curtailments - like in automobiles - and I went in the next week and made an over-all - brought them up to date - on price policy and our civilian supply program. Then they took a great interest in what I had said as to the relation between fiscal and monetary policies and price control and civilian supply, and I was asked to bring in a separate memorandum on fiscal and monetary policy in relation to SPAB, which I did last week.
- At that time I said that over a period of months that I had talked with you and with Eccles and with Jones and with the Budget officer and so forth in relation to our joint problem, and that we'd gotten along very, very well - that I understood you had - were building a new tax program -

this was on a Wednesday - and that I would get in touch with you - well, I said I presumed that you would tell me about it, because I understood it was directly related to the problem of controlling inflation and when you did, I would make a report to the Board.

Well, the next day I saw that - what your program had been - you'd been down to - or you'd seen Doughton and George. Now, yesterday they asked me about that, and I was in the same embarrassment that you were. I told them all along the line that when programs were up of this kind the various fiscal groups did have some talking together, and they thought that that was a good thing; and all I did was bring them up to date.

Now, as far as what I've suggested to them, what I told them, it was not a tax program. It was a relation - it was first of all a history of the positions that we've taken on all the fiscal and monetary relationships of price control, and pointing out how those things also affected the SPAB work.

HMJr: Well, Leon, have you a written memorandum?

H: Sure. I'll be glad to bring it over to you.

HMJr: Would you do that?

H: Yeah.

HMJr: And - because I'd like to study it. And.....

H: Well, similarly, I'd like to study what you people are doing, Henry.

HMJr: That's fair enough.

H: I mean, I, frankly, had been greatly put out by the - I don't see - let me put it this way - I don't see how - and I've said this before - I don't see how all the agencies that have something to do with the control of inflation can operate in separate, water-tight compartments.

HMJr: Well, that's perfectly - you're perfectly correct; and our trouble over here has been that I was trying to find out, if I came up on the Hill, would I be received, and I went up there and I didn't even tell the plan to the President. I didn't want to even bother him with it. Now, now we're in the position that we know we're going to be received, and we'll get down to brass tacks. You haven't lost anything, and the - what happened, George - I mean the date George and Doughton came down here, I saw them and then the next morning I went up to see the President and told him what I told them. Then I went up in the afternoon and asked them whether I could come up. Now, they told me no, and now we're really going to go to work; so I don't think that you've lost anything.

H: I haven't lost anything except - lost anything except some part of my protestation to the Banking and Currency Committee all along the line when they were trying to put fiscal and monetary controls in my bill that was being handled that we were in close touch with the Treasury and Federal Reserve Board.

HMJr: Well.....

H: I told SPAB. SPAB wanted to take some action on the matter of fiscal and monetary policies, and I said, "Well, the fiscal agencies are handling that and we're in close touch."

HMJr: Yeah.

H: And then when we come out with a definite program, fifteen per cent withholding tax, why that's - I get a little bit humiliated about it.

HMJr: Well, what Wallace told me was this, that you were worried about your bill, that it wasn't going to be effective enough and that therefore, something would have to be done on the tax end and therefore you were working up something on the tax end.

H: Oh, well, he - I told him that we'd all - I'll straighten that out with him - what I said was that we'd always insisted there had to be a strong - a tax program - and that it had to be geared, as well as all other monetary policy was, to what we were doing on the physical level of civilian curtailment and other things; and I tried to explain what the inflationary gap concept was.....

HMJr: Yeah.

H:to them.

HMJr: Well, what I'm going to do is this. If you - would you be available Thursday at eleven?

H: I won't - I've got to go down to the Advertisers' Convention Thursday.

HMJr: Where?

H: That's in Hot Springs.

HMJr: Oh.

H: I'm on the program beginning the afternoon.

HMJr: Well.....

H: But I'll be available any time after that.

HMJr: Will you be available tomorrow morning?

H: Sure.

HMJr: What time? Eleven o'clock?

H: Huh?

HMJr: Will you be available at eleven?

H: I'd rather make it eleven-thirty, because I've got to go over to the A. F. of L.

HMJr: Well, that's too - will you be available at three-fifteen?

H: You mean tomorrow?

HMJr: Tomorrow afternoon.

H: Yes.

HMJr: What?

H: Yes.

HMJr: Well, if I can get Eccles, I'll - we'll consider it a date.

H: All right.

HMJr: See?

H: All right, Henry.

HMJr: And you're right in that we haven't worked close enough together.

H: Well, it left me out on a limb and I've kept my damn trap shut about it, but I.....

HMJr: Well, you could have called me up too, Leon.

H: What?

HMJr: You could have called me up.

H: I was going to. I'm having an analysis made of just what we've been able to get out of newspapers and things like that; and then I was going to talk to you.

