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TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Thursday, March 19, 1942.  
3/18/42

Press Service  
No. 30-79

Regulations adapting the old 1917 Trading with the enemy Act restrictions against trade and communications under war-time conditions to the requirements of the present war were issued today by Henry Morgenthau, Jr., Secretary of the Treasury in conjunction with Byron Price, the Director of Censorship.

Communications Ruling No. 1, issued today by the Director of Censorship, removes many of the old 1917 restrictions on communication with the other American Republics and certain other areas. However, this ruling does not authorize the sending or transmitting of any communication to an enemy national. Communications must comply with all regulations issued by the Office of Censorship. The Office of Censorship pointed out that communications authorized by the ruling will be subject to censoring, the ruling simply permitting the mailing or transmitting of the letter or other message.

Under General Ruling No. 11, issued today by the Secretary of the Treasury, all transactions involving trade or communication with an enemy national are unlawful unless licensed under the freezing regulations. Moreover, no freezing control license will hereafter authorize transactions involving trade or communication with an enemy national unless the license expressly refers to this general ruling. However, the Secretary of the Treasury does have the power to license such transactions and an appropriate license under the freezing orders is also a license under section 3 (a) of the Trading with the enemy Act. In this manner the licensing procedure under the freezing orders is integrated with the trading with the enemy provisions of section 3 (a) of the Trading with the enemy Act.

Today's action by the Secretary of the Treasury also has the effect of synchronizing Communications Ruling No. 1 and General Ruling No. 11 so that the persons regarded as "enemy nationals" for communications purposes are also to be regarded as "enemy nationals" under the war-time prohibitions on trading with the enemy. The transmission of any communication to an enemy national requires a license or authorization from the Office of Censorship but only such communications as are an integral part of a trade, financial or other commercial transaction will also require a license under the freezing orders. Treasury officials stated that they would pursue their regular Foreign Funds Control policy of generally dealing with all phases of a transaction under one appli-

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cation rather than splitting up a transaction into one application on the communication phase and a different application on other phases.

General Ruling No. 11 also defines the terms "enemy national", "enemy territory" and "trade or communication with an enemy national." One of the principal effects of today's regulations is embodied in these definitions. They modify the old 1917 restrictions against trade and communication under war-time conditions by substituting the new concept "enemy national" for the old "enemy" and "ally of enemy" terminology of the last war. This change was made so that the public might be afforded a more precise understanding of the restrictions on trade and communications under war-time conditions. At the same time this change also permitted an effective adaptation of these restrictions to the pattern of the present war.

Under today's regulations persons may not trade or communicate with an "enemy national". This means that they may not trade or communicate with (a) enemy territory; (b) any person whose name appears on the "black list", i. e., The Proclaimed List of Certain Blocked Nationals, or any person acting for a black-listed person; and (c) representatives or agents of the Government of Germany, Italy, Japan, Bulgaria, Hungary or Rumania, whether situated within or without enemy territory. "Enemy territory" was defined as meaning the territory of Germany, Italy and Japan, together with the territory under their occupation or control. The principal areas falling into this latter category were listed by name as a convenience to the public.

Officials explained that today's regulations were more specific as to the groups with which trade and communication was unlawful than were the old statutory terms of "enemy" and "ally of enemy". Thus, for example, during the last World War persons in the United States were charged with the duty of not trading or communicating with any firm in Latin America "doing business within the territory of any nation with which the United States is at war". While this was a commendable objective, yet in most instances a person in the United States had no way of knowing whether a Latin American firm was in fact "doing business within the territory of any nation with which the United States is at war". Today a person in the United States may freely trade or communicate with anyone in Latin America unless such person is on the published "black list" or is known to be an agent or representative of such person or for one of the Axis governments or their satellites. Thus a person may deal with the Buenos Aires branch of an Italian firm so long as such branch is not placed on the black list or is not known to be acting as a cloak for a Proclaimed List national or for the Axis. Of course, a person may not trade or communicate with such Latin American branch if in fact he intends to use this as a device for actually communicating with the head office of the firm in Italy.

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These same general rules are applicable with respect to trade and communication with enemy nationals in the United States. It was emphasized that the provisions against trade and communication with enemy nationals do not make it unlawful to deal with persons in the United States merely because such persons are German or Italian aliens or because a business house within the United States has a Japanese name. Officials also pointed out that the activities of persons within the United States, which are inimical to the war effort and the security of the Western Hemisphere, are dealt with by effective internal controls, including the control of aliens by the Department of Justice, as well as freezing control.

The Treasury Department called attention to the fact that General Ruling No. 11 imposes an additional restriction in every general and special license now outstanding or hereafter issued under the freezing orders. The new general ruling has the effect of writing into every Foreign Funds Control license a restriction against any transaction which directly or indirectly involves any trade or communication with an enemy national after March 18, 1942.

Thus, for example, General Licenses Nos. 32 and 33 no longer authorize remittances to persons in enemy territory or any other remittances involving communication with an enemy national. Likewise, securities or trade transactions based on instructions received after March 18, 1942, from enemy territory or enemy nationals may not be effected under outstanding licenses.

One exception to the general restrictions was made. The general ruling does provide that it shall not affect outstanding specific licenses which expressly authorize transactions with Proclaimed List nationals. Officials explained that there were relatively few such licenses outstanding and that these represented special cases such as the Government of a Latin American country undertaking to impose special local controls on the activities of a black-listed firm.

Upon the entry of the United States into the present war, the public telegraph and cable companies were instructed to submit to the office of the Naval Censor all telegrams, cablegrams, and wireless messages delivered to such companies for transmission out of the United States. Pending the announcement of a formal procedure under section 3(c) of the Trading with the enemy Act, the Treasury Department and the Office of Censorship authorized the delivery of messages to public telegraph and cable companies and such messages were passed upon by the Naval Censor and, if approved, authorized to be dispatched. This informal procedure was regarded by the Treasury Department and the Office of Censorship as licensed under section 3(c) of the Trading with the enemy Act. Communications Ruling No. 1, issued today, supersedes this informal arrangement.

Officials called attention to the fact that, subject to today's modifications, the prohibitions against trade and communication with the enemy appearing in the old 1917 Trading with the enemy Act are still in effect and that persons violating such provisions are subject to heavy criminal penalties.

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March 18, 1942

COMMUNICATIONS RULING NO. 1  
 ISSUED UNDER THE AUTHORITY VESTED IN THE OFFICE OF  
 CENSORSHIP PURSUANT TO THE TRADING WITH THE ENEMY  
 ACT, AS AMENDED, AND THE FIRST WAR POWERS ACT, 1941.\*

(1) By virtue of the authority vested in me by Executive Order No. 9835 (Fed. Reg. Dec. 41-9600) and T.D. 50536 (Fed. Reg. Dec. 41-9799), the sending or transmitting out of the United States in the ordinary course of the mail of any letter or other writing, book, or other paper, or through any public telegraph or cable service of any telegram, cablegram or wireless message of any communication is permitted, provided that both of the following conditions are satisfied:

(a) Such communication complies with all regulations issued by the Office of Censorship; and

(b) Such communication is not addressed to or intended for, or to be delivered, directly or indirectly, to an enemy national.

(2) Nothing contained in this Ruling shall be deemed to limit the authority of the Office of Censorship to cause to be censored in its absolute discretion, communication by mail, cable, radio or other means of transmission passing between the United States and any foreign country. All communications permitted by this Ruling shall be subject to censorship as fully as if this Ruling had not been issued.

(3) As used in this Ruling the term "United States" and the term "person" shall have the meaning prescribed in Executive Order No. 9389, as amended, and the term "enemy national" shall have the meaning prescribed in General Ruling No. 11, issued by the Secretary of the Treasury thereunder.

(4) This Ruling may be amended or modified at any time; and the right is reserved to exclude from the operation hereof, or from the privileges hereby conferred, and to restrict the applicability hereof with respect to, particular persons or communications or classes thereof.

RYFON PRICE  
 Director of Censorship.

\* Sec. 3, 49 Stat. 412, as amended, and Sec. 303, Title III of the Act of December 18, 1941, Public Law 334, 77th Congress, 1st Session, 55 Stat. 838; Ex. Order No. 9785, December 19, 1941; Treasury Decision 50536, December 24, 1941.

TREASURY DEPARTMENT  
Office of the Secretary

March 18, 1942

GENERAL RULING NO. 11  
UNDER EXECUTIVE ORDER NO. 8389, AS AMENDED,  
AND REGULATIONS ISSUED PURSUANT THERETO,  
RELATING TO FOREIGN FUNDS CONTROL.

(1) No license or other authorization now outstanding or hereafter issued, unless expressly referring to this general ruling, shall be deemed to authorize any transaction which, directly or indirectly, involves any trade or communication with an enemy national.

(2) As used in this general ruling and in any other rulings, licenses, instructions, etc.:

(a) The term "enemy national" shall mean the following:

(i) The Government of any country against which the United States has declared war (Germany, Italy and Japan) and the Governments of Bulgaria, Hungary and Rumania and any agent, instrumentality or representative of the foregoing Governments, or other person acting therefor, wherever situated (including the accredited representatives of other Governments to the extent, and only to the extent, that they are actually representing the interests of the Governments of Germany, Italy and Japan and Bulgaria, Hungary and Rumania); and

(ii) The government of any other blocked country having its seat within enemy territory, and any agent, instrumentality, or representative thereof, or other person acting therefor, actually situated within enemy territory; and

(iii) Any individual within enemy territory and any partnership, association, corporation or other organization to the extent that it is actually situated within enemy territory; and

(iv) Any person whose name appears on The Proclaimed List of Certain Blocked Nationals and any other person acting therefor.

(b) The term "enemy territory" shall mean the following:

(i) The territory of Germany, Italy and Japan; and

(ii) The territory controlled or occupied by the military, naval or police forces or other authority of Germany, Italy or Japan.

The territory so controlled or occupied shall be deemed to be the territory of Albania; Austria; that portion of Belgium within continental Europe; Bulgaria; that portion of Burma occupied by Japan; that portion of China occupied by Japan; Czechoslovakia; Danzig; that portion of Denmark within continental Europe; Estonia; that portion of France within continental Europe occupied by Germany or Italy; French Indo-China; Greece; Hong Kong; Hungary; Latvia; Lithuania; Luxembourg; British Malaya; that portion of the Netherlands within continental Europe; that portion of the Netherlands East Indies occupied by Japan; Norway; that portion of the Philippine Islands occupied by Japan; Poland; Rumania; San Marino; Thailand; that portion of the Union of Soviet Socialist Republics occupied by Germany; Yugoslavia; and any other territory controlled or occupied by Germany, Italy or Japan.

(c) The term "The Proclaimed List of Certain Blocked Nationals" shall mean "The Proclaimed List of Certain Blocked Nationals" as amended and supplemented, promulgated pursuant to the President's Proclamation of July 17, 1941.

(d) The term "trade or communication with an enemy national" shall mean the sending, taking, bringing, transportation, importation, exportation, or transmission of, or the attempt to send, take, bring, transport, import, export or transmit

(i) any letter, writing, paper, telegram, cablegram, wireless message, telephone message or other communication of any nature whatsoever, or

(ii) any property of any nature whatsoever, including any goods, wares, merchandise, securities, currency, stamps, coin, bullion, money, checks, drafts, proxies, powers of attorney, evidences of ownership, evidences of indebtedness, evidences of property, or contracts

directly or indirectly to or from an enemy national after March 18, 1942.

(3) This general ruling shall not be deemed to affect any outstanding specific license in so far as such license expressly authorizes any transaction which involves trade or communication with any person whose name appears on The Proclaimed List of Certain Blocked Nationals.

(4) Any transaction prohibited by section 3(a) of the Trading with the enemy Act, as amended, is licensed thereunder unless such transaction is prohibited pursuant to section 6(b) of that Act and not licensed by the Secretary of the Treasury. In this connection, attention is directed to the General License under section 3(a) of the Trading with the enemy Act, issued by the President on December 13, 1941.

E. H. FOLEY, JR.  
Acting Secretary of the Treasury.

March 19, 1942  
9:10 a.m.

HMJr: Hello.

Robert P.  
Patterson: Hello, Henry.

HMJr: Good morning. Bob, I'm seeing the President in a little while - a few minutes - and last Friday when I got your message that everything was in order, I so informed him.

P: Yeah.

HMJr: And - Friday afternoon. Now, are things in order?

P: Well, now, Somervell told me yesterday that the congestion there now was only thirty per cent of what it had been. He sent Colonel Gross, his chief of transportation, up there day before yesterday.

HMJr: Yeah.

P: He told me he - I sent your report over to him, and he said he was preparing me a report to give you today.....

HMJr: Good.

P: .....which would show a very great improvement there, and he told me orally yesterday, he said that the cars on - whatever street it is there in Philadelphia - had been cut way down.....

HMJr: Yeah.

P: .....and the loading is going forward regularly now.

HMJr: Well, Bob, the thing that.....

P: Let me - I tell you, I can call him and give you his report this morning.

HMJr: Well, I won't be able to get it before I go to

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the White House, but if I could get it when I come back.

P: Well, when are you due there?

HMJr: I'm due there at nine-thirty.

P: Well, I'll call you back in five minutes.

HMJr: Fair enough. Now, one other thing. Has the order been set up giving him the authority as between War, Maritime, and Railroad Coordinator?

P: That lies this way: he and Lew Douglas made what they thought was an agreement about a week ago.

HMJr: That's when you called me Friday.

P: Yeah. To get Turney of the O.D.T.

HMJr: What's that?

P: That's the Office of Defense Transportation.

HMJr: Thank you.

P: (Laughs) That's Eastman's outfit.

HMJr: Yeah.

P: He had some point that he thought was necessary, and then Douglas and Somervell had to confab again on it.

HMJr: Yeah.

P: Somervell told me yesterday that he thought he had another arrangement with him that had been modified to fit in with what Turney had in mind.

HMJr: Yeah.

