

DIARY

Book 480

December 30 and 31, 1941

- A -

	Book	Page
Airplanes		
Production picture (present) discussed by Lovett and HMJr - 12/30/41.....	480	36
Alien Property Custodian		
Olson (Governor of California) wires HMJr concerning set-up - 12/30/41.....		107
Byrnes 'phones HMJr concerning appointment of Crowley - 12/31/41.....		192,194
a) Foley told of conversation - 12/31/41.....		196
Byrnes asks Foley's opinion of Order "vesting in designated officers certain powers and authority with respect to property in which there is a foreign interest" - 12/31/41.....		202
a) Byrnes tells HMJr of conversation with Hopkins - 12/31/41.....		211
b) Foley memorandum on conference with Byrnes - 12/31/41.....		212

- B -

Berlin, Irving		
"I Paid My Income Tax Today" - HMJr thanks Berlin for song - 12/30/41.....		82
(See also Book 482, page 285 - 1/6/42)		
British Purchasing Mission		
Vesting order sales - 12/31/41.....		270,271, 272,273

- C -

China		
Burma Road: Leland Stowe's story of conditions there discussed at 9:30 meeting - 12/31/41.....		170
Crowley, Leo		
See Alien Property Custodian		

- D -

Defense, National		
Transfer of functions and consolidation of agencies: Budget asks Treasury canvass - 12/31/41.....		264
Defense Savings Bonds		
See Financing, Government		

- E -

Exchange Market		
Resumes - 12/30-31/41.....		164,305
Exports		
To Russia, China, Burma, Hong Kong, Japan, France, and other blocked countries, week ending December 26, 1941..		142,375

- F -

	Book	Page
Financing, Government		
Great Britain--U.S.S.R.: Cancellation of indebtedness to United States arising from first World War covered in draft of bill sent to FDR - 12/31/41....	480	285
Defense Savings Bonds:		
Series E - Supply in the Field: Haas memorandum - 12/30-31/41.....		103,250
Voluntary Payroll Allotment Plan: Letter to Secretary of Navy and Secretary of War concerning - 12/31/41.....		235,241

- G -

Great Britain
See Financing, Government

- H -

Henderson, Leon
See Office of Price Administration and Civilian Supply

- I -

"I Paid My Income Tax Today"
See Berlin, Irving: Revenue Revision

- L -

Lend-Lease		
Allocations and obligations through December 29, 1941..	268	
Libraries - Joint Committee on Importations		
Licensing of importations from Germany and German-dominated countries discussed in Foley-Pehle memorandum - 12/30/41.....	88	

- M -

Military Reports		
Reports from London transmitted by Halifax - 12/30-31/41.....	155,307	
Coordinator of Information reports:		
The Burma and the War - 12/31/41.....	313	
The German Military and Economic Position - Summary and Conclusion - 12/31/41.....	315	
"The War This Week" - 12/24-31/41.....	316	
German Morale, Winter 1941-1942.....	317	
Zamarck summaries - 12/30/41, 12/31/41.....	158-A, 378	
Minister of Supply		
See Supply, Minister of		

- O -

	Book	Page
Office of Price Administration and Civilian Supply Henderson's request to see income tax returns discussed by 9:30 group - 12/31/41.....	480	173
Olson, Culbert L. (Governor of California) See Alien Property Custodian		

- P -

Procurement Division		
Tires: Lubin asks HMJr concerning arrangement whereby Procurement would contact dealers direct rather than do business with factories - 12/30/41.....		69
a) HMJr-Mack conversation.....		72
b) HMJr tells 9:30 group of conversation with Lubin - 12/31/41.....		172

- R -

Research and Statistics, Division of Report on projects for September 1941.....		109
Revenue Revision "I Paid My Income Tax Today" - HMJr thanks Berlin for song - 12/30/41.....		82
(See also Book 482, page 285 - 1/5/42)		

- S -

Stowe, Leland See China: Burma Road		
Strauss, Alfred B. \$25,000 contributed toward "War Chest for Offense" - 12/30/41.....		231
Supply, Minister of Cox tells HMJr Byrnes and Monnet both endorse him (HMJr) - 12/30/41.....		1
a) Byrnes-HMJr conversation - 12/31/41.....		201
Switzerland Privilege asked of transfer of part of gold now on deposit in New York - 12/30/41.....		156

- T -

Taxation See Revenue Revision		
Tires See Procurement Division		

- U -

U. S. S. R. See Financing, Government		
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December 30, 1941

Oscar Cox called up last night and said that he had talked to Judge Jimmy Byrnes in the morning (that was where he was instead of coming to my nine o'clock meeting yesterday morning), and he is entirely sold on a Minister of Supply and that I am the only person who can do it. He had lunch with Jean Monnet, who had been a strong advocate of giving more power to the Army and Navy, and at the end of an hour yesterday Monnet was enthusiastic for a Minister of Supply and for me to do it.

Cox said that the thing which was so amazing to him was that it took a full year to appreciate what I did prior to the 15th of March. He has not as yet run into anybody who is not for me for the job.

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December 30, 1941

H.M.JR: Senator Walter George called me in answer to my telephone call of yesterday. He was very friendly. I told him the whole story, how I had expected to hear from Senator Walsh two Fridays ago before Cabinet, that he finally called me and said he couldn't give me an answer until he talked to Martin Dies and Landis and his conduct of the Bridges trial, and I said it seemed to me that it wasn't up to Senator Walsh to criticize Landis, who was sitting as a judge. It wasn't his personal opinion. Then he was to let me know last Tuesday, and he didn't and I said, "I may have done something very foolish, but I did it." I said, "I want you to know about it. Senator Walsh told me that the Democrats in Massachusetts would be opposed to Landis," and that I had gotten in touch with Mayor Tobin and Mr. Daugherty, Commander of the American Legion for Massachusetts, and John McCormack. They all were for Landis, and they had all promised to speak to Walsh, as a result of which Walsh is very angry at me. I said I had been in touch with Senator Barkley and that he said he didn't know whether the position of Undersecretary was subject to the usual rules of the Senate or personal privilege. George suggested there was some question about it. Barkley talked to him, but he said he was under the impression the last time that he talked to Walsh, that Walsh was going to go along, and he was surprised to hear that he wasn't. So I said, "Well, Walter, I would like to put myself in your hands and Alben Barkley's hands and if you say I can go ahead, the two of you say I can go ahead, I will go ahead, and if you say I should drop it, I will drop it, but I am going to put myself in your hands and in Barkley's hands." So he said, "Well, I will get in touch with Barkley and Walsh and call you back this afternoon." If Barkley and George say to me, "No go"--

MRS. KLOTZ: Then there is nothing you can do.

December 30, 1941
9:12 a.m.

HMJr: I'm sorry to have bothered you, but I'm seeing the President this morning at ten-thirty.

Robert Nathan: Well, I'd better arrange to come over right away then.

HMJr: And I wondered if you had that bomber thing.

N: Yes. I'll come over right away with it.

HMJr: Well, if you get here by ten o'clock, it would be time enough.

N: Fine. All right, I'll be in your office by ten, sir.

HMJr: Thank you.

N: All right. Good-bye.

December 30, 1941
9:15 a.m.

PRESIDENT'S BUDGET MESSAGE

Present: Mr. Blough
Mr. Haas
Mr. Knollenberg
Mr. Bell
Mr. Paul
Mr. White
Mr. Tarleau
Mr. Sullivan
Mrs. Klotz

H.M.JR: Mr. Bell has got some information as of last night which will throw some light on the matter (Paul). Well, we have got a new slogan in the Wall Street Journal, "Win the War Taxes."

MR. PAUL: And it is the Wall Street Journal, too.

H.M.JR: I like it. I think it is a swell slogan, "Win the War Taxes."

Did you see the headlines in this morning's Washington Herald on those few little remarks I made yesterday?

MR. PAUL: I read an account of it.

H.M.JR: The point of Bell's story is that the President's victory program is not ready, so it is not going to be included in the budget. Your fifty-six

- 2 -

billion--

MR. PAUL: Oh, I see what you mean.

H.M.JR: It is a much lower figure.

(Mr. Bell and Mr. Knollenberg entered the conference.)

(The Secretary, Mrs. Klotz, and the reporter left the conference temporarily after a telephone call to the Secretary from Senator George.)

MR. BELL: On the 1943 budget the expenditures are estimated at forty-three billion five. That does not include the victory program which will go up within the next thirty days. This victory program, as I understand it will amount to somewhere around thirty million and they expect to spend out of that victory program approximately ten billion dollars in 1943, which will make your expenditures for that year, as far as they can see them now, around fifty-five billion dollars. Your receipts are estimated, exclusive of Social Security taxes, at sixteen billion four. That leaves you a deficit on the basis of the budget of twenty-nine billion, and if you add the expenditures--

MR. PAUL: That compares with the forty we had before.

MR. BELL: That is right, but the forty included the victory program. If you add ten billion out of the victory program, it gives you around thirty-nine billion dollars.

MR. PAUL: So we are not so very different.

MR. BELL: Not so very different, no.

MR. WHITE: Is that two billion RFC money that you spoke of?

MR. BELL: No, one million in 1943 of RFC money

- 3 -

makes thirty billion dollars that we will have to borrow in 1943 exclusive of the victory program. Adding the victory program, it will be just forty billion dollars and that is exclusive of new taxes.

H.M.JR: Do it now once more for me, Dan.

MR. BELL: From the beginning?

H.M.JR: Yes.

MR. BELL: The 1942 budget, expenditures are now estimated at twenty-nine billion five hundred million. Receipts are eleven billion nine. It gives you a deficit of seventeen billion six. The RFC is estimated at two billion.

H.M.JR: Which way?

MR. BELL: Expenditures. That gives you nineteen billion six that you have to borrow in 1942. Your deficit to date is running a little over seven billion, so you have still got to borrow eleven or twelve billion between now and the end of the year.

H.M.JR: Oh, this is for the rest of the year?

MR. BELL: Well, this is the whole year. What your deficit is up to date is about - well, I would say eight billion, including RFC, so that you will have to borrow about another eleven billion in the next six months.

H.M.JR: Well, when you and I went out on the end of a limb on eighteen billion exclusive of RFC which we didn't have in mind, we weren't so far off.

MR. BELL: Well, that was national defense. That was nineteen billion dollars in expenditures.

H.M.JR: No, deficit. Well, anyway, we won't confuse it now.

MR. BELL: That is the '42 picture. Half of it is gone. The 1943 budget, total expenditures exclusive of the victory program, forty-five billion five hundred million. Receipts, sixteen billion four.

H.M.JR: Just a minute. This forty-five, five is expenditures, what?

MR. BELL: Yes, sir. Receipts, excluding Social Security, sixteen billion four. That gives you a deficit of the twenty-nine billion one. The RFC net expenditures are about a billion, so that gives you total borrowing of about thirty billion dollars, thirty billion point one for 1943.

Now, the victory program will go up within the next thirty days and there will be approximately thirty billion dollars, of which we will spend ten in 1943.

H.M.JR: Well, now, let's just stop there a minute. You and I have gone through a lot of these budget things with the President. Didn't he once leave out WPA and do it later to make the picture look better?

MR. BELL: Yes, and I think that is what is going to happen here.

H.M.JR: But, Dan, just check me.

MR. BELL: Yes, he did that on a number of occasions.

H.M.JR: Well, if he says to us, "What is the picture? Do you want to go beyond that? Don't you think it is up to the Budget Director?" we can say, "Of course, Mr. President, we don't know what your victory program is."

(Mr. Haas entered the conference.)

MR. BELL: Oh, I don't think we need to discuss any of these figures. I think the President has had them before him and he knows the victory program and

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MR. BELL: Oh, I don't think we need to discuss any of these figures. I think the President has had them before him and he knows the victory program and

knows it isn't going in the budget.

H.M.JR: Well, look, I just want to stop at this point a minute if you don't mind. Have you put anything in for new taxes?

MR. BELL: No, sir, there is nothing in there.

H.M.JR: Well, we would start right there. I am going to do a little kidding myself, too. I am going to take a leaf from Roosevelt. The reason I am going to do it is this, gentlemen: If we stop at thirty billion dollars and then the President - and fix a tax program to take care of that, and then the President sends up twenty, thirty, or forty billion dollars on top of it, then we come along with another tax bill.

MR. PAUL: That is right.

H.M.JR: I mean, I am going to take a leaf out of - I didn't know this. How could I know this?

MR. PAUL: In other words, our tax program is based on these figures.

H.M.JR: All right?

MR. KNOLLENBERG: All right.

H.M.JR: And that lets me kind of slide around on your side. Then in February, when he comes along with twenty, thirty, or forty billion, well, my God, how should I know? That is terrible. I need another ten billion taxes. The idea is this, George and Harry, these gents, these extreme left wingests, taxers, you see, these lovers of great business, can give me a little two by four tax bill, see. It was so small it just shocked me. I had to go to bed. I couldn't take it. All they could possibly scrape up was another five billion dollars.

MR. SULLIVAN: No.

- 6 -

MR. PAUL: No, that isn't quite right.

H.M.JR: Exclusive of--

MR. SULLIVAN: No, no, exclusive of Social Security, seven and a half.

H.M.JR: Now, wait a minute, you have got to do it all over again. Individual income taxes, one, O.K.; estate, two hundred, O.K.; the corporate taxes, three. That is three--

MR. PAUL: That is a range figure, two to three.

H.M.JR: I am taking the highest to give you the benefit. Four billion two. The most on the whole thing was five hundred million.

MR. PAUL: I think that is too small.

MR. SULLIVAN: I think it is too big.

MR. KNOLLENBERG: I think it is about right.

H.M.JR: Well, add another two hundred fifty million to split the difference. It is still not five billion.

MR. SULLIVAN: You have got Social Security of two billion there.

H.M.JR: The statement I made was, exclusive of Social Security, it is a scant five billion dollars.

MR. SULLIVAN: That is right, and I say you take out your Social Security and you can get your two billion dollars in taxes.

H.M.JR: And the two hundred million estate and gifts you don't get until a year or two afterward, so I said a scant five billion.

MR. PAUL: It might go bigger, though. I think

- 7 -

we can get up loopholes, but I can't get the boys to go up on me. I think we might be able to get that one billion top up, but I haven't had time to check it through a rate schedule.

H.M.JR: Now, what I want, Dan, what this is, you see, is a scant five billion. Now, with the thirty billion dollars, you, as my chief fiscal officer here, what is your reaction?

MR. PAUL: Before Dan speaks, can I use my adjective on that program? You called it scant. Yesterday I called it anemic. (Laughter)

H.M.JR: All right.

MR. BELL: Well, if you get - is this five billion dollars in 1943 or is it just an annual program?

MR. SULLIVAN: No, '43.

MR. BELL: Five billion dollars in 1943?

MR. SULLIVAN: At the annual rate of that.

MR. BLOUGH: It won't give you five in '43.

MR. BELL: It will not?

MR. SULLIVAN: About two thirds of that.

MR. PAUL: That will partly depend on what part of it we make withholding.

MR. SULLIVAN: That would give you less than forty-five percent of your program in taxes and if you add the victory program, it is even going below forty.

H.M.JR: Well, let's forget the victory program, because I am saying, in the room, there is a victory program, and then we come along with another tax bill.

MR. BELL: I think it is enough if you are going

after another program, after the victory program.

MR. PAUL: I called Jack Viner last night after I left you to get his views, and he was tentatively - he said just like Dan says, "We will have to have another bill later in the year."

MR. BELL: Well, the basis of forty billion dollars, I don't think it is enough.

H.M.JR: Forty billion?

MR. BELL: Yes, but on the basis of this deficit, I would say it is enough.

H.M.JR: Well, let's just talk this deficit, because I take it this is what is going to be referred to in the budget message, a deficit of thirty billion. If we get another five, does that lower your deficit to twenty-five?

MR. BELL: I understand you won't get five. Twenty-nine billion and take off five, and it would give you twenty-four billion dollars. That is still a sizeable borrowing program, two billion dollars a month.

H.M.JR: Are you satisfied with that?

MR. BELL: I would rather talk about the whole program.

H.M.JR: But you can't, Dan.

MR. BELL: I am not satisfied with the five billion dollar program.

H.M.JR: But you can't.

MR. BELL: For this picture that is facing us.

H.M.JR: Look, we have got to do a little kidding

- 9 -

here and when the other thing goes up we will make a reservation. What do you call it before the court?

MR. PAUL: An exception?

H.M.JR: An exception.

MR. SULLIVAN: When is this going up, sir?

H.M.JR: Well, if you had asked me yesterday afternoon, as a betting man you could have collected a lot of money from me, because I would have given you odds of three to one it was in the message. I am simply astonished it isn't, and I think the country is going to be. What is the use of everybody fooling around? If the President of the United States doesn't know what his victory program is - that thing - I will tell you what the date was. I was told by Stimson. He had orders to have it ready either September 8 or September 11, with the orders that he had from the President. Either September 8 or September 11 of this year.

MR. BELL: It was published a month ago.

H.M.JR: September 8 or September 11.

MR. SULLIVAN: Do you think it will be going up there before the first of February?

MR. BELL: Yes, I do.

H.M.JR: Your guess now is as good as anybody's, John.

MR. SULLIVAN: I don't think it would be wise for us to come in and get caught ten days later with this other thing.

H.M.JR: Well, it might not be wise, but it might be necessary.

MR. BELL: Well, I don't know--

MR SULLIVAN: I think we ought to take every step to avoid that, sir.

MR. WHITE: Though you may technically go on this basis, I think Congress and the public have a right to expect that you are not wholly blind as to what is in the wind. Therefore, with respect to what you say, you must know there is a very large program coming. You don't know what it is going to be, but you know it is going to be large. So it is all right if you like to come forth with this kind of a program providing your exception is clearly stated that this program is based upon present deficit expenditures, that if there is going to be any--

H.M.JR: Don't counsel, Harry. I can't take it today.

MR. BELL: I am not so sure, Mr. Secretary, that the program is not yet going in the Budget, but last night they thought that it could not be gotten ready, but I should think that the President would say something in his message about a supplemental coming along for victory.

H.M.JR: This makes us look awfully foolish. Don't use victory over there. He hates it. The victory program is how much?

MR. BELL: Thirty-three million dollars that has been submitted.

H.M.JR: Let's say thirty billion just for argument. Then we come along and say after the thirtieth that we want another five billion in taxes.

MR. BELL: Well, let's put it this way, Mr. Secretary. This budget shows an increase of sixteen billion dollars over the '42 and you are asking for five billion dollars in taxes to cover that additional expenditure which is only one third. Now, if the victory program is going to add to your budget only

ten billion dollars for '43, I don't think you can ask for half of that increase.

H.M.JR: But that is your estimate, Dan, of what they are going to spend.

MR. BELL: Well, that is the budget estimate, it isn't mine. Now, on that basis, I don't think the five billion is enough.

MR. PAUL: Of course, where we are going to be driven beyond the five billion, we may as well realistically recognize. There are only two places. One is sales taxation and the other is a terrific wallop on the low income groups.

MR. KNOLLENBERG: I don't think that is wholly accurate, Randolph, because--

MR. PAUL: I don't see where else--

MR. KNOLLENBERG: We could very much more wallop the corporations than we are proposing to do.

MR. PAUL: Three billion?

MR. KNOLLENBERG: We can. I mean, the money is there. There may be reasons of policy why Congress won't do it, but--

MR. PAUL: I would like to get all we can. If we can wallop them, let's do it now.

MR. KNOLLENBERG: If we adopt the English system, we obviously could get at least another billion.

H.M.JR: And also on the individuals.

MR. KNOLLENBERG: And also the individuals and our own brackets. There are a tremendous amount of funds indicated by the British taxes. Somehow they are collecting them there. There are those two responsibilities.

- 12 -

MR. PAUL: Of course if we did what the papers said this morning, which might be a good thing--

H.M.JR: What is that?

MR. PAUL: Put a ceiling of twenty thousand on all--

MR. KNOLLENBERG: The British didn't do that.

H.M.JR: I don't think we are ready for that yet.

MR. BELL: That is what Walsh suggested the other day, twenty or twenty-five thousand dollars would be the top income and everything else would be taken.

H.M.JR: Harry, where are you on this question of the amount of taxes necessary?

MR. WHITE: Well, I think that this five billion is all right as you stated it with the thirty, because I don't think that the public are psychologically ready for trimming where it is really going to hurt. This five billion won't really hurt. What will really hurt is when you begin trimming the fat on the middle and lowincome brackets and on the corporations by trying to squeeze an extra three or four billion out, and anything of that character must be set into a psychological setting which can be built up only by recognition of the magnitude of the victory program, so that I think that if the victory program is going to come out before your tax plan, then you can't go much forward. If it is not, then you can get it ready because you know what is happening, but I think the publicity has to know what is in the offing in the way of expenditure.

MR. HAAS: I would say this: If you are not going to have more than five, I wouldn't mention it in the budget. I am inclined to agree with Harry that until the victory program dimensions are out, you can't really fix the amount of taxes necessary. Another

- 13 -

thing, from the point of view of inflation, I am beginning to feel that the most important weapon we are going to have is rationing anyway, that you can't levy taxes in adequate volume, and, if you did, it would be very inequitable and disturb our whole economic structure too radically.

MR. BELL: There is this possibility, of showing it in the Budget.

H.M. JR: Can you hold your thought a minute?

MR. BELL: Yes.

H.M. JR: Because I have got the answer. Can you hold yours a minute?

MR. BELL: Yes.

H.M. JR: If the President in the budget message says there is going to be a victory program coming, then in the same sentence he should say, "If there is, we will also, of course, have to have additional taxes." If he says nothing about the victory program, then I am not going to ask him to say anything about taxes.

MR. SULLIVAN: You mean about amount?

H.M. JR: No. If the President of the United States says, "Now, I am just telling Congress that within a month or two I am going to send up a victory program," and of course accompanied with it will be a request for additional taxes, but if he says nothing, then I shouldn't ask him to say anything.

MR. SULLIVAN: Well, when you say additional, you mean beyond that that is already contemplated to be started on January 15?

H.M. JR: Oh, yes, sure. If what we do here is this - the way you people feel - if he says to me this morning, "Well, what is your figure, Henry, stop

- 14 -

sparring, what is your figure?"

"Well, my figure is five billion dollars net, exclusive of Social Security, Mr. President, on the present program."

MR. SULLIVAN: Does that contemplate an additional two billion in Social Security?

H.M.JR: Sure.

MR. SULLIVAN: All right.

MR. BELL: Now, supposing he asks you what is it, including the victory program?

H.M.JR: Well, then--

MR. PAUL: What is the victory program?

H.M.JR: Yes.

MR. BELL: He says the victory program contemplates ten billion dollars of additional expenditures for '43.

H.M.JR: On that, Dan, I think I would say, "Well, Mr. President, I haven't had those figures. Give me twenty-four hours and I will give you an answer. I haven't had them. I need twenty-four hours."

MR. PAUL: Well, we may as well approach this around the other end now if you are going to have that additional program. If you think you need a certain amount in relation to your borrowing program, then we have to get it.

H.M.JR: Well, I would want to stall twenty-four hours to come back, but I am being politic, and I am going on the assumption that this is the line he is going to take from what Dan found out last night, and then if he wants to temporarily withhold the information

- 15 -

from the public, we can do the same, that is all.

MR. SULLIVAN: I think if this victory program is going into effect, and you are forced with the necessity of raising a larger part out of taxes, you have to reexamine your position on Social Security, because every dime you get out of that cuts down your possible take on taxes.

H.M.JR: You started to say something, Dan.

MR. BELL: Well, they often have done this. As a matter of fact, they have had an item in the budget every year called supplemental items, and those supplemental items have been explained in a general way. It just says, "These are additional expenditures that we contemplate during the year will be made out of supplemental appropriations submitted." Now, they may put in the budget a ten billion dollar expenditure item on the supplementals and then just say in the budget message that this represents the expenditures out of the victory program which will be submitted later, so that your expenditure item would be in the budget but no detail of the victory program. They could do that. Then you would be faced with the necessity of putting your taxes on the basis of fifty-five billion expenditures.

MR. WHITE: There is another possible alternative. I wonder whether it has any merit. Supposing you take the position with the President that you know and he knows there will be large expenditures, and your tax program will fit the picture as soon as he gives it to you. It is only a question of a few weeks or a month's delay, and say, "As soon as you tell me what you are going to spend, we will give you a tax program." Then they would come out simultaneously to the public.

H.M.JR: He won't do that. The President wants a balanced figure. The shock to the public - if they got a gross figure of forty-five billion and receipts of sixteen, deficit of twenty-nine and no tax program.

- 16 -

it would be terrific. He should give it attention. He should have had his victory program ready. I can't understand why he hasn't. It is going to be a shock. One shock won't hurt them half as much as two will. I mean, if they give them all the information at one time.

MR. SULLIVAN: I think that is right, Mr. Secretary, and I think we will be put in a very unfortunate position if we have to go in twice. We will appear to be stupid. We will appear to be completely out of touch with what is going on around the town, and I would much prefer even to wait a week or two to do it at once.

H.M. JR: But you can't do it. He will want to put a figure in.

MR. SULLIVAN: No, I am talking about when we go up. If on January 15 they are not ready, I think it would be very much better--

H.M. JR: That is something else, but certainly I am not going to go over and say to the President, "I understand from so-and-so who has told me that so-and-so said that you are thinking of a victory program of thirty billion dollars additional. Therefore, I want ten billion taxes to finance it." You don't know. His victory program may be fifty billion by the time Churchill gets back.

MR. BELL: It probably will be by the time June 30 rolls around.

MR. PAUL: If we lose Manila?

MR. BELL: Yes.

H.M. JR: I mean, Churchill and Beaverbrook are going to stay here, my guess is, until they get a decent victory program.

MR. WHITE: They have already fallen down on this

- 17 -

deficit for this fiscal year. They will never reach that deficit. In order to reach that deficit we just figured out they would have to reach a rate of monthly expenditure by May of three and three-quarters billion dollars. In other words, they will have to more than double the monthly rate of expenditures in four months, because they haven't even reached two yet. That means that there will be even a greater deficit in subsequent years or the production program is going to be very much less than anybody hopes for.

MR. HAAS: The British are financing about forty percent in revenue, and they have got their prices stabilized now.

MR. WHITE: From the point of view of prices, of course, the Social Security tax is equal to a tax. From the point of view of financing, the United States can appropriately finance a much smaller part of its war expenditures than any other country - can stand a much smaller proportion.

(The Secretary held a telephone conversation with Mr. Charles Shaeffer as follows:)

*Re: Shaeffer's
report of 12/31*

December 30, 1941
9:55 a.m.

21

Charles P.
Shaeffer: Hello. Shaeffer.

HMJr: Shaeffer, this is the Secretary speaking.

S: Yes.

HMJr: Have you got a pencil?

S: Yes, sir.

HMJr: I want to ask you to do something for me, then tell me whether you're equipped to do it promptly.

S: Yes, sir.

HMJr: I'd like to know what OPM, the Bureau of the Budget, and the Treasury have said at any time since the first of January, publicly, on what the deficit would be for this year.

S: Yes, sir.

HMJr: Hello.

S: Yes, sir.

HMJr: That's number one.

S: Yes, sir.

HMJr: Or anybody - well, I mean, just look through. It's just the Treasury, OPM, and the Bureau of the Budget.

S: Yes, sir.

HMJr: And then also, please go back to July first, '40, and see what Mr. Knudsen has said that he would do about the so-called "500 bomber per month" program.

S: Yes, sir.

HMJr: I mean on performance - what public statements he's made about performance and delivery and so forth.

S: Yes.

HMJr: Now, are you equipped to do that?

S: Yes, sir.

HMJr: You are?

S: Yes, sir.

HMJr: And do you need any help?

S: I believe unfamiliar people would be a hindrance rather than a help, Mr. Secretary.

HMJr: Miss Diamond, of the Library, might help you.

S: Yes, sir.

HMJr: Our Miss Diamond.

S: Uh huh. Yes. All right, sir.

HMJr: I'd like it by tomorrow if possible.

S: I'll do my best, sir.

HMJr: Thank you.

S: Right.

- 18 -

H.M.JR: I think we are all right. We have had a conference with the Director of the Budget. We are in complete accord with him.

MR. PAUL: Our program lines up--

MR. BLOUGH: He suggests ten.

H.M.JR: Is that what he suggests?

MR. BLOUGH: Eight, really. Eight plus Social Security.

MR. PAUL: I have got his way, Mr. Secretary.

H.M.JR: Here I wrote to the President on December 24, and I have asked Harold Smith to go over this draft with me, and I am sure that he and I can get together. Then I sent a letter to Harold Smith, and we haven't heard from Harold Smith. He has been up in New York.

MR. PAUL: There is his against ours, and you see--

H.M.JR: He is just up in New York.

MR. PAUL: And the difference is, he isn't quite as hard on corporations. He is a little higher on the individuals, but his real difference is this value added tax.

H.M.JR: If I take this, where does that leave you?

MR. PAUL: That is all right.

H.M.JR: Well, did he have the victory program in mind when he talked about ten?

MR. PAUL: That, I don't know. It is not entirely clear to me, I must be honest enough to confess, just what the term means.

