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April 27, 1942
9:25 a.m.

FINANCING

Present: Mr. Haas
Mr. Buffington
Mr. Murphy
Mr. Bell

H.M.JR: Dan, I read Buffington's report and I have - I realize it is only a small piece - I have grave doubts that the money is there in the tap issues, and what I would like to suggest, if you think we will have it when we have this meeting tomorrow, I would like you to arrange that Buffington goes over to see the Fed today and tell them the story and tell them for me that I have so much grave doubts that it is up to them to prove that the money is there, that I can't find it.

MR. BELL: I think they are going to have a meeting this afternoon of the Executive Committee. They will all be in town today. He might go over to that meeting for the first half hour or so.

H.M.JR: What do you think?

MR. BELL: I think it might be well to do that.

H.M.JR: I would like to put the burden of proof on them because I can't find it.

There are two other things I wanted to let you know

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that bother me. One is, we are putting out more demand issues. That is what you call them, isn't it?

MR. BELL: You mean of this type?

H.M.JR: Demands on us, yes.

MR. BELL: Oh yes, they are demand obligations, yes, sir, in effect.

H.M.JR: And then the other thing is, after reading Haas' enthusiastic, optimistic report, possibly we can get through one more financing.

MR. HAAS: We worked yesterday on a - we have taken that back. I don't think we can. We have a sequel. I am sorry, but developments have happened since.

H.M.JR: We have got to depend upon the banks more than ever.

MR. BELL: This fourteen million that they have added to the budget--

MR. HAAS: Yes, that changes the whole picture.

H.M.JR: The way I feel is this. Can you hear me? I have got a bad throat. The net result to me of George's memo, I don't know whether it was to you, is that the banks are where we have got to look. Now, they are our best customers. You can say, "Of course the banks will have to take seventy-five percent of the issues, but the juicy ones you can't have," but why do that?

MR. BELL: You are thinking now that they can't take the tap issues?

H.M.JR: Yes.

MR. BELL: That is what they are going to say, and they are going to say, "You are leaving the market to us, and we have got to take all the risks of a fluctuating market, whereas you give all these other investors the

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cream and the ability to put them on their books at par and keep them there and always be able to get them out." That is the argument that the banks will put up to you.

H.M.JR: Now, you have been after me for some time. You have been talking to me about a banker's advisory committee, see. The one I would like to do, if you think we will have it, is to invite in people, not necessarily friends of mine, but people whom I consider able, and if you would make a list, these are the people I would suggest, and I thought we would have them here at nine-fifteen Wednesday morning. I want Tom K. Smith. I want the man from Boston.

MR. BELL: Oh, Spencer?

H.M.JR: Charlie Spencer. I want the man from the First National of Chicago.

MR. BELL: Brown?

H.M.JR: Yes. And B. M. Edward and Randolph Burgess. That is Boston, New York, Chicago, and St. Louis.

MR. BELL: And the South, Edward. Why don't you add somebody from the Coast.

H.M.JR: You can't get them.

MR. BELL: They could fly. If you are going to have a second meeting, you might think of that.

H.M.JR: Well, you can ask them. There is an awfully smart fellow in Los Angeles. What is his name?

MR. BELL: I don't know. Giannini?

H.M.JR: No.

MR. MURPHY: Sartori?

H.M.JR: Is that the one?

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MR. BELL: Is he the First Security?

MR. MURPHY: Yes.

MR. BELL: He is that other bank.

H.M.JR: And then there is a fellow down there also in a trust company. Is it Mills?

MR. MURPHY: No.

MR. BELL: I don't know the West Coast bankers very well. We can find one. We may not have him here for Wednesday.

H.M.JR: There is a trust company fellow in Los Angeles who is very able.

MR. BELL: That is the second largest bank out there. Cy Upham ought to know him.

H.M.JR: I don't know him, but he is from Los Angeles. Everybody says he is very able. You might ask him. I think his name is Mills, and I think he is running our War Bond thing for Los Angeles. There is supposed to be in Los Angeles - there is a man in Los Angeles and everybody says some trust company. In San Francisco I wouldn't know who to ask. Would you?

MR. BELL: No, I wouldn't.

H.M.JR: I will tell you what you might do. Look over your list who is the biggest buyers of our Government bonds by banks on the West Coast.

MR. BELL: That would be the Bank of America, there is no doubt about that.

H.M.JR: Well, you might find out.

MR. BELL: Well, if you can get a good man from the Bank of America, it might not be a bad thing, if they have got a good bond man, and I think maybe they have. They have

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got a fellow there that isn't an Italian.

H.M.JR: This fellow - one amazed me at Sioux Falls, South Dakota. There is a bank in either North or South Dakota that is a big buyer. I don't want too many in this crowd. I can't work with such a big committee, but these ones you might get telegrams off to them, you see. Most of the trains are in by nine-fifteen, aren't they?

MR. BELL: I think so. Burgess would be able to suggest somebody on the West Coast.

H.M.JR: Good.

MR. BELL: He is on this Banking Committee.

H.M.JR: Don't you think Burgess from New York?

MR. BELL: Yes.

H.M.JR: I will tell you who we might invite in, too, unless you think we would get exactly the same advice, is George Harrison. Burgess and George Harrison. They are in different fields.

MR. BELL: No, I think Burgess has become more banker-minded since he left the Federal than Harrison. I don't think Harrison has changed so much.

H.M.JR: I am trying to think of people I feel comfortable with and I know. I hesitate to ask any people I don't know. I would add George Harrison. Whatever George's advice is going to be--

MR. BELL: One thing about George, he is loyal.

H.M.JR: I would put George on that list.

MR. BELL: And Burgess?

H.M.JR: Yes.

MR. BELL: How about somebody like Walter Stewart?

H.M.JR: Well, I have already sent for him.

MR. BELL: Is he going to be here Wednesday?

H.M.JR: Did you get my telegram, George?

MR. HAAS: Just got it. I recall it said, "Please speak to me Monday about sending for Walter Stewart on next financing."

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He will be down Wednesday."

H.M.JR: Yes, I want Walter. Now, there is a conservative group, but they are all friends of mine and in the telegram, as I told Walter Stewart, I will tell them to be prepared to stay over Thursday if necessary.

MR. BELL: All right.

H.M.JR: In the telegram, I will tell them to be prepared to stay over Thursday. And if you don't mind, I would get it off before the staff meeting at a quarter of ten.

MR. BELL: All right. It won't take very long.

H.M.JR: But that makes a good group.

MR. BELL: Very good.

H.M.JR: Those are very intelligent fellows.

MR. BELL: I don't know that they will all know the Government bond market, but--

H.M.JR: Well, I would say that we want them down here to consider our next financing. I would put it in, "to discuss the next financing."

MR. BELL: They can familiarize themselves some.

H.M.JR: "With the regular financing," so they will know it isn't War Bonds. What? There is a group who is certainly solid. They are people I have worked with. I don't know Ned Brown terribly well, but he is a frank fellow.

MR. BELL: Yes.

H.M.JR: I never can remember whether your (Buffington's) associates were the First or the Continental.

MR. BUFFINGTON: Continental.

H.M.JR: But there is a group that will call a spade a spade.

MR. BELL: Yes, that is a good group.

H.M.JR: And then ask them for the thing that you have been suggesting.

MR. BELL: Very good.

H.M.JR: Now, get Buffington over to see the Fed this morning.

Now, one other thing, did you hear from Mills?

MR. BELL: Hear from him?

H.M.JR: Yes. Did he call you?

MR. BELL: No, he only left here Saturday, you know. You see, what we did, we called up Iseby at Detroit, and he said he felt that it would be better for Mills to come Wednesday rather than Monday.

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

MR. BELL: It is gone. It went out Friday night. It will be there today.

H.M.JR: Is it going to our state administrators?

MR. BELL: It will do that, and it will go to the Federal Reserve Banks. But it won't be in Detroit until this morning, and Iseby thought it would be better for all of the Government people to have discussed it before Mills gets there.

H.M.JR: O.K.

4/27/42

FINANCING CONFERENCE TO BE HELD TUESDAY, APRIL 28, 1942

- ✓ 1. Estimate of cash position, including the estimated balance as of May 15.
- ✓ 2. Advise banks of approximate amount of withdrawals from War Loan Accounts before payment date of new securities.
- 3. Any changes in rules governing subscriptions.
- 4. Excess reserves available in banking system and what steps are being taken to increase them, particularly New York and Chicago.
- ✓ 5. Call of HOLC 2-1/4% bonds on May 1 for payment on July 1.
- 6. Refunding of HOLC bonds \$875 M
 - 1% RFC notes due July 1 276
 - 2% September 15 Treasury notes 342

\$1,493 M
- 7. Market operations - question of whether the Federal Reserve Bank of New York should be furnished with some market range within which to operate.
- 8. F and G Savings Bonds - whether we should amend the regulations so as to allow -
 - (a) all banks to buy up to the limit, or
 - (b) all banks which are issuing agents to buy up to the limit, or
 - (c) commercial banks with savings departments to buy up to the limit provided the bonds so purchased are to be registered in the name of the savings departments, or
 - (d) commercial banks with savings departments to buy up to the limit upon some percentage basis. For example, where the deposits of the bank are predominantly savings, or where the savings accounts exceed the demand accounts by, say, as much as fifty per cent.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 27, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Member Bank Reserve Position and the Coming Financing

In our memorandum of April 22 on the forthcoming financing, it was said:

"The reserve position of the banks must probably be accepted as a datum for this financing. It is highly desirable, however, that action be taken with respect to it shortly after this financing and well in advance of the next cash financing."

The developments of the past several days, however, seem to throw the balance in favor of taking such action before, rather than after, the forthcoming financing.

- (1) The Bureau of the Budget release issued on Friday estimates necessary borrowing during the fiscal year 1943 at \$53.6 billions. This is \$13.8 billions in excess of the estimate made in January.
- (2) The Friday Federal Reserve statement showed excess reserves of \$2,752 millions, of which \$641 millions was in New York City. This is a decline for the week of \$134 millions in total excess reserves and of \$81 millions in excess reserves of New York City. This is the lowest level of total excess reserves since June 15, 1938, and of excess reserves in New York City since April 6, 1938.
- (3) The statement of weekly reporting member banks in New York City, also available on Friday, showed borrowings of \$5 millions. This is the first time that this item has appeared on the weekly report of New York City member banks since November 30, 1938.

Secretary Morgenthau - 2

- (4) It has come to my attention that the 0.32 percent bill rate this week was made possible only by private advance assurances to the dealers by the Federal Reserve Bank of New York that if they entered bids ranging from 0.30 percent to 0.35 percent, the bills would be taken off their hands. Otherwise, I am informed, the bill rate would have been 0.35 to 0.40 percent, a rise of about 10 points from the previous week. As it was, the rate was the highest since October 20, 1937.

The coming financing will be \$2 billions. This is the largest cash financing undertaken since 1919. It is important that it go over well.

The member bank reserve position is badly in need of strengthening. While under normal conditions it would be neater to do this after the financing than before, it seems to me that present conditions are so far from normal that action before the financing is called for in this case.

It is, of course, the prerogative of the Board of Governors to determine how the reserve position should be strengthened. It should be noted, however, that buying Government securities in the ordinary manner will not do it quickly enough. The decline of \$134 millions in excess reserves last week occurred in spite of an increase of \$42 millions (mostly in bills) in the Federal Reserve portfolio.

A reclassification of New York and Chicago would be quick enough and would increase excess reserves in New York City by nearly \$1 billion and excess reserves in Chicago by about \$200 millions. A general reduction in reserve requirements would also be quick enough.

The posting by the Federal Reserve Banks of a buying rate of 0.25 percent for Treasury bills would likewise be quick enough. This method would also have the advantage that it would constitute a quasi-fixation of interest rates and so would tie in with the President's message on price freezing.

Secretary Morgenthau - 3

With a posted buying rate for bills in effect, increases in the volume of bills would tend to ease money rates, rather than to tighten them as they do at present. It is interesting to note that, according to Mr. Piser, a posted bill rate has been discussed by the Board of Governors from time to time since 1938. Mr. Piser said that he believed that the majority of the sentiment on the Board was favorable to it, but that it was strongly opposed by the New York Bank. It should be noted, of course, that the prevailing idea at the Board of Governors with respect to a buying rate is probably 0.375 percent, rather than 0.25 percent. In our opinion, however, any rate higher than 0.30 percent would probably make further sales of 6-month 1/2 percent certificates impossible.