HMJr: Well, when you come over tomorrow do you want to bring your memo over?

H: Yeah.

HMJr: Then we'll tell you and Eccles both what we're doing or hope to do.

H: All right, Henry.

HMJr: Thank you.

November 11, 1941

The Vice President was very enthusiastic about my making this speech before the Grange. He suggested that I say to the Grange that the farmers have the choice, after this war is over, of either giving a lot of stuff away or accepting a lot of goods from Europe, or doing some of each. He said that the particular purpose in saying this to the Grange is because they always have been a high tariff organization.

He also suggested my saying that if and when the next 1920 rolls around, as Secretary of the Treasury, and a member of the Cabinet, and a farmer myself, I am in favor of seeing that the credit of the United States is used to do the humanitarian thing, the economic thing, the sound thing; and see that the great food production power of the United States is put into the hungry stomachs of the needy millions.

Then the Vice President said, "You may not want to say the following but I suggest that you say this:

- 'Money must not and shall not stand in the way.
- 'The farmer and the hungry consumer must be served.
- 'I am one of those that believe that in the long run service to humanity is economically sound.' "

Then to my amazement he said, "I think you should take credit now - you never have - for your part in the food stamp plan." He said, "I have said so privately and sometimes publicly, but you might say something yourself now along these lines:

'My own deep feeling along these lines have been evidenced by the fact that I gave the heartiest support to the food stamp plan.' "

- 2 -

I suggested that I might say that I took part in the inception and conception of this plan at a meeting which took place between Wallace, Parran and Hopkins and myself. I also took part in the original plan of Dr. Parran which is referred to as the food habits of the underprivileged.

The Vice President said that I must clear this with Wickard and ask Wickard to help on it because Wickard seems like a tough fellow on the outside, but inside he is very sensitive.

November 11, 1941
12:50 p.m.

HMJr: Claude?

Claude
Wickard: Yes.

HMJr: This is Henry.

W: Yes.

HMJr: How are you?

W: All right.

HMJr: Claude, you know I've got to talk to the Grange
on Saturday.

W: I'm talking on Thursday.

HMJr: Yeah. Well, we were trying - we were going to
talk about inflation and I was going to talk about
this and I was going to talk about that. Now, I
got this idea, and Henry Wallace was in this
morning to see me and kind of liked it - in fact,
he liked it very much - and if you thought well
of it, I'd like to get some help. And that's
this idea that when the next 1920 rolls along,
why we've got some plan to feed the world, see?

W: Yes.

HMJr: With cheap food and so forth and so on. This thing
that this man Orr has been talking about, you know?

W: Yes.

HMJr: And then kind of hold out the idea of starving
people in Europe and Asia, that the American
farmer is ready and anxious to see that there
will be enough food to go around and that from
the Treasury's standpoint, that I'm ready to do
my part to help finance it.

W: Yes.

HMJr: What do you think?

W: You say from the Treasury's standpoint you're ready to finance it?

HMJr: Well, we'll just have to, yes.

W: You mean finance - now, when - I mean.....

HMJr: When the war's over.

W: Yes. Well, that's all right. Of course, here's the thing, I'm making - I've already put my talk up - I guess it's ready for release now. Now, I'm - I, of course, made the same appeal a lot of times.

HMJr: I know you have.

W: The thing that I'm wanting to do - the thing you might help me on - go on right along with what you're thinking - is to help us finance building a stock pile of American foods to be used in Europe as quickly as they throw off the yoke of Hitlerism.

HMJr: Yeah.

W: Now what we're setting out to do - I haven't told very many people this because I'm afraid that some people on the Hill will get excited and think that we're going to squander a lot of funds - but you see you can't suddenly turn out this stuff over night.

HMJr: No.

W: And what we're willing to do is pile up canned meats and concentrated fruit juices and dried eggs and things of that kind now so that if the war were suddenly over, we could start loading them on the ships. That is, you can't produce those things overnight, you see? Now, of course, the big order is to take care of current needs - our own domestic needs - and pile up that; and that's why that I've urged the farmers to go ahead; and I'm making that plea to them. We're going to try to produce all we can. The only

thing that the farmer fears is that that will be thrown on his market, you see?

HMJr: Yeah.

W: Now, here's what happened after the last war. They brought back a lot of that stuff from Europe instead of leaving it over there when our expeditionary force was over there, but they left all the trucks and everything from an industrial standpoint over there. Now, we think this time we want to assure the farmers and the country that it's the policy of this Government to see that this food is taken off the market and stored so it can be used to feed hungry people wherever they are, and we know they're going to be millions of them in Europe. Now, is that going along the lines of what you're thinking about?