MR. WHITE: It is a program that is supposed to bring

us victory, a program of expanded production.

MR. PAUL: Beyond anything contemplated?

MR. WHITE: Beyond anything--

H.M.JR: From now on, as far as taxes, I am taking my slogan from the Wall Street Journal, "Win the War Taxes." It is good enough for me. No, John, this isn't the easiest thing for you to conduct in the front line trenches of the Hill, but--

MR. SULLIVAN: What isn't?

H.M.JR: To do it the way I am suggesting.

MR. SULLIVAN: Two bites?

H.M.JR: Yes. But I am ready for one bite, and I would like to do it in one bite, but I can't do it in one bite if the President is going to take two.

MR. SULLIVAN: Frankly, Mr. Secretary, I am thinking more of the country than the Hill. I mean, they, too, have gotten letters out of the blue sky up there, and they can understand the position we are in, but the country never will.

MR. BLOUGH: Is it going to be at all embarrassing--

H.M.JR: Supposing I went over there and was silly enough to pound the desk and say to the President, "You have got to make up your mind what your victory program is today"?

MR. SULLIVAN: I will beat you to the door if you do.

H.M.JR: He would either laugh or get angry, so I am trying to deal with realities, so fortunately Dan's people over in the Budget there can tell him what is going on so that he knew last night. Otherwise

I would have gone in there, and we would have tortured ourselves for the last forty-five minutes where would we get the additional taxes.

MR. BELL: I think this program will be discussed at this conference. I think it will come out before we are through.

H.M.JR: I understand that the President was supposed to have left the whole morning open for this.

MR. WHITE: Mr. Secretary, I know you will like that slogan, but do you really think that taxes can win the war?

MR. SULLIVAN: I think Harry has got something there and in this excerpt for the budget message, that the American people are prepared to produce what is needed, whether it is guns or money, that "or" ought to be "and."

H.M.JR: Do you prefer an all out tax program?

MR. WHITE: That is better because you can win the war with expenditures. You can't win the war with taxes. You can ruin the war and help lose it with taxes. You might help win it. I mean, you are putting the emphasis on the very thing that you haven't been placing it on all this time, which is production expenditure.

H.M.JR: I didn't write it. That is the Wall Street Journal.

MR. WHITE: That is probably why it is no good.

H.M.JR: Our appointment is ten forty-five.

Well, I think we are all right, don't you?

MR. BELL: Yes.

H.M.JR: Do you think, Dan, that I should call up

- 21 -

Harold Smith and say, "I haven't heard from you. Where are we? We are going to argue this all out in front of the President"? or should I just sit? My letter was very explicit.

MR. BELL: I wouldn't be inclined to call him up, I don't think.

H.M.JR: That is my inclination.

MR. PAUL: I have been over the whole budget draft with those people, and I know just where the disagreement is. It is only at one point.

H.M.JR: And that point is--

MR. PAUL: It is the value added tax.

H.M.JR: What is a value added tax?

MR. PAUL: I don't know. Roy can tell you.

MR. SULLIVAN: It is a type of sales tax.

H.M.JR: Roy, can you tell me?

MR. BELL: Sugar coated, is it?

MR. BLOUGH: It is a type of sales tax in which you put the tax, instead of putting it on one sale at the final sale of the goods, you put it in pieces on different producers, each producer paying on the amount he adds to the product. The fellow who starts with the ten dollar raw material--

H.M.JR: Give me an example. Start with a pair of socks.

MR. BLOUGH: To start with a pair of socks, the fellow who produces the yarn may pay a dollar for his raw material and sell his product for two dollars. He will have added a dollar of value to it, and the fellow -

I will give you the simple first and then add a few complications. The fellow takes the yarn at two dollars and he sells it at three fifty after he has died it or knitted it. He has added a dollar and a half of value. So as you go along each person buys the raw material furnished him by the previous fellow, and he sells it at a higher price, and the difference is the value added by him.

Now, in this particular proposal, in order to offset the effects of the Social Security payroll tax, those are deducted. They propose an eight percent tax on this value added.

H.M.JR: Starting where?

MR. BLOUGH: Starting at the first dollar.

H.M.JR: And every time you add a dollar or whatever it is, you pay eight percent?

MR. BLOUGH: That is right. If a fellow buys it at a hundred dollars and sells it at a hundred and fifty dollars, he pays four dollars in tax, eight percent of the difference between a hundred and a hundred and fifty, except that he can deduct his Social Security payroll taxes from it.

MR. KNOLLENBERG: From the tax or from the amount of added value?

MR. BLOUGH: From the added value.

MR. PAUL: I have got a letter from OPA in which they are practically blue in the face in opposition to this, saying it will be very inflationary and will raise the cost of living seven percent.

MR. SULLIVAN: It is the worst kind of a sales tax you could have.

H.M.JR: Didn't I send you in a letter from the

Vice President and an answer when I sent him this last program?

MR. PAUL: I sent in an answer, drafted it.

H.M.JR: But I wonder whether we could quote him?

MR. PAUL: Well, I returned the letter to you.

H.M.JR: Then it is here. But I mean, you keep using that as a Bible.

MR. WHITE: If it is from the Vice President, it should be the Koran.

H.M.JR: That isn't what they use up in Tibet, is it?

MR. WHITE: Not in Tibet, no.

H.M.JR: I just wondered - here is a suggestion. "Might it also be possible to work out a scheme whereby half the amount by which the net income of 1942 exceeds the net income of '41 would have to be invested in compulsory savings which could not be drawn up - " well, that isn't very different from what we had from Barnard.

O.K., gents, if you come back here at ten-thirty, Mr. Bell and Mr. Sullivan and Mr. Paul, we will go over.

December 30, 1941.

TO: Secretary Morgenthau
FROM: Charles Shaeffer

The enclosed is what we have been able to assemble on definite subjects attributed to various persons and agencies. The complete data is being held for your convenience.

Shaeffer

TREASURY OFFICIALS ON DEFICITJanuary 29, 1941

Secretary Morgenthau, on several occasions, told the House Ways and Means Committee, then discussing the Public Debt Act of 1941, that the combined deficits for the fiscal years 1941 and 1942 would be \$15 billion.

February 12, 1941

Secretary Morgenthau told the subcommittee of the Senate Finance Committee, then considering the Public Debt Act of 1941, that estimated expenditure programs then would result in combined deficits of \$15,400,000,000 for the fiscal years 1941 and 1942.

April 17, 1941 (At a press conference)

Secretary Morgenthau stated he would have to borrow \$6,300,000,000 in the next fiscal year.

April 24, 1941

Secretary Morgenthau told the House Ways and Means Committee, then considering the Revenue Revision of 1941, that, assuming \$3,500,000,000 of new taxes were raised, the deficit for the fiscal year 1942 would still be "approximately" \$6,300,000,000." This statement was repeated several times during the hearing. Later on in the hearing, Assistant Secretary Sullivan repeated this statement several times.

May 7, 1941

Under Secretary Bell told the National Association of Mutual Savings Banks at Philadelphia that, even with additional taxes of \$5,500,000,000, "We will still have a deficit of \$7,200,000,000."

October 23, 1941

Assistant Secretary Sullivan, addressing the Associated Industries of Massachusetts in Boston, cited estimates indicating a deficit of \$12,583,000,000 for the fiscal year 1942.

BUDGET BUREAU ON DEFICITBudget Message of January 8

The President estimated that the net deficit for the new fiscal year would be \$9,210,000,000, and that for the current fiscal year, ending June 30, 1941, it was estimated at \$6,200,000,000. These deficits were foreseen despite the prospect that Treasury income for the next fiscal year probably will exceed any figure on record.

First Revision - May 31, 1941

A \$3,557,000,000 increase in the Nation's budgetary deficit was predicted by Director Smith above the January estimate of \$9,210,000,000, bringing the total to \$12,767,000,000. This increase, he said, was the likely result of the stepping up of the defense program since the regular annual estimate was made.

The total of appropriations, authorizations and recommendations for defense amounted to \$28,500,000,000 as of January 3rd, he said. Since that time, a lend-lease appropriation of \$7,000,000,000 has been added, and the program for the production of planes, ships and other vital defense materials greatly expanded. The defense program (appropriations, authorizations and recommendations) as of this date is \$43,000,000,000, or \$14,500,000,000 greater than the amount on which the January estimates were based.

-2-

Second Revision - October 4, 1941

With defense expenditures for the current fiscal year expected to reach \$18,000,000,000, Director Smith forecast a 1942 Federal outlay of \$24,681,000,000, or \$7,000,000,000 more than the figures submitted to Congress in January.

As the result of these revised estimates, the gross deficit, including debt-retirement charges, for the 1942 fiscal year was estimated at \$12,683,000,000, compared with a deficit of \$5,167,000,000 for the fiscal period ended June 30, 1941.

OPM ON DEFICIT

December 30, 1941.

I am unable to find any published data concerning the public deficit attributed to OPM. However, I am in possession of an office memorandum prepared by Barrow Lyons, a research statistician of that agency, dated June 7, 1941, addressed to Bob Horton, Public Relations Director, on the subject of "Government Financing through 1942."

I am, of course, unable to judge the propriety of this memorandum, but it takes sharp variance with Treasury figures. The lead of this memorandum is quoted below:

"A preliminary estimate of the Federal deficit for the fiscal year 1942, if the defense effort were to take full advantage of the funds Congress has provided, places the amount very close to \$22,500,000,000. A preliminary estimate for the calendar year 1942 places the deficit for the year at close to \$29,300,000,000. The estimates do not allow for any marked change in prices of defense materials, and do include an estimate of greatly increased taxation. It is likely that the deficit would be considerably greater than these estimates, if inflation were to take place, or if the estimated taxes could not be raised.

"No estimates approaching these magnitudes have come to my attention nor have I seen any proposals to raise such huge amounts by the sale of Government securities."

KNUDSEN ON BOMBER PRODUCTIONSeptember 11, 1940

Mr. Knudsen announced that airplanes would reach a peak production of 3,000 planes per month in July, 1942. At the times of these remarks, Mr. Knudsen said that of planes destined for American service 60% were combat planes, including bombers.

May 21, 1941 (At a press conference)

Mr. Knudsen reported that new contracts would be signed with Ford Motor Company and several airplane firms to step up the output of 4-motor bombers from 100 to 500 a month. In addition, Mr. Knudsen declared at the same conference the output of twin-engine bombers, then approximately 200 a month, would also be increased considerably, but he gave no figures to indicate how great this new program would be.

The new plan of 500 heavy bombers a month would include planes to be assembled at Government-built plants at Tulsa, Oklahoma and Fort Worth, Texas, which are expected to be in production by early fall of 1942.

September 22, 1941 (In Chicago before businessmen and civic leaders at the Union League Club.)

Mr. Knudsen said there are now 79,000 planes of all types on order. In December, 1940, they were being turned out at the rate of 500 a month, he said. At that time he estimated production in December, 1941, would be 1,800 a month, and by the middle of 1942 the rate would be 3,000 a month -- 36,000 a year and nearing President Roosevelt's goal of 50,000 planes a year.

-2-

December 11, 1941 (At a press conference)

Mr. Knudsen urged a production goal of 1,000 4-engine bombers per month as an essential point in the Victory program. He withheld, as essential military information, any estimate as to when this goal might be reached.

December 30, 1941
10:36 a.m.

HMJr: How are you?

Robert
Lovett: I'm fine, thank you, sir.

HMJr: Look, before I go out on the end of a limb, I wondered if the statement that I'm going to make, if you'd care to tell me whether it's correct, you see.

L: Yes, sir.

HMJr: I have some statistics which were furnished me by OPM; and for May 5, 1941, they call it the 8-E Program, down through to date, there's no change in their forecast on the four-engine bomber.

L: From May 5 to date?

HMJr: Yes.

L: No, I don't think that's correct.

HMJr: Well.....

L: Do they mean the forecast of production or.....

HMJr: Well, this shows on May 5, under the 8-E.....

L: Yes.

HMJr:it shows that you go up to 500 - you reach the 500 in June, '43.

L: Yes.

HMJr: And on October 27, '41, it shows you reach 502.

L: Yes.

HMJr: Two more, in May - in June, '43.

L: Yes. Well, I think that's incorrect.

HMJr: It's incorrect.

- 2 -

- L: Yes, because the sights have been raised, of course, from the 500 ceiling to double that.....
- HMJr: Yeah.
- L:and we are getting - for example, in 1942 - let's take Boeing, for example - they promised us 45 in January - promised us 35 in December, and we're getting fifty something - and 45 in January, and we're getting 75.
- HMJr: Well, my.....
- L: So that we will get more - we will get the 500 a month rate earlier than the first of July, '42 - '43, I mean.
- HMJr: Well, how much earlier?
- L: Well, it's pretty hard to say; but I should think it would be a matter of several months.
- HMJr: Several months.
- L: Yes.
- HMJr: Well, that's - all I've got is this - I have the thing which OPM furnished me. The last one I got is their S-G., which is dated October 27.
- L: Yes.
- HMJr: I have nothing other than that.
- L: Well, we don't use those, Mr. Secretary. We have the Materiel Division estimates, which is scheduled into the critical items.....
- HMJr: Well.....
- L:that show production related to shortages.
- HMJr: Well, let me ask you this. I'm not talking about whether it's two months earlier or three months earlier. Have there been any contracts let other than these?
- L: Any contracts.....

- 3 -

- WJr: What other - for four-engine bombers other than what I have from CPK.
- L: No, the fourth supplemental includes contracts to raise it to a thousand a month.
- WJr: But those haven't been let.
- L: Those have not been let.
- WJr: Well, then.....
- L: They have not been let - in fact, they have not yet been approved by the Bureau of the Budget. They've been there since the 23rd or 24th of November.
- WJr: Well, then, if I make the statement to the President that since the fifth of May there's been no contracts let for four-engine bombers, that statement's correct.
- L: There have been no funds available for four-engine bombers for Air Corps. I think there's been some Lend-Lease funds provided in his most recent appropriation; but I know of no contract signed which extended to the thousand a month, which was only recently requested.
- WJr: And is this statement also correct, that with the exception of Ford, that there's no automobile company that has a contract for four-engine bombers?
- L: No, sir.
- WJr: That's not correct?
- L: No, sir.
- WJr: What is the correct statement?
- L: Well, if you mean by bombers, you mean air frames.
- WJr: Yes.
- L: That's correct, except that Chrysler and others are making the - you're talking about four-engine?

HMJr: Yes.

L: There's some sub-contracting work there, but there are three automobile companies making the engines.

HMJr: Yeah, that I understand.

L: But it's rather meaningless to say that there's none in the four-engine picture.

HMJr: But the fact remains that this thing would show that on May 5th, the plans were for 500 four-engine bombers a month. To date, there's been nothing done since May 5th to increase that by letting any additional contracts.

L: Yes. The funds were not available on May 5th, you understand.

HMJr: Well, and you say.....

L: I mean, the plan wasn't approved until May 5th. The funds were obtained, I think, June 30th or something like that.....

HMJr: Yes.

L:from the appropriation.

HMJr: And now you say that.....

L: I'm not sure that - I mean, if you make your statement that way, I don't think it's accurate.

HMJr: Well, it's accurate enough. I mean, for this - all I'm going on is the various schedules which OPM gave me. You've given me my answer, and that is the additional 500 bombers is what you want, but it has not yet cleared the Budget.

L: That's right.

HMJr: What?

L: That's right. And the only contracting done was done within the limits of the appropriations which

- 5 -

were made available on the 30th of June.

- HMJr: Now, one more question. Thank you for your patience with me.
- L: Not a bit, sir.
- HMJr: One more question. When would you - if you get by the Budget, et cetera, et cetera..... Hello.
- L: Yes.
- HMJr: I just was interrupted. When you - I mean - when would it be reasonable to expect that we'd reach a thousand bombers a month - four-engine bombers?
- L: I should think toward the end of '43.
- HMJr: Toward the end.
- L: Yes.
- HMJr: November, December.
- L: Probably - let's say December, to be conservative.
- HMJr: Okay. I'm very much obliged.
- L: Now, that, of course, is based on the present scheduling. With our new plants, we're going in for 933 million dollars worth of additional facilities.....
- HMJr: Uh huh.
- L:I would expect that we would pass that figure some months earlier. I'm unable to guess when.
- HMJr: I see. Well, thank you. I may call back again, but that takes care of me for the time being.
- L: All right, fine. That's based, you understand, on the facilities which are likewise in this request for additional appropriation.

HMJr: I understand.
L: All right, sir. Fine.
HMJr: Thank you.
L: Good-bye.

December 30, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Secretary Morgenthau's Office
December 30, 1941
3:15 P. M.

Present: Secretary Morgenthau
Mr. Murray, C.I.O.
Mr. Pressman, C.I.O.
Mr. Reuther, C.I.O.
Mr. White

Mr. Murray stated that he had hoped to get in touch with the Secretary earlier but he had been tied up for a long while at a conference with Madam Secretary Perkins. Mr. Murray stated he had heard what Secretary Morgenthau had been able to do for the boys from the Dodge plant that came down from Detroit, and he thought it was a swell job.

Mr. Murray said that the situation which the automobile industry has been left in by the OPM was little short of criminal. He said he presumed that the Secretary was familiar with the situation in the automobile industry and with the fact that it would be practically "blacked out" during the coming months. He said that Labor was willing and eager to make whatever sacrifices were necessary for the defense effort but that Labor should have some participation in the planning.

Mr. Murray further stated that at a time when all the effort should be directed toward increased production, it was most unfortunate that part of their energies should have to be diverted to protect labor against attacks against their basic rights. He said he was much disturbed by the latest developments in which the Army was going to undertake to work with and through the leaders of local units in the Union, passing right over the regional and national offices. He said he had proposed several times in the past that they operate with the aid of union groups but that his ideas had always been scoffed at. Now that the situation was so critical, they were going to adopt some of the ideas, but do it in such a way as to virtually threaten labor unity and independence. He said the next thing the Army would do would be to tell the workers what they could and could not do, and where they could or could not go, and what wages they could get. He thought it was terrible for the Administration to move in that direction.

- 2 -

He then said he thought the Secretary would be interested in some data Mr. Ruether had to present and some comments on the forthcoming conference in Washington.

Mr. Ruether reminded the Secretary of his talk with him of a year ago about his proposed plan and the support the Secretary had given him. He said, as the Secretary probably knew, he got nowhere at all with the OPM. He said a conference was scheduled to take place on Monday in which the automobile industry unions had been asked to participate. The Union men intended to go to that meeting and either get some action on their proposals, or on some program, or they were going to "blow the lid off". Ruether then submitted some data of the unemployment situation in the automobile industry and related some episodes indicating how little the automobile industry was sharing in the defense effort.

The Secretary thought it might be very helpful to their cause and to defense production as a whole if preparatory to their going into the meeting the Automobile Workers' Union took a full page ad in the local papers here for a couple of days and bring their story before the people. Someone suggested it be an open letter to the President, but the Secretary thought it would be much better to make it an open letter to Mr. OPM.

Messrs. Murray, Pressman and Ruether all thought it was an excellent idea and said they would take it up with Detroit at once.

Tues. 12/30/41.

UAW-CIO CONVERSION & REEMPLOYMENT PROGRAM

Given to me Thursday
By Phil Murray and Reuther

Submitted by:

UAW-CIO DEFENSE EMPLOYMENT COMMITTEE

R. J. Thomas
 INTERNATIONAL PRESIDENT

George F. Addes
 INTERNATIONAL SECRETARY TREASURER
 DEFENSE EMPLOYMENT COORDINATOR

R. T. Frankenstein
 W. P. Reuther
 R. E. Reisinger

UAW-CIO CONVERSION & REEMPLOYMENT
PROGRAM

45

300,000 auto workers throughout the country are facing the prospect of total unemployment by the end of January. These workers, together with their families and their communities, will be among the first to feel the sharp impact of transition to a war economy which our nation is now carrying through. Auto workers recognize the need for this curtailment of production of automobiles as a thing essential to the common cause of victory for Democracy. They realize the primacy of the nation's interest in the fight against axis domination of the world. As workers they recognize dictatorship as the greatest menace to their lives, liberties and hopes.

At this time of our country's need the first task of all Americans is to do everything within their power to secure the immediate conversion of auto plants to the production of tanks, planes, guns, shells and other necessities of war. Auto workers call for an immediate end to the situation in which a large section of American industrial power is standing idle while hundreds of thousands of skilled workers are facing a long period of unemployment.

The first concern, therefore, of automobile workers in the present emergency is to secure the earliest and complete utilization of their skills and the tremendous equipment of the automobile industry in the creation of that full stream of armaments which will guarantee victory to this country and its allies.

To secure this purpose, the UAW-CIO submits the following program:

- 1) we call upon the President of the United States to establish in the immediate future a central body to coordinate and regulate policies of all procurement agencies of the armed forces. Only by such a measure can genuine planning and organization, essential to full production, be implemented. It will be the duty of such a centralized body to advance delivery dates on present arms contracts. It will, by placing contracts to the limit of productive capacities, guarantee that selfish corporate interests do not hold out essential equipment from the service of the victory program.

If the productive power of such an industry as the automobile industry is to be called upon, an agency of this kind is imperative; for experience has shown that the initiative of manufacturers in this industry is not sufficient for an all-out effort. The continued refusal of certain major companies

of this industry to prepare for war work is a crime against the nation, which must no longer be tolerated. Auto workers will support any move by the United States Government to end this situation.

We call for this coordinated procurement agency empowered to place contracts upon the basis of standard costs wherever they may be fulfilled, and to demand full performance in the name of national safety.

In addition, such a procurement agency alone can be the instrumentality for effective sub-contracting on military orders. It can write provisions for sub-contracting into every contract let out to a major manufacturer.

That a fact finding Committee of technical experts be appointed to examine and determine what parts in Army and Navy Ordnance (including aircraft motors) could be manufactured with greater limits of tolerance than now demanded in order that many parts would be more amenable to mass production methods.

Many of the limits placed on war material now being manufactured are the same as when this material was in experimental stages.

- 8) Further, we call upon the President of the United States to establish a national industry council representing labor, government and management as outlined by President Philip Murray of the CIO.

In each of the primary defense industries a similar council should be empowered to work out basic policy for the full utilization of productive power and for the successful conclusion of the victory program. Establishing basic policy for, and operating through such a procurement agency as has been described, these industry councils will unleash the giant forces of American industrial power.

- 3) We call upon the Supplies, Priorities and Allocation Board to meet at once with the representatives of the UAW. Such a conference should lay the ground-work for establishing jointly with industry specific plans for the full conversion of the auto industry to military production.

- 4) We call upon the Congress of the United States, in the interest of preserving civilian morale, in the interest of avoiding disruption to the established labor force of the automobile industry, to take the following steps:

- (a) To appropriate additional funds for the purpose of supplementing present unemployment compensation payments. Such supplementary payments will be used to insure income to workers displaced through conversion unemployment during the waiting periods, to eliminate the disparity between present benefit payment levels and a living wage level, and to continue payments following established expiration dates.
- (b) To appropriate the necessary sums for the payment of automobile workers as they undergo training for arms production jobs which will be available in the months to come.
- (c) To establish control of wholesale and retail prices without freezing of wage rates.

WE CALL UPON THE OFFICE OF PRODUCTION MANAGEMENT:

- (a) To adopt the UAW-CIO Tool Procurement Program offered herewith.
- (b) To take immediate steps for the convening of a joint conference between its representatives and the representatives of labor and management in the machine tool industry. Such a conference should be devoted to expanding the production of the machine tool industry.
- (c) To work out arrangements for the transfer, at government expense, of displaced auto workers whose services may be immediately needed elsewhere in the expanding program of military production.

PROGRAM FOR IMMEDIATE USE OF IDLE MACHINES IN CLOSED AUTO PLANTS

The first line of attack for a short term program is to put into immediate use for war production all available machines now lying idle in the auto plants due to curtailment of production.

Even at the present time there are standing idle in many automobile plants machines such as Gear Cutters, Milling Machines, all types of lathes and screw machines suitable for making shells, and small parts for all types of war material. All these machines are ready for immediate war work with a minimum of conversion tooling.

At the present time there is a terrific bottle-neck in the machine tool industry. Many of the machines for which the machine tool builders have orders and which will take many months to build are now lying idle in the automobile plants.

A program should be developed whereby either the work that was to be done on the machines now on order would be done on these idle machines thereby giving additional work to workers in the automobile industry or that the Government should temporarily requisition these machines for use in other areas.

We recommend that the government immediately release short term defense contracts which call for little tooling, as for shells, standard parts, etc.

We recommend immediate release of both light and heavy truck jobs, for which Congress has already appropriated money. Where tires are lacking, trucks can be stored until rubber is available. We ask that the government push this job through now.

* * * * *

uopwa#26-010

UAW-CIO TOOL PROCUREMENT PLAN

December 29, 1941

Prepared under the direction

George F. Ades
INTERNATIONAL SECRETARY TREASURER
DEFENSE EMPLOYMENT COORDINATOR
UAW - CIO

The UAW-CIO Tool Procurement Plan offered herewith, while primarily planned for the rapid conversion of the Automobile Plants to the war effort, is adaptable on a broader scale to the entire nation and on a narrower scale to other industries and other areas.

TOOLING FACILITIES OF THE AUTOMOBILE INDUSTRY

In the Detroit area there are upwards of 800 tool and die jobbing shops and upwards of 50 so-called "captive" shops with tool manufacturing facilities.

These range in size from "alley" jobbing shops with 5 or 6 machines employing from 8 to 10 skilled men, to the large jobbing shops with 100 or more machines employing upwards of 400 men.

Among the captive shops are many small specialized plants with small tool and die manufacturing departments. They do not have complete tooling facilities. Their work requires tools made on certain types of machines, such as lathes. They employ from 30 to 60 skilled men.

Then, there is the larger plant such as Ford with several thousands of machines employing some 4,500 skilled workers and a number of apprentices with varying degrees of skill.

STATEMENT OF THE PROBLEM

Our recent survey shows that these facilities are being utilized but 46.3% of the time available, based on a 168-hour week. Breaking this figure down to two types of machines which have a high degree of utilization in the war program, Lathes and Boring Mills, we find:

<u>In Job Shops</u>		<u>In Captive Shops</u>	
Lathes idle	52% of the time	Lathes idle	53.4% of the time
Boring Mills idle	35.3% of the time	Boring Mills idle	40.7% of the time

Most job shops in the Detroit area are at present working two 10-hour shifts per day, (since the making of the survey) 7 days per week. Day shifts are operating with a full complement of men, while most afternoon shifts are operating at 1/3 of full capacity. By adding another shift, these facilities could be utilized an additional 4 hours per day or 28 hours per week, and by bringing all shifts up to full man-power,

from 35% to 40% additional use of facilities would be obtained.

Most of the captive shops would permit of even greater expansion by the utilizing of the die manufacturing divisions of these plants and expanding them to their man-power limits. During recent years these plants have contracted most of their new work out to the jobbing shops, maintaining in their own plants mere "skeleton" crews for maintenance and repair work.

The largest Die Shop in the world is the Fisher Body, Plant No. 23 located in Detroit. It employs at its peak of production 6,000 die-makers. Today, there are less than 2,000 skilled men working in the plant, and these men are working on jobs which could be placed on a production basis.

The Die Shop in Briggs Manufacturing Company, Verner Plant, employs 2,500 men at its peak of production. Today, less than 250 men are employed at that plant on all shifts.

The Die Shop in the Dodge Main Plant employs 900 men at its peak of production. Today, less than 250 men are employed on all shifts.

We could cite many more instances, but these indicate the problem.

As mentioned above, the toolroom in these captive shops are operating with skeleton shifts for maintenance and repair and could, therefore, be greatly expanded.

Expansion of man-power and use of facilities is but a part of the solution of the problem. Allocation of the work to be done to shops which are capable of doing it accurately and rapidly is another consideration.

Under the present "hit or miss" method of allocating tool work, many of our shops with equipment and personnel that would permit them to contract for close limit precision work, are loaded to capacity with "rough" work requiring little precision, while other plants capable of doing this rough work are lying idle because their facilities forbid contracting for precision work now available.

A tool manufacturer might have the type of job in his shop that would over-tax his machining facilities. This machine work could be re-allocated among other smaller shops having the facilities to do the work. Large volumes of machine work could be done in many of the captive shops without interfering with work they are now doing. They have lathes, milling machines, shapers, planers, etc., in maintenance departments, machine repair departments and electrical departments that could be utilized. Also, when production ceases because of curtailment,

screw machines, lathes and milling machines on production work could be used for some type of tool work.

