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January 21, 1942

H.M.JR: Riding down this morning, I asked Mr. Bell whether we had any organization which was making a continuous study in the twelve Federal Reserve Districts as to how to raise the money that we have to raise.

He said that we were not, that we had a man by the name of Villard, Henry Villard, Jr. who was with us four or five months. He came from Amherst. But he had never completed the report.

So I said, "Well, we have got to get the best organization in America working on this thing," and I was simply amazed that we didn't have it, and I said, "I wish you would get together with Jake Viner and Lauch Currie and work out a plan. Also consult with Dave Morris and George Haas, and then bring the plan in to me, but I want it soon. This is the kind of thing a Fiscal Assistant Secretary should be doing, and that I shouldn't have to be pushing on."

Bell said, "How about having some advisers come down every two weeks?" I said, "No, for one day, there is no use." But I said, "I got this idea last night, and I want a couple of elder statesmen around me, like Gerard Swope." I haven't told this to anybody. If the President approves, I am going to invite Mr. Leffingwell to come down, provided that he will resign from J. P. Morgan, because he is the first man that had a kind word to say about me in Wall Street. He was for the President's gold policy, and he was distinctly liberal and an advanced thinker.

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While there will be lots of things that I won't agree with, it will be very useful to have him in the

building to talk things over. He was in the Treasury as Assistant Secretary or something during the World War, and I would like two or three people of that kind around. Bell thought very well of the idea.

January 21, 1942  
9:45 a.m.

CLEVELAND SPEECH ON TAXES

Present: Mr. Paul  
Mr. Blough  
Mr. Kuhn

H.M.JR: I have to kid a man by the name of Paul I asked him whether he could take care of Mr. Eccles. He said, "Forget it."

MR. PAUL: I took care of him, all except that exemption. I saw him about three days before, and I should have seen him one day before.

H.M.JR: Do you think he is the great guy that you can take care of?

MR. PAUL: You don't know what the speech would have been if I hadn't been there. (Laughter).

MR. KUHN: That is true.

MR. PAUL: I would like to --

H.M.JR: Well, next time....

MR. PAUL: I wish I had a copy of what it couldn't be, that is, what he would have said if I hadn't talked with him for about a week before.

MR. KUHN: Look at last year's and you can tell.

H.M.JR: This, on my part, isn't going to be so much work. It is going to be a speech, and I would like to get over to you people, because we haven't got much time, where I differ from you and what my attitude is, you see, because the trouble, after I read it carefully, the philosophy does not express me. There are a lot of things in there that I can't say, see.

MR. KUHN: Well, I have one criticism of it and Randolph also has one. When you are finished we would like a chance.

H.M.JR: I don't know, when I get through, whether you will agree with me or not, but I have written it all out. In the first place - I mean, this hasn't got to do with the philosophy. The reason I called you, I wanted the three of you to get it right from me. This doesn't express me or doesn't express my attitude. Somebody told you, Ferdie - gave you a lot of stuff to say, "Get Morgenthau to say this and that and the other thing at the beginning," see, and the speech really begins on page six.

MR. KUHN: No, I felt that at the beginning you must say something about the locality. You must adjust your speech to the people you are talking to.

H.M.JR: That is all right. I don't mind that, but all the rest of that stuff there, I don't want to say.

MR. KUHN: About--

H.M.JR: Oh, I don't mind the Pearl Harbor stuff--

MR. KUHN: About saving for taxes, you mean?

H.M.JR: Well--

MR. KUHN: That is the Buffington business. I wanted to put that in and nobody suggested that to me.

H.M.JR: Well, I don't want the Buffington business in this speech.

MR. KUHN: You don't want to talk about saving for taxes?

H.M.JR: No. I have got one idea, and this is the way I put it. Of course quotations won't be correct, but the thing that I wrote down here is, I think, expressing my approach and then all the way through it, you see, you will have to change it. That is this: "All men are born equal. Now, we are in the war - " I mean, these are ideas, not words. "Now that we are at war, let us have a policy that all men should be taxed equally according to their ability to pay. In order to do this we have to limit - eliminate certain inequalities which have been a part of our tax law for 'X' number of years." Now, that is the theme, you see. You are not going to get this, but you can get it here. I think I should introduce the talk by giving a little history of the fight that I have made to close loopholes. If you read this speech, you would think I hadn't done a thing. You would think that these rich people have been going along for years with these loopholes, and that the Treasury, under my leadership, hasn't done a thing.

MR. PAUL: Well, we did put in about '37--

MR. KUHN: It says, "In spite of all our efforts of recent years."

H.M.JR: Look, you don't mind if I talk straight without sugar coating. Who in the hell knows in that audience, with the possible exception of one or two tax lawyers, what was the '37 tax law? I don't remember.

MR. PAUL: I bet some of the boys there do if they had a yacht or a farm.

H.M.JR: Right, but let's say it. I want a history of what we have accomplished since I have been here in the way of eliminating tax loopholes. You see, that is number one. I mean, the people forget. If you put me in the fire there, I couldn't remember what year we did the yachts. I don't know whether it was '36 or

'37 or '38. Would you remember?

MRS. KLOTZ: No.

H.M.JR: Now, I should like, after giving a little history of the fight I have made to close the loophole. The way the speech is written now, nobody would know of the long fight that I have made and the successful fight, you see. I should state the success which we already have had in closing loopholes, and then go on and state the loopholes left to close. In other words, let's have an inventory. You are too hard on the wealthy taxpayer. Now get this.

MR. KUHN: That is right.

H.M.JR: Now, wait a minute, old man. When you consider what the Treasury has done about it in the past, what is our record? Up to now the taxpayers had a perfect right to invest in these securities. We are talking about state and municipals. Nobody has raised the moral issue. Why suddenly say to these people, because you own a New York State bond, you are immoral? I mean, it isn't fair. I want to take the attitude that if the Treasury points the way, the states and cities and so forth, and the holders of these securities will see the light, but under war conditions will cheerfully pay taxes on this part of their tax exempt income. I want to say that before - I mean, in other words, I want to go on the assumption we are at war. I am sure Mr. Vincent Astor and Mr. Thingumabob over at the Chicago Sun, that you are just as patriotic as anybody, and you hold these vast amounts.

MR. PAUL: Of course, if you are thinking of it as a technical approach, all right. I mean, you are trying to catch flies with molasses instead of vinegar. But if you are really talking about how they do feel--

H.M.JR: But it isn't fair, Randolph, to say suddenly to a man who is a holder of a New York State bond, "You are immoral because you hold it."

MR. PAUL: You shouldn't say that.

H.M.JR: Well, you do say that. You say it is a moral issue.

MR. KUHN: In wartime.

H.M.JR: Yes, but this is the first time I am saying this. You went all through my record. In other words, my attitude is, to these people, "You are just as patriotic as I am, and now that we point this out, and we want you to pay on your taxes. I am sure that you will." And then I say, "It is time enough later on, if they don't, to go after them." I can be just as tough as the next fellow, but in my first speech on this thing, why not give them a break?

MR. KUHN: You want to come out in this speech for taxing outstanding issues?

H.M.JR: States, yes.

MR. KUHN: Because that will be the first time you have ever said it, and you will have to justify it.

H.M.JR: But all through here you are crucifying the rich fellow for something which is - he has been doing in the case of community property tax, I think, since 1825 in the State of Texas, and suddenly you say to this fellow, "You are a crook because you don't pay taxes." It is all through that thing. It is hitting the rich fellow for something that he has done for seventy-five years, and I have never said to him, "You can't do this with the conditions as they are now." I can't go and say to Fiorello LaGuardia, "You are immoral or crooked because you have just issued fifty million dollars worth of municipal, city, and state tax exempts."

MR. KUHN: But you have gone after them hard in all your previous attempts to close loopholes.

H.M.JR: I have never come out and said, "Municipals

should be taxed." This is the first time.

MR. PAUL: The other two you have. Percentage depletion, for instance.

H.M.JR: Fiorello could perfectly well come back and say, "That is lovely. When did you ever say that states and cities should not be taxed?" Well, the answer is, I haven't. It is the attitude. I am sure if Peter Odegard saw this, he would never let me give it the way it is written.

MR. KUHN: Well, my criticism and Randolphs also was that there is too much of a class conflict there which wasn't intended.

H.M.JR: That is terrific.

MR. KUHN: After all, a lot of rich people, including our friend, Carole Lombard, came out with a statement about income taxes.

H.M.JR: Well, she was the only girl that ever did that.

MR. KUHN: Well, that is what I had in mind.

H.M.JR: But the thing that I want all through here is this setting up of this thing, and the - and the particular part that I don't like, you are saying to the present taxpayers, "Don't pay your taxes as long as these people can do this thing." Instead of urging them to pay - now let me show you how I cover it, you see. If I read this speech the way it is written, "Well, Morgenthau says a lot of rich people are getting it. Why the hell should I pay my taxes the fifteenth of March? He says there are a lot of fellows getting away with it. Why should I pay it?" "I want to say that before asking 'X' billion of tax payers"- this is me now. I want to say that before asking 'X' billion of taxpayers to pay nine billion more taxes, we should ask the recipients of one billion dollars worth of tax loopholes to pay up, see?

MRS. KLOTZ: I don't like that, "We are all created equal."

H.M.JR: Well, aren't we?

MRS. KLOTZ: We are, yes, but that shouldn't apply to the income.

MR. PAUL: That doesn't go with that idea of ability to pay, of course.

H.M.JR: Well, it is the thought.

MR. KUHN: Your opponents would be the first to say, "O.K., let's have equal taxation."

MR. BLOUGH: That is, we ought to be created equal and therefore we must have unequal taxation to produce equality.

MR. KUHN: But I get your thought, Mr. Secretary, and you are right--

MR. PAUL: We had the same criticism about this tax conflict.

H.M.JR: This is my feeling about the talk, what is the matter with it, you see. And I would like to confine the thing just to one thing and that is the tax inequalities. I don't want to say anything about anything else. That is enough.

MR. KUHN: You don't want to speak about the need of saving up between now and March 15?

H.M.JR: No, that is another speech.

MR. KUHN: I feel that everybody who makes a speech on taxes ought to say a little about that all the time or else you are not going to get people to do it. It is not a speech in itself. Everybody has got to remind people--

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H.M.JR: Well, it throws you off the track. I want to get in and I - I want to get right into this tax inequality thing. I don't know how far you want to go. As I say, I might say something about writing your Congressman and your Senator. I have never done it. "What are we going to do about it?" "Well, you, the voters, have got to get in touch with your elected representatives."

MR. KUHN: Well, it said it a little differently in there.

H.M.JR: Not strong enough.

MR. KUHN: It says it is up to them. But aren't you going to make unnecessary trouble if you ask them to write directly to their Congressmen and Senators?

H.M.JR: Well, I don't know how to do it. I would like to have you show this to George and Doughton as a suggestion before I give it. I have never done that before. Think about it.

MR. PAUL: That would be carrying out the thought that we are trying to promote up there.

H.M.JR: That is the idea. Now, they have sounded off. But if I say, "Now, look - " I call up there and I say, "Kuhn is available Senator, and Doughton. When can he come up? I am giving a speech on this thing, and I would like to have you see it and get your suggestions." What? You see. What? Think about it.

Now, if you have got your speech, I have got a few things on it.

MR. KUHN: I have got it right here.

H.M.JR: You haven't sold me yet on the idea that I should do anything with the one thing. I always think if a speech has one idea, it is enough. This idea is that I don't want to go before Congress and ask for nine billion dollars worth of taxes until we first clean up

these inequalities. That is the whole thought. I am asking these people now to do this thing.

MR. BLOUGH: It does fit in very slightly with pulling it in by the tail to say that the present taxes are going to be very hard to pay, and you have got to watch out and save up for them. Now, before we go any further, we have got to have this--

H.M.JR: If you insist on doing it, Roy, do it just before the end, and then come in with your perorations and say, "Don't forget about your taxes on the fifteenth," but not open up with it. I want to get right into the body of the speech, you see. Now, on page six, the middle, "Yet I am sorry to say that the tax structure as it now stands does not conform in many respects." I would cut out "in the Administration's opinion."

Now, the third line, "weakened by inequality and unfairness, still riddled with loopholes - " well, I don't think it is riddled with loopholes. You can only name a half dozen.

MR. PAUL: You can name fifty.

H.M.JR: Well, then, if you are right, it is a terrific condemnation of me.

MR. KUHN: No, because you don't write the tax bills. You tried to get them through last year.

H.M.JR: Well, not riddled. Riddled sounds like Swiss cheese.

MR. BLOUGH: It isn't that bad.

H.M.JR: No, I don't think it is that bad. If it is, I ought to quit.

MR. BLOUGH: Most of them are very small pores.

H.M.JR: Page seven. "Yet they are not a small

matter, either morally or materially." Then say, "It is not a small matter in wartime to see a few thousand men and women." I say, "It is absolutely inexcusable in wartime to see a few thousand men and women."

MR. KUHN: That was put on the next page. "In peacetime it is harmful enough, but in wartime it is inexcusable and intolerable."

H.M.JR: Now, at the bottom of page seven, "efforts of our people can reach their peak level if our citizens once realize that a few are being allowed to escape their share." Just put in what I say. You can play with it afterward. It is the main thing - the main thing is the attitude.

Now, the top of nine, second sentence. "That is, for every dollar you as an underprivileged taxpayer--

MR. KUHN: No, "unprivileged." It is a bad word.

H.M.JR: It is a bad word, and I don't understand it.

MR. KUHN: It means as a tax payer without special--

MR. BLOUGH: Without loopholes.

H.M.JR: "... will have to pay on March 16 you would have paid only eighty-six cents if these inequities--"

MR. PAUL: We struggled with that.

H.M.JR: Inequities?

MR. KUHN: Right.

H.M.JR: Now, at the bottom of ten, "it becomes inexcusable." I would leave off "and intolerable."

Now, in the middle of the page, "The first loophole which this Administration regards as inexcusable on material and moral grounds is the continued existence of

of tax-exempt securities."

I don't want to talk about moral grounds.

MR. KUHN: Inexcusable in wartime?

H.M.JR: Yes. And I would come out flatfootedly and say I think it should be done away with.

Now, this part - what I would like to have is paragraph headings. I have got to show this to the President, you see. I want him to see it.

MR. PAUL: John made that point, that if you are coming out for taxing past issues, you ought to clear it with him.

H.M.JR: I am going to show it to him, and I want headings so he can skim through.

MRS. KLOTZ: May I be excused a minute?

H.M.JR: Sure.

(Mrs. Klotz left the conference.)

H.M.JR: See? Just have a heading.

MR. PAUL: I will put headings on. We can cut them out if we don't want them.

MR. KUHN: You don't have to see them in the speech.

MR. PAUL: It will help you if you are reading it perhaps. You will know just where you are.

MR. KUHN: You don't have to read them.

H.M.JR: "This provision give many wealthy taxpayers a delightful refuge" - I don't like to talk about wealthy taxpayers and a delightful refuge.

MR. PAUL: Of course that is the essence of that idea, Mr. Secretary, that that does no good to anybody but the wealthy.

MR. BLOUGH: It sounds like a love nest.

MR. PAUL: "Refuge"?

H.M.JR: I thought "delightful" is a little flip.

MR. KUHN: I like it.

H.M.JR: Well, I know. Now, the next --

MR. PAUL: I used the word "haven" one time.

H.M.JR: Now, "The dice are loaded in favor of the wealthy." I would like to leave that sentence out. There is too much wealthy, wealthy.

MR. KUHN: Yes, and there can be a paragraph in there about how lots of wealthy people have gotten the idea --

H.M.JR: Now, the middle of the page --

MR. BLOUGH: Johnnie Hanes never used to let us say that "wealthy" at all. It was "high incomes".

H.M.JR: Well, I don't mind, but there is just too much of it. Now, I say, "Wealthy individuals" - on page 12 - "are not the only taxpayers who are in a position to take advantage of this glaring inequity. What is my record on this? As far as I know, I have never asked insurance companies to pay taxes."

MR. PAUL: You have been asking them for the last week, and I expect to see --

H.M.JR: Well, I mean publicly. "Let us give them a chance to come forward and do so. Time enough to scold when they refuse." Now, that is my whole attitude, you see.

MR. BLOUGH: Furthermore, that particular thing on insurance companies wouldn't mean very much money to us.

H.M.JR: But time enough to scold when they refuse. There is too much scolding. What?

Now, on page 13, "controlling over \$24 billion worth of assets, paid not one cent." Then this thing here, "I wonder how the seven million new taxpayers," and so forth, the rest of that paragraph, I would cut it out. You see, on the theory - well, hell, it does just what George Buffington does not want them to do.

MR. PAUL: I would like to leave this insurance company paragraph out, if we can.

H.M.JR: Well, that is all right.

MR. PAUL: It kind of embarrasses me. I have got Harrison saying now he wants to pay taxes, and I may get Douglas tomorrow.

H.M.JR: Well, there you are. You see? He is embarrassed because he takes - he is going to try to get him to do it voluntarily. That is my whole point. You don't know what these fellows will do if they are asked nicely. Do you get it? He (Paul) has just proven it.

"A second loophole, a second widespread method of avoidance, is the splitting of" - that means separate returns, doesn't it?

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MR. PAUL: Joint returns.

MR. KUHN: It is the whole subject of joint returns.

H.M.JR: Well, you have got two things here.

(Mrs. Klotz returned to the conference).

You have got the question of filing joint returns, and then the question of community property. I think the two things should certainly be separated, as two separate things. They are two separate things, aren't they?

MR. PAUL: Well, they are and they aren't. The joint return is a broader division which takes in --

H.M.JR: Well, I think if you head it up with headings you will make it cleaner-cut. And I say, "A second loophole, a second widespread method of avoidance, is the splitting of taxable income between husband and wife" - is this the first time I said it, or did I say it last year?

MR. KUHN: Well, aren't you in conflict with the President there?

H.M.JR: No.

MR. KUHN: They will say you are.

H.M.JR: Well, I can't help it, I am not.

MR. PAUL: On what?

MR. KUHN: Joint returns.

H.M.JR: Publicly I am not, and also, this will be across the table with him, I am not. He gave me his O.K. on this. He is going to see this, you see.

MR. PAUL: We might start that the other way, Ferdie, with a short discussion of community property, and then say, "The real way" --

MR. KUHN: Start it with community property?

MR. PAUL: Then sweep into a broader horizon.

MR. BLOUGH: Not only community property, but other evils, gifts.

H.M.JR: The whole point will be, "My God, why should I pay the taxes? If these fellows are getting away with it, to hell with it."

MR. KUHN: If you say you are not going to ask for nine billion dollars of new taxes until you have got the billion dollars collected, you will run into the same trouble.

H.M.JR: No, what I am saying is, that is the first thing I am going to say. That is the first thing I am going to say, and fight for it. That is the first thing I am going to ask for, and I will fight for it. Is that all right, Randolph?

MR. PAUL: Yes, that is all right.

MR. KUHN: The other wouldn't be.

MR. PAUL: You wouldn't do one without the other, that is the idea, Ferdie. You are not doing the one thing first.

H.M.JR: Now, in the middle of 14, "For example, a family in which the husband earns \$10,000 pays \$300 more tax than a family in which the husband earns \$7,000 and the wife \$3,000." I say it is a poor example, three hundred dollars. That isn't going to get anybody excited, that by filing a separate return you save three hundred dollars.

MR. PAUL: You have to relate the three hundred to the total tax.

H.M.JR: But three hundred dollars is meaningless to people.

MR. KUHN: Well, suppose that the family - well, as Randolph says, relate it to the total tax, and you will see that they pay twice or three times as much tax.

MRS. KLOTZ: That is different.

H.M.JR: But the way it is written. Do you mind if I am going this fast and hard this morning?

MR. KUHN: No, I want it.

H.M.JR: You can take it, can't you?

MR. KUHN: I want it.

H.M.JR: It is the Florida air.

MR. PAUL: We will send you down again. I was going to propose another trip in the plane to have a conference with you.

H.M.JR: Just let me digress a minute. Do you know that I came back with a suggestion which I thought was stupid, and I only got it last night, and I couldn't sleep all night. I mean, this is in the family. It will come out anyway. I said, "Look, Bell, who is there in the Treasury who is running a continuous study on how we can raise this money, you see, and where it is coming from? Where we get it, which is the right place, and where we get it, which is the wrong place? For example, why must we wait until Henry Pruer comes out and says we are getting it from the wrong place? I want it in each of the twelve Federal Reserve Districts." I said, "We have nobody studying that. That is unbelievable."

MR. PAUL: I don't quite follow you. We are studying it.

H.M.JR: But that isn't - for instance, you don't study - I can't buzz your section and say, "Are we getting too much of this money from the savings banks or are we getting it from the wage earners?"

MR. PAUL: Do you mean from the borrowing?

H.M.JR: Yes.

MR. PAUL: Oh, pardon me.

H.M.JR: No, I am talking about the borrowing.

MR. PAUL: Pardon me, I didn't understand you.

H.M.JR: But if I asked you in the Treasury with this program, "Is there an intelligent group studying on the borrowing?" you would bet three to one that there is.

MR. BLOUGH: I still, after what Mr. Bell said, I hope there is, put it that way. But you know this Shoup business has been turned over to Haas, and that really ties up in that they are doing something on it, which I doubt.

H.M.JR: I don't know. Bell said we had a young fellow by the name of Henry Villard, Jr. III.

MR. KUHN: He has left.

MR. PAUL: He is over at OPM now.

H.M.JR: He was here four and a half months and never wrote up his report. That was his job. I mean, if I didn't get anything else in Florida, it would be worth-while to find that loophole in the Treasury.

MR. BLOUGH: Well, I hope you will push that, because that is a very important matter.

H.M.JR: Well, I told him to have Viner and Lauch

Currie make a plan. There aren't two better men in Washington. To submit a plan. So we will have studies in the twelve Federal Reserve Districts running continuously, but have Viner and Currie making a plan.

MR. PAUL: I hope you won't take Viner off taxes altogether.

H.M.JR: But I couldn't help it.

MRS. KLOTZ: That is an awfully long speech.

H.M.JR: Do you know when I did that?

MRS. KLOTZ: No.

H.M.JR: With the headache on the plane.

Seventeen, it says, "is a bit more technical." Again state the record. What I would like to say is, "In '37, in '38, and '39, the Treasury asked for this."

MR. PAUL: We have got a beautiful scheme on that now.

H.M.JR: Do you see what I mean?

MR. KUHN: Yes, sure.

H.M.JR: You read this thing through and you don't know. Paul knows, but he is a very exclusive person.

Top of page 20. "I wish that I could ask every one of the sixteen million taxpayers on March 16th, 'Well, how do you like it? How do you like this kind of subsidy' - all out.

MR. KUHN: Well now, Mr. Secretary, you said you wanted to encourage the taxpayer to write to his congressman or the equivalent in regard to his own fight. How

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are you going to do it unless you say --

H.M.JR: But you say the sixteen million on March 16th.

MR. KUHN: That is right, take that out.

H.M.JR: Now, what I want to do is, I would cut that out down to, "What is more." I want to sum up and say, "Now look, Audience, I pointed out to you the more flagrant examples which my people tell me amount to a billion dollars worth of loopholes. I have tried, as I pointed out to you in these instances, year after year, to get these things eliminated. I have been unable to do it on account of special interests, but I am confident that under war conditions these people are just as patriotic as I am, and they will be glad to work with the Treasury to have this thing done, but I want you to know about it and I need your help, and I can't do it without the backing of the ninety-nine per cent of the people who aren't favored this way," and put that in for the punch at the last.

MR. KUHN: That is the peroration.

H.M.JR: "I can't do this without ninety-nine per cent of the people backing me up and making themselves vocal," you see.

MR. PAUL: Right.

H.M.JR: But not, "You taxpayers on March 16th are going to go to the poll." I have got a wonderful slogan. I have got another thing. "March 15th, National Tax Day."

MR. KUHN: They will be after you for the "National Defense". Defensive psychology. Take out the word "defense". They are trying to take the name "defense" out of every Government agency.

H.M.JR: "National War Day"?

MR. KUHN: "Victory Tax Day."

H.M.JR: The President won't have "Victory". He definitely won't. He foams.

MRS. KLOTZ: Why?

H.M.JR: Because the President says, "We are so far from victory." He says, "We are defeating - we are fighting a rear-guard engagement," and he says, "I am not going to talk about victory until I have won a battle."

MRS. KLOTZ: He is right.

MR. KUHN: That is all right, but you can have something else --

H.M.JR: He says, "I have got no victory plans or anything else until I have won a battle. That is time enough to talk about a victory."

MRS. KLOTZ: He has a long way to go.

H.M.JR: That, gentlemen, are all the few little gentle suggestions I have (laughter).

MR. KUHN: Mr. Secretary, the peroration here about the nine billion in new taxes --

H.M.JR: Otherwise I think it is a swell speech.

MR. KUHN: Oh, you do? (Laughter).

MRS. KLOTZ: You have improved your sense of humor in Florida.

H.M.JR: I am talking to all three of you because I want you to come back just as hard as I am and say, "Morgenthau, you are wrong, and we have got to do it"

the way it is written," and so forth. If any of you think I am wrong this is your chance to tell me.

MR. KUHN: Are you willing to accept the peroration from page 21, that this isn't the time to discuss the new tax program, that we have got to raise nine billion dollars, we have got to raise it but we are entitled to lay down one condition, that this nine billion be raised fairly?

H.M.JR: That is all right.

MR. KUHN: I am going to put that in toward the beginning and then lead off into the unfairness.

H.M.JR: And I still think - but if you have got something about "Save your money between now and the 15th of March," then say it just before you go into the peroration.

MR. PAUL: I am not so sure we have to say that.

MR. KUHN: All right. I thought it was doing a good turn, that is all.

H.M.JR: No, what I am going to do is, I have got on my other piece of paper, I am going to get everybody that has anything to do with publicity into the room and I am going to give them a fighting talk about from the 1st to the 15th of March everybody has got to turn loose on this.

MR. KUHN: Well, they have had a lot of publicity while you were away.

H.M.JR: Well, we have got to have a lot more. What do you think, Randolph? I mean, where are you in disagreement with me?

MR. PAUL: I don't think I am in disagreement with you. The only possible place where I might be in

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disagreement in substance, but not in approach, is that I don't think you are going to get too much out of these wealthy taxpayers, because I know them pretty well, by too much of a cooperative effort. I think some of them will be nice, but they have no idea of paying any taxes that they can possibly avoid, and that is their whole psychology.

H.M.JR: Granted.

MR. PAUL: Now, in this speech it might be better to approach very gently, but later I think you will have to slam.

H.M.JR: Granted. While you (Mrs. Klotz) were out of the room, Mr. Paul said, "Well, don't say anything against the insurance companies because I think I can talk them into doing it voluntarily." That proves my point. I said, "Don't say anything" --

MR. PAUL: Well, some of my talks have been after this was sent off.

H.M.JR: But Randolph, this is my opening gun.

MR. PAUL: That is right, just to keep your record you have to be gentle at the start.

H.M.JR: Well, it is much better to be gentle and gently at the start, stating the cold facts, and then work up to a crescendo.

MR. KUHN: Mr. Secretary, are you going to embarrass yourself by going over this past record? You have tried again and again to get these inequalities remedied. Congress has shown again and again that they are the boss in these things, and they throw you out every year. Now, isn't the recital of that record going to be an invitation to first of all - for Congress to throw it out again, and secondly, for business to say, "O.K. Well, he has been for this so long it doesn't matter a damn."

H.M.JR: I don't think so.

MR. KUHN: You don't think so?

MR. PAUL: The war makes a difference there, Ferdie.

H.M.JR: Because I would much rather have them say that, which I don't think they will, than to have them say, "Well, why is - it takes Pearl Harbor to get Morgenthau excited about loopholes."

MR. KUHN: I see. Well, I just wanted to raise that.

MR. PAUL: You have got a pretty good record on that, and some of it is rather dramatic.

H.M.JR: I would much rather have them say, "He has been consistent on this thing." koy?

MR. BLOUGH: I think you are asking for a difficult speech. It is going to be a hard speech to write, because you want to be sweet and tough, and you may not be satisfied even when it is finished, but I think it is the approach to take.

H.M.JR: The fist of iron and a kid glove. What?

MR. BLOUGH: That is it. It will be hard to get the results, but I think that is the attitude to take.

H.M.JR: Now, gents, when are you going to have something for me?

MRS. KLOTZ: When do you give this?

MR. KUHN: Saturday. I would like to have something tonight.

MRS. KLOTZ: You certainly didn't start much in advance.

MR. KUHN: I would like to have another draft tonight.

MR. PAUL: I could go into session with Stam now.

MR. KUHN: For how long?

MR. PAUL: I can close it around noon and have lunch with you.

MR. KUHN: Somebody in Roy's shop can give me the record on this.

H.M.JR: Roy has got to help.

MR. PAUL: The record on '37 is pretty fully told.

H.M.JR: Roy has got to stop what he is doing and turn loose.

MR. KUHN: I would like to talk to you ten or fifteen minutes on the Detroit thing. This is the story. You were going to be talking to the fellows --

H.M.JR: You (Mr. Paul) don't have to listen to this if you have got Stam in there. When do you want to come back, four fifteen?

MR. KUHN: Yes.

H.M.JR: O.K. And when you come back, this next time, the reason I asked the three of you, because you only mentioned the three of you as working on this thing, but you can bring Sullivan on it.

MR. KUHN: It has been circulated to the others.

MR. PAUL: Tarleau --

H.M.JR: No, that gets too many. Let's leave it the three of us.

MR. KUHN: May I take a minute? I want to tell you the situation there.

# Cleveland Talk

28 (1)

1. Think I should introduce talk by giving a little history of fight I have made to close loop holes. The way speech is written now nobody would know of some fight I have made. I should state the successes which we already have had in ~~close~~ closing loop holes and then go on to state the loop holes left to close.

You are too hard on the wealthy tax payer when you consider what has the Treas. done about it in the past. What is our record? ~~up~~ up to now tax payer

has had perfect right  
to invest in these  
securities. No one has raised  
moral issue.

I want to take attitude  
that if Treas points  
the way States + cities  
etc. and the holders of  
these securities will see  
the light and under War  
conditions will  
cheerfully pay taxes on  
this part of ~~of~~ their ~~tax~~  
tax exempt income.  
~~after all let us take the~~

I want to say that before  
asking x million of tax  
payers to pay 9 billion  
more taxes we should ask  
the recipients of the 1 billion tax  
privilege loopholes to pay up.

I start speech as follows (30)

all men are born equal  
now we at war let us  
have a policy that all  
men should be taxed  
equally according to their ability to pay.  
In order to do this we  
have to eliminate certain  
inequities which have been  
part of our law for years



TREASURY DEPARTMENT  
Washington.

