

TREASURY DEPARTMENT

203

INTER OFFICE COMMUNICATION

DATE APR 4 - 1942

TO Secretary Morgenthau
FROM Mr. Foley

Attached is the fourth report on pending legislation prepared in Mr. Bernard's office to assist you in your work as a member of the Joint Senate and House Committee on economy.

No effort has been made to analyze the appropriation bills because it is apparent that there is a possibility for economy in such measures, and because it appears that the House and Senate Committees are carefully scrutinizing these measures in order to make such reductions as seem advisable; rather, this report is directed toward those bills which might slip through Congress without a real appreciation of the substantial expenditures they can involve.

We shall continue our check on legislation along these lines.

Huntington Cairns

Acting General Counsel

Report as of March 31, 1942 on Pending Legislation
Wherein There is Possibility of Non-Defense Economies

With the exception of the introduction of numerous bills, some of which are given a "defense" angle, there has been no major change with reference to legislation here of interest except, of course, consideration of the normal appropriation bills for the various departments and agencies. These last mentioned bills have not been considered in the preparation of this report.

H.R. 4 and H.R. 4845, veterans pension bills, were considered by a subcommittee of the Senate Finance Committee, and reported in January without recommendation to the full Committee. No further action on these measures nor on various other veterans pension measures pending before this Committee is presently contemplated.

There has not yet been granted a rule for the consideration of H.R. 5993, The Omnibus Rivers and Harbors bill. Representative Dondero on March 4, 1942 introduced H.R. 6724, which includes 38 projects considered of national defense value and eliminates the other 198 projects. Representative Dondero's bill was referred to the House Committee on Rivers and Harbors which has taken no action. Mr. Dondero, however,

intends to offer his bill as a substitute for the larger omnibus bill. The Committee adopted an amendment to the major bill (H.R. 5993) providing that there shall be no appropriation for, or construction of, any project other than a defense project until six months after the termination of the present wars. Although there has been considerable discussion in Congress of these bills there has been no definite indication of when there will be House consideration of them.

Senator Pepper on March 31, 1942 introduced S. 2426, authorizing the Florida ship canal and a cross-state oil pipe line; referred to the Committee on Commerce.

One item which appears in the omnibus bill and also was introduced separately as S. 2132--has been authorized by provision therefor in section 17 of Public Law No. 490, approved March 7, 1942. An appropriation of \$9,300,000 for this work is included in the War Department Civil Functions Appropriation measure.

Representative Rogers of Oklahoma on January 14, 1942 withdrew H.R. 4937, "To amend an act entitled, 'Act to authorize an appropriation for roads on Indian reservations'". It appears doubtful whether in this form the bill can pass, and it is understood that the problem is being approached from another angle.

The House Committee on Merchant Marine and Fisheries ordered reported, without amendment, S. 1481, pensions for

workers on the Panama Canal. The report has not yet been filed.

Social Security Measures

Social Security legislation pending before the House Ways and Means Committee, or before the Senate Committee on Finance, is not being actively considered. The House Committee is busy with revenue hearings and contemplates no action on Social Security legislation during this Congress. The Senate Committee contemplates no action until there is further expression by the President of his views on such measures. A list of major new Social Security bills follows:

S. 2270, proposes the addition of a new title to the Social Security Act to finance assistance for unemployed persons by reason of war-displacement; introduced February 11, 1942 by Senator Green. (See H.R. 6559, below)

S. 2328, introduced March 2, 1942 by Senator Stewart, proposes to increase the Federal contribution (now one-half) to two-thirds of the total expended under a state plan effective July 1, 1942.

S. 2335, proposes an addition of a new title to the Social Security Act to provide aid to permanently and totally disabled persons; introduced March 5, 1942 by Senator Stewart.

Note: The above Senate bills were referred to the Committee on Finance.

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H.R. 6559, provides the authorization of a \$300,000,000 appropriation to finance war-displacement benefits, training wages, and travel allowances; introduced February 9, 1942 by Representative Doughton; tabled by Committee February 19, 1942.

H.R. 6581, proposes payment of old-age assistance⁴ at the rate of \$40 per month to citizens of sixty years of age or over whose gross income alone, or combined with that of a spouse, is less than the minimum amount upon which an income tax return must be filed; introduced February 11, 1942 by Representative Landis.

H.R. 6701, introduced February 28, 1942 by Representative Forand, is identical with S. 2270 above. (See H.R. 6559 above)

H.R. 6719, provides that under title II of the Social Security Act there shall not be deductions from the insurance benefits by reason of receipt of wages during the existing emergency; introduced March 3, 1942 by Representative Wickersham.

H.R. 6744, provides inclusion of permanently crippled individuals within the provisions of title X of the Social Security Act; introduced March 6, 1942 by Representative Collins.

Note: The above House bills were referred to the Committee on Ways and Means.

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There has been no further action on other bills since our previous report. Other new bills are briefly mentioned or digested below:

Drought Relief.

The House on January 29, 1942 recommitted to the Committee on Agriculture H.R. 6359 which had been introduced on January 12, 1942 and provided for agricultural drought relief. It was estimated that costs under the bill would have been anywhere from ten million to forty million dollars. There is no indication that this measure will again be offered by the Committee.

Interest Rates.

Two bills designed to reduce further the interest rates on loans by the Federal Land Banks and Land Bank Commissioner, and on loans by the R.F.C. (to drainage and similar districts) were introduced in the Senate, referred to the Senate Committee on Banking and Currency and are being considered by Senator Bankhead's subcommittee, which is leisurely conducting its investigation and expects to report in about thirty days or so to the full Committee after Dr. Goss, formerly with the Farm Credit Administration, has testified. S. 2290 was introduced by Senator Wheeler on February 19, 1942, and

the other of these two bills, S. 2325, was introduced March 2, 1942, by Senator Murray. Under present law the Treasury is obligated to make up the difference to the Federal Land Banks between the contract rate and the statutory rate on loans.

Postal Pay.

Two bills, H.R. 6740, introduced March 6, 1942 by Representative Scanlon, and H.R. 6535, introduced February 5, 1942 by Representative Forand, propose increase in the compensation of postal service workers. H.R. 6740 proposes a 15 per centum increase for postmasters and other employees, and H.R. 6535 proposes a 20 per centum increase for railway postal clerks and their substitutes. Referred to the House Committee on the Post Office and Post Roads; no action yet and presently none anticipated. (Note: The President on April 2 vetoed H.R. 1057, postal employees longevity pay bill, stating it was a discriminatory permanent increase; estimated annual cost: \$14,000,000 to \$39,000,000 (ultimately)).

Arkansas Valley Authority and White River Basin.

Companion bills to create an Arkansas Valley Authority, comparable, apparently, to the TVA, were introduced on January 26, 1942 as H.R. 6464 by Representative Ellis, and S. 2226 by Senator Lee for himself, Mr. Thomas of Oklahoma and Mrs. Caraway. The bills were referred to the House Committee on Rivers and Harbors and the Senate Committee on Agriculture and Forestry,

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respectively. Neither Committee has taken action nor presently anticipates any.

H.R. 6741, which authorizes an additional sum of \$77,000,000 for prosecution of the comprehensive plan for the White River Basin, was introduced March 6, 1942 by Representative Terry and referred to the House Committee on Flood Control. That Committee is awaiting a War Department detailed survey.

Veterans Pension Bills.

There is no indication that the House Committee on World War Veterans' Legislation is presently contemplating any further action on the many bills to increase veterans pensions now pending before the Committee. The same situation is true in the Senate Committee on Finance.

The House Committee on Invalid Pensions has not yet taken action on H.R. 6783, a bill "Granting a pension of \$50 per month to all widows of Civil War veterans who have attained or hereafter attain the age of sixty-five years" which was introduced March 13, 1942 by Representative Somers.

In the Senate Committee on Pensions is inactively pending S. 2359, a bill "To provide pensions for the widows of certain troops who served in action involving Indian upris-

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ings" introduced March 10, 1942 by Senator Nye. In view of the war emergency, pension measures are consistently objected to and, as a consequence, the Senate Committee does not contemplate any action.

Life Insurance for Military and Naval personnel.

There are pending several additional bills to provide life insurance without cost to persons in the active military or naval service. H.R. 6512 and H.R. 6708 were introduced by Representative Andersen (February 2, 1942) and Representative Beam (March 2, 1942), respectively, and referred to the Committee on Ways and Means. H.R. 6654 was introduced February 24, 1942 by Representative Gore and referred to the House Committee on Military Affairs. S. 2272 was introduced February 13, 1942 by Senator La Follette and referred to the Committee on Finance. S. 2374 was introduced by Senator Pepper on March 13, 1942 and referred to the Senate Committee on Military Affairs.

A somewhat comparable measure to benefit civilian employees in military, air, or naval outposts was introduced January 12, 1942 as H.R. 6361 by Representative McKeough and referred to the Committee on Ways and Means.

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The two Committees on Military Affairs are expecting to study the insurance proposals, but the other committees to which the bills have been referred have taken no action and presently do not contemplate taking any action.

Miscellaneous other Bills.

Note: Except as otherwise indicated the Committees have taken no action (other than routine reference to a Department) and do not presently contemplate any on the bills following:

Number: S. 2320

Title: "To provide compensation for personnel sustaining disease or injury while performing civilian defense duty, and to provide indemnities to the beneficiaries of such personnel in certain cases."

Features: Provides for Federal payment of compensation for disease or injury sustained in performing civilian defense duty, or to widows or dependents in an amount to be prescribed by Executive order not to exceed the amount paid veterans and dependents of veterans of the regular establishment.

Status: Introduced by Senator Downey February 26, 1942; referred to the Committee on the Judiciary.

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Number: S. 2338

Title: "To provide for the establishment and operation of sampling plants and custom mills as an aid in the development and acquisition of strategic and critical materials which are essential to the national defense."

Features: Authorizes appropriation of such sums as may be necessary for the Secretary of the Interior, through the Bureau of Mines, to establish and operate sampling plants and custom mills for the sampling and treatment of ore containing strategic and critical materials.

Status: Introduced March 5, 1942 by Senator McCarran; referred to the Senate Committee on Public Land and Surveys.

Number: S. 2376

Title: "To authorize the Secretary of the Interior to cooperate with the States in the carrying out of projects designed to develop, restore, and replenish supplies of commercial sea foods."

Features: Authorizes appropriations without limit to enable the Secretary of the Interior to cooperate with the States in carrying out commercial sea food projects, defined as "projects designed to provide for the conservation, propagation, protection, restoration, or replenishing of supplies

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of commercial sea food, the extermination of commercial sea-food pests, the elimination of conditions adversely affecting supplies of commercial sea foods, the development of marketing programs for the orderly and efficient marketing of commercial sea foods, or the acquisition of facts necessary to provide for adequate legal regulation of the commercial sea-foods industry."

The Federal share shall not exceed 75 per centum of the total cost of the project.

Status: Introduced March 17, 1942 by Senator Doxey; referred to the Senate Committee on Commerce.

Number: H.R. 6475

Title: "To provide financial relief to automobile dealers and tire dealers, affected by freezing orders."

Features: Provides for suspension of legal proceedings of automobile dealers and tire dealers, postponement of payment of Federal taxes, and reimbursement by the United States of insurance premiums and interest charges for the period that stocks are frozen.

Status: Introduced by Representative Weiss January 27, 1942; referred to Committee on Ways and Means.

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Number: H.R. 6638

Title: "For the relief of dependents of civilians who were engaged by civilian contractors on the islands of Wake and Guam."

Features: Provides that the Secretary of the Navy is authorized to pay dependents of civilians engaged by civilian contractors in defense projects on Wake and Guam where the civilians have been taken into custody by the enemy, or whose whereabouts are unknown, or who are known to have perished, sums equal to two-thirds of the monthly wages received prior to December 7, 1941.

Status: Introduced by Representative Hinshaw February 19, 1942; referred to the Committee on Naval Affairs.

Number: H.R. 6643

Title: "Authorizing appropriations to reimburse States, counties, and other political subdivisions for loss of tax receipts on account of the acquisition of certain lands by the United States."

Features: Authorizes annual appropriation in order to pay to States, counties, and political subdivisions an amount equal to taxes which would have accrued on land acquired (at

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any time) by the United States or agency thereof.

Status: Introduced February 23, 1942 by Representative Collins, referred to the House Committee on Public Lands.

Number: H.R. 6692

Title: "To provide assistance to certain industrial and business enterprises which, due to priority orders or other action by the Government in connection with the prosecution of the war effort, are insolvent or threatened with insolvency."

Features: Authorizes increase in R.F.C. obligations not exceeding \$500,000,000 to finance Business Protection Corporation which is to be empowered to assist through loans or otherwise enterprises made insolvent or threatened with insolvency by reason of priority orders or otherwise from the prosecution of the war effort by the Government.

Status: Introduced by Representative Holmes February 27, 1942; referred to Committee on Banking and Currency.

Number: H.R. 6808

Title: "To in part compensate the men in the armed forces of the United States who are serving in combat units in combat areas."

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Features: Declares 40-hour week, pay and a half and double pay are unfair to those serving in armed forces and provides that those in combat units shall be paid a sum at least equal to the average compensation paid to union members in war industries.

Status: Introduced March 18, 1942 by Representative Hoffman; referred to the House Committee on Military Affairs.

Number: H.J.Res. 268

Title: "To extend the time for amending the petition of the Indians of California under section 4 of the Act of May 18, 1928."

Features: Title is self-explanatory. Representative Cochran placed in the Congressional Record (February 16, 1942, page 1311) a letter from the Attorney General stating that the net amount claimed by the Indians may be conservatively estimated at between nine and eighteen million dollars.

Status: Introduced January 19, 1942 by Representative Lea; referred to House Committee on Indian Affairs; reported out, and on February 5, 1942 committed to Committee of the Whole House on the state of the Union; most recently objected to on the call of the Consent Calendar by Representative Cochran on February 16, 1942.

APR 4 1942

Sir:

Pursuant to subsection (a) of section 10 of the Gold Reserve Act of 1934, approved January 30, 1934, as amended by the Act of June 30, 1941, I have the honor to submit herewith the annual report for the fiscal year ending June 30, 1941, of the Exchange Stabilization Fund created by section 10(b) of that Act, including a summary of operations of the Fund from its establishment to June 30, 1941.

There are enclosed the following tables showing summaries of transactions in all of the accounts of the Exchange Stabilization Fund for the period April 26, 1934, to June 30, 1935, and for each fiscal year thereafter up until June 30, 1941:

- Exhibit A - Statement of condition as of June 30, 1941.
- Exhibit B - Recapitulation of profit from April 26, 1934, to June 30, 1941.
- Exhibit B-1 - Analysis of profit from April 26, 1934, to June 30, 1941.
- Exhibit C - Transactions in gold from April 26, 1934, to June 30, 1941.
- Exhibit D - Transactions in silver from April 26, 1934, to June 30, 1941.
- Exhibit E - Transactions in British sterling from April 26, 1934, to June 30, 1941.
- Exhibit F - Transactions in French francs from April 26, 1934, to June 30, 1941.
- Exhibit G - Transactions in Mexican pesos from April 26, 1934, to June 30, 1941.
- Exhibit H - Transactions in Chinese yuan from April 26, 1934, to June 30, 1941.
- Exhibit I - Transactions in Netherlands guilders from April 26, 1934, to June 30, 1941.

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- Exhibit J - Transactions in Belgian belgas from April 26, 1934, to June 30, 1941.
- Exhibit K - Transactions in Swiss Francs from April 26, 1934, to June 30, 1941.
- Exhibit L - Transactions in Brazilian milreis from April 26, 1934, to June 30, 1941.
- Exhibit M - Transactions in Investments in United States securities from April 26, 1934, to June 30, 1941.
- Exhibit N - Transactions conducted by the Federal Reserve Bank of New York as Fiscal Agent of the United States on behalf of and for account of the Bank of France, Bank of England, and Bank of Netherlands, respectively, under the Tripartite arrangement.

Section 10(b) of the Gold Reserve Act of 1934 appropriated the sum of \$2,000,000,000 from the receipts representing the insurance resulting from the redemption in the weight of the gold dollar, which was covered into the Treasury as miscellaneous receipts in accordance with section 7 of the act. The Secretary of the Treasury, with the approval of the President, is authorized, for the purpose of stabilizing the exchange value of the dollar to deal in gold and foreign exchange, and such other instruments of credit and securities as he may deem necessary to carry out the purpose of section 10(a) of the act.

The Fund was set up on the books of the Treasury on March 9, 1934, and on April 27, 1934, \$2,000,000,000 in gold from the increment resulting from the redemption in the weight of the gold dollar was transferred to the Fund. Simultaneously \$200,000,000 was transferred from the principal account of the Fund to accounts with the Treasurer of the United States and the Federal Reserve Bank of New York to be used as working capital.

As originally provided, the Fund was to have a life of two years from January 30, 1934, unless sooner terminated by the President. However, the President was authorized to extend such period for not more than one additional year. On January 10, 1936, the President issued a Proclamation extending the Fund for one additional year from January 30, 1936. In January 1937, (Public No. 1, 75th Congress, approved January 23, 1937) Congress extended the life of the Fund to June 30, 1939. In July, 1939, (Public No. 165, 76th Congress, approved July 6, 1939) Congress extended the life to June 30, 1941, and again in June, 1941, (Public No. 112, 77th Congress, approved June 30, 1941) the life was extended by Congress to June 30, 1943, unless sooner terminated by the President.

As indicated by exhibit N, there were no transactions in investments in United States securities during the fiscal year 1941.

The accompanying exhibits, E, O, and F, summarize the transactions conducted by the Federal Reserve Bank of New York as fiscal agent of the United States on behalf of and for account of the Bank of France, the Bank of England and the Bank of the Netherlands, respectively, under the Tripartite arrangement of September, 1936. Transactions with England and France under the Tripartite arrangement, were suspended following the outbreak of hostilities in 1939. Operations under the arrangement were, of course, not possible with the German occupied countries of Belgium and the Netherlands. No transactions have been consummated with Switzerland under the arrangement since the outbreak of war in 1939.

During the fiscal year 1941 the Stabilization Fund did not acquire any currencies of belligerent countries, except to pay incidental expenses. The amounts of foreign currency, excluding Chinese yuan, held on June 30, 1941, had a dollar value of approximately \$3,500. (Exhibits I to L inclusive summarize the transactions in foreign currencies.)

Under the agreement of July 14, 1937, covering the purchase of yuan from China, which that country agreed to repurchase at the same rate at which the yuan were sold to the Fund, there were held on June 30, 1941, 65,000,000 yuan with a dollar value of \$19,112,500, secured by gold collateral deposited with the Federal Reserve Bank of New York for the account of the Stabilization Fund, having a dollar value of \$19,379,015.65. This agreement was extended for a further six-month period at the end of the fiscal year 1941.

On July 15, 1937, the United States entered into an agreement with Brazil under which the United States undertakes (1) to sell gold to Brazil at such times and in such amounts as the Brazilian Government may request, up to a total of \$60,000,000, and (2) to make dollar exchange available to the Government of Brazil or its fiscal agent, under conditions which safeguard the interests of both countries, for the purpose of promoting exchange equilibrium. In accordance with the first part of the agreement, the Fund sold to Brazil \$11,970,072.73 in gold during the fiscal year 1941, making a total of \$24,478,241.12 sold since the inception of the agreement. Transactions in Brazilian milreis under the second part of the agreement were conducted for the first time during the fiscal year 1941. The expiration date of this agreement is July 15, 1942.

Two new agreements were signed in the fiscal year 1941. The agreement signed on December 27, 1940, by the Secretary of the Treasury, the Government of the Argentine Republic, and the Central Bank of the Republic of Argentina for the purpose of stabilizing the United States dollar-Argentine peso rate of exchange provided for the purchase of Argentine pesos up to the equivalent of \$30,000,000 exclusive of accrued interest by the United States Stabilization Fund. This agreement was not operative at the end of the fiscal year due to the fact that Argentina had not yet ratified it.

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On April 25, 1941, the Secretary of the Treasury entered into an agreement with the Republic of China and the Central Bank of China for the purpose of stabilizing the exchange value of the Chinese yuan with respect to the United States dollar. This arrangement called for the establishment by China of a U. S. Dollar-Chinese Yuan Stabilization Fund, the transfer to this Fund's account by Chinese Government banks of at least \$20,000,000, and the purchase of Chinese yuan by the United States Stabilization Fund up to the equivalent of \$50,000,000 exclusive of accrued interest. China agreed to repurchase the yuan upon request at the same rate as that at which such yuan were sold to the Fund. Operations under this agreement had not commenced by the end of the fiscal year and the agreement was extended to June 30, 1942.

The Gold Reserve Act of 1934, as originally enacted, required that an annual audit of the operations of the Fund be made and a report thereof submitted to the President. The amendment of July 6, 1939, extending the life of the Fund to June 30, 1941, provides that a report should also be made to the Congress. In view of the confidential nature of the transactions of the Fund, it was not deemed advisable to permit documents covering these transactions to leave the Treasury or to permit any outside auditors to come into the Treasury to review the records. It was decided, therefore, that the audit should be made by a committee composed of three Treasury officials who are not in any way connected with the operations of the Fund and who have served in the Treasury for periods ranging from twenty-five to thirty years. They are thoroughly conversant with Treasury fiscal operations. Each year this committee, together with employees working under their immediate jurisdiction, have audited every transaction of the Fund and its reports and accompanying certifications have been submitted to the President as required by the Gold Reserve Act of 1934. No statements showing the position of the Fund were published prior to March, 1939. Since that date arrangements have been made for the publication of quarterly balance sheets of the Fund.

Similar reports have been submitted to the President and the President of the Senate.

Faithfully,

S/ H. Morgenthau, Jr.
Secretary of the Treasury.

Honorable Sam Rayburn,
Speaker of the House of Representatives,
Washington, D. C.

Enclosure.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

April 4, 1942

TO Mr. Bell
FROM Mr. Kilby

I am sure you will be interested in a report on the results obtained from the Secretary's night letter which was sent to about 8,500 corporations and public officers.

We received a total of 1,722 responses, all of which have been functioned and sent to Mr. Buffington. 598 couched their response in such a way that it was either clear or possible that they were attempting to subscribe, and to all of these the form telegram advising that they should enter a formal subscription on Monday in accordance with the terms of the offering was sent. 220 indicated definitely that they were not interested, either now or later, because of their financial position, and these we requested the Federal Reserve Banks to remove from their lists. 30 of the replies were of such a nature as to require individualized answers. 4 were of such a nature that they were referred elsewhere for reply.

There is not one single unfunctioned response in the house at this writing.



April 4, 1942

TO: HAROLD N. GRAVES *J*
SUBJECT: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SPECIAL

With establishment of the county quota system scheduled for official announcement on Monday, April 13, and to take effect on May 1, the following material was prepared, packaged and readied for mailing on Sunday, April 5, to 3,000 County Chairmen of the Defense Savings Staff:

- (1) A bulletin announcing and explaining the Quota System.
- (2) A suggested news story for release to local newspapers.
- (3) An outline of suggested procedure to obtain the maximum amount of publicity.
- (4) A statement for Mayors and other officials, endorsing the new plan, suitable for release to newspapers.
- (5) Two brief radio broadcast addresses and a radio interview program suitable for local adaptation.
- (6) Radio spot announcements for use on local stations.

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Weekly Report

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A sample packet of this material is attached.

A bulletin was sent to all State Administrators explaining the quota idea and the reasons why it was essential that the County Chairmen be contacted via directly from Washington and copies of the material sent to the Chairmen were mailed to State Administrators.

Arrangements are being made to clear the quota figures, as soon as they are made available, to all County Chairmen and State Administrators directly, and also to have them serviced to all daily newspapers, for release on April 13, by the three press associations, Associated Press, United Press and International News Service.

PAYROLL SAVINGS

Of the 30,400,000 employees in private industry 62 per cent or 18,848,000 are now exposed to the Payroll Savings Plan. In addition, the plan is available to 1,372,103 Federal, State and Local Government employees.

40,000 booklets describing the Payroll Savings Plan of the General Electric Company are being prepared for distribution to all companies with more than 100 employees.

Arrangements have been made with the Office of the Treasurer of the United States to station personnel at the construction project of the War Department Building in Arlington, Virginia for the purpose of selling War Savings Bonds and Stamps. There are now employed approximately 12,000 laborers and mechanics on this project, and it is expected that \$20,000 to \$30,000 per week will be received from the sale. Supplementing the Payroll Savings Plan, these facilities for cash sale of Bonds and Stamps will be retained in that building after its completion to serve the 25,000 employees of the War Department who will be located there.

The Treasury Payroll Savings Plan is being revised in the light of the new objectives. Intensive selling effort to make the Treasury Department one of the first to reach the new goal is planned. A descriptive booklet for this purpose is now being developed.

PAYROLL SAVINGS (continued)

The International Harvester Company, in a series of large national ads in newspapers and magazines, are publicizing the fact that more than 98 per cent of their more than 50,000 employees are buying Bonds regularly through the Payroll Savings Plan. A full-page ad is appearing in TIME MAGAZINE this week. (copy attached) An intensive campaign to increase the dollar participation in this plan is now being developed.

PLEDGE CAMPAIGN

James Madden of the Manufacturers Trust Company, New York, has been loaned by that institution for an indefinite period as Executive Director of the Pledge Campaign for Greater New York. Efforts are being made to take over part of the Sub-Treasury Building on Wall Street, New York, as headquarters.

Additional states which have announced the dates of their Pledge Campaigns are as follows:

Alabama	April 6	Tennessee	April 13
Arizona	April 6	Texas	May 3
Arkansas	April 27	West Virginia	April 22
Rhode Island	April 16	Alaska	April 6

ORGANIZATION

Steady growth in the number of members of Local Committees in the United States is shown in the following figures:

	<u>No. of Local Comm.</u>	<u>No. of Comm. Ch'm and members</u>
January 1, 1942	3,988	53,991
February 2, 1942	4,272	72,903
February 19, 1942	4,602	79,829
February 26, 1942	4,669	82,120
March 6, 1942	5,003	83,732
March 16, 1942	5,283	111,427
April 3, 1942	5,283	117,595

BUSINESS PUBLICATIONS

A portfolio summarizing results of Payroll Savings promotion in business, company, and labor publications for the period of November 15 - February 15 inclusive is attached. Proofs of half-page advertisements are also attached. Ads in this form were prepared at the request of numerous publications.

COMPANY MAGAZINES

A Special Photographic Advisory Committee of company publication editors was formed this week to facilitate the plan and distribution of new photographic releases. Members of this committee are William M. Thompson of the Shell Oil Company, R. P. Johannessen of the N. Y. Telephone Company and Miss Ruth Moore of the R. H. Macy Company.

WOMEN'S ACTIVITIES

Mrs. Dorothy B. Atkinson, newly appointed midwestern regional adviser for the Women's Section, has just begun a tour of the states which have been assigned to her.

A similar itinerary has been worked out for the Far-Western Regional Adviser, Mrs. Eleanor Wilson McAdoo.

These two Regional Advisers, together with a third for the East and South, will be responsible for promotion and coordinating women's defense savings organizations and activities in the various states.

RADIO

A coast-to-coast broadcast has been scheduled daily by 34 nationally known men and women by the Blue Network, the

RADIO (continued)

National Broadcasting Company and the Mutual and Columbia Broadcasting Systems. This schedule of broadcasts by well-known personalities is to continue indefinitely.

Radio stations throughout the nation who have established payroll savings plans for their employees now total 439. Of these 334 have 100 per cent participation by employees.

More than 85 per cent of all the stations are now broadcasting three times weekly, - the fifteen minute transcribed series, "The Treasury Star Parade."

Typical examples of sponsor cooperation by the Williamson Candy Company and the Chicago Motor Clubs Programs are attached.

NEWSPAPER CARRIER PLAN

Sale of Savings Stamps by the newspaper carrier boy Defense Agents of 855 newspapers totaled 204, 398, 687 ten-cent Stamps, or their equivalent in Stamps of larger denominations or of Bonds. This is an increase of 11,865,375 in the number of ten-cent Stamps sold since March 26.

PRESS

Weekly releases from our Labor Press Section are now included in the Labor Press Service of the War Production Board. This service combines all Government releases affecting Labor to all Labor newspapers. Copy of the current releases is attached.

PRESS (continued)

Also attached are the first four releases of the new Al Capp comic strip, "Small Fry," the artist's contribution to the Savings Program.

Replies have been received from nine publishing firms in answer to our request that they print the Minute Man emblems on the jackets of all new books. All promised full cooperation, both in the matter of carrying emblems on book jackets and in promoting Bonds and Stamps through their house organs and in all promotional literature sent out by their Advertising departments. Several publishers forwarded samples of the jacket insignia which will appear on new publications. These are attached.

Publishing houses which have replied to date are: Harcourt, Brace & Co.; Henry Holt & Co.; Doubleday Doran; Alfred A. Knopf; John Wiley and Sons; Vanguard Press, and PocketBOOKS, Inc.; all of New York City, and Macrae Smith Co., of Philadelphia and Little, Brown & Co., of Boston.

Magazines are continuing their cooperation through use of emblems on covers and by devoting entire covers to Bond and Stamp promotion. A copy of the current cover of McCall's, and samples of cooperation by pulp magazines are attached.

DIRECT MAIL

Direct mail sales of Savings Bonds from March 18, through April 2, amounted to \$758,928, bringing total sales through this medium to \$26,192,696. The first and second industrial mailings and the Regular Purchase Distribution have stopped producing results. Tabulations of the returns from these three mailings was discontinued on March 18.