P: He said he didn't think it was quite as good as the first, but he thought it would work and that if it didn't, he was going to demand the full power.

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HMJr: But I've got.....

P: You can put it this way. Orally, they have agreed. Now they're writing it up.

HMJr: I see. I see.

P: I'm sure that they'll agree all right.

HMJr: Well, I'm leaving here at nine-twenty, Bob.

P: I'll call you back within five minutes.

HMJr: I thank you.

P: Thank you.

March 19, 1942  
9:16 a.m.

HMJr: Hello.

Admiral  
Chalker: Hello.

HMJr: Admiral Chalker.

C: Good morning, Mr. Secretary.

HMJr: How are you?

C: Fine, sir.

HMJr: Admiral, from your knowledge of the Coast, could an oil tanker - where could an oil tanker put in to - after she passes Cape Hatteras, what's the first port, going South?

C: Going South the first port that she'd be able to put into would be either Lookout Bight, or, as a real port, she could go into Southport. That would be the entrance to Cape Fear going up to Wilmington.

HMJr: Going South.

C: Going South, yes, sir.

HMJr: She could put in where?

C: She could put in - in case of emergency she could go into the - by the breakwater at Lookout Bight or the next real port would be.....

HMJr: Well, just a place where she could tie up overnight.

C: Well, at Southport she could tie up overnight.

HMJr: Where is Southport?

C: That is the entrance of the Cape Fear River, advancing up to Wilmington, North Carolina.

HMJr: That's the entrance to what?

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C: The Cape Fear River.

HMJr: Cape Fear?

C: Yes, sir; going up to Wilmington, North Carolina, that's located on the Cape Fear; and Southport is a port at the entrance.

HMJr: How many could put in there?

C: As a matter of anchoring, they can take care of quite a fleet, I would say, anchorage for four or five vessels.

HMJr: At Southport they could.

C: At Southport, yes, sir.

HMJr: You're sure of your facts?

C: Yes, sir. I know that the - I'm sure of my facts on that.

HMJr: You've been there.

C: I've been there yes, and stationed there.

HMJr: Well, let me ask you something, let me ask you something. If you were to - how many - they're putting in now, as I understand it, at Norfolk. Hello.

C: Yes, sir.

HMJr: Can they make the run from Norfolk to Southport?

C: Norfolk to Southport?

HMJr: About how many sea miles is that?

C: Let's see, that would be.....

HMJr: Oh, roughly.

C: .....about two hundred and fifty miles.

HMJr: Two hundred and fifty.

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C: Yes, sir.

HMJr: And then going South, if they've put into Southport, what would be the next one?

C: It would be - Charleston would be the next port.

HMJr: It would be Charleston.

C: Yes, sir.

HMJr: But Southport, entrance to Cape Fear, could take a number?

C: Yes, sir. And in the case of emergency, there is a place in between Norfolk and Southport.....

HMJr: There is?

C: .....known as Lookout Bight. That is more or less of a - there's a breakwater there which they can go in behind, and it's used more or less as a harbor of refuge.

HMJr: Lookout?

C: Lookout Bight.

HMJr: Now where is that? How far between Norfolk and Southport?

C: That is about two thirds of the way down, I would say.

HMJr: I see.

C: It's just around Lookout Shoals.

HMJr: And how many could put in there?

C: I imagine that an anchorage there, they could take three or four vessels very easily.

HMJr: Three or four. And that would be what, about two hundred miles?

C: Yes, sir. That would be about - let's see, a

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hundred and twenty - two hundred - it would be about two hundred miles, I would say. I can get you those figures accurately if you like.

HMJr: Well, no, I just - I can get them. I was, oh, frankly, I want something - it's just for the - I had an idea that I wanted to pass over to the President.

C: I see.

HMJr: And he may not want it, but - I mean, they're running - they're still running them, as I understand, from Norfolk right straight down without any stops.

C: Yes, I understand they are.

HMJr: Because they said that there's no place that they can put in, and I was sure that there were some places that they could put in overnight.

C: Yes, they can go either of those places. Of course, they're out of their way, you know, in that they would have to go off the direct course.

HMJr: Well.....

C: It's not so much of a distance, but.....

HMJr: Well, they might better go out of their way than get sunk.

C: Yes, it is.

HMJr: All right. Well, this is - what I'm asking is strictly confidential, please.

C: Yes. I'll not mention it to anyone.

HMJr: I thank you.

C: Very well, sir. Good-bye.

HMJr: Good-bye.

March 19, 1942  
9:23 a.m.

Operator: Go ahead.

Robert P.  
Patterson: Hello.

HMJr: Yes.

P: Henry.

HMJr: Yes.

P: Somervell says that the congestion is relieved.....

HMJr: It is.

P: .....that there is no trouble on freight cars now. He said the only trouble now is just the physical operation of getting the stevedores to get the stuff on board the ships.

HMJr: Fine.

P: That given a fair break on the weather, that will go forward.

HMJr: Fine.

P: It depends somewhat on weather.

HMJr: Fine.

P: Colonel Williams, of the Army, is now in charge.

HMJr: Colonel Williams.

P: Colonel Williams, of the Army, is now in charge of the whole operation.

HMJr: You mean just at Philadelphia?

P: In Philadelphia.

HMJr: Fine.

P: He's on the spot there.

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HMJr: I'll say he's on the spot.

P: (Laughs) Yes. That's the status. He says the condition on freight cars is okay.

HMJr: I see.

P: And under control.

HMJr: Well, thank you very much.

P: They expect, I think, three hundred cars a day.

HMJr: They are?

P: Normal loading operations.

HMJr: Fine.

P: All right.

HMJr: Thank you.

P: Good-bye.

March 19, 1942  
10:51 a.m.

Randolph  
Paul:

Yes, perfectly free.

HMJr:

You mean that you.....

P:

Pardon?

HMJr:

I want - what I want to say is sort of confidential. I don't know where you are.

P:

I'm in a private room in the Federal Reserve.

HMJr:

Well, all right. I was over to see the President on a certain matter and on Treasury, and as I got up to leave, in comes Marvin McIntyre with a letter in his hand from Morris Ernst.....

P:

Yeah.

HMJr:

.....which he gives to the President.

P:

Yeah.

HMJr:

The President didn't let me see the letter, but evidently Morris Ernst has written him that he wants us to have in the tax bill provisions which will make necessary all non-profit organizations other than churches to make a report, you see?

P:

Yeah.

HMJr:

So I said to the President, I said, "Well, if you want to upset the labor unions and all that, why I don't know a better way to do it." I said, "We are doing the thing now, getting the information without any legislation." So the President said, "no", and he wanted us to tell Doughton that they wanted it in.

P:

Yeah.

HMJr:

Now, I don't know just what Morris wrote.

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P: Well, why don't I see Morris while I'm up here?

HMJr: Well, that was why I was calling you.

P: Yeah.

HMJr: That was the purpose of my call.

P: Yeah, I will.

HMJr: But what Morris does - he does these things all the time - keeps needling me - but nevertheless, we know what it's about.

P: Yeah, I know.

HMJr: See?

P: Well, I'll get the real story from Morris direct.

HMJr: Why don't you do that.

P: I know him very well, you know, and he'll tell me just what's going on.

HMJr: And then you could let me know in the morning.

P: Yeah. Now, wait a minute. I was going to call you.

HMJr: Yeah.

P: I wrote you a little memorandum about - I suppose it's impossible for you to see Cooper either Friday or Saturday noon for lunch.

HMJr: Well, I don't see why I should do that when I'm having him for lunch today.

P: Oh, you're having him today?

HMJr: Haw-haw. Yes.

P: Oh.

HMJr: I didn't know you were out of town.

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P: Yeah. Well, now, that's fine.

HMJr: No, I'm having him for lunch today.

P: Here's what I suggest that you do then. You might have Tarleau in.

HMJr: No.

P: All right. Well, then, here's what I was going to do, and if you suggest it I think it will go across.

HMJr: Yeah.

P: On Monday, they're going to have the depletion witnesses up there.

HMJr: Yeah.

P: And I spoke to Cooper the other day and asked him how he felt about it. Well, he said, "That's a big loophole."

HMJr: Yeah.

P: And I said, "Well, I'd like to give you some information so you can cross-examine the witnesses."

HMJr: Yeah.

P: Now, I would like an opportunity to do that and I can do it either tomorrow or Saturday for lunch, or any other time except tomorrow morning.

HMJr: Okay.

P: And if you pave the way, I'll call Cooper this afternoon.

HMJr: Yeah. Well, I'll let you know what his reaction is, and you can consider the way paved.

P: All right. Now, one other thing I wanted to tell you.

HMJr: Yeah.

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P: Vinson called up the night before last after I got back from that walk with you, and he insists that we come up and testify on the Vinson Bill.

HMJr: Yeah.

P: And I told him that our testimony in line with your statement would be against the bill.

HMJr: Yeah.

P: He nevertheless insisted that we go up there. So I didn't want to get balled up with the other departments, and I called up Forrestal and Patterson, and told both of them that we were going up and that our testimony was against it, and did they still feel the way they told me before. They said they did and were not opposed to our going up and giving testimony against the bill.

HMJr: I see.

P: That's one of the reasons why I came up, to get away from there so I could learn what it was all about.

HMJr: I see.

P: Now, you don't see any reason why we shouldn't go up, do you?

HMJr: Oh, no. I'd like you to go up.

P: All right.

HMJr: What else?

P: That's why I wanted to report to you.

HMJr: Fair enough. How're you feeling?

P: Oh, I'm feeling fine.

HMJr: Take care of yourself.

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P: Okay. And I'll - you let me know about Cooper.

HMJr: Yes, I will.

P: You can get me here in the afternoon right at the Federal Reserve, and I'd like to hear this afternoon if possible.

HMJr: I'll call you.

P: Okay.

March 19, 1942  
10:59 a.m.

General  
Smith: Hello, Mr. Secretary.

HMJr: Good morning.

S: How are you, sir?

HMJr: Fine.

S: How was your trip?

HMJr: Very successful. Everybody was extremely nice. Colonel Saville couldn't have been nicer, and this Colonel they sent on from Dayton. Everybody was fine.

S: You saw the new plane?

HMJr: I saw the new plane.

S: Did they put on a flying demonstration for you?

HMJr: Yeah. One of the men.....

S: Yes, I asked them to and they said they would.

HMJr: No, they did everything.

S: That's good. Well, I was terribly sorry I couldn't go.

HMJr: Well, I think you missed a good show. Now this I wanted to tell you, and I wanted you to pass this on to General Marshall. I gave the President this morning the figures of how many planes and pursuit ships and bombers.....

S: Yes, sir.

HMJr: .....were on the West Coast and East Coast. How many were in shape to fight, and how many that weren't, and made the plea with him that he assign additional new ships to the West Coast and East Coast. Hello.

S: Yes.

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HMJr: Instead of that, his angle was, "Why so many out of action?"

S: Yes.

HMJr: And he's going to raise hell about that, see?

S: Yes.

HMJr: Of course, it is difficult to explain - when I was last week over at Baltimore, there was a P-40, which had been lying there out of use for six weeks because they couldn't get a little part.

S: Uh huh.

HMJr: What?

S: Yes.

HMJr: That is difficult to explain.

S: Yes.

HMJr: And instead of his doing what I had hoped he'd do and say, "Well, I'll let them have more ships," he's going to take the angle, "Why don't they - why are there so many out of....."

S: Out of action, yes. Well, I think we can give a pretty good explanation of that.

HMJr: Well, I wanted to tell you that.

S: Thank you very much, sir. We're.....

HMJr: And I wanted you to - I mean, I was trying to get you more ships, and this is what's happened.

S: I see.

HMJr: And I wanted you to pass it on to General Marshall.

S: Yes, sir. Thank you. I will, indeed.

HMJr: And.....

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S: I got into that indirectly on another matter. You know, it's the most damnably complicated affair.

HMJr: Yeah.

S: And it runs into ramifications that I never even dreamed of.

HMJr: Yeah.

S: Down into little matters of little castings and things of that sort. There must be some solution, but they haven't reached it yet.

HMJr: Well, they tell me that these models, they start making them and then they get tied up. It's - I don't know what it is, but six weeks is five weeks too long.

S: Oh, yes.

HMJr: And the other thing which I told him, which I think you'll find, which also - as I get the story, if a Lockheed P-38 is reported delivered, you see, it shows delivery, but it isn't delivered; then they send it to some other place in Texas or some place.....

S: Yes.

HMJr: .....where they begin to monkey with it and try to make it flyable.....

S: (Laughs)

HMJr: .....and they tell me that none of these P-38's are really flyable because they haven't been able to get the tail flutter out of it.

S: Uh huh.

HMJr: Now, he gets reports of so many of these delivered this month.....

S: Yes.

HMJr: They are delivered, but they go somewhere else

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where they begin to monkey with them and tinker with them.

S: Yeah, that's right; and I think that delivery even then doesn't include the armament, unless I'm wrong.

HMJr: Well, I think you're right on that; but I pointed that out to him, and I wanted you to know that.

S: Thank you.

HMJr: But I thought that the installation for detecting the planes and all that is excellent.

S: What did you think of the squadron up there?

HMJr: Well.....

S: I've never seen it.

HMJr: Well, let me tell you what it was. They have four - that's what got me so excited - four P-36's were all that they could take off yesterday.

S: Yeah. Were the others all out of business?

HMJr: Right.

S: Is that so?

HMJr: Yeah. But at Mitchell Field there were only four P-36's. I think it's terrible.

S: What was the matter with them? Out just - parts worn out or something?

HMJr: Well, I didn't want to go into that - I didn't - no, but I mean that.....

S: Well, did - Saville, of course, knew that.

HMJr: Oh, yes.

S: Uh huh.

HMJr: Oh, he - oh, yes. But I mean, for the whole area -

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I mean, if it ever got out that the whole area of New York City, you've got four P-36's to defend New York and Long Island and those plants.

S: (Laughs)

HMJr: What?

S: That's a kind of a pitiful showing, isn't it?