April 27, 1942
9:26 a.m.

HMJr: Hello.

Operator: Mr. McCloy.

HMJr: Hello.

Operator: Go ahead.

John J.
McCloy: I've got that check.

HMJr: That-a-boy.

Mc: Now, when do you want me to give it to you?

HMJr: When would you like to?

Mc: Any time you - convenient to you - except
that I've got a nine-thirty war council,
that will probably last for an hour.

HMJr: This morning.

Mc: This morning.

HMJr: How's three o'clock?

Mc: Three o'clock this afternoon.

HMJr: Yeah.

Mc: Okay. Will you.....

HMJr: I'll have Phillips here.

Mc: And at your office, I'll be there at three.

HMJr: Yeah. Do you want photographers.

Mc: No, we do not want photographers. (Laughs)

HMJr: (Laughs)

Mc: I'll bring that old letter over, though, and
read and stow it.

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HMJr: But you don't want photographers.

Mc: I don't want photographers, no.

HMJr: Do you want me to do a speech for the movies.

Mc: Yes, you can - you're very good at that.....

HMJr: Yeah.

Mc:I hear.

HMJr: Yeah.

Mc: I may ask McCabe to come over.

HMJr: McCabe?

Mc: He's the Lend-Lease man. I don't know.....

HMJr: Yeah, that would be nice.

Mc: It might be nice for him, because he was working on this.

HMJr: Will you do that?

Mc: I'll get ahold of him, yes.

HMJr: And I'll produce the English.

Mc: Okay, fine.

HMJr: That's fine. Thank you.

Mc: Thank you. Good-bye, sir.

See discussion at Group Meeting 4/27 -
Mr. Graves said that Budget would not
put down the appn and would not be
necessary to have any one appear before
them.

April 27, 1942.

Harold Graves

Secretary Morgenthau

Ed Heller made a very good suggestion. He suggested that some of the State Administrators come down and testify at the Bureau of the Budget. If Heller was here next week, and he and Dick Patterson and Frank Isbey, particularly Isbey, coming from Michigan where the Director of the Budget comes from, and all three of them would testify before the Budget I think it would help. Heller told me he tossed them a thousand dollars a month out of his own pocket to keep his office going, I think that that's terrible. Please talk to me about it today about what you are going to do before the Budget. I want to rush this appropriation through and get it on to Congress so we can get on a billion-dollar-a-month basis immediately.

4/27/42

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See discussion at Group - Sullivan will
get the information.

4/28/42

Sullivan reported at Group Army and Navy will
furnish this information

Follow up 5/5/42 -

*Sullivan reported he has some of the
names -*

See Hyatt's testimony of 5/26/42

April 27, 1942.

John Sullivan
Secretary Morgenthau

Please get a list from Bob Patterson of contractors who built the principal Army cantonments during 1941. I'd like to check the income taxes of these construction companies. I would like this done just as quickly as possible. The same for the companies that are building the bases for the Navy. Get that from Forrestal.

April 27, 1942
9:45 a.m.

GROUP MEETING

Present: Mr. Thompson
Mr. Foley
Mr. Gaston
Mr. Buffington
Mr. Sullivan
Mr. Blough
Mr. White
Mr. Graves
Mr. Kuhn
Mr. Haas
Miss Chauncey
Mr. Bell
Mr. Paul

H.M.JR: I thought we might get reacquainted again. We have been through three weeks of particular hell, two weeks trying to convince all the - I don't know what you call them. I won't name them. Two weeks fighting the boys who wanted compulsory savings, and the last week to be sure that the President's message to Congress didn't make a liar out of me. It doesn't unless they changed it after we saw it yesterday at noon. It is particularly good on the War Bonds. Did they tell you, Harold?

MR. GRAVES: Yes, they did.

H.M.JR: It is particularly good on War Bonds, so I have got nothing to kick about. The message is extremely mediocre, and I think it is going to be a great disappointment to everybody, but at least we are in the clear, and I am a little weak. I have got a cold. Mr. Gaston?

MR. GASTON: I haven't anything except that political matter. I will send those papers in to you on that Lewis matter.

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H.M.JR: That is right. Edward?

MR. FOLEY: I have the memorandum here discussing the APC's functions and ours.

H.M.JR: What is that, the APC?

MR. FOLEY: Alien Property Custodian.

H.M.JR: You hold on to it.

MR. FOLEY: All right. I thought maybe you might want to study it.

H.M.JR: I have got a lot of things to study, but you have got to see me, and we will study it together.

MR. FOLEY: O.K.

H.M.JR: And remind Stephens that I want to see the man I have been putting off seeing for so long. He will know.

MR. FOLEY: Yes.

H.M.JR: Tell him to keep after me until I do something about it.

MR. FOLEY: All right. On the silver, the RFC boys called up Saturday morning and said they were ready to go ahead.

H.M.JR: I showed Jones' letter - Jones a letter from Nelson which he said he hadn't seen. I wonder if they got the President to approve it.

MR. FOLEY: Well, I saw Nelson Saturday afternoon, and he said that Jesse had made the President approve the thing, and the President said he had done it for the third time and hoped the last time.

MR. WHITE: Did you see this letter you (H.M.JR.) got from Nelson on this, Saturday?

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H.M.JR: On silver? I took it to Cabinet and showed it to Jones.

MR. WHITE: Oh, is that why you got action?

H.M.JR: I took it to Cabinet.

MR. WHITE: Well, Saturday Ed told me they called up.

H.M.JR: Jones seemed quite surprised at the letter. He said he hadn't seen it, although Nelson said he sent him a copy. I took it to Cabinet. I think it was Nelson's letter that did the job. Nelson wrote a very stiff letter.

MR. FOLEY: He said he told the President that it had to be done, and that we were entirely correct.

H.M.JR: Nelson told the President?

MR. FOLEY: That is what he said. He said our position was reasonable, and Jones had to absorb the loss, if any.

H.M.JR: Anything else?

MR. FOLEY: Bishop Shiel wanted to come down tomorrow.

H.M.JR: I gave him an appointment.

MR. FOLEY: Oh, I didn't know.

H.M.JR: Yes, I gave him an appointment.

MR. SULLIVAN: The Secretary of the Interior is suggesting an amendment to the Internal Revenue Code to exempt from income tax the salaries of Philippine officials resident in the United States. We feel that that should be granted, but the same immunity should be extended to the employees of other of our insular possessions. Is that agreeable to you? We have been talking about abolishing

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the Processing Tax Board of Review. There are now pending over there forty-three cases. It is likely there will be fifty more to litigate. I have talked with - Randolph and I talked with the chairman of the Board of Tax Appeals, and they feel that they can do that work just as well.

H.M.JR: Do you mind waiting until I am out of town for three days before you do it?

MR. SULLIVAN: I thought it would be nice to do it just before we both left town.

H.M.JR: Well, I will let you do the timing.

MR. SULLIVAN: I will try to bear that other condition in mind.

H.M.JR: No, I am just being silly. Go ahead and do it. You take the calls from Senator Wagner.

MR. SULLIVAN: How is he feeling now?

H.M.JR: He will call you. He is feeling well enough to get on the telephone.

MR. SULLIVAN: The--

H.M.JR: Harold Graves can always put on a few more War Bonds.

MR. SULLIVAN: The Vinson Committee is introducing a bill which limits profits and also affects the labor situation. There is one feature in it that might interest you. That is the freezing of executive salaries as of July 1, 1940. It is a very brief statement about just what the bill does, if you care to see it.

H.M.JR: Yes. As a matter of fact, about everything that I stood for in the message, the President's message - Harry White, can you hear me?

MR. WHITE: No, I am sorry, I didn't.

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H.M.JR: Sit up here. I can't talk so loud today. I say, we have got about everything that we stood for, including no freezing of wages.

MR. WHITE: Very good.

H.M.JR: I don't think there is a thing in there the Treasury has been opposed to.

MR. SULLIVAN: What happened to the freezing of incomes?

H.M.JR: You tell him, Herbert.

MR. GASTON: Well, there is a statement that he thinks that in this time of war no man ought to enjoy an income of more than twenty-five thousand dollars a year after he has paid his taxes. It isn't a statement asking Congress to enact legislation to establish a ceiling, but it is the thought that no man ought to enjoy any more than that.

MR. SULLIVAN: Western Cartridge - you remember, they are the concern we investigated and didn't give us any information on the '41 salaries and we went back the second time. They have now made a request that if they are going to be able to keep up their production schedules to have the Internal Revenue Bureau come in and get any figures that the Army and Navy or any investigating committees want. They are terribly bothered with everybody coming in all the time for figures.

H.M.JR: Well, I would send the whole Internal Revenue out there if necessary.

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(Secretary on White House telephone.)

Hello, George.....

How is the Lieutenant?.....

How are you?.....

I have got a bad throat. Does the Admiral stoop so low as to fix the throat of the Secretary of the Treasury, or is that below him?.....

Well, get me a priority.....

And will you give me a ring?.....

Tell him I am very low.....

Get me a priority.....

O.K. Thank you.

H.M.JR: Listen, John, let me just tell you something. This is in the room.

(Mr. Paul entered the conference.)

H.M.JR: Good morning, Randolph

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MR. PAUL: Good morning.

H.M.JR: I have got John Sullivan going after the three hundred fifty companies who do eighty-five percent of the war business, going into every one of their contracts. I have to force him, but reluctantly he is doing it. He seems to be enjoying it, but reluctantly. On one company where they filed a return of approximately a hundred and fifty thousand dollars, this famous Jack and Heintz, we have now slapped on them a total tax of a million four.

MR. SULLIVAN: It is an additional nine hundred and three thousand.

H.M.JR: And that is just the opening gun.

MR. SULLIVAN: That is on our preliminary survey without hearing their story at all.

H.M.JR: I know. Just go on.

MR. SULLIVAN: You recall, you had a letter from Alec Budge about Hawaii, and I answered him and told him we were awaiting the figures and we would let him know later on.

H.M.JR: And none of these boys get an extension.

MR. SULLIVAN: None of the three hundred fifty?

H.M.JR: No, sir.

MR. SULLIVAN: The figures from Hawaii indicate that up to the first of April--

H.M.JR: Now, I wish you would see what they did. They gave every employee - what was it, a watch or something?

MR. SULLIVAN: They gave them a lot of things. The biggest item in that nine hundred and three thousand is a fund of five hundred and twenty-one thousand and they say they have set that aside as a pension fund, but they

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are not in any way legally obligated to pay that. That is going to be the difficult one to unravel. We don't want to be put in the position of taking that pension fund away from them.

MR. PAUL: That may be helpful to us, John. That may help us get the pension trust through.

H.M.JR: The other thing we found, we have found one company that I am confident couldn't take a dollar's worth of business if you gave it to them, they are loaded up, and they are paying three men two hundred fifty thousand dollars to be their Washington representatives.

MR. WHITE: Two hundred fifty thousand?

H.M.JR: To the three of them.

MR. SULLIVAN: Two hundred sixty-five.

MR. WHITE: Did you hit them by accident?

H.M.JR: I have got a nose. I smell it. No, it was no accident. I mean, all of these committees are doing something so I told John, "Why not let's us do something." Is that right?

MR. SULLIVAN: That is right.

H.M.JR: I have got a nose. As John says, my nose smelled something bad. It is no accident.

MR. SULLIVAN: On Hawaii where they were complaining that they needed to have this moratorium on taxes--

H.M.JR: What do you mean, accident? This was brilliant perspicacity.

MR. SULLIVAN: Does anybody want to hear about Hawaii?

(Laughter)

H.M.JR: Accident! All right.

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MR. SULLIVAN: Well, the increase in collections for the entire country was a hundred and fifteen and a half percent. The increase in Hawaii was two hundred and seven percent.

H.M.JR: The moral of that is, "Let's get bombed."

MR. SULLIVAN: I guess we don't need to worry about any special treatment for Hawaii.

H.M.JR: No. George?

MR. BUFFINGTON: I have nothing.

H.M.JR: Now we will come back to Professor White.

MR. WHITE: The OPA telephoned and would like to know what our reaction would be to their contemplated move to freeze the price of silver, the ceiling. The Legal Division is considering it to see what reaction they have and we will pass it around after they get through with it. It is a matter of no importance. I think they just want to do something.

MR. HAAS: Shouldn't there be a floor, Harry, rather than a ceiling?

MR. WHITE: No, they want a ceiling.

H.M.JR: What else, Harry?