BOND RALLIES - Simone Simon, stage and screen star, sold more than \$10,000 in bonds at Syracuse, New York, rally.

Jack Dempsey attracted 5,000 audience at Baltimore, Maryland, March 31, at Maryland Dry Dock Co. Also, appeared at special luncheon and elsewhere for United States Savings.

Jane Pickens and Ray Bolger, movie comedian and dancing star, sold more than \$204,000 in Bonds at 24th annual convention, National Knitted Outwear Association, New York City, March 24. The thousand members present, coming from all parts of the country, had already subscribed in own communities. Col. W. Steward-Roddie, speaker, also spurred purchases.

Carol Bruce, stage and screen star, and Horace Heidt and His Musical Knights orchestra enrolled 95 per cent of California Ship Yards employees in Payroll Allotment Plan. Attendance was 18,000.

Johnny Long and His Miracle Band of the Year played concert on Treasury steps, Washington, March 30; speeches, songs, flags, enthusiasm.

POSTERS -

Through War Activities Committee, Motion Picture Industry, all motion picture press books will carry reproductions of 40 x 60 savings posters, with offer to supply theatres for posting throughout the country.

MINUTE GIRLS - Through M-G-M co-operation, Jetsy Parker, national champion drum majorette, and Dorothy Schoemer, tap dancer, both starlets from M-G-M's picture, "Ship Ahoy!" initiate national tour for U. S. Savings at Gridiron Dinner in St. Paul, Minnesota, April 13. They will stay on tour until enough money secured in Bonds, Stamps and pledges to buy destroyer, \$3,500,000.

VICTORY HOUSE -Sale of Stamps at Los Angeles, California, Victory House averages over \$3,000 a day. Bond sales originated there run into millions.

LEGITIMATE THEATRE

The League of New York Theatres reports the following tabulation of sales of Stamps in legitimate theatres in New York, as of March 27:

Barrymore	\$ 158.00
Alvin	7,435.30
Majestic	221.00
Hudson	109.00
Lyceum	531.11
Empire	56.55
Playhouse	240.50
Hollywood	370.50
Imperial	1,220.00

The splendid showing at the Alvin is made possible by the fact that Miss Gertrude Lawrence, star of the play, personally sells Stamps at two matinees each week.

The Payroll Savings Plan has been made available to the casts of the following plays: Arsenic and Old Lace, Banjo Eyes, Best Foot Forward, Blithe Spirit, High Kickers, Junior Miss, Life with Father, Lady in the Dark, My Sister Eileen and Sons O' Fun.

Operation of Payroll Savings Plans

April 4, 1942

There are 55,000 firms that have placed the payroll savings plan in operation. These firms employ just under 20 million persons, or approximately $\frac{2}{3}$ of the persons employed in business and industry today.

Approximately 10 million persons actually had deductions made from their salaries or wages last month. These deductions amounted to approximately 5 percent of the salaries or wages of these persons, or approximately \$8.00 per employee participating.

For Miss Chauncey

233

**TREASURY DEPARTMENT
OFFICE OF THE SECRETARY**

April 4, 1942.

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended March 25, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.



dm: 4/4/42

SECRET

234 ✓

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

April 4, 1942

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

Dear Mr. Morgenthau:

Thank you very much for your letter of April 1 enclosing Mr. Sidney G. Tickton's report concerning Russian shipments from Philadelphia as of March 31. I have reviewed this with great interest, and would deeply appreciate it if you will be good enough to forward me further reports of this type which Mr. Tickton may make to you.

Sincerely yours,

Thomas B. McCabe

Thomas B. McCabe
Acting Administrator

SECRET



THE SECRETARY OF COMMERCE
WASHINGTON

235

April 4, 1942

Dear Henry:

For convenience I quote the second paragraph of your letter of March 20:

"It was my understanding that it was agreed last Summer that a list of eleven British plants, whose purchase was recommended by the President and by the War Department as useful for the nation's defense, would be purchased by the Defense Plant Corporation. It was also my understanding that the War Department had agreed to the repurchase of the plants, and that completion of their transfer waited only on the accounting work necessary to determine the values of the facilities."

Previous to receipt of the recommendation to which you refer, the Defense Plant Corporation was requested to acquire the following plants which were financed through advance of British funds:

- | | |
|-------------------------------------|--------------|
| 1. Tennessee Powder Company | \$26,000,000 |
| 2. Buffalo Arms Corp. | 6,000,000 |
| 3. High Standard Mfg. Co. | 4,300,000 |
| 4. Colt's Patent Fire Arms Mfg. Co. | 6,660,000 |
| 5. Kelsey-Hayes Wheel Co. | 5,800,000 |

Agreements covering the foregoing were concluded and the first three listed have been taken over and paid for. The last two listed will be taken over as soon as the auditing, which is now in process, has been completed.

As to the eleven plants recommended for acquisition in Acting Secretary of War McCloy's letter of June 3, 1941, and approved by the President, I am advised that Blaw-Knox Company arranged their own financing privately and relieved the British of the investment.

Satisfactory agreements have not yet been reached with the War Department for taking over of the three Air Corps facility plants included in the eleven.

- 2 -

Negotiations are under way with the Ordnance Department for the remaining seven and should soon be concluded.

We have had no recommendation from the War or Navy Departments and the President covering the other plants referred to in the fourth paragraph of your letter.

In all of these cases it has been very difficult to obtain satisfactory information that the proposed facilities actually consisted in property that could be purchased rather than in expenditures for non-recoverable items such as building improvements, perishable tools, etc.

We are pursuing negotiations for the plants which have been recommended by the President, and will advise you as soon as we can as to the probable date when they can be taken over.

Sincerely yours,


Secretary of Commerce

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



OFFICE OF THE DIRECTOR

237

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

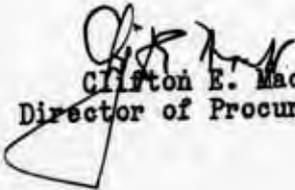
April 4, 1942

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended April 4, 1942.

Emphasis is being placed upon the purchases for Russia and Australia to expedite them all possible.

The earned discounts thus far on Lend-Lease purchases have exceeded our actual Lend-Lease operating expenses by \$116,882.26.


Clifton E. Mack
Director of Procurement

FOR DEFENSE



LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF APRIL 4, 1942
 (In Millions of Dollars)

	Total	U. K.	RUSSIA	CHINA	ADMINISTRATIVE EXPENSES	UNDISTRIBUTED & MISCELLANEOUS
Allocations	\$1393.3 (1393.3)	\$644.3 (638.7)	\$225.2 (212.8)	\$ 52.3 (52.3)	\$.9 (.9)	\$470.6 (488.6)
Purchase Authoriza- tion (Requisitions)	\$ 856.9 (828.6)	\$587.2 (565.8)	\$220.8 (213.9)	\$ 45.5 (45.6)	-	\$ 3.4 (3.3)
Requisitions cleared for purchase	\$ 798.4 (774.1)	\$556.1 (545.1)	\$195.8 (185.1)	\$ 43.1 (40.6)	-	\$ 3.4 (3.3)
Obligations (Pur- chases)	\$ 753.5 (727.5)	\$526.7 (515.0)	\$187.7 (173.4)	\$ 35.7 (35.8)	\$.8 (.7)	\$ 2.6 (2.6)
*Deliveries to For- eign Governments at U. S. Ports	\$ 281.7 (265.0)	\$237.8 (225.1)	\$ 28.1 (24.3)	\$ 15.1 (15.0)	-	\$.7 (.6)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of March 28, 1942.

EXPLANATION OF CHANGES

Total Allocations remain unchanged for the week. However, there was a slight decrease in Chinese Allocations as the result of the cancellation of two requisitions for tires and tubes in the amount of \$2600.00.

Chinese Purchase Authorizations and Obligations decreased in the amount of \$130,000, which was principally due to the cancellation of a contract for 400,000 gallons of heavy diesel oil.

C
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YDEPARTMENT OF STATE
WASHINGTON

April 4, 1942

In reply refer to FF
740.00112 European War 1939/5152

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits a copy of an air-mail despatch no. 6849, dated March 27, 1942, from the American Embassy, Rio, concerning purchases of gold from French Guiana made by the Bank of Brazil.

Enclosure:

Copy of air-mail despatch
no. 6849, dated March 27,
1942, from Rio.

Copy:bj:4-6-42

Rio de Janeiro, Brazil, March 27, 1942

No. 6849

Subject: Bank of Brazil Purchases of Gold from French Guiana.

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

Sir:

With reference to the Department's telegram No. 739 of March 23, 11 p.m., and to our telegram No. 1046, of March 26, 4 p.m., I have the honor to attach herewith the Bank of Brazil's statement of its purchases of gold from French Guiana. The purchase price of the gold varies slightly from week to week. At present the price is 23\$300 per refined gram.

Respectfully yours,
For the Ambassador:

John F. Simmons,
Counselor of Embassy.

Enclosure:
Bank of Brazil's statement.

File 851.6

JJT:ms

A true copy of
the signed original. M.S.

COPY

Enclosure to Despatch No. 6849 of
March 27, 1942, from American
Embassy, Rio de Janeiro, Brazil.

BANK OF BRAZIL PURCHASES OF GOLD FROM FRENCH GUIANA
(in kilos)

		Amount sent	Refined	Total Amount sent	Total Refined
1940	August 1	50,000,0	42.733,299		
	" 11	28.216,0	24.635,998		
	September 13	35.055,7	30.534,870		
	October 26	21.113,1	18.295,989		
	November 15	56.510,6	49.339,153		
	December 14	<u>38.966,2</u>	<u>35.635,749</u>	229.861,6	201.175,058
1941	January 4	35.735,0	32.674,412		
	" 24	53.758,3	89.767,799		
	February 7	45.877,0			
	" 21	42.587,6	38.904,893		
	March 7	55.577,7	49.835,315		
	" 21	29.274,0	26.917,774		
	April 11	94.230,0	84.426,638		
	May 9	54.737,3	48.590,585		
	May 23	61.630,4	55.917,807		
	June 6	44.487,2	40.504,052		
	June 27	57.691,8	51.891,565		
	July 11	58.733,9	53.157,389		
	August 1	48.904,0	81.088,276		
	" 8	40.864,2			
	" 28	44.877,1	41.076,196		
	September 12	44.721,2	40.841,447		
	" 26	27.961,5	25.323,787		
	October 10	54.156,3	48.476,281		
	" 24	25.862,2	23.469,387		
	November 7	38.282,9	35.005,236		
	" 21	48.058,5	43.143,355		
	December 5	22.219,3	20.201,547		
	" 26	<u>36.029,6</u>	<u>32.504,450</u>	1.066.257,0	963.718,191
1942	January 9	41.174,9	37.315,924		
	" 23	19.667,2	18.117,611		
	" 29	22.195,4	20.344,149		
	February 13	40.161,6	36.450,258		
	" 28	<u>28.136,5</u>	<u>25.702,685</u>	151.335,6	137.930,627
	March 12	21.893,2	not examined		
	" 21	44.074,0		65.967,2	
				<u>1.513.421,4</u>	<u>1.302.823,876</u>

Copy:bj:4-6-42

C
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No. 347

Chungking, April 4, 1942

Subject: Rate of Exchange Between Chinese National
Currency and Currencies in the Occupied Areas

Air Mail

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

Sir:

I have the honor to refer to my telegram no. 158 dated
February 25, 1 p.m. and to transmit herewith a table showing the
rates of exchange between Chinese National Currency and other currencies
in the occupied areas of China as of March 26, 1942.

These rates were obtained from the Special Economic Investigation
Department of the Investigation and Statistical Bureau of the Central
Economic Committee of the Kuomintang.

Respectfully yours,

C. E. Gauss

Enclosure:
1 table as stated.

Original and one copy to Department by air mail
Three copies to Department by pouch
One copy to Division of Commercial Affairs by pouch
851
JJM:EGD

A true copy
of signed
original

eh:copy
5-8-42

Enclosure no. 1 to despatch no. 347 dated April 4, 1942 from American Embassy at Chungking.

Rates of Exchange Between Chinese National Currency And other Currencies In the Occupied Areas.

Chungking, March 26, 1942.

Charhar and Suiyuan Occupied Areas:

One "Mongolia dollar" = 5.50 "Chinese National Currency."

One "Mongolia dollar" = 1.10 "Peiping dollar"

One "Manchuria dollar" = 0.80 "Peiping dollar"

Peiping and Tientsien Occupied Areas:

One "Peiping dollar" = 3.00 "Chinese National Currency"

Tainan-Kiaohsien Railway and Suburbs Occupied Areas:

One "Peiping dollar" = 3.00 "Chinese National Currency."

Northern-Hunan Occupied Areas:

One "Peiping dollar" = 3.80 or 4.00 "Chinese National Currency."

Shanghai Occupied Areas:

One "Japanese Military yen" = 4.00 "Chinese National Currency."

One "Peiping dollar" = 1.00 "Chinese National Currency."

Southern Kiangsu, Nanking, Mintan, Kaoshun, Chinking Occupied A.

One "Japanese Military yen" = 4.00 "Chinese National Currency."

One "Peiping dollar" = 1.00 or 1.20 "Chinese National Currency."

Kuyung, Iking. Occupied Areas.

One "Japanese Military yen" = 2.70 "Chinese National Currency."

One "Peiping dollar" = 1.00 "Chinese National Currency."

Southern-Anhwei Occupied Areas:

One "Japanese Military yen" = 4,00 "Chinese National Currency."

One "Peiping dollar" = 1,00 "Chinese National Currency."

Northern-Kiangsi Occupied Areas:

One "Japanese Military yen" = 4,00 "Chinese National Currency"

Northern-Hunan Occupied Areas:

One "Japanese Military yen" = 4,00 "Chinese National Currency".

Canton Occupied Areas:

One hundred "Chinese National Currency" = 17,00 "Japanese Military yen"

Hongkong Occupied Areas:

One hundred "Chinese National Currency" = 16,00 "Japanese Military yen"

Two Hongkong dollars = 1,00 "Japanese Military yen".

April 4, 1948

Mr. Liversy

Mr. Dietrich

Will you please send the following cablegram to the American Embassy,
London, "for Cassady from the Secretary of the Treasury".

FD-107:4-4-48

To **L. V. Casaday**
Attache for the Treasury
American Embassy
London, England

From **The Secretary of the Treasury**

In reply to your LHS of March 19, containing inquiry regarding commitments on credit to Russia, this question is a Lend-Lease and Army matter, and any inquiry regarding it should be addressed to the Lend-Lease Administration.

Conf: 116-4-43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 4, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich
 For Mr. C. M. H. Macey

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£14,000
Purchased from commercial concerns	£ 6,000

Open market sterling held at 4.03-3/4, with no reported transactions.

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

Canadian dollar	13-1/8% discount
Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2815
Cuban peso	3/32% premium

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$2,299,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

Copy No. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 110

Information received up to 7 A.M., 4th April, 1942.

1. MILITARY

HURMA. FROME FRONT. On morning of 1st the enemy attacked in considerable force, penetrated our outer defences and secured the high ground south of FROME. Our forces have withdrawn to fresh positions north and north-east of the town.

RUSSIA. Fighting continues west of RZHEV. The Russians are attacking in the GSHATSG and SUKLINICHI areas.

2. AIR OPERATIONS

WESTERN FRONT. 2nd/3rd. About 100 tons of high explosive were dropped on the Matford factory. Visibility was excellent with no cloud. Direct hits claimed with 4 4,000 pounders besides several other smaller bombs. Both the factory and power station left in flames. The docks at HAVRE were also attacked in excellent visibility with bright moonlight and little cloud. 18 R.C.A.F. and 21 R.A.A.F. aircraft took part in the night's operations. One Canadian Intruder bomber and one Australian bomber were lost. 3rd/4th. A Havoc Intruder destroyed a Heinkel which was landing at EVREUX.

LIBYA. 2nd. Our fighters intercepted 20 German Dive Bombers over a convoy approaching TOBRUK. 3 were destroyed, 1 probably destroyed and 3 damaged for the loss of 4 fighters.

MALTA. 2nd and 2nd/3rd. A total of 239 enemy aircraft attacked. Serious damage was caused to the aerodrome and buildings at HAL FAR and to the aircraft repair shop and a hangar at KALAFRANA. 3 of our aircraft were destroyed and 3 more damaged on the ground. Fighters and anti-aircraft destroyed 4 enemy aircraft, probably destroyed 2 and damaged 9.

BRITISH MOST SECRET

(U.S. SECRET)

CPTEL No. 111

Information received up to 7 A.M., 5th April, 1942.

1. NAVAL

A French report states that the crews of 2 H.M. motor launches, which left GIBRALTAR on 17th March for MALTA, have been interned in ALGERIA, having arrived there after an engagement with Italian aircraft in which one motor launch was sunk. In very heavy air raids on MALTA on the 4th a Greek submarine was sunk, and one H.M. cruiser, one destroyer and a naval minesweeper were damaged.

A Catalina aircraft located a large enemy force about 360 miles south southeast of CEYLON on the afternoon of the 4th steering northwestwards. A Panamanian 4,800 ton ship from North Russian convoy was left sinking after attack by aircraft on 28th March.

2. MILITARY

BURMA. 2nd. PRIME Front: Our withdrawal to fresh positions just north of PRIME was carried out successfully in spite of heavy and continuous air action. Enemy followed up energetically but was countered successfully.

YOUNGCOO Front: No change.

RUSSIA. German attacks have made some progress west of RZHEV.

3. AIR OPERATIONS

WESTERN FRONT. 4th. 12 Bostons, escorted by 14 squadrons of Spitfires, attacked ST. OMER Railway junction. Our fighters, 12 of which were lost destroyed 5 enemy fighters, probably destroyed 3 and damaged 12. Three enemy bombers penetrated to the GLOUCESTER area. Two of them were damaged by our fighters.

MALTA. 3rd and 4th. A total of 220 aircraft attacked. The aerodromes were again hit, 1 aircraft on the ground was destroyed and 2 were damaged. Anti-aircraft defences and fighters destroyed 5 enemy aircraft and damaged 4.

BURMA. 3rd. Japanese aircraft heavily bombed MANDALAY. Part of the base supply depot was burnt out.

4. HOME SECURITY

4th. Some bombs were dropped at the GLOUCESTER Aircraft Company's premises near GLOUCESTER. A workshop, canteen and car park were hit, 18 persons were killed and 41 seriously injured.

COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 112

This morning, 5th April at 0015 G.M.T., an enemy force of 1 battleship, 2 cruisers and at least 4 other ships was seen by Catalina aircraft in position 110 miles S. by W. from CEYLON. Air attack on COLOMBO area began at 0209 G.M.T. It is stated in reports up to 0800 local time that about 50 bombers escorted by fighters attacked Harbour area (one?) of aerodromes and railway workshop. The Harbour workshops were damaged extensively but damage to aerodrome and railway workshop was insignificant. One of H.M. ships was hit and is expected to be a total loss. Another was slightly damaged. Enemy aircraft casualties were 25 destroyed (?for) certain including 2 by A/A and several others damaged. We lost 14.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, April 6, 1942.
4/4/42

Press Service
No. 30-99

Secretary of the Treasury Morgenthau today announced the offering, through the Federal Reserve Banks, for cash subscription at par and accrued interest, of \$1,500,000,000, or thereabouts, of 1/2 percent Treasury Certificates of Indebtedness of Series A-1942. In order to insure more extensive participation for moderate amounts on the part of corporations, banks, and others interested in a type of security carrying maturities somewhat longer than Treasury bills, subscriptions up to \$25,000 will be allotted in full. Subscriptions for larger amounts will be allotted on an equal percentage basis, but not less than \$25,000 on any one subscription.

The certificates will be dated April 15, 1942, will be payable on November 1, 1942, and will bear interest at the rate of one-half of one percent per annum, payable at the maturity of the certificates. They will be issued in bearer form only, with one interest coupon attached, in denominations of \$1,000, \$5,000, \$10,000 and \$100,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the certificates now offered shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular released today.

Subscriptions will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Subscriptions for the certificates from banks and trust companies for their own account will be received without deposit, but subscriptions from all others must be accompanied by payment of 10 percent of the amount of certificates applied for. The bases on which subscriptions will be entertained from the various classes of subscribers will be the same as announced on December 3, 1941, for the December 15 cash offerings; they are set forth in the official circular governing this offering.

The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice. The basis of allotment of subscriptions will be publicly announced, and payment for any certificates allotted must be made or completed on or before April 15, 1942, or on later allotment.

The text of the official circular follows:

1/2 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES A-1942

Dated and bearing interest from April 15, 1942

Due November 1, 1942

1942
Department Circular No. 683TREASURY DEPARTMENT,
Office of the Secretary,
Washington, April 6, 1942.Fiscal Service
Bureau of the Public Debt

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for 1/2 percent certificates of indebtedness of the United States, designated Treasury Certificates of Indebtedness of Series A-1942. The amount of the offering is \$1,500,000,000, or thereabouts.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated April 15, 1942, and will bear interest from that date at the rate of 1/2 percent per annum, payable on an annual basis at the maturity of the certificates. They will mature November 1, 1942, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes and will not bear the circulation privilege.

4. Bearer certificates with one interest coupon attached will be issued in denominations of \$1,000, \$5,000, \$10,000 and \$100,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books. Banking institutions generally may submit subscriptions for account of customers, but only the

(Over)

Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 10 percent of the amount of certificates applied for. Subscriptions will be entertained from the various classes of subscribers on the following bases:

1. Banks and trust companies for their own account - not to exceed 50 percent of capital and surplus.
2. Mutual savings and cooperative banks, Federal Savings and Loan Associations, trust accounts and investment corporations, pension funds, insurance companies, and similar institutions and funds - not to exceed 10 percent of total resources.
3. Corporations organized for profit, and dealers and brokers - not to exceed 50 percent of net worth.
4. Individuals - not to exceed 50 percent of net worth or 100 percent of cash deposited with subscription.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions for amounts up to and including \$25,000 will be allotted in full, and subscriptions for amounts over \$25,000 will be allotted on an equal percentage basis, but not less than \$25,000 on any one subscription. The basis of the allotment will be publicly announced, and allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for certificates allotted hereunder must be made or completed on or before April 15, 1942, or on later allotment. In every case where payment is not so completed, the payment with application up to 10 percent of the amount of certificates applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depository will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks

- 3 -

of the respective districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, April 6, 1942.

Press Service
No. 31-1

Secretary of the Treasury Morgenthau today announced that the subscription books for the current offering of 1/2 percent Treasury Certificates of Indebtedness of Series A-1942 will close at the close of business today, April 6.

Subscriptions addressed to a Federal Reserve Bank, or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight, Monday, April 6, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will probably be made on Friday, April 10.

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April 6, 1942
9:30 a.m.

GROUP MEETING

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

H.M.JR: Norman?

MR. THOMPSON: I have nothing particularly. Mr. Bell and I would like to see you sometime today on the space.

H.M.JR: Well, I am seeing Harold Graves at ten o'clock on this Defense Bond thing, right after this meeting. You tell them outside when Graves is through I am ready.

MR. THOMPSON: That was D. W. Bell I was speaking of.

H.M.JR: Anything else?

MR. THOMPSON: That is all.

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H.M.JR: And then if you will stay after that meeting, I will clean you up.

MR. THOMPSON: I am pretty well cleaned up.

H.M.JR: All right.

Dan?

MR. BELL: Here is a report on the replies we received to the eighty-five hundred. We got seventeen hundred replies. Five hundred of them it will be necessary to answer.

(Mr. Sullivan entered the conference.)

H.M.JR: It is not very good, is it?

MR. BELL: No, but I think probably it is as good as you can expect. That is about what we got to the eighty-five hundred we sent out before.

H.M.JR: Of course we only told them to answer if they were interested.

MR. BELL: Mrs. Ross wants to move silver from New York to the West Point Depository, but she doesn't want to do it if there is going to be a question in the policy of turning silver over to industry for war purposes. I am wondering if she shouldn't hold off moving until that is settled.

H.M.JR: I think she should.

MR. BELL: We have been discussing, as you recall, with Eccles the question of expanding 13-b of the Federal Reserve Act so he could make loans to small firms, and now the question has come up as to whether we can't amend our regulations so as to make them more liberal and permit him to use the hundred and thirty-nine million dollars appropriated from Treasury gold first before he uses any of the capital of the Federal Reserve Bank. I

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think it might be a good thing to go along on that basis.

MR. GASTON: You had a fifty-fifty agreement with him, didn't you?

H.M.JR: Yes.

MR. BELL: But they can't be liberal with the capital of the Federal Reserve Bank because if they lose it, there is no replenishment, but they could be liberal with this hundred and thirty-nine million profit on gold if we wanted to go that far to help them out.

H.M.JR: I don't see why they should be liberal with our money if they don't want to be liberal with their own.

MR. BELL: Well, it is the capital of the Federal Reserve Banks, and I should think they might be hesitant.

H.M.JR: Let them ask Congress for the authority.

MR. BELL: Well, it is confused on the Hill. There were several bills introduced. One was reported out of the Wheeler Committee, I believe. There is some talk now of giving some money to the War Production Board, which would be another agency set up.

H.M.JR: Well, it is just like the boys think up a way of possibly doing the silver or lending it, and I send them up on the Hill and in the House they find there is a lot of opposition to doing it. I don't like this way. Just because Eccles has made a failure of lending to small businesses ever since he has been here, now suddenly because there are some other bills, he wants to lend our money. He has made a complete failure of it ever since he has been here. Now he wants to beat the gun and throw our gold away. I don't want to do it.

MR. BELL: Well, he has been given additional functions under the Executive Order just issued by the President.

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H.M.JR: Well, the thing as it stands--

MR. BELL: Well, it isn't clear in the Act where to get repayment, and we haven't gotten repayment. While they make loans on a fifty-fifty basis, the repayments are really used to reduce the participation of the Federal Reserve Banks and the lawyers in our shop and the lawyers in the Federal Reserve haven't been able to get together on repayment. That is still in the air and has been during the whole procedure.

H.M.JR: Well, Dan, with two or three bills pending and so forth, because Eccles has made a failure of this thing, I am not going to stick my neck out. Congress might perfectly well say, "This hundred and thirty odd million dollars, this gold, we want it back," and so forth and so on.

MR. GASTON: It seems to me that small business assistance now, I think it probably is a pretty serious job, is a problem for the Secretary of Commerce and the Director of the RFC, and if they would get together and work out a policy, I think Congress would probably approve it.

MR. PAUL: Of course if those small loans could be made by the Federal Reserve, they have pretty good machinery. They have been making them for a number of years in a small way, and they know how to do it.

H.M.JR: I didn't get--

MR. PAUL: They are a little too cautious, probably.

H.M.JR: Try and get one.

MR. PAUL: Well, I attend the meetings and I know that a lot of people have gotten them. Some of them seemed very dubious to me.

H.M.JR: Well, I will tell you, Dan, I am not going to change my position with two or three bills pending and with the record of the Federal Reserve such as it is. If

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I move anyway, I would like to have that money back in the Treasury, all of it.

MR. BELL: Well, probably 13-b should be repealed, and then if they go ahead with these other moves--

H.M.JR: Well, if there is any move, I would like the money back in the Treasury.

MR. BELL: Anyway, you don't want to liberalize our regulations?

H.M.JR: On this gold? No. If I do anything, I want the money back.

MR. BELL: All right.

H.M.JR: You can tell him you made a tough effort.

MR. BELL: I would hate to say that. While you were away, we made a report on the Patman bill which provides for issuing non-interest-bearing bonds of the Federal Reserve Bank and getting our money in through that means rather than borrowing it in interest-bearing securities. He didn't like that report, and he wrote you on the twenty-fourth of March, when you were still away, and said, "I am wondering if you would be willing to select a committee of your experts to submit a proposal to carry into effect what I have proposed in the way that you consider will be the least inflationary." We answered that that you were out of town and it would be brought to your attention as soon as you returned. Do you want somebody to consider that whole proposal?

H.M.JR: Yes.

MR. BELL: And submit another report for your signature?

H.M.JR: Yes.

MR. BELL: Who?

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H.M.JR: Well, it is monetary, is it?

MR. BELL: I beg your pardon?

H.M.JR: What is it, monetary?

MR. BELL: Well, it is borrowing and monetary. Mr. Haas' shop wrote the first report and maybe you would like to have Harry's shop prepare this one.

H.M.JR: O.K.

MR. WHITE: Well, I am afraid, Mr. Secretary, that I feel that a drastic re-examination of the whole financing policy is in order. I would rather submit a memorandum and have somebody else answer the letter, because I don't think I would be in sympathy with the Treasury answer.

MR. BELL: Have you seen the Treasury answer, Harry?

MR. WHITE: No, but I know what the Treasury policy is. (Laughter) I will submit a memorandum anyhow. I would rather not have to answer the letter.

MR. BELL: Well, you submit a memorandum, and we will prepare the answer.

H.M.JR: Well, that is not a very cooperative attitude, Harry. You don't even know what is in the letter and you are against it before you see it.

MR. WHITE: Well, I know that my views are at a variance with Treasury policy. I couldn't--

H.M.JR: Treasury policy on--

MR. WHITE: Oh, I would be glad to go over the letter.

H.M.JR: Policy on what, Harry?

MR. WHITE: On financing.

H.M.JR: On financing?

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MR. WHITE: Well, that is what this is about, isn't it?

H.M.JR: Then don't give it to Harry. If he has made up his mind before he even looks at it, don't give it to him.

MR. WHITE: Before I look at what?

H.M.JR: That.

MR. BELL: I would like to have his memorandum.

H.M.JR: You don't even know what it is, and you are against it.