HMJr: Yes, but I'd have to be sold on the idea of accumulating it now. I don't see that.

W: You can't see that? Well, then are you going to let people starve to death until you can accumulate it?

HMJr: No, but I think if you get your production up, and if this thing is over - I mean, that - I don't see how you could serve our own people and England, at the same time set up a stock pile for when this war's over. I just don't think it's in the wood.

W: You don't think we can produce enough?

HMJr: No.

W: Well, we're going to - by this time next year we're going to have - unless we have to feed Russia or some people we don't feed now - we're going to have more pork and eggs than we know what to do with. I can see it coming.

HMJr: Well, then I can talk about it next year, but I wouldn't be ready now.

W: Oh, yeah, but what I - we'd get started now to

get the farmers to plan to produce next year.

HMJr: Yeah.

W: You see what they're worried about is that when they produce in a year from now, what's going to be done with the product, and I'm giving them assurance we're going to set it aside if we don't have current need for it - to set it aside to feed hungry people when the thing's over. Now, you see what I mean?

HMJr: Well, I see what you mean, but I'd have to search my soul on that one.

W: Well, I can't search my soul. I've got to meet the issue.

HMJr: Well, that's all right.

W: I mean, I think it would be smarter to go ahead and produce - hogs going down every day as they are now - and tell them to produce more hogs when they say, "What are you going to do with them?" I've got to face that issue. I can either tell them to stop producing or go ahead. And if I tell them to go ahead, they say, "What are you going to do with it?" Well, I've got to meet that sort of thing by saying that we're going to use that food to feed people whenever it's necessary to feed them - that is, wherever it's necessary to feed them in order to save the war, win the war, and also we'll set aside any reserve we might have to use after the war.

HMJr: Well, Claude, let me ask - are you talking on that Thursday?

W: Yes.

HMJr: Well, that's your talk Thursday.

W: Yes.

HMJr: Then I'd be saying the same thing only not as well, from your standpoint.

W: No, I think you can go ahead and say the same thing and say that you think that we should be willing to promote that sort of thing.

HMJr: Well, now, let me ask you this. You won't be here Thursday?

W: What's that?

HMJr: You won't be here Thursday?

W: No, I'll be up at Worcester Thursday.

HMJr: Well, who is there that I can talk to that you have confidence in in your department?

W: Well, let's see.

HMJr: Who is there over there - on this particular phase of it?

W: Well, I suspect Mr. Salisbury would be the best man. He helped prepare this speech and he knows something about the possibilities that.....

HMJr: Salisbury?

W: Yes, he's head of our Information Department. Now, one of the other men is going with me up there and won't be here. Morse Salisbury. I'll have him get in touch with you Thursday if you wish.

HMJr: Well, I may get in touch with him before that.

W: Salisbury. S-a-l-s-i-b-u-r-y.

HMJr: Right. Now, will he have a copy of your speech?

W: Yes, I can get you a copy of that today, if you wish.

HMJr: If somebody could leave it at my house.

W: At your house?

HMJr: Or.....

W: I'll try to get somebody to take it down to your house this afternoon or this evening.

HMJr: Yeah. We can send for it. We've got messengers here. I'm at the Treasury.

W: Oh, you are? Well, just send somebody over there now and I'll call my office and tell them to give you a copy.

HMJr: I'll send somebody over to your office now.

W: All right. Unless they're gone out to lunch, there are two or three men working there on my speech, because.....

HMJr: They should send over to Salisbury?

W: Yes. Well, you just send to my office or either Mr. Salisbury or Mr. Bledsoe - both of them were there just half an hour ago when I talked to them.

HMJr: Bledsoe?

W: Yeah. Bledsoe. B-l-e-d-s-o-e. In my office - in the main office.

HMJr: I'll send him over.

W: All right. You'll get a copy of my speech. I'll call them and tell them you're coming after it.

HMJr: Thank you.

W: All right.

November 11, 1941

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Confidential

J. Franklin Carter came to see me this evening at six o'clock. He said he had been to see the President and the President had referred him to me. He said he had a letter from a friend of his in New York who had been asked to find out by the liquor interests who would be acceptable to the Administration as a representative - I gathered in Washington. They want to pay this man fifty to seventy-five thousand dollars a year.

I gathered that Carter had spoken to the President, and the President told him that the liquor industry is under me and that he should come to see me.

I thought for a few minutes and then I said to him that I did not care to make a recommendation and that I had never made a recommendation of this kind since I had been here because just as soon as I made a recommendation this man would come back with some income tax case, and then I would have to be even tougher than usual. After that sunk in for a moment, Carter said, "Well, what would you think of Senator Guffey?" I said, "Senator Guffey?" - showing my amazement at the suggestion. He said, "Yes. Senator Guffey." He said, "He is thinking of running for Governor and that would be an embarrassment to the Administration and, therefore, why not give him this job?" I made no further comment.