HMJr: Well, it's tragic. I mean, you - listen, I mean, you talk about the defense of France. I mean - you actually have four P-36's there yesterday that were in shape to take off when I was there.

S: They didn't give you any alibi or any reason for it?

HMJr: No, no.

S: They just had four, that's all.

HMJr: Well, naturally they - I don't suppose that they had any - that they were hiding any.

S: Did it seem to embarrass them any?

HMJr: No.

S: (Laughs)

HMJr: No, I guess they've just been dulled to it.

S: Uh huh.

HMJr: But I was so upset about that I wanted to report to the Commander in Chief, which I did, with the hope to get you more planes.

S: And all we got was the other - well, I - that's a contributing factor, certainly. I don't know what they're.....

HMJr: But I'd like you to report - I think that General Marshall should know that there was only four P-36's.

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S: Oh, yes, sir. I'll tell him.

HMJr: What?

S: I'll tell him.

HMJr: Because - I don't know whether he can do anything about it, but anything that I tell the President on a trip like this, I want General Marshall to know.

S: Yes, indeed. Well, that's good of you, Mr. Secretary.

HMJr: Righto.

S: I wish I could have been with you.

HMJr: Well, you most likely - if you'd have been there, you see, you could have gone in and said - demanded an explanation.

S: Yes.

HMJr: But I didn't feel that I was in any position that I could.

S: Well, I'm surprised that Saville didn't.

HMJr: Well, he.....

S: That would have been the first thing I'd have wanted to know - what the hell was the matter.

HMJr: Well, he most likely.....

S: He probably.....

HMJr: He may have when I was busy talking to.....

S: I'll call him up right away and see what he knows about darned thing.

HMJr: Okay.

S: They're short of planes, unquestionably. Of

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course, I was astounded to find out - I heard at one of these conferences over here - the Navy complaining bitterly. Out of the three thousand some manufactured last month, they got, I think, about two hundred.

HMJr: Yeah.

S: They're all going where they'll do a lot of good.

HMJr: Well, of course, I'm just a layman off the streets, but I don't - I'd put in enough planes on the East and West Coast so that we wouldn't be - have to explain. After all, the English took care of themselves, didn't they.

S: Well, that's what Arnold is complaining about. He says that they built up such a very large reserve, you see, now.

HMJr: Yeah.

S: And he said originally when this thing - when the situation was a little different, why it was all right. We stepped back and stepped back, and we should step back.

HMJr: Well, you know, I was on the other side up to a year ago.

S: Yes, I know you were.

HMJr: Everything for England.

S: That's right, sir.

HMJr: Well, I think that when the situation in - with all those airplane factories and everything else and all the other installations and the greater area of New York being defended by four planes, it's time that we took a few off our own lines.

S: Oh, yes.

HMJr: And that's what I told the President.

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S: We've just got to do that.

HMJr: And we should take enough off our own lines to have at least, well, twenty-five modern planes.

S: Oh, we've got to do it; because it's - I've been expecting any day that one or two of these large submarines which carry a plane would come up and cut the planes loose and they'd fly over and drop two or three bombs, and then just land somewhere and then surrender.

HMJr: Yeah.

S: But the moral effect of that would be - it's well worth the effort, because they'd arouse - there'd be so much of a howl, that first thing you know they'd - half of our outfit would have to be devoted to this country for awhile.

HMJr: Well, Smith, between you and me, why wait until such a thing happens? Then an investigation.

S: That's right, sir.

HMJr: Then officers suspended, and then court-martialed, and all the rest of the stuff. It's unnecessary.

S: That's right, sir.

HMJr: It's unnecessary. And with all the planes that we're manufacturing - I mean, I think they should be - that you could get, oh, twenty-five a month for East and West - fifty planes - to stick in there until you had enough.

S: Oh, yes, certainly.

HMJr: What?

S: Certainly, and particularly for - well, of course, I think the West Coast is pretty well taken care of.

HMJr: Huh uh.

S: Don't you think so?

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HMJr: No. No.

S: Well, I don't know, of course. I haven't been out there.

HMJr: I'd love to do it, but - I'd love to do the West Coast, but from what I gather, everybody that comes back says no, but that's heresy.

S: Well, at least it's much better taken care of than the East Coast, I'll put it that way.

HMJr: That's right.

S: I know it's much better taken care of.

HMJr: Well, all I know - as Will Rogers said - not what I see in the papers, but what I see with my own eyes.

S: That's right.

HMJr: And this I actually saw yesterday. And, it takes - in taking off from Mitchell Field, they had to run a half a mile down before they could take off on account of all the stuff. The fighting hangar is located in a very bad place, and they've got to run the full length of the damn field before they can take off.

S: Uh huh.

HMJr: I mean, they couldn't have been located in a worse place.

S: Did they put those planes in the air for you?

HMJr: Yes.

S: Just four of them, huh?

HMJr: Just four.

S: (Laughs) Yeah.

HMJr: Just four; there wasn't anything else.

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S: I see.

HMJr: And they knew I was there, and they had plenty of warning and everything.

S: Well, they had warning you were coming, too.

HMJr: Oh, yes. So I mean, it's - so that's my story and.....

S: Well, thank you very much, Mr. Secretary; and I appreciate your letting us know about it.

HMJr: Righto.

S: The only answer I can give you is that it's too bad we can't fight this war with the Infantry, which is my own arm, because I could provide more than that. (Laughs)

HMJr: Well, as I say, it's also too bad to wait until something happens and then there's got to be these court-martials and all that.

S: Yes, that's true.

HMJr: That doesn't help anybody.

S: That doesn't help a thing, and it causes the Administration embarrassment and it's just no use; so they've got to do something. I'll call Arnold up first about it.

HMJr: After all, he's.....

S: He's the man that ought to correct these things before the Chief of Staff has to be embarrassed by them.

HMJr: Well, if you get any repercussions, let me know.

S: I will, indeed.

HMJr: Because I've been very frank with you.

S: I will, indeed, sir. And I appreciate that very much.

HMJr: Thank you.

S: Good-bye, sir.

March 19, 1942  
11:30 am

FINANCING

Present: Mr. Bell  
Mr. Hadley  
Mr. Viner  
Mr. Lindow  
Mr. Murphy  
Mr. Haas

MR. HAAS: Here is a page and a half which discusses that rate business.

H.M.JR: Should I read that a while?

MR. HAAS: I think it clears up an important point.

H.M.JR: I take it this meeting this morning is what you wanted.

MR. VINER: Mr. Secretary, did you read the Star last night to see the story from Australia of Wasserman who is over there on a mission about reciprocal Lease-Lend?

H.M.JR: Who is he?

MR. VINER: He is with the Board of Economic Warfare at Philadelphia.

MR. BELL: I never heard of his name, but I read it in the paper.

MR. VINER: He has been over here.

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H.M.JR: He is a trouble maker.

MR. BELL: He is in Australia now on some Lend-Lease mission.

MR. VINER: Well, there is a story in last night's Star as to how it is going to be handled.

H.M.JR: Well, Wasserman has given me all kinds of trouble. One thing before you get started, somebody suggested if we didn't distribute anything above twenty dollar bills, it would be impossible to hoard money, because they couldn't get it in their safety deposit boxes, and why give out more than twenty dollar bills?

MR. VINER: Mr. Secretary, I can give you a suggestion along those lines of the Canadian system. The banks can't handle one dollar bills on their transfers, but in Canada the big denomination bills are good only as between banks and the Treasury. That has been for fifty years, there, and you see that is the way to handle that.

MR. BELL: I would kind of like to think about it. It is a restriction on your currency.

MR. VINER: That is right, but on certain denominations.

H.M.JR: Well, there is no reason why a person should have above a twenty dollar bill.

MR. VINER: They started in the days when postal - it was not quite safe, and they could be held up, and it was a protection against theft, but it would serve this purpose of a check on large scale hoarding.

H.M.JR: Don't you think so? It is an interesting idea. How can I get something on it so that it won't just go in the trash basket?

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MR. BELL: We will study it.

H.M.JR: Honest? That is what I say to Congress when I don't want to do something.

MR. BELL: That is where I got my cue. No, I will get a group together.

H.M.JR: I read George Haas' memo first? Has anybody else got a copy of this?

MR. HAAS: Dan has one over there.

H.M.JR: Have you got copies?

MR. MURPHY: I have some here.

MR. BELL: You saw where I had made an appointment tomorrow?

H.M.JR: Yes. Well, I am at your service, Mr. Bell.

MR. BELL: Well, I think the Fed will probably do anything you want them to do, anything you say is desirable from the standpoint of the Treasury. I think if they are asked to support a bill rate of a quarter or of twenty-six, whatever it is, they have to put excess reserves into the market, and they will say they are doing it because the Treasury asked them to. I think you might get an agreement out of them, and they would go along on this program of additional bills and additional certificates, and they would support a rate between a fifth and three-eighths, in other words, give them a range, and I think they would support it strongly after it passed the three-tenths or around the three-tenths. I think you could get agreement on that, and they would probably say that they would agree with the program, but I think they will argue strongly for a program they submitted to us where the two tap issues - what we are really doing here is going out after bank funds when

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we told the public that we are not going after bank funds, we are going after other kinds of funds, and they will say that we are taking the horse out of the barn backward, that we ought to start on this other program first, although I think they will go along with it if you insist, but I think they will kick strenuously at a given point. Now, when we had our discussion before, right after Eccles submitted his program I thought it was desirable, and I thought most of us agreed with it, certainly I knew Viner and Stewart did, that we didn't want a bottom range, that what we wanted was a top range of two and a half, and say we want that - want the market kept at all times so that that two and a half percent rate will fall in the early sixties and let the other rates in the curve fall wherever they may. I thought we came around pretty close to an agreement with the Federal on that, also these two tap issues being in the picture, and now we are trying to get a range on the lower end.

I don't know just how it will come out tomorrow, but I do think if you give them a range on the lower end of one-fifth to three-eighths that they will go along, don't you, George?

MR. HAAS: I don't know. Sproul - when Eccles mentioned the three-eighths to Sproul on the phone, Sproul said he would - for the present he would hold it. In other words, he didn't give any indication that he would stand pat at three-eighths. Suppose when it got to three-eighths, the question might come up that that isn't high enough. I think it is disastrous to let it go now to three-eighths under this thing, because what is the Secretary accomplishing, putting out short term stuff for the prime purpose of running the bills up. He hasn't added to the reserves to ease the situation at all except this little buying which they said they would start, adding to their portfolio. I don't think that will amount to anything. I think the suggestion of posting a buying rate is that that is the way you can have some increase in your

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reserve position. This other way you won't have any increase. Either you ask them to put some reserves in or you operate this way.

H.M.JR: Why not do it the direct way then? What I want is some more reserves. If they say they don't want to do both, well, what I want is more reserves in New York.

MR. HAAS: Do you know what they will say there?

H.M.JR: No.

MR. HAAS: They will say, "Oh, well, we will do that if the Secretary of the Treasury is asking us to, but then the lid is off." Well, the fact, if they are realistic and practical, they know that some reserves have to be added in a few months.

H.M.JR: What do you mean, the lid is off?

MR. HAAS: Inflation.

H.M.JR: Oh, nuts.

MR. BELL: Of course, they will tell you they have no way of keeping reserves in New York. They put them there temporarily, and then they shift.

H.M.JR: Well, the rate this last week was what?

MR. BELL: Nineteen and a half.

H.M.JR: Why are you talking three-eighths?

MR. BELL: Well, I think when you increase the supply by six hundred million that the tendency will be up, and I take it that George and Henry feel the same way.

MR. HAAS: Oh, sure.

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MR. BELL: We would make a public announcement that these are for business concerns.

MR. HAAS: And we wanted to put - one mistake that you might make, Mr. Secretary, that this certificate was also to attract these business funds. They objected to that; but if that is left out, then the argument that you are just appealing to the banks is absolutely obvious and goes out without any explanation. I don't know if the Secretary has seen this proposed statement.

MR. BELL: No, I don't think so.

MR. HAAS: It was suggested that you make a statement, and the Fed simultaneously make a statement, and Dan read both of those proposed statements over at the meeting. It is just one page, and theirs is just a paragraph.

H.M.JR: Who wrote the one page?

MR. HAAS: Well, we wrote both of them.

MR. VINER: Have you got another copy?

MR. MURPHY: I haven't one with me, but I can send you one.

H.M.JR: Why don't you let Viner see this stuff before he comes in?

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MR. BELL: Viner wasn't with us at the other meeting. I told him what happened, but he didn't see the statement. This statement was revised a little by Goldenweiser too.

MR. VINER: Just what do you think the posted rate will do on the bill as far as buyers of bills are concerned? Who cares?

MR. HAAS: Well, the--

MR. BELL: The posted rate makes the demand money.

MR. VINER: But the bill is near enough to demand money for bankers. They have never lost yet by buying bills, through having to sell them at a discount, have they?

MR. HAAS: No, the posted rate would assure you some increase in reserves.

MR. VINER: Why?

MR. HAAS: Because as you increase the supply, the only way you can keep it at that rate is to buy some.

H.M.JR: It gets down to what do these fellows want.

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MR. BELL: They claim that issuing that statement would kill any chance of putting over the short-tap issue that they proposed, and this would in effect take its place.

H.M.JR: Well now, look. We are all still talking. I will talk to what's-his-name, and we still have the open market. Supposing, Bell, we say we start in at ten tomorrow morning and get the benefit of George's thing, because you fellows aren't any nearer together. I am just going to have to decide this thing. We will start once more at ten tomorrow. In the meantime, I want to talk to Buffington, and by this afternoon I want to know - did he go up yesterday?

MR. BELL: He was in Chicago yesterday, and he went in to New York this morning.

H.M.JR: He ought to know something this afternoon.

MR. BELL: I talked to Young late last night, and he said that, just giving me a general summary of what he had heard, they would be very much interested in the half percent certificate. They are interested in bills when they get above a quarter, but he said they are not interested in bills now, and they would be more interested in the certificate as we propose here, because in order to get the bill rate, they have to bid four times a year, and the paper work is hardly worth it down at a quarter, in that area.