MR. WHITE: Shall I say that I know what the Treasury policy is? I at least know that, don't I?

H.M.JR: Say what it is. What are you against?

MR. WHITE: Let me write you a memorandum. This is not the place to discuss it.

H.M.JR: What?

MR. WHITE: I think I know what the Treasury policy is. I think I know what that answer is, Mr. Secretary, and I will write you a memorandum.

MR. BELL: I would like to have the memorandum.

H.M.JR: O.K. Write Bell and me a memorandum.

MR. WHITE: All right, I will be glad to.

MR. BELL: We can fix up a reply.

H.M.JR: I can still write a letter myself. God, I don't need Harry White to write me a letter. Let me have it.

MR. BELL: I don't want to turn it over to you--

H.M.JR: It is all right. I can still write a letter.

MR. WHITE: Oh, it isn't a question of drafting a letter, Mr. Secretary. It is something much more involved than that.

H.M.JR: I am still able to write a letter myself.

MR. BELL: This is a Social Security report I should have had you sign.

H.M.JR: I can't understand your attitude, Harry.

MR. WHITE: What did he say?

H.M.JR: I can't understand your attitude. I can still write a letter.

MR. WHITE: You misunderstand completely, but that is all right.

MR. BELL: This is the circular on the financing to be published today.

H.M.JR: Has this been out?

MR. BELL: Yes, that is out. That is all I have.

H.M.JR: Harold?

MR. GRAVES: I think it would be nice if Mr. Haas would stay at our meeting. I have nothing else.

MR. BELL: You made a decision on the twenty-five dollar bond, didn't you?

H.M.JR: I said I wouldn't change it for the time being. I would just leave it as it is.

MR. BELL: If you are going to change it at all, you have got to change it before you start on your quotas.

H.M.JR: Oh, I wouldn't change it. I mean, the whole theory is to reach the little fellow and I am not going

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to change that. I just wouldn't have a leg to stand on. Harold?

MR. GRAVES: Nothing.

H.M.JR: Harry?

MR. WHITE: There are a few things here. You remember before you left we sent some material to Hopkins on the British take-outs?

H.M.JR: Yes.

MR. WHITE: And we sent some more material when they gave us the later material. We haven't heard anything about it since. Do you want to pursue it?

H.M.JR: From Hopkins?

MR. WHITE: From Hopkins.

H.M.JR: How much does that amount to in dollars, contracts exclusive of plants?

MR. WHITE: I think about five to seven hundred million dollars, depending upon whether you want to give them what they already paid back or just the unpaid value. You see, they have already made down payments of very substantial amounts, though they haven't got the goods.

H.M.JR: Well, down payments and payments where they haven't received the goods?

MR. WHITE: They must amount to about eight hundred million dollars, but from that a smaller amount is of the character that Hopkins was interested in. He wanted to know which of those our Army or Navy could take over. Some of that eight hundred million consists of items which are exclusively British in the sense that no other country could use the material.

H.M.JR: I will ask him.

MR. WHITE: We have the Canadian material ready. I don't think there is any rush about it, because they seem to be in a good position except that you have raised the question in the past. Any time you do want to go into it, we are ready. About a couple of weeks ago, three weeks ago, I sent you a memorandum asking your approval. We want to cut down on--

(The Secretary held a telephone conversation with Harry Hopkins' secretary.)

April 6, 1942
9:47 a.m.

Operator: His secretary is there.

HMJr: Oh.

Operator: She doesn't know when Mr. Hopkins will be available.

HMJr: Let me talk to her.

Operator: All right. Miss Birney.

HMJr: Hello.

Miss Birney: Hello.

HMJr: Miss Birney?

B: Yes, Mr. Secretary.

HMJr: Is Mr. Hopkins ill?

B: No, he's not. He's not in today.

HMJr: Oh. Well, when you see him, tell him that I called up. He offered to look into the seven hundred million dollars of British contracts still outstanding in this country.....

B: Yes.

HMJr:and to let me know what could be done to take them over. That was about two weeks ago. And would you - we've sent him some material since then.

B: Yes.

HMJr: And I wish you'd remind him; and if there's something we could do, I'd like to do it now.

B: All right. I certainly will.

HMJr: I thank you.

B: Thank you. Good-bye.

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H.M.JR: He is out of the city.

MR. WHITE: Then we will postpone consideration of the Canadian matter until somebody raises the issue?

H.M.JR: Yes.

MR. WHITE: The first Russian gold repayment date is up in a day or two. The gold is enroute, but we have received a cable saying it will be some time before it will arrive here, because it may be held up in England. The lawyers are proposing a statement for renewal of that ninety-day period.

MR. BELL: A hundred-and-eighty-day period.

MR. WHITE: I think the first was a ninety-day. This is the first loan, not the second.

MR. BELL: Oh, this is the first? The hundred-and-eighty-day period was up the tenth, I think Bernie said, and they are increasing that to two forty.

MR. WHITE: I thought it was ninety days, but it is up. It is all right to extend it?

H.M.JR: Yes. You will renew it for how many days?

MR. BELL: Sixty, I think.

MR. WHITE: I thought it was being renewed for sixty days. It is just to give it time enough to get here. It has already left Russia.

H.M.JR: All right.

MR. WHITE: On March 20 I asked your approval to make some changes in the reporting of capital movements which would reduce the work considerably for the banks, and it would also cut down on the bulletin. I will send it to you again. I didn't receive a comment, and the time is getting late for the quarterly bulletin.

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H.M.JR: Do what?

MR. WHITE: To reduce the reporting of the banks from weekly to monthly figures.

H.M.JR: It is all right.

MR. WHITE: And also to cut down the reporting in the bulletin.

H.M.JR: It is all right with me if it is all right with Bell.

MR. BELL: It sounds all right. I haven't seen it, but it sounds all right.

MR. WHITE: I will send in a memo.

H.M.JR: No, don't write me a memo on it.

MR. WHITE: I say I will send him a memo on it then. I will take it up with Bell.

H.M.JR: Yes.

MR. WHITE: Phillips was in and wanted to know whether it would be possible for us to Lend-Lease roughly twenty to twenty-five million ounces of silver. He wasn't sure how much. It was to be used for coinage in Great Britain. I told him I didn't know whether Lend-Lease would be possible, because Lend-Lease would have to go out in the commercial market and buy it, and the commercial market was already tight, but there might be other ways. He said he wasn't making the request formally, and he would find out exactly how much they wanted and he would make the request. But that brings up the question of silver legislation. The proposal which we made does not include, I don't think, the ability to do that, and the matter of the presentation of silver legislation either to sell the stuff after it reaches a certain price or to stop buying domestic is still up. Nothing has been done about that.

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H.M.JR: Well, you told me, didn't you, that you had a bad time in the House?

MR. FOLEY: No, I wanted to bring that up because I gathered you had an inaccurate report. We saw in the House, in the absence of Rayburn and McCormack, Gene Cox, who is the Acting Speaker, and Jere Cooper, who is the Acting Leader. They called in Lu Deschler, the Parliamentarian. I think they thought we were going to prepare some legislation. They had no opposition at all to the idea. They questioned us a little bit about the legal reasons upon which we were basing the decision but that was principally Deschler and Cox. Cox said he thought it was a good idea, and he would support us. If we were criticized, he would defend us.

H.M.JR: Cox?

MR. FOLEY: Yes. He is the Acting Speaker. He is quite a forceful fellow, and quite a critic of the Administration, so it is good to have him on our side.

H.M.JR: From Georgia, isn't he?

MR. FOLEY: He is from Georgia. He is on the Rules Committee. Then we went over and saw Charlie McNary and Barkley, and they didn't have any hesitation at all. They said they would be adjourned and wouldn't have a quorum for doing business until the twentieth of April, and to throw this silver thing in the hopper at this time would cause a great deal of confusion, and they thought we ought to go ahead without waiting for legislation. So I checked with the Attorney General's office, and they are going to go along with this. They have no doubt at all about the legality, it is just the reasons upon which they are going to base their opinion, and I understood that we could go ahead and the opinion would be over here today.

MR. WHITE: Well, these are two separate things we are talking about.

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MR. FOLEY: Now this Lease-Lend thing is a little bit different, Mr. Secretary, and that is dangerous, it seems to me, because it might involve the loss of the silver. You have got to ship it; and if the ship is sunk, you are not going to get anything more back from them than you are in any of the Lend-Lease stuff, and I think we ought to be a little more careful about that.

MR. WHITE: Well, I am raising the broader question now, the question that we worked on before. This WPB matter came up, you will remember, about two months ago. You raised the question.

H.M.JR: Well, let's clear one thing at a time. Can you go ahead now on this lending of silver?

MR. FOLEY: Yes.

H.M.JR: Can you have it for my four o'clock press conference?

MR. FOLEY: Yes, we will have a statement for you to make to the press at four o'clock.

MR. WHITE: Don't you need the approval of the President first?

MR. FOLEY: Well--

H.M.JR: Do we? Do you want him to put down across it "approved"?

MR. FOLEY: I think maybe it would be a good idea to have the President's approval on it.

H.M.JR: When can you get it to me?

MR. FOLEY: I can get it to you so you can send a memorandum across the street by twelve o'clock, and maybe we will have it back before then.

H.M.JR: I think so.

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MR. FOLEY: And we can have a little statement for you which you can read before the press conference, if you want to say something to the press.

H.M.JR: I would let the other thing wait.

MR. FOLEY: I think we ought to take one bite at a time, Mr. Secretary.

H.M.JR: So that you (Paul) can go to your meeting, is there anything that you want to bring up?

MR. PAUL: I would like to say a couple of things have been floating around that we haven't been able to get to because of other things, and I would like to see you sometime. I would like to mention to you a memorandum by the Department of Commerce which came in to Dan Bell last week and I read it this week end, and I think everybody here should read it who is interested in rationing. It is very clear and a well reasoned memorandum on this subject. In fact, I would like to have the fellows that wrote this write some tax stuff. It is a beautiful job, Dan, and I think I will get some photostats if you don't mind and distribute them.

MR. BELL: We haven't answered the letter, and we should do that.

MR. PAUL: Yes. Well, we certainly should commend them on the memorandum.

H.M.JR: Now, does Harry go to your meeting?

MR. PAUL: Yes, but he doesn't need to come in for a few minutes.

H.M.JR: All right. (Laughter)

MR. PAUL: If he can, it would be nice, but it isn't necessary. What I am going to do is try to find out where everybody stands on each issue, make a diagram.

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H.M.JR: Well, he can go in as soon as he is through.

MR. WHITE: We are having a large meeting tomorrow of the technicians to reexamine the rationing proposal so that we can come to some kind of a decision and agreement among the three or four agencies as to whether or not they think that it is desirable or not. They are eager to do so, and we are eager to have them, so I imagine that before the week is over we will be able to tell you that the thing is dropped or that more people have been won over. After all, the operation of that rationing is not our responsibility at all; and, therefore, unless we can convince them quickly that it is feasible, we will have to drop it as a possibility.

H.M.JR: Henderson is back.

MR. WHITE: Yes, his men are going to be here.

H.M.JR: Yes, but he himself is back. What else, Harry?

MR. WHITE: Mexico ratified the stabilization arrangement. When that arrangement was being made, I talked with the Minister of Finance, and suggested that we exchange a man for a few months, some man go down to Mexico and they send somebody up here. It is an arrangement we have had with other countries, but it never went through, because the Argentine thing didn't go through. If it is all right with you, we will go ahead with that as soon as we can arrange something of that character.

H.M.JR: If you can spare a man.

MR. WHITE: Well, it is good for us to have one there and it won't be long and we ought to have somebody following that situation very closely.

H.M.JR: O.K.

MR. WHITE: The Peruvian Minister of Finance is here. His name is Dasso. He is a very shrewd chap, and speaks excellent English. As far as I know, he is not up here for a stabilization arrangement, but for other things. He has just arrived. We have the Chinese proposals coming up. Soong said he would be in probably to see me Tuesday or so on it. Now, they are practically telling us what they are going to do, they are not asking us and--

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H.M.JR: Don't let it jell until I get a look at it.

MR. WHITE: I was going to suggest just that. If he comes in, may I tell him I haven't had a chance--

H.M.JR: Yes, I would like to look at it myself.

MR. WHITE: Because on the basis of that letter there is nothing that we can comment on, but on the basis of what he told you orally there very definitely is.

H.M.JR: Don't let it jell without my getting a chance at it.

MR. WHITE: We have the Cuban monetary and banking thing crystalized and the time is getting very short. We had all the American and Canadian bankers in last week and had an all-day conference, practically.

H.M.JR: When do you want to clean it up?

MR. WHITE: At the soonest possible time.

H.M.JR: When are you ready?

MR. WHITE: Right now, any time.

H.M.JR: Well, three-fifteen.

MR. WHITE: All right. Then there is the wheat letter that they keep pressing us for an answer on. Would you like somebody to handle that?

H.M.JR: George is the wheat expert.

MR. WHITE: Then I will turn it over to him.

H.M.JR: Turn it over to George.

MR. WHITE: That is all I have sir.

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H.M.JR: Chick?

MR. SCHWARTZ: My question on the silver has been answered.

H.M.JR: John?

MR. SULLIVAN: I have some Bureau things I would like to take up with you today or tomorrow.

H.M.JR: Well, tell them outside, will you.

MR. SULLIVAN: All right.

H.M.JR: Please.

MR. SULLIVAN: Yes sir.

H.M.JR: I will get around to it. George?

MR. HAAS: I have a couple of charts here. I don't know if you saw this pie.

H.M.JR: No, I did not.

MR. HAAS: I want to make it clear that these bank loans are inflationary. The other part, borrowed from the banks, wouldn't be inflationary. This is inflationary bank loans.

H.M.JR: Could I get a clean copy of that?

MR. HAAS: Yes sir, we will have it done over. This is this maximum stuff. He is arranging with those four or five agencies. Mrs. Klotz called me up about it. I have another figure for Friday on the car loading, the Philadelphia loading.

H.M.JR: I see. They were over, is that right?

MR. HAAS: That is all they required and without counting the two days they were over.

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H.M.JR: They are over there and under here.

MR. HAAS: That eight is supposed to be based on what ships are to be there this week. If I put this ship report on a weekly report instead of a daily, wouldn't it save a lot of trouble?

MR. GASTON: Yes.

MR. HAAS: Would it be all right to get it Tuesday?

H.M.JR: That is right. I got a memo reminder. Did you ever do anything about the "Voice of the Chief"?

MR. KUHN: Yes, I have a reply from Ulric Bell who is doing that and he says that the "Voice of the Chief" is usually too obscene to be used over the American radio.

H.M.JR: But how about the times that it isn't?

MR. KUHN: Well, they are using it but they say it is difficult to find enough things in the "Voice of the Chief" broadcasts to put on the air here, but they are doing it.

H.M.JR: They are doing it?

MR. KUHN: Yes, they are doing it.

H.M.JR: Anything else?

MR. KUHN: Yes, in connection with the publicity on the quotas and the pledge campaign, it would be very useful if the President could sign a pledge card on Monday with you and a photographer there. I wonder if we could contact Stephen Early? I wanted to get your approval.

H.M.JR: There is a lot of water that has got to go over the dam before we get to that point.

MR. GRAVES: I hadn't told you, Ferdie, but you are supposed to come to that meeting.

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H.M.JR: That is a small detail compared to the many decisions that have to be made.

MR. KUHN: I was asked to bring it up for your approval so that we could go forward with it.

H.M.JR: No, there is a lot of stuff that has to be done. The first thing I have got to find out is, have we got the organization that can deliver, before I am going to stick my neck out. That is what I want to find out today or tomorrow. I am not going to make this big fight for this thing and then have the thing flop. I have called a meeting at ten o'clock to begin it. I am going to keep at it all day and tomorrow to find out. I don't want to go into the stuff which I have here, but it is most discouraging. I mean, I am most discouraged about the thing, to think that we are even going to be able to hit the quota, so before I get the President and myself to sign it, I have got to be sold on this thing. George gave me the thing over the week end. What is it, forty-five thousand people have to buy either two or three hundred worth of bonds a year? I know at the rate they are doing it now it is about three and a half billion a year.

MR. KUHN: Forty-five million, you mean.

H.M.JR: It is about three and a half billion a year, and to reach the twelve billion dollars, the gap is so tremendous--

MR. GASTON: I thought it was over six billion a year.

MR. BELL: In the "E" bonds.

H.M.JR: I mean the thing is so - I mean, there is so little to prove that we can do it, that before I sign it, and before I sign a letter--

MR. GRAVES: Our quota is based on all three issues, "E", "F", and "G". The average sale of all three issues for the first eleven months was four hundred forty million a month. Of course, in the late months it was much higher

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than that. Our job is to come up from an average of four hundred forty million a month to a billion. I think there is a reasonable chance of obtaining it.

H.M.JR: Yes, but the "F" and "G" isn't hitting the group we are after at all.

MR. GRAVES: No. Well, it does partly, but it is in our quota.

H.M.JR: Yes, but look, in the Treasury we don't want to kid ourselves. Let's go into it.

MR. GRAVES: Yes.

H.M.JR: We will go into it.

MR. KUHN: One minor matter, the Army band is playing on the Treasury steps at lunch time today. It is almost the only thing being done in town on Army Day, and they would like very much to have you make an appearance there if you can.

H.M.JR: Is it known as Lucy Monroe Day?

MR. KUHN: No, Army Band.

H.M.JR: You never answered that, Graves. Everywhere she goes, it seems to be the Lucy Monroe song fest, the Lucy Monroe this and the Lucy Monroe that.

MR. GRAVES: I don't recall receiving it.

H.M.JR: I think I wrote you. In your own report, you see, you keep referring to it, the Lucy Monroe Sing Fest at Jacksonville and the Lucy Monroe Sing Fest some other place.

MR. KUHN: It was not so in Florida. I mean, in Jacksonville they had a big parade which was a Defense Bond--

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H.M.JR: All I know is from Harold Graves' weekly report and in both places it was referred to as the Lucy Monroe this and the Lucy Monroe that.

MR. GRAVES: It was probably bad reporting.

H.M.JR: Well, maybe some day there will be some other girl to sing for us besides her. Incidentally, I thought - and Mrs. Klotz, if you would make a note - I would like to write a letter to the President of RCA because he really did a nice job Sunday night. Did you hear it?

MRS. KLOTZ: No.

MR. BELL: It was very good.

H.M.JR: He did a very good job and he deserves a letter.

MR. GASTON: Dave Sarnoff.

MRS. KLOTZ: We sent him a telegram, didn't we?

MR. KUHN: I was told it was no good, the letter would be better.

H.M.JR: He did a nice job and he deserves it.

MR. KUHN: That is all.

MR. BUFFINGTON: You asked me to check on Saturday with the investment bankers about leaving this open. They feel that they have done all that they will do in covering not only the seven thousand five hundred corporations, but many in addition. They see no reason for leaving it.

H.M.JR: Dan?

MR. BELL: I agree.

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MR. BUFFINGTON: Sometime could Mr. Kuhn and I see you about the Disney matter?

H.M.JR: Yes. Will you give them your name outside?

MR. BUFFINGTON: Yes.

MR. FOLEY: Robert McConnell stopped off here on his way back to New York, and he has a few matters he would like to talk over with you if you have got some time this afternoon.

H.M.JR: I will see him at eleven-thirty

MR. FOLEY: We got along all right on Friday. They didn't ask me any questions.

H.M.JR: Did you testify?

MR. FOLEY: Yes, I testified after Berle. It was quite all right.

MR. GASTON: Norman Thomas is grateful to you for passing through the censorship some records of his Alaskan and Porto Rico speeches. He got Byron Price to overrule the postal censorship which was trying to hold them up. Huntington Cairns thought they were O.K. The postal censorship is likely to go to extremes. You asked me about--

H.M.JR: Can you clear it now?

MR. GASTON: Yes. In the first place, Donovan asked to check our records to see whether there were bad records of people he is hiring in the Treasury Department. As a matter of fact, the first one had a bad record. The other thing, the Department of Interior is asking the assistance of most all departments of the Government in the enforcement of this explosives act, and I asked that he send a man over to talk to Elmer and without agreeing to anything I will put it up to you, but he is going to have FBI in on this thing and I told him anything

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that we could do, that it was practical for us to do, that we would be glad to do it.

H.M.JR: Well, I don't want, again, Treasury people working for any other Department without going over my own desk.

MR. GASTON: That is right. I am going to check with you. This other thing, though, was just a mere matter of checking our own records. It wasn't doing any work for them.

H.M.JR: Harold, if you would give me a minute to call up New York.

April 6, 1942
10:15 a. m.

DEFENSE SAVINGS BONDS

Present:

Mr. Foley
Mr. Blough
Mr. White
Mr. Callahan
Mr. Houghteling
Mr. Kuhn
Mr. Buffington
Mr. Bell
Mr. Graves
Mr. Haas

H.M.JR: Now, look, gentlemen, we might just as well call a spade a spade. I have been doing a lot of thinking over the week end. As you people know, there is a big drive on for forced savings, and as far as I can tell the Treasury practically is by itself in opposing it, which means me, as far as the outside is concerned. Now, what I have decided is, before I say to the President of the United States and the leaders of Congress on the Hill, "Will you give me an opportunity to go ahead for the next three months and see if I can get up to a billion dollars in July out of current earnings?" and have the President say, "Yes I will oppose the wishes of all the other department heads and Congress." And then have me go to Congress and ask the leaders of the House and Senate will they refrain from such legislation, I have got to get much, much more reassurance than I have now and I haven't got it. We might just as well call a spade a spade.

When I go to the President and say, "Now, I want to put on another tremendous campaign and have it the first one which is going to be a success," because every other one so far, the aluminum and junk, and the gasoline and everything else that they have put on a popular campaign for so far has been a flop for one reason or another - now,

I mean, if I go to him and say, "Mr. President, I can get you a billion dollars worth of current earnings by July," I want to be about seventy-five percent sure that I can make it.

MR. BELL: You ought to be more than that, I should think.

H.M.JR: Well, I was trying to be fair. Now, let's just start it with labor, for instance. You remember I told you to speak to Houghteling Friday. Have we any assurances from the labor people that they are going to just take off their coats and go to work and see that their members deduct ten percent of their gross salaries? I would like to ask Houghteling that.

MR. HOUGHTELING: No, we haven't any such assurance now.

H.M.JR: You haven't? Have you any that they won't do it?

MR. HOUGHTELING: No.

MR. BELL: In other words, no percentage has been put up to them?

MR. HOUGHTELING: No percentage has been put up to them yet. I was going to see Mr. Green and Mr. Murray as soon as this letter was ready. I think I can get you an answer very promptly.

H.M.JR: Well, certainly before I go to see the President or before I sign the letter I want to know. I would like to know, hasn't Green stuck his neck out on forced savings? Hasn't he made a commitment?

MR. HOUGHTELING: On forced savings?

H.M.JR: Yes, or time and a half. Hasn't he said something?

MR. HOUGHTELING: I don't--

H.M.JR: I don't know. There is so much in the papers it is hard to follow.

MR. KUHN: Isn't that the Carey suggestion you are thinking of, Carey having indicated that he might favor payment of overtime in bonds? That is the only one I have heard of.

H.M.JR: George Haas, how much money on that plan there do we have to raise through current earnings, how much of the thirty-nine billion would have to come in current earnings?

MR. BELL: The twenty-six billion figure?

H.M.JR: Well, there is a thirty-nine deficit, isn't there?

MR. BELL: Yes.

H.M.JR: Isn't the deficit thirty-nine?

MR. BELL: That is the borrowing for '43. Twenty-six billion is the one that is the figure.

MR. HAAS: That is the estimated savings if nothing is done, if things continue as they are.

H.M.JR: Are the savings--

MR. HAAS: Under present conditions, if the trend continues. In order to take the inflationary pressure out of the situation, in addition to what you would do on top of what would happen under present conditions, you would have to raise another eleven billion dollars. That is the so-called gap, eleven to fifteen billion.

H.M.JR: Say that again, George.

MR. HAAS: If the present situation is projected into fiscal 1943, the present saving habits and patterns

and so on, we estimate there will be twenty-six and a half billion dollars of savings.

H.M.Jr: If nothing is done?

MR. HAAS: If it continues as is, but to take the inflationary pressure out, on top of what you would get under your present operations, you would have to get eleven to fifteen dollars more out of current earnings.

H.M.Jr: Or a total of--

MR. HAAS: That takes up the whole thirty-nine.

H.M.Jr: Well, you have got twenty-six billion of savings, is that it?

MR. HAAS: Savings, yes.

MR. BELL: And you have to get them all.

H.M.Jr: And then they are talking about ten to fifteen more, is that right?

MR. HAAS: Yes sir. Of course we have these--

H.M.Jr: And this is over and above the tax bill?

MR. HAAS: Under the present thing, with the taxes in, with the new nine billion that is in the budget, you still have to - these are in addition to that.

MR. BELL: And of that twenty-six billion, as I recall, seven billion is Savings Bonds.

MR. HAAS: About eight, wasn't it, eight two or something like that? You are right, out of the twenty-six.

MR. BELL: And the inflationary was one something.

MR. HAAS: That is right.

H.M.JR: Well, George and Dan, let's give these men the quota and then let's see--

MR. HAAS: What you would have is, really your quota ought to be nineteen something.

H.M.JR: What?

MR. HAAS: We are assuming under present conditions you should sell from real earnings about seven billion dollars. Now, to cut down the inflationary pressure, you would have to increase that at least eleven billion dollars, which would be eighteen billion dollars for fiscal '43 from Savings Bonds.

H.M.JR: Eighteen billion?

MR. HAAS: At least eighteen billion. Some people think it should be four billion more than that. You wouldn't have to do it right away, but before the year is up.

MR. KUHN: Assuming rationing or not?

MR. HAAS: Assuming the situation without any more rationing than they have at the present time, just the piecemeal rationing, assuming that you could sell seven billion dollars of bonds out of current earnings, but if you have an extensive rationing scheme of course it would facilitate the sale greatly. As a matter of fact, I think it is impossible to sell another - I mean, nineteen billion dollars unless something very extraordinary is done, very extensive rationing or compulsory savings.

MR. BELL: It doesn't mean necessarily you have to sell them Savings Bonds, but you have got to sell them - get the savings.

MR. HAAS: That is right. You have got to get the savings. You may get the bonds or you may sell to consumer credit agencies, like C.I.T. people paying off

consumer credit and then you sell them regular market issues.

(Mr. White entered the conference.)

H.M.JR: Well, but you made the statement, George - let's get this thing straight - you made the statement that that eighteen billion would have to be War Savings Bonds.

Mr. HAAS: Well, that was a misstatement. The Government would have to acquire that much from real savings. Now, it wouldn't all come through the Savings Bonds.

(Mr. Blough entered the conference.)

H.M.JR: So that everybody gets the thing, I want to make this statement very clear and get everybody's brain on this thing. It does a lot of harm if we miff it. What I am trying to do is this. As you gentlemen know, we are talking about saying over my signature to the forty-four thousand corporations in this country, that I expect them to help us deduct ten percent of the gross earnings of the workers of this country. We have not yet put this thing up to either Murray or Green so we don't know where they stand, and if I can be sold on it myself, which I am not yet, then I want to put it up to the President of the United States and then I want to put it up to the leaders of the House and the Senate before I go; because I am not going to get just nicely started and then find there is some legislation going through and have this thing caught between hell and high water. Now, on the morale side, personally - I would like you to listen to this particularly, Harold - if the thing could be done with a good assurance of success and a million or two million volunteers in this country could be given an outlet for their energy, which they are all crying for today, people are crying to do something, if it can be done it would be grand and I would love to go to the President and say, "Look, Mr. President, I have got the answer for these millions of people who

want to do something and can't find an outlet for their energy, and until you need them in the factories and have got a place for them, here is something that they can do, a house to house sales canvass on this thing." But I don't want to go to him unless I am - I said, "Seventy-five percent sure," and Dan says it is too low, but I am pretty damn sure that if we start on this thing with a million or two million people doing this thing that we come out at the end successful, obtaining the objective, which I don't think is yet clear, what we want to get. When you hear what the objective is, you fellows may throw up your hands, but as I told them before you two gentlemen came in, I am the only person, practically, holding any position of responsibility who wants to continue this plan as opposed to forced savings. Of course, the nice easy way is forced savings. That is the purpose of this meeting.

I want to again go over this thing so Blough and White can hear this thing once more and put their brains on this thing, plus everybody else. Now, George, once more, let's go through what your statistics show of what we have got to do.

MR. HAAS: These are subject to revision, but they are approximate.

H.W.JR: Well, approximately, for fiscal '43.

MR. HAAS: We estimate for fiscal '43 that savings, that is both personal and business savings, would be twenty-six and a half billion dollars and that there is an inflationary gap of about eleven to fifteen. In estimating that twenty-six and a half, it assumes existing - a continuation of existing habits and pressures. In other words, the existing situation. No great increase in rationing, just a continuation of the present trend. In that figure of twenty-six and a half billion we estimated from those savings about seven billion dollars would come through the Savings Bonds. Now, you have got this gap of eleven to fifteen billion. It doesn't mean that you have to increase your Savings Bonds sale eleven to fifteen billion. As a matter of fact, if the

savings stayed idle in a mattress or something you wouldn't have any - you could sell it to the banks and the bank borrowing would not be inflationary. So it is difficult to say that - how much the increase - of course if it was all taken up then you would know, you would have met the problem, but it is unfair to say that that seven has to be increased up to eighteen in order to close the - I mean to take all the inflationary pressure out of the situation.