MR. WHITE: I have got a letter from Henderson saying that they are ready to go ahead - everything is ready just as soon as the President gives them the green light.

H.M.JR: It isn't Henderson's fault if there is any news on the President's message, because believe me, he spilled about everything there is in it.

MR. WHITE: He indicates that. He said, "You have doubtless been reading the newspapers and hearing on the radio of the extensive changes contemplated." Barney

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Baruch has talked to the President about silver and gold in India, and desires to have us lend silver and gold in order to keep down inflation. We answered him once. It came back with a memorandum to our answer. We are answering him again, but we told him in the earlier answer that we were investigating the details. I spoke to the British. They promised to give us some information. That was almost a month ago. They haven't. We have cabled to the Indian Government, and we haven't any reply yet. I think the general situation there is probably important enough for us to send somebody to India for about a month.

H.M.JR: Is that so? (Laughter)

MR. GRAVES: Can I go?

MR. SULLIVAN: Right after we abolish the Board of Review.

MR. WHITE: We have got to be able to answer these fellows, and we have got to know more about the situation.

H.M.JR: Are you worrying about the coolie labor in India producing cotton and keeping the price of cotton down?

MR. WHITE: No, he says they would sell us more material if we would give them gold and silver, and we would be able to stop inflation and so on. He is wrong, but we ought to have more information about India.

H.M.JR: Use the Consular Service, Harry. I can't have everybody gone. Use the Consular Service. Give the Consular Service a questionnaire.

MR. WHITE: We did send them one.

H.M.JR: Well, send him over to see the people. Incidentally, in the room, I think of all the filthy articles that I have ever read, almost, since I have ever been in Washington, Arthur Krock yesterday in the New York Times had the tops. If anybody hasn't read it, they ought to read it.

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MR. PAUL: I couldn't hear.

H.M.JR: Arthur Krock.

MR. PAUL: Yesterday?

H.M.JR: Yesterday in the New York Times. I mean, the gist of it is that Mr. Hull is responsible for keeping off the Japanese as long as possible and so forth, and so on. Of course, the President agreed with him. But Mr. Hull advised both the Army and Navy to be on the alert. They didn't listen to him; and, therefore, what happened, of course, was Pearl Harbor, although the Army and Navy had been warned. It doesn't even disguise the fact - then he said, of course, Mr. Hull had some information which was so vitally important in January, '41, that he, Krock, can't get to disclose it, but I, as Secretary of the Treasury, don't know what he is talking about. I really think it is about as filthy an article as I have read; and for Hull to give him that stuff, I think it is outrageous. Knowing Stimson, I don't think he is going to take it lying down. He isn't that kind of a fellow. Did you read it?

MR. KUHN: Yes. It is terrible.

H.M.JR: Am I overstating it?

MR. KUHN: Not at all. There was more in it to the effect that if Mr. Hull had had his way and had not been interfered with by other people, Pearl Harbor would never have happened, because we would have continued holding off the Japanese until we were ready.

H.M.JR: Have you ever seen a more filthy article?

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MR. KUHN: It was full of poison.

H.M.JR: And no disguise that he was representing Hull.

MR. KUHN: Well, I don't know how much Hull was in on that.

MR. WHITE: Well, when you want to find out what horse is losing, see who Krock is backing. Just run back over history, and I think you will find that true.

H.M.JR: All right.

MR. WHITE: I have a peculiar bit of information that is of interest, but of no importance.

H.M.JR: Can Miss Chauncey hear it?

MR. WHITE: Yes, I think so. (Laughter) There was a letter received from someone who is rather an important official in Alaska who said that on the morning of December 7 there was a Japanese fleet outside of Dutch Harbor ready to take it over. It couldn't get in for a couple of days because of a very heavy fog. Then it just disappeared. I had never heard that before.

H.M.JR: Anything else? Are you going to go through that whole list?

MR. WHITE: I will pick out the only things that are important. The Mexican Embassy called the Under Secretary of the Treasury - we haven't had a meeting for a long time.

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H.M.JR: I know, I know, but you don't have to--

MR. WHITE: I won't. Mr. Betata, who is Undersecretary of Finance is here and would like an appointment to pay his respects to you and Mr. Bell. He said he had a personal message for you.

H.M.JR: Isn't he the fellow that you and Foley know?

MR. WHITE: That is right.

H.M.JR: Do you think we ought to see him?

MR. BELL: I don't know him.

H.M.JR: I don't know him. (Laughter)

MR. WHITE: He is a good man to know.

H.M.JR: Are you thinking of going to Mexico?

MR. BELL: Not at all.

H.M.JR: Neither am I. Why should we bother?

MR. BELL: I can't get out of Washington, let alone Mexico.

H.M.JR: All right, tell Fitzgerald we will see him. Is he white or sweet?

MR. WHITE: Oh, he speaks excellent English. (Laughter)

H.M.JR: Potato?

MR. WHITE: Oh, I think he would be characterized as sweet.

Phillips was in. The amount which they may take over on that ordnance has been decreasing because they have been paying it off. It may amount to only fifty million dollars. I was wondering whether you would want to call a meeting here at which there would be present, Mr. Jones

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and Phillips and McCloy and the Lend-Lease people and yourself to see whether any progress can be made in taking over the plant facilities. Probably no progress will be made unless you do something of that kind because they tell different stories.

H.M.JR: McCloy and Bell and you and Phillips will be here at three. I just gave Phillips hell over the telephone. He made me mad. He writes me a letter and says, "The Secretary of War has informed me that the seventy million dollar check - I hope you will pay it before the end of the month." I called him up and I said, "How do you suppose you are getting that?" I said, "Mr. Stimson wouldn't even take it over to get the President to sign it. I had to take it over and get him to authorize it." I said, "Mr. Churchill refused to have anything to do with it. Lord Halifax refused. Mr. Stimson wouldn't even take it over to the President. I had to take it over and you call me up and say, 'Now, be sure and get the check out before the end of the month.'" I said, "I resent that."

MR. WHITE: I don't see what their hurry is. Their cash balance is higher than it has been since the war.

H.M.JR: That is enough, Harry. You are seeing me at lunch.

MR. WHITE: All right. There is nothing here that can't wait.

MR. KUHN: The President of the Newspaper Guild, Milton Murray, has offered to put all his Newspaper Guild at our disposal for the War Bonds, and he is in town, and I wondered if you would be willing to see him tomorrow morning.

H.M.JR: Very much so.

MR. KUHN: This afternoon or tomorrow morning. He comes from Detroit.

H.M.JR: I can see him this afternoon at three-thirty. What is his name?

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MR. KUHN: Milton Murray.

H.M.JR: The President of the Newspaper Guild?

MR. KUHN: That is right.

H.M.JR: Another one of these CIO's from Ohio?

MR. KUHN: Michigan.

H.M.JR: All right.

MR. KUHN: That is all.

H.M.JR: What paper?

MR. KUHN: Detroit Times.

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

Roy?

MR. KUHN: Callahan has been dealing with him. Would you like Callahan here at that time?

H.M.JR: Sure.

MR. BLOUGH: I pass.

H.M.JR: George?

MR. HAAS: I have nothing.

MR. PAUL: I pass, too.

H.M.JR: George, you are going to service Walter Stewart today?

MR. HAAS: Yes, sir, in about an hour. There is another memorandum I thought we would wait for.

H.M.JR: And send it down to the railroad station, because if you don't, the mail doesn't get out for twenty-four hours, out of Washington.

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Are you all right, Randolph? You have no hearing today?

MR. PAUL: No, not today.

H.M.JR: A day off?

MR. PAUL: No. We have the day off the hearings, but there will be plenty of things here, I think.

H.M.JR: Harold? Do you want to stay behind a minute and tell me about Chicago?

MR. GRAVES: Yes, if you like.

H.M.JR: I would like you to very much.

MR. GRAVES: Yes, sir.

H.M.JR: Did you get that suggestion I made about taking those fellows over to the Bureau of the Budget? Did that get to you?

MR. GRAVES: No, I didn't get it.

H.M.JR: It was only on the record this morning. When are you going to have your Budget hearings?

MR. GRAVES: We had the Budget hearings on Thursday. It was all right. I asked for twelve million as you said.

H.M.JR: Was it all right? When is it going to go up on the Hill?

MR. GRAVES: I fancy it will be two or three weeks.

H.M.JR: No, I want it up immediately.

MR. GRAVES: This is next year's appropriation, you know. It is an appropriation that we don't use until the first of July.

MR. BELL: It will go in the next deficiency bill.

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H.M.JR: How much money have you got for the rest of this year? How am I going to get steam up?

MR. GRAVES: We have got enough; and we can, at any time you think we don't have enough, go up for a deficiency for this year.

MR. BELL: It would be separate and distinct from this estimate.

H.M.JR: All right. The suggestion I made was that you have Heller and Iseby and Patterson come down because if you listen to Heller - I mean, he says his county people just haven't got anybody to help them, they are sunk; and he says that he is digging into his own pocket a thousand dollars a month, and I don't think that that is right, and he says that he wants every county to do something, and they just have no help and he can't do it. I don't know how many - I only occasionally see these fellows, but I mean he wasn't - I had to pull it out of him because he is most enthusiastic.

MR. GRAVES: Well, I had a talk with Mr. Heller, too.

H.M.JR: I don't want to give you the impression he is complaining.

MR. GRAVES: Oh, no. I suggested to him that he should talk freely with you about that.

H.M.JR: But I think with May and June ahead of us, I would like to be able to get the money so that we can meet our - you asked for roughly eight hundred personnel and got three hundred. I would like to step it up so that - he says wherever he goes they are so short of help.

MR. GRAVES: We asked in our estimate for next year for a total of twelve hundred and sixty-five for the field.

H.M.JR: Yes, but you see with May and June, if we could get those people, because I am going to put terrific pressure on these people.

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MR. GRAVES: Well, what I would like to do, as I told you the other day, is to spend ten days or so going to the big states--

H.M.JR: But you know now who is short of help. I mean, I don't know whether every county chairman should have one paid clerk or not.

MR. GRAVES: There is a great difference of opinion among our people about the question of paying help. Some are very much opposed to paid help for the reason that--

H.M.JR: Well, Heller tells me this. He has got to wrap some packages and get them out. The first day - my figures may not be right - he has three hundred people. The second day he has a hundred and fifty, and the last day he is down to twenty volunteers. As I say, I can't master the details, but if we are going to step this thing up, I think we ought to have them - I don't want to fall by the wayside because we haven't got enough clerical help.

MR. GRAVES: I think we have enough money to do anything that we want to do for the balance of this year. If we don't at the proper time, we can go up with a supplemental for this year, but that has no relation to the estimate which we just discussed with the Bureau of the Budget.

H.M.JR: Well, we are all on this, so don't let's fail for lack of clerical help, Harold.

MR. GRAVES: Right.

H.M.JR: O.K.?

MR. GRAVES: O.K.?

H.M.JR: All right. And my suggestion was if you needed to let some of these chairmen come down who say they are shorthanded like Iseby and Heller and Patterson, and let them tell it to the Director of the Budget.

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MR. GRAVES: I don't think we will have any trouble with the Bureau of the Budget. We didn't have before.

H.M.JR: Well, somebody cut you down.

MR. GRAVES: Yes, it was the House Committee on Appropriations, and I have since talked with Ludlow, the Chairman of our regular subcommittee, and Ludlow told me that that reduction made by the House Committee on Appropriations was made due to a misunderstanding by the Committee, and that he wants us to ask for enough to enable us to employ an adequate staff. He says that he and other members of the Committee will see that we get an adequate staff.

H.M.JR: Well, Harold, all I can say, and I can only say it once, for heaven's sake have enough clerical help where you need it. Will you please?

MR. GRAVES: Yes.

H.M.JR: Don't let's fail for lack of help. One of your men - I saw a letter - wrote a letter - I can get the copy if you want it - somebody wanted a job and he wrote back, "The staff in Washington of War Savings Bonds is frozen by orders of the Secretary of the Treasury. We are very sorry we can't take on any more people." Is that true?

MR. GRAVES: Well, yes, I think it is true. We had decided that we would stop where we are so far as Washington is concerned. I still think we ought to stop where we are - I don't mean to say we can't put on here and there an additional person but we have got three hundred people in Washington and in my judgment that is an adequate staff. Our need is for additional people in the field.

H.M.JR: Yes.

MR. GRAVES: And not here.

H.M.JR: But things like when I suggest for teletypes,

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can we use a telegraph, have we got enough money for that?

MR. GRAVES: Oh, yes.