The whole visit seems very suspicious to me and I didn't like it. Whether Carter was trying to lay a trap for me or whether he was trying to find out if Senator Guffey would be acceptable, I don't know but time will tell.

Columbia University
in the City of New York
SCHOOL OF LAW

November 11, 1941

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

Dear Henry:

First of all, may I congratulate you upon your recent tax recommendations, and also upon your success in securing the President's active support of the program. It is obviously going to be hard to convince the ordinary citizen of the practical dangers of inflation in his own case. I should think it would be wise to stimulate some newspaper or magazine writers to prepare articles for such publications as the Readers Digest or the Saturday Evening Post dealing with the actual effects upon our citizens of the considerable rise in the cost of living, which economists foresee. The public has heard a lot of talk about inflation, but I do not think that the average man has any real understanding of its probable affect upon him, or of the great likelihood that a considerable increase in the cost of living is almost inevitable unless such a program as yours is adopted.

In the second place, would it not be well to make it clearer to the public how the proposed tax program will fit in with existing tax impositions. I have heard a good deal of comment to the effect that your proposal is objectionable since in 1942 many people will thereby be paying taxes both on their 1941 and on their 1942 incomes. Personally, I should not regard this particular difficulty as in any way insuperable, but I think a fuller explanation to the public would be desirable.

If the so-called administrative reforms are actively advocated, I hope you will give some consideration to a change in the status of the members of the Board of Tax Appeals, to put that organization on a better established and less political basis. I recall, as I know you do, the problems

Hon. Henry Morgenthau, Jr.

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November 11, 1941

which have arisen each time the terms of a group of Board members expire. The Board has actually performed a very useful service over the nearly twenty years of its existence. As in the case of other institutions, there are various opportunities for improvement in personnel and in procedure. Nevertheless, I think the time has arrived when there would be a clear net gain in giving the members life terms and appropriate pension provisions and the status of Federal judges generally. If their positions were recognized in this way, it ought to be easier to secure men of ability and experience for the positions. There would also be obviated the problem which confronts a Board member each time his term is about to expire; whether to risk the embarrassment of non-reappointment, or to resign in advance and to enter private practice.

I hope that things are progressing in the Department in such a way as to cause you no more than the great strain which any government official must be under in these days.

With warm regards,

Sincerely yours,



Roswell Magill

RM:p

CLASS OF SERVICE

This is a full-rate telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION (58)

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLIAMS
FIRST VICE-PRESIDENT

SYMBOLS

- DL - Day Letter
- NT - Overnight Telegram
- LC - Deferred Cable
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CDU91 CABLE=LONDON 77 1/48 11 640P

041 NOV 11 PM 2 02

LC HENRY MORGENTHAU JR=

CARE TREASURY WASHDC=

VERY MANY THANKS FOR YOUR CABLE OF OCTOBER TWENTYEIGHTH AM SO DELIGHTED TO KNOW BROADCAST WAS SUCCESSFUL STOP HAVE TRIED VERY HARD TO THINK OF FURTHER PROGRAMMES AS YOU SUGGEST BUT CANNOT SEEM TO GET RIGHT IDEA AND MY NONSTOP WORK=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

TREASURY DEPARTMENT

285

INTER-OFFICE COMMUNICATION

DATE November 11, 1941.

TO Secretary Morgenthau
FROM Messrs. Foley and Fehle

Supplementing the memorandum to you of October 31, 1941, the story on the shipment of milk from Switzerland to France is briefly as follows:

(1) The \$50,000 was released from French Government funds to the Friends Service Committee in the middle of December, 1940. It was not until the end of April, 1941, that the Friends were able to transport all of the milk purchased from Switzerland to France. The first difficulty they reported was that the Swiss refused to release the milk unless an equivalent amount of food stuffs was sent into Switzerland, and it was proposed that this quid was to consist of peanuts from Dakar. This proposal fell through and it then appeared that the chief difficulty lay in securing Swiss export permits. It was reported to us that the Swiss could not grant the necessary permits without German approval. In any event, the milk was finally sent to France.

(2) The French Government funds were transferred to the American Friends Service Committee who then purchased the necessary Swiss franc exchange, as payments in Switzerland were necessary. The suppliers of the milk were Nestle's, Societe de Laiteries Suisses, and other large Swiss milk companies.