H.M.JR: But George, let's get down to brass tacks. You have lived with this now and then I will ask bell or anybody else. How much do you think I should tell Harold Graves I want from current earnings during fiscal '43 based on all the figures that you have if the situation is as it is today?

MR. HAAS: No change in rationing or anything?

H.M.JR: Well, let's say first no change in rationing and then we will change it.

MR. HAAS: Well, I don't think the situation can be controlled without some change in rationing. I don't think the fiscal side could do the whole job.

H.M.JR: well, George, you have got three pies there. Give it to me on a one, two, three basis.

MR. HAAS: Well, I would say if you started in and met - I mean, these are subject - you would have to make revisions, but you shouldn't go immediately to the full limit. I would say in July if you reached sales out of current earnings of a billion a month, that would be enough up to that time, and I think that checks more or less with Gilbert and the other people. It gives them their increase that they were asking for in forced saving only you are getting it voluntarily with some promotion attached to it.

H.M.JR: A billion in current savings?

MR. HAAS: A month, if you reach that by July 1. I think that would come very closely to their estimate of what - their addition that they wanted to get by

compulsory saving.

MR. BELL: Well, they were talking about five billion, you mean?

MR. HAAS: Yes. Well, that is about what this is, isn't it?

H.M.JR: Let me just check with Blough. Blough, do you agree with that or not?

MR. BLOUGH: As of the first months after July 1, yes.

H.M.JR: Do you want to go beyond that? One month doesn't do me much good.

MR. BLOUGH: For the first three months after July 1, that is substantially right, but as you get beyond September it is much too low, according to our figures.

MR. HAAS: Yes.

H.M.JR: But July, August, September--

MR. BLOUGH: It is probably a little low even so, but it is within the range of probability.

H.M.JR: And we are both talking about the same thing, current earnings?

MR. BLOUGH: Current earnings. A million a month, as I understand, means an increase over the present situation of at least half that amount.

H.M.JR: Oh, three times.

MR. BELL: Two and a half.

MR. BLOUGH: So that about two-thirds or three-fourths of the billion would be actual increase, is that right?

MR. HAAS: That is right.

MR. BLOUGH: Then I should think that would be enough.

H.M.JR: How much would be increased? What did you figure we did in March, current earnings?

MR. HAAS: What is it, about four something, isn't it?

MR. BELL: Four-forty, isn't it, Harold?

MR. GRAVES: Total sales was five-fifteen.

MR. BELL: I mean, "E" bonds.

MR. GRAVES: "E" bonds was three thirty-seven.

H.M.JR: I said you have got to triple it.

MR. BLOUGH: Well, tripling it should be ample for that particular period, assuming it comes out of current earnings.

MR. BELL: With no additional taxes, just savings?

MR. BLOUGH: Well, of course that was based on the assumption we would get out tax program and Social Security. Now, we probably will not get Social Security.

MR. BELL: This program includes the taxes recommended in the budget.

MR. BLOUGH: That is right.

H.M.JR: Harry?

MR. WHITE: Well, I think it is on the low side, and I agree with Roy and George that it is all right for July and August, but before the end of that fiscal year it would have to be stepped up pretty substantially

beyond that level. The reason why I am inclined to think it is a little on the low side is because if you are going to get the bulk of that increase from withdrawals from salaries, then I don't think it is - I think it is all right, but if you are going to get - if the billion dollars represents the total, I think it is a little bit on the low side.

MR. HAAS: Oh, sure, absolutely, but the Secretary is talking--

MR. WHITE: I mean of "E" bonds. I mean, if that billion dollars represents withdrawals from wages and salaries up to three, four, five or six thousand dollars, I think for July that would be all right.

H.M.JR: Well, that is what I am talking about. I want to get this over.

MR. WHITE: But then the total of "E" bonds would have to be more than a billion, maybe a couple of hundred million more, and it would have to increase from then on.

H.M.JR: Dan, do you want to say something before I put it up to Harold?

MR. BELL: No. I am not so sure that we can't consider, though, that whatever we get out of "E" bonds is all from savings.

H.M.JR: You think we can?

MR. BELL: Oh, I think we can. I think that a larger part of "F" and "G" are now coming from savings.

H.M.JR: Well, I was going to say - these boys haven't sat in on this. If you consider "E" bonds a hundred percent savings, you can do that, because out of the "F" and "G", of which you will sell two or three hundred million, it would be safe to say that - what percentage of that would be - come from savings - I mean earnings?

MR. GRAVES: Well, I would suppose not any great percentage. Dan apparently differs. I have assumed that no great percentage of "F" and "G" bonds comes out of current income.

MR. BELL: I should think that after you pass January, when the people have an opportunity of going in for the full limit, that a great part of each monthly investment would represent current earnings.

MR. WHITE: Are we talking about the same thing? I don't think it is so much a question of saving out of current income. I think probably Dan is right that some portion of the other bonds is saved out of current incomes, but I think what the objective is, is to cut expenditures. Is it saving out of funds that would otherwise be expended. That is the point, not the other. Because what you have got to do, we agreed, was to cut spending that would otherwise take place by something around eight billion, eight or ten billion, and a man may save out of his current income in the high brackets but it is money he wouldn't spend. You have got to push him further than that.

MR. BELL: Don't you think that an over-all limit of a billion and a quarter a month for the first three months of the fiscal year and then up it maybe from there on would solve the problem?

H.W.JR: How much?

MR. BELL: A billion and a quarter over-all for the three series of savings bonds for the first three months of the fiscal year. That is our goal. Don't you think we would be hitting the problem pretty well? From there on we would have to set the goals maybe a little higher, depending on what the situation looked like.

MR. WHITE: You certainly would be making a big dent in it.

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H.M.JR: I am trying to do two things here. My cards are all on the table. I am first trying to get the thing before I come to Harold and then this discussion - you people haven't heard this thing, so you don't know what our problems are, but I want the people like White and Bell and Blough and Haas and these other economists to be satisfied in their own mind that if we do a billion and a quarter or whatever it is, they can say in the Treasury, "Does that take the place of forced savings," you see. I mean, when you three men go against the other gang, I don't want you to have to pull your punches. I want you to say, "If the Treasury can do a billion and a quarter for July and August and September, give them a chance." That is what I want to be able to say to the President and the leaders on the Hill and the labor union people, but I want to try this morning to decide what is that figure, and then we will say to Harold, "Well, can you do it?" Then he will put his neck on the block, with his men here. But I am not ready yet. I mean, I have never put it to you, see. I have been doing a lot of thinking over this week end.

MR. WHITE: The trouble is, I think that even though you might not be able to blame the lack of savings, that if you continue to have price rises, either by virtue of the failure of the rationing program to take an adequate scope or by failure of the tax program to increase enough, whatever the reason may be, they will be inclined to allocate the blame upon the lack of savings, because that is the easiest thing to point a finger to and it is the easiest thing to put into effect. Therefore, I think that we have got to be a little more cautious than we would otherwise be.

H.M.JR: Well, Harry, I have got beyond the point that I am - if I think I am right I am not going to worry about whether I get blamed or not, but I am trying just for the moment - now, Dan says a billion and a quarter. Let's use that figure. A billion should be "E" bonds.

MR. BELL: Yes.

H.M.JR: Let's say that. A billion and a quarter,

of which a billion - let's just go around here.

Dan?

MR. BELL: I think that is a good start.

MR. HAAS: That is o.k.

H.M.JR: Roy?

MR. BLOUGH: Well, let me put it two ways. First, I think that gives you more withdrawal than the program which the compulsory saving boys have been talking about thus far - and in the second place, I think it is giving us these other things and it is enough for the first month or so after July 1. I think it is greatly inadequate beginning in September or October.

H.M.JR: Harry?

MR. WHITE: I honestly don't know. I think it would be a splendid record if you could get it, and it has certain great advantages for morale building, but I have a little doubt. A billion in "E" bonds, that may represent as much as three-quarters of a billion of - I think it is a little low but I would like to do some more figuring. I would put it this way. Certainly nothing less than that would do and if you did that much you would have taken the biggest bite out of the job. There isn't - what is left is certainly not serious, but I question whether it would be enough to meet the bill, but I think that Roy's point is very well taken. It is greater than what they have suggested.

MR. BLOUGH: And I would like to amend my remarks to this extent, to agree with you, Harry, that I am assuming that this increase is to come from the lower income levels, from salaries and wages predominantly, because otherwise it doesn't turn the trick.

MR. BELL: Well, in order to get the quota you have got to concentrate on the corporations and the wage earners. That is where your program is going to be.

H.M.JR: Well, I wanted these men to listen to what

kind of money we want. I mean, just money isn't going to satisfy these people and we have got some very smart people in Washington here who are all opposed to this. Now, just looking for me to trip, they are, and break my neck and they will put plenty of things in my way to help break my neck if they can get a chance.

I want you to - just giving me a billion and a quarter isn't going to satisfy me. Now, if between now and July we can get some rationing, that all helps. On the other hand, so that - my proposal to the President was, all I want is, "I would like to demonstrate that we can do this in July and if we can't the records will show it. We can't fake it and you will know. This isn't something that I want you to hold off." You know, I told you that, Harry.

MR. WHITE: Yes.

H.M.JR: We either can or can't make this record in July and if we can't, let's go to forced savings.

MR. WHITE: As you say, it is a figure that is obvious to everybody.

H.M.JR: We print it every day and we can't talk about two months from now we are going to do sugar or we are going to do fuel oil or we are going to do coal and then nobody knows what the figures are and somebody says there are not the tank cars, somebody else says there are. Somebody says there are barges, somebody says there aren't. Somebody says we are going to build a pipeline and somebody said we are not, and somebody said we are going to have sugar rationing and the next day they say they are not. With us, we print the figures that are right there so everybody knows what we are doing. We here in the Treasury, even if we wanted to, can't fake.

MR. WHITE: What we would like to do also, but it needn't in any way delay your decision as to getting together with all these men who feel that way and see if we can come to an agreement as to what they regard as the amount of voluntary savings that is necessary to do the trick. I mean, it needn't delay the decision but let's get that positive statement on their part.

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H.M.JR: If they will give one. Now, having arrived at this - should you (Blough) go back to that meeting? I have got what I want out of you, but would you like to hear Harold Graves' answer?

MR. BLOUGH: I would, because I think there is such a thing as voluntary and voluntary.

H.M.JR: All right. Now, Graves, you have heard these boys. Now you talk.

MR. GRAVES: I would like first to ask Mr. Blough this question. How much is involved in this forced saving proposal that is under discussion? At this meeting the other day I seem to recollect the figure of two billion dollars a year to come from forced savings.

MR. BLOUGH: Well, they have been throwing around figures. The minimum figure from forced saving that has been talked about is between two and three billion dollars. The maximum is six billion dollars as of the first part of the next fiscal year. Those are the two - the minimum and maximum figures I have heard. The maximum, not because they wouldn't like to see more, but because it seemed about as much as they could hope to ask for, and the minimum tied in with a tax program so that five or six billion dollars would be your figure.

MR. BELL: The over-all figure was five or six billion dollars split between additional taxes and additional savings.

MR. BLOUGH: That is right.

MR. BELL: If the Secretary gets all of it through savings, then we will need no additional taxes.

MR. BLOUGH: So far as its effect on the inflationary situation is concerned. Some of them think the taxes would have more effect than the savings, but - in fact, all of them think that, but--

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MR. BELL: That five or six billion dollars was based on the fiscal year 1943.

MR. BLOUGH: That is correct, and, of course, we have--

MR. WHITE: We said we thought that was completely inadequate.

MR. BLOUGH: We have felt that any forced saving plan of that kind, to anticipate what I expect you to say, would probably lose as much as it would gain, or pretty close to it, so we don't consider their proposals adequate at all.

MR. GRAVES: Did I understand you to say that that was supposed to be the maximum that could be agreed to?

MR. BLOUGH: The eight billion dollars is what they would like to see put into operation as of the first of the fiscal year.

MR. GRAVES: For the whole fiscal year '48?

MR. BLOUGH: Some of them take the position it ought to be stepped up in the course of the year.

MR. GRAVES: I would like to ask Mr. Haas, too, what his estimate of the wage account is for the whole country, I mean industrial, commercial employees. Is it about fifty billion?

MR. HAAS: I think it is over sixty.

MR. GRAVES: I think the answer is bound to be no, applying the test that Harry White gave, which I agree with, that is, the measure of whether this comes from the right sources or not. It is this. Is it money which if not invested in Defense Savings Bonds would be spent, and I don't think anybody could say that out of voluntary plans we can ever realize a billion dollars a month of that kind of money, money which if not invested

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in Defense Savings Bonds would be spent.

MR. WHITE: Well, I think to make it a little more specific, if you could get ten percent of that wage and salary, that would be six billion dollars.

MR. GRAVES: Yes, but that wasn't the question. You are now varying your standard. The question put up to me is, can we raise a billion and a quarter a month, of which a billion is to come from--

MR. WHITE: I was going to say that if you raised that six billion that way, then I believe that most of us would feel that it would probably reduce expenditures by America as much as four or five billion dollars.

^{Graves}
H.M.JR: That isn't the question we are talking about, Harry. The Secretary has asked me the question, as I understand, would we have any assurance that beginning in July we could raise a billion and a quarter dollars from the sale of Defense Bonds, of which a billion would be the kind of money that you described, money which if not invested in Defense Bonds would be spent.

MR. WHITE: Well, I was just giving you the obverse of that, which I think possibly helps to grasp that, that even if you were successful in getting ten percent of that money, that you would be successful in reducing expenditures on consumers goods by possibly as much as four and a half billion dollars. That would not be adequate, because the figure we have is closer to eight, but it would be a very, very substantial bite, and maybe as much as you could--

H.M.JR: Well, I think Graves has brought out a very interesting point; and as I say again - my apologies to the other people, but I wanted to be very frank, and I didn't know some of them. I think what we have got to do is get the forced savings group - how much forced savings - now quit fooling around, do you want two billion or six billion, how much are you talking about, you see,

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of forced savings, and then how are you going to get it?

MR. GRAVES: And do you have a chance to get Congress to agree to the plan?

H.M.JR: But I mean, what kind of legislation. Let's take - I suppose to me the most honest of the advocates of this would Hansen, wouldn't he?

MR. WHITE: I am sure he is quite honest. There are a lot of others.

H.M.JR: But I mean, he presents the case the best.

MR. WHITE: He hasn't been talking in terms which represent magnitudes that we think are practical. I think if the problem were put up to him, he could very easily give you an answer.

H.M.JR: I think the thing to get is how much does this group, Lauch Currie or any of these people, say - I don't know where Henderson stands - of forced savings that they are going to fight for as a minimum and how are they going to get it. Do you know how they are going to get it?

MR. WHITE: No, I don't. I think it is well to ask them, but I still think that is our problem.

H.M.JR: Whose problem?

MR. WHITE: Your problem.

H.M.JR: Our problem?

MR. WHITE: Yes. I mean, if you are convinced that the voluntary might not be enough, and I don't say you are convinced of that yet; but then if you are, it seems to me we have to look for alternatives.

H.M.JR: Well, I take it somebody has thought of how they are going to do this thing. I mean, one minute they say from two to six billion. Let's use the top figure.

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MR. WHITE: Yes, they have been very bad in this, I think. They haven't yet given the kind of answer that you want, and I think they might well be asked that question.

MR. BLOUGH: That is right.

H.M. JR: Let's ask them, "What is the figure - now, be fair with us, because we want to set a figure against that, you see." I mean, they may come back with something quite different, but I think the point Harold has raised is a very practical one and a fundamental one. The advocates of forced saving - how much are they talking about? Now, if they are talking about six billion a year, that is five hundred million a month.

MR. GRAVES: I would say we can exceed that with voluntary - that is, our "E" Bond voluntary should, in my judgment, be half as much again as that, throughout the fiscal year '43. That would be what we would shoot at, seven hundred fifty million a month from the "E" Bond on the average, which is what I had in mind.

MR. BELL: It is more than you are getting now.

MR. WHITE: They may say the fifteen billion is necessary in forced saving, but they can't think of any practical way to get it. They can only think of a practical way to get, let us say, eight or ten billion, in which case, why go to that? You can meet them on a voluntary basis.

MR. KUMM: I think Harold made another point, which was that there is more to this than a mere comparison of the figures in the compulsory savings group and the figures here. In their case, they don't know at all that they can get Congress to put through any such legislation.

MR. WHITE: I don't think that is the criterion. I think there is the difference which you (Graves) refer

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to and which you might be willing to sacrifice some savings in order to maintain voluntary savings, namely, the psychological, the morale consequences. You are willing to pay something for that, but the question of the ability to get legislation, I don't think, is our concern.

MR. GRAVES: I would like to ask if there is any necessary inconsistency here. What I have in mind all the time what that if you would let us go on this quota basis, that by July we would know. We would know. It is highly speculative, it seems to me, until we try. I don't think there is anything inconsistent with our taking a shot at this thing on a quota basis; and if by July we should concluded that it is not going to be effectual, all right.

H.M.JR: I can answer that. The trouble with that, Harold, is this. Let's just say after they go around, this group comes back and says, "We have got to have a billion dollars a month, see." Let's say that they have a good case, that they could first sell themselves. To me this is one of the most important meetings I have participated in as a result of having a day or two to think. Well then, you and I and the people that we have associated with us don't want to go out and ask for three months and lose three months' time if we know we are going to be licked. It isn't just a question of saying, "Now you run down Pennsylvania Avenue and see how long it takes you to get to the Capitol." Now, we don't want to just take a trial run for the fun of burning it up and having - knowing all of this time that there is this whole group who wants to fight inflation just the way we do and who think that you have to do a certain job. Now, I go to the President and say, "Look, Mr. President, it is one thing for me to say, "Look, Mr. President, let me see how good I can do between now and July," and his perfect answer is, "Is it good enough?" and I say, "I don't know," but if I say, "Mr. President, your forced savings group wants so much for July, and I feel that I have an excellent chance of giving you the same by volunteer savings, and I am asking and recommending

that you give me this chance," the chances are two out of three he will say, "All right, I will," because the thing which I have thought out over the week end which I think gives a - assuming that we can do as well as the forced saving group, you see, as well, that if for the next two or three months the OCD crowd and ourselves and all the other volunteer organizations could join forces, I really think we could do the thing that the President is groping for. One Army parade isn't going to do it or one Army day. He wants this country stirred up. Now, how the hell are you going to stir this country up for the next three months? Well, this is the best way I know of. This is a magnificent way. But I don't want to do it saying that we will do the very best we can; and then when we get through this other group say, "It is no good because you only got half as much money as you need." In other words, if we do it and get the money, then I want this group to say, "Fine, that is good and we will go along and help, and we won't be undercutting you and undermining you at every stage." Do you see it? And I think you - I am sure you will agree with me that you don't want to be licked before you start by these people.

MR. GRAVES: There is this other side to that. I don't know what - I suppose no one knows certainly what chances there would be that Congress would approve at this time legislation for enforced savings. Certainly if it is to be on the basis of the discussion which I heard the other day, the whole thing is too small in dimension to be worth bothering about. If it is to be anything like the figures that have been mentioned in this meeting, then I would say there is grave doubt whether Congress would approve forced savings.

H.M. JR: That is why I said that first I want to get the President's approval as to the plan, and then I want to go and sit down with the--

MR. GRAVES: Forced savings people.

H.M. JR: No, I want to sit down with the leaders of Congress, having a spokesman of the forced savings people with me, who should be Henderson, and go up and

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say to these people, "We have got this thing, and we are ready to go; but before we start, we want to know, have we got the Congress behind us, is this what Congress wants, will you back us up, will you give us a chance?"

MR. BLOUGH: Everyone of the forced savings people that I know anything about feels strongly that the voluntary savings should be pushed very hard.

H.M.JR: Roy, but the minute you do forced savings, then you kiss the volunteer thing good by.

MR. BLOUGH: I think that is right in the withdrawal from payrolls.

MR. WHITE: As far as quantities are concerned.

H.M.JR: No, it gets down to being--

MR. WHITE: Very small. It shrinks.

H.M.JR: It is a side show.

MR. BLOUGH: I think the significance of the point, through, may be this, that in this time we - suppose you decide you wanted compulsory saving.

H.M.JR: Have you got a meeting, Harry?

MR. BLOUGH: He is in with us.

H.M.JR: More important than this?

MR. WHITE: No, you are coming to a conclusion, and I think you have arrived at a very significant conclusion.

H.M.JR: Is the forced savings group in there ?

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MR. WHITE: Yes, part of them are.

MR. BLOUGH: We can take this question right in to them from here.

MR. WHITE: I think Harold is right about--

H.M.JR: Excuse me. I want Leon Henderson on the line. I won't take anybody else's word. I want Leon Henderson himself.

MR. WHITE: Well, we will give you the results of what his group says, and then you can check with him.

MR. HAAS: It seems to me that you need not, Mr. Secretary - I think it is probably what you had in mind - you need not only the figures, but the exact technique of how they are going to handle it. What they are asking for is five or six billion in addition to what is happening now. If you just put in some legislation for five or six billion, you won't get a net increase of that much in the saving, and you will lose your voluntary in addition to it.

H.M.JR: Say that again.

MR. HAAS: If you just enact legislation for five or six billion dollars compulsory saving, you will not get a net increase of that amount.

H.M.JR: No, you are going to lose the voluntary.

MR. HAAS: You are going to lose the voluntary in addition to that. But maybe they have a technique for handling that. Of course one technique is to make it so big--

H.M.JR: You know damn well, they haven't.

MR. HAAS: I haven't heard of any. The other thing is this, that when you work - this is a very difficult problem. In view of the type of securities we have outstanding now, we have these demand obligations out. When the pressure goes on, say that they meet this situation. They want five or six and there is so much voluntary and they include the voluntary in their compulsory figure so then they wouldn't have to worry about the voluntary. But when you do that you have got this other problem. You have got demand securities out. You put pressure on people, and they will save this and cash the others and spend it, you see. It seems to me it leads you right back to rationing.

MR. WHITE: There will be about ten billion dollars of this voluntary savings in the Defense Bonds outstanding which will form the big reservoir and which, if you push people hard, they can turn to unless you stop redeeming them, which I gather would be unconstitutional or unless the lawyers think there would be a way worked out to freeze that even if they do redeem it, but it would be a very difficult problem.

MR. HAAS: Rationing will do it, Harry.

H.M.JR: Harry, don't rush over that so lightly. That would be a terrific thing.

MR. BELL: When you have forced savings, you have almost got to freeze your savings bonds.

MR. WHITE: And you also have to freeze your other things.

H.M.JR: Well, I know Harry White and Blough have

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had a new look at this thing from our standpoint, so to speak, the volunteer standpoint. You see it clearer now than you did before, don't you?

MR. WHITE: Yes, I think so.

H.M.JR: Now, you fellows go on back to that meeting, and I have got nothing as important as this, and I am going to stall the whole thing, see, letters and everything, Harold.

MR. GRAVES: All except Callahan. He sent out notices to thirty-three hundred people last Saturday, I think, didn't you?

MR. CALLAHAN: Yes.

H.M.JR: What did he tell them?

MR. GRAVES: Telling them we were going to announce quotas on the thirteenth.

MR. CALLAHAN: That is right.

H.M.JR: Well, that is a lifetime. But I mean the thing I was going to send out tomorrow to the corporations - White, tell the boys you are talking to we thought we would announce this quota plan on the thirteenth.

MR. WHITE: We can get quick action, don't you think?

H.M.JR: The thirteenth is next Monday, and I wanted to start next Monday.

MR. WHITE: Well, they should have thought enough about the problem, I am sure, so they would be able to give a specific enough answer for your purpose within a couple of days at the most, if not sooner.

MR. BLOUGH: Isn't it perfectly clear, Harry, that there is no point going into this compulsory saving unless you are prepared to go into it as a great big thing and forget the voluntary from then on?

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MR. WHITE: Of course. That is what we told them and that is why we tried to stop them, and that is what I told Henderson when he went before the Committee to come out for compulsory saving, I told him he was talking about magnitudes which are absurd from the light of his own objectives. I think Harold is right. What you are liable to get in Congress is not anything that is adequate but something that is a gesture in the direction of compulsory saving.

MR. GRAVES: Which will at the same time be apt to kill the voluntary saving.

MR. WHITE: It would, mostly.

MR. GRAVES: That is my fear.

H.M.JR: I could go to the President and paint a picture to him of what I know this organization could do in three months' time in getting the country aroused through this vehicle, and I am pretty sure he would say yes, but I am not going to do it until I can either be satisfied myself that we can't raise the money necessary to satisfy these people or we should satisfy them that we can do it better than they can. But one way or the other, this thing ought to be settled.

MR. WHITE: Well, I think the fact that Congress may not give you what you want, if you decide on compulsory savings, I don't think that constitutes a reason why you shouldn't fight for what you think is adequate. I still think we ought to get their answer and see whether you can match it, and then we ought to examine whether--

H.M.JR: That is all I am asking. What I am willing to say is, unless I can do as well, leaving all of the trimmings off, the morale side, unless I can do as well, I don't want to do it. You can tell them that. The net result. Unless we can do as well. And then whatever we can get for morale, that is just on the plus. We will just add that.

MR. BLOUGH: Well, you would want to try for all you

can get anyway, wouldn't you, because the question of getting that legislation through is problematical.

H.M.JR: I decided Saturday and Sunday I am going to bring this thing to a head this week, and I am going to put the President of the United States on the spot as far as I am concerned and all these other people and get a decision this week. Thank God I had time to think this thing out so that Harold and I don't have to go to Wake Island. (Laughter) I am going to force a decision this week, which way are we going to go for the next three months, compulsory savings by asking for legislation now or is Mr. Roosevelt's Administration plus the Congressional leaders going to say, "We will give the Treasury a chance for three months to see if they can accomplish the figure that everybody agrees is what we need," but I am going to force a decision this week before I go out on the end of a limb or put my people on the limb.

MR. WHITE: I think you are wholly right.

H.M.JR: See?

MR. WHITE: Wholly right.

H.M.JR: And that was the purpose of this meeting. I am not going to go out, and I am not going to let my people go out. He (Callahan) can put on the finest radio show in the world and get the most wonderful thing and then at the end they will say, "He is only getting half what we said he should get." Why should this man (Callahan) risk his reputation? He has got a swell reputation. But if I tell them I want so much and he gets it, then he is willing to fight for it. Isn't that right, Vince? But you are not going to fight for a thing when you know you are licked before you start, or if in the middle of the campaign the President is going to send a message up for forced savings, in the middle of our campaign. I wouldn't put you on that spot, and that is the way I arrived at it over the week end. There is no use going to the labor leaders either until we find out. This crowd, the Bureau of the Budget, Eccles,

Henderson, I think Wallace, they have all got to be seen, and their satellites.

MR. WHITE: And if they agree with you, then for three or four months you have all the sniping off and everybody is pushing the program.

H.M.JR: That is right.

MR. WHITE: I think that is the thing to do.

MR. BELL: This figure is going to be different, isn't it, Roy, from the way you approach it?

MR. BLOUGH: Quite.

MR. BELL: Six billion dollars may be the figure they have in mind, but that includes taxes which they would contend would be more effective than savings.

MR. BLOUGH: Well, they differ among themselves to some extent. Gilbert thinks that the six billion dollars in forced saving would be all right and the Budget people would like to see it split, taxes and forced saving, and are inclined to view the taxes as more effective, as I understand it.

MR. WHITE: I think there is one other point that should be mentioned though. We have mentioned it a number of times. It is in the back of all of our minds. That is an alternative to forced saving. Forced saving is not voluntary saving. There is a third possibility which could go along with voluntary saving; and, even if voluntary saving doesn't make the grade, it doesn't matter. It is still, whatever you get - that is a proper system of rationing. Then you don't have to get a billion a month.

MR. HAAS: I think that is the answer.

MR. WHITE: And it is very satisfactory, so that the two are not the only two alternatives.

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MR. BLOUGH: I am really inclined to think that is the answer we are coming out with.

MR. HAAS: Sure, because how are you going to control past savings except through rationing.

MR. WHITE: Freezing.

MR. HAAS: I mean you have to freeze them or something.

H.M.JR: Yes, but if you go to the full rationing and then let us go along on our volunteer basis, those two things could go hand in hand, but your rationing and your forced savings wouldn't. They might.

MR. WHITE: They would, but they wouldn't be nearly as desirable as a program of the voluntary saving.

H.M.JR: But the thing that you people want to remember is that this organization for the moment - I hate to say it in front of them, but it is true - it is the best morale organization in the Government at the present time. The President has been kind enough to say we have got the best radio program, and if we could go and make this thing really a big national thing and put every volunteer to work that wants to for the next three months and give them something to do, but that is one thing, but these people should consider that, that when they do the other thing they are going to kill this thing and this thing will just fold up. They should remember that.

MR. KUHN: They don't usually.

H.M.JR: There is nothing to take its place.

MR. KUHN: They don't usually think of it in these discussions of compulsory savings, and they don't even think of the net effect there of killing voluntary savings.

MR. BLOUGH: They recognize there would be a loss in the bottom brackets, but they sort of have the feeling

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that the loss you get in the upper brackets doesn't count anyway.

H.M.JR: Another thing I have arrived at over the week end, it is very interesting. Everything that these people want to do hits the man at the bottom of the ladder. They want to lower the brackets, they want sales taxes.

MR. BLOUGH: They are consistent in it. They think that is the place where you will have to hit it.

H.M.JR: But everything that they want to do is at the bottom of the - the lowest strata of society.

MR. WHITE: Three things, freeze wages, lower exemptions, and sales tax.