H.M.JR: In order to get the bill rates, they have to bid - who does?

H.M.JR: What is the job you want done?

MR. VINER: I want the bills increased substantially above their present volume and increase the holdings in country banks by non-banking investors, so that they are a mobile, flexible security moving around the country and so that they make the excess reserves for the system as a whole, effective for the parts of it, but at the present time there is almost a gulf between New York and the rest of the country on excess reserves because the only way to move funds into New York quickly by the banking system would be for New York to sell bills or the rest of the market to buy new bills and part of the proceeds to flow to New York. Well, the rest of the market wouldn't buy bills at point twenty-five. Now, if they don't buy them at point thirty-five either, then I am wrong and you have tried it and it hasn't worked. I still don't see any disaster.

H.M.JR: But you might get the same result if they buy the six months at a half.

MR. VINER: I think there is a good chance at that. It may be that is the answer. I don't think it is the logical answer because I think there are fixed ideas here but you have got to stick to the point twenty-five, but it may prove the practical answer that you haven't stuck really to a point twenty-five on a short-term, you have gone up above point thirty-five, and that that new security does the job. But I don't know how to tell in advance because it is a new security. I have fairly good confidence that the half percent thing may do the job. I also would favor, I ought to say, as far as possible that you at least give an indication to the market that you are going to devise new types of securities for the non-banking investor, and that this is the first step in the program of enlarging the variety of issues offered to them and one of my reasons is that I would like to have the public get the impression that there is an over-all program for a financing being worked out here and that progress is being made on it, and the second factor is that your steps now seem to be in keep-

MR. BELL: They have to get a roll-over because it is only ninety day stuff. In order to get that quarter percent they have got to get the investment four times a year so it is hardly worth the paper work that they put in on it. But most of these corporations do have short-term Treasury notes maturing within the year, next year and so forth.

H.M.JR: Well, gentlemen, let me see about this thing this afternoon. Let me talk to Buffington. Does your (Haas') crowd feel that three-eighths is too high?

MR. HAAS: Oh, absolutely. There is no disagreement on that. The argument here is just one argument. There are all kinds of things we have talked about, appendages here and there, but there is only one argument involved in all of it. Short-term interest rates, some people want them higher. That is all the argument is. The rest is all--

H.M.JR: Where are you, Viner, on this?

MR. VINER: I don't see any particular virtue in a point twenty five rate for the short-terms. I think you will have to handle the market, of course manage it, but I would manage it from the top down and let whatever happens down below within limits happen, and I see no particular evil in a point thirty-five rate for these bills and I think it is important that the bills get out to some extent of the banks and through the country and I don't see anything in this proposal that he has on that although the certificates may do that and may to some extent carry out that purpose, but then by these certificates you are really raising the rate. I mean, it is already a concession. You are giving them a half a percent rate on six months and a lot of them wouldn't care on the bills. A lot of those who bid for the bills would probably bid at almost the same rate for six months as for three months, so that you are actually raising the rate on the very short-terms when you introduce a half point security. Now, it may be, I am not enough of an expert to say, that the half percent certificate may do the job that we - that I would want done even if it involves going up to point thirty-five.

MR. BELL: They have to get a roll-over because it is only ninety day stuff. In order to get that quarter percent they have got to get the investment four times a year so it is hardly worth the paper work that they put in on it. But most of these corporations do have short-term Treasury notes maturing within the year, next year and so forth.

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MR. HAAS: Oh, absolutely. There is no disagreement on that. The argument here is just one argument. There are all kinds of things we have talked about, appendages here and there, but there is only one argument involved in all of it. Short-term interest rates, some people want them higher. That is all the argument is. The rest is all--

H.M.JR: Where are you, Viner, on this?

MR. VINER: I don't see any particular virtue in a point twenty five rate for the short-terms. I think you will have to handle the market, of course manage it, but I would manage it from the top down and let whatever happens down below within limits happen, and I see no particular evil in a point thirty-five rate for these bills and I think it is important that the bills get out to some extent of the banks and through the country and I don't see anything in this proposal that he has on that although the certificates may do that and may to some extent carry out that purpose, but then by these certificates you are really raising the rate. I mean, it is already a concession. You are giving them a half a percent rate on six months and a lot of them wouldn't care on the bills. A lot of those who bid for the bills would probably bid at almost the same rate for six months as for three months, so that you are actually raising the rate on the very short-terms when you introduce a half point security. Now, it may be, I am not enough of an expert to say, that the half percent certificate may do the job that we - that I would want done even if it involves going up to point thirty-five.

H.M.JR: What is the job you want done?

MR. VINER: I want the bills increased substantially above their present volume and increase the holdings in country banks by non-banking investors, so that they are a mobile, flexible security moving around the country and so that they make the excess reserves for the system as a whole, effective for the parts of it, but at the present time there is almost a gulf between New York and the rest of the country on excess reserves because the only way to move funds into New York quickly by the banking system would be for New York to sell bills or the rest of the market to buy new bills and part of the proceeds to flow to New York. Well, the rest of the market wouldn't buy bills at point twenty-five. Now, if they don't buy them at point thirty-five either, then I am wrong and you have tried it and it hasn't worked. I still don't see any disaster.

H.M.JR: But you might get the same result if they buy the six months at a half.

MR. VINER: I think there is a good chance at that. It may be that is the answer. I don't think it is the logical answer because I think there are fixed ideas here but you have got to stick to the point twenty-five, but it may prove the practical answer that you haven't stuck really to a point twenty-five on a short-term, you have gone up above point thirty-five, and that that new security does the job. But I don't know how to tell in advance because it is a new security. I have fairly good confidence that the half percent thing may do the job. I also would favor, I ought to say, as far as possible that you at least give an indication to the market that you are going to devise new types of securities for the non-banking investor, and that this is the first step in the program of enlarging the variety of issues offered to them and one of my reasons is that I would like to have the public get the impression that there is an over-all program for a financing being worked out here and that progress is being made on it, and the second factor is that your steps now seem to be in keep-

ing with your earlier statements and the earlier statements of others that we recognize that we must endeavor to keep a lot of the financing out of the banks. But may I - we may not be right yet to tell them just what we are going to offer. I mean, just a statement that the Treasury is in the process with the Federal Reserve of working on new kinds of securities which will be attractive to the - directed to the non-banking investor.

H.M.JR: As I understand, the five-year thing is ready but the long one isn't.

MR. BELL: Well, it wouldn't take very long to get the long one ready. We have gotten the comments in now from the banks.

MR. VINER: I think we are pretty nearly ready myself.

MR. BELL: The five is probably in a little better shape than the other one.

H.M.JR: Well, let's stop here now. Is there something else you wanted to see me about?

MR. BELL: Yes, there are some things here that I have got. I just wanted to ask Jake, in your statement, Jake, do you think we could do the certificate first and leave the bills go over for a month?

MR. VINER: I see no point in adding to the bills now unless we are prepared to add to them sufficiently and freely so that they do raise the rate enough to tap non-banking buyers and country bank buyers.

MR. BELL: Let's see if this works. We can get out a billion and a half certificates in April and see whether or not it does the trick.

MR. VINER: And I certainly would oppose this proposal of George's that we force the hand of the Federal without their knowing, except the amount of the bills, what it is by forcing them to buy bills at a rate you have fixed, because I would say if you want them to

increase the excess reserves, tell them you want them to increase it. Don't put them into it by a trick.

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

MR. VINER: I agree. This is really a trick.

MR. HAAS: No, not a trick. They understand that.

MR. VINER: Even if they favored it, I would oppose it.

H.M.JR: Viner, I said that a few minutes ago.

MR. VINER: The public will say that is tricky, and even if the Federal Reserve accepts it enthusiastically, I would say that is not the way to open it. It is just a mechanical device to force them to increase reserves, whereas they ought to increase it as a policy matter and not because--

H.M.JR: If this man, for instance, comes back and says that they will buy the certificates, non-banking - let's say for argument he says that. Then why not start off in some certificates and wait on the bills?

MR. VINER: Certainly as compared to the other program, I would be for that. It is an experiment. You can't tell in advance, surely, but I don't see any damage.

H.M.JR: That might distribute the excess reserves.

MR. VINER: It might. Oh, I think it would tend to.

H.M.JR: It would give you liquidity.

MR. BELL: They would be very popular, I think.

MR. MURPHY: And it might put up short rates quite a bit and might have repercussions on the long rate.

MR. VINER: Sure it would put up short rates. That is what I say.

MR. MURPHY: And it might have repercussions on the long rate.

MR. VINER: Through want of an agreement from the Federal, they will not let the long rates go up. You are trying to get them - you are working on them on the things they like less, and you retreat on the things that they are willing to go along with, and that has been the whole program.

MR. HAAS: No, I don't think so.

H.M.JR: Well, let's have--

MR. VINER: My own opinion is that the Federal Reserve have tried to come to an agreement with the Treasury as far as they are able. That is my impression from the tone and everything else.

MR. HAAS: You weren't at the last meeting.

MR. VINER: No, except the last meeting.

H.M.JR: Well, let's have another crack at this at ten tomorrow morning.

MR. BELL: I just want to tell you that something has got to be done because beginning June we are going to have to get two billion dollars every month in the market.

H.M.JR: Beginning June? What about April?

MR. BELL: In April we will need a billion and a half. Of course I put in extra bills in April, but we can get along and let our balance run down, but to keep our balance up to a billion and a half and better, we have got to have two billion dollars in June and from then on, and a billion and a half in May and a billion and a half in April and that is providing an average of about six hundred million dollars a month for Savings Bonds which we won't meet this month and whether we will from now on, I don't know.

H.M.JR: Well, how do you plan to raise this money for April?

MR. BELL: Through certificates. We would have one in the first part and one in the second, and I hope that will be either seven or eight or seven fifty each.

H.M.JR: The first one would be six months and the next one would be--

MR. BELL: Nine months. There is some feeling in the Federal Reserve Board that the half percent for six months is a little rich. They think maybe it ought to be seven, eight, or something.

H.M.JR: You see, the unfortunate thing, Eccles comes over here and won't let anybody else talk. You have no idea what the Board thinks.

MR. HAAS: McKee doesn't agree with him. I think Draper would agree more.

H.M.JR: You can't find out. He just blankets the thing.

MR. BELL: Would you like to have the whole crowd and let each one express their opinions.

H.M.JR: I would much rather have the whole crowd than just Eccles.

MR. BELL: McKee and Sproul.

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

MR. HAAS: That is all right.

**Proposed Press Statement for the  
Federal Open Market Committee**

The Federal Open Market Committee today announced that, effective tomorrow, the twelve Federal Reserve Banks will post a buying rate of 0.26 percent for all Treasury bills irrespective of maturity, such bills to be acquired for the account of the Federal Open Market Portfolio.

Proposed Press Statement for the  
Secretary of the Treasury

The Secretary of the Treasury announced today that subscription books will open tomorrow morning for a new issue of 6 months Treasury certificates of indebtedness bearing a coupon rate of interest of  $1/2$  of 1 percent. The certificates will be dated on April \_\_\_\_ and will mature on October \_\_\_\_\_. They will be offered at par and will be redeemed in cash at maturity. Holders of the certificates will not be offered preferential allotment to any new issue of United States securities.

The offering of these certificates constitutes a first step toward increasing the volume of short-term United States securities available in the market. It is expected that this step will be supplemented later by an increase in the outstanding amount of Treasury bills and by further issues of certificates of indebtedness.

This increase in the outstanding amount of short-term United States obligations is being made for two reasons. The first of these is the desire to provide a suitable medium for the investment of current accumulations of business funds temporarily thrown out of employment because of deferred maintenance, reduced inventories and inability to reinvest depreciation and depletion reserves, or to make plant extensions, all resulting from the diversion of the largest possible portion of our national resources to the war effort. The second reason is the desire to provide a suitable medium for short-term investment by banks so as to obtain a greater fluidity in the money market.

3/17/42

March 19,  
1942

Secretary Hargenthan

Mr. Mass

Subject: A Posted Bill Rate and Excess Reserves

At the meeting on Tuesday with representatives of the Federal Reserve System, we suggested that the Federal Reserve banks post a buying rate of 0.26 percent for all Treasury bills, irrespective of maturity. This procedure, which is analogous to that which has been followed for many years in the case of bankers' acceptances, would mean that the Federal Reserve System would take all bills offered at the posted rate.

The Federal Reserve people,-- or at least those representing the Board of Governors -- did not appear to object strongly to the principle of a posted rate, although they stated they would prefer that it should be  $\frac{1}{8}$  of 1 percent.

Chairman Eccles did state very strongly, however, that he objected to Federal Reserve being asked both to underwrite a given bill or other interest rate and also to provide a given quantity of excess reserves. His point would be well taken if the rates at which Federal Reserve would agree to support the market were such as to result in some buying now. The trouble is that the rates which they have proposed in the past would result in no buying (and consequently in no additional excess reserves) unless the market should decline considerably from its present level.

The proposed 0.26 percent buying rate for bills would probably result automatically in an increase in excess reserves. If it did not, in the face of a substantial increase in the amount of bills and other short-term securities outstanding, it would constitute strong evidence that no additional excess reserves are necessary at the present time. As a matter of fact, the fluid market in bills at about  $\frac{1}{4}$  of one percent which would be established by such a buying rate, would, in large part, be an adequate substitute for an increased volume of excess reserves.

**Secretary Morgenthau - 2**

It seems, therefore, that an agreement on the part of Federal Reserve (1) to post a 0.26 percent buying rate for Treasury Bills, (2) to support the new 1/2 percent certificates at par, and (3) to maintain the long-term taxable bonds within a range, the low point of which would be slightly above par, would constitute an adequate safeguard to the Government bond market and make it unnecessary to seek any agreement with respect to a specific increase in excess reserves. It should be emphasized, however, that it is important that the buying rate for bills should be 0.26 percent, or thereabouts. A substantial increase in the volume of short-term securities, accompanied by a buying rate of 3/8 of one percent for bills, would be the signal for a general advance in short-term rates and might very well endanger long-term rates also.