Jan. 17. 1942.

Dear Mr. Secretary,

This draft has been approved by Randolph Paul, who helped greatly with it, and by Roy Blough, who had the figures checked. The others will see it Monday.

Best regards to you and Mrs. Morgenthau.

Sincerely,

Ferdie Rubin

P.S. - The count is 3,073 words,  
or 25 1/2 minutes.

DRAFT OF SECRETARY MORGENTHAU'S ADDRESS  
TO THE CITY CLUB OF CLEVELAND  
JANUARY 24, 1942

I am very happy to be with you in Cleveland this afternoon, because it gives me an opportunity to pay my tribute to the wonderful response that your community is giving to the country's call. Here in the Cleveland area you have a great concentration of the forges and assembly lines which are America's front lines at this moment; day and night your industrial wheels are turning, your hammers are pounding, your fires are burning and your workers are toiling to win the war. Here in Cleveland you have great numbers of foreign-born neighbors who value our precious freedoms and who have pooled their skills with ours in this mighty production effort in which we are engaged.

Here in Cleveland you have responded to every call the Government has made upon you, and I take off my hat to you.

This war will bring us many tests of our spirit and our stamina. It has brought us some severe tests already. Our national will-power has been tested and proved by our ability to take the shock of Pearl Harbor, and to take it without flinching. Our willingness to take marching orders has been tested and proved by the nation-wide acceptance of the great task the President set for us the other day, the task of making such an overwhelming number of planes, tanks and other weapons of war that the Nazis and the Japanese will be utterly unable to match us. We have set our minds to accomplish that task, and we are going to do it. Our patriotism

has had still another test, and another proof, in the sale of Defense Bonds and Stamps, which doubled in December and which, I am glad to tell you, will reach new records in January, both in the amount of money subscribed and in the number of individuals who are buying their share in America.

But we shall have, in the very near future, still another test of a kind which I think too few of us have planned for or even considered. That test will come on March 16th, when fifteen million Americans will be called upon to pay their income-taxes for war and victory. It will give fifteen million men and women an opportunity to contribute directly to the war machine that will smash the Axis and set the whole world free.

Never before have so many Americans been asked to pay direct taxes at one time. There will be millions who have never had to pay on such a scale, and there will be seven and one-half million <sup>new tax payers</sup> who have never had to pay a penny of direct taxes before.

The taxes payable on March 16th will not <sup>begin to</sup> reach the level of those now being paid by our Allies in Great Britain, Canada or Australia; they will be slight compared to the huge taxes the Nazis and the Japanese have exacted from their people for years; they will be slight, also, compared to the war taxes we shall have to impose upon ourselves in the new financial year. Yet the present taxes will be severe, and they will involve a good deal of scrimping and saving on the part

of those who pay them. It is high time, therefore, that all of those fifteen million taxpayers should think and plan and save, now, so that they can pay the bill when it becomes due six weeks from now.

I am disturbed at times--and I am bound to be disturbed, as Secretary of the Treasury--when I hear that so many taxpayers wait until the very last moment before putting aside the money that will be needed on March 16th. It is not too early for every taxpayer to find out how much he will have to pay, and how and where to pay it. If every taxpayer takes a few elementary precautions like this, instead of waiting until the last day, it will not only make the Treasury's task much easier but it will be a most useful contribution to the financing and the winning of the war.

*It really starts here*

This Administration has tried hard for years to spread the tax load more fairly among our people. The President has spoken again and again of the need of making our taxes effective and equitable as well. Only the other day, in his Budget Message, the President repeated that "a fair distribution of the war burden is necessary for national unity." Yet I am sorry to say that the tax structure as it now stands does not conform in many respects, ~~(in the Administration's opinion)~~ either to the requirements of equity or to the insistent needs of a nation at war. In spite of all our efforts of recent years--and we have made some headway every year, especially in 1937--our tax structure is still weakened by inequality and unfairness, still riddled with loopholes through which a small and favored group can escape its fair share of the common contribution.

Perhaps the American public is inclined to shrug its shoulders at the defects in our tax laws; perhaps these blots on our tax system have been with us for so long that we regard them as natural and indelible.

Yet they are not a small matter, either morally or

*absolutely inexcusable*  
materially. It is ~~not a small matter~~ in wartime to see

*^*  
a few thousand men and women escape almost scot-free from the payment of taxes, although they are well able to pay. Every time one of our citizens manages to take advantage of loopholes in the tax laws, it means that the rest of us must shoulder the load which he has escaped carrying. I just cannot believe that the war efforts of our people can reach their peak level if ~~most of our citizens feel~~ *once realize* that a few are being allowed to escape their fair share.  
*^*

War knows no avoidance; the Nazis and the Japanese do not pick and choose among us. As the President said, "When our enemies challenged our country to stand up and fight they challenged each and every one of us." Each and every one of us has a direct stake in the outcome of this war. Each and every one of us, therefore, must pay his fair share of the cost.

Just to satisfy my own curiosity, I asked our Treasury tax experts the other day to compute the total amount of revenue that had to be passed onto the shoulders of other taxpayers because of the existence of loopholes in the law. The answer was a billion dollars, about one-seventh of the entire

income-tax receipts in the fiscal year that ends in June. That is, for every dollar you as an unprivileged taxpayer will have to pay on March 16th you would have paid only 86 cents if these ~~evils~~ *evils* had been stricken from the statute books.

It is not very difficult to slip through existing loopholes, so long as a taxpayer can afford to split his income into parts and to pay the fees of a tax lawyer. Tax avoidance in most cases is perfectly legal--I could call it by other names that would not be half so sweet, so I had better stick to the word "legal." Tax avoidance is made possible by faulty statutes which have been exploited, quite legally, by thousands of wealthy taxpayers. The philosophy

of habitual tax avoiders is that it's perfectly all right if you can get away with it. You may have heard the remark attributed to one of our leading financiers: "If the Government doesn't know enough to collect its taxes, a man is a fool to pay them." Yet this is not a competition between the Government and the citizens. It is a never-ending attempt by a few citizens to make many citizens pay more than their share.

In peacetime it is harmful enough; in wartime, when we are drafting young men to fight and give their lives for their country, it becomes inexcusable ~~and intolerable.~~

So that you may know exactly what I have in mind, I should like to turn now to three specific examples of inequalities--and I could name a great many more than three--which have been allowed to remain on the statute books at the expense of the majority of our taxpayers.

The first of the loopholes which this Administration regards as inexcusable on material and moral grounds<sup>?</sup> is the continued existence of tax-exempt securities. At present, as you know, the interest from State and municipal bonds is exempt from Federal income tax. This provision gives many wealthy taxpayers a<sup>^</sup> delightful refuge, not from some income tax, but from all income taxes. (The dice are loaded in favor of the wealthy.) No matter how much money may be needed for

D-A

*as far as I know I have never seen  
insurance companies to pay taxes. Let us  
give them a chance to come forward  
and do so. Time enough  
to scold when they refuse,*  
the war, no matter how high tax rates may go, no matter

how pressing and urgent the need may be, a taxpayer may laugh at our tax laws and contribute nothing in this hour of his country's peril, if only he can afford to lay his hands upon a sufficient amount of tax-exempt securities.

Wealthy individuals are not the only taxpayers who are in a position to take advantage of this glaring inequity. Insurance companies control a large part of the wealth of this country, yet because they have invested a large part of their capital in tax-exempt bonds, and because of other favoring provisions in the law, they pay almost nothing to the Federal Government in income taxes. Most large corporations pay taxes

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at rates ranging from 21 to 72 per cent upon their incomes, yet in 1939 our 26 largest life insurance companies, controlling over \$24 billion worth of assets, paid not one cent in income taxes. (I wonder how the seven million new taxpayers will like these figures when they pay their taxes on March 16th.)

I wonder what will be in the minds of many of those hard-pressed taxpayers if they realize that a few wealthy individuals and a few great corporations are allowed to escape in this way.

A second loophole, a second widespread method of avoidance, is the splitting of taxable income between husband and wife, in such a manner that two families having virtually the same economic position pay vastly different taxes. Under the present law,

if a husband has income and his wife has income, each pays a tax on the separate income. Because the income-tax rates are progressive--that is, because the higher the income the greater is the rate of tax--a family in which both husband and wife have income pays less tax, in many instances, than a family having the same amount of income all of which is received either by the husband or the wife. (For example, a family in which the husband earns \$10,000 pays \$300 more tax than a family in which the husband earns \$7,000 and the wife \$3,000. The higher the income, the greater this discrepancy becomes; and it will become still greater under the higher rates that are bound to come in the near future.

D-A

If we turn from the salary-earners to those who live on dividends, we find even more striking ways in which the separate taxation of husbands and wives can be exploited for tax purposes. Let us take the case of a taxpayer in the upper brackets having a \$100,000 income from securities. Under the present law he would pay a tax of \$52,704. But if he turns over half of these securities to his wife, he will pay a tax of \$20,881 on \$50,000 income and his wife will pay a tax of the same amount. This couple, at the cost of a moderate gift tax, has thus secured a perpetual reduction of \$10,941 in its income tax liability. The loophole could be closed and the unfairness to the great mass of taxpayers removed by taxing each family as a unit. The family is the economic unit, and a realistic tax would treat it as such.

If families were taxed in this fair and sensible way we would remove still another source of tax discrimination. A husband who earns a \$10,000 salary must, in the great majority of our States, report that salary as his income and pay a tax of \$1,305 on it. If, however, he is fortunate enough to live in one of the eight States having what is called the community property system, he is allowed to report only \$5,000 of that salary as his income and his wife may report the other \$5,000 as hers. The two of them together will pay a total tax of only \$965. Thus, the married citizens of nine out of forty-eight States are able, because of a legal technicality, to escape their fair share of the load at the expense of our married citizens in the rest of the country.

D-A

At the time the last tax bill was being enacted, Congress considered a provision requiring husbands and wives to report and pay tax on their combined incomes. When this provision was in the bill before Congress, a married couple in which the husband earned \$4,000 would have had to pay a tax on March 16th of this year amounting to \$180. When this so-called mandatory joint return provision was stricken from the bill, Congress made up the revenue which was thereby lost by increasing the tax on this family to \$249. I can think of no more graphic illustration of what happens when we perpetuate provisions in our laws which unduly favor special classes of our citizens.

The final loophole which I shall mention this afternoon is a bit more technical. If you use a machine

D-A

in your business and that machine can be expected to last for ten years, you are permitted to deduct each year for ten years one-tenth of the cost of that machine. Because you will probably have to buy a new machine at the end of ten years, this deduction is a fair and reasonable method of allowing you to recover your capital tax free. Needless to say, you are never permitted to deduct more than the cost of the machine.

There are some types of business, however, which are permitted over the years to deduct far more than the amount of money which they have put into the property with which they conduct their business. A mine or an oil well wears out eventually, just as the machine does, and companies in the mining and oil

D-A

business must acquire new mines or wells in order to continue their business. They must fairly be allowed, therefore, to deduct each year a portion of the original cost of the mines and wells which they have acquired. However, we let them do much more than that in certain instances. The so-called percentage depletion provision of the income-tax law allows these companies to deduct an arbitrary percentage of their income indefinitely, instead of deducting a percentage of the cost of their wells and mines each year until the entire cost has been made good. An oil company which may long ago have recovered tax free many times the cost of the wells which it is operating is still permitted a deduction of  $27\frac{1}{2}$  per cent of the gross income from those very same wells.

D-A

I wish that I could ask every one of the sixteen million taxpayers on March 16th, "Well, how do you like it? How do you like this kind of subsidy to a few oil companies, or a few insurance companies, or a few thousand wealthy individuals?" The question would be quite appropriate, since, after all, the great majority of taxpayers have to pay more because the few are allowed to escape. What is more, the remedy for this state of affairs lies in the taxpayers' hands. It has been difficult until now to change the tax laws because the majority of taxpayers have been indifferent. It will be easy to change the tax laws as soon as the great body of American taxpayers become aroused to the evils and the abuses which have <sup>been</sup> left on the statute books year after year.

D-A

This is not the time for me to discuss the new tax program. The President has said that we must have \$9 billion in new revenue. We have no more right to question that estimate, or to fall short of that goal, than we would have to fall short of the President's announced goal of sixty thousand planes and forty-five thousand tanks in 1942. It will produce hardship; of course it will. We might as well start from the assumption that the coming taxes will be hard for everybody, just as we must realize that our huge production program will involve sweat and sacrifice for everybody. How can you divert half of our national income to war production without "dislocating" our economy? How can you spend \$40 billion in this year 1942 without "disturbing" ordinary business

D-A

and ordinary living? How, for that matter, can you fight and win a life-and-death struggle, a war that encircles the whole planet, without discarding old habits, old fears, the dead old notions of business-as-usual?

We are entitled to lay down just this one premise: that the sweat and sacrifice be distributed fairly and borne by all in their fair proportion. We shall be failing in our duty if we ask millions upon millions of our people to contribute heavily while a few thousand are allowed to escape. I believe in all earnestness that the existence of abuses in our tax system represents a real threat to our national unity and our national morale.

D-A

National unity is a precious thing; it will be subjected to many strains in the months and years of trial ahead. Special privilege and national unity do not go hand in hand. Tax favoritism and national morale cannot survive together; one or the other must go. I have so much confidence in the American people that I think I know in advance what their choice will be.

D-A

January 21, 1942  
10:20 a.m.

DETROIT SPEECH TO UAW

Present: Mr. Kuhn  
Mr. Odegard  
Mrs. Klotz

MR. KUHN: You are going to be speaking at Detroit to the people who have been hardest hit by the unemployment, the conversion, the change-over. You are going to have there the two fellows who were in your office.

H.M.JR: This is the two-thirty meeting?

MR. KUHN: Two-thirty Sunday, at Detroit. It is going to be inappropriate to talk entirely about bonds to people who are so hard hit as that. Therefore, any ideas that you have about the change-over should go in that speech, and I have a couple I would like to try out on you.

H.M.JR: Yes.

MR. KUHN: First of all, here are the American people thirsting for action, for an offensive, for a victory, for some smack at the Axis. They can't have it for a while, but the big push begins here. It begins here in Michigan and in Ohio and in the plants, and the push is the conversion and the production of material. Give them a sense that whatever offensive action, whatever whacking of the Axis we can do, we are going to do right here in Michigan and Ohio in the next few weeks. The big push begins here.

H.M.JR: I would go up a step further, because I

have been thinking about this thing too. You can look up the date when I went and sat in the back room there in Pontiac. I would like to say this: "Some of you know that I had the privilege of attending a meeting of the shop stewards at Pontiac on such and such a date and from that day to this, I have been convinced that - " I don't know what they call themselves, "the laboring man"-I don't know if that is what they are called, whatever it is - "has been ahead of all of us in his desire to produce armaments to lick the Axis."

MR. KUHN: Right.

H.M.JR: "And I have been telling that to everybody who would listen to me."

MR. KUHN: This is what I want.

MRS. KLOTZ: It will be marvelous.

H.M.JR: "And when I suggested to - in the presence of two of your members that the answer to the production of armaments was the immediate stoppage of the manufacture of automobiles with a quick change-over to armaments, and I turned to these two men and said, 'How about it?' and they said, 'We can take it. We are used to it.' And I was very glad to hear at the same meeting from Mr. Keller, who was present, that he felt the same way. I am confident that not only can labor take it, but they can give it."

MR. KUHN: This is what I need, you see. This is what I want.

H.M.JR: See? "And in the final analysis, it is the men at the bench and the lathe who are going to produce the guns and the tanks and the planes, who will be the deciding factor, whether we win or lose. And we are going to win."

MR. KUHN: And the bonds are very secondary in talk like this, to such an audience.

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H.M.JR: I have thought about this thing. Now, here is an idea which I think is clever. I think I should ask these fellows - oh, that is different, CIO.

MRS. KLOTZ: Did you tell Mr. Morgenthau that they are going to come together?

MR. KUHN: No, all the UAW is going to be there at that meeting. Originally it had been the education section. Then when they heard you were coming, they got R. J. Thomas, and he will be there and the two men who were in your office are going to be there.

MRS. KLOTZ: I understand that from him (Kuhn) now.

H.M.JR: I don't think I should go to a separate meeting. These fellows just wanted to run a meeting for the Dodge main plant.

MR. KUHN: No, they are all coming together.

MRS. KLOTZ: Who should contact them?

MR. KUHN: I have been talking to Mr. Iseby about it, and he has been out there talking to them.

MRS. KLOTZ: But this man is here in Washington. I will give you the memo.

MR. KUHN: Yes.

H.M.JR: What I had was this, and I don't know whether it would work, but this is the thought I got. At last I have been able to sleep instead of thinking. I think it would be awfully smart, and this is what I thought when I just was going to talk to the main plant, to have Mr. Keller sitting at my side.

MRS. KLOTZ: No.

H.M.JR: Now wait, Mrs. Klotz, don't rush it. The

thought is, he is the fellow, here is the Government, and here is management, and here are the workers. It will leave an awfully good taste in his mouth, and I have got to see him again, and I have got to work with him again, and I want him to know that I suggested that he be invited to this meeting, and I want to say in this speech that whatever I was able to do, I was able to do it through the hundred percent cooperation of Mr. Keller and Mr. Robert Patterson, Undersecretary of War. It never hurts to give praise.

MRS. KLOTZ: That is all right, but I don't know about the sitting there. This is your party.

MR. KUHN: That means that you have got to tell the story of what you did.

H.M.JR: Well, I had the idea, you see, that I was just going to talk to the main Dodge workers, but if it is going to be a lot of automobile workers, then I think it is not necessary to have Keller.

MR. KUHN: It will be the whole UAW with maybe twelve thousand people.

H.M.JR: What I can say is this, Ferdie. They are going to say something, aren't they, about what I did?

MR. KUHN: Sure, that is why they want you to come.

MRS. KLOTZ: They want to thank you.

H.M.JR: Then I can say, "If I was able to do anything, it was first because these two men had the initiative to come to Washington, and under our Democratic system we would meet on an equal footing and talk over our mutual problems."

MRS. KLOTZ: They didn't.

H.M.JR: Well, they did with me.

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MR. KUHN: You see, I don't know this whole story, but I have got glimmerings of it.

H.M.JR: Well, if the man is in town, let him come in and see Kuhn.

MRS. KLOTZ: I think it would be good for you to see him.

H.M.JR: He has contacted Frank Coe and the fellow who should go over this speech before I give it is Lee Pressman. He knows the whole story.

Now, I don't know how they feel, but you know they talked to each other as brother and sister. That is the way they address each other at a formal meeting. I mean, the man gets up at a meeting before these people and says, "Brother and sister, should I do it?"

MR. KUHN: Well, it is an old trick. Every politician does it.

H.M.JR: Well, I will bet you Vandenberg wouldn't get up there and talk to them as brother and sister. Mr. Roosevelt didn't know what a shop steward was, so he couldn't get up and talk to them as brother and sister.

MRS. KLOTZ: He ought to have Hillman there to advise him.

H.M.JR: Is that what you wanted?

MR. KUHN: That is what I wanted, and I wondered if it was all right with you if most of that talk was along those lines. The bonds are incidental. The fellows who are working in good jobs have a double reason now for buying bonds, and the fellows who don't, shouldn't.

H.M.JR: Now, what I would like you to do is this. I will do it myself if you think we will have it. I would like to call up Steve Early and say I am going

to talk to these people. Would he like to write out a little message for me from the President to these people?

MR. KUHN: That would be swell.

H.M.JR: Mrs. Klotz isn't enthusiastic about it.

MR. KUHN: Isn't it swell? What is the matter with it? What is wrong? I don't get it. I would like to know.

H.M.JR: Nothing. She promised to be a good girl.

MRS. KLOTZ: I promise not to come, then.

MR. KUHN: Oh, but that is wrong.

H.M.JR: What do you think? Don't you think if I brought a little message on this explanation and what they were going to do for these fellows from the President that it would be good?

MR. KUHN: It is always good, I think, if you can speak as a spokesman for the President.

(Secretary on White House phone.)

Mr. Steve Early.....

Somebody else instead of Early.....

Good morning, is the great Tully in? .....

No, it has to be Grace Tully.....

If you please.....

MR. KUHN: Mr. Secretary, you have never said anything about Donald Nelson since you have been appointed. Do you want to send him a bouquet in this speech?

H.M.JR: Yes, sure.

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MRS. KLOTZ: I am not commenting.

MR. KUHN: I know, but why? That is not fair.

January 21, 1942  
11:27 a.m.

HMJr: Hello.

Mrs. F. D.  
Roosevelt: Hello.

HMJr: Hello.

R: Hello, Henry. Yes.

HMJr: Have you got a minute?

R: I'm so sorry, but Dean Landis and a new man  
we're getting, Mr. Hugh Jackson, were in here  
at the moment.

HMJr: Well, I only wanted to talk to you when you  
had a few minutes.

R: Yes. Well, now I have them.

HMJr: Well, on Monday night I'm talking for the  
President's Birthday Ball.....

R: Yes.

HMJr: .....and this is what I was thinking of saying  
and nobody else could tell me whether it would  
be distasteful to the President or to you. I  
was going to say that through infantile paralysis  
and the fight that the President made to over-  
come the handicap, that he prepared himself  
for this crisis and that it was the sacrifices  
which he made which has made it possible for him  
to face the things that he has to face today.

R: Well, I don't see anything - that's the same thing  
that he himself said to Churchill one day in my  
hearing, and I have always said, so that I think  
that's perfectly all right to say.

HMJr: He did say it?

R: Yes.

HMJr: Has anybody said it publicly?

R: No, nobody's said it publicly.

HMJr: But you think it would be all right?

R: I think it would be fine to say.

HMJr: Because then I was going on to say that now it's up to the country to make at least as great sacrifices through the various so forth and so on in order that we can carry on and beat Hitler.

R: I think that's fine.

HMJr: You're perfectly sure.

R: Perfectly sure. I don't think there could be any objection.

HMJr: Well, then I'd like to say it.

R: All right.

HMJr: Thank you.

R: (Laughs) Good-bye.

HMJr: Good-bye.

January 21, 1942  
11:30 a.m.

HMJr: Hello.

Operator: Mr. Gaston.

Herbert  
Gaston: Hello.

HMJr: Herbert?

G: Yes.

HMJr: How are you?

G: First rate. How are you?

HMJr: Good. Herbert, I have this memorandum from you in regard to J. Homer Butler.....

G: Yes.

HMJr: .....and there are two things that I'd like you to do. I'd like to have a very brief, chronological statement prepared for me what Customs claims is what he did from the time he left Paris until the time the English found that he had this, you see?

G: Yeah.

HMJr: I mean, I want what our chronological statement is, you see?

G: Yeah. Well, he admits it all, so it's simple.

HMJr: Well, then I'd like to - if you'd get hold of his lawyer's statement, you see, saying what he said he did.

G: Yes.

HMJr: And show the discrepancies.

G: Yeah. If you take account of the admission - in the legal work in the lawyer's statement, there isn't any real discrepancy.

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HMJr: Well, yes. I mean, it's the point about who discovered that he had this stuff.

G: When he says he admitted that he had it, that's true. He admitted that he had it after it had been discovered, and he admitted that to me.

HMJr: Yeah, but that isn't what his lawyer said.

G: No, his lawyer merely said that he admits it. He just doesn't add that he admitted it after he'd been found out.

HMJr: Well, let's have it chronologically.

G: Yeah. All right.

HMJr: Now, the other thing is this. When he was in to see Mrs. Klotz he said that everybody over there in Customs said that they all cleared him, and it's just me who wants him fired.

G: Oh. Nobody told him anything of the kind. They - I'll question them about that, but I feel sure that.....

HMJr: Well, I wish you'd start in with Johnson.

G: Yes, yes, yes.

HMJr: I wish you'd start in with Johnson.

G: Yeah, yeah.

HMJr: And.....

G: No. I know Johnson never cleared him.

HMJr: And - but when you get that - in the not too distant future - I'd like to have it, oh, by Friday if possible.

G: Yes.

HMJr: Friday?

G: Yes, I think so.

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HMJr: Well, that ought to be easy, oughtn't it? Today's Wednesday.

G: Yes, I think so.

HMJr: Now, one other thing, while I have you. What happened to that man that that report was on, you know, what's his name - Emerson?

G: Oh.

HMJr: Where does that stand?

G: That stands that a re-investigation of Emerson, a supplementary investigation, is under way under Elmer Ireys direct charge and in consultation with Steve Spingarn, who's going to see the report and join in writing the report.

HMJr: How long will that take?

G: I haven't inquired in the last day or two. I think we ought to be able to get that this week.

HMJr: Will you try to, Herbert?

G: Yes.

HMJr: Thank you.

G: Yes.

HMJr: I'll see you later.

G: Right.

January 21, 1942  
2:30 p.m.

GROUP MEETING

Present: Mr. Gaston  
Mr. Foley  
Mr. Sullivan  
Mr. Thompson  
Mr. Paul  
Mr. Viner  
Mr. Odegard  
Mr. Graves  
Mr. Morris  
Mr. Haas  
Mr. Schwarz  
Mr. Bell  
Mr. Swope  
Mr. Blough  
Mr. Buffington  
Mrs. Klotz

MR. THOMPSON: Mr. Bell and Mr. Foley and I, and perhaps George Haas, would like to see you sometime to discuss a policy question of deferment of reserve officers.

H.M.JR: We will do it right after this meeting.

MR. BELL: We might go a little further, too, than just reserve officers, George. Some of these boys are eligible for the draft, and if we say "No, you can't go over and get a commission," or "You can't get a job in OPM," then later they are subject to draft. I don't think we will have done them any favor by keeping them back.

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H.M.JR: Well, it won't take very long.

MR. BELL: I don't think so.

H.M.JR: What else, Norman?

MR. THOMPSON: That is all.

H.M.JR: Mr. Swope asked us how does the Treasury buy a piece of real estate. I told him to ask you. I didn't know, other than to take it.

MR. THOMPSON: Well, it would be through the Public Buildings Administration.

H.M.JR: I never bought a piece. I sold a piece to the Federal Reserve once.

MR. SWOPE: This isn't a large transaction, Mr. Secretary. It is only about twelve thousand dollars. It is an addition to the Denver Mint. We want to enlarge that.

MR. THOMPSON: That would be Public Buildings Administration.

H.M.JR: Anything else?

MR. THOMPSON: Sometime when you get around to it, we would like to show you the vault and the tunnel. It looks much better than when we saw it last time.

H.M.JR: Daniel?

MR. BELL: Larry Duggan of the State Department has been up before the Foreign Relations Committee of the Senate on the Mexican convention, mixed claims and our settlement, and so forth, I mean our agreement. Vandenberg would like to see a copy of our agreement on the Stabilization Fund and any arrangement we made with respect to silver. While the Committee voted out the thing, approved it before the Senate, they will not

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bring it up before the Senate until Vandenberg has been satisfied.

H.M.JR: Why not?

MR. BELL: We have never made them public in any of those countries, and I was wondering if you might not show them to Vandenberg privately.

H.M.JR: You can.

MR. BELL: I can?

H.M.JR: Please.

MR. BELL: All right.

H.M.JR: Incidentally, who is drafting some legislation for me to kill all silver legislation? Edward?

MR. FOLEY: Yes.

MR. BELL: It is already drafted.

MR. FOLEY: We have got it.

H.M.JR: You might give it to Mrs. Klotz, and I will take it over Friday to the President.

MR. FOLEY: All right.

H.M.JR: One page explanation.

MR. FOLEY: Right.

MR. BELL: Some time ago you asked me to take up with the banks the question of --

H.M.JR: Excuse me. And on that, Ed, if you had time - George or somebody, give the industrial uses for silver, what they are using and so forth and so on.

How they need it and how they have to buy it either from Mexico or from Chile, and how are things going, spraying tin cans instead of tin.

MR. FOLEY: All right. Put that all in the memo?

H.M.JR: Yes. Handy and Harmon could give you a lot of that stuff.

MR. SCHWARZ: I have a story for you tomorrow, Mr. Secretary, which Mr. Swope has approved on a proposal for nickel, half silver and half copper. I was going to suggest you might want it for the press conference.

H.M.JR: But send a copy of it over to the editor of the Post, because he had an article on it.

MR. SCHWARZ: It was based on the bill.

MR. SWOPE: That was in the paper this morning, you know.

MR. SCHWARZ: Yes, in the New York Times.

MR. BELL: It has already been publicized.

MR. SWOPE: The Committee of the House has approved it.

MR. BELL: That is right.

MR. SWOPE: At Mr. Bell's recommendation.

MR. FOLEY: The legislation to change the metallic content of the nickel and also the legislation to permit us to accept these conditional gifts was approved by the full Judiciary Committee in the Senate this morning, and both those provisions are part of the second War Powers Bill.

H.M.JR: Good.

MR. FOLEY: So the thing should be law by the end of next week.

H.M.JR: All right.

MR. BELL: You asked me to take up with the banks the question of putting the Minute Man on the back of their checks.

H.M.JR: Yes.

MR. BELL: The President of the ABA has sent out a letter to all the banks asking them to not only do that, but to put it on their letterheads and their monthly statements and envelopes. It was a very nice letter.

H.M.JR: Do I do anything about it?

MR. BELL: No, just read it if you want to.

H.M.JR: The Jacksonville paper had a long thing about the ninety offices going to sell Defense Bonds. Is that part of your work?

MR. BUFFINGTON: No.

MR. BELL: That is all.

H.M.JR: Chick?

MR. SCHWARZ: I have a story here I would like you to take a look at about Japan's ten-year activity in pushing the opium traffic. Harry Anslinger has written a lengthy part, and Herbert has approved a lead which we put in, so you make it public.

H.M.JR: If Herbert has approved it, that is all.

MR. SCHWARZ: For the sake of the record, I would like --

H.M.JR: Is it dirty?

MR. SCHWARZ: Against Japan's story.

H.M.JR: Good and dirty?

MR. SCHWARZ: Yes. I think it will get attention.

NBC has given you their annual invitation to come over to the Treasury stand --

H.M.JR: It is a custom. Herbert always does that for me.

MR. GASTON: I had already accepted (laughter).

H.M.JR: Wonderful.

MR. SCHWARZ: That takes care of that one. That is all.

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

MR. SCHWARZ: That is all.

H.M.JR: Peter, I sent a word up in the absence of Harold Graves if they didn't decide whether they had thirteen stars or forty-eight, to add the two and divide by two.

MR. ODEGARD: That is all set.

H.M.JR: I know it is. I hear it is thirteen stars. You lost, did you?

MR. ODEGARD: No, no. The design of the forty-eight stars was so bad, Mr. Secretary, that we decided not even to show it to you.