H.M.JR: Freeze wages, sales tax, and lowered exemptions. I mean, you bracket them and there they are. And kill the voluntary plan and everything that goes with it, and I also say in this room, we have got the best relationship with labor that any Department has in the Government. And they kill that. Well, you fellows have got the other meeting, and you go in there and you might stay for a little meeting following this, Harold.

MR. GRAVES: All right.

MR. BLOUGH: You would like to have us get the answer from this group?

H.M.JR: I will drop anything I am doing to meet with them, but I want to meet the principals. I want to meet Eccles and Henderson. I want to meet Wallace. I want to meet the fellows at the top.

MR. WHITE: Well, we can get it from the fellows at the bottom, and you can check with the fellows at the top.

H.M.JR: So that they will say they will meet this thing and let's face this thing honestly. This has been a very honest meeting.

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MR. WHITE: We will put it in the form of a memorandum that they will agree on so there will be no question about it.

H.M.JR: And don't let any grass grow between your toes.

(Mr. Blough and Mr. White left the conference.)

H.M.JR: Well, Harold, I just think you fellows can just mark time.

MR. GRAVES: Well, we had in mind closing these quotas and getting them in the mail Thursday night and - that is, we were meeting your date of the thirteenth. I hoped that we could get the thing decided so we could go ahead with that if it is to be gone ahead with at all.

MR. BELL: There is still a possibility of that, but it is rushing quite a bit.

H.M.JR: Well, all of these people are the best talkers in Washington. Conversationalists is what I mean.

MR. BELL: Well, you have your big conference Wednesday. I don't know what will come out of it, but if anything should come out of that in the form of a decision, Harold can still move by Thursday.

MR. GRAVES: Yes.

H.M.JR: Do you think you could do seven hundred fifty in E Bonds in July?

MR. GRAVES: That is right.

H.M.JR: And how much more in F and G?

MR. GRAVES: Two hundred fifty million.

H.M.JR: Without my keeping it down to fifty thousand?

MR. GRAVES: I don't think that would have any great

effect. It might in that one month, but it wouldn't on the average have a great effect.

H.M.JR: Now, I think I would keep this discussion pretty much - discuss it with the others who are here, but I don't think I would let it go beyond that.

MR. GRAVES: Right. We had in mind not going very far with these quotas if we announced them. That is, we are not planning on quotas for any extended period. We could, it seemed to me, very practically announce the quotas for May, June, and July and stop there.

H.M.JR: Well, Harold, you and I would look pretty damn silly if we announced this thing on the thirteenth and on the fifteenth the President sent a message up for compulsory saving, and I am not going to do it. Dan, don't you think I have been thinking clearly over the week-end?

MR. BELL: That is right. Compulsory savings can't be talked of in terms of six billion dollars. It has got to be talked of in terms of six billion plus what we are now getting, thirteen or fourteen billion dollars.

MR. HAAS: And something to prevent the cashing of the outstandings.

MR. BELL: That is right. That is what has got to be talked.

H.M.JR: If you got ten percent of the wages--

MR. GRAVES: That is the figure George just gave me, sixty-five billion. Ten percent would be six and a half billion.

H.M.JR: That isn't enough. Well, that is just from wages.

MR. GRAVES: Well, that is about all you can get, of money that would be spent if you didn't get it.

MR. BELL: Well, it has got to be greater than ten percent, hasn't it, George?

MR. HAAS: It has to be bigger than that.

MR. BELL: About fifteen.

H.M.JR: Well, that is what those fellows say.

MR. HAAS: That is a good start, though.

H.M.JR: You have got these people, and one minute they - so that you don't think the sun rises and sets in them, one minute they were going to have the most terrific inflation, and then this man Gilbert last fall, he said that and a month later he was worried about the depression through January, February, and March. Gilbert is the brain trust for Henderson. He is worried about the depression on account of the change-over in the plants. We sat around here, and to pin these boys down, what they want in forced savings, is going to be a herculean task because no two of them agree. The only thing they agree on is, they don't want the volunteer plan. They all agree on that.

MR. GRAVES: I wonder if any of them have suggested anything that would cut as deep as ten percent of gross wages on the average, as a forced saving proposition?

MR. HAAS: Yes, this five or six billion they talk about is just that type of money they want. They want to get it out of taxes or saving. They were going to get it out of a combination of taxes, reducing exemptions, part of it, and the balance forced savings.

MR. GRAVES: As I recall the discussion in Mr. Paul's office, all they were going to get out of forced savings was two billion and the balance of that was taxes.

MR. HAAS: But they got it out of the same type of money. But I haven't seen any technique or plan, like you would write a bill, how is this going to operate.

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MR. GRAVES: Taxes could be run right along with the voluntary plan, Dan.

MR. BELL: Yes, but I say it is the same type of money. This figure can either be six billion of forced savings or it can be split between taxes and forced savings. It is the same type of money.

MR. GRAVES: Same type of money, but what I am trying to say is that on the voluntary plan we can still operate in spite of your four billion, say, in additional taxes.

MR. BELL: But if they hit the laboring class hard with another tax bill, and it is going to cut into your - it will cut into your voluntary plan. I think this six billion dollars that they are talking about will go up to twelve or fourteen billion dollars if we undertake to meet the six, don't you, George?

MR. HAAS: Yes.

MR. BELL: Because it seems to me rather foolish to talk about six billion dollars when the gap is somewhere between ten and fifteen billion dollars. That is what you want.

MR. HAAS: They don't want to suggest any more because they think it is impractical to try to get more.

MR. GRAVES: There you are.

MR. BELL: But that doesn't answer the problem at all. It doesn't solve it. You have still got a gap of eight or nine billion dollars.

H.M.JR: You have got to figure they want a raise so they are going to do it by lowering the exemptions, increasing the taxes and forced savings.

H.M.JR: Well, I repeat - don't you (Callahan) understand the problem a little bit better after listening to this?

MR. CALLAHAN: Very definitely.

H.M.JR: I understand it better. I think what we will do - who knows this forced saving thing the best and could explain it to Foley? Let's let the boys see what kind of legislation it will take.

MR. BELL: George, I guess.

H.M.JR: Well, we will see now. I think we have sort of put these fellows now on the spot. They have got to fish or cut bait and show us where they are going to get it. Don't you think so, Dan?

MR. BELL: I don't think you are going to get anything definite at this time.

MR. KUHN: Don't they always change around, Dan, and say, "Conditions in May were different than what we expected, and of course that changes our estimates"? They have done that repeatedly.

MR. BELL: Henderson's organization has changed pretty rapidly in the last four months.

MR. GRAVES: At John Sullivan's house they were talking in terms of four hundred million a month.

MR. KUHN: That is right. In December Henderson was talking as if four hundred million a month E Bonds would be wonderful for taking care of the gap.

MR. BELL: Well, we have to admit that conditions have changed, too, since that meeting out at John Sullivan's house.

(Mr. Foley entered the conference.)

H.M.JR: Ed, we have had a big discussion here on forced savings as against voluntary savings. I wish you - and George can give you the background. I am not quite ready for my eleven-thirty meeting anyway, but I want somebody in your office to see - nobody seems to know what kind

of legislation it would take if they did go to forced savings, you see, and then you can - White and Blough and Paul are in the other room, but get some of these fellows to feed you - all right, you fellows are all crying for forced savings, now what kind of forced savings do you want and where are you going to get it from?

MR. FOLEY: All right. I think we ought to be in on it, Mr. Secretary, because people are asking us questions and we don't know what the concrete proposal is, and we don't feel we are in any position to be helpful as far as the solution is concerned, because we are not in on the discussions.

H.M.JR: I was amazed to just find out, I don't think the forced savings people know, see. I put them on the spot, what kind of forced savings, how much, and how are you going to get it.

MR. FOLEY: That is what we keep saying to them when they ask us whether or not you can restrict use of currency, whether you can do this or that. We say, "Give us the plan and we will tell you whether or not we think you can do it."

H.M.JR: You are in on it now.

MR. BELL: Kades has been in on most of the discussions up to the time he left.

MR. FOLEY: That is right, and I am handicapped because he isn't here now.

H.M.JR: You had better put somebody on it.

MR. BELL: The chances are about the only way you could get forced saving would be through the tax vehicle, wouldn't it, and return it after the war?

H.M.JR: Well, don't let's solve it now, but I just want Foley in on it.

- April 6, 1942

IT-S WAR SAVINGS BONDS NOW

WAR BONDS

WASHN - U P - THE TREASURY TODAY OFFICIALLY CHANGED THE NAME OF DEFENSE SAVINGS BONDS TO WAR SAVINGS BONDS - THE DESIGNATION FOR SAVINGS STAMPS LIKEWISE WAS CHANGED

THE CHANGE FOLLOWED WIDESPREAD SUGGESTIONS THAT THE SECURITIES BE GIVEN A NAME DENOTING OFFENSIVE ACTION

OFFICIALS SAID THE CHANGE-OVER IN THE BONDS AND STAMPS WOULD BE GRADUAL WITH BANKS POST OFFICES AND STORES BEING FURNISHED WITH THE NEW WAR SAVINGS BONDS AND STAMPS AS THEY SELL OUT THEIR STOCKS OF DEFENSE BONDS AND STAMPS

VALUE OF THE BONDS AND STAMPS WILL NOT BE AFFECTED BY THE CHANGE

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APR 7 1942

April 6, 1942

Dear Mr. Toscanini:

I am delighted to hear of your message, sent to me through Mr. Rainey, telling me of your willingness to conduct further concerts whenever and wherever the Treasury feels they would be useful.

This is just one more example of your spirit of helpfulness to the United States, and I appreciate it more than I can say. We have nothing in mind for the near future, but we are glad to know that you would be available, and I shall feel free to make use of your services again if the occasion arises.

The concert last Saturday was a magnificent ending to a memorable series. As I wrote you before, we are deeply grateful to you for all that you have done.

Sincerely,

(Signed) E. Morgenthau, Jr.

Mr. Arturo Toscanini
254th Street and Independence Avenue
Riverdale
New York, New York

FK:blb

*Blue file D. H. C.
File E. Thompson*



OFFICE SAVINGS STAFF

TREASURY DEPARTMENT

WASHINGTON

April 4, 1942.

Dear Ferdie,

Mr. Toscanini is so happy over everything that the Secretary has done for him that he would like to have the Secretary know that he is willing to conduct as many concerts with or without the N.B.C. Symphony Orchestra, wherever and whenever the Treasury Department feels they would be useful.

If desired he would be glad to go to any of the Army camps to conduct. In other words, he wants to put himself at the complete disposal of the Government.

Yours,

A handwritten signature in cursive script, appearing to read "W.S.R.", written in dark ink.

William S. Rainey,
Radio Division.

Mr. Ferdinand Kuhn,
Assistant to the Secretary,
U. S. Treasury Department,
15th and New York Ave. N.W.,
Washington, D. C.

April 6, 1942

Dear Mr. Sarnoff:

Your talk at the end of last Saturday's concert was so effective that I am writing just to tell you of my appreciation. I think it was most fitting that you should have taken a personal part in the last concert of this memorable series, which you and the National Broadcasting Company had made possible.

We at the Treasury are most grateful to you and your colleagues for letting us have the services of the N.B.C. orchestra for these occasions. I feel that these five concerts have been an inspiration to millions of listeners, and they will be long remembered.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. David Sarnoff
Radio Corporation of America
30 Rockefeller Plaza
New York, New York

FK:blb

*n.m.c.
Copies to Shoup*

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Four Business Days of April, March and February 1942
 (April 1-4, March 1-5, February 1-5)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	April	March	February	April over March	March over February	April over March	March over February
Series E - Post Offices	\$ 11,475	\$ 16,049	\$ 21,156	-\$ 4,574	-\$ 5,107	- 28.5%	- 24.1%
Series E - Banks	<u>35,644</u>	<u>43,608</u>	<u>74,724</u>	- <u>7,964</u>	- <u>31,116</u>	- <u>18.3</u>	- <u>41.6</u>
Series E - Total	47,119	59,657	95,880	- 12,538	- 36,223	- 21.0	- 37.8
Series F - Banks	7,071	8,010	15,288	- 939	- 7,278	- 11.7	- 47.6
Series G - Banks	<u>28,747</u>	<u>41,933</u>	<u>72,468</u>	- <u>13,186</u>	- <u>30,535</u>	- <u>31.4</u>	- <u>42.1</u>
Total	<u>\$ 82,937</u>	<u>\$109,600</u>	<u>\$183,636</u>	- <u>\$26,663</u>	- <u>\$74,036</u>	- <u>24.3%</u>	- <u>40.3%</u>

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

April 6, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - April, 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,980
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
Total	\$ 11,475	\$ 35,644	\$ 7,071	\$ 28,747	\$ 71,462	\$ 47,119	\$ 7,071	\$ 28,747	\$ 82,937

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

April 6, 1942.

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

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

April 6, 1942
10:16 a.m.

HMJr: Hello.

Operator: Mr. Sproul.

HMJr: Hello.

Allan
Sproul: Good morning.

HMJr: Good morning. How are you?

S: Fine.

HMJr: How does the financial community feel about
our offering?

S: Well, I think it feels that there's no question
about it. There's definite interest in all
parts of the community in the offering.

HMJr: Good. It'll go all right.

S: Yeah.

HMJr: Good.

S: It's still too early - we have no actual sub-
scriptions in yet, but there's no question in
the market about its going.

HMJr: Any reason why we should keep it open more than
one day?

S: Not with the advance notice the terms had, I
don't think there is.

HMJr: Okay.

S: All right, eir.

HMJr: Thank you.

S: I'll talk to you later.

HMJr: Thank you.

April 6, 1942
11:36 a.m.

HMJr: Hello

Operator: Mr. McCabe.

HMJr: All right. Hello.

Thomas B. McCabe: Hello. Mr. Secretary?

HMJr: Yes.

Mc: Why, Harry Hopkins has asked me to carry the ball for him on this question of the British dollar position.

HMJr: Can you talk a little louder?

Mc: I say, Harry Hopkins has asked me to carry the ball for him.....

HMJr: Yeah.

Mc:on this British dollar position and the British contracts in this country.

HMJr: Right.

Mc: Now, Miss Birney, his secretary, asked me if I would call you this morning.....

HMJr: Yeah.

Mc:and establish with you whatever procedure you wanted to follow in having this cleared up with your man White.

HMJr: That's right.

Mc: Now, my thought is here to - we'd have a couple of our boys who have been working with White, to establish a regular procedure with him so that we can keep this information up to date and have this analysis that we make now to include both the British and the Canadian, because we've got so many knotty questions on the Canadian side, as well.

HMJr: Well, that isn't what I called up Hopkins about and spoke to Miss Birney. Hello.

Mc: Yes.

HMJr: Hopkins told me a couple of weeks ago when he was here that he would look into paying the British for all outstanding contracts that they have now in United States - taking them over, rather.

Mc: Yes.

HMJr: And that's what I'm interested in.

Mc: Well, I have all that data here, too.

HMJr: Yeah, but how about getting beyond the data stage and let's do something.

Mc: Well, that's what I'd like to do, and that's what I'm calling you to see.....

HMJr: Well, now, how - but the question - it's only a question do you want to do it or don't you want to do it.

Mc: Well, the first question arises here that we'd have to clear out with the Army to see how far they wish to go in taking over these - particularly these airplane contracts.

HMJr: Yeah. Well, look, Mr. McCabe, this thing has been going on for one year.

Mc: Yes.

HMJr: And do you suppose there's any chance of clearing it up?

Mc: I'd like to clear it up this week.....

HMJr: Wonderful!

Mc:and get it done and behind us, because the thing is bothering the daylights out of me. We've got this question of - Jerry Land's raising - on the question of buying boats in Canada as number

- 3 -

one. We've got the question of Naval auxiliary vessels for our Navy. We've got third the question that the - we have been off and on discussing with the War Department about these contracts for munitions here, and airplanes and so forth; and I'd like to take it all as - and it's different - take all the questions and see if we can't arrive at some over-all decision this week on all of them.

HMJr: Well, it would be marvelous. Look, Mr. McCabe, Harry White has all of that for me.

Mc: Yes.

HMJr: I will call him and tell him to make himself available.

Mc: All right.

HMJr: And I've just gotten a letter from Mr. Stimson on the same subject.

Mc: Right.

HMJr: And Jesse Jones has promised me a letter on the same subject.

Mc: Yes.

HMJr: I have one from Stimson. And Harry White will have everything that I've got.

Mc: Yes.

HMJr: And if you get to a point that you can't go any further with him, let me know and I'll stop what I'm doing, because I'd love to clean it up this week.

Mc: I would, because you see we've just got one question after another here that we have to set aside depending on the outcome of this.

HMJr: Well, White will be available, and he has everything that I've got.

Mc: Right.

HMJr: Okay?

Mc: All right. And if.....

HMJr: I'll tell him to - shall I tell him that you'll get in touch with him?

Mc: Well, what I did, I put in a call for him this morning.

HMJr: Right.

Mc: Because of the fact that Harry sent me all the information that White has sent him, and I just wanted to check with him.....

HMJr: Well.....

Mc:on the information, and I left a call for him to call me; but if in the meantime you'll call him.....

HMJr: I'll call him and tell him to call you now.

Mc: Right.

HMJr: He's been in with me.

Mc: And we'll go right to work on it with full speed this week.

HMJr: I'm delighted. Nothing would please me more.

Mc: Thank you, Mr. Secretary.

HMJr: Thank you.

Mc: Good-bye.

April 6, 1942
3:36 p.m.

HMJr: Hello.

Operator: Mr. Shea is in Court, and he'll be back around five.

HMJr: Well, no - let me talk to his office, will you, somebody in Shea's office?

Operator: All right.

HMJr: Anybody on the wire?

Operator: Yes. Go ahead.

HMJr: Hello.

Miss Fanebust: Hello.

HMJr: This is Mr. Morgenthau talking.

F: Yes, sir.

HMJr: Since the middle of last week I've been trying to get an opinion out of the Department of Justice.....

F: Uh huh.

HMJr:and I haven't had very much luck. It's on silver - lending silver.

F: Oh, yes.

HMJr: And they told us last Saturday was the deadline. They've got a big Government aluminum plant that wants to go to work on this thing, and the whole thing is tied up.

F: Uh huh.

HMJr: And we've been waiting on you people. Do you suppose you could do something with your boss?

F: Well, I certainly will, the first minute he comes back. He has a case in Court.

HMJr: Yeah.

F: He's been out practically all day - I mean, out of the office.....

HMJr: Yes.

F:on other things, and he hasn't had a chance to get at it, I presume; but I'll certainly tell him the minute he gets back.

HMJr: Will you? And if you'd let Mr. Foley know, I'd appreciate it very much.

F: All right, I shall, Secretary Morgenthau.

HMJr: Thank you.

F: Thank you. Good-bye.

April 6, 1942
3:53 p.m.

HMJr: Hello.

Operator: Senator Truman.

HMJr: Hello.

Senator Truman: Hello.

HMJr: Senator Truman.

T: Yes.

HMJr: Henry Morgenthau.

T: Well, how are you?

HMJr: How are you?

T: Oh, I'm all right. Working my head off; don't seem to be getting anywhere much.

HMJr: Yeah. Well, Senator, I've been watching you with admiration of what you've been doing.

T: Well, thank you a lot.

HMJr: I - down here, we've been worried a lot about this dollar-a-year-man stuff.

T: Yes.

HMJr: And we had some experience when I first came here getting lawyers to register before they practiced before the Treasury, and we have some ideas which might or might not be useful for you on how to proceed with these dollar-a-year-men.

T: Well, I'd be most happy to have them. I want the best information I can get, and I know you've got a lot of it.

HMJr: You wouldn't, on your way to the Senate, care to drop in some morning.

T: I'll be glad to do that. I can't do it tomorrow

- 2 -

because my wife's coming in from Missouri and I've got to meet her at twenty minutes to seven in the morning, but I can do it the next morning.

HMJr: Well, the next morning I have a meeting at nine fifteen.

T: Well, how would day after tomorrow do?

HMJr: Well, let me see, tomorrow's Tuesday?

T: Yes. Wednesday?

HMJr: Wednesday - I say, Wednesday's the morning - the only morning I have a meeting.

T: Yes.

HMJr: Well.....

T: Well, you set the time, and I'll be there - it doesn't make any difference how early it is.

HMJr: Well, what time - would.....

T: I get up early.

HMJr: But I mean, what time would you - would you care to say maybe a quarter of nine on Wednesday?

T: That'll suit me fine.

HMJr: What's that?

T: That'll be perfectly all right.

HMJr: And then - this other meeting of mine is at nine fifteen.

T: That'll be fine. I'll be there at a quarter of nine on Wednesday morning.

HMJr: And - as I say, this may interest you. It's sort of a questionnaire.

T: I'll be very much interested in it because I'm honestly trying to find the proper solution to it.

- 3 -

HMJr: Well, it may not be interesting, but I'd like to show it to you.

T: Well, I appreciate that.

HMJr: Thank you.

T: Thank you.

HMJr: Good-bye.

T: Good-bye.

April 6, 1942
4:20

INFLATION

Present:

Mr. Paul
Mr. Blough
Mr. Graves

MR. PAUL: That is a memorandum of today's conference.

H.M.JR: Want me to read it?

MR. PAUL: I think we can tell you about it. Roy, you tell him about the first, and then we will - and then the forced versus voluntary savings.

MR. BLOUGH: I think it might be well to read the center paragraph:

"If one half billion dollars additional a month could be raised during the first six months of fiscal year 1943 through an aggressive program of voluntary savings in the lower income groups, such as the Treasury is planning, the amount raised obviously would be equivalent to the amount that they wish to raise through additional taxes and compulsory saving. But the group feel that the raising of six and one fourth billion that way would not do the trick because they could not get the other elements in the program, chiefly freezing prices and rents, unless taxes on the lower groups are increased."

"They also definitely believe that it would be impossible to secure through anti-inflationary voluntary savings--"

H.M.JR: Wait a minute. Go ahead, Roy.

- 2 -

MR. BLOUGH: "They also definitely believe that it would be impossible to secure through anti-inflationary voluntary savings from the low income groups an additional one half billion a month by July, unless the methods used under the term 'voluntary' were actually coercive to a certain extent. Finally, even if it were possible to raise an additional one half billion a month through the Treasury program--"

H.M.JR: Even if it were possible?

MR. BLOUGH: "They are strongly opposed to a so-called voluntary method of raising the money which in fact would be coercive as compared with outright compulsory saving."

H.M.JR: Well, in other words, they don't care as long as they have their own way, so what is the use of sitting around arguing? I mean, it makes me sick and tired.

MR. PAUL: That is the bigger question.

H.M.JR: It makes me sick and tired. No matter what you do for them they want their own way. What is the use of being reasonable and fair? They just want it their own way.

(Mr. Graves entered the conference.)

MR. PAUL: I want to put before you a very difficult situation that I think that they have forced the Treasury into. I think that we are in the position now where we hold the bag on the whole inflation issue, and we have got a very serious problem and I think we ought to discuss it very calmly and decide what - I don't like it either, but I find that as between Friday when they were in your office and today when they were in my office, all the broken ranks have been restored to complete consolidation. They have been together over the week end, undoubtedly.

I don't know this, but I wouldn't be surprised if they had seen the President. Gilbert has changed his mind back so as to accord with the group. There is a solid phalanx against us. Now, the President does one thing or another. If he does our thing, we are holding the whole bag. We are responsible for whatever happens in respect to inflation and I don't know whether you want to be in that position.

H.M.JR: I don't see why that is true. I mean, the thing is intellectually crooked. What they say there is they can't have freezing of prices and rationing unless they have compulsory saving. It is damn nonsense.

MR. PAUL: These are more debatable points than that.

H.M.JR: I will tell you, Randolph, I have been here for nine years and these fellows have needled me all their lives.

MR. PAUL: I know. I am just as annoyed as you are.

H.M.JR: All their lives, and first they want inflation and they don't want any rationing or any sensibility about finances. They think that the Government can do the thing one day by pumping money in, and the next day they think the Government can do the thing by putting on the brakes on the lower income groups, and I have yet to see a single one of them make a success of anything that they have undertaken, not a one of them.

MR. PAUL: I think their failure with rationing is partly what they are up to now, and I agree with you about that, but I am trying to look at the thing realistically in terms of--

H.M.JR: They don't run the Government. They don't run the Government. If they do, I would like to find it out. I am sick and tired of the whole thing.

MR. PAUL: I am just trying to - don't act until we get the whole problem before you.

H.M.JR: Well, I could argue and argue forever, and nothing would be done.

(Secretary on White House telephone.)

Hello.....

I hear Grace is over with the President.....

When she comes back will you ask her to ask him if I could see him the first thing Wednesday morning, if you please.....

Thank you. Let me know.

H.M.JR: All I am asking these people is if they all can get together and tell me how much money they want out of current earnings. That is all I want out of them.

MR. PAUL: That is on the second page.

H.M.JR: And what they do is, just as soon as I say, "Tell me how much you have got on that basis," then they say, "We can't do rationing and price ceilings and this and that and the other unless we do forced saving." Why? Why can't they?

MR. PAUL: That is only one of their points. They have another point, and I wouldn't be any good to you if I didn't repeat that we are not wholly intact on that front, in my opinion. In other words, their campaign is not only that of compulsory saving, but also that we are not getting a broad enough tax base, and we come to this question of lowering the personal exemptions and so on. In other words, I can't see that we are entirely right in our position. I think in many respects they are wrong in theirs, but now we are at the point

where they are refusing to agree with any of ours.

MR. BLOUGH: That is right. We have argued with them all day and this is the position they are trying to force--

H.M.JR: Let me read this thing. "Raising the money which in fact would be coercive as compared with outright compulsory saving." It isn't true. Appeal to the President's patriotism to subscribe, that is being coercive?

MR. PAUL: That is one of those problems where they agree.

H.M.JR: They don't know what we are doing. It is like Frances Perkins saying that we don't get anything out of the labor unions. The rank and file don't subscribe to this thing. Then when we sent somebody over after ten days trying to get in, she didn't know that we had those contracts.

MR. PAUL: I feel very concerned about this whole problem.

H.M.JR: Will you wait until I finish this please? What does that mean, "Compulsory saving at the rate of five percent on the income of single income earners of five hundred or less"? What does that mean, five percent starting with five hundred dollars?

MR. PAUL: Yes.

MR. BLOUGH: Oh, single people with over five hundred dollars. It would be five percent on their whole income. People with less than five hundred would pay nothing under that.

H.M.JR: A hundred percent excess profits tax?

MR. PAUL: They want to freeze individual - I mean confiscate individual incomes of fifty or a hundred or something like that. Those two points are

mostly scenery.

MR. BLOUGH: Well, that is the way--

MR. PAUL: For freezing wages.

MR. BLOUGH: That is the way Gilbert is easing his conscience on the sales tax, in my opinion, is that confiscation of everything over fifty and a hundred thousand. The Director of the Budget has not agreed to that confiscation point. It has not been taken up with him.

MR. PAUL: I want to be very insistent. We are very-we are disagreeing with - are ready to disagree with you perhaps here because we don't want you to make a mistake and we are very concerned about this. That is the most important crossroads the Treasury has been at in a long time.

H.M.JR: Why?

MR. PAUL: Well, because the inflation problem is much more important than the problem of revenue. They are backing us into the place where whatever happens, we are responsible for it unless we do things their way. Our way, I feel--

H.M.JR: All right, let's turn the Treasury over and let's become a branch of the Bureau of the Budget.

MR. PAUL: That is right.

H.M.JR: Now, let's do it and then let the President take the full responsibility, but the President hasn't talked this way. Just because a couple of--

MR. PAUL: They are very confident, I don't know whether reasonably so, that they have the President on their side.

MR. BLOUGH: That may be a bluff, you can't tell.

MR. PAUL: You can't tell.

H.M.JR: But what we are arguing about, when you put it up to them this morning - I mean, they are smart, they are tricky. When you put it up to them on this point, how much do they want to raise, they say a half billion dollars or more a month. Well, supposing we could do it?

MR. PAUL: Well, Harry put that question. You mean by voluntary?

H.M.JR: Yes.

MR. PAUL: They answered that question several times, that would not do to raise it through voluntary savings. In the first place, they think we can't do it. In the second place, it wouldn't answer the question if we did, and in the third place, that wouldn't reach the point of having a broad base on your tax program.

MR. BLOUGH: Yes, it was put up to them several times and they kept stopping Harry in the middle of the question and saying, "You can't ask the question that way because you can't do it." That was their first thing. "Well, suppose we could do it?" "Well, then, the only way you could do it would be through coercive measures," which they say they consider very much worse than a uniform compulsory system, and in the third place, and this is a point in addition to the one you (Paul) made, we will have to go way beyond this, they say. Now, in compulsory saving, they say, we get the machinery set up and then we can go beyond it. With voluntary, you will have hit your peak and you probably can't go beyond that, so they are looking toward an expansion of their program which they think is expansible, and they think the voluntary is not expansible.

H.M.JR: Where do you stand, Roy, as an individual?

MR. BLOUGH: Where do I stand as an individual? When it comes to the compulsory savings part of it,

I am pretty much of the opinion that your voluntary savings is not going to be a real success unless you do introduce those elements of quotas and social pressures which would be undesirable. My expectation would be that it would be necessary to come to something else within the next six or nine months.

H.M.JR: But that is only one small piece of it. That is the easiest thing to decide of them all. That is a clean-cut issue.