H.M.JR: Well, it is your responsibility.

MR. GRAVES: Yes.

H.M.JR: All right.

MR. BELL: Here are two letters you wanted to Warren and General Carter.

H.M.JR: Oh, yes. That is nice, and particularly the War Savings Staff, Kuhn and you fellows, when I make suggestions, for God's sake let me know whether they are carried out or not, will you? I never know. I mean, both of you. Both of you are guilty. I make suggestions, and I never have the slightest idea of whether they are done or not.

MR. KUHN: There is always attached to the memorandum which you send us when we send it back--

H.M.JR: No, when I call you up at eight-fifteen in the morning.

MR. KUHN: Those are already done.

H.M.JR: Would you write a letter to the Undersecretary of War, Dan, saying General Carter was most cooperative?

MR. BELL: Sure.

H.M.JR: Will you do that?

MR. BELL: Sure.

H.M.JR: We might have to go back again. Anything else?

MR. BELL: No.

MR. THOMPSON: I have two requests for deferments for

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Mr. Haas' office. I can stay back.

H.M.JR: Yes, you can stay back and find out.

MR. GRAVES: May I ask on this matter of deferment, we have some of our most able people in the War Savings Staff who are on the verge of going to the War Department or Navy Department, fellows that are pretty nearly irreplaceable so far as we are concerned, and I have gone on the assumption so far that we were not permitted to ask for any deferment for those people.

H.M.JR: Well, I can just give you an example. A man in charge of the White House detail on the President, they have lost five - this man guarding the President. I told Mike Reilly, "I am sorry, Mike, I can't do anything about it." So unless these people are - oh, if you want three months until you can get somebody to take their place, Harold, three months to break somebody in, O.K.

MR. GRAVES: Yes.

MR. WHITE: Is this matter of deferment open for discussion or is it just passing, because when you say you can't do anything for them, you mean you don't want to do anything for them or you can't?

H.M.JR: I don't want to.

MR. GRAVES: That is what I had understood.

MR. WHITE: I should like at some time or another to raise a discussion and register my reasons for opposition to that position. In the first place, I don't think it is being followed - I know it isn't being followed by other Departments.

H.M.JR: My dear Harry, there are lots of things that the Treasury do that aren't followed by the Departments.

MR. WHITE: True, and I wouldn't want to base very much on that. Unless I had better reason, I wouldn't raise it, but sometime--

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H.M.JR: I can't help what other Departments are doing. I have got my own standards on these things, and if I was ever right, a year from now some of the other Departments will wish they did the same thing as the Treasury.

MR. WHITE: I will come around when I have my case and make a fight for it. If they want to give up without fighting, that is their decision.

H.M.JR: That is all right. George can stay. Every fellow gets his day in court. It goes to Thompson, and Thompson says, "This is the case," and George stays and listens, and I listen. Who else is on that with me? Who else listens.

MR. THOMPSON: On deferments?

H.M.JR: Yes.

MR. THOMPSON: Mr. Gaston. Harold Graves was on it to start with.

H.M.JR: Well, he is staying for something else so he can stay now.

April 27, 1942
10:45 a.m.

HMJr: Hello.

Operator: Sir Frederick Phillips.

HMJr: Hello.

Sir
Frederick
Phillips: Hello.

HMJr: Sir Frederick Phillips.

P: Yes.

HMJr: Morgenthau.

P: Speaking. Good morning.

HMJr: I got your letter of April 24, and to be frank, it definitely rubbed me the wrong way.

P: Which letter is that?

HMJr: About getting the seventy million dollars right away. I mean, no one has worked harder on this thing than I have, and the Secretary of the War would not take it to the President. I had to take it to the President.....

P: Oh, did you?

HMJr:to get it cleared.

P: Hmm.

HMJr: I mean, he refused to do it, and I had to take it to Cabinet and bring it up, and get the thing cleared, which I did.

P: Yeah.

HMJr: And - I mean, it's - I've never worked harder. Mr. Churchill wouldn't bother with it. Lord Halifax wouldn't bother with it, but I had

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to do it; and I don't think it really was necessary to write me a letter to hurry up about it.

P: Well, sir, I'm sorry; but I had no intimation of anything of the kind happening, you see.

HMJr: Well.....

P: The message simply reached me from the War Department.

HMJr: Yeah. Well, I mean, where Mr. Churchill wouldn't touch it, Lord Halifax wouldn't; and then Mr. Stimson himself wouldn't ask the President because he made me go over there and make the speech that this was necessary, which I did on Friday.....

P: Yes.

HMJr:and got the thing cleared by the President.

P: Yes.

HMJr: And then to get this letter on top of it, was just a little bit too much.

P: I am so sorry. I didn't know what happened.

HMJr: Yes. Well, I just thought I'd tell you. And then I arranged for the meeting at three o'clock for Mr. McCloy to come over here and give you the check.

P: I see. But - oh, you've been very good to us, always, of course.

HMJr: Well, I had to fight so hard, and then to sort of get a letter - "Now, don't delay," and to put pressure on me when I've worked so hard, it just was a little bit.....

P: Well, I know, sir; but really, the only news I got came from the War Department.....

HMJr: Well.....

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P:and I.....

HMJr: Well, I didn't know that they were going to rush with it to you.

P: No. I thought I ought to write this to - just to let you know that it had gone through.

HMJr: Well, you could have inquired.

P: I'm sorry.

HMJr: If the War Department had done it - I mean, and gone over - but the final thing Mr. Stimson said, "You'll have to take it to the President, you'll have to get the clearance," which I did.

P: Well, I am so sorry, sir, really, but it was a.....

HMJr: I mean, the whole thing from start to finish has been simply - for one year now - and this is just part of it.

P: Yes.

HMJr: And I hope to have other things for you.

P: Yes.

HMJr: And if it wasn't for me, I don't think you'd get one single dime.

P: Yes. Well, I am so very sorry, really; but if I'd had the slightest suspicion, and, of course, I would have called on you, and.....

HMJr: All right. Well, I'll see you at three.

P: Right.

HMJr: What is the time - three, yes.

P: Three o'clock, is it?

HMJr: Yes.

P: Thank you.

HMJr: Thank you.

April 27, 1942
11:52 a.m.

Operator: There you are, sir.

HMJr: Hello.

Secretary
Knox: Hello, Henry.

HMJr: Yes.

K: Frank talking.

HMJr: Yes.

K: Will White's in my office, and we're both of us old, hard-boiled newspaper men, you know.

HMJr: Who's in your office?

K: Will White - William Allen White.

HMJr: Oh, yes.

K: And we were just discussing a subject which was under discussion at the Newspaper Publishers Association.

HMJr: Yes.

K: That is, the Government spending a lot of money to advertise for Savings Stamps and Bonds in newspapers.

HMJr: Yes.

K: And we're both violently against it, and I told Bill I was going to call you up and see how you felt about it. We don't think the newspapers ought to be given any advertising - they ought to do it for nothing.

HMJr: Well, God bless you, that's the way ninety-nine out of a hundred newspapers feel.

K: Yeah. Well, there was some kind of an action taken by the Publishers Association, which is

- 2 -

dominated by the business office and not by the editors, in favor of doing it.

HMJr: Well, ninety.....

K: Well, I just wanted you to know that most of the fellows in the business who really have their hearts in it, don't want any such money at all and would be under a sense of mortification if it were accepted by the papers.

HMJr: Well, Frank - oh, five or six months ago, I wrote a letter to every publisher asking him whether he'd cooperate and run this little sort of "trade mark" we have, of the Minute Man.....

K: Yeah, uh huh.

HMJr:and I think - I don't know whether I told you the story - I got an answer practically from every publisher. Well, every publisher that answered said "yes", except a man by the name of McCormick.

K: Yeah.

HMJr: And he wrote me, "If you want to sell Baby Bonds, I don't see why it's any different than baby carriages....."

K: (Laughs)

HMJr:and for that you should pay for."

K: Yeah. Yeah. Well, that sounds just like him.

HMJr: That was his attitude. And he was the only one out of eight or nine hundred answers that I got.

K: Yeah. Well, that's very gratifying.

HMJr: And I want to tell.....

K: Well, you haven't any plan to do that, have you, Henry? You haven't any authority.....

- 3 -

HMJr: No, quite the contrary, we haven't got the money.....

K: Uh huh.

HMJr:and in the second place, the only person in the Government who came out - there is a bulletin under the Department of Commerce - recommending paid advertising. And then MacLeish got after it and killed it.

K: I see.

HMJr: Now, what we are doing - and the newspapers are getting a lot of revenue - if you would send for today's New York Times - hello.

K: Yeah.

HMJr: I think it's worth your while - there's a full page ad in there addressed to the Secretary of the Treasury.....

K: Yeah.

HMJr:congratulating me on my fight for the volunteer plan. It's a paid advertisement.

K: I see.

HMJr: But paid for by a local union.

K: I see, uh huh.

HMJr: Now, we've got a lot of that.

K: Yeah, well, that's different. That's entirely different.

HMJr: Yeah. But I think you'd be interested in seeing it.

K: I'll look that up. In today's Trib - today's Times.

HMJr: Today's Times, a full page ad, paid for by the local union.

- 4 -

K: That's good.

HMJr: Now, there's a lot of that stuff that the newspapers get.

K: Uh huh.

HMJr: But the other kind of stuff, well, if we started to do it, it might cost us a hundred million dollars.

K: Uh huh.

HMJr: And anyway, the newspaper publishers have been just grand.

K: Yeah, well.....

HMJr: Look what they're doing with their newsboys on the delivery set-up.

K: Yeah, yeah.

HMJr: What?

K: Uh huh. All right, Henry. I just wanted to be reassured, and I'll reassure Bill.

HMJr: Well, we have nothing, because - as I say, the spirit is so fine, I'd hate to kill it.

K: Yeah. Right. Uh huh.

HMJr: Thank you.

K: And everybody that saw a paid ad in the daily news would say, "Well, subsidizing you, aren't they?"

HMJr: That's right.

K: That's the net of it.

HMJr: Well, give White my best regards.

K: I will, Henry.

HMJr: Thank you.

K: Good-bye.

April 27, 1942
12:00 noon

47

HMJr: Hello.

Operator: Mr. Houghteling.

HMJr: Hello.

James L.
Houghteling: Hello.

HMJr: Morgenthau speaking.

H: Yes, Lawrence Houghteling.

HMJr: I got your message that Green can come
but Murray not.

H: Yeah. Murray is at a convention in Pitte-
burgh.

HMJr: When will he be back?

H: Oh, not for a week.

HMJr: Well, then, don't you think we'd better go
ahead?

H: With Green?

HMJr: Yes.

H: Well, I think that's all right, yeah.

HMJr: Because I'd like to - I can't wait a week.
I say, I cannot wait a week.....

H: No, no.

HMJr:for Mr. Murray.

H: Yes.

HMJr: There's nobody that could talk for Murray,
like Carey or somebody.

H: Yes, I could get Jim Carey over.

HMJr: Why don't you get Carey?

- 2 -

H: All right, I'll get - that's for - what will it be, one o'clock tomorrow?

HMJr: One o'clock. That would be you, and Carey, and Green.....

H: Yeah.

HMJr:and I'll ask Graves and what's-his-name - Gamble.

H: Yes.

HMJr: See?

H: Yeah.

HMJr: Graves and Gamble.

H: All right. That's fine. I'll get.....

HMJr: If we don't hear from you again, we'll expect Carey, and Green, and you.

H: Yes. All right, fine.

HMJr: Let Carey know what it's about.

H: Well, it's about these organizers, isn't it?

HMJr: Yeah. Going into the plants and.....

H: Yeah, I talked to him today about it. We have a meeting this afternoon with Fenton of the A. F. of L. We'll have quite a plan for the A. F. of L., and I talked to Carey about it today, and he's very much interested in it and said it could be done.

HMJr: Okay.

H: Fine.

HMJr: The Railroad Brotherhood - should they be represented?

H: No, I don't believe so, because they're

- 3 -

already doing their job in joint committees with the railroad management.

HMJr: Okay. Then we'll leave it that way. If I don't hear from you, it'll be on for tomorrow.

H: Yeah, all right. Fine.

April 27, 1942.

Meeting in Secretary Morgenthau's Office
April 27, 1942
3:00 P. M.

Present: Secretary Morgenthau
Mr. McCloy, War Department
General Meyers
Mr. D. W. Bell
H. D. White
Sir Frederick Phillips

The conference was called by the Secretary.