H.M.JR: Peter, if I had known you were here this morning, you would have sat in because of all the adjectives and vindictives which you used on a certain speech

I gave at Amherst would have been pink, mild, and sweet, compared to what I tried to do this morning.

MRS. KLOTZ: Where is Kuhn?

H.M.JR: He is working. So I wish you (Odegard) would come in when Kuhn comes back this afternoon. But read it beforehand, would you?

MR. ODEGARD: Yes.

H.M.JR: I thought you came on Thursday.

MR. ODEGARD: I have been coming down Tuesday night.

H.M.JR: And I wish if you had a little time, that you would talk with Foley and Mr. Swope on civil liberty, except that it is a different kind. Mr. Swope brought up a very interesting point about these people and their children, like in the Aniline Dye. How far do we go in following them, you see. I think it would be very nice if you would sit down with Mr. Swope and Foley and talk about it.

MR. ODEGARD: I will be glad to.

H.M.JR: I am just in the middle of the book, "Two Way Passage." Have you read that?

MR. ODEGARD: Yes.

H.M.JR: Have you read this bulletin that Hansen and somebody else has gotten out, the Extension Service of the State Department of Agriculture at Iowa, "War comes to Iowa"?

MR. ODEGARD: No.

H.M.JR: It is amazing.

MR. ODEGARD: Agriculture and the State Department?

MR. VINER: State Department of Agriculture.

H.M.JR: State College of Agriculture in Iowa. Two men have made a study and they have done some of the things we have done, for instance, about - well, the World War and the repercussions, and all the rest of it, you see.

MR. ODEGARD: I will look at it. I haven't seen it.

H.M.JR: I think it is Hansen. I think it would be nice - because Mr. Swope raised a very interesting - I certainly want to be the last one to go too far.

MR. ODEGARD: Yes. We have the - I don't - we have been working on this pledge campaign, and we are just about ready to go on that. We have all our literature ready, and we have ordered pledges. and Oregon is already conducting its campaign. The further it goes, the more we like it.

H.M.JR: Good.

MR. ODEGARD: We ought to reach thirty or thirty-five million people with that, and I think it will have a very salutary effect.

H.M.JR: I have heard some very nice things in a magazine called "Our America". Is that what it is called?

MR. ODEGARD: Yes.

H.M.JR: Very nice. Anything else, Peter?

MR. ODEGARD: No, that is all.

H.M.JR: George?

MR. HAAS: I have a few things.

H.M.JR: Has Mr. Bell had a chance to tell you what I want?

MR. HAAS: Yes, sir, we are working on it already.

H.M.JR: Already?

MR. HAAS: Yes, sir.

MR. BELL: You remember, Mr. Secretary, you sent out letters some time ago to several of the departments asking them to designate a man on that very problem, which I hadn't know about, and George has been working on it.

MR. HAAS: Here is the report on the payroll savings. That is a cut-off date there.

H.M.JR: They are coming up, aren't they? Has Harold seen that?

MR. HAAS: I didn't know whether he was in town, but I will send him a copy. He saw the total figures. You asked about state and local employees.

H.M.JR: Yes.

MR. HAAS: Here is a report on that.

H.M.JR: Between January 10 and 17 the number of firms have gone from nine thousand nine hundred thirty-nine to thirteen thousand four hundred sixty-three. Very nice, Harold.

MR. BELL: What, payroll deduction?

H.M.JR: Yes.

MR. ODEGARD: Payroll savings plan.

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H.M.JR: New Hampshire has gone from twenty-four to forty-two. That is almost two hundred per cent (Laughter).

MR. BELL: They must not have had very many to start with.

MR. SULLIVAN: You have got it figured out, Dan. He is pretty quick on those things.

H.M.JR: One to two.

Harold, I told Mr. Swope you haven't really begun to push him yet on bonds.

MR. GRAVES: He and I have had a talk. He thinks we are falling down in the sales department.

MR. SWOPE: We were trying to push him, Mr. Secretary.

H.M.JR: What else, George?

MR. HAAS: That is all.

MR. BELL: You get all these corporations designated as agents, and you will have a job.

H.M.JR: That is what I said this morning.

MR. SWOPE: We will in stocking them up.

MR. BELL: That is what I mean.

H.M.JR: George, I am indeed earnest on this borrowing program thing.

MR. HAAS: Fine.

MR. BELL: We are going right to work on it.

H.M.JR: Has Viner been told?

MR. WELLS: Yes, I talked to him.

H.V.JR: And Lauch Currie?

MR. WELLS: No, I haven't talked to Lauch yet. I will call a general meeting probably tomorrow or next day.

H.V.JR: I am in dead earnest.

MR. ODEGARD: I don't know whether George's figures show it, but I just had a letter this morning from Mr. Gibson of General Electric indicating that eighty-three per cent of the General Electric employees are now buying Defense Bonds on a payroll savings plan.

H.V.JR: What is the matter with the other seventeen per cent?

MR. ODEGARD: Well, it is only about two months ago, isn't it, Harold, that that percentage was under twenty per cent, and they are buying at the rate of twenty million dollars, and during the entire five Liberty Loan drives in the last war they subscribed to seventeen million dollars' worth.

H.V.JR: How much are they doing now?

MR. ODEGARD: Twenty million.

H.V.JR: That is wonderful.

MR. ODEGARD: It indicates the degree of participation.

H.V.JR: We will get rolling.

Dr. Viner? When I told them I wanted you to help on this plan, one Randolph Paul was worried I might take you away from him for the next few days. He said you had been very useful to him.

MR. VINER: Oh, I can get in the hair of two sets of fellows then. No, I am interested in that, and I will --

H.M.JR: That is right down your field after all.

MR. VINER: Sufficiently so.

H.M.JR: What?

MR. VINER: Sufficiently so.

H.M.JR: That is what I thought.

MR. MORRIS: Nothing.

H.M.JR: Did you get off your telegram?

MR. MORRIS: No.

H.M.JR: Are you going to?

MR. MORRIS: Yes.

H.M.JR: Good.

MR. BUFFINGTON: I have prepared that letter for the exhibitors, but I would like to have Ferdie Kuhn look at it before you send it. I haven't been able to get to him.

H.M.JR: He is on a speech for me. Show it to Herbert Gaston and Herbert can clear it. You can do it now. Let Herbert read it now, and he will clear it for you. What else, George?

MR. BUFFINGTON: I had a call from Mr. Disney after talking with you. There had been a little delay in his laboratory, and he is going to let me know later this afternoon whether he wants me to be there tomorrow or Friday.

H.M.JR: George Buffington calls me up and says, "Somebody has got to go out to Hollywood," you see. He says, "How about sending somebody out there?" He says, "We have got to send somebody." I said, "All right." This morning I find out it is George Buffington.

MR. BUFFINGTON: I will sell my ticket for twenty-five cents.

MR. SULLIVAN: He tried to duck it, Mr. Secretary (laughter).

H.M.JR: It is like another fellow. Rather than fly with me to Jacksonville and talk taxes, he had to figure out a way to put stickers on a window.

MR. SULLIVAN: And some time when you have got three or four hours I will tell you about that, too (laughter).

MR. BELL: It took that long to settle it, didn't it, John?

H.M.JR: What else?

MR. BUFFINGTON: That is all.

H.M.JR: George, when you get back, I am going to have everybody that has got anything to do with publicity come in and I want a session with them on what we are going to do from the first to the fifteenth of March to let people know they have got to pay their taxes, so as soon as you get back, let me know. We will have everybody together on publicity. I want to get everybody to push for the fifteen days.

MR. SULLIVAN: Along that line, Mr. Secretary, you might be interested to know that the lines of people in the Collectors' offices now are about as long as they have ever been by the tenth of March, and there is less complaint, less grumbling from the little fellow than there ever has been. That is

the general report that comes in from the Collectors' offices all around the country. They think they have had about as many returns filed - they are filing now at about the same rate that last year they were filing on the tenth of March, five days before the return date.

H.M.JR: Wonderful.

MR. SULLIVAN: It is a very encouraging report, I think. I think whenever you get together on that we should have somebody from the Bureau here to give you a current report.

H.M.JR: I am going to do something new. I am going to show my tax speech to George and Doughton before I give it.

MR. SULLIVAN: I would like a crack at that too before you take it up there, if I may.

H.M.JR: You will have it. But I thought it would be a nice thing.

MR. SULLIVAN: So do I.

H.M.JR: A new spirit.

MR. SULLIVAN: Not only nice, but prudent.

H.M.JR: A new spirit.

MR. BELL: Is that a statement before the Committee?

H.M.JR: This is in Cleveland.

Incidentally, you know, Randolph, we were going to talk not only about tax inequities - I mean not only tax avoidance, but tax inequities. There is nothing in there about tax inequities.

MR. PAUL: Well, we can put something in. I had forgotten that, that we were going to cover that.

H.M.JR: When you leave here, would you mind mentioning it to Ferdie?

MR. PAUL: I will take care of it.

H.M.JR: Roy, the speech was to be tax loopholes and tax inequities. There is nothing in there about tax inequities.

MR. BLOUGH: Right.

H.M.JR: I guess you fellows forgot about it.

MR. PAUL: I forgot about it, I freely admit.

H.M.JR: We are doing that at four fifteen, John.

MR. SULLIVAN: Yes, sir.

H.M.JR: Are you all right?

MR. BUFFINGTON: Yes, sir.

H.M.JR: Randolph?

MR. PAUL: I might report generally that we have been in pretty continuous session with Stam, and have tentatively agreed on a group of provisions. He has been quite cooperative.

H.M.JR: Really? Like Eccles? (Facetiously.)

MR. PAUL: We will have to wait for the result. I still insist that you musn't judge Eccles by the speech he made, by the one he would have made. (Laughter)

MR. BELL: That is good.

H.M.JR: Isn't that wonderful?

MR. BELL: That is clever.

H.M.JR: I have been riding him because he comes in here and says, "Let me take care of Eccles." I told him to go to it.

MR. BELL: That is good.

MR. PAUL: Stam wants us to have a little informal session with Senator George and Chairman Doughton on Friday to go over details and give them a sort of progress report. We have said we would do that, and we are arranging a conference.

H.M.JR: Good.

John?

MR. SULLIVAN: You recall you sent a letter to Mr. Stam saying that you wouldn't let him have all memoranda that were prepared in the Income Tax Unit and in the General Counsel's office. He has since written you asking that you reconsider.

He says, "I hope you will not let Mr. Sullivan's fear of the bogey man obstruct or interfere with this

well established practice."

He has the notion that everybody else around here thinks that he ought to have this, and I am the fellow that is holding it up. I have talked with Mr. Foley about it, and it seems to me that we ought to be able to write some letter that will end this for all time. Otherwise he is going to just deluge you with appeals.

H.M.JR: Write a letter to end all letters. I will sign it.

MR. SULLIVAN: Well, I think maybe I will be able to bring in the fourth draft to you. You remember before you left you spoke to Mr. Paul and Mr. Foley and me about a ruling which would end all present income tax exemptions and make them prove it all over again?

H.M.JR: Yes.

MR. SULLIVAN: There has been prepared a Treasury decision which, in effect, does that, or rather, more important than that, requires the submission of financial statements showing every receipt and every disbursement over four thousand dollars for six of the nineteen classifications. Those six contain almost two-thirds of the exempt corporations, and Mr. Paul and Mr. Foley and I feel that that covers the situation. You accomplish what you want to do without causing all of the difficulty that would be - would result if the other classifications were included. I can give you the names of those classifications that are included in this, and also the names of the classifications that are excluded from this Treasury decision.

H.M.JR: Give me the ones that are in and the ones that are out.

MR. SULLIVAN: The ones that are in are the cemetery companies, religious and charitable associations, business leagues, civic leagues, social clubs, and those corporations which are exempt merely because

their earnings go entirely to some tax exempt organization.

H.M.JR: Those are in?

MR. SULLIVAN: Those are in.

H.M.JR: What is out?

MR. SULLIVAN: Well, the ones that are out are the labor, agricultural, and horticultural, mutual savings banks, fraternal and beneficiary societies, local benevolent insurance associations, farmers' insurance companies, farmers' cooperative marketing and purchasing, crop finance corporations, corporations organized by Congress as Federal instrumentalities, voluntary employees' beneficiary organizations, teachers' retirement funds, voluntary employees' beneficiary organizations for Government clerks, and religious organizations such as the House of David.

H.M.JR: Well, John, I hate to go up against three such gentlemen of the legal profession, but I don't agree with you.

MR. PAUL: I think this point should be made. Mr. Secretary, let me add to what John has said. The original thought was to make them prove their exemption all over again. Well, now, I have prepared a great many of those applications for exemption and they say next to nothing. You will get no information of any value whatever out of that. What will be of value is to get the details of their financial story, how much income they are getting and where they are spending their money and from that you will be able to learn more about their exemptions than from any formal statements submitted to prove their exemptions, such as their charter and by-laws and so on, because you will get what they are actually doing as distinct from what they are authorized to do.

H.M.JR: Well, John, I don't want to go into a long dissertation.

MR. SULLIVAN: Yes, sir.

H.M.JR: But I always feel that if you have no exceptions you are on much safer ground than if you exempt a few. I know something, for instance, about farm cooperatives. There are a lot of phoney farmer cooperatives and some very excellent ones.

MR. PAUL: Well, the theory of this exemption is that whatever these people could do, they are exempt by virtue of the very nature of their organization.

MR. SULLIVAN: That is the distinction between these two classes, those that are in and those that are out, and the fellows in the Bureau tell me that from the financial statements required by this Treasury decision they are in a very much better position to determine whether the corporation is entitled to the exemption than they would be from the self-serving statements that they file when they make claim for the exemption.

H.M.JR: Why can't you do both?

MR. SULLIVAN: We can.

MR. PAUL: It would put a lot of unnecessary work on them. We can, but I have prepared those things, and they mean nothing whatever.

H.M.JR: But supposing you make them give a financial statement as well?

MR. SULLIVAN: Well, this calls for it every year, sir, a financial statement every year.

H.M.JR: Well, what I want to do is, and I am going to keep after it until you fellows argue me out of it, I want to wipe the slate and clean out all organizations that are getting exemptions and start de novo. Think about it again, will you, John?

MR. SULLIVAN: Yes, we have done a lot of thinking

about it. For instance, the last thirty thousand that we did that to, we have asserted a tax in one case where we think we are going to collect.

H.M.JR: How about if you make them also file this financial return?

MR. SULLIVAN: I don't think there is any point to it in these other classifications, sir, because no matter what they do with their money, they are exempt.

H.M.JR: Well, this is worthy of a full session.

MR. SULLIVAN: I think it is too, and that is why I started to ask whether you wanted it now or later.

H.M.JR: Ask for an appointment, and let's do it, John.

MR. SULLIVAN: Yes, sir.

H.M.JR: Take as long as is necessary.

MR. PAUL: We are going to try to talk you out of that.

MR. SULLIVAN: I had a memo from you this morning. That is why I brought that up at this meeting.

H.M.JR: I know. O.K.?

MR. SULLIVAN: Yes, sir.

H.M.JR: Mr. Swope?

MR. SWOPE: I have nothing further unless you want to ask me any questions. I mean, there is nothing specially on my mind.

H.M.JR: We didn't get to Procurement. Is there anything new there?

MR. SWOPE: Well, as I say, I visited the New York

Office of the Procurement since you were there. The only difficulty there is ships. We have stock piled up. We have about two hundred fifty-five thousand tons on the seaboard, but the difficulty is getting ships and knowing when ships are coming to be loaded.

H.M.JR: And you are going to speak to Admiral Land?

MR. SWOPE: Yes, I am going to follow it right up.

H.M.JR: Anything else?

MR. SWOPE: No, sir.

H.M.JR: Isn't that really Stettinius' responsibility?

MR. SWOPE: I really don't know. No, I don't think so.

MR. BELL: I think that is Land's, because he said the other day at luncheon that that was Admiral Land's responsibility, and he was going to speak to Land about some question of ships that you raised at luncheon.

H.M.JR: Well, I suggested to Mr. Swope that he see Admiral Land.

MR. PAUL: What is his status now since the OPM was abolished?

MR. SULLIVAN: He is in the Maritime Commission.

MR. SWOPE: He is the head of the Maritime Commission.

H.M.JR: Anything else?

MR. SWOPE: No.

H.M.JR: Edward?

MR. FOLEY: When you were away I attended a meeting

in Wickard's office on the California food situation.

H.M.JR: Oh, yes.

MR. FOLEY: The Army and the Navy and Justice and Labor and Treasury were there. The problem is a critical problem, not by virtue of anything that we have done or are doing, but because psychologically people are afraid of the Japanese farms, afraid to give the Japanese tenant farmer credit so that he can plant his crop. The Filipino itinerant laborer who goes from one farm to another out there when they are harvesting the crops doesn't want to work for the Japanese. There is a fear on the part of people of buying Japanese produced food. It was decided that it was Wickard's responsibility, and Wickard is going to appoint an agent in each one of the counties who will watch the situation, and if we need to do anything, if there is a particular plantation or ranch or farm that has Japanese personnel and they are worried about that and they want us to put somebody in and observe and supervise it, we will do that. If it needs the attention of FBI, he will let FBI know, and they will make the adequate - I mean the necessary investigations.

H.M.JR: Couldn't George take a look at that while he is out there?

MR. FOLEY: Well, I think he probably ought to have a little more time than that.

MR. BUFFINGTON: I will only have a few days there.

MR. FOLEY: This is a first class mess.

H.M.JR: I agree with you that it is Wickard's responsibility.

MR. FOLEY: He didn't want to assume the responsibility. He thought it was a state problem. But the Attorney General out there and the Governor are fighting, and they are going to run - I mean, the present Attorney

General, a fellow by the name of Warren Russell, is running for Governor. The state authorities are not handling the problem, and somebody from the Federal Government has got to do something about it, and we all agreed that it was Wickard's responsibility.

H.M.JR: Wonderful.

Herbert?

MR. GASTON: While you were gone a letter came from J. Edgar Hoover telling about how they had arrested a Revenue agent in New York for extortion and telling you that they would continue the investigation and let you know the results and further developments. I wrote them a letter in reply, telling him that undoubtedly they started this investigation on the supposition this was a case of falsely impersonating a Federal officer, but now that they had found out it was a Revenue agent, it belonged to the Intelligence Unit and please turn it over. They demurred at that a day or two, but I was told yesterday afternoon that they have turned it over to McQuillan in New York. It is a bad case.

H.M.JR: Is it a bad case?

MR. GASTON: Yes.

H.M.JR: That is the second one. There was one in New Jersey.

MR. GASTON: Yes, that New York area produces a lot of those cases. They have got a big - it is a thing that we may have more trouble with because they are greatly increasing the force of Revenue agents, you know. Twenty-five hundred and four thousand. We are going to have more of those things popping.

MR. PAUL: Which district was that in?

MR. GASTON: That was in Allen's district, the third district.

MR. PAUL: That is where they are.

MR. GASTON: That report, that personnel report you are asking about, Elmer tells me they won't be able to have that before sometime next week, but I told him to hurry up on it and use the phone and get a man out in Seattle - he was trying to send a man who was working on the case here to go out to Seattle, but I told him now to go on the phone and get somebody out in Seattle to work on it there.

Byron Price asked me to - if I would find him a man to take charge of the Division of Records and Reports, Division of Reports of Censorship, which is quite an important key post in the Censorship, and I have recommended to him Archie Buford, who was an Intelligence Unit man in charge of the investigation on the Huey Long cases and more recently in charge of the unjust enrichment tax investigations. I mentioned it to John and also to Guy Helvering through Norman Cann and they are willing to let him go, and he has been over to talk to Price about it. It is a big job, and I think he is a good man.

H.M.JR: I am sorry to see him go.

MR. GASTON: Harry Anslinger has been bothered somewhat by some fellow they have up on the Board of Economic Warfare, a man named Hazen, whose real name, Harry tells me, is Mussein. He is an Arab or Iranian or something of the kind. But he has been sending requests to Jesse Jones, the Strategic Materials Financing Organization there, asking them to buy large quantities of opium, which they haven't been doing, but they have been coming back to Harry, but Harry is getting together with the State Department and with the - with Jesse Jones' people to keep that under his control.

H.M.JR: Call up Milo Perkins.

MR. FOLEY: Isn't that Annenberg's son-in-law, Hazen?

MR. GASTON: Harry says that he is an Arab named Mussein. It hasn't happened.

H.M.JR: Are you sure he isn't from Tibet?

MR. FOLEY: Annenberg has a son-in-law with one of these movie companies, vice president of Warner Brothers.

H.M.JR: One of those five circles.

MR. GASTON: I think it is under control, because they won't buy it over there.

H.M.JR: He isn't one of these five circle fellows?

MR. GASTON: I don't know them.

H.M.JR: Don't you know them? They come out of Tibet. All right.

MR. GASTON: That is all.

MR. GRAVES: You asked me when I was in Seattle to call Mr. Boettiger. I found him out of town, so I didn't get to see him. You also asked me to call on Mr. Disney in Los Angeles which I did. I spent Saturday afternoon with Mr. Disney in his studio and saw Mr. Buffington's picture and the beginnings of our own series.

H.M.JR: I will tell you what I would like you to do, Harold. I want to talk to you. I would like to clear up these men and then I want to talk to you about your own work.

MR. GRAVES: Yes.

H.M.JR: And if you and Peter could come back and keep Peter around out of mischief for five minutes.

MR. GRAVES: Yes.

H.M.JR: And I will clear up this thing and then I

would like to talk to you two.

MR. GRAVES: Very good, sir.

H.M.JR: Thank you.

January 21, 1942  
3:05 p.m.

MILITARY DEFERMENTS

- Present: Mr. Thompson
- Mr. Bell
- Mr. Foley
- Mr. Gaston
- Mr. Haas

MR. THOMPSON: The Secretary of War wrote you on January 6th and stated that the reserve officers' pool, would be discontinued as of January 15th, but he extended it to January 26th, so that you could have an opportunity to decide what you wanted to do for Treasury employees holding commissions.

H.M.JR: Talk up louder. It is my flying. I don't hear.

MR. THOMPSON: All of the reserve officers in the pool are automatically subject to immediate call, and he advised that limited deferments would be considered in exceptional cases, but there would be no general deferments for departments. That brings up immediately the question of certain officers who hold commissions, whether we shall ask deferments for them or let them go until they are called. If we do ask for their deferments, they will be limited not to exceed sixty days, I am told, and the probabilities are that they would revoke their commissions.

H.M.JR: I don't understand. These men were in a pool, is that right?

MR. THOMPSON: That is right.

H.M.JR: Now they have abolished the pool?

MR. THOMPSON: And put them on the active list for call.

H.M.JR: If I say "All right, let them go," then what happens?

MR. THOMPSON: Then they will have to answer their call.

H.M.JR: If I say I want them, then what happens?

MR. THOMPSON: We would ask for deferments, and they would defer them for not to exceed sixty days, I am told by the Adjutant General's Office, but they also say they would probably revoke their commissions and that would mean they would stay with us.

H.M.JR: But they might be subject to draft as a private then.

MR. THOMPSON: Yes.

MR. REIL: That is if they are within that age limit.

H.M.JR: Well, I think the simplest thing on this thing is in each case to ask the man whether he wants to go. I think that is the first thing. Herbert?

MR. THOMPSON: I have done that in several cases.

MR. GASTON: Yes.

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H.M.JR: I mean, do these men want to go?

MR. BELL: I think that is right. You can't afford to say that we want this man deferred and have him thrown out of the Army, have his commission revoked. He might not want it revoked, and I think that is right.

H.M.JR: In Bouck's case I have settled it.

MR. GASTON: He has gone.

H.M.JR: He was here this morning.

MR. BELL: Who was that?

MR. THOMPSON: Bouck. The other two Secret Service men are over at the White House, guarding the President.

If you don't ask for deferments, that will raise a question.

H.M.JR: No, I think what applies to Bouck would apply to the others.

MR. THOMPSON: I think so too.

H.M.JR: That would take care of that. Now, Kamarck, I have got, I think, an especial arrangement arrangement with Kamarck, who is doing military intelligence. I think I have got that arrangement, but you had better ask him again, because --

MR. THOMPSON: Major Smith would know.

MR. GASTON: They might appoint him back, I suppose, they might designate him back.

H.M.JR: They would. And the other fellows are Towson, Kades, Brown, Allen. It gets down to four, that is all.

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MR. THOMPSON: That is all, yes.

H.M.JR: Why not ask those four --

MR. THOMPSON: I have already cleared with Brown and Allen. They would both like to stay with us, even if they lose their commissions. So that cuts it down to Towson and Kades.

H.M.JR: Now, wait a minute. Why should I ask for deferment for Allen?

MR. BELL: Well, Allen is the Chief Disbursing Officer. A man 65 years can't do anything but sit at a desk in the War Department, and he certainly is more valuable as Chief --

H.M.JR: He is 65 years old?

MR. BELL: Yes, sir.

H.M.JR: That is crazy.

MR. BELL: He is a colonel in the Reserve Corps. He is more valuable to us as Chief Disbursing Officer than he could possibly be over there in the War Department.

H.M.JR: That is crazy.

MR. BELL: I think so too.

H.M.JR: He is 65?

MR. THOMPSON: Sixty-five, and he told me today that if we asked for a deferment and they revoked his commission, that would be all right.

MR. BELL: He should never have accepted the commission in the first place.

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H.M.JR: Did he fight in the last war?

MR. BELL: No. He has got the commission since the last war, when he was in the Bureau of the Budget, about 1920 or '25.

H.M.JR: Well, I think a man 65 is certainly as useful here as he is in the Army.

MR. BELL: More useful.

MR. GASTON: He would be on the same kind of work. They would use him over in the Army on the same kind of thing.

H.M.JR: Now, Brown?

MR. THOMPSON: He is one of Ireys' men in Atlanta who is handling some tax cases, and Ireys thinks that his knowledge of those cases from the inception is so valuable that he should be retained.

H.M.JR: Yes, but what does he want to do?

MR. THOMPSON: Ireys said he would want to stay with us. He is a married man with three children and pretty well settled, and he thinks he would like to stay. He is going to check with him. He is pretty confident that he would want to stay with us.

H.M.JR: Do you know?

MR. THOMPSON: No.

H.M.JR: A married man - he wouldn't be called, would he?

MR. THOMPSON: He would be called as a Reserve Officer, not as a draftee.

H.M.JR: How old a man is he?

MR. THOMPSON: He is a man in his forties.

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H.M.JR: What do you think about that, Herbert?

MR. GASTON: Well, I understand from Elmer that he is a very good man, and that it would gum things up pretty badly if they lost him. They would probably put him on to some kind of desk work in the War Department.

H.M.JR: How old is he?

MR. THOMPSON: Forty-two or three, I think they said. Just about at the top of the draft age.

H.M.JR: I think I would keep him.

MR. GASTON: We got him deferred, you know, got him put into that Reserve pool about a year ago.

H.M.JR: Forty-two. Has he had any field experience, Brown?

MR. THOMPSON: Oh, yes. He is one of Ireys' field men.

H.M.JR: No, in the Army?

MR. THOMPSON: I don't know. I don't think he has.

MR. BELL: Well, probably all of these Reserve Officers have had the usual two weeks' training each year. They go to a camp.

H.M.JR: Now, what about Kades?

MR. FOLEY: Well, I consider Kades to be as good a man as we have got in the legal division.

H.M.JR: How old is Kades?

MR. FOLEY: Kades is 35. He got his commission because he was in the R.O.T.C. at Cornell. He hasn't been to camp and he hasn't drilled since he has been

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with me. They have changed the regulations and all that sort of thing. Now, Kades is a peculiar fellow in that he has thought about what he ought to do. He has talked with Eddie Greenbaum and people around the department here. I think if it were left to his own decision, he would go. I feel if he did, that it would be such a loss to the Treasury that we couldn't afford to have that happen, and I think that when you are dealing with a fellow's emotions, that somebody has got to decide that problem for him. Now, he says if he was sure that he could go into the - into active service and go to the field with the troops, he wouldn't stay here a minute, but I am sure that they are not going to let that happen. He is too good and they are going to - because they are very anxious to get fellows with his kind of experience. I mean, he knows more about taxes than anybody in the War Department with the possible exception of Eddie, and they would love to get their hands on him, and they would immediately assign him to a desk over there, and he wouldn't do nearly as much in the over-all effort as he is doing here.

Now, I think that that is a test case, and if we let him go, then we are going to - our whole - we have got a young division that is active and forceful, and the whole bunch will just run right out. They will all make applications for commissions, and they can get them.

The War Department will make anybody a captain or a lieutenant that has the kind of training that fellows like Kades have got and put them over there.

Now, I think that that is a serious problem.

H.M.JR: O.K., O.K., don't talk any more.

MR. FOLEY: Towson made an application for a reserve - for a reserve officer's commission in the Army Intelligence before he came to us. He has been with us now in the Foreign Funds work about two years, and Pehle

feels that he is very, very essential to the work.

Now, he, I believe, would rather stay where he is than go over there. He has never--

H.M.JR: Who is- Army Intelligence. Wasn't he the fellow that was in the bank here?

MR. FOLEY: Yes.

H.M.JR: He is a good man. How old is he?

MR. FOLEY: About forty or forty-one.

MR. BELL: He is in Honolulu. You would have to ask him.

MR. FOLEY: I think John knows how he feels about it. He doesn't feel the same way Kades does.

H.M.JR: How does Kamarck feel?

MR. THOMPSON: I talked to him, and he is perfectly willing to - he is just on the fence. He will go or stay. Just whatever you desire, I think.

MR. FOLEY: Now, I have got another fellow, Mr. Secretary, that you ought to know about. Steve Spingarn has been classified, and he has been examined and so forth, and he is all ready to go, and he wants to go. He is an awfully good man.

H.M.JR: Well, he is a bachelor.

MR. FOLEY: He is a bachelor.

H.M.JR: How old is Steve?

MR. FOLEY: Steve is somewhere around thirty-three or thirty-four.

H.M.JR: I think in Steve's case, he should go. He

is a bachelor.

MR. FOLEY: Well, that is what he wants to do, and he is making application for a commission, and I think he will probably get a commission.

Now, Waesche has told these young fellows of ours that have had legislative experience that he would like to have them, and he will give them commissions as lieutenants in the Navy, junior or senior grade, and he wants to put one around with the commandant of each one of the headquarters.

H.M.JR: You mean to say that a man like Spingarn wants to do that?

MR. FOLEY: No, he doesn't want to do that. Steve wants a commission in the Army. If he can't get his commission, he is going to go as a draftee, selectee, and then after he has been in camp for the requisite time, he is going to make application for officers training school.

H.M.JR: And pray until he gets it. But Steve is different, don't you think so?