THE UAW-CIO TOOL PROCUREMENT PLAN

- 1) Allocation of Production jobs to the automobile industry by a proper governmental agency.
 - (a) Allocate specific jobs to prime contractors.
 - (b) Designate the urgency with which jobs are required.
- 2) Prime contractors plan entire tooling program for the job and submit blue-prints and requisitions for tools to a Central Tool Procurement Agency.
- 3) Central Tool Procurement Agency to allocate specific jobs to specific shops based upon the facilities of the shop to do the work, and distribute the work out over a sufficient number of shops to insure early delivery.
 - (a) Central Tool Procurement Agency to have authority to place jobs in any shop or plant (job shop or captive).
- 4) Central Tool Procurement Agency to maintain a "follow-up" department whose function shall be to search out "bottle-necks" and assist in eliminating them.
- 5) A committee composed of equal representation of Management, and Union and one representative of Government would formulate policy for the Central Tool Procurement Agency - adjust problems where possible and act as liaison agents for their respective principals.
- 6) Abolition of the present priorities system insofar as it relates to the shops and plants under the jurisdiction of the Central Tool Procurement Agency.
 - (a) The Central Tool Procurement Agency, based on information given by the U. S. Government agencies, would assign a number to a job, based on the urgency with which it was required by the government. Thus, for example:
 "If tools for an anti-aircraft gun were allocated and government agencies had determined that it was required in advance of any other job under the jurisdiction of the Central Tool Procurement Agency then that tooling

job would receive a No. 1 rating from the Agency and all tool shops would be required to give that job right of way through their shops. This would not mean the cessation of work on other jobs unless such work on other jobs interfered with the work on No. 1 job. The next most urgent job would be numbered 2, next 3, etc."

The progress of all jobs through the shops would depend on their rating by the Central Tool Procurement Agency.

This plan for utilization of facilities and priority of jobs in the shops is not new, but it is on a broader basis than ever before attempted by the automobile industry. Its success would depend upon rigid enforcement of its policies and rules.

DEVELOPMENT OF SUB-CONTRACTING

The successful functioning of this Tool Procurement Plan will not materially aid our country's war efforts if the principle of sub-contracting is not developed to its fullest extent on production work.

In the Chrysler Tank Arsenal in the City of Detroit, the machining divisions are working three shifts a day, 7 days a week to furnish material to an assembly division that only works one shift per day. If the Chrysler Corporation had sub-contracted more of their tank job, they could be assembling tanks three shifts per day.

If an "Hawaiian week-end" should strike Seattle, Washington, and certain California towns at the same time (say, as we are sitting here) it would be a long, long time before the army would again have a source of supply of "Flying Fortresses", admittedly the best of the long range bombers in the world. It is our contention that the Boeing job should be given to the automobile industry, tooled in its tremendous tooling facilities and sub-contracted among the hundreds of plants in the industry. We believe this could be done along with contracts for guns, gun carriages, shells, etc., which involves over 90% machine work in their construction and would not interfere with bomber construction.

During the past 18 months there have been a large number of so-called educational orders placed with various manufacturing concerns in order that they might solve production and tooling problems on war work. We believe that all war work should be removed from the competitive field and that there be no hoarding of these tooling and production techniques developed at government expense or otherwise.

We believe that if this program is adopted, providing as it does for the utilization of all the tooling facilities of the automobile industry as a single unit - allocation of jobs to as many shops as is practicable - and a simple direct priorities system enforcing the one job at a time plan, as advocated herewith, it will result in the tooling and conversion program being completed in at least one half the time.

This will result in production and assembly lines turning out a greater volume of production and at an earlier time than so far anticipated and releasing to our men in service vast quantities of war material so vital to the defense of our democracy.

This will also result in the re-employment of unemployed automobile workers and return them to defense usefulness.

We reiterate, the time for talking is past. The time for ACTION is here. This comprehensive plan for the development of the automobile industry as a single unit for the war effort is the best that has been offered up to this time. It is logical, sound and workable. We believe that action should be taken on it this week in order to harness the man power of 300,000 auto workers to the war program in as short a time as possible.

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uopwa#26-cio

December 30, 1941
4:20 p.m.

RE PRESIDENT'S BUDGET MESSAGE

Present: Mr. Bell
 Mr. Sullivan
 Mr. Paul

H.M.JR: Did you do anything on that?

MR. BELL: That order?

H.M.JR: Yes.

MR. BELL: I tried to get Jesse Jones and Wickard, and they are both tied up in conferences. They will call back in a few minutes.

H.M.JR: Look, gentlemen, you will have to have a little charity with me. I can't tell you much more. It isn't that I am withholding it. It is not a withholding tax. My answer is, as far as the budget message is concerned, the annual message, or any other kind of message, I just won't put my mind on anything today or tomorrow because I am just tired. You had better go on up, see, and you (Paul) will get two days, one day of holiday and one day in the dentist's chair.

MR. PAUL: No, I will get more than that. I will only be in the dentist's chair about fifteen minutes.

H.M.JR: Then come back Friday and I hope by that time--

- 2 -

MR. PAUL: We can very well use this time because we are scraping bottom now. We have organized a search for revenue and it is going to require a considerable amount of ingenuity to find that seven billion. I think we can do it, but we will be in a better position to tell you something by Friday.

H.M.JR: Well, thank you for the hope, faith, and charity.

And then I think if you (Bell) would give the Director of the Budget a ring tomorrow, and then I think I will just - I haven't looked at anything today. I haven't done a thing.

MR. BELL: Are you going to try to be away over the weekend?

H.M.JR: I just got this notice, and I haven't seen that all day, but we are expected at the White House tomorrow night.

MR. BELL: Tomorrow night?

H.M.JR: So let me catch my breath, and I will come up for air tomorrow morning and we will all have a talk except you (Paul). But I won't talk taxes until Friday.

MR. PAUL: Suits me.

December 30, 1941
4:30 p.m.

HMJr: Hello.

Pasil
O'Connor: Yes.

HMJr: Hello. Doc?

O: Hello.

HMJr: Is this Doc?

O: Hello.

HMJr: Doc O'Connor?

O: Hello, Henry, how are you?

HMJr: I'm okay.

O: Happy New Year to you.

HMJr: Many of them. Go ahead. Hello.

O: Hello.

HMJr: Hello.

O: Are you feeling pretty good?

HMJr: Why, what do you want?

O: Well, I want to have a conversation with you,
and I don't want you to get cross about it.

HMJr: (Laughs) Go ahead. I never got cross at you.

O: I don't know if anything can be done about it,
Henry, but here's the situation.

HMJr: Yeah.

O: And it may sound awfully pig-headed what I'm
going to say to you.....

HMJr: Yeah.

O:but, of course, we do have this Birthday

celebration coming on the thirtieth.

HMJr: Yes.

O: And I think it's important. It's not only important in its own field, but I think it's important that it go over better than ever before.

HMJr: Yeah.

O: I don't mean by that eight or ten times better, as evidenced that the people of this country are really personally behind the ball.

HMJr: Yeah.

O: Now, naturally we're confronted with a lot of difficulties. We've got good old Norman out wanting fifty million, driving in the same period; and we've got your fellows out doing the same thing, which I certainly am not going to suggest should be stopped.

HMJr: All we want is fifty billion.

O: The real problems I'm running into with you, and I'm trying to take them up with you as graciously as possible, is this. In the first place, generally speaking, I'm informed - don't hold me too rigidly to my statements - you've usurped all the spot time on the radio, of which we usually got a great amount in the month of January.

HMJr: No, No, no. Somebody's kidding you. Somebody's kidding you.

O: Well, I've got a memo here in front of me which is the base for my information.

HMJr: Yeah.

O: Now then the other thing is that.....

HMJr: Well, look, to show you how that is - when the Red Cross drive was along - I mean, they threw

- 3 -

a lot of those announcements in, and I hear all kind of announcements for different drives on the air all the time.

- O: Yeah. Well, now the only other specific thing - there are others - that I want to take up with you is, that I understand that you've got a pledge drive coming on on January tenth; and, of course, our real drive starts on January twelfth.
- HMJr: Yeah.
- O: Now, I don't know as I can tell the Government to go out of business while I'm in the field.
- HMJr: I don't think you can, Doc. I don't think you should.
- O: No, of course not. But do you suppose it would do any good if a couple of my men went down and talked with your men that's handling this?
- HMJr: Sure. We'd be delighted to see them. Sure.
- O: It would prevent any of my men giving me a sob story that there isn't any basis in, you see?
- HMJr: No, nobody's more interested than I am in this polio work.
- O: Well, you got the letter I wrote you last night, didn't you?
- HMJr: No, I didn't get it.
- O: Well, I sent you one last night, which, of course, is really amusing.
- HMJr: Well, unless it's air mail special.....
- O: And I said in that letter that I certainly didn't have to defend you on your attitude towards polio.
- HMJr: No.
- O: Well, Henry, who's the man down there that they should see?

- 4 -

HMJr: Well, let me just think a minute.

O: Yeah.

HMJr: Let them come and see a man by the name of Harold Graves. G-r-a-v-e-s.

O: Good. Is he an old Treasury man?

HMJr: That's right.

O: Good man.

HMJr: Yes, he is.

O: Harold Graves.

HMJr: Yeah.

O: Well, now, I'll have - I tell you who'll come down. It'll be Tom Wrigley.

HMJr: Tom who?

O: Wrigley.

HMJr: Wrigley? Wrigley's gum?

O: Yeah - the same kind of a name.

HMJr: Yeah.

O: And tell Graves that they'll wire him for an appointment.

HMJr: Okay.

O: Fine.

HMJr: They'll get a sympathetic hearing, but don't let anybody kid you.

O: I don't like to, Henry; and that's why I'm calling you.

HMJr: Fair enough.

O: And you're not cross?

- 5 -

HMJr: Not what?

O: You heard me.

HMJr: Cross?

O: Yeah.

HMJr: Why? I'm delighted you called me.

O: Well, you've got a real problem there and I don't want to be in a position of.....

HMJr: Oh, Doc, you've never called me unless it's something important.

O: I don't want to be pin-headed on the thing. Of course, I am very anxious that this go over better than ever before. Now, as I said, I don't mean by that twice as good or three times as good, but better than ever before.....

HMJr: Well.....

O:so that we can say, "Now you see" - to these other fellows - "Now, you see what the country thinks of this fellow." And I suppose you have the same interest, I know that.

HMJr: Well, within the realms of the fact that we're at war.....

O: That's right.

HMJr:and we'll do everything that we can to be helpful.

O: Okay, boy.

HMJr: Thank you.

O: Thanks a lot.

December 30, 1941
5:13 p.m.

HMJr: Hello.

Mr. E. T.
Taylor: Hello, Mr. Morgenthau.

HMJr: Hello, Mr. Taylor.

T: Lord Beaverbrook said that you might like to see me some time.

HMJr: That's right.

T: Well, you name the time; and I'll suit your convenience.

HMJr: Well, Mr. Taylor, we've got one more day of the year.

T: That's right. (Laughs)

HMJr: And it's kind of a tough day tomorrow.

T: Yes, I know.

HMJr: I will get in touch with you - it sounds silly - next year.

T: Well, that's fine; and I'll just hold myself in readiness.

HMJr: Will you do that?

T: Yes.

HMJr: And I wish you a very happy and victorious New Year.

T: The same to you.

HMJr: And I'm looking forward to seeing you.

T: Thank you so much. Good-bye.

December 30, 1941

Mr. Keller of Chrysler came in to see me this afternoon, and told me that he had gotten an order for 73,000 trucks and that he is all set. He said that he wanted to tell me that he had accomplished what he had been trying to do since September 17th.

Keller said, "I hope you won't mind this but a number of people are saying, 'I see you have the Secretary of the Treasury working for you'." I told him that I didn't mind if he didn't. He said, "We never could have gotten it without you." He said that he would announce it in Detroit today.

Then he gave me an estimate of how many Bofors guns he could make. He said that he could make 750 by August, and he said if they would actually give him the order he could double that.

I then called Philip Murray and told him about the 73,000 truck order and he was delighted. I tried to get Miss Tully but she wasn't in so I dictated it to her assistant and asked her to please give it to Miss Tully to give it to the President.

Mr. Keller gave these to HM Jr when he 64
D me in on December 30th.

Rodge Truck Plant
10.838 $\frac{1}{2}$ Ton ¹⁷65
4x4
military

Fills gap in Rodge
Truck assembly
until April 15th

63,000 trucks

Give money to set
on new $\frac{3}{4}$ Ton
Come in for Production
on April 15th

Reach 700 a day by June

Trying to get this
order since Sept 17th

Keller

Martin B. 26 -

Oct. 1940

center section

final drawings

Ymas day

December 30, 1941
5:21 p. m.

HMJr: Hello.

Philo Murray: Hello, Mr. Secretary.

HMJr: Mr. Murray.

Mr: Yes.

HMJr: I thought you'd like to pass it on to these two men who came down from Detroit.

Mr: Uh huh.

HMJr: Hello.

Mr: Yes.

HMJr: Mr. Keller just left here.

Mr: Yes.

HMJr: And he said in two days he succeeded in getting what he's been trying to get since September 17th.

Mr: Well.

HMJr: He got an order for 73,000 trucks for Dodge.

Mr: Uh huh. And that'll put the plant back to work now, will it?

HMJr: He says it will keep it going for awhile, and by April 15th he'll be on a schedule of 700 a day he thinks.....

Mr: Uh huh.

HMJr:or thereabouts.

Mr: Well. Uh huh. Well, that's mighty fine.

HMJr: He said that he's been trying to get it since September 17th, and he said that by my raising such hell he got it in two days.

Mr: Well, that's remarkable, Mr. Secretary. Mighty fine for you. Congratulations. Very fine.

- 2 -

HJr: He's going to announce it in Detroit tomorrow.
W: Splendid.
HJr: He's going to announce it.
W: That's very fine.
HJr: But it just shows what can be done if a fellow gets a little tough.
W: That's right. Certainly, it does.
HJr: What?
W: It certainly does, Mr. Secretary.
HJr: I thought you'd like to pass it along.
W: Very fine. I certainly will. Thanks for calling.
HJr: Good-night.
W: Good-night.

December 30, 1941
5:23 a.m.

SMJr: Hello.

Secretary: Dr. Lubin. Go ahead.

SMJr: Hello.

Dr. Isador
Lubin: Hello. Mr. Secretary.

SMJr: Yes, Lub.

L: Some of Leon's boys were talking to me today about this tire business, and the fact that there'll be something like 30,000 of them being forced out onto the street.

SMJr: Yeah.

L: Now, in talking to some of your people from Procurement, one of the men said that he thought you'd be favorable to some arrangement whereby Procurement would turn over to these dealers the job of providing tires for the various agencies supplied by Procurement, rather than the present system whereby the factories do it directly. They asked me whether I could talk to you, and, if you weren't too busy, whether you could see one or two of Leon's people about it.

SMJr: Oh, God no. Look.....

L: Now, who should they see?

SMJr: I mean, I just can't - they can see Clif Mack. What I'll do is, I'll call up Clif Mack, see?

L: Yeah.

SMJr: And tell him that you've got something and that he'll hear from you direct?

L: Yeah.

SMJr: How's that?

L: I can call him - yeah, I'll do that. That'll be all right.

- 2 -

- WJr: You give me just a minute's headway....
- L: Yeah.
- WJr:and if he's there - if he's not, I'll leave word to expect a call from you, and I'll tell him to cooperate with you on this plan. How's that?
- L: Swell. That'll be wonderful.
- WJr: I mean - now, let me see if I understand it. What is it you want?
- L: You see, the way - now, all tires secured by Government agencies now through Procurement are under contract between Procurement and the manufacturer.
- WJr: That's right.
- L: Now, the idea would be that instead of doing it that way, that you use these small dealers....
- WJr: Oh.
- L:as your supply outlet, thus keeping them in business - otherwise, they're thrown right out on the street, you see?
- WJr: Well, that's difficult, Lub, because I've got a hard and fixed rule, no middlemen.
- L: Well, that's the trouble, and that's why I wanted to talk to you.
- WJr: No, I don't - I'll let you talk to Cliff back, but I don't think - God, we've fought this out with the British from hell to high water. But - take Cliff on first, but I - we've just cut out all middlemen.
- L: Well, I mean, from the point of view of public interest, this is going to be a tough one.
- WJr: Well, this isn't - but I've got my responsibility to Congress to buy these tires as cheap as possible.
- L: Yeah.

WJr: I really don't - you can talk to Clif, and I'll tell him; but I don't think I can go along with you on that.

L: Well, what we'll do is talk it out; and if Clif sees some way around it, we'll come back to you about it.

WJr: But I've got a hard and fixed rule on that. Why hell, we've done this - we're kicking about the English. That's what the English are doing, and distributing the American food through the middlemen and when we raised hell about it and Harry Hopkins raised hell, they said, "Why, we're subsidizing the middlemen to the tune of a hundred million dollars now."

L: Well.....

WJr: Harry Hopkins and I have been all through that in England on the distribution of food, and also on the question of their using the middlemen. That we've stopped.

L: Yeah.

WJr: But you talk to Clif.

L: I'll do that.

WJr: I understand it, but I'm afraid I'm agin ya.

L: Okay.

WJr: All right.

L: All right, sir.

December 30, 1941
5:28 p.m.

WJr: Dr. Lobin called up just now. He said there are some people over at Leon Henderson's office who've got the idea that we should distribute the Government tires that we buy through the middleman, in order to keep him in business.

Clifton
Wack: I see.

WJr: So I said that I had a hard and fast rule that we did business with the factories direct and no middlemen.

W: That's so.

WJr: And I said that I was absolutely opposed to it, but they could talk to you.

W: Very good.

WJr: So - but I just wanted to tell you that I gave them no encouragement - in fact, told them that I was absolutely opposed to it, and how the hell was I going to justify before Congress that we use the middlemen because Leon Henderson doesn't give them any tires.

W: Well, that's so. We have contracts, you know, with all of the tire manufacturers.

WJr: I know. Now, what they want to do is to get in on that; and I can't increase our cost by 25 or 30 per cent profit to the middlemen.

W: Well, that's exactly it. That's exactly the point.

WJr: No.

W: And I'll be glad to see him - will I get in touch with him?

WJr: No, they're going to call you; but I wanted to let you know that I told him I'm absolutely opposed to it.

W: Well, very good.

WJr: So don't let anybody tell you anything else.

A: Fine.

WJr: Are we going to be able to get the tires for the Government cars?

A: I think so. They had the thought over there that any Government agency that wants tires should get them through these local rationing boards.

WJr: Yes.

A: And I told them, rather we told them, that was.....

WJr: Oh, no.

A:that was ridiculous, because.....

WJr: Oh, Leon Henderson's on the spot, and I'm not going to let him use us.

A: Oh, no.

WJr: We'll go ahead with our usual Government purchasing procedure.

A: That's exactly it; and when we get these figures together, then we'll offer this as one thing. Here are the all-over requirements.

WJr: Yeah.

A: And get clearance on the one lot.

WJr: Yes. Okay.

A: Then, of course, we're asking each of the Government agencies they've got to justify what they want; we're not going to give them just what they ask for.

WJr: Well, I'm not going to pull Leon's chestnuts out of the fire.

A: Yes. Yes. Well, that would be hot, I know.

WJr: All right.

A: Very good.

- 3 -

HMJr: Thank you.

W: Yes, sir.



TREASURY DEPARTMENT

75

PROCUREMENT DIVISION

WASHINGTON

December 30, 1941

OFFICE OF THE DIRECTOR

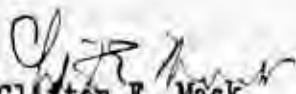
MEMORANDUM TO THE SECRETARY:

The attached draft is the proposed order which we will have mimeographed and ready for distribution today.

The language of the order will permit determinations both as to purchase policy, which is contained in Executive Order 6166, and OPM authority with relation to availability and should provide a workable control.

Consolidated purchases will be effected in furniture January 1. Information as to total requirements for automotive equipment, also tires and tubes, is now being obtained and we will start surveys on heavy equipment, also selected items of electrical equipment, likewise chemicals, within the new few days.

The attached order is satisfactory to Mr. MacKeachie. If you approve it will be released today.


Clifton E. Mack,
Director of Procurement

*original signed by 76
copy returned to Mr.
Mason, 12/30/41-*

December 29, 1941

TO THE HEADS OF ALL DEPARTMENTS AND INDEPENDENT ESTABLISHMENTS:

In order to coordinate the procurement of items of supply of a commercial nature and avoid competition between Government agencies securing their requirements for supplies, material and equipment that are becoming increasingly difficult to obtain, the following policy has been established in conjunction with the Division of Purchases, Office of Production Management pursuant to the provisions of Executive Order No. 6166, dated June 10, 1933, and the Regulations Governing the Operation of the Branch of Supply, Procurement Division, Treasury Department, approved by the President April 12, 1935.

1. All Government agencies shall furnish forecasts of needs for the balance of the fiscal year for selected major items to be designated.

2. Purchases of such major items of supply will be consolidated either in the Procurement Division or in one or more executive departments, due consideration being given to any statutes authorizing a specific agency to procure the particular commodity and the availability of special facility for the purchase of the commodity, such consolidation to be effected as conditions surrounding these items warrant.

3. The procurement of such requirements will be coordinated with the Division of Purchases, Office of Production Management, so that there

may be adopted the best means to provide Government agencies with their essential needs of the designated articles in the light of the availability of such articles.

Ch. E. Mack
CLINTON E. MACK,
Director of Procurement.

APPROVED:

H. Morgenthau, Jr.

Secretary of the Treasury.

Initialed by WNT
HNG
LB

7-1-54



TREASURY DEPARTMENT
THE ADMINISTRATIVE ASSISTANT TO THE SECRETARY
WASHINGTON

December 30, 1941

Dear Mr. Secretary:

My associates and I genuinely appreciate the nice expressions in your letter of December 29, 1941.

We all join with you in the definite hope that the coming year, which will be a tough one, may nevertheless be a victorious one.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Fred Thompson".

The Honorable,

The Secretary of the Treasury.



THE COMMANDANT OF THE UNITED STATES COAST GUARD
WASHINGTON

30 December 1941.

My dear Mr. Secretary:

I appreciate more than you will know your kind and thoughtful note of 29 December 1941, extending New Year's greetings to the Coast Guard.

May I again say it is an inspiration to work under your leadership, and on behalf of our every officer, man, and civilian employee, I reciprocate your good wishes for better days to come.

Faithfully yours,

A handwritten signature in cursive script, likely belonging to the Commandant of the United States Coast Guard.

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



ASSISTANT SECRETARY OF THE TREASURY
WASHINGTON

December 30, 1941.

Dear Mr. Secretary:

For those in my office as well as myself I write to thank you for your kind note of December 29. Our hope for the new year is that we may merit your continued confidence and with it go our most sincere wishes for your personal happiness and for a year of victory.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "William D. Phillips".

The Honorable

The Secretary of the Treasury.



BUREAU OF
ENGRAVING & PRINTING
OFFICE OF THE
DIRECTOR

WASHINGTON, D.C.

December 30, 1941.

Dear Mr. Secretary:

On behalf of the entire personnel of this bureau I extend thanks and appreciation for your message of December 29.

The employees of the Bureau of Engraving and Printing will solve any issue that lies ahead.

A copy of your letter and my reply will be on all bulletin boards this afternoon.

Sincerely yours,



A. W. Hall
Director

The Honorable,
The Secretary of the Treasury.

DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND
STAMPS

December 30, 1941

Dear Mr. Berlin:

The more I think about your new song, the more I wonder how you ever managed to do the job so well.

It wasn't an easy assignment to make people sing about taxes, but you have done it beautifully, and you have also hit the nail on the head as far as Treasury policy is concerned. I know that the song will do the country a great deal of good.

We are in your debt again, not only for the song itself, but for your unfailing willingness to help. I appreciate your contribution more than I can say.

I am looking forward now to hearing the record which you are having made. In the meantime, here are my very best wishes to you for 1942.

Sincerely,

Henry Margerison Jr.

Mr. Irving Berlin,
799 Seventh Avenue,
New York, N. Y.

FK/hkb

12/30/41

AIR MAIL
SPECIAL DELIVERY

*Copied to London
M.H.C.*

I PAID MY INCOME TAX TODAY

Words and Music By:
IRVING BERLIN

VERSE

I SAID TO MY UNCLE SAM
"OLD MAN TAXES HERE I AM"
AND HE -- WAS GLAD TO SEE ME
LOWER BRACKETS THAT'S MY SPEED
MR. SMALL FRY YES INDEED
BUT GEE -- I'M PROUD AS CAN BE.

CHORUS

I PAID MY INCOME TAX TODAY
I'M ONLY ONE OF MILLIONS MORE
WHOSE INCOME NEVER WAS TAXED BEFORE
A TAX I'M VERY GLAD TO PAY
I'M SQUARED UP WITH THE U. S. A.
YOU SEE THOSE BOMBERS IN THE SKY
ROCKEFELLER HELPED TO BUILD THEM, SO DID I
I PAID MY INCOME TAX TODAY.

2nd CHORUS

I PAID MY INCOME TAX TODAY
A THOUSAND PLANES TO BOMB BERLIN
THEY'LL ALL BE PAID FOR AND I CHIPPED IN
THAT CERTAINLY MAKES ME FEEL OKAY
TEN THOUSAND MORE AND THAT AIN'T HAY
WE MUST PAY FOR THIS WAR SOMEHOW
UNCLE SAM WAS WORRIED BUT HE ISN'T NOW
I PAID MY INCOME TAX TODAY.

3rd CHORUS

I PAID MY INCOME TAX TODAY
I NEVER CARED WHAT CONGRESS SPENT
BUT NOW I'LL WATCH OVER EVERY CENT
EXAMINE EVERY BILL THEY PAY
THEY'LL HAVE TO LET ME HAVE MY SAY
I WROTE THE TREASURY TO GO SLOW
CAREFUL MR. HENRY JUNIOR THAT'S MY DOUGH
I PAID MY INCOME TAX TODAY.

(S4)

Mr. Kuhn's memo on the Westinghouse
Advertisement and Mr. Robertson.

ENT
ON

DATE
December 30, 1941

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

This advertisement was written by Mr. Robertson himself, as it is an excerpt from a speech that he made in 1939. I am told that he writes his own speeches, and believes in the value of ringing statements of this kind.

Robertson himself came up from humble beginnings in up-State New York. He sold aluminum house-to-house, was then a schoolteacher, and came to the Chairmanship of Westinghouse from the practice of law. He is said to fancy himself as a rail-splitter, which he isn't, but I am told that he approaches it. He is a big man, about 6' 3", about fifty-eight years old, and has always taken an intense interest in the advertising department of Westinghouse.

I can get more information about him, including copies of some of his speeches, when Mr. Mahan gets back to Washington from New York tomorrow.

JK

This is an excerpt from an address delivered before the Cincinnati Chamber of Commerce on March 3, 1939, and now emphatically repeated.

I would like to see all of us now rededicate ourselves to our country's cause and say, with Adams, Franklin, Jefferson, and the others who founded it: "We mutually pledge to each other our Lives, our Fortunes, and our sacred Honor" — and from this time henceforth we are not business men, consumers, capitalists, or employees, but Citizens.

A. W. ROBERTSON • Chairman of the Board, Westinghouse Electric & Manufacturing Company

Westinghouse

December 31, 1941

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. White's Office

December 30, 1941

12:00 Noon

Present: Mr. White
Mr. Zoltowski, Polish Embassy
Mr. Ullmann

Mr. Zoltowski called to pay his respects. He said that he is the Polish Commissioner for Lend-Lease, that he has no official business at this time, and that he may call on the Treasury later to ask its help in financing Polish dollar expenditures.

Secretary Morgenthau

DEC 30 1941

Messrs. Foley and Rekle

The Joint Committee on Importations of the Library Associations of America have requested us to license the importation of certain scientific and research periodicals from Germany and German-dominated countries during the year 1942. The committee has urged that files of learned and scientific journals in American libraries be kept complete in order to maintain research facilities for defense industries. It is estimated that the absolute minimum cost for necessary periodicals is \$250,000. The German publishers have indicated to the Committee that all subscriptions must be paid for in advance and in free dollars.

The Joint Committee on Importations represents the American Library Association, the Association of College and Reference Libraries, the Association of Law Libraries, the Association of Research Libraries, the Medical Library Association, the Music Library Association and the Special Library Association (industrial firms, banks, insurance companies, etc.).

A representative of the Foreign Funds Control recently got in touch with Mr. Archibald Macleish, and Mr. Macleish referred him to Mr. Luther Evans, Executive Librarian, for discussion of this problem. The views of Mr. Evans may be set forth as follows:

1. Much of the literature which it is proposed to import will make important direct or indirect contribution to our war effort. Mr. Evans cited the following two examples:

(a) articles appearing in German publications on air raid precautions and civilian defense methods have been photostated and given to the Office for Civilian Defense.

- 2 -

(b) An article appearing in a German publication relative to the construction of tanks has been put into the hands of American companies engaged in tank production.

2. Already many libraries and committees are complaining that their research men are unable to procure the necessary publications. Dr. Evans mentioned in particular resident Constant of Harvard, who is Chairman of the National Research Committee.
3. Dr. Evans said the Library of Congress looked favorably upon the proposal of the Joint Committee on Importations and said he would have no hesitation at all in recommending approval of their request.

The Department of State has also indicated its approval for the proposed importations. If you agree, we will proceed to license the subscriptions approved by the Joint Committee.

(Signed) J. W. Fehlig

(Signed) E. E. Foley, Jr.

D.K.
HMP
(1/1/42)

Simons:cwh 12-20-41

December 30, 1941.