MR. BLOUGH: Now, on the other, I have argued with them more vehemently, I guess, than anybody else all day that this present tax program shouldn't be interfered with. To interfere with it will mess a great many things up and that our tax program is the best seven billion six hundred million dollar tax program that we would be likely to offer, and that it would make it worse to offer a sales tax and lowering the personal exemptions. That if this were a fifteen billion dollar tax program, I would think their program was probably a pretty good addition to it, but that is not what is really going to happen. What is really going to happen is that we will get no more than the seven billion six, and we will get in the sales tax and the lowering of the personal exemptions.

MR. PAUL: And with much delay.

MR. BLOUGH: And after much delay we may get that.

MR. PAUL: You are for the lowering of the exemptions, but that is water over the dam.

MR. BLOUGH: I was for the lowering of the exemptions a month ago.

H.M.JR: They want six and a quarter billion more. "Number one, lowering income tax, five hundred on individuals and a thousand for married persons." When would you get that.

MR. BLOUGH: They would start collecting at source, twelve percent, beginning July 1. They would get the greater part of that currently.

H.M.JR: The two billion compulsory saving, it is five percent on incomes of five hundred and married, that is another tax. In other words, they are going to take five billion dollars off people--

MR. BLOUGH: Plus our three billion, which is eight.

H.M.JR: No, they are going to take five billion dollars--

MR. PAUL: Plus our seven.

H.M.JR:off people from five hundred dollars up.

MR. BLOUGH: Well, that two billion, only about a third of it, I would say, or maybe less than a third, would come from people who are not now paying income taxes.

H.M.JR: But five billion dollars is going to be from the very lowest ranks.

MR. BLOUGH: From the lowest and middle groups.

MR. PAUL: Not all from the lowest, but a good part of it.

H.M.JR: And then a five percent consumption tax, that is another six and a quarter, and in other words, the whole six and a quarter is going to come from the little people.

If that is what Mr. Roosevelt wants to do, he has got to put his name to it. I won't recommend it, and I won't argue about it any more. There is no use

wasting any time.

MR. BLOUGH: Do we have a substitute program or don't we need a substitute program, I guess that is the question.

H.M.JR: Well, we sent him over a program. I sent him over a program.

MR. PAUL: They are all together against the expenditure rationing that we talk about.

MR. BLOUGH: Although they are going to meet with Harry White tomorrow morning, they say they are against it on administrative grounds.

MR. PAUL: They say compulsory saving is much the better thing administratively, and it comes to the same answer.

H.M.JR: Well, let me think this thing over. I am not going to argue about it any more tonight. I will take this thing and - give a copy of it, please, to White and Graves.

MR. PAUL: I have already sent one to White.

Extra
Confidential

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Memorandum of the Conference in
Mr. Paul's Office, April 6, 1942

The group from the Budget, War Production Board, O.P.A., and Agriculture, are of the opinion that a tax and compulsory savings program such as is indicated below would yield approximately \$6 1/4 billion during fiscal 1943. They believe that amount raised in the manner indicated, together with the general program indicated below, would be adequate to prevent inflation in the initial period.

If \$1/2 billion additional a month could be raised during the first 6 months of fiscal year 1943 through an aggressive program of voluntary savings in the lower income groups, such as the Treasury is planning, the amount raised obviously would be equivalent to the amount that they wish to raise through additional taxes and compulsory saving. But the group feel that the raising of \$6 1/4 billion that way would not do the trick because they could not get the other elements in the program, chiefly freezing prices and rents, unless taxes on the lower groups are increased.

They also definitely believe that it would be impossible to secure through anti-inflationary voluntary savings from the low income groups an additional \$1/2 billion a month by July, unless the methods used under the term "voluntary" were actually coercive to a certain extent. Finally, even if it were possible to raise an additional \$1/2 billion a month through the Treasury program, they are strongly opposed to a so-called voluntary method of raising the money which in fact would be coercive as compared with outright compulsory saving.

The group from the Budget, War Production Board, O.P.A., and Agriculture recommend the following general program to prevent an inflationary rise in prices:

1. Freezing prices and rents;
2. Freezing wage rates and salaries;
3. Drastic restriction of consumer credit;
4. Specific rationing;

April 6, 1942
4:23 p.m.

HMJr: Everything went all right?

Allen
Sproult:

Yes. We may be a little strong here because I think most of the certificates will - or a large part of them - will go to banks and corporations domiciled here. We're a billion, two seventy million now.....

HMJr: Yeah.

S:and it's going well.

HMJr: Good. You didn't hear how our bills went today, have you?

S: Just for this district, where they averaged about twenty-seven.

HMJr: I see.

S: Twenty-seven and a half.

HMJr: Uh huh.

S: That's just for this district.

HMJr: Uh huh. Well, that's high, isn't it, as compared with last week?

S: Yes. Last week they went about twenty-two, five.

HMJr: I see.

S: But I think that's natural in view of the certificate offering.

HMJr: That's right.

S: Yeah.

HMJr: That's right. Well, I'm satisfied.

S: I think it's gone well.

HMJr: Thank you.
S: I'll see you tomorrow morning at eleven.
HMJr: That's right.
S: Fine.
HMJr: Thank you.
S: Thank you.

April 6, 1948
5:04 p.m.

Lauchlin
Currie:

Hello.

HMJr:

Lauch.

C:

Yes, Mr. Secretary.

HMJr:

The battle on this inflation doesn't seem to be going very well from our standpoint, does it?

C:

Oh, any new developments?

HMJr:

Well, there must have been some meeting of the minds, and Gilbert has changed again.

C:

I know. He came to see me yesterday, and all hot for sales tax now.

HMJr:

Yeah.

C:

(Laughs) And he says that - he rather set me back and undermined me a bit by saying that labor will not object now to the freezing of wages if these other things are done.

HMJr:

Well.....

C:

And that was something that I wanted to check on myself.

HMJr:

Yeah.

C:

I haven't had a chance yet.

HMJr:

Well, I think that as near as I can get it, they're going by what this fellow Leiserson and some other man said.

C:

Yeah.

HMJr:

And Altmeyer. I don't think that - well, I'm sure they haven't consulted the top people of labor.

C:

Well, I'd like to check on that.

- 2 -

HMJr: Yeah.

C: Another interesting thing came up that you'd be interested in.

HMJr: Yeah.

C: When I took your line on the OPA, you had a falling down of a job.

HMJr: Yeah.

C: Their part of it.

HMJr: Yeah.

C: Gilbert admitted as much, and said that he wouldn't have taken the same line Galbraith did. That Galbraith - what he meant when he said eighteen months was a system that he, Galbraith, would take pride in, you see; but that actually, they had their plans all matured now for universal registration.

HMJr: I see.

C: And he thought they could move much more rapidly on that.....

HMJr: Uh huh.

C:than Galbraith thought, and he was pushing for it. He, personally, was pushing for it.

HMJr: I see.

C: (Laughs)

HMJr: Well, it's pretty mixed and they're giving figures now around six, six and a half billion, of which at least - they want to raise various methods - at least five of which will come off the very lowest strata.

C: This is the other group?

HMJr: Well, I mean the group that was in today.

- 3 -

C: I see.

HMJr: I mean - it's all on the \$500 single man and \$1000 married fellow - that's where the impact comes.

C: Yeah. Yeah.

HMJr: And, of course, I'm convinced if we do that and we don't close our loopholes, we won't get any net more.

C: That's right. That's right.

HMJr: I'm really sick over it, as a New Dealer, to think that here we are in our ninth year and just because we've fallen down on rationing, that we've got to hit the very lowest level of society.

C: Yes.

HMJr: But.....

C: Well, I think the pressure you're asserting in that direction is all to the good.

HMJr: Well, I sent - you got a copy of our memo, didn't you?

C: That's right, yeah.

HMJr: And we sent yours over to - you did - to the President.

C: Yeah.

HMJr: I haven't heard from him, but.....

C: And you're holding another meeting tomorrow?

HMJr: Wednesday.

C: Wednesday.

HMJr: Yeah.

C: Yes. And I'm meeting with White tomorrow afternoon.

- 4 -

I believe, on this thing.

HMJr:

Yeah. Okay.

C:

Okay. Thanks.

HMJr:

Thank you.

C:

Good-bye.

April 6, 1942.

Dear Henry:

I thought you might be interested in
having a copy of my ^{Confidential} letter to the President
of April 3, 1942, together with accompanying
memorandum and chart, on the cost of living
and what ought to be done about it.

Sincerely,

(Signed) Henry

Honorable Henry A. Wallace,
Vice President of the United States.

Enclosure.

N.M.C.
Letter to Dr. H. A. Wallace
By Messenger 2:15

WA

FILE COPY

FILE COPY

352

April 6, 1942.

Dear Leon:

I thought you might be interested in
having a copy of ^{*confidential*} my letter to the President
of April 3, 1942, together with accompanying
memorandum and chart, on the cost of living
and what ought to be done about it.

Sincerely,

[Signed] Henry

Honorable Leon Henderson,
Administrator,
Office of Price Administration,
Washington, D. C.

Enclosure.

n.m.c.
copy to Dr. H. H. H.
By Messenger 2:15 *Simmons*

1 Foley 353

April 6, 1942

FOLLOW-UP FOR THE SECRETARY:

Is the attached memo to Mr. Foley finished?

5/15 Still working on

6/15 - Follow up -

See Eper

memo signed

7/6/42 by Pres. —

March 12, 1942

Mr. Foley

The Secretary

Please have your boys draw up an amendment to the President's Executive Order making it impossible for the new APC to draw on us for funds, through Frozen Funds, unless they pertain to a particular business. If this is not clear, please discuss it with me. 2

I am sure the President did not want to be able to draw on the French gold; on the other hand, if there was a French concern doing business, that Crowley could have the right to draw on the funds pertaining to that particular business.

I'd like something along these lines drawn up. If necessary, give me all kinds of suggestions to test Crowley's sincerity when he said to me yesterday, if we needed any changes in the Executive Order, he'd be glad to see that they were brought about.

TREASURY DEPARTMENT

355

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE April 6, 1942

TO Secretary Mergenthau
FROM Mr. Hase
Subject: The Business Situation,
Week ending April 4, 1942

Summary

(1) National income payments (revised basis) reached an annual rate of \$104.7 billions in February, an increase of \$0.3 billions over January. This compares with a revised total of \$91.8 billions for the year 1941.

(2) Retail sales, on the whole, continue to lag noticeably behind the gain in consumer incomes. Combined sales by retail stores in February, according to Department of Commerce figures, were only 5 percent higher in dollar total (and lower in actual quantity) than in February last year, while wages and salaries were 24 percent higher. The disparity is partially accounted for by diversion of consumer funds into taxes and defense bonds, but it also suggests that consumers are accumulating surplus cash, which has inflationary implications.

(3) The gradual rise in the general price level continues. The BIS all-commodity index in the week ended March 28 rose 0.2 percent, and is now 29.9 percent above the pre-war level of August 1939. Prices of cotton and hogs last week continued their recent advances. Hog prices have risen nearly 37 percent since December 6 and have reached a new high since 1926.

(4) After sagging slightly to around previous lows, stock prices firmed moderately in the latter part of last week. Stock trading volume on the New York Stock Exchange in March was the smallest for that month since 1918. In bonds, on the other hand, a marked revival of activity and strength in second-grade and defaulted rail bonds carried the volume of bond trading on the Exchange to the highest monthly total since September 1939.

(5) The traffic burden on the railroads, now seasonally increasing, is being augmented by heavy diversion of shipments to the railroads. About 30 percent of the oil to the East Coast, for example, is now moving by tank car. Second quarter carloadings are forecast at 14.6 percent above last year, as compared with a gain of about 8 percent in the first quarter.

- - - - -

National income rises further

Confidential data from the Department of Commerce show that national income payments in February reached an annual rate of \$104.7 billions, as compared with \$104.4 billions in January. These estimates are on a revised basis slightly higher than previous figures. Total income payments in 1941 are now placed at \$91.8 billions, which compares with the preliminary estimate of \$89.5 billions.

Salaries and wages, the largest component of national income payments, continued in February the uninterrupted advance that has been in progress since February 1940, rising 1.0 percent during the month, according to confidential Department of Commerce figures. They are now 46 percent higher than in February 1940, and have gained 24 percent in the past year.

Retail trade lags behind gains in wages and salaries

Consumer expenditures continue at high levels, but it is worthy of note that the aggregate quantity of goods sold at retail stores in February actually fell below year-earlier levels. Thus, total sales by retail stores in February (in dollar value), as reported by the Department of Commerce, were only 5.0 percent higher than in February 1941. In view of the increase in prices since then, according to the Department's comments, the actual amount of goods sold fell substantially below year-earlier levels for the first time in more than three years.

This development occurred in the face of a rise in salaries and wages to a level 24 percent higher than in February 1941. As a result, a further divergence occurred from the normal relationship between retail sales and the salaries and wages index. (See Chart 1.)

The divergence noted in Chart 1 reflects in part the influence of anti-inflationary factors, including the diversion of consumer incomes into taxes and defense bonds, and the restriction of consumer credit. It also reflects shortages of various goods, and temporarily a reluctance of consumers to change their buying habits, as well as resistance to increases in prices. It is apparent, however, that an increasing inflationary pressure is being built up, which must be counteracted by strong corrective measures if general price inflation is to be avoided.

Automotive sales decline largely offsets other gains

A major factor in the decline in retail sales in February, as compared with the previous year, was a curtailment of 67 percent (\$423,000,000) in sales by automobile and accessory stores. (See Chart 2.) Retail sales of all other groups

showed gains over year-earlier levels, ranging from 12 percent in filling station sales to a maximum gain of 32 percent in sales by apparel stores.

Complete retail sales figures for March are not yet available, but department store sales in the four weeks ended March 28 rose 26 percent over year-earlier levels, as compared with a gain of 21 percent during the same period in February. This showing is better than merchants had anticipated, since income tax payments due in mid-March had been expected to slow up trade noticeably.

Commodity prices continue advance

The BLS wholesale price index of nearly 900 commodities increased 0.2 percent in the week ended March 28, and now stands 29.9 percent above the pre-war level of August 1939. This index has risen 5.6 percent since our entry into the war.

The BLS price index for basic commodities, consisting largely of controlled commodities, in the week ended April 2 made a greater advance than in any week since the last week of January. (See Chart 3.) Steers, butter, hogs, cotton and flaxseed were noticeably higher.

Cotton prices strong

Cotton prices, buoyed by the heaviest mill and manufacturers' buying in months, continued their advance and the 10-market average rose as high as 20.42 cents a pound. No price ceiling may be imposed under law at less than 21.47 cents. Uncertainty over the 1942 crop because of late planting and labor shortages was reported by the press as causing serious concern to the trade and mills. As a result, these interests are reported to be launching an effort to persuade Congress to ease its resistance toward repealing the quantity limitations on CCC sales.

Hog and pork product prices higher

Prices for hogs advanced 1.5 percent during the week and reached a new high since 1926. They have advanced 36.8 percent since December 6. Although the CPA price ceiling became effective on March 23, two days later the CPA announced that additional costs incurred in preparing special cuts and in meeting other requirements of the Government's lend-lease purchases warranted a premium of 2 cents per pound over the market price.

Hog prices were further stimulated by the announcement that Government purchases of pork and lard in the week ended March 28 were the highest weekly total recorded since Government buying began. An announcement over the weekend indicated

that the Department of Agriculture is purchasing lard for shipment to the U.S.S.R.

The fall pig crop, estimated as substantially larger than the crop of the year before, is yet to come onto the market. The relation of corn prices to hog prices in mid-March was the most favorable for feeding that producers have had in four years, which has tended to make producers feed their hogs to heavier weights. If Government purchases and consumer demand continue high, the Department of Agriculture expects no great decline in hog prices despite the outlook for heavy supplies in the late spring and summer.

Price administration problems

As the general rise in the price level continues, the Office of Price Administration is confronted with increasing problems. These arise from dislocations caused by the war effort, from internal situations in individual industries, and from the customary lag in retail prices. As a result, new OPA price ceilings are being imposed on some products, while at the same time the maxima are being raised on others. Reasons for upward adjustments include increased costs of transportation, inequities in costs among producers, and need for stimulating production.

The OPA has moved somewhat further into the retail price field. In particular, an effort is being made by the OPA to clamp retail as well as wholesale price ceilings on consumer goods where production is being discontinued by WPB order. In addition to the consumer durable goods so affected the week before last, ceilings have been placed on 44 household electrical appliances, production of which will cease on May 31.

Prices for some products raised

The schedule of prices for Pennsylvania crude oil has been revised to stimulate production, and all petroleum prices have been raised along the Atlantic Coast to compensate for increased costs arising from the tanker shortage, and the resultant more expensive railroad transportation from the Gulf Coast. A sharper increase in prices for petroleum products in this area, especially for gasoline, is expected to follow the more recent rise in oil tanker charges, which have almost tripled.

The ceiling on the wholesale price of refined sugar was revised by the OPA last week from 5.45 cents to 5.60 cents a pound. The new increase applies only to sugars refined in

Pennsylvania, New York, New Jersey, and Massachusetts, and was allowed refineries to provide for mounting expenses and reduced volume of business along the North Atlantic seaboard.

Prices to farmers advanced moderately; parity average unchanged

Average prices received by farmers as of March 15 advanced moderately from the levels of a month earlier, but were still below the 12-year high of January 15. The weighted average price index of the Department of Agriculture increased 0.7 percent above that of February 15, but was up 41.7 percent from that of March last year.

The index of prices paid by farmers on March 15 also was 0.7 percent higher than in February, and was 14.7 percent above the average paid (including interest and taxes) a year earlier. The net result was that prices of farm products averaged 99 percent of parity, the same as in February. Farm wage rates (not included in the index of prices paid) averaged about 30 percent higher than on March 15, 1941.

Monthly price movements for farm products as a group and for some individual commodities in 1940, 1941 and the first quarter of 1942, are shown in Chart 4. The general advance reflected, in particular, a sharp rise in prices for fruit and for hogs. Moderate increases occurred in prices for beef cattle, sheep, cotton, and grain. The increases slightly more than offset declines in prices of dairy and poultry products.

Stock prices show resistance to further decline

After declining gradually to within a fraction of previous lows, stock prices steadied in the latter part of last week, and later improved slightly on a moderate increase in trading activity. On the decline, the Dow-Jones average of industrial stock prices eased to within a small fraction of the March 11th low, see Chart 5, while the average of railroad stock prices sagged to within a fraction of the previous low touched on last December 10. The average of utilities stock prices dipped below the previous record low by a narrow margin.

The shrinking volume on the decline and the failure of the industrial and rail averages to penetrate previous lows led some sources to believe the market was at least temporarily oversold, and this may have contributed to the slight improvement in prices in the latter part of the week.

Stock trading at low levels

The volume of trading on the New York Stock Exchange fell last Monday to the lowest level since May 19, 1941. The volume for the entire month of March was 15 percent below year-earlier levels, and was smaller than any other March since 1918. In reflection of recent diminished trading activity, a seat on the New York Stock Exchange was sold in the latter part of the month for \$17,000, the lowest price in 45 years.

Dealings in bonds on the New York Stock Exchange last month rose to the highest level since September 1939, largely due to activity and strength in second-grade and defaulted railroad bonds.

Steel scrap situation improved

A definite improvement in the flow of scrap to steel mills has resulted from the better weather conditions, and from drives to round up scrap at auto junk yards, farms and industrial plants. Leading trade journals now believe that the crisis in the scrap situation has been passed, for some time at least.

Coincident with the improvement in the flow of steel scrap, the season's first shipment of iron ore arrived at Cleveland on March 28. This marked the earliest known opening of lake navigation, being 12 days ahead of last year. In addition, the shipment also set a new record for rapidity of transport and conversion of iron ore at the upper lakes to molten iron at an inland furnace.

As offsets to the steel industry's moderately improved contribution to the war effort, the Iron Age cites instances of serious lags in operations of West Coast companies making aircraft parts. Thus one parts plant is said to be working at only 15 percent of capacity, while 19 others are reported to be using only 15 to 40 percent of their facilities due to the lack of materials. One large aircraft die-casting plant, according to the Iron Age, is working at less than 25 percent of capacity, not only because of a shortage of materials but also on account of a lack of orders.

Further burdens on railroads loom ahead

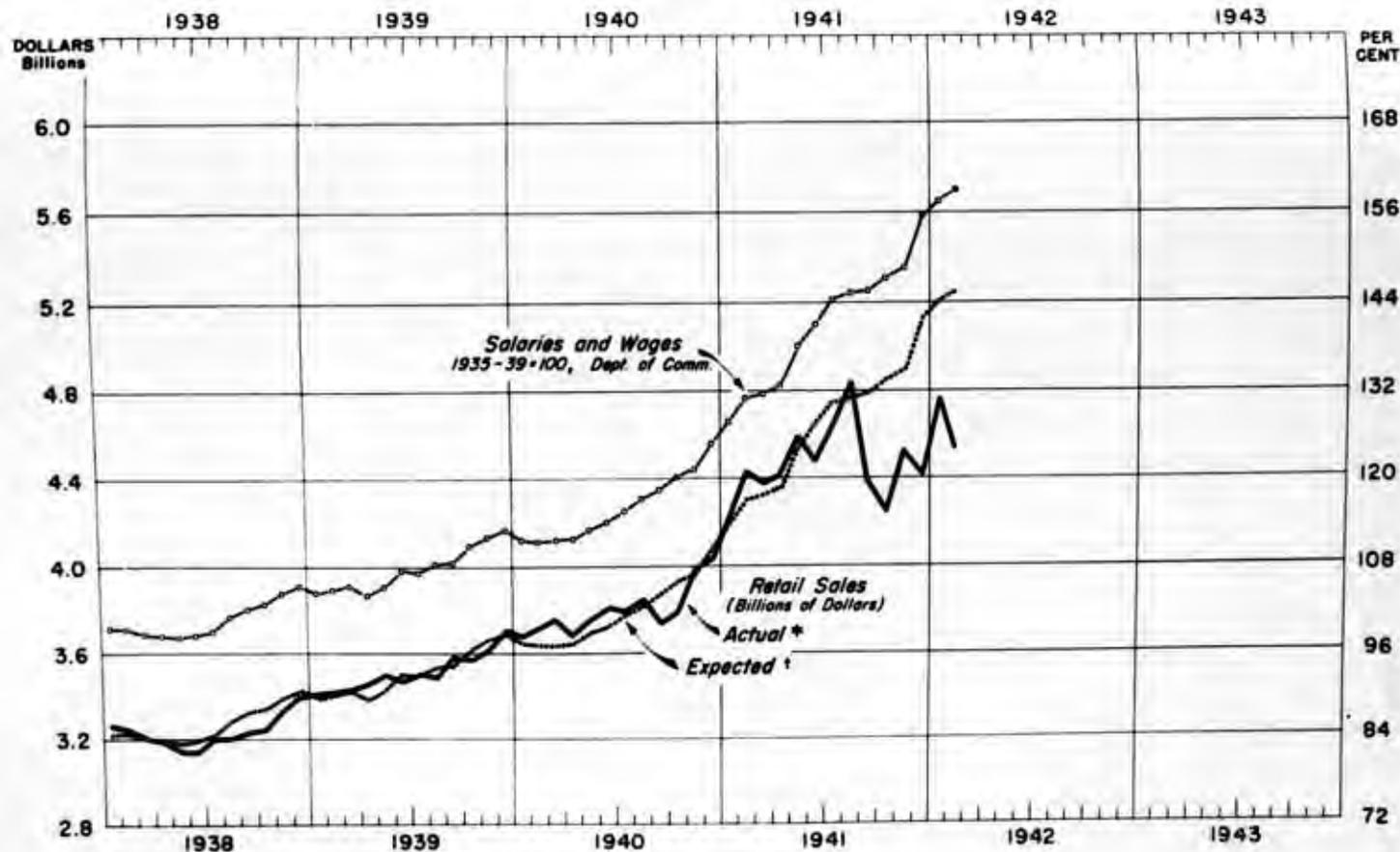
With the opening of Great Lakes navigation, rising seasonal factors, and increased diversion of shipments to the railroads, further burdens on the railroads are in prospect. The Freight Shippers Advisory Board last week estimated that second quarter freight loadings would show a rise of 14.6 percent over the corresponding quarter of 1941. This compares with an actual increase in loadings during the past quarter of around 8 percent.

Greatly increased dependence on railroad tank cars in meeting the tight oil and gasoline supply situation along the East Coast has developed recently. In contrast with an insignificant movement of oil to the East by tank car at the beginning of 1941, the railroads are now accounting for about 30 percent of the oil transported to that area. In the week ended March 28, tank car shipments reached a new record high of 506,000 barrels daily.

One consequence of the increased reliance on tank cars for oil shipments to the East Coast has been a marked increase in operating costs. This factor, together with sharply higher oil tanker shipping charges just announced, undoubtedly fore-shadows further increased prices for petroleum products in the Atlantic seaboard area.

RETAIL SALES COMPARED WITH SALARIES AND WAGES

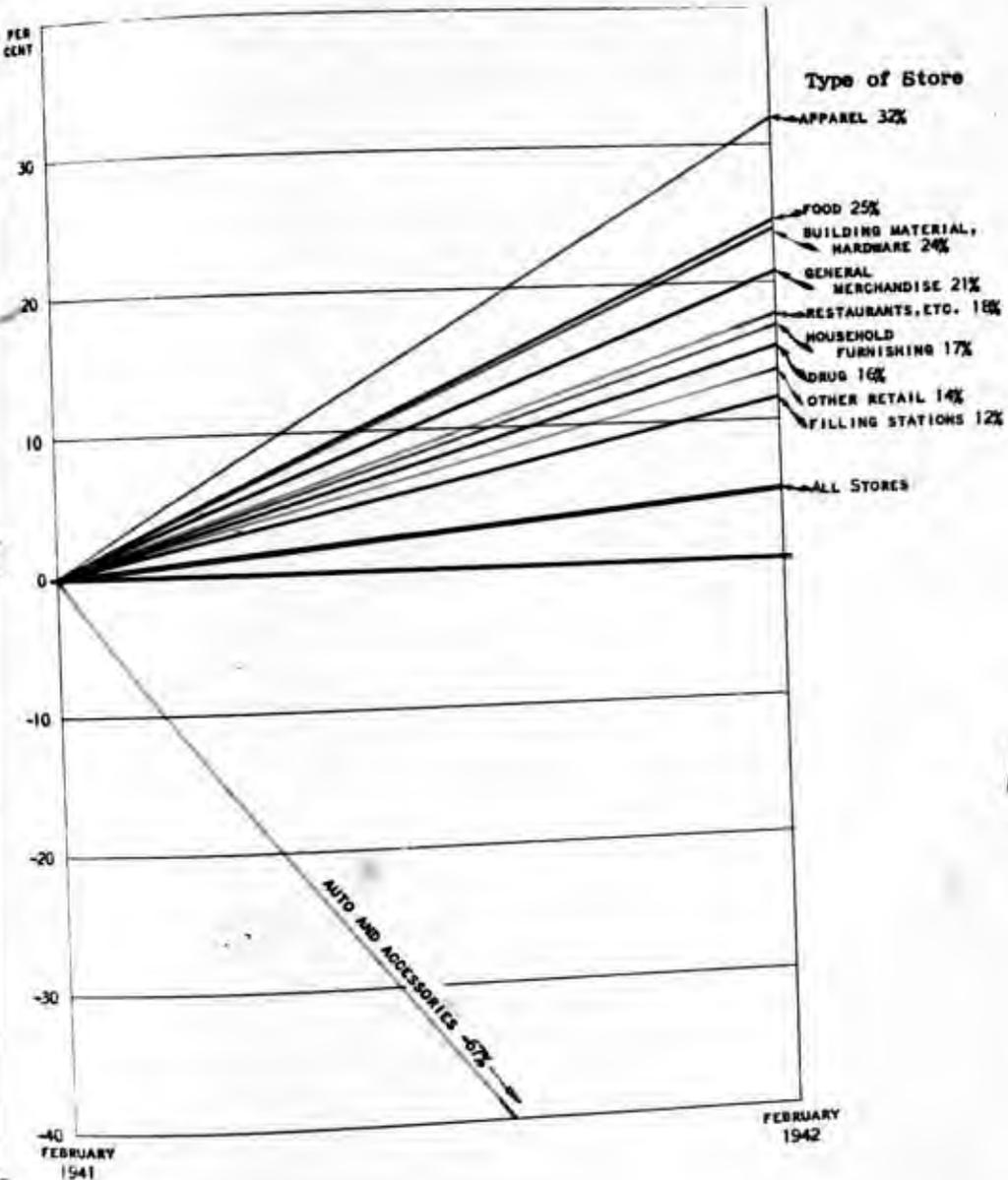
Adjusted for Seasonal



* Department of Commerce total retail sales adjusted for seasonal.