MR. GASTON: Yes, I think that is up to Steve.

H.M.JR: He is a young fellow. That is different. What? That is different.

MR. FOLEY: I had a talk with Steve. Steve says, "Please don't ask for any deferment for me, because I don't want it. I want to go."

H.M.JR: Let him go.

MR. FOLEY: He feels very strongly.

MR. BELL: I feel where they are going to sit at a desk that they are more valuable to the Treasury.

MR. FOLEY: I do too.

H.M.JR: Are we all right?

MR. THOMPSON: There is one man Mr. Bell will probably want to mention, Fritz.

MR. BELL: Fritz is in charge of all of the accounting in the Disbursing Office, and he is forty-four years old, but his wife is working, and he thinks that he might be called. Now, he has got a chance to go in the Coast Guard as a lieutenant, and he wants to know whether he should accept it--

H.M.JR: Look, this is the thing. If these fellows want to be an officer, want to go into a fighting unit, O.K., but as between sitting here as a civilian or being in Coast Guard with a uniform and doing a civilian's job, I am against it.

MR. BELL: Well, I am too.

MRS. KLOTZ: That is exactly the way I feel.

H.M.JR: I am against it. If a fellow wants to get in the fighting forces, more power to him, that is the way I feel, but as between being here or being a captain in the Army and just wearing the uniform but doing the same work as here, just because we have no uniforms, I think it is the bunk.

MR. FOLEY: Well, I do too, Mr. Secretary, and I think before we are through you may have to give consideration to asking for commissions and detailing to the Treasury for some of the key people like Kades and the difference between wearing a uniform and being in the Army doing the work in the Treasury.

H.M.JR: Well, this thing is going to spread what I am doing, isn't it?

MR. FOLEY: Of course it is going to spread.

H.M.JR: Well, this is the thing, Norman. If a man

wants to go in the fighting forces, yes, see, or if a man - a young fellow is so situated that he can go in, yes. But if it a question as between his getting a desk job and wearing a gold braid or being here without gold braid, I say he is better off here.

MR. THOMPSON: Yes.

MRS. KLOTZ: He (Foley) raises his next point.

MR. FOLEY: The next point is that with some of our younger men you may want to consider in order to keep that kind of experience right here in the Treasury, asking for commissions for those fellows and having them detailed here, have them assigned to you, and that will overcome the whole problem of whether or not a fellow --

H.M.JR: Will they do that?

MR. FOLEY: Oh, yes, I think so. I feel that way myself, Mr. Secretary. I will be 37 pretty soon, but I have pretty good health, and if I run for public office some day, somebody is going to ask me where I was during the war, and what I do is going to reflect on what all the rest of these fellows that are looking to me in the legal division will do, and I have been thinking about it a good deal lately, and it was one of the things I wanted to talk to you about.

H.M.JR: Along what lines, Ed?

MR. FOLEY: Well, I don't know. What do you think I ought to do?

H.M.JR: Well, let's talk it over walking back and forth.

MR. FOLEY: That is what I wanted to do sometime.

MR. BELL: The statement you have made is all right, Mr. Secretary, that if it is a question of whether they

- 12 -

are going to get a desk job over in the War Department or stay here, why, they will stay here, that is, as between getting a desk job and a commission. Well now, they make that decision and then six months later they are drafted and then they have to go as a private.

H.M.JR: Yes, but these men aren't going to be drafted.

MR. BELL: But some of these men that we are talking about.

MR. FOLEY: Kades might. When you make the decision in so far as his being called as a - into active duty as a Reserve Officer and he loses his commission, when you say you want him to stay here, I think you have always got to protect him if they try to take him through the draft. You have got to request a deferment at that time. Otherwise it isn't fair.

H.M.JR: All right. O.K.

TREASURY DEPARTMENT

105

INTER-OFFICE COMMUNICATION

DATE January 21, 1942

TO Secretary Morgenthau

FROM W. H. Hadley

2% 1949-51

Exchange Offering

<u>Issues</u>	<u>Outstanding</u>	<u>Turned In</u>	<u>Percentage</u>
1 3/4% Treas. Notes 3/15/42	426 million	406 million	95.3 %
3% F.F.M.C. bonds	236 "	205 "	87. %
2 3/4% F. F. M. C. bonds	103 "	96 "	93.2 %
7/8% R. F. C. notes	<u>311 "</u>	<u>307 "</u>	98.8 %
Totals	1,076 million	1,014 million	

APPROXIMATE EXCHANGE: 94.5 %.

## TREASURY DEPARTMENT

106

Washington

FOR IMMEDIATE RELEASE,  
Monday, January 19, 1942.

Press Service  
No. 29-72

The Secretary of the Treasury today announced the final subscription and allotment figures with respect to the current offering of 2 percent Treasury Bonds of 1949-51.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Treasury Notes Series A-1942</u>	<u>3 Percent FPMC Bonds</u>	<u>2-3/4 Percent FPMC Bonds</u>	<u>RFC Notes Series R</u>
Boston	\$ 29,451,500	\$ 6,159,900	\$ 2,135,800	\$ 3,410,000
New York	272,205,600	106,143,000	64,021,000	241,549,000
Philadelphia	10,500,500	21,766,600	5,417,700	9,189,000
Cleveland	13,900,400	7,118,700	1,452,600	7,856,000
Richmond	7,121,500	6,931,900	2,863,400	2,825,000
Atlanta	1,595,300	512,800	733,400	2,130,000
Chicago	38,172,800	32,839,800	6,398,300	32,439,000
St. Louis	7,917,200	3,556,000	1,293,100	2,534,000
Minneapolis	1,337,000	4,084,900	2,009,600	2,006,000
Kansas City	11,553,600	6,389,600	2,388,700	4,669,000
Dallas	2,079,900	932,400	524,100	751,000
San Francisco	9,038,600	7,775,300	5,537,100	1,421,000
Treasury	783,900	448,200	158,500	10,000
Total	\$405,657,800	\$204,659,100	595,933,400	\$307,589,000

Federal Reserve District

Total Subscriptions Received (Allotted in full)

Boston	\$ 41,157,200
New York	683,918,700
Philadelphia	43,873,800
Cleveland	30,327,700
Richmond	19,741,800
Atlanta	4,971,500
Chicago	109,849,900
St. Louis	15,300,300
Minneapolis	10,237,500
Kansas City	25,900,900
Dallas	4,287,400
San Francisco	23,772,000
Treasury	1,400,600
Total	\$1,013,329,300

Unfilled Orders for Savings Bonds at the  
Federal Reserve Banks and the Post Office Department  
January 8 to date

(In thousands of pieces)

	: Unfilled : orders at : opening of : business	: New orders : received : today	: Bonds : manufactured : today	: Unfilled : orders at : close of : business	: Stock of : "B" type : bonds : on hand	: IBM : deliveries : this day
Jan. 8	1,597	460	460	1,597	511	480
9	1,597	649	500	1,471	236	550
10	1,471	155	525	1,101	236	575
11	1,101	none-no mail	560	541	236	600
12	541	859	595	805	236	625
13	805	423	630	598	236	650
14	598	622	670	550	236	685
15	550	660	750	455	231	1,000
16	455	773	775	426	204	750
17	426	672	800	298	204	1,000
18	298	none-no mail	none-closed	298	204	800
19	298	704	800	202	204	825

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

January 20, 1942

## UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
 First Sixteen Business Days of January 1942 and December and November 1941  
 (November 1-21, December 1-18, January 1-19)  
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	January 1942	December 1941	November 1941	January over December	December over November	January over December	December over November
	Series E - Post Offices	\$102,663	\$ 44,197	\$ 27,551	\$ 58,466	\$ 16,646	132.3%
Series E - Banks	<u>297,108</u>	<u>84,391</u>	<u>50,003</u>	<u>212,717</u>	<u>34,388</u>	<u>252.1</u>	<u>68.8</u>
Series E - Total	399,771	128,588	77,555	271,183	51,033	210.9	65.8
Series F - Banks	42,355	13,856	13,007	28,499	849	205.7	6.5
Series G - Banks	<u>171,700</u>	<u>81,166</u>	<u>77,025</u>	<u>90,534</u>	<u>4,141</u>	<u>111.5</u>	<u>5.4</u>
Total	<u>\$613,826</u>	<u>\$223,610</u>	<u>\$167,587</u>	<u>\$390,216</u>	<u>\$ 56,023</u>	<u>174.5%</u>	<u>33.4%</u>

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

January 20, 1942.

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 - January, 1942

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
January 1942									
1	\$ 3,982	\$ 10,229	\$ 1,964	\$ 7,605	\$ 19,798	\$ 14,211	\$ 1,964	\$ 7,605	\$ 23,780
2	4,802	10,736	2,056	7,779	20,571	15,538	2,056	7,779	25,373
3	4,457	9,557	1,278	5,453	16,289	14,015	1,278	5,453	20,747
4	9,684	26,724	3,240	13,704	43,668	36,408	3,240	13,704	53,352
5	6,711	7,659	1,341	6,778	15,778	14,369	1,341	6,778	22,489
6	6,748	21,267	3,692	18,832	43,790	28,015	3,692	18,832	50,539
7	7,509	21,297	3,821	12,871	37,989	28,806	3,821	12,871	45,498
8	5,746	12,359	1,798	4,765	18,923	18,105	1,798	4,765	24,669
9	4,398	16,031	1,858	6,355	24,244	20,429	1,858	6,355	28,641
10									
11	10,187	37,483	3,830	14,353	55,666	47,670	3,830	14,353	65,853
12	7,902	15,059	2,507	11,944	29,510	22,961	2,507	11,944	37,412
13	4,706	19,939	3,701	14,293	37,933	24,645	3,701	14,293	42,639
14	6,444	16,597	2,243	13,283	32,123	23,041	2,243	13,283	38,567
15	5,721	26,239	4,319	14,078	44,637	31,960	4,319	14,078	50,358
16	4,830	6,933	759	3,008	10,700	11,763	759	3,008	15,530
17									
18	8,835	39,000	3,946	16,599	59,545	47,835	3,946	16,599	68,380
19									
Total	\$102,663	\$297,108	\$ 42,355	\$171,700	\$511,163	\$399,771	\$ 42,355	\$171,700	\$613,826

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

January 20, 1942.

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.

83

110

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WS KEYWEST FLO VIA HOLLYWOODBEACH FLO JAN 21 1948 JAN 21 PM 12 30

HONORABLE HENRY MORGENTHAU JR

TREASURY DEPT

SUPPLEMENTING BRIEF REPORT BY LETTER JANUARY SEVENTEENTH  
 NATIONAL CASH REGISTER COMPANY HAS REPRESENTATIVE HERE  
 TODAY THEY HAVE ALREADY AGREED TO TAKE OVER DISTRIBUTION  
 OF TAKE YOUR CHANGE IN DEFENSE SAVINGS STAMPS SIGNS ON  
 ALL CASH REGISTERS IN THE UNITED STATES AND ALSO  
 FAVORABLE CONSIDERING PRINTING THE SIGNS THEMSELVES  
 WE HAVE SUGGESTED) DESIGNS READY IN CASE WE HAVE TO  
 PRODUCE THEM OURSELVES HAVE ORDERED FIVE THOUSAND  
 FLAGS WITH MINUTE MAN AND THIRTEEN STARS FOR  
 IMMEDIATE DELIVERY HOPE YOU ARE FEELING BETTER

BIRGNE W SLOAN EXECUTIVE DIRECTOR DEFENSE SAVINGS

STAFF WASHINGTON

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111

EUGENE W. SLOAN

TREASURY - DEFENSE SAVINGS

STAFF - EXPENSES OF

LOANS            JANUARY 20, 1942

VIA COAST GUARD

HONORABLE HENRY MORGENTHAU, JR.,  
HOLLYWOOD BEACH HOTEL  
HOLLYWOOD, FLORIDA

SUPPLEMENTING BRIEF REPORT BY LETTER JANUARY SEVENTEENTH NATIONAL CASH REGISTER COMPANY HAS REPRESENTATIVE HERE TODAY. THEY HAVE ALREADY AGREED TO TAKE OVER DISTRIBUTION OF "TAKE YOUR CHANGE IN DEFENSE SAVINGS STAMPS" SIGNS ON ALL CASH REGISTERS IN THE UNITED STATES AND ALSO FAVORABLY CONSIDERING PRINTING THE SIGNS THEMSELVES. WE HAVE SUGGESTED DESIGNS READY IN CASE WE HAVE TO PRODUCE THEM OURSELVES. HAVE ORDERED FIVE THOUSAND FLAGS WITH MINUTE MAN AND THIRTEEN STARS FOR IMMEDIATE DELIVERY. HOPE YOU ARE FEELING BETTER

EUGENE W SLOAN  
EXECUTIVE DIRECTOR  
DEFENSE SAVINGS STAFF

EWS:fgt  
COPIES TO MISS CHAUNCEY  
          MISS FINUCANE  
          MR. ADAMS  
          MR. MAHAN

January 21, 1942

I called Dave Morris this morning and asked him to get a telegram out to the first twelve corporations who have payroll deduction plans who wanted to be authorized issuing agents, whether or not they'd gotten the bonds and whether they had any complaints. He demurred about doing this, and said it might be understood as being critical of the Federal Reserve. I said he could sign my name. No, he said he'd do it.

I said, "If everything is in order, then we can compliment the Federal Reserve; and if it isn't in order, we can give them hell."

Please get a copy of the telegram he sent out and let me see it.

I told him next week to send it out to the next lot of some hundred corporations that have come in. In other words, wait a week or give them, rather, a week's head start. I told him to continue this for two or three weeks until we knew definitely that everything was in order. I told Dave Morris to clear the telegram with Dan Bell.

January 22, 1942

Secretary Morgenthau

D. H. Morris, Jr.

Subject: Twelve Night Letters sent Wednesday, January 21st,  
at your request.

GROUP A

In the body of the sample telegram the amount left blank was filled in as indicated opposite the names listed below.

Chicago, Indianapolis & Louisville R.R. Chicago	1,800.
Chicago & Northwestern R. R. Co. Chicago	15,000.
International Harvester Co. Chicago	270,000.
Karnischfeger Corp. Milwaukee, Wisconsin	14,500.

Telegram sent to Group A:

Secretary Morgenthau asks me to convey his appreciation for your becoming qualified issuing agent for Series E bonds and is glad to hear you have already requisitioned \$ \_\_\_\_\_ face value of bonds. It would be appreciated if you would send a report to the undersigned stating how the plan is working out and giving any comments or suggestions which you may have in regard thereto.

(signed) Dave H. Morris, Jr.  
Assistant to the Secretary of the  
Treasury

GROUP B

Chicago & East Illinois R. R.  
Chicago

Chicago Great Western R. R. Co.  
Chicago

Swift & Co.  
Chicago

Milwaukee Journal  
Milwaukee, Wisconsin

Tom Huston Peanut Co.  
Columbus, Georgia

Michael Bros., Inc.  
Athens, Georgia

Cain-Sloan Co.  
Nashville, Tennessee

Telegram sent to Group B:

Secretary Morgenthau asks me to convey his appreciation for your becoming qualified issuing agent for Series E bonds. He notes that so far you have requisitioned no bonds and wonders whether this is due to complications or merely the lack of sufficient time for individual accumulations to require the issuance of any bonds. It would be appreciated if you would send a report to the undersigned covering this question and also giving any comments or suggestions you may have on the plan.

(signed) Dave H. Morris, Jr.  
Assistant to the Secretary of the Treasury

GROUP C

Louis Pisitz Drygoods Co.  
Birmingham, Alabama

Telegram sent to Group C:

Secretary Morgenthau asks me to convey his appreciation for your becoming qualified issuing agent for Series E bonds. He notes that you requisitioned \$8,500 face value of bonds but through a misunderstanding the bonds could not be delivered because appropriate check was not received by Federal Reserve Bank. He hopes this has been straightened out and that plan is now operating satisfactorily. It would be appreciated if you would send a report to the undersigned covering your situation and also giving any comments or suggestions you may have on the plan.

(signed) Dave H. Morris, Jr.  
Assistant to the Secretary of the  
Treasury



Copies to: Messrs. D. W. Bell  
Graves  
Sloan

DHM, JR: MCH  
1/22/42

1-21-42 ✓  
116

Newspapers and other publications reported as having  
established payroll savings plans, January 20, 1942

177 firms

83,116 employees

*Radio Stations 170 (Reports from Adm. only 17)*

Newspapers and other publications reported as having established pay roll savings plans January 20, 1942

<u>ALABAMA</u>	<u>Number of employees</u>
Birmingham Post, Birmingham	210
<u>CALIFORNIA</u>	
Progress Journal, San Diego	20
Pasadena Star News Publishing Company, Pasadena	450
The Examiner, San Francisco	700
Tribune Publishing Company, Oakland	568
Peninsula Newspapers, Palo Alto	298
San Francisco Chronicle, San Francisco	700
S. F. Daily News, San Francisco	450
The Citizen-News, Los Angeles	240
Times-Mirror, Los Angeles	1,500
John P. Scripps Newspapers, San Diego	50
Southern California Newspapers, Los Angeles	400
Los Angeles Examiner, Los Angeles	1,300
Los Angeles Evening Herald and Express, Los Angeles	1,100
Sunset News Company, Los Angeles	150
Beverly Hills Citizen News, Beverly Hills	70
Union Tribune Publishing Company, San Diego	470
Pacific Press and Publication Assn., Sunnyvale	112
Riverside Daily Press, Riverside	130
Rodgers and McDonald Publishers, Inc., Los Angeles	260
Santa Monica Publishing Company, Santa Monica	100

Number of  
employees

COLORADO

The Denver Post, Denver	500
Colorado Herald Publishing Company, Denver	150
Star-Journal Publishing Company, Pueblo	105
Denver News Company, Denver	65
Rocky Mountain News, Denver	200

CONNECTICUT

Danbury News-Times Company, Danbury	59
Hartford Courant, Hartford	378
Hartford Times, Hartford	414
Waterbury-American Republican, Inc., Waterbury	225
Waterbury Democrat, Waterbury	100
Conde Nast Publications, Inc., Greenwich	1,943

FLORIDA

Bay County Publishers, Inc. (The Panama City Herald), Panama City	17
Orlando Sentinel Star, Orlando	
Franklin Press, Miami	109

GEORGIA

Atlanta Journal, Atlanta	550
Herald Publishing Company, Augusta	110
Union, Macon	157

IDAHO

Capital News Publishing Company, Boise	100
Daily Bulletin, Blackfoot	11

	<u>Number of employees</u>
<b>IOWA</b>	
Register and Tribune, Des Moines	940
Meredith Publishing Company, Des Moines	1,000
<b>KANSAS</b>	
The Topeka State Journal, Inc., Topeka	30
Hutchinson Publishing Company, Hutchinson	106
Capper Publications, Inc., Topeka	730
Beacon Publishing Company, Wichita	300
<b>KENTUCKY</b>	
Courier Journal and Louisville Times, Louisville	1,200
<b>MAINE</b>	
Gannet Publishing Company, Portland	540
<b>MASSACHUSETTS</b>	
Globe Newspaper Company, Boston	1,084
Courier Citizen, Lowell	750
Court Square Press, Boston	161
Enterprise Publishing Company, Brockton	143
Flympton Press, Norwood	650
<b>MICHIGAN</b>	
Booth Newspapers Inc., Detroit:	1,224
Ann Arbor News	
Bay City Times	
Flint Journal	
Grand Rapids Press	
Jackson Citizen Patriot	
Kalamazoo Gazette	
Muskegon Chronicle	
Saginaw News	
Detroit Free Press, Inc., Detroit	1,116
Evening News Association, Detroit	1,896

Number of  
employees

MICHIGAN - Continued

Knight Newspapers, Detroit	1,000
Times Publishing Company, Detroit	1,119
Battle Creek Inquirer-News, Battle Creek	80
Federated Publications, Inc., Battle Creek	548
W. B. Farrell Associates, Inc., Wayne	624
Dana Printing Company, Muskegon	42

MINNESOTA

Star Journal and Tribune Company, Minneapolis	700
Duluth Herald-News Tribune, Duluth	300
Minneapolis Daily Times, Minneapolis	257
Northwest Publications, Inc., St. Paul	565
West Publishing Company, St. Paul	600
Hart Publishing Company, Minneapolis	108
Webb Publishing Company, St. Paul	320
The Colwell Press, Minneapolis	35
Curtis Companies, Inc., Minneapolis	70

MISSISSIPPI

Meridian Star, Meridian	150
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MONTANA

Post Publishing Company, Butte	108
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NEBRASKA

World Publishing Company, Omaha	500
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NEVADA

Nevada State Journal, Reno	50
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	<u>Number of employees</u>
<b>NEW JERSEY</b>	
Hudson Dispatch, Union City	256
Perth Amboy Evening News, Perth Amboy	120
Call Printing Publishing Company, Patterson	124
Princeton University Press, Princeton	72
<b>NEW MEXICO</b>	
Albuquerque Publishing Company, Albuquerque	86
<b>NEW YORK</b>	
Daily Mirror, Inc., New York	1,341
New York Times Company, New York	3,200
New York World-Telegraph Corp., New York	1,226
New York Herald Tribune, Inc., New York	1,710
New York Journal American, New York	
New York Post, Inc., New York	1,288
Elmira Star Gazette, Inc., Elmira	165
P M, Inc., New York	1,000
Polish Everybody's Daily, Buffalo	1,400
Tribune Press, Ogdensburg	15
Corriere d'America, Inc., New York	141
Journal of Commerce Corp., New York	161
Brooklyn Daily Eagle, Brooklyn	800
Dell Publishing Co., Inc., New York	182
Fairchild Publishing Company, New York	4,000
Country Life Press Corp., New York (Doubleday Doran)	800
The Crowell Collier Publishing Co., New York	3,835
MacFaddin Publications, Inc., New York	700
The MacMillan Company, New York	450
Magazine of Wall Street, New York	

## NEW YORK - Continued

	<u>Number of employees</u>
McGraw-Hill Publishing Co., Inc., New York	1,200
Time Incorporated, New York	900
Newsweek, New York	185
Charles Scribner's & Sons, New York	
S. M. News Co., Inc., New York	200
Popular Science Publishing Co., Inc., New York	270
New York Law Publishing Co., New York	85
Thomas Publishing Company, New York	110
Street & Smith Publications, Inc., New York	600
The American Home Magazine Corp., New York	300
The Hopp Press, Inc., New York	
Harper & Brothers, New York	300
The Lawyers Co. - Operative Publishing Co., Rochester	150
Hearst Magazine, Inc., New York	1,302
The New Yorker, New York	160
The Gregg Publishing Co., New York	108
The Associated Press, New York	
Ahrens Publishing Co., Inc., New York	
The Fitch Publishing Co., Inc., New York	
J. J. Little & Ives, New York	350
Publishers Association of NYC, New York	
Scribner Press, New York	300
Scripps Howard Co., New York	100

## NORTH CAROLINA

Piedmont Publishing Company, Winston Salem	185
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	<u>Number of employees</u>
<b>NORTH DAKOTA</b>	
Bismarck Tribune Company, Bismarck	40
Minot Daily News, Minot	40
<b>OHIO</b>	
Cleveland News, Cleveland	
Cleveland Press, Cleveland	
Cincinnati Post Publishing Co., Cincinnati	
<del>Surtiss Wright Columbus</del>	<del>2,000</del>
<b>OKLAHOMA</b>	
Blackwell Daily Journal Publishing Co., Blackwell	42
Muskegee Phoenix and Times-Democrat, Muskegee	181
News Publishing & Printing Co., Ada	32
<b>OREGON</b>	
Journal Publishing Co., Portland	575
Oregonian Publishing Co., Portland	700
<b>PENNSYLVANIA</b>	
Bulletin Company, Philadelphia	2,037
Philadelphia Daily News, Inc., Philadelphia	336
Philadelphia Inquirer Co., Philadelphia	2,441
United News Company	257
The Curtis Publishing Co. of Delaware, Philadelphia	1,902
The Curtis Publishing Co. of Penn., Philadelphia	3,939
Farm Journal, Philadelphia	447
National Publishing Co., Philadelphia	310
P-G Publishing Co., Philadelphia	549
<b>RHODE ISLAND</b>	
Providence Journal Co., Providence	750

	<u>Number of employees</u>
<b>SOUTH DAKOTA</b>	
Sioux Valley News, Canton	6
Watertown Public Opinion, Watertown	30
Mobridge Tribune, Mobridge	6
Rapid City Daily Journal, Rapid City	44
Mitchell Publishing Co., Mitchell	18
Northwestern Publishing Co., Mitchell	80
<b>TENNESSEE</b>	
Memphis Publishing Co., Memphis	149
<b>TEXAS</b>	
Nixon News, Nixon	1
Herald-Post Publishing Co., El Paso	16
Newspaper Printing Corp., El Paso	150
Stephenville Empire-Tribune, Stephenville	5
Gonzales Inquirer, Gonzales	9
A. E. Belo Corporation, Dallas	600
El Paso Times, Inc., El Paso	20
San Antonio Light, San Antonio	
Mission Times, Mission	6
Gatesville Messenger, Gatesville	
El Continental, El Paso	25
Ceekoslovak Publishing Co., West	6
Western American, El Paso	4
Texas Farm & Ranch Pub. Co., Dallas	96
The Ginner & Miller Publishing Co., Dallas	24
Gulf Publishing Co., Houston	
The Houston Chronicle Publishing Co., Houston	500
Carter Publications, Inc., Fort Worth	450
Periodical Publishers Service Bureau, Inc., Dallas	60

Number of  
employees

VIRGINIA

The Lynchburg News & Advance, Lynchburg	80
Waynesboro-News-Virginian, Waynesboro	25
Winchester Evening Star, Winchester	15

WASHINGTON

Seattle Times Co., Seattle	525
Republic Publishing Co., Seattle	100
Cowles Publishing Company, Spokane	850

WISCONSIN

The Journal Company, Milwaukee	1,244
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Proportion of Employees of State, County and Local Governmental Units Covered Under Payroll Savings Plan

(Number of employees in thousands)

State	Employees covered under payroll savings plans 1/	Total number of employees 2/	Percent covered under payroll savings plans
Alabama.....	-	47	-
Arizona.....	1	13	8
Arkansas.....	-	32	-
California.....	5	192	3
Colorado.....	9	31	29
Connecticut.....	13	42	31
Delaware.....	-	7	-
District of Columbia	12	14	86
Florida.....	1	47	2
Georgia.....	*	57	1
Idaho.....	1	14	7
Illinois.....	-	170	-
Indiana.....	-	82	-
Iowa.....	*	68	-
Iowa.....	6	57	11
Kentucky.....	21	48	44
Louisiana.....	-	58	-
Maine.....	1	25	4
Maryland.....	-	38	-
Massachusetts.....	-	125	-
Michigan.....	26	141	18
Minnesota.....	19	88	22
Mississippi.....	1	42	2
Missouri.....	-	78	-
Montana.....	3	16	19
Nebraska.....	-	39	-
Nevada.....	*	4	1
New Hampshire.....	-	20	-
New Jersey.....	42	103	41
New Mexico.....	*	13	2
New York.....	203	407	50
North Carolina.....	2	63	3
North Dakota.....	-	21	-
Ohio.....	-	179	-
Alaska.....	16	51	31
Oregon.....	1	31	3
Pennsylvania.....	-	225	-
Rhode Island.....	12	18	67
South Carolina.....	-	37	-
South Dakota.....	*	27	1
Tennessee.....	-	53	-
Texas.....	2	145	1
Utah.....	-	19	-
Vermont.....	1	10	10
Virginia.....	18	56	32
Washington.....	8	52	15
West Virginia.....	1	39	3
Wisconsin.....	-	91	-
Wyoming.....	-	8	-
Total.....	<u>425</u>	<u>3,243</u>	<u>13</u>

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

January 21, 1944

1/ As reported by State Administrators.

2/ As reported by the Census Bureau. Includes school teachers, employees of public service enterprises, part-time and temporary employees.

\* Less than 500 employees.

State, County and Local Governmental Units with Payroll  
Savings Plans in Operation  
January 17, 1942

(As reported by the Defense Savings Staff's State  
Administrators)

State	Governmental unit	Number of employees	
		Detail	State totals
Alabama	None reporting		0
Arizona	Arizona State Hy. Dept., Phoenix Arizona State Hospital, Phoenix Arizona State Penitentiary, Florence Public School Dist. #18, Morenci Mohave Co. Court House, Kingman Santa Cruz Co. Court House, Nogales Total - Arizona	1,260 175 * 38 * * <hr/>	1,473
Arkansas	None reporting		0
California	County of San Mateo Courthouse, Redwood City City of Glendale, Glendale City of Los Angeles, Los Angeles Total - California	475 500 4,000 <hr/>	4,975
Colorado	City and County of Denver, Denver City of Colorado Springs, Colorado Springs Colorado Springs School, Dist. #11, Colorado Springs State of Colorado, Denver Total - Colorado	3,000  366  250 5,000 <hr/>	8,616
Connecticut	Town of Fairfield, Fairfield City of Bridgeport, Bridgeport City of Hartford, Hartford City of New Haven, New Haven City of Norwalk City of Stamford City of Waterbury Total - Connecticut	325 2,500 3,240 3,000 800 1,500 1,900 <hr/>	13,265
Delaware	None reporting		0
District of Columbia	District Government (all departments) Total - District of Columbia	<u>11,840</u>	11,840
(continued)			

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

January 21, 1942

\* Number of employees not reported.

State, County and Local Governmental Units with Payroll  
Savings Plans in Operation  
January 17, 1942

(Continued - 2)

(As reported by the Defense Savings Staff's State Administrators)

State	Governmental unit	Number of employees	
		Detail	State totals
Florida	Motor Vehicle Dept., Tallahassee	*	
	City of New Smyrna Beach	*	
	Attorney General's office, Tallahassee	33	
	Board of County Commissioners, Orlando	130	
	Board of County Commissioners, Jacksonville	130	
	Brevard County Court House, Titusville	22	
	Clerk, Circuit Court's Office, Orlando	9	
	Clerk, Circuit Court's Office, Miami	71	
	Clerk, Criminal Court's Office, Orlando	2	
	Commissioner of Agriculture, Tallahassee	*	
	County Agent's Office, Orlando	*	
	County Tax Assessor's Office, Orlando	4	
	County Judge's Office, Orlando	5	
	State Hospital, Chattahoochee	23	
	Superintendent of Public Instruction, Orlando	*	
	Superintendent of Public Instruction, Tallahassee	*	
	State Road Department, Tallahassee	*	
	Tax Collector's Office, Orlando	8	
	State Treasurer's Office, Tallahassee	*	
	Florida Hotel Commission, Tallahassee	50	
	Industrial Commission, Tallahassee	5	
	Judge's Office, Orlando	127	
	State Prison, Raiford	*	
	Secretary of State's Office, Tallahassee	*	
	State Comptroller's Office, Tallahassee	10	
	Sheriff's Office, Orlando	69	
	Sheriff's Office, Duval County, Jacksonville	6	
	Florida State Library, Tallahassee	13	
	The State of Florida, Governor's Office, and Board of Commissioners, Tallahassee	6	
	State Board of Conservation, Tallahassee	41	
City of Winter Haven	88		
Winter Haven Board of Education, Winter Haven			
Total - Florida		852	
Georgia	City of Macon	375	
	Total - Georgia		375
(continued)			

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

January 21, 1942

\* Number of employees not reported.