(3) There are no applications involving milk from Switzerland to France pending at this time. However, on October 15, 1941, we denied an application by the French to transfer \$200,000 of French Government funds to the Quakers for the purchase of Swiss milk. This was done after clearance with Mr. Acheson and is in line with the policy followed with respect to other countries. This matter was reviewed in the Interdepartmental Committee meeting on Monday, November 10, and the denial was reaffirmed by the Committee.

J. F. Fehle
F. F. Fehle

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P
y

October 31, 1941

To Secretary Morgenthau
From E. H. Foley, Jr.

Re your memorandum of October 30 concerning the Quakers buying milk in Switzerland.

Walter Stewart has not as yet spoken to me about the matter. Attached is a memorandum prepared in Foreign Funds Control showing applications to transfer French funds to the Quakers to buy food supplies in Switzerland and Portugal for shipment to France.

You correctly recalled that at the beginning of 1941, you authorized the transfer of \$50,000 of French funds to the Quakers to buy Swiss milk. Towards the end of February the Quakers told you that they had not as yet been able to buy the milk. We were advised from time to time that the Quakers were able in April and May to export in small amounts the \$50,000 worth of milk from Switzerland to France.

In March and April of this year, the Quakers again asked that French funds be released to purchase food in Portugal and Switzerland to be shipped to France and after taking up the matter with the State Department, we did not grant the licenses. On October 15, we denied the most recent application by the French to transfer \$200,000 to the Quakers for the purchase of Swiss milk. This was done after clearance with the State Department and in line with the policy followed with respect to other countries.

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

October 30, 1941.

Applications to transfer funds from the French Government to the American Friends Service Committee for the purchase of food supplies in Switzerland and Portugal for shipment to France.

(1) Application No. NY 84497 filed by the French Government to transfer \$50,000 to the American Friends Service Committee for the purchase of Swiss milk was raised by Mr. Pehle with Secretary Morgenthau at the 9:30 meeting on December 13, 1940. It later developed that the Friends Service Committee had considerable difficulty in securing export permits from the Swiss Government for the milk purchased. The French Government approached the Treasury Department on the question of further release of funds. This matter was discussed with Secretary Morgenthau by Mr. Pehle at the 9:30 meeting on January 10, 1941. The Secretary indicated that no action should be taken on the release of further French funds until the milk already purchased in Switzerland had been sent to France. It was also indicated that before the approval of any further release of French funds, we should ascertain the attitude of the Department of State, and also check with the French as to whether they have any amounts of Swiss francs available.

(2) On February 25, 1941, Secretary Morgenthau saw Mr. Clarence E. Plckett and Mr. John F. Rich of the American Friends Service Committee. Mrs. Klets and Mr. Pehle were present. Secretary Morgenthau referred to the fact that the Friends Service Committee had not been able to obtain such of the milk purchased in Switzerland, which fact was confirmed by Mr. Plckett. At that time Secretary Morgenthau indicated that the release of further funds for the purchase of milk in Switzerland would have to be taken up with Secretary Hull and that before the Treasury Department would be in a position to discuss the matter further he would have to have a letter from Secretary Hull indicating that the State Department wanted the Friends to work in the occupied areas.

(3) Another application, NY 103707, was filed by the French Government to transfer \$50,000 from the French account to the American Friends Service Committee. On March 11, 1941, the Committee requested the Treasury Department to allow this release of funds, which they indicated would be sent to Portugal for the purchase of food stuffs and clothing to be sent to France. This application was referred to

- 2 -

the Department of State by letter on March 21, 1941, and the State Department replied as follows:

"Inasmuch as the French Government has available in Portugal deposits amounting to a minimum of \$600,000 and inasmuch as the French Purchasing Commission is at present in Lisbon endeavoring to raise transportation of supplies to France, the Friends Service Committee has been informed that they should, in the first instance, communicate with this Commission to determine whether it would be possible to make use of its facilities in connection with the purchase of these supplies. It is further understood from the British Embassy that the British authorities are reluctant to grant navicerts if these supplies are to be purchased from blocked accounts in this country as long as ample funds exist in Portugal for this purpose. Under these circumstances, this Department is not at the present time prepared to recommend this transfer."

This letter was signed by Under Secretary Welles. Accordingly, application No. NY 103767 was denied. It was brought to the attention of Secretary Morgenthau by a memorandum from Mr. Telle dated April 11, 1941.

(4) On April 14, 1941, the American Friends Service Committee requested by letter that the dollar equivalent of 1,702,650 Swiss francs (approximately \$417,000) be released from French funds to purchase food in Switzerland for shipment to France. The Treasury Department referred this request to the Department of State on April 22, 1941, stating:

"This transaction is being referred to you in view of the important foreign policy considerations involved therein. Should an application be filed to transfer the above-mentioned amount from French Government funds to the American Friends Service Committee, this Department is not prepared to approve such application unless requested to do so by your Department."