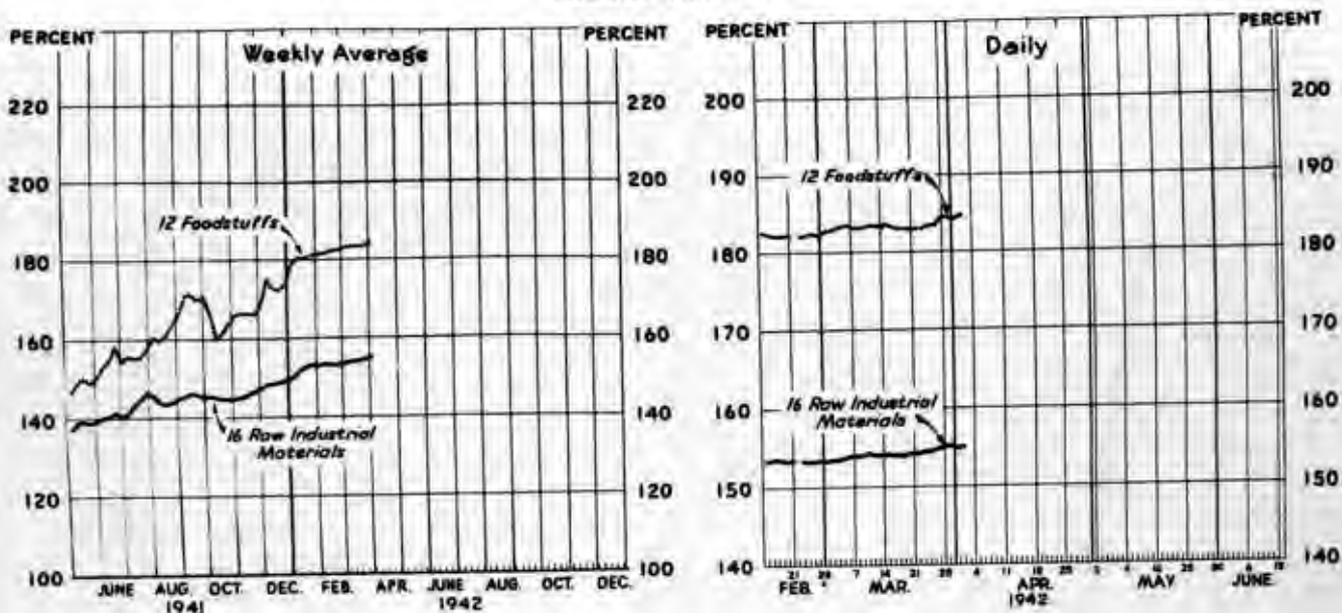
† Based on average relationship to salaries and wages, 1935 through 1940.

RETAIL SALES BY TYPE OF STORE
Percentage Change February 1941 to February 1942



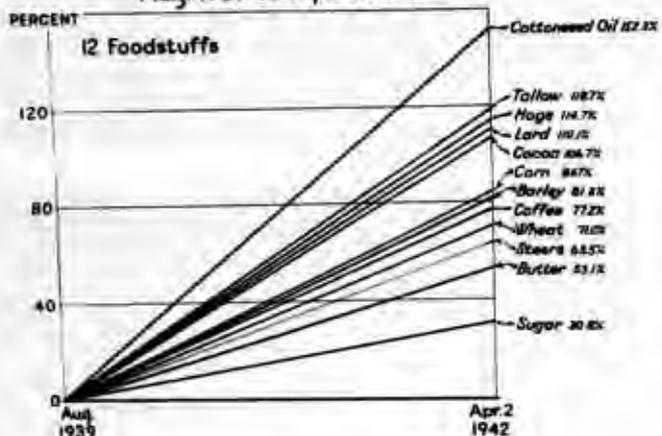
MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100

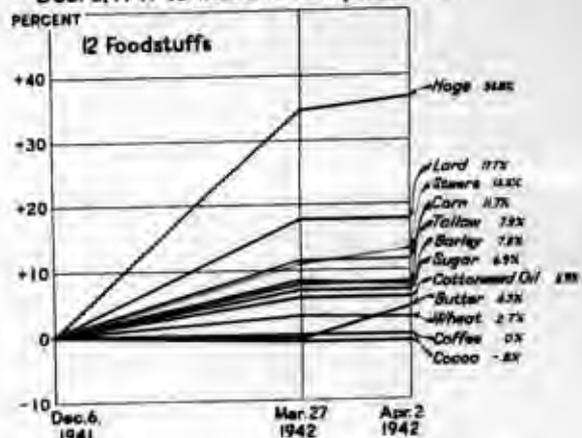


PERCENTAGE CHANGE FOR INDIVIDUAL COMMODITIES

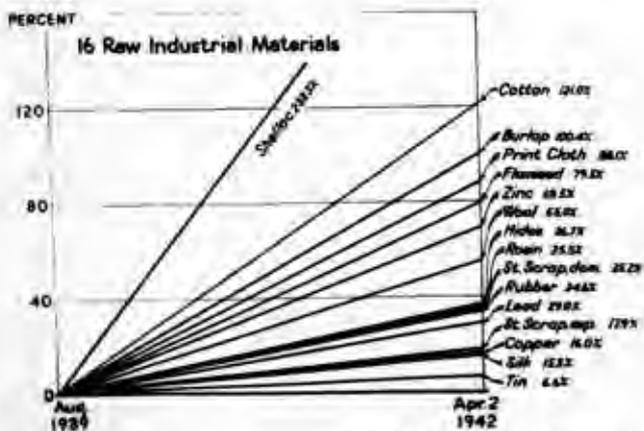
Aug. 1939 to Apr. 2, 1942



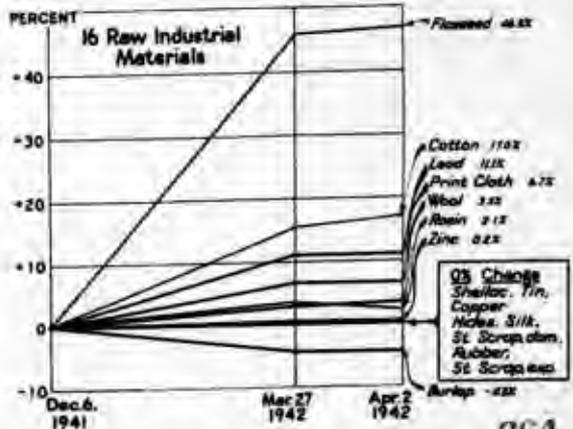
Dec. 6, 1941 to Mar. 27 and Apr. 2, 1942



16 Raw Industrial Materials



16 Raw Industrial Materials



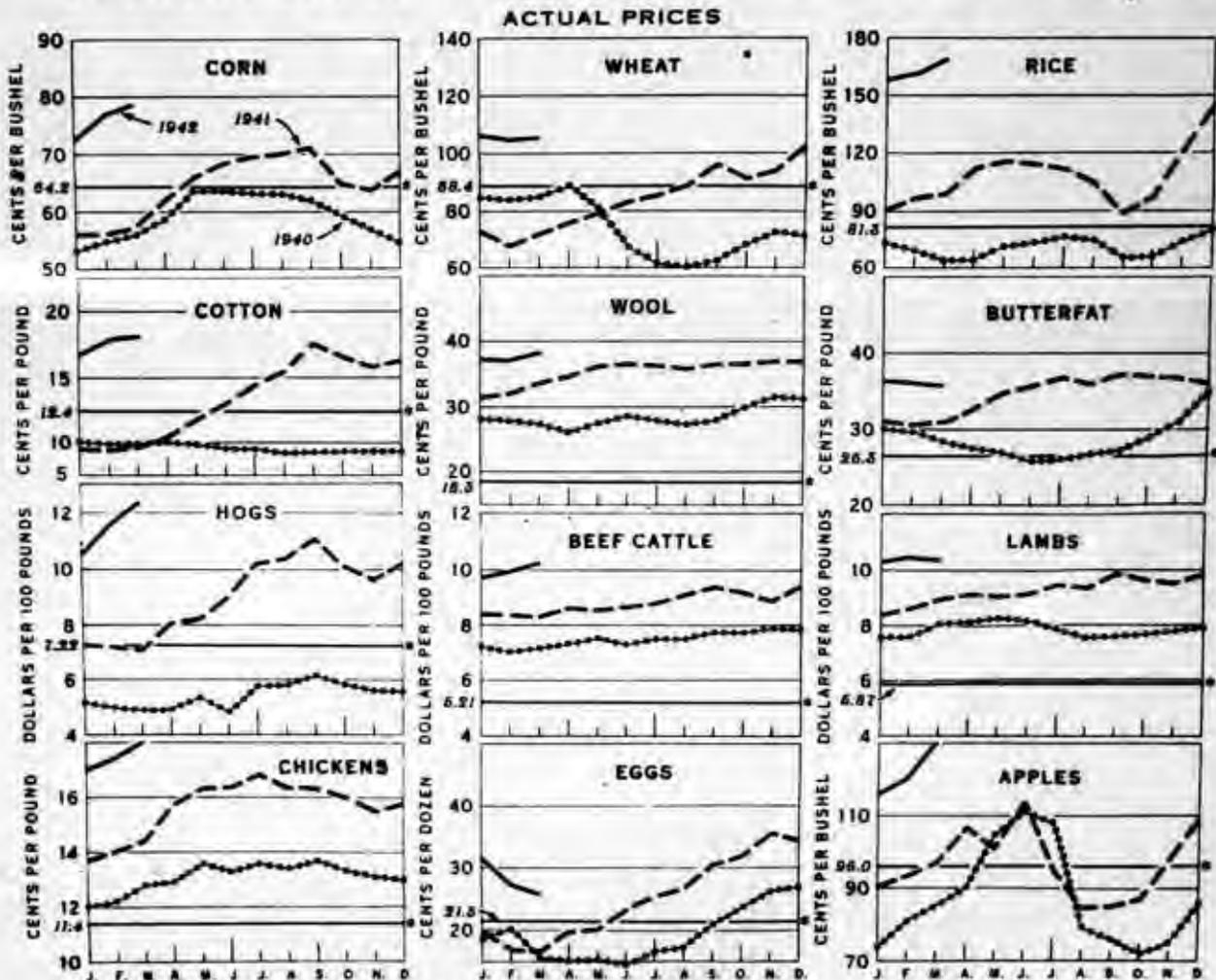
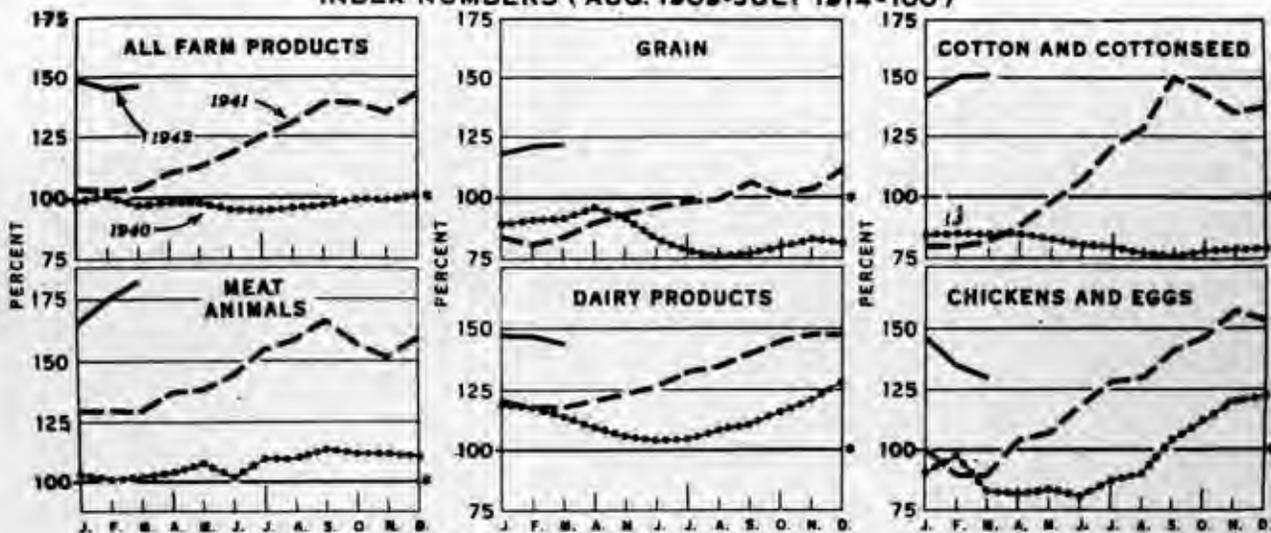
OS Change
Shellac: Tin,
Copper
Hides, Silk,
St. Scrap, dom.
Rubber,
St. Scrap, imp.

* Black lines indicate commodities under price ceilings or other control

364

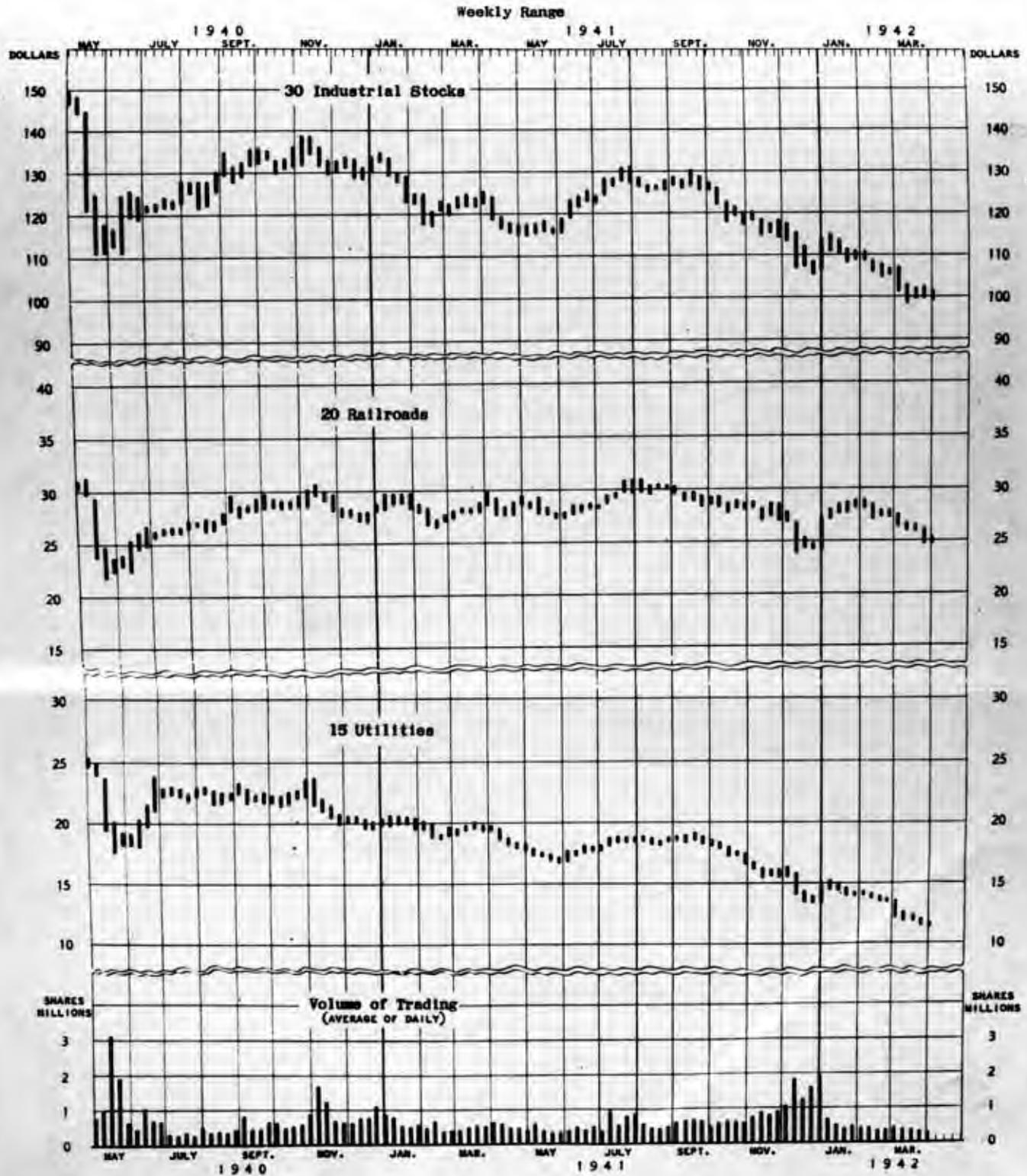
AVERAGE PRICES RECEIVED BY FARMERS: GRAPHIC SUMMARY FOR THE UNITED STATES

INDEX NUMBERS (AUG. 1909-JULY 1914=100)



8-YEAR AVERAGE AUGUST 1909-JULY 1914

STOCK PRICES, DOW-JONES AVERAGES





OFFICE OF THE DIRECTOR

367

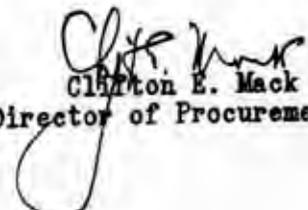
TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

April 6, 1942

MEMORANDUM TO THE SECRETARY:

Some time ago I mentioned to you that our field inspectors had discovered indications that the State Procurement Officer for Utah had made purchases allegedly for Government purposes, but diverted the materials to private uses.

The information was turned over to the Intelligence Unit and as a result the State Procurement Officer was removed, and his case is now under consideration by the United States Attorney at Salt Lake City.


Clifton E. Mack
Director of Procurement



TREASURY DEPARTMENT

368

INTER-OFFICE COMMUNICATION

DATE April 6, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
Mar. 30	-	-	-	
31	-	-	-	
Apr. 1	-	-	-	
2	-	-	-	
3	-	-	-	
4	-	-	-	
<hr/>				
Sales from				
Feb. 22, 1940 to				
Mar. 28, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
<hr/>				
Sales from				
Feb. 22, 1940 to				
Apr. 4, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
<hr/>				
\$ proceeds of non-vested securities sold			400,000	
Mar. 23, 1942 - Mar. 28, 1942				
\$ proceeds of non-vested securities sold			<u>245,600,000</u>	
Sept. 1, 1939 - Mar. 21, 1942				
\$ proceeds of non-vested securities sold			<u>246,000,000</u>	<u>246,000,000</u>
Sept. 1, 1939 - Mar. 28, 1942				
		GRAND TOTAL	<u>565,332,979</u>	
			\$	61
Jan. 7, 1942 - Cash Dividend on 156 Shares				125
Jan. 9, 1942 - Partial Liquidating Dividend				42
9 Units sold from Aug. 18, 1941 - Apr. 4, 1942 for				123
11 Shares Stock Dividend sold Aug. 18, 1941 - Apr. 4, 1942 for				102,938
56,007 Rights sold from July 24, 1941 - Apr. 4, 1942 for				

TREASURY DEPARTMENT

369

INTER-OFFICE COMMUNICATION

DATE April 6, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
Mar. 30	-	-	-	-
31	-	-	-	-
Apr. 1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Sales from

Feb. 22, 1940 to

Mar. 28, 1942

<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>
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Sales from

Feb. 22, 1940 to

Apr. 4, 1942

<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>
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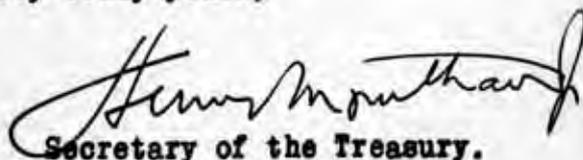
THE SECRETARY OF THE TREASURY
WASHINGTON

APR 6 - 1942

My dear Mr. Ambassador:

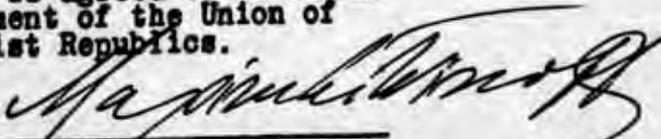
This will confirm that the Agreement of October 10, 1941, between the Secretary of the Treasury and the Government of the Union of Soviet Socialist Republics for the purchase of 903,000 fine troy ounces of gold is hereby amended so that the term "240 days" is substituted for the term "180 days" in paragraphs (1) and (3) thereof.

Very truly yours,


Secretary of the Treasury.

His Excellency
Maxim Litvinoff,
Ambassador of the Union of
Soviet Socialist Republics.

The foregoing is agreed to on behalf
of the Government of the Union of
Soviet Socialist Republics.



AMBASSADOR,
Union of Soviet Socialist Republics.

FOR DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS

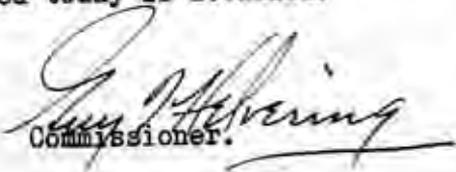
April 6, 1942.

Memorandum for the Secretary:

The case of the Amtorg Trading Corporation for the years 1934 and 1935 was referred to the New York Division of the Technical Staff on or about January 13, 1942. This is a nondocketed case involving large proposed deficiencies in income and excess profits taxes and has been the subject of recent correspondence between your office and the corporation's president.

I have considered carefully the advisability of withdrawing this case from the decentralized procedure and have concluded that it would better serve the interests of the Government to handle the case in Washington. This taxpayer is for all practical purposes the agent of the Soviet Government. For reasons of broad Government policy and since the determination of tax liability requires the application of statutory provisions involving the exercise of wide administrative discretion, I have concluded that the case should be handled under my personal direction.

Accordingly, as provided in Paragraph 12 of Commissioner's Mimeograph, T. S. No. 57, approved by you on September 14, 1939, I have approved the recommendation of the Head of the Technical Staff that this case be withdrawn from the jurisdiction of the New York Division of the Technical Staff and handled under centralized procedure. Copy of this order dated today is attached.


Commissioner.

O.K.
M.M.Z.

MOVEMENT OF RUSSIAN LEND-LEASE MATERIAL FROM PHILADELPHIA PORT

Field Trip Report by Mr. Sidney G. Tickton, April 6, 1942.

On Monday afternoon, April 6, I visited Lt. Col. H. G. Williams, of the War Department's Service of Supply, and Messrs. Pretz, Sweeney, and McAluney of the Moore-McCormack Lines at their Philadelphia offices, to discuss the movement from the port of Philadelphia of lend-lease materials for Russia.

A summary of the developments at Philadelphia as derived from my conversations with the foregoing gentlemen follows:

1. The freight traffic bottleneck that existed at Philadelphia a month ago has been cleared up completely. All freight cars carrying Russian cargo that have arrived in the Philadelphia area have been sorted out by the railroads, and their location and contents are known at all times to the Army's representatives, the Russians, and Moore-McCormack, the shipping agents. Complete current records are available, and as a result the railroads are able to deliver at 6 a.m. each day the freight cars specified by the Russians at 2 p.m. the day before.

2. Nine ships carrying Russian cargoes sailed from Philadelphia last week. This compares with 5 ships the week before, and 3 ships the week before that. There were 11 ships on which loading operations were being conducted in port yesterday, and it is expected that by next Tuesday all but one of these will have sailed.

3. Nine ships are expected to arrive in port this week. Col. Williams expects to turn them around in 8 days apiece. In case the ships don't arrive on schedule, Col. Williams expects to use the free time to unload freight onto the docks. A few days of such unloading will permit him to cut the turn-around time to 6 days. Lack of sufficient treckage into the piers prevents him from building up this backlog of freight on the pier as long as 5 or 6 boats are in port.

4. The number of carloads of freight loaded aboard ship each day since March 9 is shown in the attached table. Loading was being conducted at capacity at noon yesterday, although it had started off slowly because of the Easter Monday holiday. The stevedores have become quite cooperative, I was told, and their high morale was indicated by the fact that as many as 122 carloads were placed aboard ship on Easter Sunday.

- 2 -

5. Col. Williams showed me the layout of what appeared to be a rather comprehensive and adequate set of reports and records of ships working and freight available in the Philadelphia area. His reporting system was in partial operation only yesterday, but will be in complete operation by the end of the week. I asked the Colonel about his reports on incoming freight and he showed me his teletypes from Washington. The data are similar to those the Procurement Division started obtaining last week, but they are several days in arrears. The report he showed me yesterday, April 6, for example, referred primarily to shipments made on April 2 or 3.

6. A conference on customs papers and declarations that Customs Commissioner Johnson had with Moore-McCormack, Lend-Lease, and the Philadelphia Customs officials last Thursday resulted in the provision of a 15-day period of temporary relief for the Moore-McCormack people. The Commissioner agreed to accept pro-forma customs declarations in place of completed declarations until April 20, by which time it is hoped that the problems of preparing customs declarations on cargoes for which the bills of lading have not arrived will have solved themselves.

Attachment

Number of Carloads of Russian Lend-Lease Freight
Placed Aboard Ships at the Port of Philadelphia.

Day	Date	Number of carloads
Wednesday	March 11	109
Thursday	12	105
Friday	13	123
Saturday	14	60
Sunday	15	58
Monday	16	117
Tuesday	17	121
Wednesday	18	126
Thursday	19	136
Friday	20	142
Saturday	21	75
Sunday	22	67
Monday	23	139
Tuesday	24	178
Wednesday	25	196
Thursday	26	202
Friday	27	249
Saturday	28	252
Sunday	29	80
Monday	30	342
Tuesday	31	206
Wednesday	April 1	345
Thursday	2	250
Friday	3	224
Saturday	4	154
Sunday	5	122
Monday	6	261

Office of the Secretary of the Treasury,
Division of Research and Statistics. April 7, 1942

TREASURY DEPARTMENT

376

INTER OFFICE COMMUNICATION

DATE April 6, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Shipment of Planes to British Forces, Week Ending
March 31, 1942

1. In the week ending March 31, 1942, a total of 122 planes of all types (112 combat planes) were shipped to British forces.

2. The emphasis in 1942 continues to be on shipments of pursuit planes. Over half of the deliveries to the British in 1942 consist of fighters, compared to less than a third of the total in 1941.

Table A - Shipments by Area

377

	Week Ending <u>Mar. 31, 1942</u>	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	14	81	1,242
Heavy bombers	1	15	119
Naval patrol bombers	0	8	110
Pursuit	46	516	827
Army Cooperation	4	34	65
Trainers	<u>0</u>	<u>0</u>	<u>24</u>
Total to the United Kingdom	65	654	2,387
<u>To the Middle East</u>			
Light and medium bombers	19	156	486
Heavy bombers	0	0	5
Pursuit	4	159	1,007
Army Cooperation	0	12	12
Trainers	<u>0</u>	<u>8</u>	<u>150</u>
Total to the Middle East	23	335	1,660
<u>To the Canadian Forces</u>			
Light and medium bombers	5	24	192
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	<u>10</u>	<u>219</u>	<u>1,460</u>
Total to the Canadian Forces	15	297	1,756
<u>To the British Pacific Forces</u>			
Light and medium bombers	11	95	190
Naval patrol bombers	0	0	27
Pursuit	8	68	236
Trainers	<u>0</u>	<u>0</u>	<u>105</u>
Total to Pacific Forces	19	163	558
<u>To the British Indian Forces</u>			
Pursuit	<u>0</u>	<u>14</u>	<u>14</u>
Total to Indian Forces	0	14	14
<u>Total</u>			
Light and medium bombers	49	356	2,110
Heavy bombers	1	16	125
Naval patrol bombers	0	31	168
Pursuit	58	787	2,156
Army Cooperation	4	46	77
Trainers	<u>10</u>	<u>227</u>	<u>1,739</u>
Totals	122	1,463	6,375

Table B - Shipments by Types

378

	Week Ending <u>Mar. 31, 1942</u>	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	24	262	416
Boeing B-17	0	4	24
Boston III	0	5	29
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	8	18	18
T-50	0	86	700
Consolidated Catalina	0	31	168
Liberator	1	12	101
Curtiss Kittyhawk	12	261	643
Tomahawk	0	0	544
Douglas Boston I and II	0	0	82
Boston III	0	0	410
Fairchild 24 R-9	4	36	58
Glenn Martin Baltimore	19	159	227
Maryland	0	0	150
Grumman Martlet II	0	19	60
Lockheed Hudson	27	154	1,124
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	3	26	26
North American Harvard II	2	49	946
Mustang	22	242	322
Fitcairn Autogiro	0	0	5
Stearman PT-27	0	74	75
Vought Sikorsky Chesapeake	0	0	50
Vultee Stinson-049	0	10	14
Grand Total - All Types	122	1,463	6,375

Table C - Plane Shipments to the British by Weeks

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
Weekly Average of shipments in 1941	36	2.2	2.7	28.3	.6	30.2	100
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	8	0	0	14	0	60	82
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	9	0	3	10	4	4	30
February 10, 1942	33	0	3	59	0	4	99
February 17, 1942	12	0	2	41	7	0	62
February 24, 1942	33	0	2	86	7	1	129
March 3, 1942	26	0	1	80	6	0	113
March 10, 1942	29	2	0	78	1	0	110
March 17, 1942	34	1	0	94	8	0	137
March 24, 1942	94	9	12	79	0	84	278
March 31, 1942	40	1	0	58	4	10	122
Total shipments since January 1, 1941 to date *	2,110	125	168	2,156	77	1,739	6,375

* These totals include a few aircraft shipped prior to March 17, 1942, which are not listed in the weekly figures. Due to a mistake by the source of the data, Lend-Lease aircraft flight deliveries were not included in the weekly statements. The correction has now been made in the totals.

TREASURY DEPARTMENT

380.

INTER OFFICE COMMUNICATION

DATE April 6, 1942

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

On Saturday, April 4, 1942, Governor Gruening of Alaska, informed us that the military authorities in the Alaskan territory had decided to evacuate all Japanese aliens and all American citizens of Japanese lineage from the Territory. The Governor asked if the Treasury Department were prepared to handle the property aspects of this evacuation program in some way similar to that employed in the West Coast military areas.

Investigation of the population statistics for Alaska disclosed that the problem was very slight compared to the problem on the West Coast. There are 236 Japanese in the Alaskan territory including both aliens and American citizens of Japanese lineage. Mr. Hale, Vice President of the Federal Reserve Bank of San Francisco, who is in charge of the program for handling the property of the evacuees from the military areas of the West Coast, agreed in a telephone conversation

Saturday afternoon, April 4, 1942, to send a few men to Alaska to handle the property problem on the same voluntary basis that is being employed in the West Coast military areas.