State, County and Local Governmental Units with Payroll  
Savings Plans in Operation  
January 17, 1942

(Continued - 3)

(As reported by the Defense Savings Staff's State Administrators)

State	Governmental unit	Number of employees	
		Detail	State totals
	State of Idaho (various offices of State Government), Boise	580	699
	City of Boise - Municipal employees	102	
	Ada County D.P.A., Boise	17	
	Total - Idaho		
Illinois	None reporting		0
Iowa	None reporting		0
	City of Mason	125	125
	Total - Iowa		
	City of Kansas City	500	5,149
	Wyandotte County Employees, Kansas City	300	
	City of Pittsburg	110	
	City School Employees of Pittsburg	115	
	City of Topeka	374	
	Board of Public Utilities, Kansas City	600	
	City of Kansas City School Teachers	400	
	Police Department of Hutchinson	29	
	State of Kansas, Topeka	3,000	
	Topeka Teachers' Assn., Topeka	450	
	Highland Park Teachers' Assn., Topeka	35	
	Washburn Teachers' Assn., Topeka	69	
	Seaman Teachers Topeka	16	
	Shawnee County Teachers, Topeka	151	
Total - Kansas			
	Commonwealth of Kentucky, State Capitol, Frankfort	12,000	20,500
	City of Louisville	6,000	
	Louisville County Board of Education, Louisville	1,900	
	City Health Dept., Louisville	600	
	Total - Kentucky		
Maine	None reporting		0
	City of Auburn	260	935
	City of Augusta	175	
	City of Gardiner	150	
	City of Lewiston	400	
	Total - Maine		

(continued)

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

January 21, 1942

\* Number of employees not reported.

State, County and Local Governmental Units with Payroll  
Savings Plans in Operation  
January 17, 1942

(Continued - 4 )

(As reported by the Defense Savings Staff's State Administrators)

State	Governmental unit	Number of employees	
		Detail	State totals
Maryland	None reporting		0
Massachusetts	None reporting		0
Michigan	State Government, Lansing Michigan State Highway Dept., Detroit City of Grand Rapids City of Lincoln Park Municipal Service Commission, Wyandotte County Clerk's Office, Kent County, Grand Rapids City of Iron Mountain City of Monroe City of Niles Board of Education, Grand Rapids City of Alpena City of Ann Arbor City of Cadillac City of Escanaba City of Jackson City of Kalamazoo City of Lansing Lincoln Park Board of Education, Lincoln Park City of Ludington City of Menominee City of River Rouge City of Saginaw Sault Ste. Marie Board of Education	17,500 3,800 1,300 157 100 500 100 145 78 1,400 * * * * * 450 * * * * 130 * * * * * 133	25,793
Minnesota	City of Stillwater City of Minneapolis St. Paul City and County Employees State of Minnesota, St. Paul Minneapolis Public Library St. Louis County Employees, Duluth	50 2,989 3,391 12,000 250 534	19,214
Mississippi	City of Meridian City of Jackson Jackson City Schools, Jackson State Board of Health, Jackson	350 700 361 *	1,411
Missouri	None reporting		0
(continued)			

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

January 21, 1942

\* Number of employees not reported.

State, County and Local Governmental Units with Payroll  
Savings Plans in Operation  
January 17, 1942

(Continued - 5 )

(As reported by the Defense Savings Staff's State Administrators)

State	Governmental unit	Number of employees	
		Detail	State totals
Montana	State of Montana, Helena	3,000	
	City of Great Falls	<u>101</u>	
	Total - Montana		3,101
Nevada	City of Fallon	30	
	Washoe County Clerk, Reno	10	
	City of Reno	175	
	Churchill County, Fallon	<u>30</u>	
	Total - Nevada		245
Hampshire	None reporting		0
Jersey	Governor's Office, Trenton	16,000	
	County Treasurer's Office, Jersey City	15,000	
	Office of the City Manager, Hackensack	250	
	Office of the Mayor, Orange	500	
	Office of the Mayor, Irvington	910	
	Office of the Mayor, Passaic	302	
	Office of the Mayor, Clifton	204	
	City of Paterson	1,000	
	City of East Orange	586	
	City of Garfield	150	
	City of Perth Amboy	330	
	Raritan Township	250	
	City of Newark	6,700	
	Newark Public Library, Newark	<u>255</u>	
	Total - New Jersey		42,437
Mexico	University of New Mexico, Albuquerque	190	
	State Highway Dept., Albuquerque	<u>66</u>	
	Total - New Mexico		256
York	District Attorney's Office, N.Y.C.	*	
	Div. of Placement and Unemployment Insurance, New York City	*	
	City of New York	200,000	
	Port of N. Y. Authority, N.Y.C.	1,100	
	Rensselaer County Court House Employees, Rensselaer	200	
	New York Public Library, N.Y.C.	800	
	State Employment Service, N.Y.C.	*	
	County of Chemung, Elmira	200	
	City of Elmira	500	
	Public Schools, Jamestown	400	
	College of the City of New York	*	
Total - New York		203,200	
Nebraska (continued)	None reporting		0

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

January 21, 1942

\* Number of employees not reported.

State, County and Local Governmental Units with Payroll  
Savings Plans in Operation  
January 17, 1942

(Continued - 7)

(As reported by the Defense Savings Staff's State Administrators)

State	Governmental unit	Number of employees	
		Detail	State totals
h	None reporting		0
mont	Vermont State Employees, Montpelier Burlington City Employees St. Albans City Employees Total - Vermont	500 500 *	1,000
ginia	Commonwealth of Virginia, Richmond City of Staunton City of Winchester City of Norfolk Norfolk School Board City of South Norfolk Norfolk Public Library, Norfolk Total - Virginia	15,000 75 48 1,950 850 200 15	18,138
hington	Treasurer's Department, Seattle Seattle Public School Teachers King's County Public School Teachers, Seattle Total - Washington	5,600 2,200 *	7,800
at Virginia	Charleston Department of Public Assistance, Charleston Glenville State Teachers College Shepherd State Teachers College, Shepherdstown West Virginia Univ., Morgantown West Virginia Industrial School for Boys, Pruntytown West Virginia State College, Institute Total - West Virginia	600 30 30 400 40 100	1,200
consin	None reporting		0
oming	None reporting		0

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

January 21, 1942

Number of employees not reported.

State, County and Local Governmental Units with Payroll  
Savings Plans in Operation  
January 17, 1942

(Continued - 6 )

(As reported by the Defense Savings Staff's State Administrators)

State	Governmental unit	Number of employees	
		Detail	State totals
North Carolina	City of Greensboro City of Winston-Salem City of Charlotte Office of Tax Collector, Wilson <u>4</u> Total - North Carolina	500 800 690 <u>4</u>	1,994
North Dakota	None reporting		0
Ohio	None reporting		0
Oklahoma	State of Oklahoma, Oklahoma City Board of Education, Oklahoma City <u>1,242</u> Total - Oklahoma	15,000 <u>1,242</u>	16,242
Oregon	Multnomah County Employees, County Court House, Portland <u>850</u> Total - Oregon	<u>850</u>	850
Pennsylvania	None reporting		0
Rhode Island	City of Central Falls City of Pawtucket City of Providence State of Rhode Island, Providence City of Warwick <u>488</u> Total - Rhode Island	300 1,000 5,300 4,600 <u>488</u>	11,688
South Carolina	None reporting		0
South Dakota	Board of Education, Mitchell City of Mitchell City Schools, Brookings <u>60</u> Total - South Dakota	85 50 <u>60</u>	195
Tennessee	None reporting		0
Texas	City of El Paso County of El Paso, El Paso Temple Public Schools, Temple City of Stamford Gonzales County A.C.A., Gonzales Gonzales County Agent, Gonzales Office of Assessor and Collector of Taxes, Austin County Clerk's Office, Austin Bellville Independent School District, Bellville Superintendent of Education, Greggton County of Dallas, District Clerk's Office, Dallas County Tax Collector's Office, Dallas <u>82</u> Total - Texas	650 272 • • 9 1 17 12 26 900 26 <u>82</u>	1,995
(continued)			

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

January 21, 1942

\*Number of employees not reported.

Adoption of Payroll Savings Plan by Firms Employing  
100 or More Persons, January 17, 1942

(As reported by the Defense Savings  
Staff's State Administrators)

State	Total number of firms	Firms which have adopted payroll savings plan	Percent of total
Alabama.....	361	60	17
Arizona.....	76	36	47
Arkansas.....	160	37	23
California.....	2,021	1,075	53
Colorado.....	230	88	38
Connecticut.....	807	277	34
Delaware.....	112	2*	2
District of Columbia..	204	27	13
Florida.....	205	86	42
Georgia.....	732	102	14
Idaho.....	60	31	52
Illinois.....	2,886	325*	11
Indiana.....	766	52*	7
Iowa.....	324	18	6
Iowa.....	239	229	96
Kentucky.....	382	88	23
Louisiana.....	469	**	-
Maine.....	242	57	24
Maryland.....	559	104	19
Massachusetts.....	1,893	427	23
Michigan.....	1,355	476	35
Minnesota.....	504	341	68
Mississippi.....	171	48	28
Missouri.....	779	304	39
Montana.....	44	24	55
Nebraska.....	164	48	29
Nevada.....	27	15	56
New Hampshire.....	172	42	24
New Jersey.....	1,107	359	32
New Mexico.....	40	22	55
New York.....	5,589	1,345	24
North Carolina.....	667	100	15
North Dakota.....	30	5	17
Ohio.....	2,296	436	19
Oklahoma.....	407	69	17
Oregon.....	371	73*	20
Pennsylvania.....	2,657	690	26
Rhode Island.....	314	112	36
South Carolina.....	270	52	19
South Dakota.....	22	9	41
Tennessee.....	554	4*	1
Texas.....	1,562	116	7
Utah.....	125	26	21
Vermont.....	76	47	62
Virginia.....	433	107	25
Washington.....	492	123	25
West Virginia.....	339	31	9
Wisconsin.....	817	84*	10
Wyoming.....	13	5	38
Railroads.....	105	105	100
Total.....	34,230	8,332	24

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

January 23, 1942

\* Data are for January 10. No later data available.

\*\* Data not available.

Unfilled Orders for Savings Bonds at the  
Federal Reserve Banks and the Post Office Department  
January 8 to date  
(In thousands of pieces)

	: Unfilled : orders at : opening of : business	: New orders : received : today	: Bonds : manufactured : today	Unfilled orders at close of business	Stock of "B" type bonds on hand	: IBM : deliveries : this day
Jan. 8	1,597	460	460	1,597	511	450
9	1,597	649	500	1,471	236	550
10	1,471	155	525	1,101	236	575
11	1,101	none-no mail	560	541	236	600
12	541	859	595	805	236	625
13	805	423	630	598	236	650
14	598	622	670	550	236	685
15	550	660	750	455	231	1,000
16	455	773	775	426	204	750
17	426	672	800	298	204	1,000
18	298	none-no mail	none-closed	298	204	800
19	298	204	800*	202	204	825
20	202	204	800*	86	184	1,000

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

January 21, 1942

\* Of this amount 500,000 pieces went into inventory in the Washington vaults.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
 First Seventeen Business Days of January 1942 and December and November 1941  
 (November 1-22, December 1-19, January 1-20)  
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase		Percentage of Increase	
	January	December	November	January	December	January	December
	1942	1941	1941	over December	over November	over December	over November
Series E - Post Offices	\$107,818	\$ 50,192	\$ 28,724	\$ 57,626	\$ 21,468	114.8%	74.7%
Series E - Banks	<u>307,656</u>	<u>94,596</u>	<u>52,807</u>	<u>213,060</u>	<u>41,789</u>	<u>225.2</u>	<u>79.1</u>
Series E - Total	415,474	144,789	81,531	270,685	63,258	187.0	77.6
Series F - Banks	44,640	15,028	13,848	29,612	1,180	197.0	8.5
Series G - Banks	<u>182,251</u>	<u>86,379</u>	<u>79,012</u>	<u>95,872</u>	<u>7,367</u>	<u>111.0</u>	<u>9.3</u>
Total	<u>\$642,365</u>	<u>\$246,196</u>	<u>\$174,391</u>	<u>\$396,169</u>	<u>\$ 71,805</u>	<u>160.9%</u>	<u>41.2%</u>

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

January 21, 1942.

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

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

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UNITED STATES SAVINGS BONDS  
Daily Sales - January, 1942  
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
January 1942									
1	\$ 3,982	\$ 10,229	\$ 1,964	\$ 7,605	\$ 19,798	\$ 14,211	\$ 1,964	\$ 7,605	\$ 23,780
2	4,802	10,736	2,056	7,779	20,571	15,538	2,056	7,779	25,373
3	4,457	9,557	1,278	5,453	16,289	14,015	1,278	5,453	20,747
5	9,684	26,724	3,240	13,704	43,668	36,408	3,240	13,704	53,352
6	6,711	7,659	1,341	6,778	15,778	14,369	1,341	6,778	22,489
7	6,748	21,267	3,692	18,832	43,790	28,015	3,692	18,832	50,539
8	7,509	21,297	3,821	12,871	37,989	28,806	3,821	12,871	45,498
9	5,746	12,359	1,798	4,765	18,923	18,105	1,798	4,765	24,669
10	4,398	16,031	1,858	6,355	24,244	20,429	1,858	6,355	28,641
12	10,187	37,483	3,830	14,353	55,666	47,670	3,830	14,353	65,853
13	7,902	15,059	2,507	11,944	29,510	22,961	2,507	11,944	37,412
14	4,706	19,939	3,701	14,293	37,933	24,645	3,701	14,293	42,639
15	6,444	16,597	2,243	13,283	32,123	23,041	2,243	13,283	38,567
16	5,721	26,239	4,319	14,078	44,637	31,960	4,319	14,078	50,358
17	4,830	6,933	759	3,008	10,700	11,763	759	3,008	15,530
19	8,835	39,000	3,946	16,599	59,545	47,835	3,946	16,599	68,380
20	5,155	10,549	2,285	10,551	23,385	15,703	2,285	10,551	28,539
Total	\$107,818	\$307,656	\$ 44,640	\$182,251	\$534,547	\$415,474	\$ 44,640	\$182,251	\$642,365

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

January 21, 1942.

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.

# TREASURY DEPARTMENT

138

## INTER OFFICE COMMUNICATION

DATE January 21, 1942

TO Mr. White  
FROM Mr. Wilmann and Mr. Wood  
SUBJECT: Tolson Committee Report (December 19, 1941)

The report focuses attention on the failure to bring about full utilization of America's industrial capacity for the war effort — a failure which is causing serious unemployment, is weakening civilian morale, and has delayed the maximizing of our striking power.

The report not only sheds light on the factors which are responsible for the present situation, but makes some constructive recommendations for alleviating the serious condition.

### 1. Factors Responsible For The Present Situation

1. Industry has failed to convert; and the Government has done nothing effective to require large-scale conversion.

The Government defense agencies have, for the most part, left operations to the discretion of industries rather than assume leadership in changing production to war-time purposes. Even in attempts to force conversion by curtailing civilian production, the defense agencies were not strict enough to obtain any substantial result.

In an effort to maintain civilian production, durable consumer goods industries, such as automobiles, have favored building new facilities rather than interrupting production in their principal peace-time plants. Industries producing critical raw materials have resisted any expansion whatever of capacity.

2. The program suffers from the absence of a coordinated plan, from inadequate procurement policies, and from overconcentration of orders.

Priorities have been imposed in the absence of a production program and, as a result, between 2 million and 3 million workers will suffer "priority" unemployment. The absence of a plan can partially be ascribed to the delay of the Army and the Navy in submitting their estimates of military requirements. Instead, production has been based on the conception of limited military

needs. Peace-time procurement procedures have remained in effect, leaving the rate of completion of the contracts to the manufacturer. The bulk of the contracts have been placed with large manufacturers who have accumulated backlogs rather than subcontract extensively.

- C. The defense agencies have failed to provide any effective program for the transfer or reemployment of labor in the defense effort.

## II. Recommendations

- A. Establish a central board with responsibility for bringing about complete utilization of America's industrial capacity.
- B. Utilize fully existing manufacturing facilities, but expand capacity for production of critical raw materials.
- C. Review all contracts over \$500,000 with completion dates beyond June 30, 1942, for purposes of stepping up production; inaugurate system of supervising and stepping up production.
- D. To avoid new unemployment, continue small and medium-size plants in civilian production until plans are worked out to bring them into armament production; develop further techniques for subcontracting and for pooling facilities.
- E. Wherever possible, transfer labor now employed in civilian production to military production.
- F. To alleviate the effects of unemployment,
  1. Extend compensable time under unemployment compensation to 26 weeks.
  2. Allow the Works Progress Administration to establish a retraining program open to all workers.
  3. Remove certification of workers for such a program from the hands of local authorities.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

*[Handwritten signature]*  
140

DATE January 21, 1942

TO Secretary Morgenthau  
FROM Mr. Swops

On the recommendation of the Director of the Mint, the Secretary of the Treasury has approved a change in the metal content of the one cent piece.

The one cent piece now contains, in addition to copper, a certain portion of tin and zinc. The program is to remove the tin, which is a strategic material needed in the war emergency, and leave only a mere trace of tin in the coin. The coin itself will be the same size and weight, will not be affected in appearance or durability, and will save, on the present rate of usage, over 100,000 pounds of tin per year.

In addition, tin on hand and on order, amounting to almost 40,000 pounds, will be turned over for use in the production of materiel for defense. It will be April 15 before any new coins will be placed in circulation.

## TREASURY DEPARTMENT

141

## INTER-OFFICE COMMUNICATION

DATE JAN 21 1942

TO Secretary Morgenthau  
FROM E. H. Foley, Jr.

This is an additional report on our investigation with respect to the ownership of the Westchester Apartments.

We have now received a report on this matter from Stopford of the British Embassy.

London confirms that the Nederlandsche Standaard Bank is a form of trust company for the Ofenheim family money. All of the children of Dr. Ofenheim are British born and the only one taking an interest in financial affairs is William Ofenheim, now fighting with the British forces in Africa. William Ofenheim is a director of the Nederlandsche Standaard Bank, as are Hans Christian Sonne and a Mr. Duschnitz, both of whom are in the United States. We are proceeding with our investigation of these latter two individuals.

London confirms that there does not appear to be any truth in the report that Queen Wilhelmina owns the Westchester Apartments.

S. W. 74

142

Original ret'd to Mr. Swope for  
transmittal to Mr. Mack 1/23/42.

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

January 21, 1942.

MEMORANDUM FOR THE SECRETARY

Upon application of the British Purchasing Commission and with the approval of the Lend-Lease Administrator under delegation of the authority contained in Section 102 of the Defense Aid Supplemental Appropriation Act, 1942, it is proposed, upon your approval to furnish the office furniture, fixtures, machines, and supplies, to meet the needs of the British Purchasing Commission and the following commissions, missions, and delegations:

Australian Mission  
Department of Munitions & Supply  
British Food Mission  
British Petroleum Mission  
Government of Southern Rhodesia  
British Army Delegation  
New Zealand Supply Mission  
Indian Mission  
United Kingdom Commercial Corporation  
R.A.F. Delegation  
British Admiralty Delegation  
British Supply Council  
South African Purchasing Commission  
British Air Commission

I am informed that their needs have been met by purchases generally made locally at retail from firms in Washington except that they have made certain purchases of photographic material from the manufacturer, the Haloid Company. I do not believe any objection will be made by

of the suppliers with which they have been doing  
business.

Purchases by the British Purchasing Commission  
for this purpose during the period from January through  
December 1941, amounted to \$587,040.42. As this figure  
includes \$177,686.07 for furniture and fixtures which  
will probably not be purchased in that volume in the  
future, it is likely that purchases proposed to be made  
will not exceed \$50,000.00 monthly.

Representatives of the British Purchasing Com-  
mission have indicated that it will be agreeable to them  
to make periodical deposits in advance of funds to be  
used in reimbursement of the cost of the supplies.

A separate account will be maintained of the  
transactions carried out under this plan.

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

APPROVED

*J. M. Fullan*  
1942. *E.S.*

Secretary of the Treasury.

COPY

145  
Feb. 11, 1942

cc: Miss Chauncey

I don't think it is necessary to show these to the Secretary. However, I have called the attention of Mr. Bell to these cables.

H.D.W.

Cables in question dated 12/27/41, 1/21/42 & 2/2/42

Original of this memo is attached to 12/27 cable

C  
O  
P  
Y

TELEGRAM SENT

JW

PLAIN

January 21, 1942

AMEMBASSY,

LONDON.

250, twenty-first.

Department's 151, thirteenth.

Mr. Altmeyer now states that he and General Hines would appreciate your sending from time to time current material on Civilian Injuries Scheme, Pensions and Collateral subjects including any later rules and orders or reports. They would particularly like latest copies of Citizen Advice Notes published by National Council of Social Services. Please send all material of this character at least in triplicate so that copies may be furnished both Mr. Altmeyer and General Hines.

HULL  
(MJG)

EU:TCA:MEL

RP

COPY:BJ:2-10-42

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147

DEPARTMENT OF STATE  
WASHINGTON

January 21, 1942

In reply refer to  
740.0011 Pacific War/1558

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of despatch no. 460 of January 2, 1942 from the American Embassy at Panama, submitting newspaper accounts of official decrees which contain the texts or summaries of the texts promulgated by Panama since the declarations of war, establishing certain emergency measures including the freezing of funds of the Japanese and Axis Governments, as well as the control of Axis property.

Enclosure:

From Panama, no. 460,  
January 2, 1942, with  
enclosures.

No. 482

Panama, January 2, 1942

AIR MAIL

SUBJECT: Submitting Newspaper Accounts of  
Official Decrees Establishing  
War Measures.

The Honorable  
The Secretary of State,  
Washington, D. C.

Sir:

I have the honor to transmit herewith newspaper clippings which contain the texts, or summaries of the texts, of certain official decrees which have been promulgated in Panama City since the declarations of war, establishing the emergency measures already described in Respatches No. 423 of December 18 and No. 446 of December 26, 1941.

The subjects of the decrees are as follows:

1. Japanese Funds Frozen.
2. Axis Funds Frozen.
3. Committee of Civilian Defense Becomes Part of Government.
4. Commission of Control of Prices Reestablished
5. Working Plan for Office of the Custodian of Axis Property.

The full official texts of the foregoing will appear in due course in the Gaceta Oficial.

Respectfully yours,

For the Ambassador:

John J. Muccio  
First Secretary of Embassy

Enclosures:  
Newspaper clippings (5)

SME/act

Gory:bj:1-23-42

Source: "El Panama America"  
December 8, 1941.

JAPANESE FUNDS IN THIS REPUBLIC "FROZEN".

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The Government of the Republic of Panama has continued taking every sort of precaution as a result of the treacherous attack made by the Japanese forces against possessions of the United States in the Far East and against the Philippine Islands, after having yesterday immediately ordered the arrest of all Japanese subjects residing in Panama.

By means of a Decree-Law issued this morning and bearing the signatures of the President of the Republic and of all the Ministers of State, the Executive has now prohibited the exportation of gold or other funds or assets belonging to the Government of Japan or its subjects or juridical persons made up of such subjects.

The text of this most important Decree-Law is as follows:

The President of the Republic, in the use of the extraordinary powers conferred on him by Law No. 41 and with the favorable opinion of the Cabinet Council and of the Special Commission elected in accordance with paragraph 20 of article 38 of the National Constitution, and, considering:

1. That the Government of the United States of America has officially informed the Government of Panama that military forces of the Imperial Government of Japan yesterday unexpectedly attacked military bases of the United States located in Hawaii and the Philippine Islands;

2. That in the General Treaty concluded between Panama and the United States on March 2, 1936, it is provided in Article X that, in case of a conflagration or threat of aggression "in which the security of the Panama Canal may be endangered", the two Governments "will take the precautionary and defense measures which may be considered necessary for the protection of their common interests;

DECREES:

Article 1. The exportation of gold or other funds or assets belonging to the Imperial Government of Japan, its subjects or to juridical persons made up of such subjects is forbidden.

Article 2. Banking institutions or any other juridical or natural person having in their possession funds or credits in favor of the entities or persons mentioned in the foregoing article shall hold those funds or refrain from effecting payment of the credits. For this purpose, depositaries are established having the obligation of reporting to the Ministry of Finance and Treasury, within a period of five days, on the assets held or the credits payable.

Article 3. Any violation of the provisions of this Decree will be punished with the penalty of one thousand balboas or non-commutable imprisonment for three months, which shall be imposed by the Mayor of the respective District;

Article 4. The Executive Power is empowered to adopt analogous measures against any State or States, subjects or juridical persons made up of such subjects that constitute a threat against the Republic of Panama or against the neutrality or security of the Panama Canal because of being in a state or war with the United States of America.

Article 5. This decree becomes effective immediately upon its publication in one of the local newspapers.

TR:AVA:PCH

SOURCE: "El Panama America",  
December 13, 1941.

PROPERTY OF THE AXIS ATTACHED

The Government Takes Charge of  
All Property Here

This includes property of Nazis,  
Italians and Japanese

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The National Government, in accordance with the powers conferred on it by the law passed by the National Assembly by means of which war is declared on the Japanese Empire, today ordered attachment for the duration of hostilities of all real and movable property and assets of Japanese, Germans and Italians in the Republic of Panama. In due course some one will be appointed to see to the custody of this real and movable property and in high official circles it is said that the well-known lawyer of this locality, Dr. Horacio F. Alfaro, will receive the appointment.

We give below the text of the decree issued this morning:

The President of the Republic, in the use of his legal powers, considering:

That the National Assembly yesterday passed law No. 10<sup>4</sup> by which the existence of a state of war between the Republic of Panama and the Empire of Japan is declared and other measures taken with respect to the present conflagration;

That that law was approved yesterday and, accordingly, is now in force, by express direction of the legislature;

That among the authorizations granted to the Executive Power appears that of adopting, with respect to any juridical or natural person or political entity, such preventive or repressive measures as may be made necessary for national defense and the defense of the allied countries, and to prevent the importation and reexportation of gold assets (valores) etc., etc.

DECREES:

Article 1. Banking institutions or any natural or juridical person which may have assets or credits which belong to Japanese, Germans and Italians or to companies constituted by some of them or by subjects of any State which may threaten the security of the Republic or of the Panama Canal automatically becomes a depositary thereof and shall immediately report to the Alien Property Custodian.

Article 2. Banking institutions shall not allow the opening of deposit boxes which the aforesaid aliens have and they shall furnish to the Custodian a list of the renters of these boxes.

Article 3. Notaries are forbidden to execute instruments or to authenticate documents the purpose of which is to sell, mortgage, lease, etc., property belonging to the persons mentioned in this decree.

Article 4. The Public Register shall refrain from acting on instruments in which the aforesaid aliens mortgage or conclude any contract with respect to the real property which they have recorded.

Article 5. The same measure shall be adopted by the General Administration of Internal Revenue with regard to the transfer of cafes and the Mayors of the District with regard to the sale of automobiles.

Article 6. The Custodian shall take possession of all property of Japanese, Germans and Italians and shall proceed to administer it, deducting the expenses required therefor.

Article 7. All funds belonging to individuals of the aforesaid nationalities shall be deposited in the National Bank in a special account which shall be carried for that purpose.

Article 8. It devolves upon the Executive Power, through the Ministry of Finance and Treasury, to appoint the subordinate personnel of the Custodian and to appoint administrators of the attached establishments, which administrators must give bond to guarantee their management.

Let it be made known and published.

Given in Panama, December 11, 1941.

The President of the Republic,

RICARDO ADOLFO DE LA GUARDIA.

The Minister of Finance and Treasury,

JGSE A. SOSA J.

TR:AVA:PCH

Copy:ec:1-23-42

SOURCE: "La Estrella de Panama",  
December 17, 1941.

THE CIVILIAN DEFENSE COMMISSION BECOMES PART  
OF ONE OF THE GOVERNMENT MINISTRIES

It will control all activities connected with  
the civilian defense of our country.

The Civilian Defense Commission has become part of the Ministry of Gobierno and Justice, according to an executive decree issued yesterday morning creating the said commission, which will control all activities connected with the defense of the civilian population.

According to the said decree, the Civilian Defense Commission will be formed of a chief commissioner, who will have in his charge the permanent services of the Commission and who will receive a monthly salary of 250 balboas, and five commissioners who will give their services in an honorary capacity.

The decree specifies that "persons who voluntarily offer their services shall cooperate with the personnel of the Civilian Defense Commission if, in the opinion of the Chief Commissioner, they are fitted to do so. The Chief Commissioner shall further be empowered to create special committees."

Another decree likewise issued yesterday morning through the Ministry of Gobierno, appoints Mr. Manuel Roy as Chief Commissioner of Civilian Defense. He has been serving in this capacity since last Saturday when the creation of this division of the Government was decided upon.

As members of the Civilian Defense Commission who will serve in an honorary capacity, the following have just been appointed: Messrs. Raul Arango N., Abilio Bellido, Carlos Sole Bosch, Inocencio Galindo V., and Gustavo Bisseman, P. who will act as secretary of the organization.

#### WEST INDIANS ARE REGISTERED

Descendants of West Indians yesterday began to register for the volunteer service organized by the Civilian Defense Committee.

In this regard it is known that Fernando Bradley, a well-known Panamanian of West Indian origin, requested one hundred volunteer registration blanks from the offices set up in the vestibule of the National Palace.

#### FIVE COMPANY 5 WILL HAVE TWO DAYS INSTRUCTION

Ambulance company No. 5, of the Fire Department, will have two days' instruction every week as long as the present emergency continues, according to an announcement made yesterday by Captain Dimas S. Rostrup. These instructions will be given Tuesdays and Fridays at eight o'clock in the evening in the hall of sessions of the Central Barracks.

Last night, in beginning this period of double instruction, Captain Luis Domingo Alfaro, physician of the Fire Department, gave a lecture on first aid, which many firemen from other companies attended.