The Honorable

The Attorney General.

My dear Mr. Attorney General:

For Secretary Morgenthau I desire to acknowledge receipt of your letter of December 29, with which was enclosed a copy of a confidential directive issued by the President on December 23, 1941, centering in the Federal Bureau of Investigation the responsibility for intelligence work within the Western Hemisphere.

Very truly yours,

Herbert E. Gaston
Assistant Secretary of the Treasury.

Copy to Secretary's Files, together with original incoming letter and copy of directive of the President.

Sent by Special Messenger 9:20 am 12-31-41

HEG/mah



Office of the Attorney General
Washington, D.C.

December 29, 1941

CONFIDENTIAL

The Honorable

The Secretary of the Treasury

My dear Mr. Secretary:

By direction of the President I enclose for your information a copy of a confidential directive issued by him on December 28, 1941, centering in the Federal Bureau of Investigation the responsibility for intelligence work within the Western Hemisphere.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Tom C. Powell", is written above the typed name.

Attorney General

CONFIDENTIAL DIRECTIVE ISSUED ON DECEMBER 23, 1941, BY THE
PRESIDENT TO THE HEADS OF THE GOVERNMENT DEPARTMENTS AND AGENCIES
CONCERNED:

In accordance with previous instructions the Federal Bureau of Investigation has set up a Special Intelligence Service covering the Western Hemisphere, with Agents in Mexico, Central America, South America, the Caribbean, and Canada. Close contact and liaison have been established with the Intelligence officials of these countries.

In order to have all responsibility centered in the Federal Bureau of Investigation in this field, I hereby approve this arrangement and request the heads of all Government Departments and Agencies concerned to clear directly with the Federal Bureau of Investigation in connection with any intelligence work within the sphere indicated.

The Director of the Federal Bureau of Investigation is authorized and instructed to convene meetings of the chiefs of the various Intelligence Services operating in the Western Hemisphere and to maintain liaison with Intelligence Agencies operating in the Western Hemisphere.

(Signed) Franklin D. Roosevelt

THE WHITE HOUSE
WASHINGTON

December 30, 1941

Respectfully referred to the
Secretary of the Treasury.

By direction of the President:

M. H. McIntyre
M. H. McINTYRE
Secretary to the President

Mason

THE WHITE HOUSE
WASHINGTON

December 29, 1941

MEMORANDUM FOR MR. EICHER:

I have your memorandum of December 17, 1941, giving me the Security and Exchange Commission's current thoughts on the desirability of a Capital Funds Committee.

As you know, this matter has come up at various times during the past year or so - the last time being in April 1941, when Henry Morgenthau, Jr., following a talk with Jerome Frank, discussed it with me.

In view of this, I am asking him to go into the matter again and give me a recommendation. In the meantime, I suggest you get in touch with him.

(Initialed) "F. D. R."

12/17/41

TO : The President

FROM : Edward C. Eicher, Chairman
Securities and Exchange Commission

Here is a subject we believe vital
to Defense which I had no opportunity
to discuss with you yesterday. I would
like, before I leave, to give my
colleagues a green light from you.
We are armed to the teeth for the job!

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON

THE WHITE HOUSE
Dec 18, 1943
RECEIVED
December 17, 1943

MEMORANDUM FOR THE PRESIDENT

Re : Capital Funds Control

The too hasty conclusion that we do not need capital funds control at this time because there is no shortage of capital seems dangerously erroneous. It disregards the vast problem of conservation of industrial assets for war and post-war purposes.

A simple but striking example of the tendency of corporations to dissipate the increased earnings resulting from defense activities is found in the alarming number of increased dividends and extra dividends that have been declared this year-end. Such dividend distributions are inflationary in character and must inevitably dilute the funds available for investment in defense. A portion, of course, is absorbed in taxes, and another portion is used to purchase Defense Bonds; but the bulk unquestionably goes into peacetime consumers goods.

If these dividends were retained by the corporations, they could either be invested in necessary additional defense plant and production, or they would be easily available for large-scale investment in Defense Bonds. With the latter type of investment the corporations would have a comfortable cushion of cash reserves to be used when they are most needed for the protection of the business and the security holders.

Other examples of the need for powers to prevent the diversion of corporate resources from the defense requirements can be given.

Because of its vast experience in corporate affairs, this is a job which could be done by the Securities and Exchange Commission much better than by any other agency. It would be simply an extension of our work under many sections of the Holding Company Act. It could and should be done either in cooperation with the Treasury or other appropriate Defense agency, such as the Economic Defense Board, in order that it be integrated with the entire Defense effort.


Edward C. Eicher
Chairman

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 30, 1941.
12/29/41

Press Service
No. 29-33

The Secretary of the Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 76-day Treasury bills, to be dated December 31, 1941, and to mature March 17, 1942, which were offered on December 26, were opened at the Federal Reserve Banks on December 29.

The details of this issue are as follows:

Total applied for - \$317,107,000
Total accepted - 150,004,000

Range of accepted bids: (Excepting two tenders totaling \$80,000)

High	- 99.961	Equivalent rate approximately	0.185	percent
Low	- 99.927	"	"	" 0.346 "
Average				
Price	- 99.935	"	"	" 0.310 "

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

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 Last Twenty-three Business Days of December, November and October 1941
 (October 6-31, November 1-29, December 2-29)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	December	November	October	December over November	November over October	December over November	November over October
Series E - Post Offices	\$ 92,178	\$ 37,997	\$ 34,894	\$ 54,181	\$ 3,103	142.6%	8.9%
Series E - Banks	<u>210,172</u>	<u>71,478</u>	<u>70,441</u>	<u>138,694</u>	<u>1,037</u>	<u>194.0</u>	<u>1.5</u>
Series E - Total	302,350	109,475	105,335	192,875	4,140	176.2	3.9
Series F - Banks	28,182	18,978	19,133	9,204	- 155	48.5	- 0.8
Series G - Banks	<u>132,562</u>	<u>105,035</u>	<u>99,548</u>	<u>27,527</u>	<u>5,487</u>	<u>26.2</u>	<u>5.5</u>
Total	<u>\$463,093</u>	<u>\$233,487</u>	<u>\$224,016</u>	<u>\$229,606</u>	<u>\$ 9,471</u>	<u>98.3%</u>	<u>4.2%</u>

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

December 30, 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 - December 1941
 On Basis of Issue Price
 (In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
	Series E	Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
December 1941									
1	\$ 2,976	\$ 3,904	\$ 1,333	\$ 7,220	\$ 12,458	\$ 6,880	\$ 1,333	\$ 7,220	\$ 15,434
2	1,229	2,592	623	5,750	8,964	3,821	623	5,750	10,193
3	1,510	2,734	870	5,289	8,893	4,244	870	5,289	10,403
4	2,411	4,036	726	7,530	12,292	6,447	726	7,530	14,703
5	2,015	4,805	1,152	12,357	18,314	6,820	1,152	12,357	20,329
6	1,001	2,293	656	2,776	5,725	3,294	656	2,776	6,726
8	3,282	4,764	1,011	3,810	9,585	8,046	1,011	3,810	12,866
9	1,828	3,877	601	4,996	9,475	5,706	601	4,996	11,304
10	1,551	3,566	491	2,612	6,668	5,217	491	2,612	8,320
11	1,909	4,763	719	3,423	8,905	6,672	719	3,423	10,814
12	2,773	5,012	658	3,768	9,437	7,785	658	3,768	12,211
13	2,767	5,030	584	2,120	7,734	7,798	584	2,120	10,501
15	7,185	11,679	1,022	4,462	17,162	18,864	1,022	4,462	24,347
16	2,113	3,956	893	1,901	6,750	6,069	893	1,901	8,863
17	4,154	9,750	1,180	6,327	17,257	13,914	1,180	6,327	21,421
18	5,382	11,630	1,337	6,826	19,793	17,012	1,337	6,826	25,175
19	5,995	10,205	1,172	5,214	16,591	16,201	1,172	5,214	22,586
20	4,091	11,890	1,270	5,921	19,081	15,981	1,270	5,921	23,172
22	10,916	23,269	2,490	8,067	33,826	34,185	2,490	8,067	44,742
23	4,393	10,642	1,972	6,831	19,445	15,035	1,972	6,831	23,838
24	3,613	13,085	1,629	8,900	23,613	16,698	1,629	8,900	27,226
26	9,593	29,934	3,536	10,076	43,547	39,527	3,536	10,076	53,140
27	3,503	6,412	530	3,255	10,197	9,915	530	3,255	13,700
29	8,852	24,247	3,060	10,353	37,561	33,100	3,060	10,353	46,513
Total	\$ 95,154	\$214,076	\$ 29,515	\$139,782	\$383,374	\$309,230	\$ 29,515	\$139,782	\$478,527

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

December 30, 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.

Regraded Unclassified

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Twenty-three Business Days of December, November and October, 1941
 (October 1-27, November 1-29, December 1-27)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	December	November	October	December over November	November over October	December over November	November over October
Series E - Post Offices	\$ 86,301	\$ 37,997	\$ 36,429	\$ 48,304	\$ 1,568	127.1%	4.3%
Series E - Banks	189,829	71,478	69,616	118,351	1,862	165.6	2.7
Series E - Total	276,130	109,475	106,046	166,655	3,429	152.2	3.2
Series F - Banks	26,455	18,978	19,650	7,477	- 672	39.4	- 3.4
Series G - Banks	129,429	105,035	104,902	24,394	133	23.2	0.1
Total	<u>\$432,014</u>	<u>\$233,487</u>	<u>\$230,598</u>	<u>\$198,527</u>	<u>\$ 2,889</u>	<u>85.0%</u>	<u>1.3%</u>

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

December 29, 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 - December 1941

On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
December 1941									
1	\$ 2,976	\$ 3,904	\$ 1,333	\$ 7,220	\$ 12,458	\$ 6,880	\$ 1,333	\$ 7,220	\$ 15,434
2	1,229	2,592	623	5,750	8,964	3,821	623	5,750	10,193
3	1,510	2,734	870	5,289	8,893	4,244	870	5,289	10,403
4	2,411	4,036	726	7,530	12,292	6,447	726	7,530	14,703
5	2,015	4,805	1,152	12,357	18,314	6,820	1,152	12,357	20,329
6	1,001	2,293	656	2,776	5,725	3,294	656	2,776	6,726
8	3,282	4,764	1,011	3,810	9,585	8,046	1,011	3,810	12,866
9	1,823	3,877	601	4,996	9,475	5,706	601	4,996	11,304
10	1,651	3,566	491	2,612	6,568	5,217	491	2,612	8,320
11	1,909	4,763	719	3,423	8,905	6,672	719	3,423	10,814
12	2,773	5,012	658	3,768	9,437	7,785	658	3,768	12,211
13	2,767	5,030	584	2,120	7,734	7,798	584	2,120	10,501
15	7,185	11,679	1,022	4,462	17,162	18,864	1,022	4,462	24,347
16	2,113	3,956	893	1,901	6,750	6,069	893	1,901	8,863
17	4,164	9,750	1,180	6,327	17,257	13,914	1,180	6,327	21,421
18	5,382	11,630	1,337	6,826	19,793	17,012	1,337	6,826	25,175
19	5,995	10,205	1,172	5,214	16,591	16,201	1,172	5,214	22,586
20	4,091	11,890	1,270	5,921	19,081	15,981	1,270	5,921	23,172
22	10,916	23,269	2,490	8,067	33,826	34,185	2,490	8,067	44,742
23	4,393	10,642	1,972	6,831	19,445	15,035	1,972	6,831	23,838
24	3,613	13,085	1,629	8,900	23,613	16,698	1,629	8,900	27,226
26	9,593	29,934	3,536	10,076	43,547	39,527	3,536	10,076	53,140
27	3,503	6,412	530	3,255	10,197	9,915	530	3,255	13,700
Total	\$ 86,301	\$189,829	\$ 26,455	\$129,429	\$345,713	\$276,130	\$ 26,455	\$129,429	\$432,014

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

December 29, 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.

Regraded Unclassified

TREASURY DEPARTMENT

103

INTER OFFICE COMMUNICATION

DATE December 30, 1941

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Supply of Series E Savings Bonds in the Field

1. At the close of business last night, December 29, there were approximately 4-1/2 million pieces of Series E savings bonds in the field. A very large proportion of these bonds was in the hands of selling agents but a considerable number were in the mail in transit. Most of the bonds in transit last night will have been delivered by the close of business today.

2. The stock of \$25, \$50, and \$100 denominations of savings bonds in the field is equivalent to about one month's supply, it appears from the latest data available, and the stock of \$500 and \$1,000 denominations is equivalent to about a three months' supply. Data on the supply of bonds in the field are shown for the period since December 1 in the attached chart. It should be noted, in connection with using this chart, that a month's supply of bonds in the field is not sufficient to prevent local shortages from occurring. It takes a very large number of bonds to keep all agents stocked up and in the same geographic area agents with a rapid turnover of their stock may run short of bonds at a time when agents with no turnover may have plenty of stock on hand.

3. After it was brought out in a meeting in your office yesterday that there are local shortages of some denominations of savings bonds, we asked each Federal Reserve Bank to wire us daily the number of bonds requisitioned from them by agents that was in excess of the banks' supply on hand ready for shipment. We asked the Post Office Department's central office for the same information. The telegrams received this morning indicated that last night local shortages of bonds amounted to 927,000 pieces. A summary of the information telegraphed appears in table I attached.

Secretary Morgenthau - 2

4. The shortage of bonds reported in the telegrams will be taken care of by the bonds in transit last night between Washington and the Federal Reserve Banks plus four days' production of bonds in excess of sales. The Bureau of Engraving and Printing is now delivering 375,000 bonds a day seven days a week. These deliveries, it appears from latest reports, are about 200,000 pieces a day in excess of current sales.

5. The Bureau of Engraving and Printing advises us that they expect to continue production at the rate of 375,000 a day for a week or two after which production will rise to 475,000 pieces a day. These production figures, it might be noted, compare with a production of 130,000 pieces of savings bonds on December 1. The number of pieces of savings bonds produced since December 1 appears by days in Table 2 attached.

c. In order to safeguard against local shortages, the field stock of savings bonds should be increased, as you have indicated previously, to the equivalent of three months' sales.

Attachments

Agents' requests for savings bonds unfilled at the close
of business, December 29, 1941

(In thousands)

	Denomination					Total
	\$25	\$50	\$100	\$500	\$1,000	
Federal Reserve Banks						
Boston	43	21	21	3	1	89
New York	16	31	25	5	-	75
Philadelphia	-	-	2	-	-	2
Cleveland	-	9	11	2	-	22
Richmond	11	5	8	1	-	25
Atlanta	-	-	-	-	-	-
Chicago	92	51	49	7	-	199
St. Louis	4	9	5	-	-	18
Minneapolis	-	2	-	-	-	2
Kansas City	27	17	15	3	2	64
Dallas	8	4	-	-	-	12
San Francisco	11	8	-	-	-	19
Post offices	<u>200</u>	<u>200</u>	-	-	-	<u>400</u>
Total	412	357	136	19	3	927

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

103

Number of pieces produced December 1, 1941 to date
(In thousands)

Day	Denomination					Total all denominations
	\$25	\$50	\$100	\$500	\$2,000	
December 1	75	10	25	10	10	130
2	75	10	25	10	10	130
3	60	10	40	10	10	130
4	50	10	50	10	10	130
5	50	10	50	-	-	110
6	-	-	-	-	-	-
7	-	-	-	-	-	-
8	50	10	50	-	-	110
9	15	10	50	-	-	75
10	30	30	50	-	-	110
11	40	20	50	5	5	120
12	80	-	50	-	30	160
13	121	-	10	15	15	161
14	44	-	70	50	-	164
15	80	-	-	80	-	160
16	28	-	120	-	45	193
17	92	-	-	-	155	247
18	92	-	-	-	-	92
19	120	-	-	-	-	120
20	150	50	-	-	-	200
21	175	75	10	-	-	260
22	160	75	25	-	-	260
23	180	85	35	-	-	300
24	220	80	25	-	-	325
25	225	80	35	-	-	340
26	180	50	40	-	-	270
27	240	-	50	10	10	310
28	200	80	55	10	10	355
29	205	95	55	10	10	375
30						
31						

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

December 29, 1941

Treasury Department

107

TELEGRAPH OFFICE

05 GS. 61 NL

SC SACRAMENTO CALIF DEC 29 1941

HONORABLE HENRY MORGENTHAU JR
SECRETARY OF THE TREASURY

1941 DEC 30 AM 8 39

WASHN DC

I WOULD GREATLY APPRECIATE INFORMATION FROM YOU AS TO SELECTION OF ALIEN
PROPERTY CUSTODIAN FOR CALIFORNIA AND PERSONNEL FOR HANDLING THIS WORK.
I HAVE IN MIND AS SUITABLE APPOINTEES MEN OF OUTSTANDING ABILITY AND
CHARACTER, WHOM I SHOULD LIKE TO RECOMMEND. I AWAIT YOUR ADVICE REGARDING
THE CONTEMPLATED ORGANIZATION OF ALIEN PROPERTY CUSTODIANSHIP BEFORE
SUBMITTING SUCH NAMES FOR YOUR CONSIDERATION. REGARDS

CULBERT L OLSON

GOVERNOR OF CALIFORNIA

754AM DEC30

Freezing Control

Honorable Culbert L. Olson
Governor of California
Sacramento, California

December 30, 1941
12:45 noon

RE YOURTEL THE PRESIDENT HAS NOT ISSUED ANY EXECUTIVE ORDER
SINCE THE OUTBREAK OF WAR DEALING WITH THE CUSTODIANSHIP OF
ALIEN PROPERTY stop WE ARE CONTINUING TO ACT UNDER OUTSTANDING
FREEZING CONTROL ORDERS

SECRETARY OF THE TREASURY.

See file
EHF:BB/ 12/30/41

TREASURY DEPARTMENT

109

INTER OFFICE COMMUNICATION

DATE December 30, 1941

TO Mr. Thompson

FROM Mr. Haas

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of September 1941.

DIVISION OF RESEARCH AND STATISTICS

Report of Studies or Projects Completed or Under
Way, and the Names of Persons Working on Each,
for the month of September 1941

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 28, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

I. Projects or studies completed

1. Two reviews of current developments in the high-grade securities markets were prepared, and memoranda were transmitted to the Secretary on September 5 and 17. - Mr. Haas, Mr. Murphy, Mr. Foy, Mr. Matlock, Mr. Robbins, Mr. Barnett, Mr. Rosen

These reviews contained, in addition to analysis of the current situation, the following special studies:

- (a) Major swings of Government, municipal, and high-grade corporate bonds since the outbreak of the war (Review of September 5, pages 4-5). - Mr. Foy
- (b) Relative expansion of bank deposits in selected countries, 1939-41 (Review of September 5, pages 5-7). - Mr. Matlock
- (c) Maturity preferences of various classes of investors in Government securities (Review of September 17, pages 3-5). - Mr. Robbins

2. A maturity calendar for each issue of direct and guaranteed bonds and notes of the United States was prepared, showing by year, month, and day, with calendar year totals, the amounts outstanding, classified by fixed maturity issues and by callable issues, according to the maturity, first, and final callable dates. The calendar was prepared as of September 2, and was transmitted to the Secretary on September 30. - Miss Lagos

3. Yield rates on Treasury bonds and notes and on securities guaranteed by the United States, were calculated daily. All yields were computed on the basis of over-the-counter closing quotations. These were summarized each day in a table showing for each issue the closing bid and asked quotations and yields to call and maturity dates on that day, the changes in prices and yields from the preceding day, and the price range since the date on which first traded, and also for the year 1941 to date. A chart for each issue was kept up to date showing daily price and yield figures together with comparative monthly data since 1934, since the date of issue, or since the date first traded. Prices and yields of Treasury bonds, notes, and bills, pre-war bonds, securities guaranteed by the United States, and securities of Federal agencies not guaranteed, will be presented in a revision of the publication now entitled "Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States", described in this report under "Publications". In addition, yields were computed daily on five high-grade corporate securities and two British Government issues. -
Mr. Moody, Miss McCoy, Mr. Kroll

4. At the request of the Secretary, arrangements have been made to secure periodically from the British Empire purchasing missions certain information regarding purchases in the United States by the British Empire. Various reports and tables are prepared from this information, and all are transmitted according to instructions by the Secretary. -
Mr. Haas, Mr. Lindow, Mr. Wagner, Mr. March, Mr. Mayo, Mr. Marcus

- (a) Weekly statements are received covering the itemized purchases by British Empire Governments through the various missions, and the itemized purchases made by these Governments with the knowledge of the missions but not through their facilities. Similar statements are received showing, by itemized contracts, deliveries made with respect to orders placed by the United Kingdom through the missions. The details with respect to orders and deliveries are classified by some twenty-five commodity groups designed especially for the purpose.

These data are reviewed and edited in the Division each week and a report is then prepared summarizing in dollar volume the information on orders and deliveries, by commodity groups. This report consists of eight statements: the first three summarize orders placed by the individual governments of the British Empire for the current week and the totals to date; the next three statements summarize total orders of the British Empire on an historical basis; and the last two statements present data on deliveries with respect to orders placed by the United Kingdom through the British missions. These weekly commodity statements were prepared, and were transmitted on September 6, 12, 19, 26, 27, and 30.

- (b) The Division also receives each week the data required to prepare statements giving the details concerning the physical volume of airplane and airplane engine orders in the United States by the British Empire. The material for these statements is contained in a group of work sheets prepared by the British Purchasing Commission, but it is necessary for the Division to consolidate and coordinate the information contained in the Commission's statements. The finished tables show, by company and by type of plane or engine, the following information: (1) summary of orders, deliveries, and exports; (2) history of orders; (3) history of deliveries; (4) history of exports;

- (5) scheduled deliveries of unfilled orders; (6) options: scheduled deliveries; (7) spare parts: orders, deliveries, unfilled orders, and options; and (8) secondhand units: orders, deliveries, and scheduled deliveries of unfilled orders. These aircraft reports were prepared, and were transmitted on September 6, 12, 19, 26, and 27.
- (a) A series of six tables has been developed to show each week the disposition of airframes and airplane engines inspected in the United States by the British purchasing missions, and the status of airframes and airplane engines on hand in the United States. Separate tables for airframes and airplane engines show, by company and by model: (1) the disposition of units inspected; (2) the status of these units; and (3) the physical location of the units awaiting export. These tables were prepared, and were transmitted on September 2, 8, 15, 22, and 30.
- (d) Reports are prepared each week showing commitments by the British Empire Governments for capital expenditures in the United States and for extraordinary charges designed to expedite deliveries. The data for these statements are provided by the British Purchasing Commission but the tables actually are prepared in the Division. Tables showing capital commitments were prepared, and were transmitted on September 6, 12, 19, 26, and 27.
- (e) A group of seven analytical tables on British Empire orders of iron and steel is prepared monthly. Four of these cover commercial iron and steel, excluding ferro-alloys and drop forgings, and are classified by product. One table covers ferro-alloys and silicon metals, and also is classified by product. The last two tables cover drop forgings and are classified by manufacturer. Statements showing British Empire orders of iron and steel as of July 31, were prepared, and were transmitted on September 8.

- 5 -

- (f) Arrangements have been made to receive information on a physical volume basis for the orders, deliveries, and dates of scheduled deliveries on unfilled orders, with respect to several other important commodities. For each of these commodities the following tables are being prepared: (1) current delivery status of orders; (2) history of orders; (3) history of deliveries; and (4) scheduled deliveries of unfilled orders. The data in these tables are broken down by particular products, particular models in each case, and particular manufacturers.

Statements covering various commodity groups were prepared, and were transmitted as follows:

Explosives and propellants, on September 2
 Ships, small boats, and marine engines, on
 September 2.
 Ordnance, on September 2 and 22
 Small arms ammunition, on September 2 and 22
 Motor vehicles, on September 6
 Nonferrous metals, on September 6 and 30
 Shells and bombs, on September 19
 Airplane propellers, on September 26 and 27
 Chemicals, on September 26 and 27
 Sub-machine guns, revolvers, and rifles, on
 September 26 and 27

In addition tables are being prepared on the following commodity groups:

Small arms (fully automatic)
 Tanks and tank equipment

- (g) Certain financial information concerning the orders placed in the United States by the British Empire is presented in a monthly report. This report consists of three tables, showing by commodity groups a summary of the status of payments on dollar orders placed; the history of payments made; and a forecast of future payments on unpaid commitments. The report was prepared, and was transmitted on September 19.

(h) Arrangements have been made with the Citadel Merchandising Company, Ltd., a Canadian Government corporation, to receive regular reports showing orders placed for machine tools in the United States, and deliveries on these orders. From this information the Division prepares a report consisting of three tables showing the current status of orders; the history of orders; and the history of deliveries. A report as of August 31, is being prepared.

5. At the request of the Secretary, arrangements have been made to secure periodically certain information regarding purchases in the United States by the Netherlands Purchasing Commission, and by Lindeteves, Inc. - Mr. Haas, Mr. Lindow, Mr. Wagner, Mr. March, Mr. Mayo, Mr. Marcus

Statements are received covering the itemized purchases by the Netherlands Purchasing Commission in the United States, and the volume of deliveries made thereon. Similar statements are received concerning the activities of Lindeteves, Inc., a large private commercial organization operating in the Dutch East Indies. The details with respect to orders and deliveries for these purchasing agencies are classified by the same twenty-five commodity groups used for reporting orders placed in the United States by the British Empire.

These data are reviewed and edited in the Division. Reports are then prepared for each of these agencies summarizing the information on orders and deliveries, classified by commodity groups. These reports consist of three statements: the first shows the history of orders placed; the second shows the history of deliveries made on these orders; and the third shows the current delivery status of orders. These commodity statements covering orders of the Netherlands Purchasing Commission were prepared, and were transmitted on September 6, 12, 27, and 30. Similar statements for Lindeteves, Inc., were prepared, and were transmitted on September 6, and 27. Both groups were transmitted according to instructions of the Secretary.

6. At the request of Under Secretary Bell, various memoranda and charts were prepared for use in the Friday discussion group meeting fortnightly to consider matters of general interest in connection with defense financing. - Mr. Haas, Mr. Daggit

The material prepared during the month included the following, presented on September 12:

Analyses were made of recent movements of commodity prices illustrated by three wall charts.

Comparisons were shown in the first chart of price indexes for all commodities and for foods in the period 1939-41 and the period 1914-16, on the basis that July 1914=100 in the World War period, and August 1939=100 in the current period.

The second chart, on the basis that 1926=100, showed the monthly movement of the NICB cost-of-living index compared with the BLS index of 389 commodities from 1935 through September 6, 1941. On the same chart were shown the weekly movement of the BLS index of 389 commodities and the BLS index of 28 basic commodities from August 1939 to mid-September 1941.

The third chart showed, on the basis that August 1939=100, the weekly average movement of the index of 11 imported commodities and of the index of 17 domestic commodities from August 1940 to September 1941, and their daily average movement from May 24 through September 6. On the same chart were shown also for each of the 28 commodities, the percentage price changes from the August 1940 low to August 13 and to September 10, 1941.

7. In response to a request by the Secretary on January 21, that measures be taken to obtain information to assist in carrying through the defense financing program, arrangements were made to obtain the necessary detailed statistics on the holdings of each issue of the public debt and of guaranteed securities by the various classes of holders. - Mr. Haas, Mr. Tickton, Mrs. Wolkind, Mr. D. J. Leahy, Mr. Blitman, Mrs. Barnes, Mr. Alter, Mr. Robbins

A summary was prepared of the data received as of July 31, consisting of brief explanatory text and six tables for publication in the Bulletin of the Treasury Department for September.

The information as of August 31 received in response to our letter of August 29, from 7,000 banks and insurance companies was coded, tabulated, and analyzed. A comprehensive analysis was prepared, consisting of 100 tables, showing this information, classified by type of institution, by issue, by geographic area, by call classes, and by tax-exemption provisions.

New letters were sent out to the banks and insurance companies on September 29, requesting comparable data as of September 30.

Special tabulations were prepared and were transmitted to the Federal Reserve Banks of New York and Philadelphia, covering ownership of securities issued or guaranteed by the United States, as of July 31, 1941.

5. At the request of the Secretary, arrangements have been made to prepare current statistical reports on the sales of United States Defense savings bonds, series E, F, and G, and Defense Postal savings stamps, on the basis of reports by the Treasurer of the United States, the Federal Reserve Banks, and the Post Office Department. The reports prepared during September were transmitted according to instructions by Mr. Graves. - Mr. Haas, Mr. Reagh, Mr. Brown, Mr. Tickton, Mr. Kroll, Mr. D.J. Leahy
 - (a) Daily tables were prepared, showing the dollar volume, on the basis of the issue price, of sales of savings bonds, series E, F, and G, by Post Offices and by banks, with totals. The first table, prepared on September 2, presented these data for each business day of August, with totals for the month. The next table, prepared on September 3, showed these data for September 2, with totals. Succeeding tables showed the data for each additional business day of September, with cumulative totals. The table prepared on September 30 covered the period from September 2 through September 29.