Mr. McCloy handed Sir Frederick a check for \$70 million in payment for the planes which the United States Army had taken from the British and for which the British had paid dollars. The statement was made by Mr. McCloy that that check was on account and that there might be some adjustments made after final evaluation was complete.

Mr. McCloy stated that Sir Frederick could depend upon receiving an equivalent amount from the take-over of the ordnance contracts. It might be more than that, Mr. McCloy said, but they did not know as yet.

General Meyers added that they could also take over the airplane facilities which he thought might amount to as much as \$50 million. He was not certain from what funds payments could be made, but he thought if he had a few days to work on it he could straighten the matter out. Mr. Phillips thought the total of facilities would amount to about \$93 million but General Meyers said his recollection was that the proportion of the facilities that they could take over would be in the neighborhood of \$50 million.

Mr. Phillips stated that he had been having discussions with Mr. Husbands of Mr. Jones' office with reference to taking over the facilities. General Meyers replied that he thought maybe the Army could do business directly with the British on the airplane facilities.

The Secretary thanked Mr. McCloy and Mr. McCabe for their assistance in helping getting the matter of payments of airplanes completed.

- 2 -

Mr. Phillips stayed behind to chat with the Secretary and the Secretary explained to him that it had been necessary for Secretary Morgenthau to get the President's approval of the transaction and described to him some of the steps leading up to the consummation of the deal.

HPW

*Document given to Mr. McCloy
by Sir Frederick Phillips in
exchange for \$70 million check.*

April 25, 1942

The Honorable Henry L. Stimson
Secretary of War

Dear Mr. Secretary,

In accordance with the provisions of the Act of October 10, 1940 (54 Stat. 1090), the President of the United States requisitioned and took over, for use and operation by the United States, or in its interest, the material listed on Schedule "A", attached hereto and hereby made a part hereof. The United Kingdom has represented to the United States that the United Kingdom was the owner of said material at the time of the requisitioning thereof and has requested payment as compensation therefor in accordance with the provisions of Section 2 of the said Act of October 10, 1940. It is contemplated the amount of such compensation will not be finally determined in the immediate future and it has been agreed that pending such final determination a payment should be made on account by United States to the United Kingdom.

This will confirm our agreement as follows:

1. Compensation for Requisitioning--United States shall pay for the requisitioning of said material and the United Kingdom agrees to accept in full and complete payment therefor such sum as the President of the United States shall determine to be a fair and just compensation, (hereinafter sometimes referred to as the "Compensation Amount").
2. Payment on Account of Compensation--The United Kingdom hereby acknowledges receipt from the United States of the sum of Seventy Million Dollars (\$70,000,000) on account of such compensation amount.
3. Final Adjustment--Upon the determination of the compensation amount in the manner referred to above, an appropriate adjustment payment shall be made.
4. Indemnity--The United Kingdom agrees to and hereby does indemnify the United States, its instrumentalities, authorities, officers, representatives and employees against any and all loss, costs and expenses incurred in connection with or arising out of demands, actions, claims, suits or judgments of third parties claiming title to, a lien on or an interest in any or all of the material

The Honorable Henry L. Stimson

April 25, 1942
Page Two

described on Schedule "A".

Very truly yours,

His Majesty's Government
in the United Kingdom

By _____
Director General of the
British Purchasing Commission

SCHEDULE "A"

	<u>Quantity</u>	<u>Estimated Cost</u>
B-24 Liberator (B-24 4 engine Consolidated Bomber) complete	50	\$ 14,221,336
B-26 (2 engine bomber) Complete Douglas Aircraft Corporation	213	31,035,246
Douglas Aircraft, Inc.	132	19,209,432
Douglas Aircraft, Inc.	6	918,864
Douglas Aircraft, Inc.	75	10,906,950
P-38 Lightning (P-38 Lockheed Interceptor 2 engine pursuit) complete	20	2,222,400
P-39 Airacobra (P-39 1 engine pursuit)	196	12,703,040
Douglas Aircraft Corp.--complete	156	10,273,440
Douglas Aircraft Corp.--complete except for propellers supplied under lend-lease	40	2,429,600
	-----	-----
	479	60,182,022
	798	11,165,511
	-----	-----
Total estimated cost.....		71,347,533

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 27, 1942.

TO Mrs. Klotz and Miss Chauncey
FROM Secretary Morgenthau

I think on January 26 at my Press Conference, I made a statement on how I stood on taxing Federal securities, either by direction or indirection. I would like to send the actual quotation to the President today. I consider this very important, and I want to do it today. Please bring it to my attention this morning. *Sent 4/27/42*

April 27, 1942

My dear Mr. President:

I thought, for future reference, you would like to have a transcript of what I said at a press conference on January 28:

Ques. Could you say, Mr. Secretary, whether you are definitely not going to ask for the taxation of outstanding Federal Government securities?

Ans. This is my position, gentlemen, and I would like to get it over through the press, if possible. I feel that there is a contract which stands between the Federal Government and the holder of these Federal tax-exempt securities, and I don't intend to directly or indirectly break that contract or circumvent it. Is that flat enough?

* * *

Ques. Does that apply, Mr. Secretary, to the old Glass scheme of using tax-exempt income as a - some sort of a base so as to put taxable income of those people in a higher bracket?

Ans. I think we have gone around the thing pretty much. I said I am opposed - let me go over it once more. I recognize a contract exists between the Federal Government and the men or women who have bought our securities, and we

-8-

"don't propose by direction or indirection
to tax them on this income, as long as these
issues are outstanding. Doesn't that cover
the waterfront?"

Yours sincerely,

(Signed) E. Morgenthau, Jr.

The President,
The White House.

55 Agt. 9:25

file N.M.C.

cc - Judge Rosenman

April 27, 1942

Dear Sam:

For your information, I am sending you herewith copy of a letter I wrote to the President today.

Yours sincerely,

(Signed) Henry

Judge Samuel I. Rosenman,
The White House.

*file n.m.c.
ss. Apr. 3:25*

April 27, 1942

MEMORANDUM FOR THE SECRETARY

In the light of the fact that the President may make a radio speech supplementing his Message to Congress of today, we wish to indicate the respects in which supplementation of that Message in the field of taxation would be helpful.

1. From the language of the Message it is not clear what changes are desired in the excess profits tax. The following sentences appear to support the previous Administration proposals:

"Profits must be taxed to the utmost limit consistent with continued production. This means all business profits--not only in making munitions, but in making or selling anything else. Under the proposed new tax law we seek to take by taxation all undue or excess profits. It is incumbent upon the Congress to define undue or excess profits;
. . ."

However, the quotation continues as follows:

". . . and anything in excess of that specific figure should go to the Government."

Aside from the fact that the language of the last-quoted sentence, if read precisely, would call for a kind of super-profit above excess profits--undoubtedly an oversight in grammatical construction--the sentence seems to indicate that for every business there should be a specific amount of profit above which a tax at 100 percent would be applied. Unless a flexible or sliding scale definition of excess profits were adopted, the 100 percent rate would probably be in conflict with the principle laid down that the taxation of profits should be "consistent with continued production."

- 2 -

The next paragraph on eliminating excess profits tax loopholes seems to be relatively meaningless since loopholes would normally occur in the "definition of the legal profit figure" and not in the tax itself.

In the light of these ambiguities of language, it would be helpful, as we suggested to you orally yesterday, to have the desired policy with respect to excess profits more precisely defined.

2. It is regrettable that the Message does not stress taxation as a means of withdrawing purchasing power. As the Message stands, it appears that an objective is to hold the incomes of farmers and laborers at their present levels relative to the cost of living, while the necessary reduction in expenditure is to be primarily in the form of voluntary self-denial for the purchase of war bonds. The situation in which the country finds itself is so very serious with respect to excess purchasing power that the greatest stress should be placed on taxation as one of the most important means of reducing purchasing power and thus eliminating the pressure which leads to the rising spiral in the cost of living. The fact that heavy taxation is necessary if inflation is to be prevented should be made much stronger than it is in the Message.

3. It is to be feared that the absence of reference to the amount of taxation to be raised will be interpreted by Congress as a lack of interest in the size of the tax program, which may add to the difficulties of getting a program as large as that asked for in March.

It would be helpful if stress were placed on the importance from the anti-inflationary point of view of a tax program at least as large as that previously recommended.

4. Failure to say anything about preferred kinds of taxes may strengthen the movement for the sales tax. While the sales tax may eventually be necessary, it should not come until after measures proposed in the Administration tax program have become law. If passed now the sales tax would almost certainly be substituted for more desirable revenue sources.

- 3 -

5. In view of the expression of policy in the Message in favor of restricting the maximum income to \$25,000, it is perhaps of interest only for the record to present the view that rigidly restricting the maximum income is less desirable than the British method of very high rates in the upper brackets which, in effect, places a slightly flexible upper limit on incomes. The British method was followed, although not at such high rates, in the Administration tax proposals.

6. Attached is a copy of our suggestions of last Saturday for the President's Message. It is hoped that the ideas expressed in this draft may be used by the President in his radio address.

Signed {

R Paul

Tarleau

Blough

Attachment

RB:dad
4/27/42

62

Note: These pages contain the same language
as the memo presented on 4/25, but material
has been re-arranged with first page which
was presented on 4/25 discarded.

April 25, 1942

To Take the Place of No. 1, Page 4

1. To keep the cost of living from spiraling upward, we must tax heavily and we must keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.

To be substituted at appropriate point

Legislation is now needed in the field of taxation. Fortunately an Administration program dealing with the whole tax field is now under consideration in the Congress. It is my belief that this tax program provides an essential weapon to keep the cost of living from spiraling, and I earnestly hope that the Congress will enact the entire program into law at the earliest moment possible. Such action is urgently needed in the comprehensive all-out effort to keep the cost of living down.

The Administration's tax program not only provides for vast new amounts of revenue needed for the war, it also will have a direct effect in checking the rising cost of living, by reducing the demand for goods. It calls for heavy increases in individual tax rates. It makes possible the collection of a part of the tax revenue at the source. It calls for an increase of \$2 billion in social security contributions, and finally, it calls for taxes on a list of non-essential commodities. Such a program will have a more direct effect in checking the cost of living than, for example, a sales tax which would lift the cost of every commodity and would fall most heavily on the very poor.

Moreover, the Administration's tax program will have indirect effects of great importance in keeping the cost of living down. The mass of individual income tax payers, including millions of workers, will be willing and glad to accept heavy new taxes, and will not demand wage increases, if they know that excess profits are being recaptured by the Government.

Accordingly, the Administration's program calls for a tax of almost 90 cents out of every dollar of excess corporate profits over half a million dollars. The 10 cents remaining are, in turn, taxed heavily when the individual stockholder receives them as income. It may be that these proposed excess profits taxes should be increased still further, but in any case the enactment of the present program would, in my opinion, give our workers the assurance they must have if they are to refrain from wage demands at this time.

What is true of excess profits is also true of high individual salaries. Under the present tax proposals an individual would have

- 2 -

to earn \$289,000 in order to keep \$50,000 of it after paying his taxes. In addition, the Government has powers, and intends to make full use of its powers, to scrutinize payments for salaries, personal expense accounts, and other forms of business expenditures which may be employed to avoid excess profits taxes. A company will not be allowed to deduct as business expense extravagant payments which are in effect distributions of earnings rather than legitimate payments for necessary services rendered, but those who receive such payments will be required to include them in current taxable income.

At the same time, while the number of individuals affected is very small, it may be wise to lessen still further the discrepancy between very low and very high personal incomes. I sometimes wonder whether, in time of great national danger such as this, any American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year.

Increasing income tax rates on a scale as heavy as that proposed makes it a moral duty to remove all loopholes in the tax law and all special privilege. It is indefensible that those who enjoy large incomes from State and local securities should be immune from taxation while we are at war. As a minimum program we should immediately provide for taxing these securities on the same basis as United States long-term bonds issued prior to the enactment of the Public Debt Act of 1940; that is, interest on them should at least be subject to surtaxes. There is no question about the constitutionality of such a proposal.

Legislative and administrative action to control the cost of living must be supplemented by the voluntary action of the American people.

I refer now particularly to Item No. 5 in the program I am here suggesting, which calls for a very substantial increase in the buying of War Savings Bonds and Stamps. If these purchases are to have a material effect in restraining price increases they must be made out of current income. In almost every individual case they should be big enough to mean rigid self-denial, a substantial reduction for most of us in the scale of expenditure that is comfortable and easy for us. We can't fight this war, we can't exert our maximum effort, on a spend-as-usual basis. We cannot have all we want if our soldiers and sailors are to have all they need.