*Received at U.S. Treasury 2/19/42*

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**TREASURY DEPARTMENT**

INTER OFFICE COMMUNICATION

DATE March 19,  
1942

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject: A Posted Bill Rate and Excess Reserves

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The proposed 0.26 percent buying rate for bills would probably result automatically in an increase in excess reserves. If it did not, in the face of a substantial increase in the amount of bills and other short-term securities outstanding, it would constitute strong evidence that no additional excess reserves are necessary at the present time. As a matter of fact, the fluid market in bills at about  $1/4$  of one percent which would be established by such a buying rate, would, in large part, be an adequate substitute for an increased volume of excess reserves.

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March 19, 1942.

George Haas  
Secretary Morgenthau

Please give me a one page memo and a chart in your weekly report showing the comparison of costs with the United States and Canada, pointing out what happened in Canada when they put in a ceiling on prices, -- a little description of what they did in Canada. I want it to show the President, and so that there can be no comeback, please give somebody in the Bureau of Economics in Agriculture and somebody in Leon Henderson's Shop a chance to criticise and suggest. I want it in my hands not later than 11:00 Friday morning.

*Answer submitted*

*by Mr. Haas 3/20/42 -*

FOREIGN

Canada. Canada wound up last week the most brilliantly successful and popular war loan operation in its history, with the returns still trickling in. Verified subscriptions at the close of business last Saturday amounted to \$980,000,000 and the figure almost certainly will go over the billion-mark when all tabulations are completed. Official expectations were far exceeded, for the cautious authorities estimated that no less than \$600,000,000 would be raised. The vast sales campaign was supervised by the investment bankers and chartered banks of Canada, and it reached into all Canadian homes and business establishments. (Trib., p. 18.)

Spanish-Argentine Pact. The Foreign Ministry of Spain yesterday announced a "far-reaching" financial and commercial accord with Argentina providing for an exchange of goods valued at 500,000,000 pesetas and envisaging eventual establishment of an airline linking Madrid with Buenos Aires. The pact calls for continued shipment of Argentine wheat, more meat and other agricultural products to Spain in exchange for manufactured goods, machinery and chemical products. (New York Times, 3/25, p. 26.)

CANADIAN FINANCING

1. At the end of 1941 demand deposits of the chartered Canadian banks and currency in circulation outside of the Bank of Canada and the chartered banks totaled 1,640 million dollars. National income in the United States is about fifteen times that in Canada. In terms of the size of the United States this would be equivalent to 24.6 billion dollars. Actually the total for the United States was 48.5 billion dollars or roughly twice that of Canada when both countries are put on a comparable basis.

2. The reserve ratio of Canadian banks at the end of 1941 was 11.2 per cent. The reserve ratio of United States banks was 18.2 per cent. For reporting New York City banks it was 41.7 per cent.

3. Recently the Dominion Government offered 600 million dollars of a 12 year loan at a yield of 3.07 per cent and a 6 year loan at a yield of 2.25 per cent. These loans were sold in a campaign which lasted three weeks. Subscriptions totaled 980 million dollars, which would be equivalent to nearly 15 billion dollars for the United States. It is understood that subscriptions were allotted in full.

4. The increase in the Canadian debt from the beginning of the war to the end of last year amounted to about two billion dollars. In the same period the chartered banks increased their holdings of Dominion and Provincial securities by 329 million dollars or about 16 per cent of the increase in the debt. In the United States the interest-bearing direct and guaranteed debt increased by 16.7 billion dollars in the two years ended December 31, 1941, and commercial banks increased their holdings by 5.5 billion dollars or 33 per cent.

5. The support rendered to the market by the Bank of Canada is conditioned by the characteristics of the Canadian market, which is quite different from the United States Government security market. Trading is small in volume and is generally conducted at spreads of 1/4 to 1/2 point, and each transaction may take several days. Dealers keep the Bank of Canada informed as to offerings on their books. If the securities are pressing on the market or are being offered at a price below that of the previous transaction, the Bank of Canada or Government accounts will purchase the securities. From the beginning of the war to December 31, 1941, the Bank of Canada's holdings of securities increased by 445 million dollars, most of which was to offset a large increase in notes in circulation and the remainder to offset a decline in holdings of gold and foreign exchange and to add to the deposits of chartered banks. The average yield on intermediate and long Canadian securities has declined slowly from 3.16 per cent in January 1941 to 3.07 per cent in January 1942.

Note -- Most of the information in this memorandum was obtained from Mr. Kindleberger, Mr. Robinson, and Mr. Longstreet.

March 19, 1942  
12:32 p.m.

HMJr: Hello.

Harold Ickes: Henry.

HMJr: Yes, Harold.

I: I have a letter that just came in from Kenneth Leslie, he is editor of the Protestant Digest. I know him; I think he is a responsible citizen.

HMJr: Yes.

I: Let me give you the highlights.

HMJr: Please.

I: "Information is that in September, 1940, a check for \$20,000 was drawn by one Westrick, a known German agent, in favor of Mr. Torkild Rieber."

HMJr: Yes.

I: ".....then president of the Texas Company."

HMJr: Yes.

I: "Rieber deposited the check in his account in the Whitney National Bank in New Orleans."

HMJr: Yes.

I: "Rieber about the same time drew from this same account a check for \$20,000, payable to a Mr. Baker, campaign manager. Mr. Baker was at this time campaign manager for Martin Dies."

HMJr: Uh huh.

I: "The two checks went through the clearing house of New Orleans on the same day."

HMJr: Yeah.

I: "It is said that the Whitney National Bank keeps a micro-film record of all checks."

- 2 -

HMJr: Yeah.

I: "The possibility exists that Dies has been told within the past two weeks that this transaction is known. News accounts say that Dies has made an unexpected trip South."

Then he wants to know whether it's possible to make an inspection of the bank records before Dies gets there.

HMJr: Uh huh. Well, of course, if he's gone - the question is when did he go South?

I: Well, I believe it was in the last few days.

HMJr: Yeah. Well, I can have the thing done today.

I: Well, that's the reason I called you up.

HMJr: I'll see that it's done today.....

I: All right.

HMJr: .....on the grounds that it's income tax.

I: Yeah.

HMJr: What?

I: All right, Henry.

HMJr: I'll have a man in the Whitney Bank today.

I: All right, fine.

HMJr: I'll try to have it within an hour or two.

I: Thanks.

HMJr: Thank you.

I: Good-bye.

March 19, 1942.

Memorandum for the Secretary's Files

On receipt of the attached memorandum of a telephone conversation between Secretary Morgenthau and Secretary Ickes (about 1:05 P.M.) I called Woolf of the Intelligence Unit and asked that he phone New Orleans to have an investigation made of this reported transaction. I also asked Harney to see if he could find out discreetly where Martin Dies was. Harney ascertained that Dies was in Texas. Woolf reported later, as shown in the memorandum attached.

At the Secretary's instruction I communicated the facts to Mr. Sullivan, who asked Norman Cann to have a general tax investigation of Rieber made. We also instructed Lambert in New Orleans to have the checks for September, 1940, examined.

*W.G.*

## ASSISTANT SECRETARY OF THE TREASURY

March 19, 1942.

Mr. Gaston:

Following phoned by Mr. Woolf at 3:15 P.M.

Special Agent Lambert at New Orleans advises that there is no record of any account whatsoever of Mr. Rieber at the Whitney National Bank of New Orleans. It is possible of course that the check was cashed in that bank by this fellow, but in order to run it down they would have to run through every check of that amount during the entire month of September, unless they had the specific date of endorsement. In order to do this it would take at least a day or two. However, the agent said it could be done without any undue alarm if you wanted it done, as it could be considered an income tax matter. I told the agent I would call him back.

Dr. Gearhardt A. Westrick.

dep to John Aug 23, 1940

*I think we  
 @igned. what do  
 you think ?  
 maybe we should find out  
 where R had his  
 accounts and  
 look there. A.B.*

March 19, 1942  
12:32 p.m.

HMJr: Hello.

Harold  
Ickes: Henry.

HMJr: Yes, Harold.

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HMJr: Yes.

I: Let me give you the highlights.

HMJr: Please.

I: \*Information is that in September, 1940, a check for \$20,000 was drawn by one Westrick, a known German agent in favor of Mr. Torkild Rieber.

HMJr: Yes.

I: .....then president of the Texas Company.\*

HMJr: Yes.

I: \*Rieber deposited the check in his account in the Whitney National Bank in New Orleans.\*

HMJr: Yes.

I: \*Rieber about the same time drew from this same account a check for \$20,000, payable to a Mr. Baker, campaign manager. Mr. Baker was at this time campaign manager for Martin Dies.\*

HMJr: Uh huh.

I: \*The two checks went through the clearing house of New Orleans on the same day.\*

HMJr: Yeah.

I: \*It is said that the Whitney National Bank keeps a micro-film record of all checks.\*

- 2 -

HMJr: Yeah.

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Then he wants to know whether it's possible to make an inspection of the bank records before Dies gets there.

HMJr: Uh huh. Well, of course, if he's gone - the question is when did he go South?

I: Well, I believe it was in the last few days.

HMJr: Yeah. Well, I can have the thing done today.

I: Well, that's the reason I called you up.

HMJr: I'll see that it's done today.....

I: All right.

HMJr: .....on the grounds that it's income tax.

I: Yeah.

HMJr: What?

I: All right, Henry.

HMJr: I'll have a man in the Whitney Bank today.

I: All right, fine.

HMJr: I'll try to have it within an hour or two.

I: Thanks.

HMJr: Thank you.

I: Good-bye.

March 19, 1942  
2:30 p.m.

HMJr: Did you get a copy of that thing from the "Evening Star" about W. S. Wasserman?

Dr. White: Yeah. I just saw it.

HMJr: Well, you know who he is.

W: I know, and I'm not surprised. I mean, that's the kind of a guy he is. He shoots his mouth off wherever he goes.

HMJr: Well, will you call up McCabe, who's acting over there at Lend-Lease? Hello.

W: Yeah.

HMJr: And bring it to his attention, and tell him that I'm quite disturbed about it.

W: All right.

HMJr: And will you do the same also with Dean Acheson?

W: All right, if you want to.

HMJr: Why not?

W: I don't know. Supposing I tell Cox, is that all right?

HMJr: No, it's not, Harry.

W: All right.

HMJr: No. McCabe.....

W: I really don't like to do it, but if you want me to I will.

HMJr: Well, why not?

W: Well, they must have seen it, and they probably - I don't know.

HMJr: Well, I called McCabe myself. I don't want to make an issue of it - it's not important enough.

- 2 -

W: Well, that's what I was wondering. Let's see what reaction I got. It's just in today's paper. Maybe.....

HMJr: Well, look, old man - handle it, but handle it - I'm perfectly willing to let you handle it your way as long as you handle it.

W: All right. (Laughs) You know, I think that's where that leak on the other story came now.

HMJr: What?

W: That story - they had the complete story of what happened on decisions with regard to gold mining in South Africa and Australia. There was a long story about it a few days after we had a meeting here.

HMJr: Well, will you take care of it for me?

W: I'll do that.

HMJr: Okay.

W: Good-bye - hello.

HMJr: Yeah.

W: I did want to call your attention to a telegram. I don't know whether you want to give it any thought or not; but if you do, it has to be probably today.

HMJr: What's that?

W: It relates to the gold we're getting from.....

HMJr: Oh, yeah, Mrs. Klotz showed me that.

W: Well, the only thought in my mind and just to give it passing - to flag it - is if they're putting that stuff on a warship that's going anyway, fine; but if they're using a special warship to take that gold, and if they're using either our name or anybody else's name, I'm

- 3 -

wondering whether you might not want to find out whether they've asked for special warships just for that. It would be a little bit - I'm not sure that - of the merits of using a warship to carry gold across the Atlantic.

- HMJr: No, no. The Navy would not do that without speaking to me.
- W: I see. So they're using a ship that's coming here anyhow.
- HMJr: They're very good about that.
- W: Yeah. Okay.
- HMJr: All right.

# The Evening Star

MAR 18 1942

## Lease-Lend to Australia On Reciprocal Basis

By the Associated Press.

MELBOURNE, March 18.—W. E. Wasserman, head of the United States lease-lend mission to Australia, said yesterday discussions so far held indicated that aid to Australia would be on a reciprocal basis, dovetailing with the work of the United Nations' Supply Council, which co-ordinates the procurement of materials.

"Australia must make a complete effort," Mr. Wasserman said. "I am not suggesting that Australia is lying down on the job, but there are a few people who do not appear to realize the necessity of greater sacrifices than have yet been made."

Mr. Wasserman will attend a meeting of the Allied Supply Council here Thursday when Australia is expected to be asked to undertake important food and clothing commitments.

March 19, 1942  
2:33 p.m.

Operator: I have Mr. Buffington.

HMJr: Go ahead.

Operator: Go ahead.

HMJr: Hello.

George  
Buffington: Yes, sir.

HMJr: George, tell me as briefly as you can what various businesses that you found would like to invest in, if anything.

B: Almost without exception, Mr. Secretary, they stand ready to do anything that you want them to do in carrying out this general program.

HMJr: The Donald Duck Spirit, huh?

B: Yes, sir.

HMJr: Uh huh.

B: I would say a majority of the people rather prefer the bills than the certificates.

HMJr: Yeah.

B: Certain people are friendly to the tap securities, however, most people in the market for short-term paper would rather have a fixed maturity and a fixed rate.

HMJr: Yeah.

B: Many people who haven't bought bills before - and I'm just talking with one of John Wannamaker's men - say, "You tell us what the Secretary wants us to do, and that's what we want to do. It's a matter, I think, of education. I find a fine spirit both here and in Chicago.

HMJr: Yes.

B: I have a feeling that it may a little early to get as much effects or as much results as we have expected to get in the tap issues.