#### ARTS AND CRAFTS OFFERS ITS SERVICES

The teaching and administrative personnel of the School of Arts and Crafts has sent the Minister of Education, Licenciado Victor Florencio Goytia, the following letter:

"Mr. Minister:

"Being thoroughly aware of the seriousness of the present time through which our country is passing, in honorable fulfillment of its international obligations, we, the undersigned, members of the teaching and administrative personnel of the School of Arts and Crafts, in a gesture of true patriotism, come to offer our services to His Excellency the President of the Republic, through your very worthy intermediary, Mr. Minister, that they may be utilized in the manner best suited to the sacred interests of the nation.

"Our respective addresses are given beside our signatures, for the pertinent purposes.

"Respectfully yours,"

(Here follows a list of signatures)

TR:AVA:PCH

SOURCE: "El Panama America",  
December 18, 1941.

**THE GENERAL PRICE CONTROL COMMISSION IS REESTABLISHED**

It will have to regulate wholesale and retail prices  
Both national and foreign articles concerned

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By means of a decree issued today by the Executive Power, through the intermediary of the Ministry of Agriculture and Commerce, the General Price Control Commission has been reestablished. We publish the pertinent portion thereof below:

Article 1. The General Price Control Commission is reestablished. It shall be made up of the Second Secretary of the Ministry of Agriculture and Commerce, who shall head it, and of Messrs. Aristides Romero and Alejandro Carrido. These appointments are in an honorary capacity.

Article 2. The General Price Control Commission shall hold meetings as often as may be necessary in the office of the Second Secretary of the Ministry of Agriculture and Commerce, at such time as the said Commission decides upon.

Article 3. Sufficient powers are conferred on the General Price Control Commission that it may regulate and control the wholesale and retail prices of every type of national and foreign article and particularly those of first necessity, as also the prices to be collected for services afforded the public. The orders which the said Commission issues must be complied with by every merchant or industrialist.

Article 4. The General Price Control Commission shall maintain contact with the "Supply Commission" created by the Ministry of Agriculture and Commerce, and with the "Commission to Investigate the Cost of Living and the Reduction thereof," appointed by the Ministry of Finance and Treasury, in order that there may be due harmony in its decisions and that mutually contradictory decisions may be avoided.

Article 5. Any violation of the provisions which the General Price Control Commission may adopt of which the said Commission learns or which may be reported to it shall be made known to the Mayor of the District in order that the latter may impose the corresponding penalty on the violator.

Article 6. The General Price Control Commission is empowered to appoint such sub-commissions in cities or towns of the interior of the Republic as it considers advisable, the activity of which shall conform to the instructions which will be given them by the Commission.

Article 7. Decree No. 35 of July 25 of this year, issued by the Ministry of Agriculture and Commerce, is repealed.

Article 8. The present decree shall enter into effect as of this date.

TR:AV:PCB

Copy:ec:1-23-42

SOURCE: "La Estrella de Panama",  
December 27, 1941.

THE FUNCTIONS OF THE CUSTODIAN OF THE PROPERTY  
OF ARRESTED ALIENS ARE FIXED

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A number of provisions relative to the functions of the Custodian of the Property of Aliens arrested in connection with the state of war have been issued by the Executive Power by means of a decree of the Ministry of Finance and Treasury, the contents of which are given below:

The President of the Republic, in the use of his legal powers, and considering:

That it is the duty of the Executive Power to prevent measures already adopted or which may be adopted to meet the present emergency from occasioning unnecessary injury or from being the cause of disturbances or damages to the national economy, in so far as it may be compatible with the security of the nation and of the Panama Canal;

That a good many of the aliens affected by Law 104 and Executive Decree No. 128 of the current year have resided in the Republic for many years, have become part of its economy and have even established homes in which there are Panamanian children and have, in addition, conducted themselves in irreproachable fashion;

That by reason of such long residence and the ties which bind the said aliens to the country of their adoption, it is not<sup>to</sup>/be presumed that they cherish sentiments hostile to the Republic of Panama or the security of the Panama Canal or that they share in the anti-democratic ideas of the present leaders of their respective countries of origin;

DECREES:

Article 1. The Custodian is empowered to examine and decide on applications with respect to their property which may be made by aliens now under arrest or who may in the future be arrested as a result of the security measures already adopted or which may be adopted as a consequence of the present conflict.

Article 2. The Custodian is also empowered to entrust the administration of property or businesses to the persons whom he considers proper, whenever he may consider it advisable to do so.

Article 3. Having deducted the general expenses, the Custodian may determine the amount which the family of the person detained should receive to take care of their personal expenses. The remainder shall be deposited in a special account which the Custodian must carry.

Article 4. The deposit in trust of property and businesses shall be suspended and the orders given to banking institutions with respect to those aliens whose release has been decreed shall cease to have effect.

Article 5. The applications mentioned in Article 1 must give the age, civil status, profession, residence in the country - specifying the years of residence and the house occupied - number of identification certificate and, if a merchant, the number and class of license. The Custodian may officially make the investigations which he considers pertinent with respect to the applicant.

Article 6. Commercial or industrial establishments and any other business which, in the opinion of the Custodian, offers difficulties to the administration thereof, shall be sold at public auction, after the corresponding appraisal has been made.

Article 7. Bids shall be received by the Custodian, and, with regard to them, the rules of the Judicial Code respecting the auction

of property shall be observed.

Article 8. The periods set by law shall be disregarded in the case of movable property which, because of the fact that it is perishable or subject to style changes, it may be necessary to dispose of without delay.

Article 9. The Custodian or the person whom he may designate has free access to the accounts of the establishments or businesses attached.

TF:AVA:POK

Copy:bj:1-24-42

TO: American Consul, Batavia, Java, Netherlands Indies.

DATE: January 21, 1942, 5 p.m.

NO. 22.

RUSE

Reference is made to the Consul's telegram No. 37, noon, January 15, 1942.

The following is from the Treasury Department.

One. It is suggested that you have the Javasche Bank try to minimize the number of checks drawn on the Treasurer of the United States by making known to the disbursing officers of American armed forces that they should cable through Navy or War Departments their local currency requirements. Arrangements will be made, when such advices have been received, to advance dollar credits through the Federal Reserve Bank of New York to Javasche Bank under a procedure similar to that followed when Lieutenant Colonel Elliott S. Thorne's credit was established with bank.

Two. The following procedure is suggested in case of dollar checks drawn on Treasurer of United States and cashed by Javasche Bank: The checks which the Bank has cashed will be delivered to American Consul General along with a list in triplicate with a complete description of the checks; that is the drawer's name, check number, symbol number, date of check, amount, and payee's name.

Treasury Department.

Treasury Department to be advised by Consular Officer via wire through the State Department the aggregate amount of checks delivered by bank after he has carefully verified checks against list. Credit will be effected in corresponding amount to the account of Javasche Bank with Federal Reserve Bank of New York when Treasury receives this information.

The Javasche Bank should be instructed by consular officer to use all possible diligence in identifying payee and in determining the validity of endorsements on checks. Checks should be endorsed by the Javasche Bank in the following manner: "Pay to the order of the Treasurer of the United States for credit of our account with the Federal Reserve Bank of New York. Signed Javasche Bank." The Treasury will look to bank only for usual guaranty under laws applicable in Java, Netherlands Indies.

By the safest means available and as promptly as possible the consular officer should forward checks along with one copy of list (Two. Paragraph 1) to Treasurer of United States, Washington, D.C. At the earliest possible date the second copy of the list should be forwarded by separate carrier. Consular officer should retain third copy of list.

Three. Instruct Bank to list total amount, in case of excess US paper currency, by kinds and denominations also by bank of issue in case of Federal Reserve notes.

The Bank

The Bank should be instructed to cut currency in half vertically and stamp or write name of Bank on each half in ink. Both halves and list in quadruplicate should be delivered to Consul General by Bank. The Consular officer will verify amount of currency delivered to him against a list prepared by Bank and then he will wire the Treasurer of the United States (through State Department) the amount of currency delivered to him. When Treasury receives this advice credit in corresponding amount will be effected with the Federal Reserve Bank of New York in the account of the Javasche Bank. Each set of halves should be forwarded by separate carrier accompanied by a copy of list. The third copy of list should be forwarded by still another carrier. Consul General should retain fourth copy of list.

Four. Because of the fact that shipments will be covered by Government Losses in Shipment Act, the Consul General should make no arrangements for insurance.

Five. The Javasche Bank (including its branches in the Netherlands East Indies) is hereby designated a depository of public moneys of the United States in order to carry out the procedure outlined in this telegram.

The Javasche Bank and its branches in the Netherlands East Indies, in addition to the functions contemplated in this cable, are authorized to accept and maintain accounts in such amounts as may be deposited from time to time on their books to the official credit of disbursing officers

of

of the U.S. Navy and their agents and finance officers of the U.S. Army and their agents.

A letter containing further details relating to this designation will be forwarded direct to the Javasche Bank, Batavia, Netherlands Indies.

Six. As Treasury's reply to Javasche Bank's message please advise the latter appropriate parts hereof.

The Foregoing is approved by the Department. Expenses incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item in accordance with Section V-45 Foreign Service Regulations for billing Treasury.

HULL  
(AAB)

## INCOMING CABLEGRAM

Rec'd.: January 21, 1942

From: Bern

Dated: January 21, 1942

To Federal Reserve Bank of New York,

New York.

#2

In order to proportionate better our holdings of gold and devisen we beg you to earmark for our special earmarked gold account with you approximately \$20,000,000 fine gold debiting equivalent to the account of our Zurich office value today. Please cable details both parties.

(Sgd.) Banque Nationale Suisse

(Received by telephone from Federal Reserve Bank, New York 4:15 p.m. 1-21-42)

## TREASURY DEPARTMENT

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## INTER-OFFICE COMMUNICATION

DATE January 21, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£37,000
Purchased from commercial concerns	£ 6,000

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

The Canadian dollar continued to fluctuate in a very thin market. Today's closing quotation was 11-3/4% discount, as against 11-5/8% last night.

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

Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5250
Venezuelan bolivar	.2675
Cuban peso	Par

Portuguese banks cabled their New York correspondents this morning that they had lowered their buying rate for dollars from 24.95 to 24.85 escudos, equivalent to an advance in the offered rate for escudos from \$.0400-3/4 to \$.0402-1/2. It was not learned whether the Portuguese banks also changed their selling rate for dollars, which has been 25.10 escudos (\$.0398-1/2). New York banks reportedly have little interest in the latter quotation.

We sold \$4,987,000 in gold to the Central Bank of the Argentine Republic, which was added to its earmarked account.

We purchased \$1,125,000 in gold from the earmarked account of the Bank of Mexico.

The Federal Reserve Bank of New York reported that the Bank of Canada was shipping \$2,659,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

-2-

In London, spot and forward silver remained at 23-1/2d and 23-9/16d respectively, equivalent to 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.

The report of January 14, received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$4,245,000, an increase of \$55,000 in the short position since January 7. Net changes were as follows:

<u>Country</u>	<u>Short Position January 7</u>	<u>Short Position January 14</u>	<u>Change in Short Position*</u>
England**	\$ 132,000 (Long)	\$ 24,000 (Long)	+ \$108,000
Europe	2,626,000	2,473,000	- 153,000
Canada	641,000 (Long)	661,000 (Long)	- 20,000
Latin America	19,000 (Long)	14,000	+ 33,000
Japan	159,000	161,000	+ 2,000
Other Asia	2,298,000	2,305,000	+ 7,000
All Others	<u>101,000 (Long)</u>	<u>23,000 (Long)</u>	+ <u>78,000</u>
Total	\$4,190,000	\$4,245,000	+ \$ 55,000

\* Plus sign (+) indicates increase in short position, or decrease in long position.  
Minus sign (-) indicates decrease in short position, or increase in long position.

\*\*Combined position in registered and open market sterling.



**CONFIDENTIAL**

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BRITISH EMBASSY,  
WASHINGTON, D.C.

21st January, 1942.

PERSONAL AND  
SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,  
(For the Ambassador)

*R. J. Campbell*

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

BRITISH MOST SECRET

(U.S. SECRET)

TYPE No. 21

Information received up to 7 a.m., 20th January, 1942.

1. NAVAL

The troopship torpedoed in BAY OF BISCAY referred to in my TYPE No. 20 has now arrived at the AZORES. Two of H.M. destroyers were in collision while leaving ALEXANDRIA during a gale on the 16/17th. One of them will be out of action for about four weeks. A Norwegian 6,600 ton vessel, after breaking off, with engine and steering defects, from a MALTA convoy, was bombed and sunk off TOBRUK while returning to ALEXANDRIA escorted by an anti-aircraft cruiser and 2 destroyers which took off about 350 survivors. A small Belgian ship in an outward convoy has been torpedoed 400 miles East of CAPE RACE. A small British ship in a coastal convoy has been sunk in collision off the East coast. More than 25,000 tons of shipping are reported aground off the West coast of SCOTLAND as the result of the recent gale.

2. MILITARY

LIBYA. The enemy are continuing work on their defences East of AGHEILA. On the 18th, a total of 257 Italians were captured by an Indian Brigade and the Polish Brigade in the BARCE and CYRENE areas respectively.

MALAYA. 18th. Right. Our detachments withdrew from ENDAU to a locality halfway between this town and MERSING.

Centre. No change in OMBAS area.

Left. Fighting continued throughout the day in the MUAR area. One Australian Battalion destroyed 8 enemy light tanks. We hold TAKRI, 6 miles south east of MUAR, where situation reported in hand. No change at BATU PAHAT and no enemy located south of this point.

BURMA. Owing to a Japanese advance in superior numbers our forces have withdrawn from TAVOY to more favourable positions.

RUSSIA. The Russian attacks west and north west of MOSCOW have made some progress. They are also attacking south of KURSK and south east of KHARKOV. In the CRIMEA, the German counter attack in the FEODOSIA area has gained some ground.

3. AIR OPERATIONS

WESTERN FRONT. 19th. Our fighters destroyed a German bomber off the YORKSHIRE Coast.

- 2 -

MEDITERRANEAN.

LIBYA. Bad weather again curtailed operations. One Beaufighter is missing.

MALTA. 19th. 72 aircraft attacked a convoy and aerodromes. No ships were hit but some damage and casualties were caused at one aerodrome. One enemy aircraft was probably destroyed and three were seriously damaged.

SICILY. 18th/19th. Wellingtons dropped 10 tons of bombs on CATANIA aerodrome and started at least 7 large fires.

19th. GCMISD aerodrome was attacked by 4 Hurricanes bombers which set on fire some enemy aircraft.

FAR EAST.

SINGAPORE. Governor reports one hundred and twenty three killed in raid of 17th. Passive defence working busily, no sign of panic in the streets and business as usual in vicinity of bombed areas.

BURMA. 18th. Our Blenheims reported TAVOY aerodrome evacuated and on fire. It is thought that the R.A.F. personnel may have withdrawn in their own transport. The Blenheims were engaged by several enemy aircraft but returned safely. Enemy fighters are believed now to be operating from TAVMY aerodrome.

PACIFIC ISLANDS. On the 16th, and 17th, the R.A.A.F. bombed various Japanese bases in the CAROLINE ISLANDS.

16th. Enemy aircraft attacked two aerodromes near RABAUL.

4. AIRCRAFT CAPABILITIES IN OPERATIONS OVER AND FROM THE BRITISH ISLES

German - One destroyed.

BRITISH MOST SECRET

(U.S. SECRET)

OPTCL No. 24

Following is supplementary resume of operational events covering the period 8th to 15th January, 1942.

## 1. NAVAL

Exceptionally heavy gales were experienced in the North Atlantic. Both the SCHARNHORST and GNEISENAU may have been damaged in recent raids on BREST. The first convoy to BENDHAZI began unloading on 9th. Other western desert convoys are proceeding normally. DERNA is in use as a supply port. A destroyer torpedoed on 12th was successfully towed into ALEXANDRIA.

SUBMARINES. The westward movement of U-boats across the Atlantic has continued. There are now concentrations south of NEWFOUNDLAND and off NEW ENGLAND coast. A few also are operating in the western approaches to the STRAITS OF GIBRALTAR. There is no indication of any in the South Atlantic. Shipping losses were moderate. 8 ships are known to have been sunk during the period, five of them by submarines, two by aircraft and one by mine.

TRADE. Ships convoyed - 825. Imports during week ending 10th, 682,000 tons, including 318,000 oil imports. Of 32 enemy Merchant Vessels (17 Italian and 15 German) which tried to run the British blockade during 1941, 14 totalling 83,700 tons were intercepted, 10 of them being scuttled or sunk and four captured. Of four German ships which crossed the Atlantic from east to west to South American ports, only one succeeded in returning.

## 2. MILITARY

LIBYA. The Axis forces withdrew from JEDABYA in good time before becoming committed with our main body, and are now established in a strong position immediately south and east of AGHEILIA with their armour protecting their right flank, they have been joined by the Italian Division formerly in reserve in the TRIPOLI area. They probably have now a fair reserve of supplies, especially oil, brought by lorry or landed from small ships at points along the coast, and may have been reinforced with some tanks from ITALY, their air close support is much stronger than a fortnight ago and their dive-bombers have already caused us casualties. The enemy must realize that there is no other position so strong forward of the TRIPOLI area and, consequently, to surround or dislodge him, we must have a high scale of attack which will take some time to build up. TOBRUK, DERNA and BENDHAZI are in use but unloading is being hindered by bad weather and a shortage of tugs and lighters, weather has been bad and some of our aerodromes are waterlogged. Our supply position is steadily improving, though slowly.

Regraded Unclassified

RUSSIA. Issues of the first magnitude now hang on the questions of when and where the Germans can stop the Russian pressure. The Russian advance has slowed down during the past week, but the pressure on the Germans is still such that they have not been able to withdraw more than a very few divisions for rest and refit in GERMANY. It is essential for the Russians to keep the enemy on the move, and their advances south-westwards to the west of RZHEV and westwards to the west of KALUGA, with the cutting of the important VYASHA-BRYANSK railway are significant items in this process. In the CRIMEA, honours are easy the Russian landings having evoked powerful German reactions. For the Germans, it is equally essential to establish a line on which they could stabilise the front and behind which they would withdraw some of their tired troops. For example, nearly all the German armoured divisions on the Russian front have been constantly in action without a proper rest for six months. Unless and until they can withdraw substantial numbers of troops from the Russian Front - more exactly, until at least two months after they begin to do this - they cannot start any major operation elsewhere.

In MALAYA the inevitable retreat in the face of superior numbers has continued, more rapidly than had been hoped, but in accordance with well-ordered and well-executed plans. British and Indian units which bore the brunt of the first month have been withdrawn well behind the front line which is now held by fresh troops, including Australians. The Japanese advance has brought SINGAPORE within range of fighter cover for enemy bombers.

SIAM. The Japanese forces have been increased by one division.

SPAIN. There are no signs of any military preparations against SPAIN.

ITALY. The strengthening of the German air force in SICILY and South ITALY continues.

BALKANS. There is no evidence of any military threat to TURKEY in the near future.

CHINA. The Japanese operation against CHANGSHA was probably intended as a diversion during their attack on HONG KONG. It succeeded in its object. Owing to the weakness of the force employed, the Chinese were easily able to drive it back but their victorious claims have not, at present, been fully substantiated and press reports are exaggerated.

### 3. AIR OPERATIONS

WESTERN FRONT. Weather conditions, including some snow and sleet, were generally unfavourable. The main objectives of bomber command were BRIST

(303 tons) and "ILHEIMSHAVEN (105 tons). Operations were cancelled on two nights. Extensive photographic reconnaissances were flown and the warships at BREST were kept under constant observation. It is estimated that our aircraft sank or seriously damaged 8,000 tons of enemy shipping. A German single-engined fighter on photographic reconnaissance crashed in DEVONSHIRE, the pilot being captured.

MEDITERRANEAN.

LIBYA. Bad weather persisted in the forward area and somewhat restricted work by our fighters and bombers. In the frontier area, HALFAYA was continuously bombed by day and also at night. Enemy dive-bombers, escorted by fighters, made several attacks on our troops near AGHEILA.

MALTA. Enemy attacks continued frequent although on a somewhat lighter scale than the previous week.

FAR EAST.

MALAYA. Dutch and British aircraft co-operated in protecting our convoys. Our light bombers, assisted by a few Catalinas, bombed enemy aerodromes and communications. The scale of Japanese attacks upon SINGAPORE increased and fighters escorted their day bombers, in countering these attacks, our Buffalo fighters were often confronted with odds of two and three to one and sustained fairly heavy losses in aircraft although most of the pilots were saved.

RUSSIA. On the MOSCOW Front, the German air force does not appear to have been able to interfere seriously with the Russian supply system or to protect effectively their own retreating columns. There are indications that the German airforce has been obliged to send reinforcements of long-range bombers to the Southern Front.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 21, 1942

TO: Secretary Morgenthau

FROM: Mr. Kamarck

SUBJECT: Summary of military developments in the past week.  
(Based on U.K. Embassy Operations Report, U.S. Military Intelligence Information, C.O.I. "The War This Week".)

Far East

The Japanese have continued their advance toward Singapore. The situation, however, appears to be more optimistic. Two British convoys of reinforcements have arrived. (The results of today's Japanese air attack on Singapore shows that the strength of the defenders has increased considerably. The Japanese have been able to attack Singapore in daylight with comparative immunity until today, when the daylight raid cost the Japanese 12 planes.) Our Military Intelligence is now fairly confident that Singapore will be held.

Russia

The Russian army has continued to advance slowly. The Red Air Staff is very confident and believes that the Germans will withdraw to the pre-war Russo-Polish border. The Russians regret that the German withdrawal is robbing them of the full effect of their offensive. Both the British and the American armies do not believe that the Germans contemplate so extensive a withdrawal. Our army is of the opinion that the Germans will wish to hold Smolensk, Orel, Kursk and Kharkov - all important communications centers. Smolensk has also become an important supply depot.

(The death of Field Marshal Von Reichenau of "apoplexy" eliminates an officer who was a Nazi partisan even before the coming to power of Hitler. Death has now struck at the commanding staff of three out of the four Axis armies on the southern Russian front. Von Reichenau was commander of the 6th Army. The Russians killed General Jonescu, Chief of Staff of the Romanian army, during the summer. Red paratroops killed Colonel-General Ritter von Schobert, commander of the German Moldau army, during September.)

### Libya

The British have made no further advances towards Tripoli in the past week. They are still not able to maintain more than very small forces at the front, because of the difficulties of supply. The fall of Halfaya Pass should help to improve the supply situation. Capture of this Axis barrier will enable the British to use the coastal road and so eliminate a detour of about 100 miles. The facilities of the Port of Benghazi are being improved and this will also assist the British in supplying the front. Our army does not believe that the British will attempt, in the near future, a further advance towards Tripoli. This is because it is likely that some of the military resources of the Middle East will be diverted to meet the Japanese threat.

### Mediterranean

Axis pressure on Malta has continued throughout the week. The British caught 75 troop-carrying planes lined up on the ground on a field in Sicily and destroyed over half of them. This coup by the British should delay German preparations for a move against Malta or into Tunisia.

One army has been informed that the Spanish are concentrating troops along the Portuguese frontier. Colonel Donovan's office states that the Spanish Ambassador to Vichy admitted that Franco has consented to the passage of German troops through Spain. Franco made the condition, however, that such action was not to be taken until after the conclusion of the Pan-American Conference at Rio, in view of the repercussions that such an action would have upon the assembled delegates.

### Battle of the Atlantic

The submarine offensive against American vessels along our coasts provides some evidence that the British Intelligence Service is efficient. In my memorandum of January 2, 1942, it was stated that: "The British believe that it is probable that German submarines may be moving towards the western Atlantic. (Probably the purpose is to attack coastal shipping off our shores as in the last war)."

G-2/2657-220: No. 507 M.I.D., W.D. 11:00 A.M., January 21, 1942

SITUATION REPORTI. Pacific Theater.

Philippines: Fighting was particularly heavy yesterday along the center of our line. Our troops drove back enemy infiltrations in a savage attack which re-established our position and inflicted heavy losses on the enemy. One of our guerrilla bands operating in the Cagayan Valley raided a hostile airdrome at Tuguegarao in northern Luzon. The enemy was taken by surprise, more than 100 Japanese being killed and over 300 routed with but slight losses to our raiding party. An enemy cruiser was sunk and a tanker set afire as the result of a raid by United States bombers on the harbor of Jolo, southwest of Mindanao. Hawaii: No further reports. Malaya: Heavy fighting is reported along the west coast where Japanese pressure on the British left flank continues. Other sectors are stable. Active air action by both sides is reported. Burma: Japanese thrusts threaten the Rangoon area in the vicinity of Moulmein. The lower Burma panhandle is in Japanese hands. Australasia: Japanese aerial reconnaissance and bombing raids reported over New Britain and New Guinea. The press reports 100 Japanese flying boats, supported by shore-based and carrier aircraft, raided Rabaul (New Britain) yesterday. Damage was light. West Coast: No further reports of hostile activity.

II. Eastern Theater.

Strong Russian pressure continues along the entire front. The Russians are advancing on Rzhev and have captured Iozhaisk. The German High Command reports the repulse of Russian attacks on the upper Donets river.

III. Western Theater.

The press states that British bombers attacked the northwest German coastal area last night, with heavy concentrations on Emden.

IV. Middle Eastern Theater.

Ground: The Libyan situation is unchanged.

Air: The Italian High Command reports that heavy air raids continue against Malta. The RAF made further attacks on airdromes in Sicily.

RESTRICTED

January 22, 1942  
9:55 a.m.

CLEVELAND SPEECH ON TAXES

Present: Mr. Kuhn  
Mr. Odegard  
Mr. Sullivan  
Mr. Blough  
Mrs. Klotz

H.M.JR: Good morning, everybody.

MR. KUHN: Mr. Secretary, Peter got a copy of this last night, and Peter's suggestions are not embodied in here. The most important are on the first three pages, which I agree is flat and stale, and has got to be pepped up.

H.M.JR: Can I hear Peter's own adjectives?

MR. KUHN: He didn't use any this morning.

Secondly, Ros Magill called up this morning with some comments based on the first run, and most of them have been taken care of in this one. The only main one that he wanted, he thought we ought to say more about state bonds being desirable, even though they were taxed, trying to answer in advance the arguments of Epstein and the state and municipal people, but he had other comments that I will mention as we go along.

H.M.JR: Well, I have got thirty minutes, so I am going to read to myself. The things I don't like I will raise. I won't bother to - I will get a second run this afternoon. How is that?

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MR. KUHN: Yes, sir, and particularly on the beginning. The beginning can be much improved.

H.M.JR: Well, in order to get through the thing in thirty minutes, let me read, and the things I don't like, I will stop and you can say, "Well, one Odegard has already stepped on that," or "One Sullivan has," and so forth. O.K.?

MR. KUHN: Yes.

H.M.JR: If you have told the embassy we will go through with the pictures, we will just have to shift the soldiers. They have invited a lot of people?

MR. KUHN: They have invited about fifty people from various departments.

H.M.JR: Now here you have "great numbers of foreign-born neighbors". Why do you drag that in?

MR. KUHN: Just because Cleveland is a very great center of Polish and other foreign-born people.

MR. SULLIVAN: "Foreign-born citizens" is better.

MR. KUHN: Well, they have citizens and aliens, too. Cleveland and Buffalo are very big in that line, and Pittsburgh.

H.M.JR: "I take off my hat to you." You know, I am talking to the City Club there. There aren't going to be any Polacks in it.

MR. ODEGARD: I think that is a good phrase.

H.M.JR: All right. Peter, on page 4, the bottom of the page, "thereby produce hardships". Of course it will. We might as well start with the assumption that the coming taxes will be hard. Do you think that is the best approach to this thing, psychologically?

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MR. ODEGARD: You mean the idea of hardship?

H.M.JR: No, but telling the people in the way we tell it, "It will produce hardship. How can we divert half of our national income without dislocating our economy? I mean, is that a good way of putting it to them?

MR. ODEGARD: Yes, I see no objection to that.

H.M.JR: You don't see any objection to that?

MR. ODEGARD: No. I thought you were going to raise a question about the phrase that the coming taxes will be hard for everybody.

H.M.JR: No, I am not going to do phrases just now, because I haven't got time. There isn't another way of saying it - I am groping - there isn't another way of saying --

(Mrs. Klotz entered the conference).

Well, taking it for granted that they take it for granted.

MR. SULLIVAN: They don't.

H.M.JR: Yes, but this is a - just one --

MR. SULLIVAN: Excuse me.

MR. ODEGARD: As a matter of fact, I like that. You might, if you wanted to change it and assume that they understand it, simply say --

H.M.JR: No, it is the idea of saying to a child, "Now, I know you can do this," rather than say, "This is a terribly difficult thing that you have got to do." Do you see what I mean?

MR. ODEGARD: Yes, and that is why I was raising the question about --

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H.M.JR: It is the difference of the approach. Saying to the child, "Now, you can walk upstairs. I know that you can do it. I know you can do this lesson." Or saying, "It is awfully hard to walk upstairs," or "This lesson is terrifically difficult." That is what we are saying here.

MR. ODEGARD: We are saying that in connection with the taxes. What you are saying on page 5 --

H.M.JR: It is the whole attitude that runs through this thing. Are you bursting?

MR. SULLIVAN: I have been through this same thing on two or three different speeches, and I think Peter is absolutely right. I think it is more like going to the dentist. You would much rather know if it is going to hurt than have a lot of talk and then have him yank the nerve out.

MR. KUHN: I have a reason for that, if I can say a word. So much of the comment on the new taxes, on the revenue and all the rest of it, has been wasted on this kind of reasoning. "Well, we must have this money, but of course we musn't have any hardships in connection with it. We mustn't dislocate anything. We musn't disturb business." Senator George has said it, and the whole attitude is one that is fallacious. You can't do this job without hurting, and we might as well in our first pronouncement on the subject own up and stop people from talking - from saying that this can be brought just so far.

H.M.JR: Well, I would like Peter during the morning - I don't know what else you are doing, but I would like to let you let that go through your mind a couple of times. Will you?

MR. ODEGARD: Yes.

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H.M.JR: After all, you are a teacher, and I am not, but there are two ways, aren't there, of approaching a person, whether it is a child or a student, Peter?

MR. ODEGARD: Yes, you are quite right. It - psychologically it --

H.M.JR: I am talking psychologically. This is your field. I mean, I don't know which is the best way. I mean, I always figure I am talking to people of high school grade. Which is the best way to say to them, "You new taxpayers, now, you can take this in your stride. I know you can do it. Come on, boys." Or --

MR. ODEGARD: There is no objection psychologically to saying, "This is a hard job that you have got to do. Now, I know you can do it. I know you can do it, and you know you can do it."