- (b) Daily tables were prepared, containing a comparative statement of sales in September, in August, and in July, for each of the three series of bonds, by Post Offices and by banks. The dollar volume of sales was shown on the basis of the issue price, together with the absolute and percentage changes in September from August, and in August from July. The table prepared on September 2 showed these data for the full months of August, July, and June. The first table showing the comparison for September, August, and July, prepared on September 3, showed the data for the first business day of each month, with totals. Succeeding tables showed the data for each additional business day, with cumulative totals. The table prepared on September 30 covered the first 24 business days of the month, representing the periods of July 1-29, August 1-28, and September 1-29.
- (c) A table was prepared on September 2, showing sales of savings bonds, series E, F, and G, by Post Offices and by banks, in dollar volume, on the basis of the issue price, in May, in June, in July, and in August, with totals.
- (d) A table was prepared on September 16, showing sales of savings bonds, series E, F, and G, in dollar volume, on the basis of the issue price, in May, in June, in July, and in August, with totals.
- (e) A table was prepared on September 16, showing sales of savings bonds, series E, in August, in dollar volume, on the basis of the issue price, by States, and by type of sales agent, with totals.
- (f) A table was prepared on September 16, showing sales of savings bonds, series E, in dollar volume, on the basis of the issue price, by States, in May, in June, in July, and in August, with totals.
- (g) A report consisting of 150 pages, was completed on September 30, showing sales of savings bonds, series E, for the month of August, in dollar volume, on the basis of the issue price, by Federal Reserve districts, by States, by cities, and by counties, all classified by sales agents and denominations.

- (h) A table was prepared on September 8, showing the estimated total value and number of units of Defense savings stamps, classified by denominations, sold in the month of May, in June, in July, and in August, with totals.
 - (i) A memorandum was prepared on September 26, showing the estimated total number of purchasers of savings bonds, series E, F, and G, the estimated number of purchasers of series E bonds, and the estimated volume of sales of savings bonds, E, F, and G, with total, from May 1 through September 24.
 - (j) At the request of the Secretary on September 12, a chart was prepared showing monthly sales of United States savings bonds, including Defense savings bonds, from March 1935, the date of their inception, through August 1941. Copies of the chart were transmitted to Mr. Schwarz for release.
9. A proposed improvement in the procedure for reporting sales of Defense savings bonds and a method of preparing statistics showing direct sales by geographic areas were discussed with the fiscal officer of each of the Federal Reserve Banks. - Mr. Reagh, Mr. Tickton
10. At the request of Mr. Graves, a proposed reply was prepared, for signature of the Under Secretary, to a letter dated September 8 from Mr. L. P. Bethea, Assistant Secretary of the Board of Governors of the Federal Reserve System, transmitting a letter dated September 5, from Mr. Robert G. Rouse, Vice President of the Federal Reserve Bank of New York, requesting certain data in respect to sales of savings bonds. In connection with this reply dated September 23, a memorandum was prepared dated September 12, summarizing the status of each statistical item requested by Mr. Rouse. - Mr. Brown
11. Two proposals of the RFC that the Secretary request that corporation to purchase stock in two banks were examined. - Mr. Barnett, Mr. Rosen

12. A table was prepared, and was transmitted to the Secretary on September 10, summarizing sales during August of Treasury notes, Tax Series A and Tax Series B, in par amounts, by individuals and by corporations. - Mr. Tickton
13. A table was prepared, and was transmitted to the Secretary on September 10, showing sales during August of Treasury notes, Tax Series A and Tax Series B, in par amounts, classified by denomination. - Mr. Tickton
14. At the request of the Secretary on September 29, a memorandum was prepared, and was transmitted to him on September 30 on a "Proposal for Offering 10- and 15-year Treasury Securities on Each Quarterly Date". - Mr. Haas, Mr. Murphy
15. At the request of Mr. Heffelfinger on September 12, a memorandum was prepared on his memorandum dated September 10, 1941, with respect to Indian Trust Funds, and was transmitted to Mr. Heffelfinger on September 26. - Mr. Sandelin
16. At the request of Mr. Kades on September 8, a table and a chart were prepared showing a comparison of the spread in yield between corporate and municipal bonds with the Federal income tax, 1900-1941. Copies were transmitted to Mr. Kades on September 30, for his use in connection with a speech before the National Tax Association. - Miss Lagos
17. At the request of Assistant Secretary Gaston on August 29, a memorandum was prepared for the Secretary on "Excess Reserves, Credit Controls, and Treasury Financing". The memorandum was transmitted to the Secretary on September 2. - Mr. Haas, Mr. Murphy, Mr. Foy, Mr. Barnett
18. A streamlined version was prepared of the memorandum listed in the item immediately above, and was entitled "Relative Merit of General and Selective Credit Controls in the Present Situation". - Mr. Murphy, Mr. Foy, Mr. Hbeen

19. At the request of the Secretary on September 4, there was prepared and transmitted to him on September 5, a "Digest of Policy Letters on Federal Reserve Discount Rates during the War and Immediate Postwar Period". - Mr. Murphy, Mr. Foy, Mr. Sandelin
20. At the request of the Secretary, meetings were attended which were held by representatives of the Treasury Department and the Board of Governors of the Federal Reserve System for the purpose of discussing general and selective credit controls. Various memoranda, reports, and the minutes were prepared for use in connection with the meetings, which were held in the Office of Under Secretary Bell on September 5, 8, 10, 11, 20, and 22, and on the last date a meeting was held also at the Office of the Board of Governors. - Mr. Haas, Mr. Murphy, Mr. Lindow, Mr. Villard
- (A) Notes were prepared on a meeting held in the Treasury Department on September 19, attended by members of the staff of the Board of Governors of the Federal Reserve System, Office of Production Management, Office of Price Administration, and the Treasury Department, to discuss the question of extending the priorities system as a means of control to augment selective credit controls.
- (B) A report was prepared on the regulation of capital expenditures and capital issues by the minority member of the Subcommittee on the regulation of capital expenditures and capital issues.
- (C) Assistance was given in preparing a proposed statement for the press relative to the increase in reserve requirements.
- (d) Assistance was given in preparing the report of the Subcommittee appointed at the meeting on September 19 to consider the question of extending the priorities system as a means of augmenting selective credit controls.

- 13 -

21. At the request of Under Secretary Bell on September 26, a meeting at the Office of the Board of Governors of the Federal Reserve System was attended, and a memorandum was prepared entitled, "Report on Installment Credit, Friday, September 26, 1941", which was transmitted to the Under Secretary on September 30. - Mr. Murphy
22. At the request of the Secretary a special field trip was made to investigate a complaint registered by Mrs. Eva Cohen on the impossibility of adequately financing small business. A report was submitted to the Secretary on September 25, and to the Board of Governors of the Federal Reserve System on September 29. - Mr. Haas, Mr. Foy
23. In connection with the sale of Defense savings bonds, reviews are being made of various announcements and interviews for use in radio programs, and manuscripts being prepared by the Defense Savings Staff. - Mr. Villard
24. At the request of Mr. Kuhn on September 9, a review was made of galley proofs of a booklet on "Total Defense", prepared by the Defense Savings Staff for use in the schools. The proofs were revised and were returned to Mr. Kuhn on September 16. - Mr. Villard, Mr. Matlock, Mrs. Wolkind
25. At the request of Mr. Kuhn on September 15, a memorandum was prepared containing suggestions for Secretary Morgenthau's Speech to the American Bankers Association, and was transmitted to Mr. Kuhn on September 16. - Mr. Murphy
26. At the request of the Secretary on September 30, assistance was given Mr. Kuhn on that date in connection with the proposed speech to be given by the Secretary before the Annual Convention of the American Bankers Association in Chicago on October 2. - Mr. Murphy

II. Projects or studies under way

1. A study is being made of the relative interest costs of short- and long-term borrowing. - Mr. Foy, Mr. Barnett, Mr. Rosen

- 14 -

2. A study is being made of the available sources of funds for Treasury financing. - Mr. Villard
3. A memorandum is being prepared on a negotiable "tap" security. - Mr. Sandelin, Mr. Murphy
4. A study is being made of the probable excess reserves in 1941-42. - Mr. Barnett
5. Tables are being prepared which will present various data on new Treasury notes and bonds and on guaranteed new issues. - Mr. Conrad, Mr. Rosen
6. A memorandum is being prepared on the advantages and disadvantages of increasing the short-term debt. - Mr. Foy
7. A revision is being made as of June 30, 1941, of the estimates of the ultimate increase in interest costs which would result from removal of the tax-exemption privilege from all public securities. - Mr. Conrad
8. A memorandum is being prepared recommending legislation terminating miscellaneous types of tax exemption analogous to the exemption of interest on Federal securities, but unaffected by the Public Debt Act of 1941. - Mr. Foy
9. A study is being made of war-financing measures in belligerent countries in the present war. - Mr. Matlock
10. A comparison is being made of the British Fiscal Program 1941-42 with the Keynes plan proposed in "How to Pay for the War", by Mr. J. M. Keynes. - Mr. Matlock
11. At the request of Under Secretary Bell on October 14, 1940, a memorandum is being prepared on a memorandum submitted by Mr. John Evans, President of the First National Bank of Denver, Colorado, in reference to United States Government bonds now owned by the Federal Reserve System and its member banks, and suggestions concerning a refunding and change in form which would appear to be in interest of the Treasury Department, the Federal Reserve System, the member banks, the Federal Deposit Insurance Corporation, and the public generally whose money is deposited in member banks. - Mr. Murphy

- 15 -

12. In response to a request by Under Secretary Bell on January 27, comments are being prepared on a memorandum by Mr. George Eddy to Mr. White, in regard to a plan of Mr. N. E. Peterson, entitled, "A Means of Financing the Defense Program". - Mr. Murohy
13. At the request of Under Secretary Bell on February 5, an analysis is being made of his plan for investing savings banks' and insurance companies' funds in special 2 percent Treasury certificates. - Mr. Tiockton
14. At the request of Under Secretary Bell on February 11, a memorandum is being prepared to the Secretary regarding a letter from Mrs. Sylvia F. Porter, New York Post, dated January 22, suggesting a plan for the distribution of United States Government securities. - Mr. Haas, Mr. Murphy
15. At the request of Under Secretary Bell on April 21, a memorandum is being prepared on Mr. Salant's memorandum on "Limitation on Purchases of Defense Savings Bonds". - Mr. Murphy
16. At the request of Under Secretary Bell on September 12, a memorandum is being prepared on "Considerations Involved in Reducing the Interest Rate on the 2 Percent Special Obligations". - Mr. Haas, Mr. Lindow, Mr. Foy, Mr. Rosen
17. A table is being prepared for Professors Viner and Stewart, showing prices and yields of selected obligations of the United States. - Mr. Foy, Mr. Rosen
18. Sixteen tables are being prepared showing yields on hypothetical securities under various combinations of coupon rates, maturities, and premiums. - Mr. Kroll
19. At the request of Under Secretary Bell on September 24, cooperation is being given the Division of Tax Research and the Office of Press Relations in the preparation of a proposed statement to be released for the purpose of publicizing tax anticipation notes. - Mr. Brown

20. At the request of Mr. South Trimble, Clerk of the House of Representatives, in a letter dated September 17, certain statistical information on banks is being prepared. A part of the information was transmitted to Mr. Trimble in a letter signed by Under Secretary Bell on September 29. - Mr. Conrad
21. At the request of the office of the General Counsel on August 14, a reply is being prepared to a letter from the Senate Committee on Banking and Currency, requesting the opinion of the Secretary on S. 1797, the Farm Credit Act of 1941. - Mr. Foy
22. At the request of Under Secretary Bell replies are being prepared to certain questions asked by the Wagner Committee preparatory to its investigation of banking and monetary conditions pursuant to Senate Resolution 125. - Mr. Haas, Mr. Murphy, Mr. Foy
23. At the request of Under Secretary Bell on May 24, cooperation is being given Mr. Bartelt and Mr. Blough in preparing replies to the list of questions accompanying a letter from Senator Tydings of May 5. The replies are for use by the Senate Committee created to find ways and means of automatically balancing the Federal Budget in times of peace. - Mr. Murphy, Mr. Foy

Revenue Estimates

I. Projects or studies completed

1. The regular monthly statement was prepared, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the period September 1941-June 1942. The statement was transmitted to the Bureau of Accounts. - Mr. Delcher
2. The regular monthly summary comparison was prepared showing estimated receipts and actual receipts in August 1941 on the daily Treasury statement basis. - Mr. Delcher
3. The regular monthly detailed comparison was prepared showing estimated and actual receipts in August 1941, based on the collections classification. - Mr. Delcher

4. At the request of the Bureau of the Budget on September 29, estimates for the fiscal year 1942 were revised, and preliminary and tentative estimates of the revenue were prepared for the fiscal year 1943. The estimates were transmitted on September 30. - Mr. Haas, Mr. O'Donnell, Mr. Daggit, Mr. Leahy, Mr. Chevraux, Mr. Bronfenbrenner, Mr. Butters, Mr. Smith, Mr. Colclough, Miss Spiegel, Miss Hagedorn
5. At the request of Mr. McCandless on September 5, estimates were prepared of the population of Alaska and of the insular possessions of the United States as of June 30, 1941. The estimates were transmitted in a memorandum to Mr. McCandless on September 13. - Mr. Bronfenbrenner
6. In connection with the hearings on H. R. 5417, the Revenue Bill of 1941, a number of revenue estimates, listed below, were prepared for use of Assistant Secretary Sullivan. - Mr. O'Donnell, Mr. Leahy, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith
 - (a) Estimates were prepared, at income levels forecast for the calendar year 1941, of the calendar year 1941 income tax liabilities under the present law, and of the increased or decreased income tax liabilities by items under a full year's effect of the income tax provisions of H. R. 5417, as approved by the Senate Finance Committee on September 2. The estimates were shown in a table transmitted to Assistant Secretary Sullivan on September 2.
 - (b) Estimates were prepared, and were transmitted in a table to Assistant Secretary Sullivan on September 2, comparing for corporations and the total income tax, the yield under H. R. 5417, and the yields at four surtax rates, and their increase or decrease over the yields under H. R. 5417.

- (c) Estimates were prepared of the total surtax rate required to yield the same income tax revenue as H. R. 5417, as approved by the Senate Finance Committee on September 2, if the normal tax and surtax were computed first and used as a deduction in the computation of the excess-profits tax, all other provisions of H. R. 5417 remaining unchanged. The estimates were transmitted in a memorandum, with table, to Assistant Secretary Sullivan on September 2.
- (d) An estimate was prepared, and was transmitted to Mr. Stam on September 10, as requested by Assistant Secretary Sullivan, of the effects on individual income tax liabilities of reducing personal exemptions to \$1,500 for married persons and heads of families, and to \$750 for single persons, not heads of families. Increases in tax liabilities were shown for individuals taxable under H. R. 5417, as passed by the House of Representatives, and for individuals made taxable by the Senate amendments, together with incomes in the numbers of newly-filed and newly-taxable returns.
- (e) A comparison of the estimated full-year revenue effect of H. R. 5417 as passed by the House of Representatives on August 4, and by the Senate on September 5, was prepared, and was shown in a table containing a detailed classification under income, capital stock, estate, and gift taxes, excise taxes, and miscellaneous taxes, with totals. Estimates for corporation and individual income taxes and the gift tax were based on income levels forecast for the calendar year 1941; all other estimates were based on income levels forecast for the fiscal year 1942. The figures in the table were transmitted orally to the Senate Finance Committee on September 11, in accordance with instructions by Assistant Secretary Sullivan.
- (f) A comparison of the estimated full-year revenue effect of H. R. 5417 as agreed upon in Conference September 11, was prepared, and was shown in a mimeographed table containing a detailed classification under income, capital stock, estate, and

- 19 -

gift taxes, excise taxes, and miscellaneous taxes, with totals. Estimates for corporation and individual income taxes and the gift tax were based on income levels forecast for the calendar year 1941; all other estimates were based on income levels forecast for the fiscal year 1942. Copies of this table were transmitted on September 12, by instruction of Assistant Secretary Sullivan, to Senator George, Representative Doughton, Representative Cooper, and Mr. Stam.

- (g) An estimate was prepared, of the increase in revenue in the fiscal year 1942 from the Revenue Bill of 1941, and by instruction from Assistant Secretary Sullivan, was transmitted orally on September 5, to Mr. Rapp, Minority Clerk of the Committee on Ways and Means.
7. A review has been completed of the tax revisions made by the Revenue Act of 1941, in order to prepare studies for the next revenue estimate. Changes in rates have been analyzed, testimony given before the House and Senate Committees has been studied, and the results were incorporated in the September revenue estimate. - Mr. Colclough, Miss Spiegel, Miss Hagedorn
8. Studies were completed of the following projects for revising and improving methods of estimating revenues from the taxes listed below: - Mr. Daggit, Miss Spiegel
- (a) Automobile parts and accessories
 - (b) Radio sets
 - (c) Large cigars
 - (d) Lubricating oil
 - (e) Firearms and shells
 - (f) Wines, domestic and imported
 - (g) Fermented malt liquors
 - (h) Electrical energy
 - (i) Small cigarettes
 - (j) Tires and inner tubes

- (k) Telephone and telegraph, etc.
 - (l) Admissions
 - (m) Distilled spirits, domestic and imported
9. New studies were completed for estimating revenues from the following newly-imposed taxes listed below: -
Mr. Daggit, Mr. Chevraux, Mr. Colclough, Miss Spiegel, Miss Hagedorn
- (a) Phonographs, phonograph records, and musical instruments
 - (b) Rubber articles
 - (c) Transportation of persons
 - (d) Matches
 - (e) Electric, gas and oil appliances
 - (f) Electric light bulbs
 - (g) Electric signs
 - (h) Refrigerators, refrigerating apparatus and air-conditioners
 - (i) Washing machines
 - (j) Business and store machines
 - (k) Photographic apparatus
 - (l) Optical equipment
 - (m) Luggage
 - (n) Sporting goods
 - (o) Telephone bills
 - (p) Use of motor vehicles and boats
 - (q) Coin-operated amusement and gaming devices

- 21 -

- (r) Bowling alleys, and billiard and pool tables
- (s) Articles made of fur
- (t) Jewelry
- (u) Toilet preparations

II. Projects or studies under way

1. At the request of the Division of Tax Research on July 12, 1940, an estimate is being made of the additional revenue which would be derived if mutual insurance companies other than life insurance companies taxable under Section 207 of the Internal Revenue Code were made taxable in the same manner as stock insurance companies other than life insurance companies taxable under Section 204, and at the same time the exemption under Section 101(11) were restricted to local mutual companies of the assessment type. - Mr. Leahey
2. Further progress was made on the following projects for revising and improving methods of estimating revenues from the taxes listed below: - Mr. Daggit, Miss Spiegel
 - (a) Passenger automobiles and motorcycles
 - (b) Automobile trucks

Economic Conditions Related to Fiscal and Revenue Matters

1. Projects or studies completed

1. Memoranda on the business and price situation were prepared, and were transmitted to the Secretary on September 2, 9, 16, 22, and 29. - Mr. Haas, Mr. Daggit, Mr. Chevraux
2. Monthly or weekly reports are received from 25 individual companies, in response to the Secretary's requests, giving confidential data on new orders and sales. The data in these reports are tabulated and charted currently for the Secretary's information, and are also combined into an index of new orders, which accompanies the weekly memorandum on the business situation. - Miss Washnabaugh

- 22 -

3. Memoranda on employment under the Work Projects Administration were prepared on September 8, 16, 22, and 29. - Miss Hagedorn
4. At the request of the Secretary, a table is prepared each week summarizing exports of petroleum products, scrap iron, and scrap steel, from the United States to Japan, the U.S.S.R., Spain, and Great Britain, as indicated by departure permits reported daily by the Office of Merchant Ship Control. The tables were prepared for the weeks ending September 6, 13, 20, and 27. On September 8, 15, 22, and 29, the original and 13 photostats were transmitted to Assistant Secretary Gaston. - Mr. Tickton, Mr. D. J. Leahy
5. At the request of the Secretary four special tables were prepared, and were transmitted to him on September 17, showing exports of petroleum products to Japan, the U.S.S.R., Spain, and Great Britain by four-week periods from January 4, to September 13, 1941, and for similar periods in 1940 so far as available. - Mr. Lindow
6. Compilations were made of daily quotations on selected commodities, and daily and weekly figures on selected business indexes, foreign and domestic security transactions, security prices, exchange rates, as well as other data for the Secretary's chart book. - Mr. Chevraux
7. At the request of the Secretary on September 17, a compilation was made of daily, weekly, and monthly figures on cotton, wheat, flour, and bread prices, which will be kept up to date for his use in connection with the charts listed in item 8 of this section. - Mr. Daggit, Mr. Colclough
8. At the request of the Secretary, the following charts were furnished him on September 17, showing cotton, wheat, flour, and bread prices, which will be kept up to date daily: - Mr. Daggit, Miss Hagedorn, Mr. Colclough
 - (a) BLS prices of wheat flour and wheat feeds (bran and middlings) at Minneapolis, weekly, September 1940 to date.
 - (b) Cotton prices: Market price (average, 10 spot markets) and our estimated farm price, weekly

from August 1940 to date and daily from August 1941 to date, compared with the Department of Agriculture monthly farm price and parity price.

- (c) Wheat prices: Market price (average of Number 2 red winter at Chicago, Number 1 dark northern at Minneapolis, and Number 2 hard winter at Kansas City), weekly from August 1940 and daily from August 1941 to date, compared with the Department of Agriculture monthly farm price and parity price.
 - (d) BLS retail prices of bread and wheat flour in 51 cities, monthly from August 1940 to date.
9. At the request of the Secretary, a memorandum with three tables and a chart, was prepared, and was transmitted to him on September 26, showing employment in the aviation manufacturing industry as of July 31. - Mr. Lindow, Mr. Wagner
 10. At the request of the Secretary, a memorandum, with table, was prepared, and was transmitted to him on September 25, comparing total non-agricultural and total direct defense employment. - Mr. Lindow
 11. At the request of Mr. Leon Henderson on July 19, copies of ten charts on commodity prices and the cost of living were transmitted to him.

The monthly movements of the NICB cost-of-living index compared with the BLS index of 889 commodities were shown from 1935 to date. On the same chart were shown the weekly movements of the BLS index of 889 commodities compared with the BLS index of 28 basic commodities from August 1939 to date. Both comparisons were on the basis that 1926=100. Five charts, as of August 23 and 30, and as of September 6, 13, and 20 were transmitted on September 3, 8, 16, 23, and 30, respectively.

Five other charts showed weekly and daily movements of the indexes of 11 basic imported commodities and 17 basic domestic commodities from April 1940 to date, on the basis that August 1939=100. On the same charts were shown percentages for each of the 28 commodities from the August 1940 low. Successive charts showed the changes to August 22 and 29, to August 29 and September 5, to September 5 and 12, to September 12 and 19, and to September 19 and 26. These charts were transmitted also on September 3, 8, 16, 23, and 30, respectively.

12. At the request of the Secretary on September 2, information was prepared with regard to the wheat surplus in Canada, import duties and quotas on Canadian wheat, and feed shipments into New England, and was transmitted to him on September 3. - Mr. Daggit, Miss Hagedorn
13. At the request of the Secretary on September 12, a memorandum was prepared on the use of farm surpluses for inflation control within the framework of the Administration's agricultural policy. The memorandum was prepared in cooperation with Mr. Cairns, and was transmitted to the Secretary on September 12. - Mr. Haas, Mr. Daggit
14. At the request of the Secretary on September 16, a memorandum was prepared on the amount of cotton owned by the Government, and was transmitted to him on September 16. - Mr. Daggit
15. At the request of the Secretary on September 27, a digest of the Brookings Institution report on "Effects of the Defense Program on Prices, Wages and Profits", was prepared, and a memorandum was transmitted to him on September 30. - Mr. Daggit
16. At the request of the Secretary, data were furnished on September 4 and September 5 in connection with the Secretary's speech of September 9, at Boston. - Mr. Daggit
17. At the request of the Secretary on August 6, assistance was given in preparing the statement made by the Secretary before the House Committee on Banking and Currency on the Price Control Bill, H. R. 5479, on September 24. - Mr. Haas, Mr. Murphy, Mr. Daggit, Miss Michener, Miss Hagedorn
18. Basic data have been assembled, for use in revenue estimating, on the retail and wholesale selling prices of commodities on which taxes are imposed, in order to determine the percentage which the tax represents of the actual price. - Miss Spiegel, Mr. Colclough, Miss Hagedorn

19. For use in revenue estimating, a study was completed to be used as a basis for forecasting salaries and wages of the Department of Commerce series on a quarterly basis, the July 1941 revision, from the Department of Labor index of factory payrolls, the January 1941 revision. - Mr. Daggit, Miss Spiegel, Mr. Colclough
20. For use in revenue estimating, a revision has been completed of our method of forecasting the BLS index of factory payrolls on the basis of the revision of January 1941. - Mr. Daggit, Miss Spiegel
21. A forecast was made of the following basic business series for calendar years 1941 and 1942 and fiscal years 1942 and 1943, for use in estimating Federal revenues: FRB index of industrial production (September 1941 revision); BLS index of wholesale prices; BLS index of factory payrolls (January 1941 revision); our index of the value of industrial production; Standard Statistics index of 420 stock prices; Department of Commerce series on salaries and wages (July 1941 revision); FRB series on bank debits outside New York City; and New York Times series on volume of stock transfers. - Mr. Daggit, Miss Spiegel, Mr. Colclough, Miss Hagedorn
22. At the request of the Secretary on September 3, a memorandum, with chart, was transmitted to him on September 4, comparing newspaper advertising in World War I and in the present war. The chart showed the Printers Ink index of newspaper lineage, on the basis that the monthly average, 1935-39=100, compared with industrial production indexes, from 1914 to date. - Mr. Daggit, Mr. Colclough, Miss Hagedorn
23. On September 26, a memorandum was forwarded to the Secretary asking if he would like to see the weekly report by Dr. Lubin on the "Economic Picture". - Mr. Haas
24. A memorandum was prepared, and was transmitted to the Secretary on September 29, attaching a report received from Dr. Lubin on the "Economic Picture". - Mr. Haas

25. A study of the volume of installment buying and consumer credit has been discontinued, because the new index published by the Department of Commerce adequately serves the purpose of the study. - Mr. Daggit

II. Projects or studies under way

1. With respect to the "Index of consumer expenditures, in dollar value", progress has been made in developing individual series, in determining their suitability for inclusion and the necessary adjustments. These series have been classified in two broad groups: durable goods and non-durable goods. The purpose of the index is to cover as large as possible a proportion of the purchases of ultimate consumers. This project is temporarily in abeyance. - Mr. Colclough
2. A project in process is designed to develop an index of industrial production that will indicate week by week the approximate level of the FRB index. It will include a larger number of weekly series than are included in any current business indices, with weightings and seasonal adjustments approximating those in the FRB index. This project is temporarily in abeyance. - Mr. Daggit, Mr. Smith
3. An analysis is being made of the State distribution of United States Defense savings bonds series E, during July, in relation to payrolls, and to national income, by States. - Mr. Haas, Mr. Daggit, Mr. Colclough
4. A letter was received on September 28 from Mr. Leon E. Trueadell, Bureau of the Census, requesting comments on proposed table forms showing data obtainable from proposed labor force tabulations on wages, salaries, hours, and related subjects. A review is being made of the forms. - Mr. Murphy, Mr. O'Donnell, Mr. Daggit, Mr. Villard
5. At the request of Under Secretary Bell on September 25, a review is being made of the testimony by the Secretary on the Price Control Bill, H. R. 5479, before the House Banking and Currency Committee on September 24. - Mr. Murphy, Mr. Foy

Actuarial Problems

I. Projects or studies completed

1. In response to a letter of August 14, from the office of the General Counsel, transmitting a copy of S. 1800, a bill to amend further the Civil Service Retirement Act, as amended, for a voluntary report if desired, a memorandum was forwarded to Mr. Bernard on September 9, stating that the Division did not wish to make such a report. - Mr. Reagh
2. A review of a report by the Bureau of Accounts at the request of the Chairman of the Senate Finance Committee, on S. 1775, a bill to extend the benefits of Federal old-age and survivors insurance to certain State employees, was made in response to a request by Mr. Heffelfinger, September 17, and was transmitted to the Under Secretary on September 25. - Mr. Reagh

II. Projects or studies under way

1. The Board of Actuaries of the Civil Service Retirement and Disability Fund is laying out detailed plans for tabulating and processing data for use in preparing the regular five-year valuation of the Civil Service Retirement Fund for the purpose of determining the liabilities of the Government under the Civil Service Retirement law. Under the law, such a valuation must be prepared as of July 1, 1940. Valuation plans are in process of preparation. - Mr. Reagh, Mr. Brown
2. The Foreign Service Retirement Law, as approved April 24, 1939, Section 26(m), provides that the "Treasury Department shall prepare the estimates of the annual appropriations required to be made to the Foreign Service Retirement and Disability Fund and shall make actuarial valuation at intervals of five years, or oftener if deemed necessary by the Secretary of the Treasury". The State Department has requested an estimate of the appropriation required for the fiscal year 1943. An outline of the data required for making an actuarial valuation has been submitted to the State Department. The data are now in process of preparation. - Mr. Reagh, Mr. Brown, Mr. Kroll

3. At the request of Mr. A. R. Pilkerton, Auditor of the District of Columbia, actuarial valuations are being made of the Policemen's and Firemen's Pension Fund, and Teachers' Retirement Fund of the District of Columbia. These valuations will be made by the Treasury Department in accordance with the 1942 District of Columbia Appropriations Act, approved July 1, 1941. An outline of the information required for the valuations was submitted to Mr. Pilkerton in a letter dated September 13. - Mr. Reagh, Mr. Brown
4. At the request of Under Secretary Bell on July 10, a memorandum is being prepared in regard to the 1941 legislative program of the Social Security Board. - Mr. Reagh
5. A memorandum was received under date of September 29, from the office of the General Counsel, transmitting a copy of H. R. 5568, a bill for the relief of certain widows of Foreign Service officers, for a voluntary report if desired. - Mr. Reagh
6. A communication was received under date of September 30, from the office of the General Counsel, transmitting a copy of S. 1932, a bill to amend the Social Security Act to provide for general pensions, and suggesting that the Division might wish to cooperate with the Bureau of Accounts in any action concerning the bill. - Mr. Reagh

Other Projects or Studies

1. At the request of the Legal Division on July 1, in response to a request from Senator Elbert D. Thomas, in a letter of June 27, a report is being prepared on S. 1666, a bill to coordinate Federal reporting services, to eliminate duplication and reduce the cost of such services, and to minimize the burdens of furnishing reports and information to governmental agencies. Memoranda requesting comments on the bill were prepared for signature of the Administrative Assistant to the Secretary, and were forwarded to the various bureaus and divisions of the Department on July 16. Replies have been received and a report is in preparation. - Miss Michener

3. Publications

- (a) For the September issue of the Treasury Bulletin data were prepared on average yields of long-term Treasury bonds and high-grade corporate bonds. - Mr. Rosen

All the material submitted for the September issue was reviewed and edited.