HMJr: Well, now, George, do you suppose you could get me off on the Teletype tonight your impressions on this thing so I could have it the first thing in the morning?

B: Yes, sir. I'm planning to be in Washington tonight.

HMJr: Oh, you are?

B: Yes, sir.

HMJr: Well, we're having a meeting on this at ten.

B: Tomorrow morning?

HMJr: Yeah.

B: Yes, sir. Well, now, do you want me to get you something in spite of my being there, on the Teletype, or may I give it to you.....

HMJr: No, you come in person.

B: All right, sir. All right, Mr. Secretary, I'll have that.....

HMJr: Well, what you tell me - Bell sort of got the impression from Chicago - he talked to somebody there, the Resident, Young - that they preferred the certificates to the bills.

B: They do prefer that rate, because up to nine months at a half is a little bit more attractive than the existing rates.....

HMJr: On the bills.

B: .....on the bills.

HMJr: I see.

B: Also, Dan may have gotten the impression from

Mr. Young that many of them talked favorably about the tap issues, but I think those people who were favorable are thinking in terms of pension funds and things of that kind that wouldn't draw in as large a volume as we had been thinking of.

HMJr: Well, do many of these businesses have this money to invest?

B: Yes, sir. That is, they have large amounts of bills and certificates running off over the period of the next six, eight, or ten months. I don't believe that the accumulation of added funds through deferred maintenance and so on is going to be as rapid as some people expect, because I think part of those funds are going to be re-absorbed with carrying higher inventories and war contracts and so on.

HMJr: Okay.

B: You certainly have the country behind you; and anything you want them to do, you just tell them and they'll do it.

HMJr: Wonderful.

B: Okay, sir.

HMJr: Thank you.

B: Good-bye.

March 19, 1942  
3:05 p.m.

DEFENSE SAVINGS STAFF

Present: Mr. Gamble  
Mr. Poland  
Mr. Adams  
Mr. Callahan  
Mr. Mahan  
Mr. Graves  
Mr. Tickton  
Mr. Duffus  
Mr. Kuhn  
Mr. Houghteling  
Mr. Sparks  
Mr. Street

MR. GRAVES: I would like to begin by saying that Mr. Gerli, who is the chairman of our Italian Committee in New York, has asked to have an appointment with you for himself and Lieutenant Governor Poletti and Mr. Portfolio, who are two of the members of his committee, to talk over with you this whole Italian thing. I spoke to you about it before. Mr. Poletti expressed the hope that you might be able to see him tomorrow.

H.M.JR: I have a financing.

MR. GRAVES: That is out now and probably it will be week after next?

H.M.JR: Yes. Is he getting ready to run for Governor?

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MR. GRAVES: I don't think so. At least I don't know about it.

H.M.JR: Are there any New Yorkers around here? Do you vote in New York?

MR. CALLAHAN: No, I live in Washington, D. C. This is my home.

MR. KUHN: Poletti's boss is going to run again. That is the story.

H.M.JR: Don't you keep a voting residence in New York?

MR. CALLAHAN: No, sir, I am a native of Washington, D. C.

H.M.JR: Are you really?

MR. CALLAHAN: Yes, sir. I was away for four years.

MR. GRAVES: Well, I will tell him that it will be week after next.

Now, I would suggest that we take up those people whom we didn't reach at our last meeting, Mr. Morgenthau, and we will begin with Mr. Duffus, if you please, who can tell us about the community sing project. We have had some discussions of that since you and I last talked about it.

MR. DUFFUS: We have this map, Mr. Morgenthau, of the contemplated route for Lucy Monroe. Next week I am going into New York with Mr. Sauter of RCA Victor and meet with Colonel Patterson to discuss an early community sing for New York City. We will probably, by going in there this early, have to hold it in some place like Madison Square Garden, and we will have to find a sponsor to take care of the cost of getting the Garden for a night.

Now, it is our thought on these community sings,

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where we are able to have Lucy Monroe lead them, and then we will bring in outstanding personalities such as we did here.

H.M.JR: Have you found out what Lucy Monroe's drag is?

MR. GRAVES: Yes, he can explain that. You mean that thing that you asked me?

H.M.JR: Yes.

MR. GRAVES: Tell them about Mr. Sauter's background as you told me.

H.M.JR: Is he sort of a stout fellow with light hair?

MR. DUFFUS: That is right.

H.M.JR: How do you spell his name?

MR. DUFFUS: S-a-u-t-e-r. He is a little stooped as if he is rushing all the time. He is about forty.

H.M.JR: Is he on the payroll of the National Democratic Committee?

MR. DUFFUS: No, he is not on the payroll as we understand it. I asked him directly, and he told me that he was not. He works on their music programs and music broadcasts.

H.M.JR: Whose payroll is he on?

MR. CALLAHAN: Mr. Frank Hummert.

If I may, Mr. Graves, I have known Mr. Sauter for a number of years. You recall that Mr. Blackett, of Blackett, Sample, and Hummert, went to work for the Republican Committee, and to balance that, Blackett, Sample, and Hummert as an agency turned over the services of Mr. Sauter at no pay to Mr. Sauter.

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H.M.JR: Turned it over to who?

MR. CALLAHAN: To the Democratic Committee.

H.M.JR: Oh, I see.

MR. CALLAHAN: He is now chairman of their radio committee without pay.

H.M.JR: And where does Lucy get all her drag from?

MR. DUFFUS: Well, Lucy is under contract to RCA Victor. She is a member of the board of directors of the Victor Company.

H.M.JR: She is?

MR. DUFFUS: Yes, and draws her pay from them.

H.M.JR: A member of the board of directors?

MR. DUFFUS: Yes, that is what they advised me.

H.M.JR: You whisper it to me afterward. Do you know the answer? (Laughter)

MR. DUFFUS: She is also under contract--

H.M.JR: No reason why you should blush, Callahan.

MR. CALLAHAN: I am not blushing. There is really nothing that I - you are just asking too many questions and you are getting me a little involved with Mr. Sauter and Miss Monroe, and they are very close friends.

H.M.JR: Well, I am not getting you involved. It is just - maybe the facts get you involved, I don't know.

MR. CALLAHAN: No, they are very close personal friends, and Mr. Sauter is personally promoting Miss Monroe and has been for a number of years at no profit to Mr. Sauter.

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H.M.JR: I see. Well, I was curious, because it seems as though she has kind of a monopoly on the Treasury on anything that we do. She seems to have us all tied up hand and foot.

MR. DUFFUS: Well, that impression might rise because we have used her a lot and we anticipate using her because we get her at no cost. We don't have to charge things back to the local committees, whereas other people - RCA always handles her transportation and the like, and in a great many instances local committees have had to pick up transportation and hotel bills for other stars. For instance, Walter Pidgeon came down here and Metro-Goldwyn-Mayer had to pick it up and we paid part of it ourselves. That is where that impression, I believe, might come from.

Now, we don't intend to confine community sings just to Lucy Monroe.

H.M.JR: Can you tell me the story sometime, Harold? Just asking Vince makes him blush. It must be terrible. (Laughter) If it makes Vince blush, it must be something awful.

MR. CALLAHAN: No, there is nothing awful, because every time I run into Jim, he says, "Lucy is here," that is all, and vice versa.

MR. GRAVES: I only know what I have heard Carl tell me.

H.M.JR: It is the first time I have ever seen Vince blush.

MR. CALLAHAN: As a matter of fact, though, she was hired by RCA to sing the Star Spangled Banner at Army camps, and we took her away from Army camps. We took her away because she had traveling expenses from RCA and could tour the country without any cost to us.

MR. GRAVES: You don't mean that we took her away from Army camps. She is still singing at Army--

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MR. CALLAHAN: I mean we divided the time. There is nothing that we are hiding about Lucy Monroe or Sauter.

H.M.JR: All right.

MR. GRAVES: Well, Carl, go ahead with what you started to say about New York.

MR. DUFFUS: In New York City we will find a sponsor to have one indoors at Madison Square Garden, and we expect to build the bill up there by having such people as Paul Robson, Al Jolson, Ethel Waters, maybe Dinah Shore, people that are good community song leaders on the bill with Lucy Monroe and then to bring in when we have these bigger community sings, to bring in these young drum majorettes from the high schools and the colleges and the American Legion bands and drum corps and train them to be song - or rather community sing leaders so that they can go back to their home towns and carry out this program nationally.

MR. GRAVES: You have more in mind than that about New York, Carl. You have spoken of one sing at Madison Square Garden.

MR. DUFFUS: Well, we are going to discuss up there the possibility of carrying it out and breaking it down by the boroughs, going into the schools, possibly in the balance of the year, and then during the summer taking over some of the affairs that have been sponsored programs, free entertainments, in the past, and turning them into community sings for this next summer on a regular continuing basis so that they would be conducted every Wednesday or every two weeks or however it turns out, so that we will have a regular thing of it, and it will affect all the people in the city and use various artists to carry out the program.

MR. GRAVES: And that is just thinking. We have no arrangements made for that, but Mr. Duffus is--

MR. MAHAN: There should be a definite program next

- 6 -

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MR. GRAVES: And that is just thinking. We have no arrangements made for that, but Mr. Duffus is--

MR. MAHAN: There should be a definite program next

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week shouldn't there, Carl?

MR. DUFFUS: That is right.

MR. MAHAN: And we will be able to set up a regular schedule.

MR. DUFFUS: After we find out how to handle the financing of it. That is the principle thing now.

MR. GRAVES: This was planned to carry out your own suggestion for the community sings, a series of them in New York City.

H.M.JR: Fine.

MR. GRAVES: Carl, about this project of the Secretary's to sell Defense Savings Stamps in the theaters.

MR. DUFFUS: The War Activities Committee, representing all phases of the motion picture industry, have selected Joseph Bernhard, of Warner Brothers Theaters, as the chairman for the drive to sell stamps in theater lobbies, for the most part in special booths. We intend to pattern a campaign after the one that has been launched in southern California. The theaters there, both the large circuits, those affiliated with motion picture producers and distributors, and the independents, are now selling stamps in over ninety percent of the theaters in southern California and in three weeks have reported a sale of two hundred eighty thousand dollars through the theater lobbies. Mr. Bernhard would like to come to Washington to discuss the program nationally. They will get out press material on it, posters, carry it in their ads, put special copy on their screens, and utilize all the talent that they can get out of Hollywood to further the program on a real national scale as a stimulant to our entire program.

MR. GRAVES: Mr. Bernhard wanted to come to see you. That is Warner Brothers, isn't it?

MR. DUFFUS: Yes, he is head of Warner Brothers and

chairman of this committee.

MR. GRAVES: In fact, I think I recall he asked for an engagement on the twenty-fifth. You won't be available then, will you?

H.M.JR: No.

MR. GRAVES: Perhaps you don't want to see him at all.

H.M.JR: Sure.

MR. GRAVES: Then I will try to arrange for that also week after next. Mr. Gamble and I talked at considerable length with Mr. Harmon who is the executive vice president of this War Activities Committee meeting in New York last week, and they have quite an elaborate plan for promoting this project of Mr. Duffus' which I think we can take good advantage of.

H.M.JR: Good.

MR. GRAVES: Have you anything else, Carl?

MR. DUFFUS: No, that is all I have.

MR. GRAVES: Sid, suppose you bring the Secretary up to date about posters and advertising and murals and so on.

MR. MAHAN: I think the most interesting thing that is going on now is the National Cash Register thing, Mr. Secretary. They are starting - here is their pamphlet of instructions to their people. It is very complete. I thought you might like to look it over. It shows how far they are going. They are putting up stickers such as these two on--

H.M.JR: I sent you (Sloan) that telegram from Florida.

MR. SLOAN: That is right, yes, sir.

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MR. MAHAN: ... on cash registers.

H.M.JR: I saw that in a weekly report. You (Graves) sent it to me.

MR. GRAVES: Yes.

MR. MAHAN: And then this is the standee that stands beside the cash register.

H.M.JR: They are really going to town, aren't they?

MR. MAHAN: They are. I think that is really the best display job that has been done.

H.M.JR: Did they pay for that?

MR. MAHAN: They paid the entire cost, about seventy-five thousand dollars, and furthermore their own men are putting them up, and beginning July they will change the stickers to War Savings Stamps instead of Defense Stamps.

H.M.JR: That is one of my ideas that happened to click, is it?

MR. MAHAN: It certainly did.

H.M.JR: I can't understand the Rand-McNally thing. It needs explaining, what Rand-McNally is doing. Does that come in your department?

MR. CALLAHAN: That was in the weekly report, Mr. Secretary. They are merely doing the same thing which they did before in Christmas clubs, converting them into bond clubs. It is the same idea of saving for Christmas.

H.M.JR: Do they pay for that?

MR. CALLAHAN: Yes, they sell that printing service to a bank.

MR. GRAVES: That is just printed.

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H.M.JR: I see. I didn't understand. I didn't mean to interrupt you, Mahan. I thought that came under you. Go ahead.

MR. MAHAN: You have seen the twenty-four sheet poster.

H.M.JR: I saw one here in Washington.

MR. MAHAN: That poster is completed now. Thirty thousand posters are up. I thought I would bring it up again because we are also producing three million of these in miniature form for display in stores and in schools.

H.M.JR: Good.

MR. MAHAN: And that is a job that is just ready to go to press, and we will start posting probably about the fifteenth of April. I think you saw this other poster. This is a photostat of the Ladies' Home Journal cover in May, but we are also making a poster of that in color because we have had no woman's poster. The title will probably be "On the Home Front, Buy Defense Bonds and Stamps."

You are familiar with the industrial cooperation series. This is the first one. That was the last one that last year all the different firms ran the series around their own trade mark.

H.M.JR: Oh, yes.

MR. MAHAN: We are holding it off, however. They will be printed and be ready, but we are holding it so that it will carry War Savings Bonds and Stamps and release it about the fifteenth of June.

H.M.JR: Fine.

MR. MAHAN: That, I think, is a better type of poster than we had last year. We also have some poster suggestions.