H.M.JR: But we don't say that here. We just say, "This is hard." We don't say, "We know you can do it."

MR. ODEGARD: It was in connection with that sort of thing that Ferdie and I talked about it.

H.M.JR: If you don't mind, there is nothing more helpful you could do this morning than just think. I mean as to ideas, not as to words. I am going before the people, and I would like to - not to be too conceited, but I would like to guide their thinking, if possible. That is the purpose of the speech, isn't it?

MR. ODEGARD: Yes.

H.M.JR: To try to guide their thinking. Now, what we want to do is to get the American public in the frame of mind that they can pay this tax, they can do it cheerfully, they can do it with a minimum of grouching. I know what you (Sullivan) are going to say, but that is - what you are saying is what the condition is now.

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Now, I am not willing to go through this war without at least making an honest effort to guide the American public into a more - an attitude of more acceptance. They don't have to sing a song about it, but at least more acceptance. That is the whole thing I am working toward, you see. Now, I don't feel that spirit enough through here, Ferdie.

MR. KUHN: Suppose that spirit were in the beginning, in the first three pages?

H.M.JR: Well, some place, Ferdie.

MR. KUHN: You want it some place.

H.M.JR: Some place. I know how they feel. I mean, I don't have to go outside of - I mean, I am not talking about my immediate family, but relatives, without getting it, or any man on the street. I mean, I sat in the air station in - I was too sick to eat, and I sat out in the lobby there at the air station at Jacksonville and I wasn't there two minutes before two fellows tackled me. In desperation I had to go in and take a cup of coffee, just to hide. But anyway, do you get what I want?

MR. ODEGARD: Yes, I feel what you want.

MR. BLOUGH: Great leaders always stress the difficulty of the task so that when people do it, they feel they have accomplished a great thing.

H.M.JR: Again, I don't agree with you, Roy, I am sorry.

MR. SULLIVAN: I will have to vote with Roy on that. I think, Mr. Secretary, that the one thing that the American people resent is that they have been treated like high school children. They haven't been told what they are up against. They don't like the news when they get it, but they appreciate having been dealt with frankly.

H.M.JR: Well, I agree with that, but I go back - I happen to have been a Boys' Club leader, of bad boys,

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see. They gave me all the bad boys in Henry Street. They got all the boys that no one else could handle, and gave them to me as a club leader at Henry Street Settlement, so I have had tough boys, boys who have stolen and everything else. You can tell them what the tough problems are.

MR. SULLIVAN: I think that points up the issue, sir. You are not handling a bunch of bad boys. You are handling a group of citizens who, more than in any other time in their lives, have wanted to do what you want them to do.

H.M.JR: Well, if you don't mind, I don't see eye to eye with you on this thing.

MR. SULLIVAN: I know you don't. I think that is the whole issue.

H.M.JR: Well, will you make your speech your way and you let me make mine.

MR. SULLIVAN: I have made mine (laughter).

H.M.JR: Well, I don't agree with you at all. I am going to make a speech. I agree with you this much, that I want to tell them that the thing is difficult, but I have always since I have been here told the people the facts, but I also want to tell them it can be done, and that it can be done in a cheerful manner.

MR. BLOUGH: I don't believe there is any difference of opinion.

MR. SULLIVAN: Then there isn't any difficulty.

H.M.JR: I want to tell them the facts. I am not trying to hide that it is nine billion dollars, but I want to tell them, "These are the facts, but boys, we are going to do it, we have got to do it, and we can do it."

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MR. KUHN: That is just the point Peter made this morning.

MR. SULLIVAN: We are completely in accord, you and I. I was afraid you wanted to soft-pedal the difficulty.

H.M.JR: No. I want to say, "This is the problem. We have got to do it, and we can do it." Now, there is no "can do it" in here.

MR. KUHN: That is why I said that the first three pages would be different.

H.M.JR: All right, I am sorry. I asked Peter to get in on this yesterday, didn't I?

MR. KUHN: Last night, yes.

H.M.JR: Well, before that.

MR. ODEGARD: I had jotted down a couple of paragraphs on that.

H.M.JR: Our first meeting, which I called off; when was our first meeting?

MR. KUHN: That was at four.

H.M.JR: That is when he should have got in. Well anyway, he didn't.

Ferdie, bring in here on page 6 what I said in November, '37, that if at any time I was wrong on the tax things, I was willing to admit it. Quote that in my speech before that economic thing where I said that. There is a sentence in there where I said if at any time I was wrong on the taxes or something or other. Anyway, there is that sentence in there, see.

This new part is good. Has somebody got a copy for Mrs. Klotz?

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MR. KUHN: I am sorry. There is one possible addition of a sentence or two on the top of page 7 about incorporating a yacht or creating a personal holding company. Those things have been outlawed so completely that people don't even think of doing them any more.

H.M.JR: That is right. When I read this the first time, at the bottom of page 7, I didn't like it, and I like it less now. "War knows no avoidance. The Nazis and Japanese do not pick and choose amongst us." We are like the Nazis and Japanese. That is our same method on our taxes. I don't like the whole paragraph.

MR. SULLIVAN: There is another place where that idea can be put in, I think. I discussed with Ferdie last night, putting it in in a different way.

H.M.JR: I don't like the whole paragraph. We are going to follow the same method in taxes as the Nazis and Japanese.

MR. KUHN: Well, that wasn't the intention.

H.M.JR: No, but I got it the first time and I got it the second time. Who is the leading financier?

MR. KUHN: J. P. Morgan.

H.M.JR: Oh, is he? He said that on landing at the docks once didn't he?

MR. KUHN: I don't know when he said it.

H.M.JR: Won't you give me a title, like "Taxes," and so forth?

MR. KUHN: Oh, a little close heading?

H.M.JR: Yes, so the President could pick it up. If for no other purpose, for the President.

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MR. ODEGARD: Where are you reading, Mr. Secretary?

MR. KUHN: Page 12.

H.M.JR: Page 12.

MR. KUHN: There is a mistake on page 13, the third line from the bottom. "To tax the income from state and municipal securities."

H.M.JR: Well, talking about community property, I would say that it exists in eight states.

MR. KUHN: You say it exists in the eight states having what is called the community property system.

MR. ODEGARD: It says nine states down below.

MR. SULLIVAN: Yes, I was going to say you left Oklahoma out there.

MR. BLOUGH: Oklahoma being in uncertainty as to how it is going to work.

MR. ODEGARD: Well, it ought not to be included at the bottom and excluded at the top.

MR. SULLIVAN: I would put it in in both places, Roy.

MR. BLOUGH: They think they have one.

H.M.JR: Have Roy give you - the source of - there exists in eight states what is called the community property system. Then tell what it is, rather than going into - let Roy give you a short clear example. The community property system, which works as follows, you see.

MR. SULLIVAN: That is right, because most of these people up there never heard of it.

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MR. KUHN: Well, halfway down the page you say --

H.M.JR: No, but right at the beginning. As soon as you say, "community property, which is the following": Then a short definition of what community property is. Let Roy do a little job. Check on that, Peter.

MR. ODEGARD: Yes, I think so.

H.M.JR: When you were in Ohio you didn't know what community property was.

MR. ODEGARD: Of course I lived in a community property state, the state of Washington.

H.M.JR: But you are unique.

MR. SULLIVAN: I don't think but one man in a hundred knows what it is.

H.M.JR: I told somebody the other day that when you were in Ohio you used to - was it finance or taxing that you taught?

MR. ODEGARD: No, I taught administrative law at Ohio State. I taught public finance at the University of Washington.

H.M.JR: But not taxation?

MR. ODEGARD: No.

H.M.JR: No, public finance.

MR. BLOUGH: Half of public finance is taxation.

MR. ODEGARD: It is mainly taxation. I did my Master's thesis on railroad taxation in Washington.

H.M.JR: Is that where you got your --

MR. ODEGARD: I don't know anything about it, though.

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H.M.JR: But you got your P.H.D. on that? What did you get your P.H.D. in?

MR. ODEGARD: I published a book called "Pressure Politics".

H.M.JR: The man that teaches finance today is Shoup at Columbia, isn't it? Who has that chair?

MR. BLOUGH: The chair in the - the Seligman chair is held by Haig.

Shoup is in the School of Business.

MR. KUHN: That was your phrase, wasn't it, Peter, "pressure politics"?

MR. BLOUGH: Haig has Seligman's old chair there.

H.M.JR: What do they call it?

MR. BLOUGH: McVickar Professor of Political Economy.

H.M.JR: But he teaches what?

MR. BLOUGH: He teaches public finance.

MR. ODEGARD: I hope he does a better job than Seligman did.

H.M.JR: Incidentally, I was wrong when I told you there was nothing going on in planning our borrowing. Bell didn't know that Haas had been working on it for some time. I didn't want to do Haas an injustice.

MRS. KLOTZ: I think that is what Mr. Blough said.

H.M.JR: Yes. Bell didn't know it, and that Haas has an interdepartmental committee working on it. I didn't want to leave that impression unfairly.

MR. SULLIVAN: What page are you on?

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H.M.JR: Fifteen.

MR. SULLIVAN: All right, I have a comment on the third line there.

H.M.JR: Go ahead.

MR. SULLIVAN: It talks about the method of splitting taxable income. That is a correct phrase where a man has a hundred thousand dollars in securities and gives his wife fifty thousand, but where they are both working and where they each earn their own income, that is not splitting the income.

H.M.JR: Do you understand that?

MR. KUHN: Yes, I do. It could be called splitting unearned income.

MR. SULLIVAN: That is all right.

MR. KUHN: Yes, splitting unearned income.

H.M.JR: In the middle of 16 where it says, "If he turns over half of these securities to his wife, he would have to pay a terrific gift tax today."

MR. KUHN: It says here, "This couple at the cost of a moderate gift tax" --

H.M.JR: Well, moderate is --

MR. SULLIVAN: Well, it is comparatively moderate.

H.M.JR: Is it? Is that fair?

MR. SULLIVAN: I think so. I would want Roy to work out some figures over, say, a five or six year period, but I think the amount of saving on a transaction of this magnitude over the next ten years would make the gift tax appear moderate, but I would like to have Roy work that out.

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H.M.JR: Well, just check that.

MR. KUHN: At the end of 16, Magill says that the family is not the economic unit, but the married couple. As it stands here, you would be in favor of treating the family with married - unmarried daughters living at home and so on as the economic unit.

MR. SULLIVAN: You are really opening up something there.

MR. ODEGARD: I will say.

H.M.JR: What did you say?

MR. SULLIVAN: You are opening up something when you talk about the family unit.

MR. ODEGARD: There might be four or five people working in the family.

H.M.JR: I wouldn't say that. I would say "couple".

MR. SULLIVAN: Then that ought to be changed.

H.M.JR: Yes.

MR. SULLIVAN: I want to have a crack at this whole part when you get through.

H.M.JR: Well, you have it with him.

MR. SULLIVAN: I want to have it with you.

H.M.JR: No, you are not going to have it with me (laughter).

MR. SULLIVAN: There is one thing I have just got to discuss with you.

H.M.JR: You are not going to have it with me.

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MR. SULLIVAN: And that is whether or not the President is going to clear this.

H.M.JR: He is. I told that to Ferdie. The President is seeing the whole thing tomorrow.

MR. SULLIVAN: All right. I just don't want to get into the situation we got into last year.

H.M.JR: But if I tell you I am showing the whole thing to the President and he says, "O.K., F.D.R.," then what?

MR. SULLIVAN: I guess those are marching orders, aren't they, what, boss? (Laughter).

H.M.JR: O.K. But let me explain, I just cannot in these days --

MR. SULLIVAN: I understand.

H.M.JR: No, I want to be fair to you and everybody. I want to do something. I know how you feel. For you to say you want your day in court - you had your day in court last year. I take it you haven't changed, and I haven't changed. Now, why irritate each other by going through an hour?

MR. SULLIVAN: My gracious, I should think we would be able to discuss this thing in five minutes and not irritate each other, and not irritate each other if we had to discuss it an hour. There are certain things that have changed the picture a great deal since we last discussed it.

H.M.JR: Unfortunately, John, it is the one subject in the Treasury that I find nobody can discuss without getting excited (laughter). I will talk any other tax thing with you but this.

MR. SULLIVAN: Well, all right.

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H.M.JR: Or with anybody else.

MR. SULLIVAN: I would like to send you a little memo then.

H.M.JR: That is all right.

MR. SULLIVAN: I will send you a little memo indicating the manner in which I think the picture has changed, and I will not rehearse anything we have previously discussed.

H.M.JR: This isn't directed at you. I wouldn't discuss it with Ed Foley or George Haas or Herbert Gaston. Does it make you feel any better?

MR. SULLIVAN: In Richmond the other night somebody brought this up, and I said it was the only tax subject in which everything was black or white. There are no grays. Nobody can see any merit to the other fellow's argument.

H.M.JR: I say I wouldn't talk with Herbert Gaston or George Haas or I wouldn't talk about it with Ed Foley.

MR. SULLIVAN: I will send you a memo indicating the --

H.M.JR: It is not John Sullivan and me.

MR. SULLIVAN: Oh, I understand.

H.M.JR: It is just the others, too. But I am not going to waste myself on this or with anybody in the Treasury, but I will be very glad if you will get me a memo between now and two o'clock, to carefully read your memo.

MR. SULLIVAN: Well, I don't know. I am due up - all morning in Senate Finance, but I will --

H.M.JR: What is going on in Senate Finance?

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MR. SULLIVAN: The removal of the certificate of non-reimbursement. We have had it out in the House.

H.M.JR: Your deadline is two o'clock, old man (laughter).

MR. SULLIVAN: All right. I will do what I can. That is the most important thing I wanted to talk about. May I be excused, and get up there now?

H.M.JR: Sure. It isn't personal. The same applies to five other people on the Treasury.

MR. SULLIVAN: Only five? Pretty exclusive club (laughter).

MRS. KLOTZ: Haven't you a press conference now?

H.M.JR: Yes. I will tell you what we are going to do, gentlemen. If Mrs. Klotz and you three gentlemen will be back here at two thirty and nobody else, now, you will have the rest of the afternoon. We will finish it. We will start in at two thirty and we will work through the rest of the afternoon, but unfortunately I am in a humor that I cannot be propagandized at this stage. But at two thirty. It will be all right. We will be able to put it to bed tonight?

MR. KUHN: I think so.

H.M.JR: We have got to. Peter and Roy, if you don't mind, I wish you would do nothing else but this this morning.

MR. ODEGARD: I have an appointment with Justice Douglas at eleven o'clock.

H.M.JR: All right.

MR. ODEGARD: And I was going to see some people at the Office of Facts and Figures about our survey, and then I will be through.

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H.M.JR: Well, that kills the morning, though.

MR. ODEGARD: If I could get out of that Office of Facts and Figures --

H.M.JR: Well, get out of it. Tell them that I have asked you to do it. Do you mind?

MR. ODEGARD: No.

H.M.JR: Tell them. Keep your appointment with Bill Douglas, and give him my regards, but do you mind getting out of the other thing?

MR. ODEGARD: No.

H.M.JR: Because this is what I am trying to do, is to set the tone for the whole thing, you see, and John Sullivan has got to follow my tone.

MR. BLOUGH: He will follow.

H.M.JR: Yes, but I mean the point - I am trying to set a tone and the attitude for the Administration on how we are going to approach it. If the tone is set right on this, which is the most difficult end of the thing, then it is set for the whole thing. That is why it is so important.

MR. KUHN: But the tone of invective and so on, scolding, is out.

H.M.JR: Yes, sir, thank you sir.

MR. KUHN: I just wanted to find out.

MR. ODEGARD: Did you like the tone of the proposed budget message, the part that was written in the Treasury?

H.M.JR: As I remember it, yes. Do you know how Randolph Paul calls it?

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MR. ODEGARD: No.

H.M.JR: The still-born Treasury budget message.

MR. ODEGARD: It was unfortunately still-born.

MR. BLOUGH: I don't agree.

H.M.JR: As I remember, yes.

MR. KUHN: Very good.

MR. BLOUGH: It was born, all right. It was stilled very shortly thereafter.

MR. ODEGARD: You mean it was born alive?

H.M.JR: This is the kind of thing that you can - let Facts and Figures go over until tomorrow.

MR. ODEGARD: Yes, I can do it.

H.M.JR: After all, you and Bill Douglas won't be together more than an hour, will you?

MR. ODEGARD: I hope not more than half an hour. I haven't seen him in several years.

H.M.JR: Well, the time with him is well spent.

MR. ODEGARD: I want him to do something for us.

H.M.JR: Treasury?

MR. ODEGARD: Yes.

1/22/42

Draft B discussed at meeting held in  
Secretary's office at 9:53 a. m.

DRAFT OF SECRETARY MORGENTHAU'S ADDRESS  
TO THE CITY CLUB OF CLEVELAND  
JANUARY 24, 1942

I am very happy to be with you in Cleveland this afternoon, because it gives me an opportunity to pay my tribute to the wonderful response that your united community is giving to the country's call. Here in the Cleveland area you have a great concentration of the forges and assembly lines which are America's front lines at this moment; day and night your industrial wheels are turning, your hammers are pounding, your fires are burning and your workers are toiling to win the war.

Here in Cleveland you have great numbers of foreign-born neighbors who value our precious freedoms and who have pooled their skills with ours in this mighty production effort in which we are engaged.

Here in Cleveland you have responded to every call the Government has made upon you, and I take off my hat to you.

This war will bring us many tests of our spirit and our stamina. Already our national will-power has been tested and proved by our ability to take the shock of Pearl Harbor. Our willingness to take marching orders has been tested and proved by the nation-wide acceptance of the great task the President set for us the other day, the task of making such an overwhelming number of planes, tanks and other weapons of war that the Nazis and the Japanese will be utterly unable to match us. We have set our minds to accomplish that task, and we are going to do it. Our patriotism

D-B

has had a further test in the sale of Defense Bonds and Stamps, which has now passed the three billion dollar mark and which, I am glad to tell you, will set new records in January, both in the amount of money subscribed and in the number of individuals who are buying their share in America.

But we shall have still another challenge, beginning in the very near future, a challenge of a kind which I think too few of us have planned for or even considered. That is the test of paying for the war. It will come first on March 16th, when fifteen million Americans will be called upon to pay income taxes for the waging and the winning of this war. It will come later in the payment of the vastly increased war taxes which we shall have to impose upon ourselves in the new financial year.

D-B

I am confident that we shall meet those new requirements, and any requirements, without flinching. We know, as I have said before, that it's a million times cheaper to win a war than to lose.

This is not the time for me to discuss the new tax program. The President has said that we must have \$9 billion in new revenue. We have no more right to fall short of that goal, than we would have to fall short of the President's announced goal of sixty thousand planes and forty-five thousand tanks in 1942.

It will produce hardship; of course it will. We might as well start from the assumption that the coming taxes will be hard for everybody, just as we must realize that our huge production program will involve

sweat and sacrifice for everybody. How can you divert half of our national income to war production without "dislocating" our economy? How can you spend \$40 billion in this year 1942 without "disturbing" ordinary business and ordinary living? How, for that matter, can you fight and win a life-and-death struggle, a war that encircles the whole planet, without discarding old habits, old fears, old notions of business-as-usual?

We are, however, entitled to lay down just this one premise: that the sweat and sacrifice be distributed fairly and borne by all in their fair proportion, in accordance with their ability to pay. And that brings me to the chief subject I should like to discuss this afternoon: the urgent wartime need of closing the loopholes and removing the inequities in our tax laws.

D-B

This Administration has tried hard for years, and with a good deal of success, to remove tax injustices of two kinds: those which permitted some to escape their fair share of tax payments, and those which bore down too harshly upon certain taxpayers. In every one of my eight years at the Treasury I have fought with all my power against the remaining vestiges of unfairness in the statute books; and in almost every one of those eight years Congress has responded to my efforts by closing some loopholes and enacting some remedial provisions. Conspicuous among our successes

D-B

in the fight against loopholes was a whole series of reforms embodied in the Revenue Act of 1937, which made it impossible for anyone to escape taxation by incorporating his yacht or country estate, or by creating a personal holding company.

Since then the struggle to perfect the statutes has gone on without stopping. Every year the Treasury has tried to do something in this direction. The President has spoken again and again of the need of making our taxes effective and equitable as well; and only the other day, in his Budget message, he repeated that "a fair distribution of the war burden is necessary for national unity."

War knows no avoidance; the Nazis and the Japanese do not pick and choose among us. As the President said, "When our enemies challenged our country to stand up and fight they challenged each and every one of us." Each and every one of us has a direct stake in the outcome of this war, and each of us

D-B

must, therefore, pay his fair share of the cost.

Yet I am sorry to say that the present tax structure still falls short of the requirements of equity and the insistent needs of a nation at war. In spite of all our efforts of recent years our tax laws are still weakened by loopholes; it is still possible for a few thousand individuals to escape their fair share of the burden and to pass their share onto the shoulders of the rest of us. Just to satisfy my own curiosity, I asked our Treasury tax experts the other day to compute the total amount of revenue that had to be passed onto the shoulders of other taxpayers because of the existence of loopholes in the law. The answer was a billion dollars,

D-B

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about one-seventh of the entire receipts from income-tax in the fiscal year that ends in June. I just cannot believe that the war efforts of our people can reach their peak level until such a situation has been remedied, and until everyone feels that the tax laws are as fair as it is humanly possible to make them.

D-B

It is not very difficult to slip through existing loopholes. Tax avoidance is made possible by faulty statutes which have been exploited, sometimes quite legally, by thousands of taxpayers with high incomes. The philosophy of habitual tax avoiders--and let me say that they are not at all representative of our taxpayers--is that it's perfectly all right if you can get away with it. You may have heard the remark attributed to one of our leading financiers: "If the Government doesn't know enough to collect its taxes, a man is a fool to pay them."

Yet this is not a competition between the Government and the citizens. In reality, it is a never-ending attempt by a few citizens to make many citizens pay more than their share. In wartime, when we are drafting young men to fight and risk their lives for their country, such an attempt becomes inexcusable. Our people are too patriotic, in the high and low income groups alike, to take advantages which they may have sought and used in years of peace.

So that you may know exactly what I have in mind, I should like to turn now to three specific examples of loopholes--and I could name a great many more than three--which have been allowed to remain on the statute books at the expense of the majority of our taxpayers.

The first is the continued existence of tax-exempt securities. At present, as you know, the interest from State and municipal bonds is exempt from Federal income tax. This provision gives some wealthy taxpayers a refuge, not<sup>only</sup> from some income tax, but from all income taxes. No matter how much money may be needed for

D-B

the war, no matter how high the tax rates may be for others, a taxpayer is not obliged to contribute anything in this hour of his country's peril, if only he can afford to lay his hands upon a sufficient amount of tax-exempt securities.

The Federal Government last year took a first step toward remedying this situation by stopping the issuance of tax-exempt Federal securities. Now that we are at war, now that the revenue needs of the Government have soared beyond all previous conceptions, it is high time, in my opinion, to tax the income from future issues of State and municipal securities -- not only the income from future issues, but also the income from those issues now outstanding.

A second source of tax discrimination exists in the eight States having what is called the community property system. In the great majority of our States a husband who earns a \$10,000 salary must report that salary as his income and must pay a tax of \$1,305 on it. If, however, he ~~is fortunate enough~~ to live in a community property State he is allowed to report only \$5,000 of that salary as his income and his wife may report the other \$5,000 as hers. The two of them together will pay a total tax of only \$965. Thus, the married citizens of nine out of forty-eight States are able, ~~because of a legal technicality,~~ to escape their fair share of the load at the expense of our married citizens in the rest of the country.

D-B

The removal of this community property privilege alone would not, however, reach a still more widespread form of avoidance, namely, the method of splitting taxable income between husband and wife, in such a manner that two families having virtually the same economic position pay vastly different taxes. Under the present law, if a husband has income and his wife has income, each pays a tax on the separate income. Because the income-tax rates are progressive-- that is, because the higher the income the greater is the rate of tax--a family in which both husband and wife have income pays less tax, in many instances, than a family having the same amount of income all of which is received either by the husband or the wife.

For example, a family in which the husband earns \$            pays \$            more tax than a family in which the husband earns \$            and the wife \$            . The higher the income, the greater this discrepancy becomes; and it will become still greater under the higher rates that are bound to come in the near future.

D-B

If we turn from the salary-earners to those who live on dividends, we find even more striking ways in which the separate taxation of husbands and wives can be exploited for tax purposes.) Let us take the case of a taxpayer in the upper brackets having a \$100,000 income from securities. Under the present law he would pay a tax of \$52,704. But if he turns over half of these securities to his wife, he will pay a tax of \$20,881 (~~on \$50,000 income~~) and his wife will pay a tax of the same amount. This couple, at the cost of a moderate gift tax, has thus secured a perpetual reduction of \$10,941 in its income tax liability. The loophole could be closed and the unfairness to the great mass of taxpayers removed by taxing <sup>each married couple</sup> each family as a unit. The family is the economic unit, and a realistic tax would treat it as such.

At the time the last tax bill was being enacted, Congress considered a provision requiring husbands and wives to report and pay tax on their combined incomes. When this provision was in the bill before Congress, a married couple in which the husband earned \$4,000 would have had to pay a tax on March 16th of this year amounting to \$180. When this so-called mandatory joint return provision was stricken from the bill, Congress made up the revenue which was thereby lost by increasing the tax on this family to \$249. I can think of no more graphic illustration of what happens when we perpetuate provisions in our laws which unduly favor special classes of our citizens.

The final loophole which I shall mention this afternoon is a bit more technical, but it is one against

which the Treasury has struggled for years without avail.

If you use a machine in your business and that machine can

be expected to last for ten years, you are permitted to

deduct each year for ten years one-tenth of the cost of

that machine. Because you will probably have to buy a new

machine at the end of ten years, this deduction is a fair

and reasonable method of allowing you to recover your

capital ~~tax free~~. Needless to say, you <sup>are</sup> ~~are~~ never permitted

to deduct more than the cost of the machine.

There are some types of business, however, which are

permitted over the years to deduct far more than the amount

of money which they have put into the property with which

they conduct their business. A mine or an oil well becomes

exhausted eventually, ~~just as a machine wears out, and~~

~~companies in the mining and oil business must acquire new~~

~~mines or wells~~

in order to continue their business. They must fairly be allowed, therefore, to deduct each year a portion of the original cost of the mines and wells which they have acquired. However, we let them do much more than that in certain instances. The so-called percentage depletion provision of the income-tax law allows these companies to deduct an arbitrary percentage of their income indefinitely, instead of deducting a percentage of the cost of their wells and mines each year until the entire cost has been made good. An oil company which may long ago have recovered tax free many times the cost of the wells which it is operating is still permitted a deduction of 27 1/2 per cent of the gross income from those very same wells.

D-B

I have pointed out the most glaring examples of these loopholes, but there are almost fifty more, all of them unfair to the many for the advantage of the few, all of them dangerous to the unity we need to win this war. Perhaps the American public has been inclined to shrug its shoulders at the defects in our tax laws; yet they are not small matters, either morally or materially, nor are they matters beyond the control of the people themselves.

It has been difficult until now to correct our tax laws because the majority of taxpayers have been indifferent. It will be impossible to correct the laws until the great body of American taxpayers becomes thoroughly aroused to the injustices which have been left on the statute books year after year. The remedy lies in the taxpayers' hands.

We Americans have reason to be proud of the unity and the devotion that have been shown by all sections of our people since Pearl Harbor. But national unity is a precious thing; it will be subjected to many strains in the months and years of trial ahead. For this reason I am going to make it my responsibility to fight for the speedy removal of any defects in the tax laws which may injure our national morale. We need nine billion dollars in additional revenue; I should like the very first billion of that amount to be obtained by closing the remaining loopholes. Tax favoritism and national morale cannot survive together; ~~one or the other~~ ~~must go~~. We must choose between the two without delay.

I have so much confidence in the patriotism of the American people that I think I know in advance what their choice will be.

○ 1/22/42 Draft B-1

Discussed at meeting with Secretary at 2:30  
p.m.

These are revised pages of Draft B.

DRAFT OF SECRETARY MORGENTHAU'S ADDRESS  
TO THE CITY CLUB OF CLEVELAND  
JANUARY 24, 1942

I am very happy to be with you in Cleveland this afternoon, because this great city, far from any battle line, is one of the places where the outcome of this war and the future of this country is being decided. Here in the Cleveland area you have a great concentration of the forges and the assembly lines which are America's real front lines at this moment. Day and night your industrial wheels are turning, your hammers pounding, your fires burning, your workers toiling, to win the war. You in Cleveland are showing what our free people can do when they are aroused, and I take my hat off to you. You and all the others of our 130 million people have begun to speak in the only language that tyrants understand -- the language of tanks and planes, guns and ships, and men with the courage and conviction to carry that message all the way

to Tokyo and Berlin.

What has happened, I wonder, to those who used to say that the pioneer spirit was dead? The pioneers who opened Ohio did not let danger or hardship daunt them; they regarded every danger as a challenge, every hardship an adventure. You in Cleveland have not lost that spirit. It is alive and strong, here in your State and in every State. Already we have answered the shock of Pearl Harbor by dedicating ourselves to the greatest job that ever confronted our country. We have shown that we can take marching orders by accepting and applauding the great task the President set for us the other day, the task of making such an overwhelming number of weapons that the Nazis and the Japanese will be utterly unable to match us. If any further proof of our determination were needed, let any of our enemies look at the magnificent response to the sale of Defense Bonds and Stamps in the past few weeks.

The total has now passed three billion dollars, and the response in January has set new records in every direction. Whatever test may be given to us, we are going to surmount it; whatever hardship may be in store for us, we are ready to take it and give it back to our enemies a hundredfold until victory is won. That was the pioneer way in the old Ohio days; that is the American way today. That is the way we shall keep faith with the pioneers and with the promise of a better world which they foresaw.

We have only just begun to fight; we have only begun to learn what this war effort will involve. In the near future, for example, we shall face a new challenge of a kind which I think too few of us have planned for or even considered. That is the challenge of paying for the war. It will come first on March 16th, when fifteen million Americans will be called

upon to pay income taxes for the waging and the winning of this war. It will come later in the payment of the vastly increased war taxes which we shall have to impose upon ourselves in the new financial year. I am confident that we shall meet those new requirements, and any requirements, without flinching. We know, as I have said before, that it's a million times cheaper to win a war than to lose one.

This is not the time for me to discuss the new tax program. The President has said that we must have \$9 billion in new revenue. We have no more right to fall short of that goal than we would have to fall short of the President's announced goal of sixty thousand planes and forty-five thousand tanks in 1942.

It will produce hardship; of course it will. Since when have the American people been daunted by hardship?