The State Department replied in a letter from Under Secretary Welles dated April 30, 1941, stating:

"The American Friends Service Committee, which has also communicated with this Department in this matter, has been informed that the situation has developed in such a way that this Government must recommend that the distribution of supplies in the unoccupied areas of France be undertaken through cooperation with the American Red Cross which has obtained funds from the American Government to supply milk to French children and that this Department is not in a position to recommend the unblocking of funds as requested by the American Friends Service Committee."

(5) A letter was received from the State Department dated May 20, 1941, stating that it had been ascertained from the American Ambassador at Vichy that approximately 60 tons of milk had already been purchased by the American Friends Service Committee in Switzerland and had arrived at Marseille. The State Department stated that it perceived no objection to the release of funds in payment of this specific amount of milk provided that distribution was coordinated with the American Red Cross efforts. This coordination was arranged between the Friends and the Red Cross.

(6) A further application, NY 268163, was filed by the French Government to transfer \$200,000 to the Friends Service Committee for the purchase of Swiss milk. This application was discussed by the Treasury Department with Assistant Secretary of State Dean Johnson. It was agreed that the application should be denied in view of the general policy being followed by the Interdepartmental Foreign Funds Control Committee in similar cases. Applications have been filed to transfer funds to Sweden for the purchase of foods to be sent to Norway, and the transfer of funds to Switzerland for food to be sent to Greece and Belgium. The Committee has unanimously agreed that all such applications should be denied.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE November 11, 1941

TO Secretary Morgenthau

FROM Messrs. Foley and Pehle

The Standard Vacuum Oil Company has requested the Treasury Department to release approximately \$1,500,000 from blocked Japanese funds in this country in payment for oil properties requisitioned by the Japanese authorities in Manchuria.

In essence, the proposed transaction is the buying out of American interests in an occupied country and payment therefor out of blocked Japanese funds in the United States. The Interdepartmental Committee on the Administration of Foreign Funds Control unanimously agreed to deny this application. This action is consistent with the action that has been taken in similar cases, such as the proposed purchase by German interests of the Standard Oil properties in Hungary.

S. W. 76



CONFIDENTIAL

November 11, 1941

Mrs. Friedman, Coast Guard
Mr. Dietrich, Secretary's Office

Will you please send the following cable urgent priority to Spagnum, Shanghai:
"American Consulate,
Hong Kong.

For Fox and Cochran from Secretary of Treasury.

We are planning to commence China program at 5 p.m. Eastern Standard Time Wednesday November 12. All documents will be cabled to Hong Kong and Manila by commercial cable on Wednesday."

(Init.) F. D.

FBI:Ca:11/12/41 (11)

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November 11, 1941

Mr. Liversay, State Department

Mr. Dietrich, Secretary's Office

Will you please send the following cable urgent priority to H. Merle Cochran,
in care of High Commissioner Sayre, Manila:

"For Cochran from Secretary of the Treasury.

We are planning to announce China program at 5 p.m. Eastern
Standard Time Wednesday November 12. All documents will be cabled
to Hong Kong and Manila by commercial cable on Wednesday. Advice
Sayre."

(initials)

FD: dm: 11/12/41

TELEGRAM SENT

PD

GRAY

November 11, 1941

6 p.m.

USNIGHCOM,

MANILA (PHILIPPINE ISLANDS) VIA N.R.

RUSH.

502:

FOR COCHRAN FROM SECRETARY OF THE TREASURY.

QUOTE We are planning to announce China Program at 5 p.m. Eastern Standard Time, Wednesday, November 12. All documents will be cabled to Hong Kong and Manila by commercial cable on Wednesday. Advise Sayre. END QUOTE.

HULL
(FL)

FF:FL:VCL

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OUTGOING CABLE VIA COMMERCIAL

November 11, 1941

H. MERLE COCHRAN
c/o SAYRE, HIGH COMMISSIONER
MANILA, P.I.

We will announce matter Wednesday 5 p.m. Eastern Standard Time.

Bernstein

Delivered to Treasury Telegraph Office at 2:15 P.M.

TELEGRAM SENT

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MJL

GRAY

November 11, 1941

6 p.m.

AMERICAN CONSUL,
SHANGHAI (CHINA).

TRIPLE PRIORITY.

966.

General License 58 repeat 58 has been amended not to be divulged before 5 p.m. Eastern Standard Time, November 12, 1941 to provide that no repeat no shipment valued over 100 United States dollars may be imported from any part of China except Manchuria without consular invoice bearing following special certification:

QUOTE I, _____, hereby certify that
(Name and title)

(here insert name of appointed bank,) which is an appointed bank, has duly notified me that the exporter within China for the shipment covered by this consular invoice has sold or has completed arrangements for selling the United States dollar proceeds of such shipment to such appointed bank or that the shipment has been otherwise approved by the Stabilization Board of China.