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There is one coming through which Mr. Dows is working on. It will be here the latter part of this week. It is a MacArthur poster.

H.M.JR: That isn't it?

MR. MAHAN: No, this isn't it. It is somewhat similar to this, but that is certainly, now, with what has happened, the most popular subject that we could have--

H.M.JR: I don't like it, Ferdie.

MR. GRAVES: You mean you don't like to use MacArthur?

H.M.JR: Not particularly. Why not one on General Marshall?

MR. MAHAN: Simply because MacArthur is such a household word now, and it seemed to us that after the move it was probably a good time to get one out quickly because of the popular appeal.

H.M.JR: Well, before you go too far, I would like to talk with Kuhn about this. Don't go too far out on the end of a limb, will you, Ferdie on that?

MR. KUHN: On the MacArthur one?

H.M.JR: I don't like it.

MR. KUHN: Right.

MR. MAHAN: The sketch is being made now, and I think it will be here Friday.

H.M.JR: If you don't mind, Ferdie, don't release MacArthur's stuff without clearing it personally with me.

MR. KUHN: All right.

H.M.JR: I want to pass on that first.

MR. MAHAN: That will be here Thursday or Friday and

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we can check it then.

H.M.JR: I don't know how many of you heard Lord Halifax last night, but it was a darned good speech. Now, whoever the man is who held Malta, it is a thousand times as difficult a job as they - that they did on Malta as they did on the Bataan Peninsula and nobody even knows his name. Whoever held Malta with a two hundred thirty odd thousand civilian population within seventy miles of Italy - what did they say, twelve hundred times it has been bombed? It is perfectly amazing. The periods were much, much longer.

MR. MAHAN: It has been a year and a half.

H.M.JR: And they don't even know who it is that held it.

MR. KUHN: Did you hear his reference to Donald?

H.M.JR: Yes.

MR. KUHN: He cleared that with the Treasury. He is doing that with all his speeches.

H.M.JR: That is nice.

MR. MAHAN: I have some other poster suggestions here if you would care to look at them.

MR. GRAVES: These are just rough ideas.

MR. MAHAN: Yes, very rough sketches. This is one.

H.M.JR: You have got a pretty good committee on that. I think I will just let them work on that.

MR. MAHAN: All right, fine. I think that is everything now, Mr. Graves.

MR. GRAVES: Do you want to say anything generally about advertising, newspapers and magazines?

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MR. MAHAN: We have a new type ad.

MR. GRAVES: This is kind of laboratory stuff we are looking at, Mr. Secretary.

MR. KUHN: These are the results of a suggestion of yours, Mr. Secretary, and I would like you to see them and see what you think of them.

H.M.JR: My suggestion?

MR. KUHN: You said to contrast what it is like over there.

MR. MAHAN: They are the ones that I discussed--

H.M.JR: When Ferdie tells me it is mine, I am always suspicious that it is his.

MR. MAHAN: These are the ones we talked about in the theater.

H.M.JR: Oh, yes. That is very clever.

MR. MAHAN: Very short copy. I am only showing you three of them because, as Mr. Graves said, they are in the laboratory stage and three of them I want to work over again. Here is one about concentration camps on your own front porch. It will probably be done photographically.

H.M.JR: You don't want to use our friend - what is the name of this fellow who does these cartoons?

MR. KUHN: Seuss? I think they are more effective if they are photographed.

H.M.JR: I don't agree with you.

MR. MAHAN: This is a drawing.

H.M.JR: I don't think we can - if you want to horrify the people, that man, whatever his name is, Seuss -

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that is good. I think it is very interesting.

MR. MAHAN: That is the type of thing we are developing.

MR. KUHN: Are you for that idea, Mr. Secretary, now that you have seen these?

H.M.JR: Definitely.

MR. KUHN: Good.

H.M.JR: You ought to have brought your assistant along.

MR. MAHAN: I should have brought a couple of boys. On the murals, the Kansas City mural will be ready in just about one month. All the arrangements have been made. You saw, I believe, the way it is being set up. It is the central panel with just the soldier and sailor on each side. Now, in Chicago there is a committee there who are planning to put murals in all the Chicago stations. They are going to raise the money by popular subscription and while I can't say with every assurance the job will be done, nevertheless it seems to be very well along, and the committee is meeting today to complete their plans for the set-up. That would be in all stations. The railroad people are very much for it and are contributing a part to it also. I think that is all.

MR. GRAVES: You remember you wanted murals. You wanted us to think about murals in a number of railroad stations throughout the country, and I think we have studied all the stations and there are very few that have the dimensions and the altitude that are necessary.

MR. MAHAN: I hope that Chicago thing might be extended to other cities where we can put in some form of mural that will be adapted to that station. If it works out in Chicago, I think we can extend it.

H.M.JR: Harold, I don't know how much time I have got, but I would like to take up next, if you don't mind, payroll deductions.

MR. GRAVES: Fine. Well, first Mr. Tickton can give that to you.

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MR. TICKTON: All right. I am making a comparison, Mr. Secretary, with six weeks ago, January thirty-first when we got our first good figures on the number of people participating in the payroll savings plan. For firms with more than five hundred persons there are approximately seventy-five hundred of those firms, forty-four hundred had the plan in operation at the end of January, and fifty-five hundred have the plan in operation now. That means there are about two thousand firms with more than five hundred who don't have the plan. Approximately seventy-three percent do, and twenty-seven don't. Firms of one hundred to five hundred employees, there are twenty-seven thousand now in the country, and seven thousand had the plan in January, and twelve thousand five hundred had the plan as of last Saturday. There are still fourteen thousand firms of that size that don't have the plan. Firms under a hundred, there are twenty-six thousand with the plan as of the present time. Altogether, there are thirty million persons employed by industry, and four million persons - four million four hundred thousand employed by Federal, state, and local government. Of the thirty million employed by industry, the companies having the plan employ about eighteen million three hundred thousand, or approximately sixty percent. Of the four million four hundred thousand persons employed in the Federal, state, and local governments, about thirty percent are exposed. That is, proportionately more in the state and local governments, because in the Federal Government - because the Federal Government plan hasn't gotten into operation in most of the Departments.

On the basis of the figures that I have been receiving from the various companies, we send out twenty-five thousand questionnaires each month now. It appears that the deductions amount to a little less than five percent of the average salary.

H.M.JR: That is better than I thought.

MR. TICKTON: In the firms for which I have complete information, in February the average deduction was seven dollars fifty-three cents per month.

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H.M.JR: What does that mean?

MR. TICKTON: That is practically five percent of their salaries. If you multiply that out, that would produce, if every one of the thirty-five million people employed in the country would put up seven dollars and fifty-three cents, that would produce about three billion one hundred million. If you took one of the better companies, General Electric, they put up ten dollars and ninety-seven cents. That would produce about four billion five hundred million. If everybody employed by industry or government puts up that much money, that is. Now, that, as you realize, compares with the ten billion dollar bogey that you talked about in your Philadelphia speech. I made a comparison today on what that ten billion dollar bogey means to the average person in view of the new taxes.

H.M.JR: Do you mind calling it a goal instead of a bogey?

MR. TICKTON: All right. (Laughter) Ten billion dollar goal--

H.M.JR: I think Harold Graves might think it is a bogey before he gets through.

MR. TICKTON: In view of the pending tax bill and in view of the layout proposed in that goal, a fellow making nine thousand dollars would be expected under the present tax bill to put up two thousand dollars in income taxes next year, and under the plan he would put up two thousand dollars more in Savings Bonds, so that he would put up four thousand dollars out of a nine thousand dollar income.

H.M.JR: It won't happen.

MR. TICKTON: Well, that is part of the problem. It is possible, to win the war, but the nine thousand dollar man hasn't found out--

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H.M.JR: Well, he has to pay two thousand income taxes; and in order to give me the eleven billion, he would have to put up another two thousand--

MR. TICKTON: Yes, sir.

H.M.JR: Well, you can't do it, Harold, and you might just as well say so, on a voluntary basis. There is no use of kidding yourself. I never heard it put that way before.

MR. TICKTON: Well, of course, I put it that way in view of the seven dollars fifty-three cents. That is, the seven dollars fifty-three cents compared with approximately the same figure for January, so I thought I might multiply it out. Take a fellow with a smaller income, take your five thousand dollar man. His income tax would be five hundred eighty-seven dollars, and the Savings Bond goal would be six hundred twenty-four dollars, so that brings him down to thirty-seven hundred and fifty dollars.

H.M.JR: I would like those figures, if I could--

MR. TICKTON: O.K.

H.M.JR: I have never seen them put that way, have you?

MR. GRAVES: No, this is the first time I have seen it.

H.M.JR: You are applying that table in reverse?

MR. TICKTON: That is right. I brought it up because I was amazed at the small amount that you get if everybody in the country puts up the average that is being deducted at the present time under payroll savings plans.

H.M.JR: Well, I would like to have that, because there is no use kidding ourselves on this thing. Bell

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was after me this morning about how much money we are going to have to raise. We have got to raise two billion dollars a month beginning with June. I don't want that figure used out of the room, but that is what we have got to do. And, of course, you (Graves) gave me May first as of--

MR. GRAVES: May.

H.M.JR: And I gave Congress July 1.

MR. GRAVES: That is right.

H.M.JR: To give you - I gave you another month, didn't I?

MR. GRAVES: That is right, you gave me through June.

MR. TICKTON: We figured for Mr. Graves one time, Mr. Secretary, that in order to sell seven hundred fifty million a month--

MR. GRAVES: In "E" Bonds.

MR. TICKTON: Of "E" Bonds, on a continuing basis, you have to expect to sell twenty-five million pieces a month or thereabouts. That would mean everybody would have to be buying a bond pretty nearly every month, and that is a continuing program. You can do that in January, for example, one month, because a lot of fellows buy the large denominations, but you run out of fellows who can buy the large denominations out of their current income rather quickly, and in order to do seven hundred fifty million a month on a continuing basis would take that very large number of pieces.

H.M.JR: Well, do a little bit more studying on what you would have to do to do the seven, fifty; because if it shows up it is impossible, the sooner I know it, the better. I mean, there is no use of my

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making Harold Graves' life miserable trying to get the last drop if the last drop doesn't exist.

MR. GRAVES: I think Mr. Tickton ought really to give us a table that would carry through all the brackets.

H.M.JR: Yes. Well, I don't mean just the nine thousand--

MR. TICKTON: Oh, I just picked a man.

MR. GRAVES: It is more favorable, I think, the lower you get.

H.M.JR: I think he ought to do it, because there is no use my putting the pressure on you, or Bell saying to me, "Why don't we do better?" So far the President hasn't. If we are doing well within the limits, all right, but there is no use of expecting the impossible. I am all the time fighting off a thing like this thing that is being advocated by Senator Brown and Mrs. Roosevelt, that anything over - all overtime should go into Defense Bonds, or some kind of a Government - now, this morning at press, I don't know whether you saw what I said - you might get the transcript and see that it is circulated around, because I went to bat for you, and said that is just another way of forced savings, and if we took all overtime in a Government security, the volunteer method goes out the window, see.

MR. GRAVES: Yes.

H.M.JR: Based on that memo that you gave me.

MR. GRAVES: I think, however, that the thing will be somewhat more favorable, Mr. Tickton, when you get in the lower brackets.

MR. TICKTON: Take a four thousand dollar man. The income tax will require three hundred thirty-three dollars. Savings Bonds will require about five hundred. That is a total of eight hundred fifty.

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MR. GRAVES: In my judgment, that is not too much to expect people to do in these times.

H.M.JR: Say it again.

MR. TICKTON: For a four thousand dollar man, his income tax is about three hundred thirty-three dollars. His Savings Bond goal would be five hundred twenty, or a total of eight hundred fifty-three, which reduced from his salary would leave him thirty-one hundred and forty-seven dollars.

MR. KUHN: Mr. Secretary, couldn't we take the still lower ones who don't have such a tax load to bear?

MR. GRAVES: He is going to. He is going to complete his table.

H.M.JR: I think he should, and I think the quicker he does it, the better. The whole purpose of my getting Heas into this thing and Tickton was that so from a statistical standpoint we will know where we are at.

MR. KUHN: There are more people earning those small salaries, a bigger part of the national income, and they have less taxes to pay.

H.M.JR: Let's go right down to ten dollars a week, if you will, and see what you are going to get, but again - I mean, there is no use my putting all the pressure on Graves, or wearing myself out, or waking up in the middle of the night and worrying about this Defense Bond program, which I do. If good is five hundred million dollars a month at "E" Bonds, when we try to shoot at seven hundred fifty, then it is impossible. There is no use all of us wearing ourselves out trying to do the impossible, if the possible would be very good. I don't know, but I am very much interested. Bell and I are right in the midst of this thing now, and I have got to raise the money one way or the other.

MR. GRAVES: Willy nilly.

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H.M.JR: Now, if you fellows do go very good, can only do five hundred million a month, see, then the quicker I know it, the better.

MR. GRAVES: I see.

H.M.JR: Did you get in on the "F" and "G," when we want to increase that? You don't push "F" and "G," do you?

MR. GRAVES: We have not done any real promotion of the "F" and "G" Bond. Mr. Bell and I have been talking in the last day or two about it.

H.M.JR: But this is an "E" Bond crowd?

MR. GRAVES: Yes.

H.M.JR: Did you want to say something?

MR. GAMBLE: I only wanted to say that the largest group that we have, ten million, seven hundred thousand people of 1940 income, made a certain amount, and that is the figure within which most of these people will come, and I think if we use those figures, these extra twenty-five or thirty million dollars will tell us a different story.

MR. TICKTON: Except on your total income class, the total annual savings is seven hundred, ninety-eight millions or less than - it is only seven percent, so that while there are a great many people there and a considerable volume of income, still you can't sell ten billion dollars worth of Savings Bonds to that income.

MR. GRAVES: What is your biggest group, Mr. Tickton?

MR. GAMBLE: Twenty to thirty dollar group.