Revisions are being considered for future issues. - Mr. Lindow, Mr. Lynch

- (b) For the publication Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States, computations were made and copy was prepared for the issue covering the month of August. This publication shows by securities the coupon rates, maturities, interest payment dates, and amounts outstanding; and for each day of the month, together with a monthly average, closing market quotations (accrued interest to be added), and yields.

A revision is being made in this statement. Beginning with the issue for September all prices will be on the over-the-counter basis and in addition to the categories hitherto included, there will be added securities guaranteed by the United States and securities of Federal agencies not guaranteed. - Mr. Reagh, Mr. Brown, Mr. Lindow, Mr. Moody, Miss McCoy

- (c) Manuscript for the Annual Report of the Secretary of the Treasury for the fiscal year 1941 is being given an editorial review as received. The usual handling of the material is going forward. - Miss Westerman, Mr. Tickton

- (d) At the request of Assistant Secretary Gaston on July 17, an article is being prepared on the operations of the Treasury Department during the year 1941 to be incorporated in the 1942 Americana Annual. - Mr. Barnett

- (e) At the request of Mr. Collie on September 17, data are being prepared on holdings of United States Government securities for Moody's Manual of Investments (Government securities). - Mr. Conrad

4. Correspondence

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Mr. Lindow, Miss Ziegler, and other members of the staff in appropriate fields of work.

During September 291 letters were received in the Division and 272 were handled as required.

5. Charts

Charts are prepared and continually brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas. A statistical report on the work of the Graphic Section for the month of September is attached.

Work completed in the Graphic Section, Division of
Research and Statistics, during September 1941

Type of work	For Division of R & S	For Others	Total
<u>Graphic:</u>			
<u>New charts:</u>			
Total charts completed	26	8	34
Bond book charts completed	1	-	1
<u>Charts brought up to date:</u>			
3 bond chart books brought up to date	27 (times)	-	27 (times)
All other charts brought up to date	726	31	757
<u>Miscellaneous:</u>			
Total jobs	16	10	26
<u>Photographic:</u>			
<u>Photographs:</u>			
Total jobs	60	27	87
Number of-			
Negatives	138	27	165
Contact prints	167	805	972
Enlargements	50	32	82
<u>Photostats:</u>			
Total jobs	146	19	164
Number of-			
Lettersize copies	876	1,195	2,071
All other copies	5,633	353	5,986
<u>Multilith:</u>			
Total jobs	16	4	20
Number of-			
Zinc plates	122	13	135
<u>Miscellaneous:</u>			
Total jobs	17	12	29

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Statistical Report on Work Completed by the
Graphic Section, Division of Research and Statistics, by months,
beginning July 1941.

Type of work	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
A. Graphic:							
New charts completed	34	43	34				
Charts brought up to date	721	727	757				
Bond book charts completed	2	58	1				
Bond books brought up to date	26(times)	26 (t)	27(times)				
Miscellaneous	27	31	26				
B. Photographic:							
<u>Photographs:</u>							
Total jobs	91	59	87				
Number of-							
Negatives	193	173	165				
Contact prints	254	654	972				
Enlargements	141	335	82				
<u>Photostats:</u>							
Total jobs	169	202	164				
Number of-							
Lettersize copies	2,802	1,287	2,071				
All other copies	7,519	5,276	5,986				
<u>Multilith:</u>							
Total jobs	22	22	20				
Number of-							
Zinc plates	153	166	135				
<u>Miscellaneous:</u>							
Total jobs	34	37	29				

TREASURY DEPARTMENT

142

INTER OFFICE COMMUNICATION

DATE December 30, 1941

TO Secretary Morgenthau

FROM Mr. White

Subject: Exports to Russia, China, Burma, Hong Kong, Japan, France and other blocked countries, as reported to the Treasury Department during the week ending December 20, 1941.

1. Exports to Russia

Exports to Russia as reported to the Treasury during the week ending December 20, 1941 amounted to about \$4,500,000. The principal items were motor trucks and chassis and military tanks and parts. (See Appendix C.)

2. Exports to China, Burma and Hong Kong.

Exports to Free China were valued at approximately \$11,000 as compared with over \$2,000,000 during the previous week. The principal item was machine and heavy ordnance guns, carriages and parts. (See Appendix D.)

Exports to Occupied China amounted to \$12,000. (See Appendix E)

Exports to Burma totalled only \$8,000. (See Appendix F.)

No exports to Hong Kong were reported during the week under review.

3. Exports to Japan.

No exports to Japan were reported during the week under review.

4. Exports to France

No exports to France were reported during the week ending December 20, 1941.

5. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

SUMMARY OF UNITED STATES
DOMESTIC EXPORTS TO SELECTED COUNTRIES
AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED
DURING THE PERIOD INDICATED ^{1/}

July 28 to December 20, 1941

(In thousands of dollars)

	July 28 to Dec. 6	Week ended December 13	Week ended December 20	Total Domestic Exports
U. S. S. R.	\$58,106	\$12,040	\$ 4,580	\$74,726
Occupied China	10,584	678	12	11,274
Free China	25,885	2,337	111	28,333
JAPAN	1,870 ^{2/}	-	-	1,870
Burma ^{3/}	6,780	18	8	6,806
France ^{4/}	6	-	-	6
Occupied France	2	-	^{5/}	2
Free France	⁴	-	-	⁴
Spain	2,216	1	112	2,329
Switzerland	4,856	161	42	5,059
Sweden	10,380	17	703	11,100
French Indochina	377	17	10	404

Treasury Department, Division of Monetary Research

December 23, 1941.

^{1/} Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.

^{2/} Of this total \$1,864 thousand was reported from July 28 to August 23, inclusive, and shipped prior to freezing orders. Domestic exports from August 23 through week ending Dec. 6, amounted to \$6,106.

^{3/} From September 11, 1941 to date - It is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.

^{4/} Includes both occupied and Free France through week ending October 4, 1941. Occupied and Free France separated thereafter.

^{5/} less than \$500.

APPENDIX B

Exports from the U.S. to China, Burma, Hong Kong, Japan and U.S.S.R. as reported to the Treasury Department, July 28, 1941 - December 20, 1941

(Thousands of Dollars) 1/

	Exports to China			Exports to Burma 3/	Exports to Hong Kong	Exports to Japan	Exports to U.S.S.R.
	Total	To Japanese controlled ports	To Chinese controlled ports				
July 28 - Aug. 2	937	542	395				
Aug. 4 - Aug. 9	2,794	2,794	-		654	1,657	4,523
Aug. 11 - Aug. 16	1,278	969	309		983	159	551
Aug. 18 - Aug. 23	1,352	1,350	2		235	42	986
Aug. 25 - Aug. 30	736	735	1		234	6	2,735
Sept. 2 - Sept. 6	897	693	204		742	-	1,023
Sept. 6 - Sept. 13	3,038 2/	757	2,281 2/		634	-	4,280
Sept. 15 - Sept. 20	3,978 2/	156	3,822 2/		456	-	5,217
Sept. 22 - Sept. 27	462	352	110		389	-	752
Sept. 29 - Oct. 4	1,305	80	1,225	449	810	-	2,333
Oct. 6 - Oct. 11	5,864	552	5,312	684	297	-	323
Oct. 13 - Oct. 18	272	267	5	1,157	1,233	-	6,845
Oct. 20 - Oct. 25	668	399	269	35	584	-	1,924
Oct. 27 - Nov. 1	5,210	438	4,772	403	1,243	-	5,623
Nov. 3 - Nov. 8	1,836	164	1,672	58	624	-	4,484
Nov. 10 - Nov. 15	3,009	158	2,851	342	283	5	4,552
Nov. 17 - Nov. 22	1,701	473	1,228	88	303	-	2,677
Nov. 24 - Nov. 29	3,359	120	3,239	1,021	600	-	3,581
Dec. 1 - Dec. 6	852	61	791	1,364	1,325	-	2,436
Dec. 8 - Dec. 13	3,025	688	2,337	64	-	-	3,609
Dec. 15 - Dec. 20	123	12	111	18	-	-	12,040
				8	-	-	4,580
Total	42,696	11,760	30,936	5,691	11,629	1,869	75,074

1/ These figures are in part taken from copies of shipping manifests.

2/ Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.

3/ It is presumed that a large percentage of exports to Burma are destined for Free China.

APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the week ending December 20, 1941

(Thousands of Dollars)

TOTAL EXPORTS \$ 4,580

Principal Items:

Motor trucks and chassis	1,849
Military tanks and parts	920
Refined copper	244
Aluminum plates, sheets, bars, strips and rods	130
Stamping or shearing machine	109
Sole leather	92
Coated wire, n.e.s.	89
Metallic containers (drums)	86
Telephone instruments	79
Machine and heavy ordnance guns and carriages	75
Barbed wire	73

Treasury Department, Division of Monetary Research December 29, 1941

APPENDIX D

Principal Exports from U.S. to Free China
as reported to the Treasury Department
during the week ending December 20, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO FREE CHINA

\$ 111

Principal Items:

Machine and heavy ordnance guns,
carriages and parts
Insulated copper wire

107
3

Treasury Department, Division of Monetary Research December 30, 1941

APPENDIX E

Principal Exports from U. S. to Occupied
China as reported to the Treasury Department
during the week ending December 20, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO OCCUPIED CHINA	\$ 12
Principal Items:	
Radio apparatus	4
Relief supplies - biologics	3
Pencils and pens	1

Treasury Department, Division of Monetary Research December 30, 1941

APPENDIX F

Principal Exports from U.S. to Burma
as reported to the Treasury Department
during the week ending December 20, 1941

(Thousands of Dollars)

TOTAL EXPORTS	\$ 8
Principal Items:	
Newsprint paper	6

Treasury Department, Division of Monetary Research December 30, 1941

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

149
~~MM~~

DATE January 1, 1942.

TO Secretary Morgenthau
FROM E. D. White
Subject: Digest of Appended Cable Received Last Night from
Ambassador Gauss

1. Dr. Soong called on me yesterday afternoon at his request. He said that the Finance Minister, H. H. Kung, was ill with typhoid. He stated there would be a message from his Government to this Government asking for economic assistance, but that the request was in terms probably too vague to merit immediate serious consideration. He expected that in a few days he would have more details and would bring them at once to the Treasury.

2. That same afternoon, the appended cable was received. Following is a summary of it.

a. General Chiang, in an interview with Ambassador Gauss on December 30, appealed to the United States for financial help in order to prevent further deterioration in China's economy. This, he said, would do much toward strengthening morale and silencing the critical and doubtful elements. Morale in Free China has been affected by the early Japanese successes and by the way the Japanese have exploited them for purposes of propaganda.

b. The proposed loan is for \$1 billion, of which he has asked the British Government to provide one-half. It would be used partially to support a domestic bond issue intended to curb inflation.

c. The British Ambassador has been approached for the loan from Great Britain and has referred the matter to his Government.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: December 30, 1941, 6 p.m.

NO.: 548

Today I called on General Chiang at his request. After briefly reviewing recent measures for political and military collaboration with the United States and Great Britain, he passed on to the economic situation in substantially the following terms:

While there is no lack of confidence on the part of intelligent Chinese that the anti-Axis Powers will be victorious in the end, there is such lack of confidence among the uninformed masses, the sceptics, and the associates of the Chinese traitors. Morale has been affected by the early Japanese successes and by the way the Japanese have exploited them for purposes of propaganda. Specific mention was made of the radio appeal for Asiatic solidarity against westerners which was recently made to Chiang by the Prime Minister of Thailand. China can contribute fighting man power to the common cause but the United States and Great Britain must give China financial help in order to prevent further deterioration in economic fundamentals, loss of confidence in the Chinese currency, etc. Such help would do much toward strengthening morale
and

-8-

and to silence the critical and doubtful elements. The credit he wants is about one billion United States dollars, of which he has through the British Ambassador asked the British Government to provide about one-half or one hundred million pounds, expecting America to provide the rest or about five hundred million dollars.

Chiang asked that in transmitting his request to my Government I should emphasize the importance such aid at this time would have to Chinese morale in overcoming Japanese propaganda and because of the needed support it would give to the economic structure of China. He pointed out that the present currency issue exceeds thirteen billion paper dollars and that the 1942 budget shows a deficit of at least nine billion Chinese dollars, and said that the proposed loan would be used partially to support a domestic bond issue intended to curb inflation.

I replied that of course I would faithfully and immediately report his request and his discussion to my Government which I was confident would be disposed to consider with sympathy any reasonable proposals to aid China in resisting Japan. However, I suggested that to assist consideration of his request and in approaching Congress for legislation necessary to authorize participation by the United States in a credit or loan to China, a carefully prepared outline of the needs of the situation
on the

-3-

on the basis of the studies and recommendations of the financial advisers and experts of the Chinese Government should be submitted together with an outline of the measures contemplated to be undertaken to meet the situation including the measures which China will take to help herself. I explained that what I was suggesting was not an outline of the terms of any proposed loan but an outline of the needs of the situation and of the definite measures which should be taken to meet these needs.

Chiang said that experts and advisers were working out plans for the use of the proposed credit or loan but that he desired me in the meanwhile to make the proposal to my Government. The proposals for application of the loan could be put forward when the loan is assured.

I learned from the British Ambassador that he was approached for a loan of one hundred million pounds from Great Britain and has referred the matter to his Government. He equally lacked any specific proposals as to how the loan, if granted, would be applied to the difficulties of the economic situation of China; Chiang had said that he considered it an urgent necessity that he should be enabled to demonstrate to the Chinese people and armies that the British Government had sufficient faith in victory to give quick and (?) aid to China.

I am telegraphing comment.

GAUSS

Treasury Department
Division of Monetary Research

153

Date December 30, 1941

To: Secretary Morgenthau

From: Mr. Kamarck

The attached article might be of interest. It describes how the Russians have ingeniously developed new anti-tank weapons to offset the Nazi tank superiority.

The anti-tank plane, in particular, has been very successful.

SOVIET AIRFORCE AND INFANTRY LEARN TO
STOP TANKS

(Source: Soviet Embassy, Information Bulletin, December 24, 1941)

The Soviet aircraft designer Ilyushin has devised a special new anti-tank plane, protected by stout armor which only heavy anti-aircraft shells can pierce. It is very light and maneuverable, flies handily at heights under 500 feet -- so that it is safe from enemy pursuit planes which cannot fly so low -- and is armed with a cannon whose shells pierce any tank armor. The pilot can take absolutely accurate aim. Instead of dropping bombs at random on a concentration of machines, he aims at each machine separately.

Ilyushin's invention does not stand alone. Another means of combating tanks is the small box packed with mines, weighing several pounds, with a handle for carrying it from place to place. It looks like a box of phonograph records. These boxes are placed on roads in checker arrangement. When they explode beneath the weight of a tank, they damage at least the caterpillar track.

To avoid this danger the Germans used to send special scouts behind their motorcyclists. Sometimes they drove captive Red Army men or non-combatants ahead of their tank columns.

Now Red Army men have devised a new way to use the "suitcases," as the boxes loaded with mines are called. A small, camouflaged trench for three or four men is dug beside the road. The boxes are placed on the other side, a wire is attached to the handles and extended to the first trench, covered with earth and snow where it crosses the road.

Motorcyclists or scouts seldom notice the wire -- they can't dig up the entire road to find it. When the tanks appear the men in the trench pull the wire, bringing the boxes to the middle of the road. A tank usually runs at such high speed and its visibility is so bad that there is hardly a chance that the boxes will be noticed. If they are, it is too late.

The men in the trench are safe from the halted tank's fire, and if the tankmen climb out they are shot down. In such cases the Red Army men's purpose is not only to destroy as many tanks as possible, but to bar the road with blown-up tanks so others cannot pass.

COPY

155

DEPARTMENT OF STATE
WASHINGTON

December 30, 1941

In reply refer to
FE 840.51 Frozen Credits/4847

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of telegram no. 2179 of December 23, 1941 from Rio de Janeiro, quoting a telegram from the Consul General at Sao Paulo, concerning the operation of German banks there under new restrictions.

Enclosure:

From Rio de Janeiro,
December 23, 1941.

Copy:lc:1/3/42

AF

Rio de Janeiro

Dated December 23, 1941

Rec'd 9:35 p.m.

Secretary of State,
Washington.

2179, December 23, 10 p.m.

Following telegram has been received from the
Consul General at Sao Paulo.

"December 23, 2 p.m.

Reliable information indicates both German
banks in Sao Paulo operating under severe restrictions.
No deposits being made for fear funds will be blocked.
Every transaction over two hundred milreis carefully
scrutinized before approval granted."

CAPPERY

MDA

Copy:lc:1/3/42

C
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Y

156

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 840.51 Frozen Credits/4594

December 30, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith for his information a copy of despatch no. 1938, dated November 12, 1941, from the Legation at Bern, concerning the desire of the Swiss National Bank to transfer to Switzerland some of its gold on deposit in New York.

Enclosure:

From Legation at Bern,
no. 1938, November 12,
1941, with enclosures.

Bern, November 12, 1941

No. 1938

Subject: Desire of Swiss National Bank to transfer to Switzerland some of its gold on deposit in New York.

CONFIDENTIAL

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Legation's telegram No. 229 of October 15, 9 p.m., 1941, concerning the desire of the Swiss National Bank to transfer to Switzerland some of its gold now on deposit in New York, and to transmit herewith in that connection a copy of a letter dated November 7 addressed to the Legation by the Consulate General at Zurich.

Respectfully yours,

Leland Harrison.

Enclosures:

From American Consulate General, Zurich, November 7, 1941, with enclosures.

File No. 851.6

WHS/mk

Original and six copies to the Department
Copy for Division of Commercial Affairs
Copy to American Consulate General, Zurich

A true copy
of the signed
original. (mk)

File No. 851.6

AMERICAN CONSULATE GENERAL

Zurich, Switzerland, November 7, 1941.

Confidential

The Honorable
Leland Harrison,
American Minister,
Bern.

Dear Mr. Harrison:

I had a call this morning from Dr. G. Bachmann, President of the Board of Directors of the Swiss National Bank, and during the course of our conversation he referred to the difficult position of the National Bank as a result of the blocking of a large part of the reserves of the banks, amounting to 1,3 billion Swiss francs now on deposit with the United States Federal Reserve Bank. He referred to the gentleman's agreement between the National Bank and the Swiss banks with which you are familiar, and he stated that the chief difficulty at present was that the United States was refusing to release funds to pay for purchases of necessary food imports. He referred particularly to purchases of foodstuffs in Portugal which had to be paid for in escudos. Since the National Bank did not have sufficient escudo exchange, attempts were made successively to purchase them with dollars and, subsequently when this failed, with gold on deposit in New York. This application was likewise refused. The Portuguese Government thereupon, seeing the difficulty in disposing of dollar exchange, refused to accept dollar currency in payment. After considerable negotiations with the Portuguese Government, it finally receded from this position and agreed to accept dollars in New York. In other words, there was to be a transfer of funds belonging to the Swiss National Bank to the Portuguese National Bank on the books of the Federal Reserve Bank. To the great disappointment of the Swiss, the United States Government refused its approval to this transaction. Dr. Bachmann stated that he was in the dark as to the reason for the refusal, since it was necessary to pay for much needed foodstuffs for Switzerland purchased in South America, such as wheat, rye, coffee, etc.

When asked concerning the amount of the foreign exchange required by the National Bank to pay for the merchandise in Portugal, Dr. Bachmann stated that this was very small, amounting only to \$10,000. He pointed out, however, that this could be regarded only as a test transaction to determine the procedure to follow in the other cases. He stated that at that time 24 days had already elapsed since the application was filed and that no decision had been yet rendered on it.

The representations of the Swiss Minister in Washington, and of Mr. Goutier, the special representative of the Swiss National Bank in New York had so far been without result. It was significant, however, that the

suggestion about the transfer of funds to cover the Portuguese transaction emanated from the United States Treasury Department, indicating that the Treasury was in sympathy with the Swiss application, at least in principle.

Dr. Bachmann referred to the fact that the Swiss Government had under consideration the sending of a special mission to the United States to discuss financial matters growing out of the blocking of Swiss funds there. I informed him that I had heard rumors to the effect that Dr. Hans Sulzer was being considered for this mission. He stated, confidentially, that there was some difficulty in the way of sending such a mission because of the natural reluctance of the Swiss Minister in Washington to have this matter taken out of his hands.

My visitor referred to the difficulty of the National Bank in making its annual balance sheet and the dilemma facing it as to how to show its large reserves in the United States, over which it now has no control. These reserves, strictly speaking, were a part of the gold coverage of the Swiss currency, and in the circumstances Swiss gold notes could not be paid on demand as the present currency system provides. It is particularly embarrassing to Dr. Bachmann inasmuch as the sending of the large reserves to the United States was carried out largely on his recommendation, and he was looked upon by many as being responsible for the move.

As you are probably aware, there is some agitation at present for the revalorization of the Swiss franc emanating from Mr. Duttweiler and his friends of the "Landesring der Unabhangigen" (Independent Party). Discussions of this project taken from the "Frankfurter Zeitung" of November 6, 1941, and from the "Finanz-Revue" of Zurich of November 5, 1941, are enclosed, in translation, as of possible interest to the Legation and the Department.

Sincerely yours,

JAMES B. STEWART
American Consul General

Enclosures:

From the Frankfurter
Zeitung, November 6,
and from the Finanz-
Revue, November 5, 1941,
both in translation.

RUMORS OF SWISS REVALORIZATION PLANS

For the past few days there have been rumors of Swiss revalorization plans. The reason for this is presumably the ever decreasing purchasing power of surplus, idle capital, and the increased cost of imported foreign goods, and this led to the suggestion being made by various sides that the Swiss franc be revalorized. The chief spokesman is the creator of "Migros" and the "Hotel Plan", Duttweiler; his importance doubtless gave more weight to the revalorization debate. The main argument represents the theory that a 10 to 15 percent revalorization of the Swiss franc would not only reduce import prices and increase export values, but would also neutralize the fear of a further depreciation of the franc and the resulting flight of capital, and that finally prices could be controlled without Government interference, discount rates could be consolidated, and the purchasing power would be increased. It is surprising that such suggestions, obviously caused by the distorted inner and outer economic conditions, could be made in all seriousness. Just as it is still to be debated whether or not the then seemingly inevitable 30% depreciation of the Swiss franc in 1936 was of any real value to Swiss economy, so now the argument that a further surrender on the question of currency stability would destroy all faith in that currency, must not be overlooked. A one-time reduction in the price of gold and, correspondingly, of other values, would, so long as other actual motive powers continue in full force, not put an end to the tangible investment psychosis, but would only force it down a little. The equally active Swiss party advocating free money goes much further than Duttweiler, in that they would like to see currency manipulation made a permanent feature of economic activity.

Duttweiler's argument that a revalorization of the Swiss franc would, at one blow, correspondingly improve the foreign balance of trade, seems to be quite wrong. He has completely overlooked the fact that there is no longer any free exchange of currency on the world markets now, so that an alteration in exchange rates would actually be impeded by already existing clearing and transfer agreements. It can be definitely assumed that responsible Swiss circles are not actually considering a revalorization policy. The National Bank, for instance, has every possibility of increasing, at its own discretion, the value of the Swiss franc as compared with the American dollar. All that it need do, and thanks to the American policy of freeing currencies it would have every right to do so, would be to declare the official dollar exchange rate to be Swiss francs 4.51; it could easily do this, as there are no other dollar purchasers. Actually, however, the Swiss franc would not profit thereby either in Switzerland or abroad, for as long as those currencies which, in the near future, will continue to dominate Switzerland's foreign trade, are not also revalorized. Responsible circles admit, however, that much as it reflects on the Swiss purchasing power, the real reason lies in the inadequate official price control system, the taxation policy, and the present form of market control. The pending increased war profit taxation, and the further draining of the money market through loans to finance the mobilization and war costs, may, it is hoped, be another step towards reducing the present uneasiness as regards the currency problem.

HANDS OFF NEW CURRENCY EXPERIMENTS

The constantly ascending trend in prices which is not fully reflected in the official cost of living index, is causing great anxiety in large circles of the population, and at the same time, there exists a natural desire to eliminate or at least check this trend which is equally detrimental to our economic and social life. Government authorities and politicians are making efforts to discover means to arrest this rise in the cost of living, and it is to be hoped that these efforts will soon meet with success.

Still more alarming is the fact, however, that suggestions are advanced from certain quarters, which appear very alluring on the surface; realization promises quick results, but they have one little fault, i.e., their realization is impossible, and thus their sole purpose apparently is to serve political agitation and, instead of easing anxiety of the population, is apt to incite it still more.

We are referring especially to the proposed experiment to actually revalue the Swiss franc upward which, for some time, has been advocated by a personality known for his initiative. As a matter of fact, it would appear that someone has again discovered the secret of "the egg of Columbus". The whole thing is very simple: the Swiss franc is appreciated; prices of imported goods are automatically reduced; export prices increase; domestic prices remain stable; fear of a currency inflation and the alleged soaring of prices cease; and the whole difficult problem of prices has found a satisfactory solution.

"On hearing it thus explained, it sounds pretty good", one is apt to say offhand, and there appears to be no doubt that the proposition by its simplicity and clarity will find wide-spread approval. As a matter of fact, is it at all feasible to appreciate the Swiss franc at present? Those recommending this measure correctly point out that the present higher cost of living is to a large extent a consequence of the depreciation of the Swiss franc in 1936 - which we had persistently opposed - whose disastrous effects are now becoming fully apparent. This fact was recently stressed in a lecture in Basel by Jacobson, the Swedish Economist and economic adviser of the "Bank of International Clearing", who, as editor of the annual report of the Institute proved himself to be an outstanding expert in international economic matters. Official statistics indicate that the cost of living has risen 30 percent since the beginning of the war, whereas our depreciation resulted in a 40 percent appreciation of foreign currencies still based on the gold standard. This depreciation, according to the statements of the aforementioned, has contributed to a great extent in causing higher prices inasmuch as the exchange value of the Reichsmark, based on its old gold value, at present dominates practically the entire currency and price systems on the Continent, by reason of the political power which Germany has gained.

In view of this remark, the difficulties of an appreciation of the Swiss franc become at once evident, since it would only be possible under free trade and money traffic, which, however, is a thing of the past. Our commerce with foreign countries is at present largely carried on through the clearing system, under which prices are often determined less by economic than by political factors. Considering the dependency of our requirements for foodstuffs and raw materials on foreign countries, the latter are at all times in a position effectively to determine prices, and it would appear highly naive to assume that, for instance Germany and Italy, to mention only two countries with which a large portion of our foreign trade is transacted, would immediately agree, after an autonomous appreciation of our franc, to accept smaller quantities of Swiss goods than heretofore in payment of the goods that they delivered. Furthermore, it must be anticipated that these countries would simply raise the prices of coal, iron, foodstuffs, etc. As a matter of fact, the proposition is doomed by the hard, but undeniable fact that Switzerland is dependent on imports, and can only export if the necessary raw materials are obtained from foreign countries.