(Name and title)

END QUOTE

-2- #966, November 11, 6 p.m. to Shanghai.

Accordingly you should certify no invoice without placing foregoing special certification on it. Foregoing special certification may be placed on invoice only after you have been notified in writing repeat in writing by an appointed bank (see list below) that the exporter in China has sold or has completed arrangements for selling the US\$ proceeds of shipment to the appointed bank or that shipment has been otherwise approved by the Stabilization Board of China. Statements from banks should be supplied to you in triplicate, one copy to be retained by you and the first carbon copy to be transmitted at weekly intervals to the Board, the second carbon copy to be sent to the Department for the Treasury.

Exceptions to above procedure are as follows:

- (a) Shipments where the consignee or consignor is the United States Government or the Chinese National Government or a recognized agency or political instrumentality of either government;
- (b) Shipments in transit between the United States and China on November 12, 1941;
- (c)

-3- #968, November 11, 6 p.m. to Shanghai;

- (c) Shipments where payment therefor was fully effected prior to November 12, 1941.

Invoices covering above classified shipments should be certified in usual manner without special certification, but before certifying invoices for shipments falling in (b) an affidavit should be obtained to the effect that the merchandise covered by the invoice had been either laden aboard an ocean carrier destined for the United States on November 12, 1941 or that the merchandise had been delivered to such carrier for forwarding. Such an affidavit should be retained by you and shipper who executes it should be informed that United States customs authorities will make an independent examination of all the facts before releasing merchandise.

With regard to (c), an affidavit should be obtained from shipper showing that the shipment belongs in that category. Such an affidavit should be retained by you and shipper executing it told that before merchandise will be released by United States customs authorities a bank in the United States will be called upon to certify that payment in full for merchandise was made prior to November 12, 1941.

If shipper

-4- #966, November 11, 6 p.m. to Shanghai.

If shipper whose merchandise falls within exempted classifications wishes to have special certification placed on his invoice, comply with his request only on condition that proper notification from appointed bank is on file in your office.

The following banks located in Hong Kong or any part of China except Manchuria have been designated appointed banks:

- a. The Chase Bank
- b. National City Bank of New York
- c. Underwriters Bank for the Far East
- d. American Express Company
- e. Moscow Narodny Bank, Ltd.
- f. Thos. Cook & Son (Bankers) Ltd.
- g. Hong Kong & Shanghai Banking Corporation
- h. Mercantile Bank of India, Ltd.
- i. David Sassoon & Co., Ltd.
- j. E. D. Sassoon & Co., Ltd.
- k. E. D. Sassoon Banking Co., Ltd.
- l. Chartered Bank of India, Australia & China, Ltd.
- m. Nederlandsch Indische Handelsbank
- n. Nederlandsche Handel Maatschappij
- o. Shanghai Commercial and Savings Bank, Ltd.

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- p. Bank of East Asia, Ltd.
- q. National Commercial Bank, Ltd.
- r. Chekian Industrial Bank, Ltd.
- s. Bank of Canton, Ltd.
- t. Oversea-Chinese Banking Corporation, Ltd.
- u. Kincheng Banking Corporation
- v. China Banking Corporation
- w. Bank of China
- x. Bank of Communications
- y. Farmers Bank of China
- z. Central Bank of China

Repeat to all offices in China.

HULL
(FL)

FA:MBD:MBL:WNH:MHO:SS

CURRENT SURVEY OF THE INTERNATIONAL SITUATION

No. 5

November 4 - 11, 1941.

300
SECRET

Despite German successes on the southern front and renewed offensives against Moscow and Leningrad, there is no indication that a "decision" is imminent in Russia. On the contrary, the Italian press is hurriedly preparing the mind of the country for the unwanted winter campaign in the east and around Moscow the Russians are counterattacking vigorously. Goebbels sounds a new and ominous note for the German people when he warns that they must no longer ask when victory will come but must struggle to achieve it some day if they are to escape a future no German can contemplate. For the first time Berlin propaganda slips into a defensive vernacular and refers to the Reich as "The Fortress of Europe."

AN OFFICIAL RUSSIAN VIEW OF THE EASTERN FRONT

The situation in the eastern theater of war has just been described for the American ambassador with blunt frankness by Dekanosov, who is declared to possess more fully than any other the confidence of Stalin. The German armies now face serious transport difficulties and have suffered heavy plane losses, but other material losses are not serious in terms of total Nazi supplies of equipment, he admitted. Moreover, the Germans got more grain from the Ukraine than the Russians had anticipated.