MR. GRAVES: In the amount of income.

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MR. GAMBLE: Forty to fifty dollar group. The thought I was advancing is that these figures of ten million four hundred forty-seven thousand people in 1940 in all probability from the information we have from those defense plants, those people have now been moved into the fifty to sixty dollar bracket, and from the group where we have gotten the most money is where we are going to raise this money on payroll savings. In other words, we have a different figure than shown on these charts today.

H.M.JR: Well, get together with him. I am going away for a week. When I come back, I want us to have something.

MR. GRAVES: Was that all, Mr. Tickton?

MR. TICKTON: Yes.

H.M.JR: We ought to have something.

MR. GRAVES: I would like Mr. Gamble while he is speaking to tell you where we stand now with reference to the pledge project which, as you know, is one of the things we rely upon to bring up not only the number of people participating in these plans, but the very figure that Mr. Tickton gives as the average amount set aside by each person.

H.M.JR: Just before he does that, did Bell tell you what I ran into yesterday, which I still don't understand the explanation of? I was at the Republic Aviation plant, and they had the payroll deduction plan in for six months. Up to yesterday they had not yet got their bonds, so Bell called up the Federal Reserve, and it turned out that they make out two hundred forty odd payrolls, and because there were four mistakes in the payroll of the Republic Aviation, they held up the whole thing, and none of these men got their bonds.

MR. GRAVES: Where is that?

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H.M.JR: On Long Island.

MR. GRAVES: That is the New York Federal Reserve Bank?

H.M.JR: Yes. They sent a man out there today. I phoned in on this. But I don't understand this thing. They make - he wants to talk to you about it. It is a question of the state administrator and the Federal Reserve, but the Federal Reserve, the way he put it, makes out the payroll. Evidently, he checks the payroll; and if there are four mistakes, they hold up the whole damn thing.

MR. GRAVES: It isn't the payroll. It is the schedule the company has sent of the names and addresses of co-owners and beneficiaries.

H.M.JR: Bell used the word payroll, so I am just using it.

MR. GRAVES: It isn't the payroll. It is their schedule on which they ask for the issuance of the bonds.

H.M.JR: But because there were four mistakes nobody in the plant got a bond.

MR. GRAVES: Did Dan tell you that he and I are planning to have a meeting with the representatives of all the Federal Banks and talk about this matter?

H.M.JR: Why don't you do it next week?

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MR. GRAVES: All right, we can if that is agreeable to Dan.

H.M.JR: Well, it will be, but that isn't right, that because there are four mistakes--

MR. GRAVES: That is right. We have had a lot of difficulty about this matter of late issue of bonds. It is something that I think we ought to take hold of.

H.M.JR: I phoned in, and he got right on it, and they - the Fed sent a man out there, but I just happened to be in the field and bumped into that, but imagine the effect on those ten thousand people there. It is very bad.

MR. GRAVES: I never heard of anything as bad as that for - that for six months they have had no--

H.M.JR: Oh, no. I mean the plan has been in for six months, but I gather this is the February payroll.

MR. GRAVES: I see.

H.M.JR: I gather it is the February payroll, and they haven't been getting their bonds, but the man, the head of it, was saying that the men were enthusiastic and so forth, "But why can't we get the bonds?"

MR. GRAVES: That is the Fed, I think, and Dan and I will get into that.

H.M.JR: Would you? Because a few things like that can throw an awful lot of cold water on the enthusiasm. You can get out the finest posters in the world, but if a fellow can't get his bond after he has had it deducted from his pay roll, what the hell? This particular thing has been taken care of but if many like that happen, you know--

MR. GRAVES: I am afraid that too many like that do happen because it is a thing that we hear of here and there.

H.M.JR: It is something about the state administrators.

MR. GRAVES: No, I don't think they are in control of that.

H.M.JR: You will have to talk with Bell because he thinks it is the state administrators.

MR. GRAVES: I think of no way that the state administrator would be involved there.

MR. SPARKS: I know of once or twice in the case of banks where one error has occurred in a batch and the batch has been returned by the Federal Reserve Bank.

H.M.JR: When there is a mistake they can put that to one side and get out the two hundred forty-two first and leave that until the last because they don't want to be bothered with it. I think that is what they do.

MR. GRAVES: Well, I will go into that with Dan, but I can see no way that the state administrator should be involved.

MR. SPARKS: Not at all. It is purely between the company and the Federal Reserve Bank, Mr. Secretary.

H.M.JR: And there is all this question of who should issue the bonds.

MR. GRAVES: That is right. By the way of course

Dave Morris had that in mind, as you know - in hand. Mr. Mills, who is still here, has that now and I am just taking up with Mr. Mills and Dan the question of his taking over this job.

H.M.JR: If there are many like that he ought to. Doesn't Mills come from your state?

MR. GAMBLE: Yes sir.

H.M.JR: Do you know him?

MR. GAMBLE: Yes sir.

H.M.JR: Is he any good?

MR. GAMBLE: Yes sir. All are good from there.

H.M.JR: I would like to move out there. Maybe I could improve my status.

MR. GAMBLE: We should like to have you out there.

MR. GRAVES: Now, Ted, suppose you tell the Secretary quickly where we stand about the pledge thing.

MR. GAMBLE: We have the pledge campaign going on. The canvass is now taking place in Idaho and Montana. Massachusetts starts theirs on the twentieth. Arizona, Colorado, New Mexico, Kansas, Utah, Wyoming and Nevada are jointly starting on April 6. South Carolina, April 7; Illinois on April 10; Indiana and Vermont, April 12; Pennsylvania, April 16; North Carolina, northern and southern California, and Washington are combined in a plan on April 22; and New York will be on the twentieth. That accounts for twenty-one of the forty-eight states. I would like to take a moment, if you are interested, and read for you some of the highlights of the campaign in Pennsylvania. Not to single out a state, but to give you some idea of what is going on in connection with these canvasses in each state. They have radio announcements to be used on every station in Pennsylvania for nine days prior to the canvass and to be climaxed by a fifteen

minute program and a thirty minute program tying together all stations in Pennsylvania. That is in conjunction with Mr. Callahan's department. They have made those arrangements. Four thousand six hundred ninety-four streetcars and buses are to be placarded during the period April 1, through April 16. Twenty-five hundred twenty-four sheet boards, bill boards, donated by General Outdoor Advertising Company with effective copy, "Sign your pledge for victory Thursday, April 16th. See your newspaper, listen to your radio, etc. This is an attractive red, white and blue poster. There will be one minute movies in five hundred leading theaters. That is in - has been worked out in connection with Mr. Duffus' department. Arrangements have been made for local independent and general store advertisers to direct effective copy to the sales activity during the week April 9 to 16. Banks and some retailers are using special institutional type ads two weeks in advance of the pledge campaign and special publicity has already been arranged in three hundred fifty weekly newspapers and a hundred and sixteen dailys. Particularly have these papers agreed to reproduce the matter of the pledge itself as well as the savings schedule and it was indicated they would be more than generous in their support of this activity which they have unanimously endorsed. The Speakers Bureau in cooperation with public, private and parochial schools, as well as civic and commercial clubs, will, during the week immediately preceeding April 1 have speakers address every meeting held in Pennsylvania.

On April 15 in every community where there is a big city, there will be local parades with high school bands, American Legion drum and bugle corps, uniformed bodies and cooperative groups cooperating. In Philadelphia county the canvass has been broken into four hundred fifty districts with twenty-eight thousand canvassers now being trained to do this job. Upwards of ninety thousand people required for the rest of the state will bring the total number of canvassers to be used in Pennsylvania alone to one hundred twenty-five thousand people.

H.M.Jr: That is terrific.

MR. GRAVES: That, I think, Mr. Gamble, is a fair sample.

MR. GAMBLE: It is, Mr. Graves. As a matter of fact, in Pennsylvania they are really doing a bang-up job. They have broken their districts into smaller areas and they are assigning a worker to fewer people than they have in some of the states, but it is a conservative statement, and a safe statement to say that that is pretty typical of what is going on now in twenty-one of the forty-eight states and by May we will have completed the forty-eight states.

MR. GRAVES: To connect that up with what we were talking about before, that, we think, is a supplement to the pay-roll allotment thing and is the best possible way to bring up the pay-roll allotment plan. I would like Mr. Houghteling, before we go, to tell you what his group is doing, particularly with reference to the pay-roll allotment plans.

MR. HOUGHTELING: You mean in general?

MR. GRAVES: In general.

MR. HOUGHTELING: Well, the organized labor field is a very difficult one to get much information about because we don't get many statistics which we can analyze down to tell what unions are doing what. We have been trying to get the information from the unions themselves. I have a report on the American Federation of Labor here which includes forty-eight of the hundred and six national unions or about forty-one percent. Nineteen state federations out of forty-eight, or about forty percent. Only a hundred and thirty local unions out of thirty-five thousand, which is a very small fraction of one percent. Twenty-four central labor unions out of eight hundred six, or about three percent, which is all the information I have been able to get so far, although we are beginning to get reports from the various labor boards. That shows an actual purchase by AF of L unions to date of seventy-two million and fourteen thousand and fifty-five dollars and eighty-one cents, and the total amount of pledges of three hundred forty-four

million seven hundred seven thousand two hundred, which is about a third of their goal of a billion dollars. That is coming from less than forty percent of the entire Federation of Labor. We have got two things to do. In the first place, we have got to get as many ninety percent participations as possible from local labor unions and then we have got to get the amount. We have got to go back to the unions and say where their participations are three or four percent, "You ought to be doing five percent or better," or if they are in the more skilled crafts, "You people ought to be doing ten percent." In other words, those are the two steps we have got to go through in connection with the contacts with labor unions.

H.M.JR: May I interrupt you? I understand that Mr. Carey, who I think is secretary of the CIO, has been quoted as saying that he was in favor of taking all over-time in Defense Bonds or their equivalent. I wish you would talk or sound him out a little bit as to see how far this thing has gotten, because they may be thinking about that as a possible off-set to this legislation on the Hill, you see.

MR. GRAVES: You mean on a voluntary basis?

H.M.JR: No, he has been quoted as - I understood him to say no. I didn't know it was voluntary.

MR. GRAVES: I would assume it might well be voluntary, especially coming from that source.

H.M.JR: That is why I am bringing it up. I didn't understand it was voluntary. I understood it was to be obligatory, but I thought it was - so, you know - well, my position was - I said at press this morning that I wasn't interested in anything until after the first of July, but if there is something like that going on in the labor unions I should think Mr. Graves and I ought to know about it.

MR. HOUGHTLING: I will find out about it.

H.M.JR: I did not understand that the thing was voluntary.

MR. GRAVES: I think it must be.

H.M.JR: Well, that is why I am asking him to find out, because you and I ought to know.

MR. KUHN: Mr. Secretary, the AF of L came out today in favor of the voluntary pay-roll plan as an alternative to a pay-roll withholding tax, which they don't want, and they cited that and said labor can do everything that is necessary through the voluntary savings plan for Defense Bonds.

H.M.JR: Well, there is something going on which I don't think I know about, and I would like Mr. Houghteling to find out about it.

MR. HOUGHTELING: I will do so. Shall I go ahead?

H.M.JR: Please.

MR. HOUGHTELING: As far as the CIO is concerned, I only have very fragmentary information except that we are getting a great many requests from local unions for certificates of award on the basis of their - they are prepared to show that they have got ninety percent participation. That is only a small - of their ten thousand local unions, we have only a small percentage but it is beginning to show. In the field of railroad labor, the Association of American Railroads has asked all of its member roads to appoint a committee to work with labor on these pay-roll allotment plans. I have twenty-odd letters here from presidents of railroads appointing the treasurer or the comptroller as their representatives on such a committee. We are getting those in now. The participation of railroad labor is still low. We have got the Union Pacific figures which show eighty-six percent participation, which is the best figure we have got. The Soo line has seventy-two percent. A few of the railroads are beginning to make a good showing but most of them are down in the ten and fifteen percent brackets, but I think we are getting them

organized. A good many of the railroad laborers have been subscribing in other ways to buy Defense Savings Bonds, but we want to get them into the system of signing an authorization card because then the rest comes automatically. Now, in the field of the pledge campaign, we have been rather concerned, because we feel that a pay-roll authorization card, which means that the wage earner has done his part and the rest is done by the pay office, is much more valuable than the pledge card which entails on him one or more additional actions before the money is actually in the hands of Uncle Sam. We are - we have been very much concerned lest the pledge campaign should blanket and put a stop to the signing of pay-roll authorization cards. I have suggested to Mr. Graves that the labor sub-committees in the states should certainly organize that part of the pledge campaign themselves in shops which are wholly or partly unionized. I think that is the only way in which we are not going to get a lot of confusion and misunderstanding, and a lot of people who refused to sign two things and end up by signing the less desirable and binding of the two. I think we are going to get that thing worked out but it is difficult.

H.M.JR: I hope so.

MR. HOUGHTELING: It is a difficult situation to handle because the pay-roll allotment plan comes in there.

H.M.JR: Well, I don't know what it is.

MR. GRAVES: Well, Mr. Houghteling and I have that under control. It is four o'clock. Would you like to suspend?

H.M.JR: Yes. I think that the next time we meet, if you could spend a little time with Tickton and if anybody else has any ideas, I think you could let Tickton expose these figures to your group and let everybody take a shot at them.

MR. GRAVES: We will do that while you are gone.

H.M.JR: There is no use, as I say, reaching for the

moon.

MR. GRAVES: I think we can stand where we stood before, that we ought to have until May or June.

H.M.JR: Oh, I will give you until the first of July.

MR. GRAVES: Yes. We will know then what we can do. I think by that time we can reach our maximum, or pretty close to our maximum.

H.M.JR: You see, the various times I have testified, the Senators and Congressmen say, "What percentage are you getting," and I have ducked it, and said, "We are not ready to say yet," but I can't duck it indefinitely.

MR. GRAVES: That is right.

H.M.JR: All right, thank you all.