It is part of our American tradition to face the facts, however harsh the facts may be. You know, without my saying so, that we cannot divert half of our national income to war production without "dislocating" our economy from its customary routine. You know, without my saying so, that we cannot spend \$40 billion in this year 1942 without "disturbing" ordinary business and ordinary living. You know, without my saying so, that we cannot fight and win a life-and-death struggle, a war that encircles the whole planet, without discarding old habits, old fears, old notions of business-as-usual.

We are, however, entitled to lay down just this one premise: that whatever hardship may be in store, we shall face it together; that it shall be distributed fairly and borne by all in their fair proportion, in accordance with ~~their~~ their ability to bear it. And that brings me to the chief subject I should like to discuss this afternoon: ~~(the urgent wartime~~

~~need of closing the loopholes and removing the inequities in our tax laws.~~

This Administration has tried hard for years, and with a good deal of success, to remove tax injustices, ~~of two kinds:~~ those which permitted some to escape their fair share of tax payments, and those which bore down too harshly upon certain taxpayers. ~~In every one of my~~ <sup>For</sup> eight years at the Treasury I have fought against the remaining vestiges of unfairness in the statute books, and in almost every one of those eight years we have succeeded in closing some loopholes and enacting some remedial provisions.

In the Revenue Act of 1937 there was a whole series of reforms which made it impossible, among other things, for anyone to escape taxation by incorporating his yacht or country estate, or by creating a personal holding company. These devices have now been outlawed, ~~and nobody would think of~~

~~resorting to them now.~~

Since then the struggle to perfect the statutes has gone on without stopping, but the fight becomes more necessary than ever now that we are at war. The President has spoken again and again of the need of making our taxes not only effective but equitable as well. Only the other day, in his Budget message, he repeated that "a fair distribution of the war burden is necessary for national unity."

War knows no avoidance. As the President said, "When our enemies challenged our country to stand up and fight they challenged each and every one of us." ~~Each and~~ every one of us has a direct stake in the outcome of this war, and each of us must, therefore, pay his fair share of the cost.

Yet I am sorry to say that the present tax structure still falls short of the requirements of equity and the insistent needs of a nation at war. In spite of all our

efforts of recent years our tax laws are still weakened by loopholes; it is still possible for a few thousand individuals to escape their fair share of the burden and to pass their share onto the shoulders of the rest of us. (~~Just to satisfy my own curiosity~~) I asked our Treasury tax experts the other day to compute the total amount of revenue that had to be passed onto the shoulders of other taxpayers because of the existence of loopholes in the law. The answer was a billion dollars, about one-seventh of the entire receipts from income tax in the fiscal year that ends in June. I just cannot believe that the war efforts of our people can reach their peak level until such a situation has been remedied, and until everyone feels that the tax laws are as fair as it is humanly possible to make them.

January 22, 1942  
4:20 p.m.

EWJr: Hello.

Secretary: Mr. Swope.

Gerard  
Leeper: Hello.

HWJr: Morgenthau.

S: Mr. Secretary, this is Swope.

HWJr: Right.

S: I didn't want to write you. I've just seen Admiral Land. I didn't want to write you a memorandum. I can tell you over the phone, or I can come in and tell you.

HWJr: If you don't mind, on the phone.

S: All right. He says he's been - and I didn't want to put this in writing, as you can see.....

EWJr: Yeah.

S: .....that he's been kicked all around by the President and also by Harry Hopkins.....

HWJr: Yeah.

S: .....and that if anybody can run the thing better than he does, why they're welcome to it; but that they have already shipped thirteen - sent thirteen ships to Russia, and they will send fourteen more this month.

He recognizes the situation in New York, and that the ships haven't always been properly loaded, but that Captain Conway is just as well advised as anyone can be up there and those things undoubtedly will happen again because of uncertain troop movements that come all of a sudden. And then he has grave doubts in regard to being able to get the ships into Archangel, because he said that even the ice-breakers have been stuck there recently.

- 2 -

HMJr: That's right.

S: But he's doing everything possible, and he's very glad to have our cooperation. I told him we recognized it was his job, and we just wanted to be helpful. And I had a very nice visit.

HMJr: Well, where do we go from here?

S: Well, I have just called up our New York Office to get in touch with Conway and keep in close contact - that Conway would know just as much as anybody can know about it, and that they'll have to work under difficulties there because those ships often have to get under way very quickly on account of the convoy. I'm afraid that's all we can do for the present.

HMJr: Who is Conway?

S: Conway is the head of the Maritime Commission in the City of New York. His office is at 45 Broadway, right near the British Purchasing Commission.

HMJr: Well, do you think it would be a mistake for me to bring the President's attention at Cabinet that there's two hundred and fifty-five thousand tons in New York waiting for Russia?

S: Oh, no, no, no, no, not for Russia. All together, sir.

HMJr: All together.

S: For the British and the Russians.

HMJr: Is that stuff that we bought?

S: That's stuff that we bought and shipped into there, yes, sir.

HMJr: Exclusive of the others.

S: Exclusive of the others, yes, sir. That's all we're responsible for, the Treasury Department.

HMJr: Well, why not get the picture on the whole stuff

that's waiting there?

S: Well, I haven't the remotest idea. We'd have to go to the War and Navy Department to get that.

HMJr: No, I think you could get it from Stettinius.

S: We'll need him. Shall I do that?

HMJr: I'd get it - I mean, if I'm going to bring it to the President's attention....

S: Well, I wouldn't now. I think Admiral Land is - I guess has some feeling in the thing, because he says he's been getting some insulting letters from the President and Harry Hopkins, but he's doing just the best he knows how on the thing. He told me they need six hundred and thirty-nine ships, and they've only got four hundred - just two-thirds of it - and he has to distribute them as best he can; and if somebody will tell him to send them all to Russia, he'll do it.

HMJr: How many ships did he send in December?

S: In January, thirteen; in December, I don't know. In January already, thirteen have gone to Russia and fourteen more will go. That's better than the figures that I had before.

HMJr: Well, give me this, as in our own business. How much stuff have we got at the various ports awaiting shipment, and how much - and for which country is it designated.

S: Yes, I can do that.

HMJr: Can you do that?

S: Yes, sir; and I'll have it to you before tomorrow morning.

HMJr: That's right.

S: That will be all right.

HMJr: Thank you.

January 22, 1942  
5:54 p.m.

Operator: Mr. Foley.

Edward  
Foley: Yes, Mr. Secretary.

HMJr: I'm here discussing this question of what I did or didn't promise yesterday and see if you can refresh my memory about these men who are in the officers' pool.

F: Yeah.

HMJr: And I said, "Now, I don't want you to go in - I want you to stay in the Treasury." Hello.

F: Yes, I'm listening.

HMJr: Then I think you said, "Well, if these men give up their chance to be an officer and then they're drafted....."

F: Yeah.

HMJr: Didn't you say to me, "Well, then, Mr. Morgenthau, will you see that they get a commission"?

F: No, I didn't say that. I said at that time - I said, "If you ask for deferments for these officers in the pool now and they loose their commissions because you asked for deferments, and then they're called in the selective service, I think you've got to make up your mind now that you'll ask for deferments when the draft board calls them," and I understood you to say "yes".

HMJr: Oh, that I'd ask for deferments then.

F: Yeah. If they gave up their commissions on your representation to the Army that they were needed in the Treasury.

HMJr: Oh, not that I'd ask for commissions for them.

F: No.

HMJr: Just that I'd ask for deferments.

- 2 -

F: Deferments if their draft board called them.

HMJr: Well, now, who does that apply to?

F: That would apply specifically to Chuck Kades.

HMJr: Is that the only case?

F: I think that's the only case at the moment, because he's thirty-five - going on thirty-six - and he has a commission as a first lieutenant. And he didn't register for the draft because he had this reserve commission; he was exempt. Now, if they drop his commission because we ask that he be retained in the Treasury, then he would have to register for the draft.

HMJr: Has he done anything yet?

F: He's going to see Eddie in the morning at nine o'clock and talk to Eddie about the matter.

HMJr: Well, tell him not to do anything about it.....

F: All right.

HMJr: .....until I have a chance to reconsider.

F: All right.

HMJr: Will you do that?

F: Yes, I will.

HMJr: Please.

F: All right.

HMJr: Thank you.

January 22, 1942

Sir Frederick Phillips visited me and said that the British Government, due to the battle of the Malaya Peninsula and the news about Singapore, would lose about \$300,000,000 to \$350,000,000 worth of revenue this year. Therefore, they were going to ask us to take over the \$600,000,000 or \$700,000,000 worth of cash contracts they had placed in this country prior to March 15th and he was sent here to ask me whether the Chancellor of the Exchequer should take it up with me or should Mr. Churchill take it up with the President.

Well, I did some quick thinking and I thought why should I be handed this difficult task? Why not let Mr. Churchill make the request of the President? Then the President, by a stroke of the pen, could say yes if he wanted to.

So I told Sir Frederick Phillips my suggestion was that this was of such importance that Mr. Churchill should take it up directly with the President.

He asked me what was new in China and I told him about my recent letter from T. V. Soong and my message from the Generalissimo and, in the strictest confidence, I gave him a copy of both.

Then he asked me what was this that was coming out of Rio and I told him it was a suggestion for a conference for North and South America; that originally they had wanted to make it for the United Nations and I said no, that I would not do that until I had a chance to talk it over with the English, the Russians and the Chinese, and that when Harry White came back I would sit down. So Phillips said, "Well, this is really nothing more than extending to the South American countries the privilege of joining the old Tripartite Agreement" and I said, "Yes, it is something like that".

oOo-oOo

Treasury Department  
Division of Monetary Research

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Date... Feb. 5 ..... 19 42

To: Memo for Files:

Mr. White called Sir Frederick on Jan. 28, 1942, and arranged for this question to be discussed at a meeting in his office that afternoon. At that meeting it was agreed that Sir Frederick would prepare a 3-month estimate with a verbal statement of the lessened relevancy of the figures.

(Report on this conference in Files, Pm. 214 $\frac{1}{2}$ ).

J. E. Hicks

COPY

MR. WHITE  
Branch 2058 - Room 214 $\frac{1}{2}$

*Mr. Cae*

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA



BOX 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

January 22, 1942.

Dear Bell,

Many thanks for your letter of the 14th about the presentation of our figures to Congress. I am not, however, at all happy about the view you take.

A year ago we were a belligerent asking for financial help from a country at peace. The Secretary advised us, and it was very wise and friendly advice, that it was essential to present to Congress information which, in less abnormal circumstances, we should have regarded as secret. There is no doubt, as German wireless propaganda showed, that this publication was of some help and some encouragement to our enemies. Nevertheless that was then a minor consideration to be ignored in the light of the greater good.

Now the situation is entirely changed. There is no more neutrality. Our enemies are your enemies. You yourselves have stopped publication of all information on your trade with particular countries, and (I believe) on movements of gold. I take it that you will stop publication of your Treasury figures of capital and other movements. The President, in his Budget message to Congress wrote "I cannot hereafter present details of future war appropriations". All this is, of course, just what one would expect. It surely cannot be the policy of one of the United Nations to force the disclosure of information by another which will help the enemies of both.

I note that Congress in passing the Third Supplemental Defense Appropriation Act (which increased the amount of defense articles which may be transferred to us), made no demand for more up-to-date information

Mr. Bell,  
Secretary,  
United States Treasury,  
Washington, D.C.

on our exchange position. Nor is there any sign that Congress will call for such information before passing the new Army Appropriation Bill asked for in the President's message of January 16th, 1942.

I cannot share your confidence that we should strengthen our position and avoid difficulties if we disclosed to Congress our assets but not our liabilities. Our gold and dollar balance has grown and there are strong reasons why it should be made to grow further. Any forecast of our balance of payments should show such a further growth, and this would be bound to arouse comment and enquiry in Congress. But we cannot possibly disclose the reasons for this growth, which are the even greater amount and growth of our liabilities to third countries. It is no good presenting figures to Congress if you cannot explain them. Moreover, if we now (after the U.S. are at war) give Congress the same kind of figures as hitherto we shall be virtually committed to continuing, no matter what new developments may occur which we should wish to keep secret.

In my opinion this is the moment for a break and a return to standard war practice, as distinct from the wholly abnormal disclosure of our position which has been made during the past twelve months. This seems to me to be in our common interest, and I hope that Congress will understand (as their recent actions seems to suggest) that such figures must now be kept secret.

I am assuming that to communicate the figures to the Appropriations Committee and exclude them from the record is apt to be a worse course than publication.

Yours sincerely,

*F Phillips*

JAN 14 1942

My dear Sir Frederick:

I have your letter of January 8, stating your hope that the United States Treasury will not want to present to Congress figures on British gold and dollar balances when the next lend-lease appropriation comes up.

I fear that this matter is one that the Treasury is not free to decide. You will remember that presentation of these figures constituted my entire testimony at the hearings last September, and consequently I believe that it is highly probable that the members of the Committee will ask for the current figures at the next hearings.

You state in your letter that you find yourself perched upon a dilemma, for the higher your American assets prove to be, the more obstreperous will Congress become, and the lower your American assets prove to be, the more obstreperous will foreign holders of sterling balances become. That is indeed a dilemma, but I do not believe that its horns are particularly sharp. Figures as of the first of this year would show your available gold and dollars up from \$205 million to \$451 million. But, in view of the fact that we are now in the war, and in view of the further fact that the figures presented to Congress in September forecast a dollar balance of about \$430 million by the end of the year (a deficit of \$25 million per month offset by \$325 million due from the AEC loan), it is unlikely that Congress would object. On the other horn, holders of sterling should be encouraged by the new statement which would show a larger gold and dollar balance and practically no decline in British holdings of American securities.

I shall be glad to discuss this problem with you, but, at the moment, I am inclined to believe that we would be wiser to give the figures to Congress.

Very sincerely yours,

Under Secretary of the Treasury.

SIR Frederick Phillips,  
British Supply Council in North America,  
Willard Hotel,  
Washington, D. C.

sc:bvl  
2-12-42

# BRITISH SUPPLY COUNCIL IN NORTH AMERICA



7880

Box 880  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

8th January, 1942.

Dear Bell,

As the time is approaching when further appropriations will be laid before Congress for lend-lease assistance to the United Kingdom, I want to put the following thoughts before you. We are most anxious to supply you with all the information you may desire to have on our resources, but when it comes to communicating them to Congress we hope you may feel able to take the line that the necessary information has been communicated to the United States Treasury and that you have satisfied yourselves that the appropriations asked for are reasonable in the light of this information, but that for reasons of war policy publication is inadvisable.

Even in peacetime we did not think it safe to publish up to date information and we dislike disclosing our position to the whole world in full detail at frequent intervals. The relevancy of the figures hitherto published in connection with lend-lease appropriations is not what it was in the early days. At the outset we had substantial assets in hand. Those assets have or shortly will have been disbursed. Any assets which we may with your help build up in the near future are a small set off to the far greater deterioration of our position as a whole. We are exploiting our credit throughout the world to finance large obligations outside the United States. We cannot do this unless some modest proportion of the liabilities which we are incurring almost entirely outside the United States is set off by liquid reserves. Our dilemma

Yours faithfully,  
Secretary,  
United States Treasury,  
Washington, D. C.

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is that if the reserves are not very low and are mentioned without reference to our obligations, they furnish a weapon to critics in Congress, if any are left in favour of cutting down lend-lease. On the other hand, publication of the extent in growth of our obligations would increase our difficulties in persuading our overseas creditors to allow further sums to accumulate in sterling.

I hope you will appreciate the reality of our difficulties and the importance we attach to this matter.

Yours sincerely,

*F Phillips*

FP:KF

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 22, 1942

TO Secretary Morgenthau  
FROM Mr. Kamarck  
Subject: Shipment of Planes to British Forces

In the week ending January 13, 1942, a total of 105 planes of all types (63 combat planes) were shipped to British forces. Forty-eight were directed to the Middle East, 44, mostly trainers, to Canada, and 13 to the United Kingdom. No planes were shipped to the Far East.

Table A - Shipments by Area

	<u>Week ending Jan. 13, 1942</u>	<u>Total shipped in 1942 to date</u>	<u>Total shipped since Jan. 1, 1941</u>
<u>To the United Kingdom</u>			
Light and medium bombers	0	0	1,124
Heavy bombers	0	0	104
Naval patrol bombers	0	0	102
Pursuit	13	13	324
Army Cooperation	0	4	35
Trainers	<u>0</u>	<u>0</u>	<u>24</u>
Total to the United Kingdom	13	17	1,713
<u>To the Middle East</u>			
Light and medium bombers	3	26	356
Heavy bombers	0	0	5
Pursuit	45	75	923
Army Cooperation	0	0	10
Trainers	<u>0</u>	<u>3</u>	<u>150</u>
Total to the Middle East	48	109	1,444
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	0	95
Naval patrol bombers	0	0	27
Pursuit	0	0	168
Trainers	<u>0</u>	<u>0</u>	<u>105</u>
Total to Pacific Forces	0	0	395
<u>To the Forces in Russia</u>			
Light and medium bombers	0	0	44
Pursuit	<u>0</u>	<u>0</u>	<u>49</u>
Total to Russian Forces	0	0	93
<u>To the Canadian Forces</u>			
Light and medium bombers	0	1	55
Naval patrol bombers	2	7	15
Pursuit	0	0	42
Trainers	<u>42</u>	<u>43</u>	<u>1,217</u>
Total to Canadian Forces	44	51	1,329
<u>Totals</u>			
Light and medium bombers	3	27	1,674
Heavy bombers	0	0	109
Naval patrol bombers	2	7	144
Pursuit	58	88	1,506
Army Cooperation	0	4	45
Trainers	<u>42</u>	<u>51</u>	<u>1,436</u>
Total	105	177	4,974

Table B - Shipments by Types

	<u>Week ending Jan. 13, 1942</u>	<u>Total Shipped in 1942 to date</u>	<u>Total shipped since Jan. 1, 1941</u>
Bell Airacobra	0	0	154
Boeing B-17	0	0	20
Boston III	0	0	39
Brewster Buffalo	0	0	168
Cessna T-50	19	20	568
Consolidated Catalina	2	7	144
L.B.30 (B-24)	0	0	6
Liberator I (B-24A)	0	0	19
Liberator II(B-24B)	0	0	64
Curtiss Kittyhawk	45	75	457
Tomahawk	0	0	593
Douglas Boston I	0	0	1
Boston II	0	0	81
Boston III	0	0	439
B.C. II	0	0	10
Fairchild 24 R-9	0	4	26
Glenn Martin Baltimore	3	26	94
Maryland	0	0	150
Grumman Martlet II	0	0	41
Lockheed Hudson I	0	0	1
Hudson III	0	0	351
Hudson IV	0	0	70
Hudson V	0	1	398
North American Harvard II	23	31	928
Mustang	13	13	93
Pitcairn Autogiro	0	0	5
Vought Sikorsky Chesapeake	0	0	50
Vultee Stinson-049	0	0	4
<b>Grand Total-All Types</b>	<b>105</b>	<b>177</b>	<b>4,974</b>

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Table C - Plane Shipments to the British by Weeks

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
Weekly Average of Shipments in 1941	32	2	3	27	1	28	92
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	<u>3</u>	<u>0</u>	<u>2</u>	<u>58</u>	<u>0</u>	<u>42</u>	<u>105</u>
Total shipments since January 1, 1941 to date	1,674	109	144	1,506	46	1,496	4,974

1/22/42

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Mrs. Klotz told Clif Mack today that Mr. Morgenthau does not want to see Mr. Young, and that that is why he brought Mr. Swope down here.

Phil Young plans to ask you for an appointment with the Secretary either tomorrow or Friday morning. I know the Secretary is going to be terrifically busy on his return tomorrow, but perhaps he would like to talk with Mr. Young before he has lunch with Mr. Nelson.

CEM

1-21-42

From Mr. Nick



OFFICE OF THE DIRECTOR

## TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

January 21, 1942

## MEMORANDUM TO THE SECRETARY:

I talked this morning with Phil Young about his suggestion that a segregation be made of items now purchased under the lend-lease program by Army, Navy, and Treasury Procurement which would result in routing to us the requisitions for purchase of machine tools and certain other commodities of a commercial nature.

His proposal is to avoid the situation of having more than one agency buy the same commodities under the lend-lease program as far as can be done, and he indicated this morning this morning that he would like to talk with you about this plan. Perhaps you would be interested to talk with him before having lunch with Mr. Nelson Friday noon because I understand that Phil Young intends to talk with Mr. Nelson after he talks with you.

*John W. ...*  
Director of Procurement

FOR DEFENSE



1/22/42

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Mr. Klotz telephoned Clifton Mack and told him the Secretary is not going to see Phil Young.

12/5/41

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Mrs. Klotz telephoned Mr. Young today and told him that Mr. Morgenthau would be glad to see him when he returns from Arizona.

OFFICE OF LEND-LEASE ADMINISTRATION  
FIVE-FIFTEEN 22d STREET NW.  
WASHINGTON, D. C.

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December 3, 1941

Dear Mr. Secretary:

It has been a long time since I have had any exercise. Also much water, muddy and otherwise, has gone over the dam.

Lend-Lease is still trying to carry on although at the present time it is slightly more top-heavy than it has been in the past. However, I still believe that there is a job to be done in it, and that it affords a mechanism for accomplishing an objective as well as an excellent vehicle for political suicide.

I would like nothing better than to have a morning stroll some time at your convenience or just a few minutes to chat.

Cordially yours,

*Paul Young*

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

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

January 22, 1942.

TO: Secretary Morgenthau

FROM: E. H. Foley, Jr.

State has sent to us a draft of an Executive Order dealing with the travel of enemy aliens outside the United States. The order would regularize procedures now being administered by the State Department under a 1917 Executive Order.

While the authority for the order stems from the same section of the Trading with the Enemy Act as does our Freezing Assets Order, the problem is one which I think we ought not to regulate. It would require the use of our missions in Central and South America and, in my opinion, the whole problem of movement of enemy aliens from places within the United States and outside the United States is one which should properly be handled by Justice and State.

I am told that the proposed Executive Order has the approval of the Department of Justice.

Accordingly, if it meets with your approval, I shall inform Dean Acheson that we have no objection to the proposed

Weds:

1942

  
Secretary of the Treasury.

S. 1176

## TREASURY DEPARTMENT

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## INTER-OFFICE COMMUNICATION

DATE  
January 22, 1942.TO Secretary Morgenthau  
FROM E. H. Foley, Jr.Re: American Bosch Corporation.

I recommend that we put a group in American Bosch Corporation to make an investigation of its ownership, personnel and records similar to the investigation we are currently making in General Aniline and Film Corporation. American Bosch Corporation has been blocked as a Swedish, Dutch and German national and is now operating under a do business license.

American Bosch Corporation is at present engaged in most vital defense work. It is the Government's principal supplier of fuel injection equipment for Diesel engines, its second most important supplier of aviation magnetos, particularly for bombers, and an important prospective supplier of tank magnetos and gasoline injectors to replace carburetors for aircraft engines. Approximately 70% of the corporation's present sales volume (around 4½ millions) is, directly or indirectly, connected with the national defense program.

The roots of American Bosch Corporation go back to Robert Bosch Company of Germany. Bosch Magneto Company, a subsidiary of Robert Bosch of Germany, was seized by the Alien Property Custodian and sold in 1919 to the American Bosch Magneto Corporation. In

1921 Robert Bosch Company of Germany organized a new subsidiary in the United States, Robert Bosch Magneto Company, Inc. In 1930 a merger was effected between this subsidiary and American Bosch Magneto Corporation which resulted in a new corporation known as American Bosch Corporation, the majority of the shares of which was admittedly owned by the German company.

Subsequently most of the German owned stock appeared in the name of a Dutch private banking house, Mendelssohn and Company which, by 1938, was reported to control approximately 80% of the shares of American Bosch Corporation. In 1939 Mendelssohn and Company was liquidated and, as of December 1940, it was reported that approximately 77% of the stock of American Bosch Corporation had been transferred to a Swedish corporation owned by substantially the same stockholders as own the Stockholms Enskilda Bank. This allegedly Swedish-owned stock is at present held in a voting trust, the trustee of which is George Murnane, one of the partners of the New York firm of Monnet, Murnane & Company. Murnane was originally placed on the board of directors of the corporation to represent the interests of Mendelssohn and Company. Despite this series of alleged transfers of ownership, the President of American Bosch Corporation from 1919 to 1937 stated in December, 1941 that he was of the definite opinion that ownership of the company was still in Robert Bosch Company of Germany.

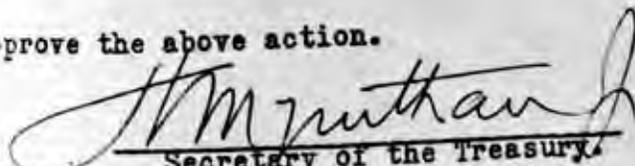
In addition to more than twenty years of close association with Robert Bosch Company of Germany, including stock ownership, important patent connections and purchase contracts, American Bosch Corporation is believed to have among its personnel many employees who have come from Germany since 1930.

It is obvious that, with more than 3500 employees many of whom are of recent German origin, the possibility exists of transmitting to the enemy vital information concerning our military equipment and also sabotaging important war equipment.

In view of the danger inherent in this situation, I propose if you approve, to begin the investigation immediately. This will not interfere with the company's production since no change will be made in the existing license for the time being. It will also be necessary to examine George Murnane, the trustee for the foreign-owned stock, and eventually it may be necessary to examine some aspects of Monnet, Murnane & Company. Jean Monnet, of the British Supply Council, is a partner of this firm.

The proposed action has been cleared with State, War, Navy, and Justice, and we shall cooperate with them and other interested Government agencies in the course of the investigation.

I approve the above action.

*S. W. French*  
  
Secretary of the Treasury.

- JAN 29 1947

Secretary Morgenthau

Mr. Foley

The TFR-300 reports provide extensive information with regard to the property holdings of British nationals, many of whom have failed to report their dollar holdings to the British Government. Stopford has informally indicated to Pehle that his Government would be very grateful if this information could be made available to it.

The Foreign Funds Control has made a study of 75,000 reports to indicate the magnitude of the property holdings of British nationals. This group of 75,000 reports includes 5,658 with citizenship or residence in the United Kingdom. Their total property holdings amount to \$554 million. These reports and property holdings are as follows:

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Property Holdings of Nationals  
of the United Kingdom\*

Residence	Citizenship	Number of Reports	Property Holdings
United Kingdom	United Kingdom	2,859	\$332,519,809
Outside U. K.	United Kingdom	2,314	165,975,989
United Kingdom	Other than U.K.	<u>485</u>	<u>55,680,309</u>
Total			\$554,206,107

\* It should be noted that this compilation is taken from only 75,000 reports.

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Of these property holdings of \$554 million, fully \$345 million is in the form of deposits and \$120 million

is in the form of securities. Among the large depositors are the following individuals:

<u>Name</u>	<u>Amount of Deposit</u>
G. E. Embiricos	\$ 466,000
Zannis L. Cambanis	697,000
Eleanor L. Patenotre	121,000
Louise G. Emmet	494,000

Among the large security holders are the following individuals:

<u>Name</u>	<u>Amount of Security</u>
T. Jackson	\$ 245,000
Frances A. Poniatowska	1,220,000
Eleanor L. Patenotre	2,534,000
Anna W. Crookshank	293,000

On the basis of our study, it would appear that the total number of reports on TFR-300 filed for British nationals will approximate 40,000, and that the total property holdings reported will exceed \$2.5 billion. It should be kept in mind, of course, that some of these funds are held by British banks in the United States with the full knowledge of the British Government and for governmental purposes.

Subject to your approval a complete listing will be made of the holders of such funds and the information informally and confidentially transmitted to Mr. Stoford of the British Embassy.

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

Approved:

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EMB:JWPehle:mgt 1/21/42

January 22, 1942.

MEMORANDUM TO THE PRESIDENT:

You asked some time ago for an occasional memorandum on Claiborne Pell.

After a preliminary period of enlisted service in the Coast Guard he passed examinations and was commissioned an Ensign on December 11. On December 17 he was assigned to duty on the cutter GEORGE W. CAMPBELL in North Atlantic patrol service. The CAMPBELL was most recently reported as putting in to Argentia, Newfoundland, on January 19. Coast Guard reports as follows:

"After a suitable period of indoctrination and experience as a junior commissioned officer, it is intended to have him transferred to Headquarters for work in connection with public relations. It is probable that Pell's transfer will be made about 1 March, 1942."

Secretary of the Treasury.

HEG/mah

(Signed) H. Morgenthau, Jr.

Secret Service 5:25  
By Messenger  
H.M.C. copies to Thompson

MEMORANDUM

January 22, 1942.

TO: The Secretary

FROM: Mr. Sullivan

JHS

Having been detained two hours at the Hearings before the Senate Finance Committee, I am unable to give you at this time as detailed a memorandum in relation to mandatory joint returns as I would like to present for your consideration. The one way in which I believe the situation has changed since we discussed this matter last spring is in the degree of increased burden upon the less affluent man. This has been occasioned by the sharp increases in surtax rates which we will have to recommend to the Congress in the next revenue bill.

May I give you one example:

A man earning \$10,000 a year under the present law and with the proposed increases in surtax rates will pay a tax of \$2,005. Under mandatory joint returns if his wife has an income of \$100,000, he will be obliged to pay out of his \$10,000 income, and exclusive of his state income tax, about \$6,500.

I am confident that if it were not for lack of time I could present you with other illustrations. It does seem, however, that a tax of 65 percent on the income of a person earning \$10,000 is very high even if he happens to be on good terms with his wife. If he is not on a regular salary but engaged in a business involving some risk, I should expect that he should be sorely tempted to withdraw from that enterprise.

JAN 22 1942

To the Moving Picture Exhibitor Addressed

Dear Sir:

Very soon you will be offered a new Donald Duck picture in technicolor entitled "The New Spirit" which is very entertaining. It was made especially for the United States Treasury by Walt Disney as a contribution to the nation's war effort. It carries a patriotic message to every American, showing through the medium of Donald Duck how each citizen can do his or her bit by paying his income tax promptly.

This picture will have widespread publicity, and I believe your patrons will be looking for it eagerly. It will be offered to you free and I hope that you will elect to show it.

Since its greatest effectiveness will be between now and March 15, I further hope that you will show it as soon as you can get it, and then send it along without delay so that the next exhibitor may show it promptly.

I shall appreciate very much your cooperation.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

1/21/42

January 22, 1942

Dear Eleanor:

Thanks for the suggestion. I have suggested to the President several times that we call them War Savings Bonds, but the President has told me to leave the name alone as he feels that the program is going along so well he does not want to make any change in the name at this time.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,  
The White House.

*By Capt James S. 5-25*

*H.M.C.*