Under present circumstances Switzerland is not at all in a position to pursue an autonomous economic policy beyond its frontiers, or is it possible to believe that, for instance, one of the few countries still pursuing free commerce, as the United States, would pay more dollars for Swiss francs simply because we nullified our depreciation wholly or partly through a stroke of the pen? That would, of course, be possible if a strong demand for Swiss francs prevailed in those countries, which, however, is not the case. The world today requires foreign exchange less than goods, and no currency experiments will be able to supply us with more and cheaper goods in a time of growing scarcity of merchandises, unless we are in a position to provide those supplying countries either with the goods or dollars which they need. Another unfortunate circumstance is the fact that we have huge dollar credits blocked, which can only be used for commercial purposes, so that the United States would hardly accept an appreciation of the Swiss franc without taking counter measures which might result in greater difficulties for realizing these dollar credits.

To a slight extent we have moreover already proceeded with the proposed appreciation, inasmuch as the National Bank has, as a result of heavier dollar sales, gradually lowered the dollar rate from 4.46 francs in May 1940, to 4.31 francs in November 1941, which corresponds to an appreciation of the Swiss franc of 3.41 percent, which had become depreciated to a higher degree. Such slight differences in the rate were only possible at a time when the Swiss dollar credits could be freely disposed of, which, as is known, is impossible under the American measures of blocking funds, and incidentally also with regard to free currencies which are based on the dollar, or countries with which there exists no clearing system, such as Portugal, Sweden and the Argentines.

If, therefore, it is impossible to reduce the price of imported merchandise through an appreciation of our currency, then the results in the country will be of little importance. Perhaps certain psychological effects might develop which, however, should not be overestimated. The demand for goods would possibly be reduced, although it is still dependent on the purchasing power and rationing, so that the appreciation, same as any deflationary measure - and as such it should be designated - might produce economic disadvantages. Furthermore, after a while, the factors which heretofore have determined the price formation, i.e., the shortage of raw materials and goods, would again tend to increase prices, especially if the currency experiment should have only a limited duration and be abolished at the end of the war.

We are therefore of the opinion that we should engage in no further experiments with our currency. If we recommence any currency manipulations, the confidence in the Swiss franc, which suffered already slightly through the devaluation of 1936, is bound to disappear entirely and then a rush to invest in goods would certainly develop and have just the opposite results as those aimed at. Therefore, hands off such dangerous experiments, which would cause enormous losses in the gold and dollar reserves of the National Bank, which would fall on the tax payers, after a covetous and short-sighted policy of the note issuing bank would have absorbed and distributed the currency stabilization fund.

One must bear the consequences of one's mistakes. The consequences of the depreciation which enlightened people had predicted, cannot be offset simply by taking counter measures. We must now resign ourselves and realize that an appreciation of the Swiss franc would be a total failure. The plan of ambitious politicians who advocate it might be furthered, but our economic life would only be threatened by new disturbances and convulsions, which in the present troublesome times must under all circumstances be avoided.

TREASURY DEPARTMENT

164

INTER OFFICE COMMUNICATION

DATE December 30, 1941

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	\$59,000
Purchased from commercial concerns	\$17,000

Open market sterling held steady at 4.03-3/4, and there were no reported transactions.

In fairly light trading, the Canadian dollar discount continued to widen. A new current low of 14-5/8% was reached at the close, which compares with 14-1/8% last night. One of the New York banks reported that it was a seller of Canadian dollars representing life insurance premia collected by Canadian affiliates of certain American insurance companies.

The Argentine free peso moved off 5 points to close at .2350. It is reported that there are orders in the market to sell at least 300,000 pesos, which have not yet been executed. Attempts to sell this amount may lead to a further decline in the rate, owing to the market's thinness.

The Venezuelan bolivar, which declined 10 points yesterday, fell another 10 points today, closing at .2650.

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

Brazilian milreis (free)	.0610
Colombian peso	.5775
Mexican peso	.2005
Uruguayan peso (free)	.5310
Cuban peso	1/8% premium

A New York bank reported that its Manila office was now quoting nominal buying and selling rates of \$.4902 and \$.5000, respectively, for the Philippine peso. Before December 8, the prevailing levels were \$.4909 buying and \$.4981 selling. The Bank of England's official rates for the peso were lowered today to the equivalent of \$.4908-1/2 buying and \$.4981-1/2 selling.

We sold \$19,350,000 in gold to the Swiss National Bank, which was added to its expanded account. All of the gold used in this transaction was purchased by us from the General Fund. In order to increase the stabilization fund's gold balance, we also purchased \$7,400,000 in gold from the General Fund.

No new gold engagements were reported.

- 2 -

In London, spot and forward silver were unchanged at 23-1/2d and 23-9/16d, respectively. The U. S. equivalents were 42.67¢ and 42.78¢.

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 35-1/8¢.

We made no purchases of silver today.



CONFIDENTIAL

BRITISH EMBASSY
WASHINGTON, D.C.

30th December, 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.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 5A

Information received up to 7 a.m., 29th December, 1941.

(I) NAVAL

Light forces and two infantry assault ships returned yesterday after a successful operation on the Norwegian Coast. Military batteries were demolished and industrial plants destroyed. Ninety-six prisoners were taken and heavy casualties were inflicted on the enemy. Five merchant vessels, two armed trawlers and a tug were destroyed or sunk. Naval casualties were light and army casualties included two officers and fifteen other ranks killed which were not heavy considering the severe opposition in street fighting. A Dutch submarine sank a Japanese destroyer on the 24th near KUCHING.

(II) MILITARY

LIBYA. Evening 27th. Air reports indicate that the enemy in the JEDABYA area is obtaining supplies and petrol by sea. Latest reports indicate that our armoured forces are well round the enemy's Southern Flank with patrols as far West as MERSA BREGA. Six enemy tanks were destroyed near JEDABYA on the evening of the 27th. Motorised troops were in contact with the enemy's North-Eastern flank some fifteen miles from JEDABYA while elements seem to have ventured considerably further into the enemy's position and are reported to have shelled transport three miles North of the town. Air observation report identification difficult owing to our columns being intermixed with the enemy.

MALAYA. PERAK. Our troops have withdrawn to positions about twenty miles South of IPOH.

BURMA. An attempt to dislodge the enemy from BOKPYIN on the 27th failed. We suffered some casualties but details are not yet known. This place is on the Coast between VICTORIA POINT and MERGUI, there are no roads to it but there is a small landing ground. A small concentration of troops in Siamese uniforms with several lorries is reliably reported on the Siamese border in the area of its upper reaches of the MEKONG River.

(III) AIR OPERATIONS

WESTERN FRONT. 27th. Beauighters and Blenheims (including the R.C.A.F.) protecting naval units operating off the Norwegian Coast drove off all enemy aircraft and destroyed two German fighters three bombers and damaged three other aircraft. Three of our aircraft are missing. 27th/28th. DUSSELDORF. Some of R.E. and 11,000 incendiaries were dropped. Many large fires were started

- 2 -

in the town and near the railway centres. At BOULOGNE and BREST 33 tons. Buses were seen in the docks area. 16 R.C.A.F., 23 R.A.A.F. and 14 R.N.Z.A.F. aircraft took part in these operations. 28th. Two merchant vessels of about 5,000 tons were attacked by R.C.A.F. Hudsons off the Dutch Coast. One was hit amidships and the other was thought to be hit. 28th/29th. 222 aircraft were sent out - WILHELM BRAVEN 86, HULS 81, EMDEN 40. Intruder Operations 10. Visibility was good and results are believed to have been effective. Seven medium bombers are missing. About seventeen enemy aircraft were operating, most of which are suspected of sea mining in the THAMES ESTUARY.

MEDITERRANEAN. LIBYA. 27th. Four squadrons of Blenheims successfully attacked enemy positions in the BARDIA area. Tomahawks destroyed three vehicles and damaged about fifty others between JEDABYA and EL AGHEILA. Two Tomahawks are missing. Enemy fighter activity in the battle area was very slight. 27th/28th. Naval aircraft laid mines off TRIPOLI (L) and eleven Wellingtons attacked shipping in the harbour. 25 enemy aircraft made raids on 27th. 27th/28th and 28th. No important damage resulted. One bomber was shot down by Hurricanes.

FAR EAST. MALAYA. 27th/28th. Six Blenheims attacked SUNGAI FATANI aerodrome. At least seven fighters were destroyed and five fighters and three bombers damaged on the ground. 28th. Three enemy aircraft attacked PORT SWETTENHAM. One was shot down by Kua and another probably destroyed.

(IV) AIRCRAFT CASUALTIES IN OPERATIONS OVER AND FROM THE BRITISH ISLES

German 27th. Five destroyed, three damaged.

British 27th. Three Missing

27th/28th. Seven missing

Total Ten.

166 A

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 30, 1941

TO: Secretary Morgenthau
FROM: Mr. Kasperck
Subject: Summary of Military Reports

Use of American Planes

In Russia

As of December 27, the Russians state that 35 out of 39 P-40's are completely out of commission. The rest are operating, but without generators.

Russian officials decline to give our Military Attache information on the air routes used to deliver American planes from Basra, Iraq to Russia. They state that the agreement in Washington was that the planes would be delivered to them at Basra and, therefore, it is not necessary to furnish information on the route the planes follow after that. (The Russians are consistently following the policy of giving only the information that it is absolutely necessary to know, only to those whom it is absolutely necessary to inform, and not an iota more. Their interpretation of what is absolutely necessary is also a very rigid one. In view of the surprise they provided the German Army, it is difficult to argue that they are wrong. Our army, however, feels strongly that it is not getting enough information.)

(Kuibyshev, U.S.S.R., U.S. Military Attache,
December 28, 1941)

In Libya

Four Flying Fortresses (B-17C) reached the Middle East on November 1, 1941. Since then, three high altitude daylight missions were performed. Each time 1 1/4 tons of bombs were carried and the average flying speed was around 200 miles per hour.

On November 8, two planes were sent to bomb Benghazi, a total distance of 1,240 miles. On the way home, one plane

Made a forced landing 200 miles from its base, due to lack of fuel. The plane was destroyed, but the crew was unhurt. The loss was attributed to errors by the service crew and pilot.

On November 14, one plane was sent to bomb Benghazi, a distance of 720 miles.

On November 19, one plane was sent to bomb Derna, a distance of 860 miles.

Since then, no missions have been performed because of excessive oil consumption by the two inner engines. The planes have been grounded, while attempts are being made to discover the cause.

Among the other difficulties which developed are the following:

The bomb doors failed to close when opened. Cause is unknown.

There was a loss of engine power caused by exhaust manifold leakage.

(Cairo, U.S. Military Attache, December 27, 1941)

Use of American Tanks in Libya

because the mechanical performance of the American tanks used in Libya has been relatively so satisfactory, and because of the comparatively small distances as yet covered, no large-scale overhauls of the tanks have been required, as yet.

(Cairo, U.S. Military Attache, December 29, 1941)

Russo-German War

Our Military Attache in Russia reports that Russian "use of armored motor sleds, at least experimentally, is probable" (This is an understatement, in view of the fact that the Russians used such sleds in the Russo-Finnish War with considerable success.)

(Kuibyshev, U.S.S.R., U.S. Military Attache,
December 28, 1941)

NEWS ITEMS OF POSSIBLE INTERESTLibyan Campaign

The R.A.F. officially announced that the Axis air forces in Libya lost 476 planes from the start of the Libyan offensive to December 23. The British lost 195 planes in the same period. The main reasons for the greater Axis losses were: the Royal Air Force had the initiative, Axis air activity was hampered by shortage of fuel (due to naval and air attacks on the supply lines), advancing British troops were able to capture disabled enemy planes before they could be repaired.

(The loss of 476 planes is over two-thirds of the total Axis air force of 600-700 in Libya.)

Argentina

Lieutenant-Colonel Edmundo Sustaiti and Major Bernardo Menendez have been appointed to new air force posts in the Argentine Army, the War Office announced on December 27. (These two officers were active participants in the pro-Axis plot of September 23 and were arrested at that time. Sustaiti was the commander of the aviation school at Cordoba, which was the center of the plot.)

December 31, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Haas
Mr. Graves
Mr. Gaston
Mr. Morris
Mr. Kuhn
Mr. Foley
Mr. Blough
Mr. Bell
Mr. Thompson
Mr. Sullivan
Mr. White
Mrs. Klotz

H.M. JR: Well, have I seen you, Harry, since Keller was here?

Well, I don't know how many of you know I have been working on this, to get these orders for these people. Mr. Keller came in last night at five o'clock and told me that in two days he had succeeded in getting an order for seventy-three thousand trucks, and he had been at it since the seventeenth of September and had been unsuccessful, and he went home last night with an order of seventy-three thousand trucks for the Dodge plant.

MR. WHITE: Are those the military trucks?

H.M. JR: Ten thousand eight hundred and thirty-eight are half ton four by four military trucks which will fill the gap in the Dodge assembly plant until April 15. Sixty-three thousand are new three-quarter

- 2 -

ton trucks which will be in production by April 15 to reach a production of seven hundred a day by the fifteenth of June, and they have given them extra money to tool up for the Russian thing. That is what they call the low silhouette truck. He said, "I hope you won't mind, but everywhere I went in the War Department they kind of winked at me and said, 'I see you have got the Secretary of the Treasury working as your agent helping to get orders.'" I said, "I don't mind if you don't." He says, "I don't. I have got seventy million dollars out of it." Two days.

And the other thing which I checked, it is the Martin B-26 which he was asked to make the central section of the main body for and it was only on Christmas Day that he got the final drawings. He was originally asked to meet Knudsen on the first of October of 1940 in New York and they planned the thing then, and he got the final drawings on Christmas Day, 1941.

MR. WHITE: Fifteen months.

H.M.JR: Mr. Gaston?

MR. GASTON: I suppose you noticed Leland Stowe's article last night on the Burma Road?

H.M.JR: No.

MR. GASTON: It would be worth your while to read it.

H.M.JR: All right.

MR. WHITE: I started some other inquiries about it, so after you read it we will try to get another check up on that. It is quite a story.

MR. GASTON: This fellow is an absolutely reliable fellow, I think.

H.M.JR: The one that had about their running luxuries over the thing?

- 2 -

MR. GASTON: Yes, all kinds of graft. Nothing moves without payment of graft, and they shunt military supplies aside in order to run private cars and wines and so on in.

MR. WHITE: There is certainly a good deal of truth in it. Whether it is wholly as bad as that I don't know.

(Discussion off the record.)

MR. WHITE: It would be bringing coals to New Castle.

H.M.JR: Harry, that is very unpatriotic.

MR. WHITE: This is south of the Chinese border, Mr. Secretary. It is in Burma, controlled by the English. (Laughter)

MR. GASTON: I haven't anything.

MR. FOLEY: Nothing.

H.M.JR: John L., of New Hampshire?

MR. SULLIVAN: We have had a long conference with representatives of the War Department. You remember you wrote to Stimson when he told you he wouldn't have time to sit down and talk over that Panamerican Airways contract, in which the War Department agreed to indemnify Panamerican against increases in taxes. Do you recall that?

H.M.JR: Yes, I recall it.

MR. SULLIVAN: Well, anyway, we fought it out and in the course of the conference they admitted to us that Panamerican Airways was holding a gun to their head, and they were doing it because they had to, and we refused to do it.

H.M.JR: I remember that.

- 3 -

MR. SULLIVAN: And finally new language has been worked out for the contract with the War Department and Panamerican Airways which Mr. Foley and Mr. Kades and I think is satisfactory, and we would like to go ahead with that.

H.M.JR: O.K.

MR. SULLIVAN: And I have a memorandum of that conference which I think you probably would like.

H.M.JR: Put it in my file, will you please.

MR. SULLIVAN: Yes, sir. You had some correspondence with Leon Henderson about his request to microfilm a very large number of returns in the Bureau.

H.M.JR: Yes.

MR. SULLIVAN: He was allowed to get some of them. He wants all of them. There has been prepared an Executive Order which would enable him to get those.

H.M.JR: Nuts, says I.

MR. SULLIVAN: Well, I didn't know anything about the previous transaction, but going over it, I think we are going to be in a difficult position if we are refusing him any information that is helpful to him.

H.M.JR: Well, when he needs it. I am not going to have the income taxes of all the corporations of America floating around in Leon Henderson's office.

Now, let me tell you the absolutely asinine request he made of me last night through Lubin. Lubin calls me up, would I see a couple of men from Henderson's office because they want the Government tires that we buy at factory prices to clear through local dealers, and let them make the commission because the poor dealers, tire dealers, are going to starve on account of action that Henderson took, and I told Lubin I wouldn't think

- 4 -

of doing it, and I repeated it last night. I was there at Wickard's house with Wayne Coy and Oscar Cox, and they said it would be perfectly ridiculous.

Then the next request he makes was, would I distribute the Government tires through his local committees, and I refused to do that. I said it is perfectly proper when we get a lump sum of how many tires we need for Leon Henderson or somebody in Washington to say, "You want a million tires for the Government. You can only have a half million." That is within their province. But for me to do the other thing, to pick his coals out of the fire - and they all agreed with me last night. He has got to give me - if he, for instance, needs to know how much for particular reasons some corporation's or some industry's profit, I will consider it, but I will not give him a blank check.

MR. FOLEY: Well, Mr. Secretary, I don't think you have got the whole story.

H.M.JR: I am not going to do it.

MR. FOLEY: He is not asking for the returns and that isn't what this order does. He did ask for the returns and we told him he couldn't have them unless he could give us a good reason.

H.M.JR: That is right.

MR. FOLEY: Now, he came back, and he did give us a good reason.

H.M.JR: What is it?

MR. FOLEY: And we are suggesting through this order that we give him merely the information that we take off on these cards, and it isn't the return.

H.M.JR: But let him specify the industry. If he wants the tire industry, as he needs an industry, let him specify.

MR. SULLIVAN: Mr. Secretary, we don't have them classified by industries over there.

H.M.JR: We don't, but he does. He takes one industry at a time.

MR. SULLIVAN: But that means we have to go picking out returns all over the place and that would be expensive.

H.M.JR: I am sorry, I am not going to give him a blank check. I won't do it. If he is interested in the price of cigarettes and wants the cigarette industry, tobacco industry, I am willing to give him that. If he wants the tire industry, I will give him the tires. I am not going to have the thing floating around. I won't do it, that is all. He has got to say, "I am about to study - I have got to know what the tobacco people make, so I can fix the price on cigarettes. I have got to know what they are doing so I can fix the price on remade tires or cotton goods." O.K. Then let him give us the list of concerns and we will pick them out.

MR. SULLIVAN: He doesn't have that list, you see.

H.M.JR: Well, they told a story last night, Oscar Cox did, about a hundred and eighty thousand tires to China. They challenged that. Oscar said, "I have got seven people and they wanted - Henderson's organization wanted us to do all the work for them, about how many tires - the whole business, and he has got a thousand people over in his office and I have got seven. I told him why should I try to justify it on a basis of whether a hundred and eighty thousand tires for China is fair or isn't fair?"

He wants everybody to do his work. I won't do it.

MR. SULLIVAN: We have been offered--

H.M.JR: I mean, the stuff by industries - if he

- 5 -

doesn't know it, what are the thousand or two thousand or three thousand people he has got over there doing?

MR. BLOUGH: There is a register of American listed corporations from which a lot of this information can be taken.

H.M.JR: You (Sullivan) have got to take somebody. Well, look, you can quote me, I won't do it, see. That is all.

MR. SULLIVAN: We have been offered the cover of Liberty magazine for March 11 for Disney to do some of the characters on the income tax business, and they called this morning. They have got a dead line of eleven-thirty and they wanted to know which of the three circulars that have been distributed, "Know Your Taxes," "How to File Your Income Tax," and the "Tax Saving Plan," we would like to have reproduced. They may be willing to reproduce all three of them in that issue, but I would like to talk with Ferdie and Harold Graves, and then call them up and tell them.

H.M.JR: O.K.

MR. SULLIVAN: And also tell them that we will be glad to have the cover on that magazine.

H.M.JR: Fine. Well, the President shot the works. I was so overtired last night I couldn't tell Bell and you and the rest of them what he said.

MR. SULLIVAN: We read it.

H.M.JR: And as far as I am concerned, I don't have to go up and hear his annual message.

You know, it was terribly funny. He said to Harold Smith, "Now get busy." And Harold Smith kept saying, "Well, Mr. President, I don't know what you want. I don't know what you want." Well, he has got it now.

MR. BELL: There it is.

- 7 -

H.M.JR: Harold Smith was in an awful spot yesterday because he didn't know the first thing, you see, having been away for three days.

MR. BELL: Did he want Harold to write the "State of the Union" message for us?

H.M.JR: No, but this whole question about production, and he gave him Stinson's memorandum that just came in on the victory program and Beaverbrook's memorandum which just came in and that kind of stuff, you see.

MR. SULLIVAN: Were you asked to prepare certain parts of the message?

H.M.JR: No, but Smith is going to consult with me.

MR. SULLIVAN: Well, the reason I inquired is, when he came out, you remember you stayed in for a while. He says, "Now you fellows have got to go to work." I said, "How so?" He said, "Well, the President asked the Secretary to prepare drafts."

H.M.JR: Well, Bell has been trying to get him.

MR. BELL: Yes, I tried to get him.

H.M.JR: And when you talk to him ask Smith whether he would like to come over and have lunch with us on Friday at one o'clock.

MR. BELL: On Friday?

H.M.JR: Yes.

MR. SULLIVAN: Are they going to put that figure on taxes in the message?

H.M.JR: Yes.

- 7 -

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MR. BELL: On Friday?

H.M.JR: Yes.

MR. SULLIVAN: Are they going to put that figure on taxes in the message?

H.M.JR: Yes.

- 8 -

MR. SULLIVAN: Do you think I ought to talk with them up there?

H.M.JR: No, no.

MR. SULLIVAN: I don't think so either. I am just asking.

H.M.JR: No.

This came last night by air mail, Ed. I know you can't do it, but let Mrs. Lehman know what we can do. She wants to send nine hundred dollars to Paris. Can we send any money to Paris?

MR. FOLEY: It all depends on whether it is a citizen or not.

H.M.JR: The application is attached there, and if you have any questions, call up Mrs. Lehman direct, yourself.

MR. FOLEY: All right.

H.M.JR: But I don't think you can send more than a hundred dollars.

MR. FOLEY: That is right, a hundred dollars and twenty-five dollars for each dependent. If it is not a citizen, that is. If it is a citizen, five hundred dollars.

H.M.JR: Well, clear it with her.

O.K.?

MR. MORRIS: Nothing.

H.M.JR: Harold?

MR. GRAVES: Nothing.

H.M.JR: You don't know. Here are my follow-ups.

- 9 -

Incidentally, George, I read your memorandum very carefully, and I am glad you are going into the field. I have also dictated you a memo that whatever you give me you should give Bell, Graves, Broughton, and Hall, you see.

MR. HAAS: Oh!

H.M.JR: Because Hall kind of tells me, "I am just in the dark. I don't know." Well, we will turn a little light on.

MR. HAAS: Yes, those reports turned considerable light on it.

H.M.JR: Yes.

Harold, I won't embarrass you publicly. I will hand you this follow-up.

MR. SULLIVAN: Not much! (Laughter)

H.M.JR: Well, I feel very mellow today. Anything else?

MRS. KLOTZ: There is another in there.

H.M.JR: Oh, wait a minute, while you are on your feet, Harold. Here is another.

MR. GRAVES: Would you like me to tell you now about this?

H.M.JR: Oh, I would love it. I would just faint with delight.

MR. GRAVES: About the motion picture theater thing, there is a committee of the industry that has been organized with headquarters at New York and this proposition has been laid before that committee. Many feel that they are already doing this. We think that the wise way to function will be through that committee

- 10 -

of the motion picture industry.

H.M.JR: Will you give me an answer next year?

MR. GRAVES: I will, next year.

On the Gallup thing, we have prepared the questions, a series of question on this - no, this particular thing has already gone, this question of whether they want war savings bonds or Defense Savings Bonds. That was sent to Gallup right after you asked me to do it, and I suspect we will have some result from that very shortly. What was the other thing?

MR. KUHN: There was also a proposition of asking Gallup or someone in the field to do a survey about the payroll allotment and the questions will be turned over Tuesday to Elmer Roper who does these things for MacLeish, and it will be done as a Government project through the MacLeish organization. They say they can do it quickly and effectively.

H.M.JR: Fine.

MR. KUHN: Without charge.

H.M.JR: O.K.

Harold, while I have got you here face to face, how about my desire to have a couple of people sitting at a table outside of the windows of the post offices?

MR. GRAVES: You asked me over the phone night before last. I told you that would have to be done, as matters stand, by sending Treasury personnel, volunteer people not being trustworthy with the issuance of bonds. You asked me to see that that was done in a branch near the Navy Yard.

H.M.JR: Yes.

MR. GRAVES: Well, there is a branch near the -

- 11 -

eight blocks from the Navy Yard, but there is no lobby that would permit the installation of any such facility. There is a contract station in the Navy Yard, and we are studying that with a view to seeing whether it would be feasible to put such a booth in that contract station. We are met with the refusal, as before, on the part of the Post Office people, to do this. It will be necessary, once we have a plan prepared, for us to get in touch with the Postmaster General.

H.M.JR: I will call him up. When will you be ready? Does that come under you or come under outlets?

MR. GRAVES: It comes under outlets. It is a matter that really should be handled in Dan's office because it is a matter of taking personnel from the organization and putting them out in these places.

H.M.JR: Would you (Bell) be ready if the Postmaster General could see you this afternoon to talk about it?

MR. BELL: I don't think so. I would like to know what this experiment we carried on here in Washington the last two or three months has shown.

MR. GRAVES: Well, that experiment was carried on at a number of department stores and at the Willard Hotel and that was done for the purpose of testing out the sale of tax savings certificates, although bonds and stamps were also sold at the same booth.

H.M.JR: Listen, boys, I can't take it. I want in a - in one or two post offices in Washington, if they have got to be Treasury paid personnel in the first instance, all right, but then we can swear people in and get volunteers all over the country if it works. Who is going to go and see Frank Walker for me? I will make an appointment.

MR. BELL: I will see him, but let me see my schedule, will you please?

- 12 -

H.M.JR: Can I make an appointment for you Friday morning?

MR. BELL: Yes.

H.M.JR: Does that give you a breathing spell?

MR. BELL: Sure.

H.M.JR: O.K.?

MR. BELL: You don't have to bother with it. I can make the appointment.

H.M.JR: No, I want to talk to him. I want to remind him it is his suggestion.

MR. GRAVES: On this point of the Navy Yard--

H.M.JR: In the post office building right down here, Frank Walker's building.

MR. BELL: All right. But in the Navy Yard's we have got now a duplication, and they are having much difficulty in getting the statistics.

H.M.JR: Dan, if we sell enough, then work out a way that we can enroll volunteers to do this thing and bond them. It is a swell volunteer job.

MR. BELL: And bond them?

H.M.JR: Sure, whatever is necessary.

MR. GRAVES: I don't think that would be a matter of any--

MR. THOMPSON: In the Treasury Post Office there is a window just for them.

H.M.JR: Well, I want a desk right out in front.

- 13 -

MR. GRAVES: I don't think that will prove anything because it is just going to divert business from the windows to that desk which you would get anyway.

H.M.JR: Well, this one time you are going to have to humor the old man. I want to try it in a couple of post offices, right out in front, the same idea that you went to your banks when you took your vice president and stuck him out in front instead of the private offices. How long ago did you do that in the banks?

MR. MORRIS: Some haven't come to it yet.

H.M.JR: Some have, though.

MR. BELL: They are going back now. (Laughter)

MR. FOLEY: They always had him stuck out, Mr. Secretary.

H.M.JR: Well, I know some banks where the president sits right out in front.

MRS. KLOTZ: He is not afraid.

MR. MORRIS: Well, we have always sat out in front, but you say the banks. Some of them haven't done that yet.

H.M.JR: Well, I want to try it--

MRS. KLOTZ: There is a reason.

H.M.JR: ... and I am asking to try it, please, and talk to the Postmaster, will you, Dan?

MR. BELL: O.K.

H.M.JR: I am very weak these days, and I can't argue.

MRS. KLOTZ: You can have anything you want this morning, Mr. Secretary. It is very novel.

- 14 -

MR. SULLIVAN: No New Year's resolutions, now.

H.M.JR: Don't worry. I am just weak. I can't argue.

MR. BELL: I would like to mention the Investment Bankers Association want to be designated as agent and the president has just taken office and he is very cooperative, and he wants to--

H.M.JR: I am for it.

MR. BELL: He wants to live down some of the past.

H.M.JR: I am for it.

MR. BELL: If we just hold it to the main organization, it is all right, but I think they have got about ten thousand branches.

H.M.JR: Well, wait until George Buffington gets back.

MR. KUHN: I have a message for you from George Buffington who was on the phone from Chicago. He is seeing Vanderpool, and Vanderpool will be coming to Washington next week. George will be here next week.

H.M.JR: For a trial?

MR. KUHN: Well, to talk about it. He is not sure that he can make the change, but George likes him very much. He is much impressed.

H.M.JR: Anything else?

MR. KUHN: I would like very much to talk to you again about going on the air, very soon. I mean, it ought to be in the first week in January.