The buying of War Bonds thus has a double value. If we set for ourselves high quotas, quotas that mean giving up many things we want, and if we stick to them, we can help substantially to prevent disastrous increases in the cost of living. At the same time, the money we use to buy the bonds will buy the materials we need to fight the war.

Legislation is now needed in the field of taxation. Fortunately an Administration program dealing with the whole tax field is now under consideration in the Congress . It is my belief that this tax program provides an essential weapon to keep the cost of living from spiraling, and I earnestly hope that the Congress will enact the entire program into law at the earliest moment possible. Such action is urgently needed in the comprehensive all-out effort to keep the cost of living down.

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the source. It calls for an increase of \$2 billion in social security contributions, and finally, it calls for taxes on a list of non-essential commodities. Such a program will have a more direct effect in checking the cost of living than, for example, a sales tax which would lift the cost of every commodity and would fall most heavily on the very poor.

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- 3 -

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To Take the Place of No. 1, Page 4

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TREASURY DEPARTMENT

72

INTER OFFICE COMMUNICATION

DATE Apr. 27

TO MRS. KLOTZ
FROM TED R. GAMBLE

The Secretary has asked me to get a report for him on the reaction to the Newsreel Broadcast, wherein he asked all Americans to declare a personal war on the Nazis and Japs. I should have this report from all sections of the country by Wednesday. The Secretary has also requested me to ascertain the length of time it takes to deliver our pamphlets in the field after the orders have been received. I am investigating this matter.

Follow up 4/30-

*Completed
JRB*

4/27/42

73

Mrs. Morgenthau says this is in the process
and they are considering various women for
this round-table discussion.

April 27, 1942.

Ted Gamble and Ferdinand Kuhn
Secretary Morgenthau

Will the two of you talk over the following suggestion and please act on it this morning. I would like Mrs. Morgenthau to organize me a round table of women to go on the air for War Bonds very promptly. One or the other of you, or may be better yet, turn it over to Vincent Callahan. I'd like action. I think she could do this, and hit it up and do it very well. I want action this morning.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

75
AAA

DATE April 27, 1942.

TO THE SECRETARY

FROM TED R. GAMBLE

With reference to your suggestion for the organization of a round table of women to go on the air for war bonds, please be advised that this is being worked out. The date has been set for the week of May 18 so as not to conflict with several other broadcasts.

The plan is to have women representing the woman in business, the farm woman, the defense worker's wife, the school teacher, an actress, and representatives of women's organizations discussing the woman's part in our new drive to get at least ten per cent of the nation's income directed to the War Savings Program.

Mrs. Morgenthau was present at the meeting and the above tentative program meets with her approval.

I will give you a progress report on this.

v L I C T
r - o 3 - c - n

Mrs. Morgenthau
will serve as general
head of this

A Message to the Secretary of the Treasury..

DEAR MR. SECRETARY:

The State of New York is reporting—

Many, many thousands of Minute Men and Women in this great State are signed up for the duration in the patriotic and common-sense job of supplying part of the money that is needed to win this war. With the cooperation of their employers and labor unions, they are regularly investing part of their current income in War Bonds, through the Treasury Department's Payroll Savings Plan.

You, Mr. Secretary, said in a recent speech "The amount to be borrowed is so vast that some people think we should raise a part of it by compulsory savings. As you know I have always preferred the voluntary method. I still prefer it because it is the democratic method and because I am certain it will work."

We are all in agreement that Victory should be financed in the voluntary way. The least anyone can do to help retain our freedom and liberty is to BUY WAR BONDS.

This action supplies the money to provide our fighting forces with the tools to win. It also provides every American family with resources for a better life when that victory over aggression is won.

To those citizens who now lend part of their earnings to the United States Government through the purchase of War Savings Bonds, the Government will in ten years return their money with interest at 29 percent. This is as fair and square an offer as was ever made to the citizens of a free country who wish to protect their own rights and the rights of their children.

At the present time more than 9,000 business firms and other organizations in New York State employing about 4,600,000 men and women are carrying out your plans to help make America strong through systematic savings.

This is a splendid start but we certainly are not boasting about present accomplishments. We and you cannot be satisfied with this showing. While there are hundreds and hundreds of records of ninety to one hundred per cent participation among the employees of large and small business firms in New York State, there are other companies and workers who haven't yet swung into the action which is necessary and of which they are capable.

You have provided and published a "Yardstick" for the average income earner, which, for example, shows that with weekly earnings of \$40.00 to \$50.00 there should be invested for Victory, the sum of at least \$4.00 a week. An average of one-tenth of income is little enough to invest in retaining our Freedom for the Future. Everyone should and probably will understand that you would not give us this "Yardstick" if it were not the minimum needs of our country at this critical time.

The State of New York will endeavor to exceed the quota you have set for us, Mr. Secretary, for May, for June, for July and for every additional month it may be necessary.

Signed **THE NEW YORK WAR SAVINGS STAFF
OF THE TREASURY DEPARTMENT**

RICHARD C. PATTERSON, JR.
State Chairman

MRS. LYTTLE HULL,
Vice-Chairman

NEVIL FORD,
State Administrator



This Space Is Contributed as an Endorsement of the War Savings Program of the Treasury Department by the
INTERNATIONAL LADIES' GARMENT WORKERS' UNION—David Dubinsky, President

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

77
[Handwritten signature]
DATE April 27, 1942

TO Secretary's files
FROM Mr. Kuhn

Mrs. Morgenthau, Mr. Gaston, Mr. Gamble and I felt that it would be unwise and in bad taste for us to put out any such ad or to inspire the State Administrators to do so. If they want to copy what New York has done -- and many of them undoubtedly will -- we'll be delighted.

F.K.

TREASURY DEPARTMENT

78

INTER OFFICE COMMUNICATION

DATE April 27, 1942.

TO Ferdie Kuhn
FROM Secretary Morgenthau

Please answer for me today that swell ad in the New York Times addressed to me. I want to thank Mr. Dubinsky and the members of his Union, and also a letter to Dick Patterson. I'd like to have these letters not later than 2 o'clock, so that I can sign them. If you will give them to Miss Chauncey, I will do them with the rest of my mail. Incidentally, I liked the ad tremendously, and I'd like to suggest for your consideration, that copy of the ad you send to the 47 State Chairmen, if you are going to do it, I'd do it today.

done

April 27, 1942

Dear Dick:

That was a perfectly wonderful advertisement in the New York Times this morning. I am especially pleased to see that the International Ladies' Garment Workers' Union sponsored it, and I feel that the combination of your message and their sponsorship will do us a great deal of good all over the country.

I am writing just to tell you and your colleagues how much I appreciate this message of encouragement to me and to the War Savings program generally.

Sincerely,

(Signed) Heary

Col. Richard C. Patterson, Jr.,
R.F.O. Corporation,
1270 Sixth Avenue,
New York City.

FK/cgk

*cc - nmc.
Hompson*

April 27, 1942

Dear Mr. Dubinsky:

This is just to tell you how much I appreciate the wonderful advertisement in the New York Times this morning.

The fact that your Union bought the space for this message is just another example of the perfectly magnificent cooperation which you and all your members have been giving to the war effort, and particularly to the War Savings program.

The spirit of this full-page advertisement is so fine that I think it will do a great deal of good, not only in New York but in every part of the country.

Sincerely,

(Signed) H. Morgenthau, JWS

Mr. David Dubinsky,
President, International Ladies'
Garment Workers' Union,
3 West 16th Street,
New York, N. Y.

FK/ogk

cc - N.M.C.
Thompson

81

April 27, 1942.

To the officers of
National and International Unions.

Dear Sir and Brother:

I enclose a copy of an official communication which I have sent to the officers of City Central Bodies, State Federations of Labor and directly affiliated local trade and federal labor unions.

This communication was prepared and sent to the organizations named in response to an urgent request made by Secretary of the Treasury Morgenthau for additional funds to be used in the prosecution of the war effort.

I can assure you that the need is very great and most urgent. I advised Secretary Morgenthau that in my opinion an appeal for voluntary contributions such as I have made in the letter which I am bringing to your attention will bring better results than would the enactment of compulsory saving and investment legislation. Labor has always favored voluntary action and has been uncompromisingly opposed to compulsion.

Will you please supplement the communication I have sent to these directly affiliated organizations by addressing a similar communication to the membership of the local unions chartered by your international organization? I feel sure that because this voluntary plan providing for the systematic payroll deduction of ten per cent of earnings for investment in War Savings Stamps and War Bonds, is reasonable and can be accepted by the workers, that we can all join in recommending it.

I will be grateful to you if you will join with me in this patriotic endeavor for the purpose of meeting the urgent financial needs of our government in the prosecution of the war effort.

Very truly yours,

President,
American Federation of Labor.

Y. Enclosure.

April 27, 1942.

To Officers of State Federations of Labor,
City Central Labor Unions and
Directly affiliated Local Unions.

Dear Sirs and Brothers:

Secretary Morgenthau of the United States Treasury Department is calling upon labor to purchase War Bonds and War Savings Stamps to the extent of its financial ability.

I am supplementing this call of the Secretary of the Treasury by appealing to the membership of the American Federation of Labor to agree to a voluntary payroll deduction amounting to ten per cent of earnings for investment in War Bonds and War Savings Stamps. Such action would mean a steady and systematic investment in War Savings Stamps and Bonds, and that in turn would mean a systematic and steady income to the government for the purpose of meeting the heavy war expenses which the government is forced to incur.

A systematic investment in War Savings Stamps and War Bonds, as herein suggested, will help to prevent inflation. Furthermore, it would provide an investment which the workers will need and can use when the post-war period arrives.

A steady investment of ten per cent of the earnings of working men and women in War Savings Stamps and War Bonds would be reasonable and in no way burdensome. It would represent a savings investment and could not be considered as a gift. It would be accepted as labor's voluntary contribution to the war effort.

If all the workers of the nation will voluntarily agree to a payroll deduction of ten per cent of their earnings to be invested in War Savings Stamps and War Bonds, the proceeds will provide an enormous sum of money which the government can use in the prosecution of its war effort.

I am influenced to make this appeal and this recommendation because there are those connected with our government and within the Congress of the United States who favor and are recommending the enactment of legislation providing for compulsory savings and compulsory payroll deductions in order to

provide sufficient funds for the government to meet its pressing war needs.

Labor favors voluntary action and is against compulsory action. I feel sure that if labor will respond and will voluntarily agree to a payroll deduction of ten per cent of earnings, to be invested in War Savings Stamps and War Bonds, that compulsory savings legislation will be defeated.

I appeal to the workers to respond favorably to the recommendations I have herein made for a voluntary ten per cent payroll deduction for investment in War Bonds and War Savings Stamps.

The need is urgent. The war effort calls for service and sacrifice of the highest order. Labor is responding and has responded in a noble way. I am sure labor will respond to this appeal as it has responded to other appeals for support of the government in its war effort, made by the representatives of the American Federation of Labor.

Very truly yours,

President,
American Federation of Labor.

Y

April 24, 1942

TO ORGANIZERS OF
AMERICAN FEDERATION OF LABOR

Dear ~~one~~ and Brother:

Secretary of the Treasury Morgenthau, Jr., has appealed to me to render my assistance of Savings Stamps and Bonds. As far as possible in the sale of Savings Stamps and Bonds the war is very great. In order to meet this cost of and steady income from the sale of Savings Stamps and Bonds must flow into the Treasury of the United States. This money is needed in order to win the war.

In order to accelerate the purchase of Savings Stamps and Bonds among the membership of organized labor, I am requesting that you assist in this work to the extent of your ability. Please call upon the membership of organized labor whenever opportunity presents itself for you to do so to purchase Savings Stamps and Bonds regularly in order to help our Government win the war. Urge the workers to agree to payroll deductions with their employers of at least 10% of their earnings each pay, said amount to be used to purchase Savings Stamps and Bonds.

This action will serve as a guarantee against inflation and at the same time will enable the workers to save money which they will, no doubt, badly need when the post-war period arrives.

The Congress of the United States is threatening the enactment of legislation which would provide for compulsory payroll deductions. We are opposing this form of compulsion. Instead we are recommending that a payroll deduction plan of 10% of the earnings of the workers be put into effect as a voluntary plan. I am confident if this plan is universally applied and is put into effect that we can head off and prevent the enactment of compulsory payroll legislation.