On the other hand, continued Dekanosov, Russian war industry has been crippled and production has reached a low ebb despite the prodigies accomplished in "leap-frogging" plants to the east, with resumption of production in less than three months in some instances. To fill this production void the army looks impatiently to the United States.

The losses of Russian manpower have been severe, but even so are less serious, in relation to reserves, than those of the Germans. The Soviet command has made substantial withdrawals of troops and equipment from the Far East but has left there a force fully adequate for defense against a possible Japanese attack. In conclusion, Dekanosov spoke with bitter resentment of the British failure to create a diversion.

WE LOSE THE STRUGGLE FOR FINLAND

A prolonged Anglo-American diplomatic offensive failed to dissolve the resistance of the Finns, and the final reply to the United States declares that the war must go on until adequate defensive positions are reached in Soviet territory.

The government's decision apparently reflects the views of the Finnish press which has been irate over America's intervention and which has insisted that a large part of the American people is unsympathetic with the official attitude of the government in Washington. The press has roundly declared, moreover, that our government has failed to understand Finland's

-3-

age-old problem of defense against its gigantic neighbor to the east.

The Berlin press and radio have taken much the same line, DAD castigating the American "demand" as unique in the history of Europe. Even the Swedes have joined the chorus of disapproval. The press has declared its solidarity with Finland in the latter's program of self-defense, and the Foreign Office has warned our minister that the Anglo-American position will tend to drive the Finns into the arms of the Germans and thus to jeopardize still further the neutrality of Sweden, who would find herself encircled by Nazi-controlled neighbors.

GERMAN INTENTIONS

Plotting the curve of German intentions is never a game one plays with much confidence, but again this week there are certain suggestive elements in the picture. From Greece it is reported that the Germans are enlarging old airfields and building new ones, that Italian troops are rapidly being displaced as "untrustworthy," and that in Greek shipyards large numbers of miscellaneous transport craft are being built for the Nazis.

In Iran the government's draft of the projected Tripartite Treaty approves the Atlantic Charter--probably a shaft directed at American sympathy. But there is noticeable popular opposition to the treaty, urging that it is foolish to take such a step when

public opinion is anti-British and anti-Soviet and when the forces of the Nazis are drawing steadily nearer.

MORE COLLABORATION IN VICHY?

Both fact and rumor suggest that Franco-German relations are about to be modified, perhaps in a sweeping fashion. Weygand's personal representative at Vichy has been ousted by Darlan over the general's protest. Rochat admits that the affaire Weygand has been a burning issue for some time now and that a crisis may soon be reached.

Pétain is convinced that, when the Russian campaign bogs down for the winter, the Nazis will turn to France and offer concessions which he fears will be too attractive--timeo Danaos et donas ferentes, remarked the Marshal. The Swiss General Staff hears that Darlan has agreed to yield African bases to the Germans. And from Italy comes a story, widely believed in military circles, that the final act of the Risorgimento will be staged by none other than the grandson of Garibaldi who is to seize Nice and parts of Savoy. With these "conquests" recognized by the Axis, Italian "face" will be saved and the way will be clear for a Franco-German peace and the withdrawal of the Nazi army of occupation from all of France except a sea-coast strip.

FREE FRENCH MORALE IN AFRICA

While the morale of Vichy is crumbling, Colonel H. F. Cunningham, following a journey of 8000 kilometers, sends a

lyric picture of the Free French in Equatorial Africa. He describes the unselfish devotion of all ranks to the De Gaullist cause, notes the superb morale of officers and men in the Tehad are, and declares the administration runs like clockwork and is directed by devoted officials. He declares that aid is most urgently needed and should be made directly available from the United States.

JAPAN AT THE CROSSROADS

Japanese intentions are the subject of widely variant speculation, and their plans are probably still in a fluid stage. There are no obvious indications of an early attack on the Soviets, and the Japanese press warns that the collapse of Russia is not to be anticipated now.

In Indochina the heavier concentration of troops is in the south, which implies action against the Thais. On the other hand, the Chinese continue to fear an offensive against Yunnan and the Burma Road, and Chiang Kai Shek has urgently requested the British Commander at Singapore to send him all possible planes for the defense of this crucial supply artery.

Reporting that Ambassador Nomura had admitted that his efforts to reach an understanding with this country had reached an impasse, the Tokyo radio greeted the mission of Saburo Kurusu as a "last effort." The Japanese press has been filled with bitter anti-American invective. As a result of representations

from our government, however, these press polemics suddenly ceased on November 8, and the Japanese have now apparently lapsed into a policy of watchful waiting. They could scarcely have been encouraged by the categorical warning from Churchill that war with the United States will mean immediate war with Britain as well.