It is suggested that we make use of the personnel of the Federal Reserve Bank of San Francisco in this way acting on the authority of your telegrams to the Federal Reserve Bank of San Francisco of March 7, 1942 and March 11, 1942.

S.W. 76

TREASURY DEPARTMENT

382

INTER OFFICE COMMUNICATION

DATE APR 6 - 1942

TO SECRETARY MORGENTHAU
FROM E. H. FOLEY, JR.

In the administration of the evacuation program for the military areas and designated zones on the West Coast, the United States Department of Agriculture at the request of the military authorities has undertaken to institute and administer a program which will insure continuation of the proper use of the agricultural lands of evacuee nationals.

Situations have developed which indicate that the Department of Agriculture does not have adequate power to accomplish this objective. Lieutenant General J. L. DeWitt, Commanding General, Western Defense Command and Fourth Army, and Mr. Milton Eisenhower, Director of the War Relocation Authority, have requested the Secretary of Agriculture to obtain and exercise additional powers. The Secretary of Agriculture has requested you to authorize him, in accordance with the provisions of section 5 (b) of the Trading with the Enemy Act, as amended by the First War Powers Act of 1941 to undertake, through agencies selected by him, the following operations:

(a) Where the occasion warrants to freeze the property of Japanese evacuees from agricultural

- 2 -

lands and thus protect them against grasping creditors where the evacuee has an equity to protect.

- (b) To operate the farms, find new operators and turn over the farm as an operating unit to such new operator in order to prevent the loss of agricultural production.

Your authorization to the Secretary of Agriculture, in compliance with his request, would assist the military authorities and would place both the power and responsibility for continued agricultural production in the West Coast area in the appropriate Department of the Government.

9.14.76

Clemens with Mr. M. J. 4/6/42 - 3:30
P.M.

APR 6 - 1942

My dear Mr. Secretary:

Reference is made to your letter of April 3, 1942, requesting that I authorize you, in accordance with the provisions of subdivision (b) of section 5 of the Trading with the enemy Act of October 6, 1917 (40 Stat. 411), as amended by the First War Powers Act, 1941 (Public Law 354, 77th Congress), to freeze property and transactions therein and to vest, manage, operate and dispose of property when the property or any interest therein is held by an evacuee engaged in farming operations who has evacuated or is about to evacuate a farm located in a military area within the Western Defense Command.

Enclosed is a memorandum delegating the authority you request for the purpose of enabling the Department of Agriculture to carry out the agricultural aspects of the evacuation program for the West Coast military areas in designated zones,

- 2 -

in order, in appropriate cases to protect an equity of an evacuee from grasping creditors or in order to prevent the loss of agricultural production.

Very truly yours,

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

The Honorable
The Secretary of Agriculture.

Enclosure

JJL:am 4/4/42

APR 6 - 1942

MEMORANDUM FOR THE SECRETARY OF AGRICULTURE:

For the purpose of enabling the Department of Agriculture to carry out the agricultural aspects of the evacuation program for the West Coast military areas and designated zones, there is hereby delegated to and conferred upon the Secretary of Agriculture full authority to exercise any and all powers delegated to the Secretary of the Treasury under section 5(b) of the Trading with the enemy Act, as amended by Title III of the First War Powers Act of 1941, with the power to redelegate these powers to such field and other agencies in the Department of Agriculture as the Secretary of Agriculture may from time to time designate. This delegation shall not be construed as a limitation upon my authority to exercise such power and authority at any time or as a limitation upon the authority of the Federal Reserve Bank of San Francisco to exercise the power and authority conferred upon it as Fiscal Agent of the United States.

Secretary of the Treasury.

(Signed) H. Morgenthau, Jr.

JJL:am 4/4/42

THE SECRETARY OF THE TREASURY
WASHINGTON

APR 6 - 1942



My dear Mr. Secretary:

Reference is made to your letter of April 3, 1942, requesting that I authorize you, in accordance with the provisions of subdivision (b) of section 5 of the Trading with the enemy Act of October 6, 1917 (40 Stat. 411), as amended by the First War Powers Act, 1941 (Public Law 354, 77th Congress), to freeze property and transactions therein and to vest, manage, operate and dispose of property when the property or any interest therein is held by an evacuee engaged in farming operations who has evacuated or is about to evacuate a farm located in a military area within the Western Defense Command.

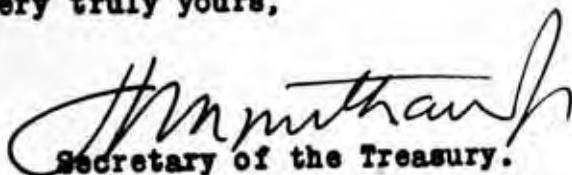
Enclosed is a memorandum delegating the authority you request for the purpose of enabling the Department of Agriculture to carry out the agricultural aspects of the evacuation program for the West Coast military areas in designated zones,



- 2 -

in order, in appropriate cases to protect an equity of an evacuee from grasping creditors or in order to prevent the loss of agricultural production.

Very truly yours,



Secretary of the Treasury.

The Honorable
The Secretary of Agriculture.

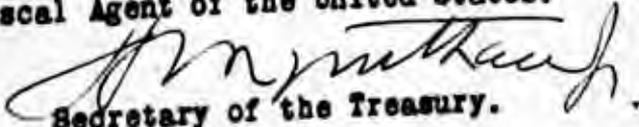
Enclosure

THE SECRETARY OF THE TREASURY
WASHINGTON

APR 6 - 1942

MEMORANDUM FOR THE SECRETARY OF AGRICULTURE:

For the purpose of enabling the Department of Agriculture to carry out the agricultural aspects of the evacuation program for the West Coast military areas and designated zones, there is hereby delegated to and conferred upon the Secretary of Agriculture full authority to exercise any and all powers delegated to the Secretary of the Treasury under section 5(b) of the Trading with the enemy Act, as amended by Title III of the First War Powers Act of 1941, with the power to redelegate these powers to such field and other agencies in the Department of Agriculture as the Secretary of Agriculture may from time to time designate. This delegation shall not be construed as a limitation upon my authority to exercise such power and authority at any time or as a limitation upon the authority of the Federal Reserve Bank of San Francisco to exercise the power and authority conferred upon it as Fiscal Agent of the United States.


Secretary of the Treasury.

DEPARTMENT OF AGRICULTURE
Washington

April 3, 1942

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

At the request of the Commanding General of the Western Defense Command and Fourth Army, the Farm Security Administration of this Department has been assisting in the evacuation from certain military areas of certain persons, among whom are enemy aliens and persons of Japanese descent who operate farms either as landowners or as tenants. The functions of the Farm Security Administration in this respect have largely related to assistance in the making of arrangements with respect to farms which are to be evacuated so that the property interest of the evacuees in the farms, in the crops, and in the livestock and equipment on the farms may be protected, and so that the farms may be continued in cultivation in the interests of continued agricultural production. As you know, some of the farms involved are extremely productive and their continuation in production is essential to the success of the Food for Freedom program of this Department which has been formulated with a view to meeting the increased food needs of our armed forces, our civilian population, and our Allies.

The work of the Farm Security Administration has involved attempts to secure substitute operators for the evacuated farms and the provision for such operators of the necessary credit for continued production.

A number of situations has developed which forcefully indicate that the powers of this Department are not adequate to make it possible effectively to accomplish these objectives. This lack of authority has been brought to my attention not only by field representatives of this Department but also by the Director of the War Relocation Authority, who has specifically requested me, pursuant to the responsibility placed upon him by the President, to obtain and exercise additional powers under the Trading With The Enemy Act.

2-The Secretary of the Treasury

April 3, 1942.

It is my understanding that the representatives of the Commanding General also feel that the Farm Security Administration is handicapped by its present lack of authority.

The lack of the necessary powers has been made evident by a number of different types of cases arising in the actual administration of the program. In many cases, landlords or other creditors of the affected evacuees have refused to cooperate in the program because of their feeling that when the farms are evacuated, defaults will have occurred under the terms of their leases or mortgages as a result of which they will be in a position to cancel the leases or foreclose the mortgages and thus secure the property interests of the Japanese without adequate compensation. The only effective method for meeting situations of this character is to exercise the freezing power. Of course, the mere existence of that power in the agencies attempting to assist in the necessary arrangements will, in most cases, result in a satisfactory agreement without the actual use of the power.

More serious are the cases where production is threatened by acts on the part of the prospective evacuees caused either by their desire to sabotage production or by fear. Cases have come to our attention where the evacuees are failing to proceed with production for a variety of reasons. We also know of cases where the evacuees, in order to realize upon their equipment, are making ill-advised attempts to sell their equipment to persons other than prospective operators of their farms. This, of course, makes it impossible to transfer the farms to prospective operators as operating units. There are also cases in which the evacuees cannot be found or are under some legal disability which prevents them from transferring their property in orderly fashion.

Accordingly, I am now requesting you to authorize me, in accordance with the provisions of subdivision (b) of section 5 of the Trading With The Enemy Act of October 6, 1917 (40 Stat. 411), as amended by the First War Powers Act, 1941 (Public Law 354, 77th Congress), to freeze property and transactions therein, and to vest, manage, operate and dispose of property when the property or any interest therein is held by an evacuee engaged in farming operations who has evacuated or is about to evacuate a farm located in a military area within the Western Defense Command. If this authority is granted,

3-The Secretary of the Treasury

April 3, 1942.

I should be empowered to delegate the responsibility and powers to such field and other agencies of this Department as I may from time to time designate.

It is, of course, recognized that, in the absence of time limitations, all these situations could be taken care of either through the ordinary processes of law or by requesting the agencies which now have the necessary powers to exercise them in cases which come to our attention. However, there are two limitations of time which, in my opinion, make it impossible either to use the ordinary processes of law or to request other agencies to take the necessary action. The first limitation of time results from the determination of the Commanding General that it is necessary from a military standpoint to evacuate many of the affected areas immediately. The second limitation results from the extremely perishable nature of many of the crops which are involved. A few hours' neglect will frequently destroy an entire crop of this type.

I would appreciate your early consideration of these problems.

Sincerely yours,

/s/ Claude R. Wickard

Secretary

APR 6 1942

Dear Harriner:

John Pehle and the other Treasury representatives who were sent by me to the West Coast in connection with the evacuation problem have advised me of the assistance rendered by Governor Szymczak.

Governor Szymczak impressed all the Treasury people with his ability, earnestness, and drive. It was very helpful of you to assign him to work with the Treasury on this problem.

Sincerely,

(Signed) Henry

Governor Harriner S. Eccles,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

n.m.c.
Copy to Simpson

JWPehle:ged 4/1/42

The Honorable,
The Secretary of State.

4-6-42
APR 6 1942

My dear Mr. Secretary:

My letter of October 16, 1941, requested that you direct the American Consul at Rangoon, Burma, to act as representative of the American Government in transferring regular grade motor gasoline from the Texas Company (China) Ltd., under contract SA-TPC-1762, and from the Standard Vacuum Oil Company, under contract SA-TPC-1763, to the Chinese Government under the Lease-Lend Program.

The military situation at the port of Rangoon has made it necessary to make other arrangements for delivery of gasoline to the Chinese Government, and accordingly, it is requested that you direct the American Consuls at Karachi, Bombay, and Calcutta, India, to act as representatives of the American Government in the transfer of gasolines from the above companies to the Chinese Government.

China Defense Supplies, Inc., have designated and directed Mr. K. C. Chen and Mr. W. G. Shaughnessy, Calcutta, India, as their agents to represent the Chinese Government in the acceptance of gasoline transferred under these contracts.

It is desired that, as each delivery of gasoline is made under these contracts, possession of it be transferred to China Defense Supplies, Inc., and signed receipts obtained therefor. One signed receipt should be forwarded to the Procurement Division, Treasury Department, by your Department. In addition, it is requested that cable advice of each such transfer be obtained from the American Consul and transmitted to the Procurement Division as soon as each delivery is made.

Any expense in these transactions may be billed to the Procurement Division, Treasury Department, referring to the above mentioned contract numbers.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

By Messenger

N.M.C.
Copies to Houston

Brown 4/10/42

Treasury Department
Division of Monetary Research 395

6
Date.....4/4/42.....19

To: Miss Chauncey.

From: Mr. White

We have made some slight changes in this letter (indicated on marked copy attached), which we believe desirable. I believe the changes too minor to necessitate sending it back to Procurement for initials.

MEV
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

Sydney

Dated April 6, 1942

Rec'd 11:30 a.m.

Secretary of State,
Washington.

212, April 6, 8 p.m.

Referring to Department's no. 100, March 14.

Aggregate amount treasury checks received
from Commonwealth Bank today \$19,688.12.

PALMER

WSB

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Y

397

DEPARTMENT OF STATE
WASHINGTON

April 6, 1942

In reply refer to
FD

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram no. 348, dated April 4, 1942, from the American Embassy, Chungking, China, concerning the sale of savings deposit certificates.

Enclosure:

From Embassy, Chungking,
no. 348, April 4, 1942.

Copy:bj:4-6-42

COPY

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: April 4, 1942, 1 p.m.

NO.: 348

On April 1 the sale of certificates of savings deposits which are convertible into American dollars started. In the three-day period since the start the response to them has been disappointing. Approximately ten million fapi have been deposited in Chungking, including one deposit of 6,000,000. The public appears apathetic and there does not seem to be any optimism among the Chinese bankers and officials regarding voluntary response of the people. Thought is being given to exerting some form of pressure on Chinese holders of liquid and other forms of capital in connection with control of commodities and administration of general mobilization. It has been stated that businessmen and prospective private investors among the Chinese have noticed that the American Government does not guarantee the redemption of bonds and savings deposits in American currency and they are inclined to skepticism about the Chinese Minister of Finance with respect to the fulfillment of the terms of conversion and redemption. Fuller reports of the development of the situation will be sent by the Embassy in due course.

GAUSS

RECEIVED
 Treasury Department
 APR 6 1942
 DIVISION OF
 FOREIGN INVESTMENT

Copy:vw:4-6-42

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399

DEPARTMENT OF STATE
WASHINGTON

April 6, 1942

In reply refer to
FD

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 242, dated April 4, 1942, from the American Consulate, Bombay, India, concerning the intentions of the National City Bank of New York to close their branches at Calcutta and Bombay.

Enclosure:

From Consulate, Bombay,
no. 242, April 4, 1942.

Copy:vw:4-6-42

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BR

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Bombay

Dated April 4, 1942

Rec'd 12:24 p.m.

Secretary of State,

Washington.

RUSH

242, April 4, 1 p.m.

National City Bank of New York at Bombay which is the head office for India inform me that they have been instructed by their New York office to close their Calcutta branch by April 15 if possible and that the Bombay branch will be closed within a short time. The Reserve Bank of India has indicated to the National City Bank of New York its disapproval of such action and has asked the National City Bank of New York to maintain at least a small office at Bombay.

For the Department's confidential information it should be stated that the Manager of the Bombay branch of the National City Bank of New York concurs with the Reserve Bank's suggestion and is cabling his head office to that effect; he has requested the Consulate to support him in this action and I have accordingly written him today as follows:

"While I can appreciate the exigencies of the situation which have prompted your New York office to issue these instructions, I feel compelled to point out it would, in my judgment, be highly desirable from the standpoint of American prestige in India, as well as desirable for the convenience of the United States armed forces in India and other branches of the United States Government in this country, for you to maintain at least a small office in Bombay. I am sure that the Government of India would also appreciate such action since it could not help but to facilitate certain of their transactions."

The Consulate would have expressed the foregoing opinion to the National City Bank of New York at Bombay irrespective of the Manager's action in requesting it to do so. The Department is requested at its discretion to inform the National City Bank of New York of the Consulate's views on the subject at the same time not (repeat not) disclosing the local Manager's expression of opinion to me.

DONOVAN

WwO

Copy:vw;4-6-42

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401

DEPARTMENT OF STATE
WASHINGTON

April 6, 1942

In reply refer to
FD

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch No. 435, dated February 5, 1942, from the American Consulate, Bombay, India, concerning weekly reports on Bombay silver and gold market.

Telegram No. 23 was transmitted to the Secretary of the Treasury in this Department's letter of February 5, 1942.

Enclosure:

Despatch No. 435, from
Consulate, Bombay, India.

AMERICAN CONSULATE

Bombay, India, February 5, 1942

Subject: Weekly Reports on Bombay Silver and Gold Market

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON

Sir:

I have the honor to refer to the Department's telegram no. 23 of February 4, 1942 transmitting the advice of the Treasury Department that information with respect to the local gold and silver market need no longer be sent by cable since the forwarding of the information by mail will be sufficient.

Unless instructed otherwise by the Department, the Consulate will in future forward to the Department by pouch the weekly market analyses of Merwanjee Bomanjee Dalal, Stock, Share, Bullion, Exchange and Finance Broker, Bombay, and the WEEKLY MARKET REVIEW published by Prenchand Roychand and Sons, Limited, Bombay. These publications are not at all bulky, and it is believed that the Treasury Department will find therein the information it desires regarding week by week developments in the Bombay silver and gold market.

To facilitate reference in the Department, the aforesaid publications will be identified in each case by the following endorsement:

"For the Treasury Department in accordance with the Department's telegram No. 23 of February 4, 1942 to Bombay and the Bombay Consulate's Despatch No. 435 of February 5, 1942".

Respectfully yours,

Howard Donovan
American Consul863.4
RLT-dmb
In quadruplicate to the Department
Cow to Consulate General, Calcutta

Copy:bj:4-6-42

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7579

403

BAS

Lisbon

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Dated April 6, 1942

Rec'd 3:45 p.m.

Secretary of State,

Washington.

287, April 6, 4 p.m.

Referring to the Department's telegram no. 317, March 31, 7 p.m.

Jose Correia Amada, Sucra. Considered satisfactory as consignee leather.

No connection between Sociedade Geral de Comercio Industria e Transportes Limited and E. Pinto Basto e Cia both of which have joint British-American approval as coal consignees.

E. Luiz Ferreira Pinto Basto who is a partner of E. Pinto Basto e Cia. resigned as director general of Proclaimed List firm Portugal Prevideinte on March 18.

FISH

JRL

eh:copy
4-8-42

TREASURY DEPARTMENT

404

INTER OFFICE COMMUNICATION

DATE April 6, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£33,000
Purchased from commercial concerns	£12,000

Open market sterling held at 4.03-3/4, with no reported transactions.

The Canadian dollar discount narrowed to 13% by the close, as compared with 13-1/8% on Saturday.

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

Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2815
Cuban peso	3/32% premium

There were no gold transactions consummated by us today.

No new gold engagements were reported.

There were no London silver prices quoted owing to the holiday in Great Britain.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.



BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 113

Information received up to 7 A.M., 6th April, 1942.

1. NAVAL

MURMANSK and KOLAI INLET were twice raided by enemy aircraft on the 3rd. A divisional headquarters was hit and two British merchant vessels were damaged, one of them seriously. One more small Norwegian ship has reached this country from GOTHEMBERG.

MALTA. 5th. In further heavy air raids three H.M. Destroyers were damaged. There was considerable damage to the dockyard and ST. ANGELO.

2. MILITARY

BURMA. PROME Front. No substantial change. The enemy is reported to be concentrating troops and motor transport on the west bank of the IRRAWADDY a few miles north of PROME. Our artillery was active in this locality.

3. AIR OPERATIONS

WESTERN FRONT. 5th/6th. 332 aircraft were despatched - COLOGNE 263, GNOME and RHONE WORKS, GENNEVILLIERS (PARIS) 20, HAVRE 18, Intruders 20, Pamphlets 11. Five aircraft are missing and three crashed on return. Enemy activity was slight, one aircraft was shot down by a Beaufighter in the outer THAMES ESTUARY.

MALTA. 4th. In addition to those already reported, 75 enemy aircraft attacked on the 5th, 208 enemy aircraft attacked, causing damage at HAL FAR, TAKALI, GRAND HARBOUR and to civilian property. Seven of our fighters, two of which were seriously damaged, intercepted. Anti-aircraft defences and fighters destroyed six, probably destroyed one and damaged ten.

CEYLON. My OPTEL No. 112. Additional information. Japanese air attacking force 75 single-engined bombers and naval "Zero" fighters. 33 Hurricanes and Fulmars shot down 23 enemy aircraft, probably destroyed five and damaged many others, two more were shot down by anti-aircraft fire. We lost 18 Fighters, two Catalinas and two Swordfish. Ten Blenheims sent to attack the Japanese Naval Force failed to locate it owing to bad weather. Armed merchant cruiser set on fire in COLOMBO HARBOUR.

4. Air Reconnaissance of DAKAR and CASABLANCA on the 4th showed that the only significant change in the disposition of major French naval units was an increase of one Gloire class cruiser at CASABLANCA from DAKAR. STRASBOURG is believed to be still at TOULON.

April 6, 1942

FOLLOW-UP FOR THE SECRETARY:

You have requested that Mr. Kuhn look into and report to you on possibility of distributing "Voice of the Chief" broadcasts in the U.S.

Finished - See Group #16/42 -

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 17, 1942

TO Secretary Morgenthau
FROM Mr. Kuhn

After a good deal of prodding from me, the MacLeish office has finally persuaded Mr. Fly of the FCC to permit distribution to the newspapers of the propaganda material broadcast by the Axis every day. Excerpts from German, Italian and Japanese broadcasts will be distributed daily to newspapers and radio commentators, so that whenever Senator Wheeler or others copy the Axis line, the newspapers can say so with chapter and verse. This ought to have a good effect in the fight against McCormick of the Chicago Tribune and others like him.

It had not been planned to distribute the "Voice of the Chief" broadcasts, but MacLeish's office promises to let me know in a few days whether this can be added to the daily service.

J. K.

TREASURY DEPARTMENT

408

INTER OFFICE COMMUNICATION

DATE March 17, 1942

TO Ferdinand Kuhn
FROM Secretary Morgenthau

Why isn't the so-called "Voice of the Chief" out of Germany given general distribution in this country? I wish you would talk to MacLeish about it. It seems as though we are overlooking a bet by not giving this out to the newspaper columnists, radio commentators, etc. Please take it up with MacLeish and let me know what his reaction is.

UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

409



April 6, 1942

The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Henry:

The attached is from the British
Ministry of Information weekly guidance.

Sincerely,

WJ
William J. Donovan

Enclosure

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SECRET

DIRECTOR OF INFORMATION

The following is from the British Ministry of Information weekly guidance.

1. Emphasize the imminence of the German offensive and the Russian British preparedness to oppose it with utmost strength. Give no support to the German local nerve-pressure, i.e., discount the notion of an immediate attack on Turkey. Treat reports of return of German Generals to Hitler's favor with caution circulate for propaganda effect but give no strategic significance and do not attach too much weight.

2. There is no evidence of likelihood or otherwise of the Jap attack on Eastern Siberia, though it is possible if not probable that there should be such an attack, synchronized with the German spring drive. During the worst of the German autumn advance the Eastern army was kept intact, and the Russians feel they can hold out in the East without withdrawing forces from the west. Do not assume that Vladivostok will hold out, should the attack occur. Also emphasize that the forestalling of growing American Pacific strength would be one of Japan's main motives.

3. In the next few months, the bulk of the fighting will probably be done by the Russians rather than by ourselves.

4. Emphasize Britain's growing realization of the part she must play after the war in the Europe of the future and her growing understanding of Europe's problems.



UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

411

April 6, 1942

The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Henry:

Attached is the British PWE
Survey of German Home Propaganda.

Sincerely,

Bill
William J. Donovan

Enclosure

SECRET

The following is from the British PWE Survey of German Home Propaganda.

Main Theme: While engaged in Russia there is no need for Germany to fear attack from elsewhere because:

- a. Allies are unable to begin an offensive anywhere.
- b. The hopelessness of British efforts to batter at Atlantic coast defenses. This is shown by "catastrophic failure" at Saint Nazaire.
- c. Ineffectiveness of Russian winter offensive.
- d. Continued military defeats of allies.
- e. Lack of allied shipping due to continued heavy sinkings along the American coast and in the Atlantic especially.

Secondary Theme: In England things are much worse, i.e.:

- a. Military weakness.
- b. Poor leadership.
- c. Morale is bad.
- d. Strategic situation is hopeless.

About 1/8 of the news output was devoted to Japan. This was much less than half of the amount which was devoted to Russia. Military operations in China were given minor prominence. The assumption of the high command by "deserter" or "film star" MacArthur proves "military sovereignty" was surrendered by Australia. Japan's threat to India was not stressed. Moderate but constant prominence was given the Indian negotiations. Increasing suggestion that America desires to take over India.

There was no mention whatsoever of the Spring offensive in Russia up to April 1. There were no customary strategic reviews of the military situation and no figures on German losses. There was no more heard about Riom.

Regraded Unclassified

413
SECRET

COORDINATOR OF INFORMATION

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Standing directive to say nothing suggesting that America is a formidable foe. No word has yet been uttered about Nazi atrocities in Norway and no expectations about France. There has been very little permitted to leak out about Serbia.

Great emphasis on drastic threats for violations. Stern line instead of effort to minimize the gravity of the new rations cuts.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

414
AM

DATE April 6, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck

Subject: Latest Report on Sunday's Japanese Attack on
Colombo, Ceylon

On April fourth, Saturday, a Consolidated Catalina, on reconnaissance, discovered a Japanese task force of a battleship, two cruisers, an aircraft carrier, and three other ships 360 miles to the east of Ceylon.

April fifth, Sunday morning, the Japanese force was picked up 110 miles south and slightly west of Ceylon. When 75 Japanese planes attacked Colombo, therefore, there was no surprise. The Japanese caused extensive damage, nevertheless, to the harbor workshops. One British warship (exact description unknown) was hit and is probably a total loss. Only slight damage was done to other targets, the airdromes being scarcely hurt at all.

The Japanese lost certainly 27 planes, and at least 25 others were damaged. 14 British planes were lost.

(U.K. Operations Report, April 5, 1942)

(The Japanese force may still be within range of Allied bombers, and further Japanese losses may be experienced.)

TREASURY DEPARTMENT

415

INTER OFFICE COMMUNICATION

DATE April 6, 1942

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

Far East

There are no evidences of Japanese preparations for a move against Australia. In the whole region from Timor (east of Java) through the Japanese mandates, it is estimated that there are not more than three divisions. Such a force is negligible, so far as major operations are concerned.

(C.O.I., "The War This Week", March 26-April 2, 1942)

German Air Force

There seems to be general agreement that the Germans have suffered very high air casualties in Russia and that the loss of some of their best pilots has undoubtedly impaired the efficiency of the German Air Force.

The British estimate that German first-line air strength, at present, is 4,200 planes, or 25 percent under June, 1941, and that reserves are seriously depleted. The American Army believes that the German first-line strength has remained unchanged at around 6,000 planes, with second-line reserves of 5,000 planes.

First-line strength of the Germans was estimated to be 5,700 planes in June, 1941. Counting reserves, the Germans had a total of 12,600 combat planes. The total number of planes of all types was estimated to total 23,300.

(C.O.I., "The War This Week", March 26-April 2, 1942)

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Mediterranean

According to the Swedish General Staff, there will be no Nazi offensive against Turkey. (The British agree that there are no preparations, as yet, which would indicate such an offensive.)

The Swedes believe that the gradually increasing heat in Libya will bring on a stalemate on that front. (Our army is beginning to believe that the Germans are not going to attempt an offensive on the Libyan front in the near future.)

(C.O.I., "The War This Week", March 26-
April 2, 1942)

OF POSSIBLE INTEREST

(The following official Finnish broadcast, not directed towards the United States, on the Axis spring offensive, might be of interest. A reluctant admission is made that the Axis may not be able to eliminate the Russian front in this coming summer. "...it can be safely assumed that the Russians will be driven back of the Volga, although it is questionable if that can be achieved during the summer.")

"The German spring offensive on the Eastern Front is approaching. When the German Army started its offensive last June, the strength of the Russian Army and its equipment were unknown. Judging from the Russo-Finnish war the Russian army was considered weak.... Now we learn that the Soviets sent only second-rate armies to Finland... Even now, at the beginning of the third period, the strength of the Red Army is still unknown, although to a lesser degree.

"It has been estimated that the trained Russian Army was comprised of 16 to 17 million men which could, if necessary, be increased by 5 to 10 million men. If we assume that 8 million men have been lost, killed, or wounded, the number of men at the front can be estimated as 10,000,000 who are not of the same high standard as those lost.

"However, it must be remembered that the Soviets have not yet mobilized the 10,000,000 workers evacuated from the countries now occupied by the Germans. These workers are ardent Communists who can influence the fighting morale of the Army.

"It seems that the will to fight is still strong in the Red Army, in spite of all difficulties. The Russian supply of arms is not yet exhausted....

"Last winter a great amount of Russian tanks were destroyed but, surprisingly, more tanks appeared and they were all Russian machines; not one English or American tank has been seen so far....

"The weakest part of the Russian Army is the air force. In spite of their heavy losses, a shortage of planes is not yet apparent. During the winter operations, the planes were sent in great masses against the Germans. The greater part of the planes came from England and were of the Hurricane and Spitfire types... But the technical standard and training of pilots is much lower than in Germany and the Germans are also numerically superior to the Russians.

- 4 -

"That is why cries for help from England and America have been so pressing lately....

"Considering the supplies of the Red Army, one must not forget that during the war the Bolsheviks lost 50 percent of their armament production and the main centers of Moscow and Petersburg are within reach of the Germans....

"Germany and her allies start the spring offensive favorably for them, as they are better equipped and have better leaders and it can be safely assumed that the Russians will be driven behind the Volga, although it is questionable if that can be achieved during the summer."

(Federal Communications Commission, April 3, 1942)