H.M.JR: Well, I am in this mellow mood. It is your privilege to talk to me about it every day. Also

- 15 -

you can write a speech if you want to and put in some of those good phrases of mine.

MR. GASTON: Did you get my memorandum on Vanderpool?

H.M.JR: Yes.

MR. GASTON: I think it is a great mistake. They are doing good work for the Administration. It is a great mistake to put him in the Government service.

(The Secretary held a telephone conversation with Judge Byrnes.)

MR. KUHN: Mr. Secretary, only this about the talk. There is one spot on Tuesday night, and I will be delighted to write the speech.

H.M.JR: Next Tuesday?

MR. KUHN: Next Tuesday night.

H.M.JR: I couldn't mentally get myself in shape.

MR. KUHN: It is only ten or fifteen minutes.

H.M.JR: Well, you have all got my New Year's invitation for lunch today? You are all going to have lunch with me, I hope. At least you are all invited.

MR. GASTON: Thank you.

H.M.JR: It will be the last luncheon of the year together at one o'clock. If I am sober at that time, talk to me again, Ferdie.

MR. GASTON: Before lunch. (Laughter)

H.M.JR: Harry, that Russian protocol thing?

MR. WHITE: We worked on it yesterday and we will finish it up this morning, Cliff Mack and I. We are

trying to get something good.

H.M.JR: You didn't say anything about Bell at the time, so I am not saying anything.

MR. KUHN: He won't be here next week.

H.M.JR: How are you feeling?

MR. BLOUGH: Much better, thank you.

H.M.JR: Under this order which Bell and I are going to get out to keep the Treasury open tomorrow, we find there are six other departments open as a demonstration to the country that Washington works. You stay home tomorrow.

MR. BLOUGH: Thank you. I will be very glad to.

MR. BELL: He has got a number of people, too, that have worked very hard.

H.M.JR: The President's thought was that we are asking the people to work in the machine shops and munitions plants, and it is up to Washington to show they also can work on New Year's Day. But if anybody particularly like Blough or somebody isn't feeling well, then I think it would be a good thing to order them home tomorrow.

MR. HAAS: I have got some new data on the Maritime chart and the aircraft chart.

H.M.JR: I will get around to it.

MR. HAAS: Do you want to take a look at it?

H.M.JR: Hand it to me now.

MR. HAAS: And, Mr. Secretary, you suggested about two o'clock for these sales figures and also at the same time send in the supply figures on Savings Bonds?

H.M.JR: What is that?

MR. HAAS: You suggested about two o'clock that the sales figures could come in from my shop and also the supplies picture. The supply picture would be impossible because of the steel reports to get in by that time. We could probably get it in by three o'clock. Would that be all right?

H.M.JR: No, when they are together, give them to Stephens, mark them urgent and tell him to bring them in to me.

Harry?

MR. WHITE: You asked on November 26 that we get from England the information on the procedure and activities of the British Select Committee on national expenditure. Forty-two reports have come in by pouch. We can either turn them over to you or we are digesting them.

H.M.JR: On economy?

MR. WHITE: On economy.

H.M.JR: Turn it over to Bell and he will give it to Bill Heffelfinger.

MR. BELL: That is right.

MR. WHITE: Right.

H.M.JR: And Heffelfinger will give it to Mr. "X."

MR. WHITE: The gold which is at Martinique, the Consul has written about it. He is only allowed to count the cases. If we have any responsibility in it whatsoever, we feel we ought to do more than that, because the cases may be empty or they may be full of lead.

H.M.JR: You want to stick your finger in, do you?

MR. WHITE: Yes, practically - virtually - figuratively speaking. (Laughter) If the Treasury has any responsibility. If we haven't, we don't care.

H.M.JR: It has, it has. Well, you and Bell get together. Bell may think you should only put your thumb in, I don't know, but you and Bell handle it. (Mr. Bell made motions of thumbing a ride.) (Laughter)

MR. WHITE: I was talking about gold, Danny. I don't know whether you understood me or not. (Laughter) We asked the Mexican Government, Treasury, for all their data on their exchange operations, stabilization. They are going to give us all their confidential data if we hold it very confidential. They have not yet ratified that arrangement, you may know. There are a number of departments here who - defense departments who are able to hire non-citizens. It is becoming increasingly difficult for us to get very competent men and we think we are going to lose some more men. We have lost quite a few.

H.M.JR: What do you want now?

MR. WHITE: There are two men, one British and one Canadian, very excellent economists that we would like to take on. There is no question about their - as consultants. The defense agencies do it, Mr. Secretary.

H.M.JR: If you can clear with Norman it is all right with me. They are our associates.

MR. WHITE: Well, Norman will just pass the buck and say whether it is all right with you.

H.M.JR: I say it is all right, if you can do it legally.

MR. WHITE: Yes. If we can do it legally, it is all right.

MR. THOMPSON: They would have to be citizens.

MR. WHITE: They don't have to be citizens, Mr. Secretary. I am sorry to disagree. If it is legal, is it all right?

H.M.JR: If my General Counsel will pass on it, it is all right. Is that all right with you, if you get a written opinion, Norman?

MR. THOMPSON: Yes, it is perfect.

H.M.JR: If my General Counsel--

MR. WHITE: Fine. If it is illegal, we certainly wouldn't want to do it, and I don't think they would let us. (Laughter) Ecuador has just renewed its application on the Stabilization Fund. They have sent a lot of material in. We will go over it again. We have a man down in Ecuador. We have extended his stay to six months, which is up to the end of January. He is a very good man, and I want him back. Ecuador says he is very important to them, and they want him to stay some more. The State Department would like to satisfy Ecuador. If it is all right with you, unless they insist, I would like to have him back.

H.M.JR: Is it between you and the State Department?

MR. WHITE: Yes.

H.M.JR: I am with the State Department, as usual. I will tell you what, flip a coin, Harry.

MR. WHITE: I have got a double-headed coin.

MR. BELL: Harry, I thought we were going to send him to some other country after January.

MR. WHITE: We were before the war started, to Bolivia, but under the circumstances--

H.M.JR: Harry, you decide and take full responsibility

vis-a-vis the State Department.

MR. WHITE: All right, I will do that.

H.M.JR: I hope you are through. (Laughter)

MR. WHITE: How can I go on after that? I happen to be through.

H.M.JR: That is all, Harry?

MR. WHITE: I am through.

H.M.JR: Thank you.

MR. BELL: This is the vote on the Library of Congress thing. We have already agreed to it.

H.M.JR: All right.

MR. BELL: Here is Mr. Straus of New York who donated twenty-five thousand dollars to the Government. I thought you might like to sign the letter.

H.M.JR: Straus?

MR. BELL: Yes, he is the German in 1915 who came over here and has since become a citizen. He doesn't want any publicity or doesn't want his name to be mentioned.

H.M.JR: I would prepare a letter and send a copy of that to Mr. Roosevelt.

MR. BELL: Yes.

H.M.JR: Have you got the Russian and English war debt thing for me?

MR. BELL: I will have it at ten o'clock tomorrow.

MR. THOMPSON: In view of the fact that Chief Deasy

- 21 -

will not be with us full time, I am trying to get an engineer officer and the chief of engineers has this retired brigadier general.

H.M.JR: Wonderful, fine.

MR. THOMPSON: Here is the uniform for the messenger girls.

H.M.JR: Now, that is important.

MR. BELL: It looks important from this side.
(Laughter)

MR. SULLIVAN: Is that the uniform for the new hostesses at the desks outside of the post office windows?

MR. BELL: Then I am in favor of it. Before that, I wasn't.

MR. MORRIS: Do you get the same quality inside the uniform.

MR. HAAS: The filler, you mean. (Laughter)

MRS. KLOTZ: That is cute.

H.M.JR: Yes. I asked them to draw one for me and the Treasury seal up on their caps and on their arms.

MR. THOMPSON: Yes.

MR. WHITE: They ought to have some gold and silver braid.

H.M.JR: And a pocket.

MRS. KLOTZ: They have two pockets below.

H.M.JR: That is all right.

- 22 -

MR. HAAS: Air raid wardens, I guess.

H.M.JR: That is fine.

MR. THOMPSON: I think they look very chic.

H.M.JR: All right. Class is adjourned. I will see you all at one o'clock.

December 31, 1941
10:05 a.m.

Operator: Go ahead.

HMJr: Hello.

Justice
Byrnes: Hello. Henry?

HMJr: Yes.

B: This is Jim Byrnes.

HMJr: Good morning. I still haven't recovered from listening to that thousand dollar radio of yours.

B: (Laughs) Twenty dollars. That's the way it's gone up in price on account of the war. Let me ask you.....

HMJr: Yeah.

B:are you busy right now?

HMJr: I'm never busy when you call.

B: Well, I'm wondering this. I want to talk to you and see if you and I can't save the boss some headaches on this alien property custodian.

HMJr: All right.

B: Have you got the newspaper fellows hanging outside your office if I came by there?

HMJr: No.

B: Well, could I see you there and I can be there in about seven minutes.

HMJr: In seven minutes.

B: Yes.

HMJr: No, I tell you what we'll do. Do you know East Executive Avenue? We're on one side - the Treasury is - you see?

- 2 -

Q: Yes.

WJr: And you come in at East Executive on the south entrance.

Q: South entrance. All right.

WJr: And - it's all blocked, but I'll have a Secret Service man there to meet you to bring you in.

Q: All right. Fine, Mr. Secretary.

WJr: And let him come up my private elevator.

Q: All right. I'll be there in from five to seven minutes.

WJr: Okay.

December 31, 1941

H.M.JR.: I said to Jimmy Byrnes, "Jimmy, how can a man who is getting fifty to seventy-five thousand dollars as Chairman of Standard Gas and Electric, and who is the personal front and representative here for Victor Emanuel, be Alien Property Custodian?"

He thought a minute and he said, "Well, I will tell you something, Henry. The President was ready to make Leo Crowley Chairman of the National Democratic Committee. He, being an Irish Catholic and coming from Wisconsin, would have been fine, but I told the President he couldn't do it for that reason and objected, and that was why Leo Crowley didn't become Chairman of the National Democratic Committee."

So I said, "Well, if you did that, as you say, for political reasons, how about for ethical reasons, that this man can't be this thing?" So he said, "You are right, but who is going to tell him that?" So I said, "I think you should. You know the President won't. Or Francis Biddle." He said, "Well, You know Francis Biddle won't do it."

So I sent for Haas. I remembered that when I went to visit the Lycoming plant I had had a whole study made of Victor Emanuel's organization. I showed it to him and I said, "On the right hand he has got Associated Gas and Electric and on the left hand he has got the New York Shipbuilding and Vultee and now Consolidated Aircraft with between five and seven hundred million dollars worth of war contracts," and I said, "He is smart enough to have Leo Crowley, Chairman of the FDIC, as his front in Washington."

Then I said, "Francis Biddle said this to me: 'You know, I not only want Leo Crowley to be Alien Property Custodian, but I want him to look after political appointments for me in the Department of Justice,'" and Jimmy Byrnes said, "Do you mean to say that he said

that to you?" I said, "So help me God." He said, "That is the most outrageous thing I ever heard."

I said, "If you want to run this thing in a nice, clean manner and have the man at the same time handle the politics, it won't be any better than A. Mitchell Palmer during the last world war."

So he said, "Are you sure that Biddle said that?" I said, "Yes, Biddle said that." So he says, "Well, he certainly ought to give it up." So I said, "Well, if you make this a necessity on Crowley's part he will resign from the Alien Property Custodianship and then you can give the thing to the Treasury." I said, "I am putting all my cards on the table." I said, "You will come to that anyway."

He said, "I think you are right." The last thing he said before he left was, "Well, I am going to bring it to the President's attention." He said, "I agree with you, it is a very bad situation because the President had promised him the job." I said, "Well, you make those conditions and maybe Leo Crowley will decide he would rather work for Victor Emanuel than be the Alien Property Custodian."

And that is why I think we have got a very good chance that it will stay here, and I told him, "Our boys can run this thing and they will run it well and there will be no trouble or scandal of any kind." He said, "I agree with you."

December 31, 1941
12:00 m.

ALIEN PROPERTY CUSTODIANSHIP

Present: Mr. Foley
Mrs. Klotz

H.M.JR: I think you are going to be pleased and I hope so. It took about an hour. Justice Eyrnes came down here and he says this is the first person he has called on since he has been up in the Court. He gave me this talk about the President asked him to do this thing, and he wants to save the President a lot of headaches. He doesn't want to have to have a meeting over at the President's so he could decide whether the Treasury gets it and so forth and so on. The President made a suggestion that Leo Crowley be given this responsibility and that he be given an assistant from the State Department and an assistant from Treasury to help him administrate it, but he would get the whole works, as I understood it. He said that was out of the question and that his own feeling was that it should go to one place or the other. He said that Leo Crowley has said flat-footedly that he would not come to the Treasury, which he didn't tell you or me.

MR. FOLEY: No. Well, I thought he would be reluctant to come here because of the situation.

H.M.JR: Furthermore, that the trouble with the President is that the President has made Crowley this offer, promised it to him. Therefore, he feels as a compromise that he would like to recommend to the President that all of the work of the Foreign Funds stay in the Treasury, that Crowley be set up in the Department of

- 2 -

Justice as Alien Property Custodian to run these businesses. If and when he needs any money, which we have frozen on the particular business, he will have to sign a certificate, which I said would have to come through requesting that all or part of the money of that business be released to him so that he could run that business because otherwise if they didn't do it that way Crowley could say he made a failure of the business because the Treasury wouldn't give him the money.

So I said, on second thought, both you and Acheson and Crowley, that to have a divided responsibility wasn't wise and that we here felt very, very strongly that we could do the best job. We have done it and there hasn't been a single complaint from the Hill, and Jimmie said, "That is right. I haven't heard any complaint from the Hill." He said, "There has been no complaint." He said, "I would hear it if there were any." I said, "This is the place to do it, and I feel that very strongly, but rather than to have a row with the President or make it more difficult for him, if that is what you are going to decide, all right." So the last thing he said was, "Well, I am going to make my recommendations to the President that it should be in one place and if he won't accept it, then I am going to do it." He said, "I feel, Jimmie Byrnes, that it should be in the Treasury."

Well, isn't that the best that you could hope for? I mean, lacking his simply getting it, the whole thing?

MR. FOLEY: Yes, I think so.

H.M.JR: Would you do anything different than I have done?

MR. FOLEY: No, I don't suppose so, no.

H.M.JR: Be quite frank.

MR. FOLEY: Well, I think that is all we can do.

- 3 -

It is a practical matter.

H.M.JR: That is what you told me, Ed. You said you didn't want this committee of you and Acheson and Crowley to do it.

MR. FOLEY: I think that is right, yes.

H.M.JR: You told me you didn't want that committee plan any more.

MR. FOLEY: Yes, that is right, and that never would work. That would just put all the headaches in the committee.

H.M.JR: Well, this would leave Foreign Funds with the Treasury and they (the committee) would decide when they want to take over the businesses, which I told him I thought was all wrong. He said the President didn't understand the thing. "Well," Jimmie said, "I have tried to explain it to him, but the trouble is the President has made a promise to Crowley." He also said the President wouldn't touch it while Churchill was here. He couldn't have been nicer. He said, "I would like to see it here in the Treasury, but you see this fellow Crowley, he tells you, 'I won't come to the Treasury.'"

MR. FOLEY: Well, I can understand that.

H.M.JR: And I told him, "I don't want another Jeff Conner situation," and he said, "You shouldn't have it."

Well, that is it.

MR. FOLEY: O.K.

H.M.JR: Do you think it is so bad?

MR. FOLEY: Well, I think we lost it.

H.M.JR: Do you think so?

MR. FOLEY: Yes.

H.M.JR: I am not so sure. There was talk of taking the whole thing out and setting up an independent agency. I don't think we have lost it. Let's be practical. The President of the United States publicly offers Leo Crowley Alien Property Custodianship. What might have happened to it is, he might have taken the whole Pehle organization over there with him.

MR. FOLEY: Well, I don't think they would go. I mean, John wouldn't go.

H.M.JR: No, but I meant the whole - all the money.

MRS. KLOTZ: Well, supposing they put it here in the Treasury and Leo Crowley refuses to come? Then what?

H.M.JR: Well, Byrnes will be tickled to death.

MRS. KLOTZ: That is it. It may come out that way.

H.M.JR: May, yes. Oh, it may? Yes, it may.

MR. FOLEY: I mean, the difficulty is that when you put one phase of the property in one department and the rest of the properties in another department because money, securities, businesses, they are all property in which foreigners have an interest, you are getting the thing so inter-related and so tied up together, it is hard to break it off and it all ought to be in one place or the other.

H.M.JR: I agree and that is what he is going to recommend, but he says as a compromise, would I go along, and there was only one answer.

MR. FOLEY: Yes, I think as a practical matter--

H.M.JR: Suppose I said no, I wouldn't? Then he would say, "Well, do you mean to say you are going to

take the President's time to see all these people and you are not going to let me, a Justice of the Supreme Court, settle this thing?" That was his attitude, and he is right. But the President hasn't told him yet, you see. He has been unable to get any answer from the President.

MR. FOLEY: I see.

H.M.JR: Other than this thing which - about Leo and the two assistants. But he is convinced it should be in one place, and he thinks it should be here, and he said, "We have done a swell job here and it should be here. Don't take it too hard. The battle isn't lost."

MR. FOLEY: O.K.

I called up Mrs. Lehman's secretary, and I told her we could do this under our general license and for her to get in touch with Kimball at the bank in New York, and we are calling Kimball and telling him she will be down.

H.M.JR: You prepare an answer for me.

December 31, 1941

When Jimmy Byrnes called this morning, he got on this question of Minister of Supply, and I said, "The President ought to have one man who raises the crops like Wickard, and one man who raises the money like myself, but I think he is going to have a committee do the supply thing." Byrnes said, "Henry, this will never work. The President must give it to one man."

December 31, 1941

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to:

202

Mr. Klotz

12/31'41

D

4 p.m.

The original copy sent to the Secretary along with this letter I am taking with me to hand to Mr. Justice Byrnes - as he suggested. The attached original for your files is an exact copy of the Order sent to the Secretary.

Ed Foley

diary

MR. FOLEY

Supreme Court of the United States
Washington, D. C.

December 31, 1941

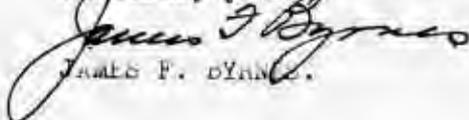
Dear Henry:

In case the President should decide not to place all property in the Treasury, but resort to a compromise along the lines I discussed with you this morning, I want Ed Foley's opinion of the attached Order.

I know Ed does not approve the policy, but I want to know what objection he would have to the language as carrying out the policy we discussed.

Ask Ed, after reading, to come to see me or telephone me, returning the Order.

Sincerely yours,


JAMES F. BYRNE.

Hon. Henry Morgenthau, Jr.,
Treasury Department,

Supreme Court of the United States
Washington, D. C.

December 31, 1941

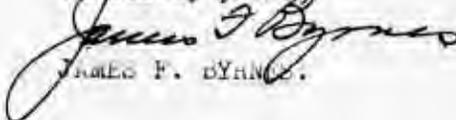
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Hon. Henry Morgenthau, Jr.,
Treasury Department,

12/31'41

204

EXECUTIVE ORDER

VESTING IN DESIGNATED OFFICERS CERTAIN POWERS
AND AUTHORITY WITH RESPECT TO PROPERTY IN
WHICH THERE IS A FOREIGN INTEREST

By virtue of and pursuant to the authority vested in me as President of the United States and particularly by the "Trading with the Enemy Act," approved October 6, 1917 (40 Stat. 411), as amended, and the "First War Powers Act, 1941," approved December 13, 1941, it is hereby ordered as follows:

Section 1. Vesting and Administration of Enemy Property.

(a) Except as provided in Executive Order No. 8389 of April 10, 1943, as heretofore and herein amended, all the powers vested in me by the provisions of the Trading with the Enemy Act, as amended, and of Title III of the First War Powers Act, 1941, in so far as they relate to enemy property or property owned or controlled by any national or nationals of any enemy country, are hereby delegated to the Director of Enemy Property, to be exercised by him under the supervision of the Attorney General through the Division of Enemy Property of the Department of Justice.

(b) Any enemy property shall vest in the Director at such time or times and upon such terms and conditions as he may prescribe pursuant to rules and regulations issued by the Attorney General with the approval of the President. The Director shall take all necessary steps to secure title to and possession of or control over such property and shall hold, use, administer, liquidate, sell or otherwise deal with such property in the interest of and for the benefit of the United States in accordance with rules and regulations issued by the Attorney General.

Section 2. Supervision of Certain Business Enterprises.

If the Director determines, after investigation, that any business enterprise is subject to the influence of an enemy or of a national of an enemy country, he may appoint a supervisor for such business enterprise and such supervisor shall, subject to the direction and control of the Director, regulate and supervise the business and affairs of such business enterprise to the extent necessary to regulate, restrain, eliminate or control such influence or to aid in the successful prosecution of the war.

Section 3. Amendment to Executive Order No. 8389, as

Amended. (a) Executive Order No. 8389, as amended, is further amended by adding at the end of Section 3 thereof a new section reading as follows:

3(a) All powers vested in me by Section 3(a) of the "Trading With the Enemy Act", as amended, are hereby delegated to the Secretary of the Treasury.

(b) Executive Order No. 8389, as amended, is further amended by excepting from its provisions: (1) enemy property, and transactions relating thereto, whenever such property shall, pursuant to the provisions hereof, have vested in the Director, (c) any property or business enterprise, and transactions relating thereto, upon certification of the Attorney General to the secretary of the Treasury that all or part of the stock thereof or other interest therein has vested in the Director and that the exercise of the powers conferred under said Executive Order No. 8389, as amended, is no longer necessary with respect thereto; and (3) the transactions and property of business enterprises for which, as provided herein, the Director has appointed a supervisor.

Section 4. Investigations, Records and Reports. The Director is authorized, to the extent necessary in his judgment to enable him to carry out effectively the provisions of this Order and under such rules and regulations as the Attorney General may prescribe, to make investigations, to require any person to keep records and furnish information under oath at any time or times, in the form of reports or otherwise, and to require the production of and, if necessary to the national security or defense, to seize books of account, records, contracts, letters, memoranda or other papers. The Director shall have access to all reports and other information which have been obtained by any agency of the Government relating to any national, or to any property which may be owned by any national, or to any business enterprise which may be subject to the influence of an enemy or of a national of an enemy country.

THE WHITE HOUSE

December 31, 1941
2:30 p.m.

Justice
Byrnes: Hello. Henry?

WAGG: Yes.

H: Jim Byrnes.

WAGG: Henry talking.

H: This is Mr. Justice, James F. Byrnes.

WAGG: (Laughs) Yeah, I know.

H: Oh, I didn't think you got my voice. Let me tell you what I rang you for.

WAGG: I know your voice.

H: You don't mind - you didn't mind my telling Harry Hopkins about this Standard thing?

WAGG: Standard?

H: Yeah, gee.

WAGG: So.

H: All right, good. I was talking to him and I told him that if he got a chance tonight, that I thought he ought to call the chief's attention to this thing with the thought that he ought to ask him to cut loose from one or the other.

WAGG: Yes.

H: And.....

WAGG: What did Harry think?

H: Well, he agreed. He said, "I think that's about right." He said, "It looks to me like he wouldn't want to do that."

WAGG: Yeah.

H: and I told him then that when the President had a

- 2 -

moment's leisure, and he could - he might do it better than either you or me.

HMJr: Did Harry think that that was unreasonable?

B: No. I told him that you were very reasonable about it - about the whole thing - he knows all about it.

HMJr: He does?

B: Yeah, Hopkins does.

HMJr: But you told him that I was willing to go along.

B: I told him that if the chief wanted to go through, that you had agreed on what we thought would be the best way if he had to divide it, that you thought that it ought to - because of the records in the Treasury - that it ought to stay in the Treasury, but that if he wanted to compromise about for peace in the family, that you were entirely reasonable and would agree to the proposal that I had made as about the best thing to compromise on.

HMJr: That's right.

B: But nevertheless, that you called attention to this fact in that I thought too that it was a matter of importance and that in all of the things he had on him he may have overlooked it, and to make sure that he had given thought to it and to the position that Eddie would be in.....

HMJr: That's right.

B:so that it wouldn't be said that he had just overlooked it.

HMJr: That's right.

B: And that puts it up to him, and I think that Hopkins has the best chance to do it.

HMJr: Fine.

B: Now, I sent to you awhile ago by messenger.....

HMJr: I got it.

- 3 -

- B:and I thought that you'd ask Ed.....
- HMJr: It's already in Foley's hands.
- B: Oh, all right. It got there quicker than I thought. And if you'd ask Ed to send it back to me reasonably - now, that's Justice. That's why I want Ed Foley - I got after Biddle saying that if this should happen to be done, I want something in my possession representing your views as to the way it was carried out.
- HMJr: Oh, Justice drew that?
- B: Right. That's what I wanted to tell Foley when he came to see me, and therefore I went Foley to go over it - I changed in there one word to have the Attorney General make the request.
- HMJr: Yeah.
- B: Because he wanted - he had the custodian.
- HMJr: Yeah.
- B: But that's Biddle.
- HMJr: Yeah.
- B: And therefore I want Foley to look over the language. So far as I could see in reading it, it is a compliance with the request that I made of him.
- HMJr: Fine.
- B: But nevertheless, Ed can look at it from his angle; and then if he'd tell me about it, I can stick it in the desk, and if the chief wants to see it, we can give it to him.
- HMJr: How soon do you want to see Ed?
- B: Well, I was hoping that if Hookins could talk to the President about the thing tonight, that he might take it up before Churchill got back.
- HMJr: Well, then you'd like to see Ed today yet?
- B: Yeah, I'd love to.

HMJr: I'll tell him that.

B: Yeah. He may have - if he isn't on other things, ask him to look at it, because it won't - he's looked at so many of them, I know, he can.....

HMJr: I'll tell him to look at it and.....

B: If he has any views, to come down here and tell me what they are and we'll see if we can get together.

HMJr: Yeah.

B: If it's done, I would like to tell the President that regardless of different views on policy, that you and Biddle do not want to have him holding a trial about it and that this, whatever it is, would represent the views of the procedure by which the compromise policy could be effective.

HMJr: Would it be convenient if I have Ed up there, say, by four o'clock?

B: Fine.

HMJr: I'll tell him to be at your office at four.

B: Fine.

HMJr: Thank you so much.

B: Good-bye.

December 31, 1941
3:40 p.m.

WJr: Hello.

Justice
Syr: Yes.

WJr: Jimmie.

S: Yes.

WJr: Foley and Pehle are here with this copy of a draft from Justice, you see?

S: Yes.

WJr: There's no justice in that draft.

S: What does it do?

WJr: Well, it gives them complete control; and Foley will come up, but I just didn't want him to take the entire brunt, you see. And he'll point out to you where it's absolutely.....

S: That's all right.

WJr: It doesn't do what you and I were talking about.

S: Tell him to come up here.

WJr: But I didn't want to leave the brunt on him.

S: No. I'll be glad to go over it with him to see just exactly what it does to.

WJr: But from our standpoint, there's no justice in that order.

S: Well, you tell him to come out here and I'll see what criticisms he has and then see if I can't fix it to accord with what you and I talked about.

WJr: Well, if you can do that, I'll be satisfied.

S: All right. All right. Good-bye.

WJr: Thank you.

TREASURY DEPARTMENT

212

INTER OFFICE COMMUNICATION

DATE December 31, 1941

TO Secretary Morgenthau

FROM E. H. Foley, Jr.

I had a one-hour conference with Mr. Justice Byrnes relative to the alien property order which he submitted to you today. Pehle and Bernstein were with me.

I described to Byrnes the compromise agreed to at the luncheon conference and said that our draft of the Order faithfully carried out that agreement. I told Byrnes that the Order which Justice drafted and which Byrnes sent to you today represented no compromise at all, but gave to Justice the full control over practically all property which is now frozen. In particular I pointed out:

(1) The vesting provision was not limited to enemy business enterprises in the United States but covered any enemy property, including bank balances, gold, securities, etc. of any enemy or invaded country or their nationals.

(2) The Order also gave the Alien Property Custodian authority to supervise any blocked business enterprise whenever he deemed it appropriate.

At first Byrnes said that it was not intended under the order to give Justice the power to deal with the gold or dollar balances of foreign governments, banks, etc. As we discussed the matter, Byrnes concluded that the order was no compromise, and was intended to give Justice and Crowley the full power to deal with all of the blocked property when they were ready to do so, and that when they were ready to deal with the property the Treasury was to have nothing whatever to do with it.

With respect to our compromise proposal, Justice Byrnes stated that he thought the Committee idea was unworkable and that one man should be tagged with the responsibility. Byrnes quoted Biddle and Crowley as saying that they would have nothing to do with the alien property if the committee idea prevailed. Justice Byrnes seemed to indicate that he would not submit either our compromise order or Justice's order to the President, but would simply tell the President that the responsibility for dealing with all the property should be in one place and it would be for the President to decide between Justice and the Treasury.

8.11.74.