83-

Please specialize in this work. Do it in addition to your regular organizing work. Appeal to our workers to agree upon and put into effect the 10% payroll deduction plan for the purchase of Savings Stamps and Bonds. I count upon you to render special valuable service in this particular matter which I am bringing to your attention in this communication. I will be grateful to you if you will do so.

Fraternally yours,

President,
American Federation of Labor

April 24, 1942
ds

THE SECRETARY OF THE NAVY
WASHINGTON

April 27, 1942

My dear Henry:

Unfortunately, as I told you at Cabinet on Friday, I will not be here on May 4 and cannot participate on your broadcast. I hope you are successful in selling the idea to Admiral King. It would be very satisfactory to me to have him represent the Navy in that broadcast.

Sincerely yours,

Frank Knox

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

KENNETH MC KELLAR, TENN., CHAIRMAN
 CARL HAYDEN, ARIZ.
 JOSEPH W. BAILEY, N. C.
 RULOW, S. CAR.
 W. C. O'NEIGHNEY, WYO.
 AS. CHAVEZ, N. MEX.
 ALLEN J. ELLENDER, LA.
 WILLIAM H. SMATHERS, N. J.
 JAMES H. MEAD, N. Y.
 PAT MC CARRAN, IOWA.
 BERNARD DOWNNEY, CALIF.
 LLOYD SPENCER, ARK.

JAMES A. DAVIS, PA.
 CLYDE M. REED, KANS.
 JOHN THOMAS, IDAHO
 WILLIAM LAMMER, N. DAK.
 HENRY A. BYTLER, MISS.
 RAYMOND E. WILLES, IND.
 EUGENE D. MILLIKEN, COLA.

United States Senate

COMMITTEE ON
 POST OFFICES AND POST ROADS

April 27, 1942

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

My dear Mr. Secretary:

Your letter of the 25th with enclosures has been received. I was certainly interested in the copies of the letter and the leaflets which you sent me.

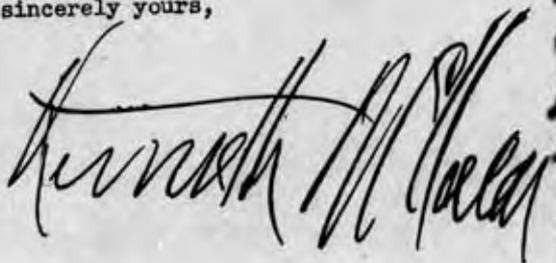
As you may recall, some years ago I criticised you concerning the performance of some of your official duties. This time I want very earnestly to commend you for the splendid work you are doing in handling our finances.

The sale of \$4,860,000,000 of defense bonds during the past eleven month period has indeed been wonderful and if you continue in your present stride I see no reason why you cannot reach your goal of \$12,000,000,000 for the twelve month period beginning July 1.

I think your advertisements and letter are fine. As an American and as a Senator, I am proud of what you are doing. In the year ending July 1, 1942, you will probably sell \$6,000,000,000 worth of bonds and this in itself is a perfectly grand achievement because nearly six months of that period was before war was declared.

I have no suggestions to make. I think your plans are excellent and I stand ready to help you in any way possible in the splendid work you are doing.

Very sincerely yours,



TELEPHONE
WICKERSHAM 2-2700

247 PARK AVENUE
NEW YORK, N. Y.

April 27, 1942.

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

My dear Mr. Secretary:-

It is difficult for me to express adequately how much your letter about the "For America We Sing" program meant to my wife and myself.

Naturally, we were both quite unhappy to learn that it had been decided to take this show off the air; for we hoped that our association with you would continue at least for the duration. Every moment of it has been a pleasure and an inspiration. It is so seldom one finds an employer for whom one really likes to work -- and you more than fulfilled that position in our hearts.

In any event - you may be sure that not only will we give our cooperation in War Bond work to you; but will insist that you accept it. In other words, you couldn't lose us even though you wanted to -- for we propose working along the same as always. And - the greatest favor you could do for us would be to call upon us, as quickly as possible, for something.

Remember - that all the shows we have on the air are always yours to use.

I shall thank all those who worked with me on "For America We Sing" in your name as you requested.

Most sincerely,

E. F. Hummert

E. F. Hummert

RECEIVED
MAY 20 1942

TREASURY DEPARTMENT

89

INTER OFFICE COMMUNICATION

DATE April 27, 1942

TO Secretary Morgenthau
FROM Mr. Hase *HA*

The Bureau of Public Debt has transmitted to my office approximately 4,000 postal cards received in reply to your request for information on the number of days it took a selected group of people to obtain delivery of savings bonds purchased by mail or under the payroll savings plan.

A review of the postal cards by the Bureau of Public Debt and by ourselves leads to the conclusion that they contain no useful information on the number of days required for delivery of savings bonds. There appears to be a general satisfaction with the service received, but many of the persons contacted did not understand what the Department wanted, or if they did understand, they did not have the information available.

In view of the fact that a large proportion of the persons buying bonds under the payroll savings plan are not likely to know the date on which they become entitled to a savings bond, it is suggested that you consider dropping the postal card inquiry and substitute in its place an inquiry designed to provide the same type of information through a few of the issuing agents. This inquiry would be handled as follows:

- (1) Each Federal Reserve Bank would be asked to make a weekly report on the first 500 savings bonds mailed out every Friday morning. This report would classify the bonds by the number of days their applications had been on hand. A sample report might run as follows:

OK. Go ahead and try this. J/mh.

Secretary Morgenthau - 2

First 500 bonds mailed out on May 1 by
Federal Reserve Bank of New York

Applications for	10	of these bonds received	April 30.
"	"	20	" " " April 29.
"	"	250	" " " April 28.
"	"	130	" " " April 27.
"	"	<u>90</u>	" " " April 26.

Total 500 on hand on average of 3 days.

- (2) Each Federal Reserve Bank would ask three agents in its District who are issuing bonds on the payroll savings plan to make up a similar report showing the number of days between the date payment was completed and the bond was issued. This report would need to cover only 50 bonds issued by the selected corporation on the selected day.

A series of weekly reports similar to the foregoing will permit us to make a rough estimate of the rapidity with which savings bonds are delivered. It would be a sample study, it is true, but with the cooperation of the Federal Reserve Banks it could provide much more reliable information than we can hope to obtain from a postal card survey.

APR 27 1942

Dear Mr. Warren:

I have just been handed a copy of the amended directive of the War Department covering the accountability for pay roll deductions made by corporations under cost-plus-a-fixed-fee contracts with the Government.

I want you to know that I appreciate your cooperation in getting this directive changed and the promptness with which it was done. Your representatives did a grand job and I wish you would thank them personally for me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,

The Comptroller General
of the United States.

DWB:cs

By Messenger

cc - n.m.c.

Sturgis 4:25
Thompson

APR 27 1942

Dear General Carter:

I have just been handed a copy of the amended directive of your Department covering the accountability for pay roll deductions made by corporations under cost-plus-a-fixed-fee contracts with the Government.

I want you to know that I appreciate your cooperation in getting this directive changed and the promptness with which it was done. Your representatives did a grand job and I wish you would thank them personally for me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Brig. General A. H. Carter,
Department of War,
Washington, D. C.

DWB:ce

By Messenger

cc - N.M.C.

Thompson

April 27, 1942

Dear John:

Thanks very much for your letter of April 20th. I'm glad to get your views on these subjects, although I am afraid I cannot agree with you on the matter of paid advertising.

We at the Treasury have not spent a penny on paid advertising and do not believe in it except as a last resort -- for example, in some corner of the country where we might be encountering particular sales resistance. It may interest you to know that other Government departments feel as we do about the potential evils of paid advertising. The cost of such a venture would be staggering, and neither Congress nor the taxpayers would stand for it.

We do, however, encourage sponsored advertising by business houses, and, as you know, the newspapers and radio have been getting a substantial amount of revenue in this way. Now that we have started our drive for a billion dollars a month, we hope that sponsored advertising will grow in volume.

Best regards to you all.

Sincerely,

(Signed) *Hoag*

Mr. John Boettiger,
Seattle Post-Intelligencer,
Seattle, Washington.

FK/cgk

P.S. Enclosed find a very interesting page ad from
The New York Times.

*Air mail
n.m.c. File
copies to Thompson*



THE SECRETARY OF THE TREASURY
WASHINGTON

April 27, 1942

Dear John:

Thanks very much for your letter of April 20th. I'm glad to get your views on these subjects, although I am afraid I cannot agree with you on the matter of paid advertising.

We at the Treasury have not spent a penny on paid advertising and do not believe in it except as a last resort -- for example, in some corner of the country where we might be encountering particular sales resistance. It may interest you to know that other Government departments feel as we do about the potential evils of paid advertising. The cost of such a venture would be staggering, and neither Congress nor the taxpayers would stand for it.

We do, however, encourage sponsored advertising by business houses, and, as you know, the newspapers and radio have been getting a substantial amount of revenue in this way. Now that we have started our drive for a billion dollars a month, we hope that sponsored advertising will grow in volume.

Best regards to you all.

Sincerely,

Mr. John Boettiger,
Seattle Post-Intelligencer,
Seattle, Washington.



*P.S. Enclosed find very interesting
page add from N.Y. Times.*

1951

SEATTLE POST-INTELLIGENCER

1863 *78* year 1941

OFFICE OF THE PUBLISHER

April 20, 1942

(PERSONAL)

Dear Henry:

Some of my colleagues in the newspaper business have urged me over past months to seek to influence you and other federal officials to spend federal funds for advertising, especially in connection with the sale of War Bonds.

I have been unwilling to do so for what I think are obvious reasons.

This letter is not intended in any sense to be a "selling" argument. I thought you might be interested, however, to know from what is at least a friendly source what is being said, and that you also might be interested in my views of the matter.

In the first place, there is no doubt that the great majority of the newspapers of the country are still strongly anti-Roosevelt, but most of them do not dare to exhibit their hatred, because of the war.

I don't think any of them could be won over through the expenditure of federal advertising funds in their papers, but at the same time I am bound to think that such action would be helpful in the long run, and would put a more direct obligation upon the unfriendly publishers.

Then, on another basis, there are the examples given by the British and the Canadians. Both have made direct expenditures in British and Canadian newspapers, and further have provided effective advertisements which the newspapers themselves could sell to patriotic institutions. I am aware of the Treasury Department having adopted a few ads of a similar character, notably the one published by the New York Times. But there has been no really concerted drive along this line.

The newspapers have been asked to devote columns and columns and pages of free space to the sale of War Bonds, and I think on the whole they have responded with pretty fair willingness. Our paper, of course, has constantly overbent itself in that direction.

Finally, I think such advertising would really produce results. After all, you have spent many many thousands of dollars in direct mail campaigns, and thus it



Established 1863

Honorable Henry Morgenthauer, Jr., - 2.

April 20, 1942

appears that you do believe in advertising. Therefore, why shouldn't you adopt another form of advertising, which many financial and other institutions have found exceedingly profitable?

There is one other point that I think is most important. We hear constant rumors that the Treasury Department is about to eliminate expenditures for advertising as proper deductions for income tax purposes. God knows things are tough enough now in the selling of advertising, and if you should determine that advertising is a "non-essential" of business activity, it would have the most terrific results.

Newspapers just wouldn't be able to function, because I think it has been pretty well established that any effort to run a newspaper without advertising is pretty lame. P. M. for an example. Possibly you feel newspapers are non-essential, but I don't believe you could!

I have also been advised that the War and Navy Departments do not wish to permit industries having war contracts to receive credit for expenditures for advertising.

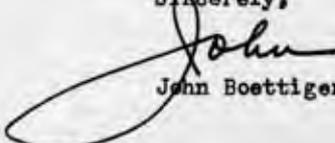
We live in a city which has a tremendous amount of war production work. Our biggest endeavors are in building Flying Fortresses, ships and tanks. In practically all of these industries there is truly a lack of the kind of fervent patriotic feeling that I believe was prevalent in the last war. There is an amount of loafing, and certainly a terrific lot of misunderstanding concerning the operations of these plants.

I believe it would serve the country to the greatest purpose if these companies were not only permitted, but actively encouraged and requested by the government to engage in sensible and constructive and useful institutional advertising in their local newspapers to the end that their employees would have their stature raised in the eyes of the public, and in their own eyes. We are trying to do this, but we are constantly beset with the argument that the government doesn't want it, and imposes penalties upon it!

After dictating this letter it seems to me that maybe I have made a sales argument after all! I really didn't intend to, but if that is what it is, why just put me down as another dirty old publisher!

Anyway, we all send our very best to you and to the family.

Sincerely,



John Boettiger.

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

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Twenty-two Business Days of April, March and February 1942
 (April 1-25, March 1-26, February 1-26)
 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	\$ 68,340	\$ 74,221	\$ 80,985	-\$ 5,881	-\$ 6,764	- 7.9%	- 8.4%
Series E - Banks	<u>199,056</u>	<u>218,123</u>	<u>287,297</u>	- <u>19,067</u>	- <u>69,174</u>	- <u>8.7</u>	- <u>24.1</u>
Series E - Total	267,396	292,344	368,282	- 24,948	- 75,938	- 8.5	- 20.6
Series F - Banks	32,512	35,839	48,723	- 3,327	- 12,884	- 9.3	- 26.4
Series G - Banks	<u>133,765</u>	<u>156,998</u>	<u>235,462</u>	- <u>23,233</u>	- <u>78,464</u>	- <u>14.8</u>	- <u>33.3</u>
Total	<u>\$433,674</u>	<u>\$485,181</u>	<u>\$652,466</u>	-\$ <u>51,507</u>	-\$ <u>167,285</u>	- <u>10.6%</u>	- <u>25.6%</u>

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

April 27, 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)

CONFIDENTIAL

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
6	4,961	13,035	2,329	8,027	23,391	17,996	2,329	8,027	28,352
7	2,958	5,722	834	8,983	15,539	8,680	834	8,983	18,497
8	2,309	9,610	1,142	6,562	17,314	11,919	1,142	6,562	19,623
9	2,906	9,304	955	5,715	15,974	12,210	955	5,715	18,880
10	2,730	8,052	1,573	5,261	14,885	10,782	1,573	5,261	17,615
11	2,150	5,224	668	2,720	8,613	7,374	668	2,720	10,762
13	4,619	17,572	2,432	8,604	28,609	22,192	2,432	8,604	33,228
14	2,513	6,152	1,076	3,333	10,561	8,665	1,076	3,333	13,074
15	2,584	5,102	1,251	5,374	11,728	7,686	1,251	5,374	14,312
16	3,472	10,008	1,400	7,773	19,180	13,480	1,400	7,773	22,652
17	2,090	8,076	850	3,695	12,621	10,766	850	3,695	15,311
18	3,111	7,175	948	3,303	11,426	10,286	948	3,303	14,537
20	5,252	13,334	2,227	9,001	24,562	18,586	2,227	9,001	29,814
21	2,517	6,845	977	3,703	11,525	9,362	977	3,703	14,042
22	2,925	9,112	1,925	6,793	17,830	12,037	1,925	6,793	20,755
23	3,101	9,403	1,805	5,928	17,136	12,504	1,805	5,928	20,237
24	3,451	10,981	1,721	5,694	18,396	14,431	1,721	5,694	21,846
25	2,616	8,704	1,327	4,552	14,583	11,321	1,327	4,552	17,200
Total	\$ 68,340	\$199,056	\$ 32,512	\$133,765	\$365,334	\$267,396	\$ 32,512	\$133,765	\$433,674

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

April 27, 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.



Office of the Attorney General
Washington, D.C.

April 27, 1942

Dear Henry:

Thank you for sending me your very interesting letter and leaflet sent out to large companies.

Sincerely yours,

Tom C. [unclear]

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

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

100

DATE April 27, 1942

TO Secretary Morgenthau
FROM Mr. Thompson

Mr. Spingarn came to Washington last Friday and Mr. Hall and I had a long talk with him in the morning, after which Mr. Hall took him to the Bureau of Engraving and Printing. Later he and Mr. Hall returned to my office for further discussions. Mr. Spingarn was optimistic over what he had seen in the cafeteria because he said he noticed a natural tendency on the part of the colored people to group themselves together and it is his feeling that the situation will work itself out. Later in the day he contacted a number of the colored leaders here in Washington to talk the situation over with them and to enlist their aid in eliminating what he terms "guerrilla warfare" carried on by the colored people. Saturday morning Mr. Spingarn advised me that he had been successful in his efforts along these lines and he was confident that the "guerrilla warfare" would cease. As a part of the program, however, he suggested that it would be well for positive word to get around the Bureau that there would be no change in the administration policy of non-segregation. Mr. Spingarn feels that once it is definitely indicated that there is to be no segregation in the cafeteria the employees, both white and colored, will accept this as a fact and settle down with increasing patronage of the cafeteria. Although the fact that this is the policy is known to the Bureau employees, nevertheless Mr. Spingarn's suggestion of putting a further note of finality to it will be carried out.

Th

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 27, 1942

TO Secretary Morgenthau
FROM Mr. Thompson

With respect to the use of automobiles, a questionnaire which I sent out to the employees of the Department, bringing replies from more than 17,000 employees, indicated that nearly 12,000 were using bus, street-car and train transportation and 1,618 were walking. Of 2,671 who were driving their own automobiles, 1,652 drivers were bringing 2,686 others with them.

Recently a card, sample of which I attach, was given to each employee of the Department.

The cars at your private entrance have been hardly adequate to meet the demands upon them. There is constant daily travel on the part of staff officers, including officers from Foreign Funds, General Counsel, Research and Statistics, and Monetary Research, in attending conferences in other agencies of the Government throughout the city and on many occasions the call for cars exceeds the availability of cars so that these staff men have to use taxicabs or walk. If we cut down on the number of these cars, it will cause more inconvenience to these staff officers. The chauffeurs, however, have been instructed to use the shortest possible routes and to conserve the use of tires and gasoline wherever possible. Field officers using cars also are instructed to reduce their use to the minimum. Many of the employees use their own cars for official business and whether or not they will be able to get replacements for their tires when they are worn out is questionable although Cliff Mack tells me that his office is working on the matter

- 2 -

Secretary Morgenthau.

with O.P.A. Apparently there will be no difficulty in getting new tires or retreaded tires for field officers employed on so-called police activities.

John

**Share Your Car . . . Save Your Tires
Reduce Traffic Congestion!**

To Motorists in the Metropolitan Area of Washington:

To save your tires, conserve fuel and relieve downtown traffic congestion, the District Commissioners earnestly solicit your cooperation in sharing your car with others to and from work. These objectives have a vital bearing on our war efforts.

As Coordinator of Civilian Defense for the Washington Metropolitan Area, I appeal to all car owners to join this movement. There must be a "home front" to back up our boys on the battle fronts of the world. Your chance to help is no farther away than your own community.

Voluntary "Share Your Car" programs already are under way in many Federal and District agencies. Remember, the average citizen cannot replace his tires when the present ones wear out. Invite your neighbors to ride downtown. Ask them to return the favor. Pool your cars and save.

**JOHN RUSSELL YOUNG, President
Board of Commissioners, D. C.**



HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

April 27, 1942.

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published or given out until the READING of the President's Message has begun in the Senate or the House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY
Secretary to the President

TO THE CONGRESS OF THE UNITED STATES:

In certain ways the present world encircling war presents problems which were unimaginable during the First World War.

The theatres of combat today cover vastly greater areas. Many more millions of human beings are involved. The new factors of mechanical power, in the air and on the land and on the sea, have produced radical changes in basic strategy and tactics.

In this new war the nations resisting the Axis Powers face an even greater challenge to their very existence. They fight more powerful, more sinister foes; but their understanding of the magnitude of the task and the very firmness of their determination make victory certain in the long days to come.

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In some other ways, however, the circumstances of today parallel those of 1917-1918. Now, as in the last war, the common enemy has had all the advantage at the outset. Now, as then, bitter defeats and heavy losses must be endured by those who are defending civilization, before we will be able to establish the vital superiority in men and munitions which will turn the tide.

^{monthly} The United States was far better prepared for actual war on December 7, 1941, than it was on April 6, 1917. For over two years, by a succession of Congressional Acts, we had carried out or initiated safety measures for our own defense in growing volume and importance. There were the revisions of the Neutrality laws, the adoption of the Selective Service law and the Lend-Lease law, and the great increases of our Army and Navy and the instruments of war which they needed.

After Pearl Harbor, the American people adopted a national program of war production which would have been called fantastic by most people two years before. It has required the shifting of the major part of American industry from the products of peace to the weapons of war.

Inevitably -- but with the full approval of the nation -- this enormous program is dislocating industry, labor, agriculture and finance. It is disrupting, and will continue to disrupt, the normal manner of life of every American and every American family. In this, we repeat ^{follow} the pattern of the first World War, although on a vastly greater scale.

During that earlier war there were certain economic factors which produced unnecessary hardships; and these hardships continued long after the signing of the Armistice. I use the word "unnecessary" because it is my belief that a very great deal of the suffering which was caused then can be avoided now.

These economic factors relate primarily to an easily understood phrase which affects the lives of all of us — the cost of living. Because rises in the cost of living which came with the last war were not checked in the beginning, people in this country paid more than twice as much for the same things in 1920 as they did in 1914.

people in this country in 1918 paid nearly as much for the same things at the end of the war as they did at the beginning.

The rise in the cost of living during this war has begun to parallel the last. The time has definitely come to stop the spiral. And we can face the fact that there must be a drastic reduction in our standard of living.

added

the cost of living based on the average prices of necessities, has gone up about 15% so far since the Autumn of 1939, we must now act to keep it from soaring another 80% or 90% during the next year or two — to hold it to somewhere near the present level.

While the cost of living, based on the average prices of necessities, has gone up about 15% so far since the Autumn of 1939, we must now act to keep it from soaring another 80% or 90% during the next year or two — to hold it to somewhere near the present level.

There are obvious reasons for taking every step necessary to prevent this rise. I emphasize the words "every step" because no single step would be adequate by itself. Action in one direction alone would be offset by inaction in other directions. Only an all-embracing program will suffice.

and if that means we and our children will be burdened with a higher debt years to come.

When the cost of living spirals upward week after week and month after month, people as a whole are bound to become poorer, because the pay envelope will then lag behind rising retail prices. The price paid for carrying on the war by the Government and, therefore, by the people, will increase by many billions if prices go up. Furthermore, there is an old and true saying that that which goes up must always come down — and you and I know the hardships and heartaches we all went through in the bad years after the last war, when Americans were losing their homes and their farms and their savings and were looking in vain for jobs.

loop

We do not intend after this war to present the same disastrous situation to those brave men who today are fighting our battles in all parts of the world. Safeguarding our economy at home is the very least that our soldiers, sailors and marines have a right to expect of us civilians in government, in industry, on the farm, and in all other walks of life.

added

We must therefore adopt as one of our principal domestic objectives the stabilization of the cost of living, for this is essential to the fortification of our whole economic structure.

Relying on past and present experience, and leaving out masses of details which relate more to questions of method than to the objective itself, I list for the Congress the following points, which, taken together, may well be called our present national economic policy.

1. To keep the cost of living from spiraling upward, we must tax heavily, and in that process keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.
2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers, retailers, wholesalers and manufacturers pay for the things they buy; and ceilings on rents for dwellings in all areas affected by war industries.

omitted

added

added

- 3 -

3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.

4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.

added: Government
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing War Bonds with their earnings instead of using those earnings to buy articles which are not essential.

added
6. To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.

added
7. To keep the cost of living from spiraling upward, we must discourage credit and instalment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to the creditors for the purchase of War Bonds.

I know that you will appreciate that these seven principal points, each and every one of them, will contribute in substantial fashion to the great objective of keeping the cost of living down.

It is my best judgment that only two of these points require legislation at the present time, for the very good reason that the Congress has already passed laws with respect to the others which seem adequate to meet the national policy enunciated.

I assure the Congress that if the required objectives are not attained, and if the cost of living should continue to rise substantially, I shall so advise the Congress, and shall ask for any additional legislation which may be necessary.

changed
be one item where in the first item, legislation is necessary, and the subject is now under consideration in the House of Representatives. Its purpose is to keep excess profits down and, at the same time, raise further large sums for the financing of the war.

changed from "one"
changed from "done"
On this subject, I believe that the objective can be attained through tax processes. We are now spending, solely for war purposes, the sum of about one hundred million dollars every day of the week. But before this year is over that rate of expenditure will be doubled. This means that a sum equal to more than half of the entire national income will be spent in the war effort. Almost the whole of these billions is being and will be spent within the United States itself.

Profits must be taxed to the utmost limit consistent with continued production. This means all business profits -- not only in making munitions, but in making or selling anything else. Under the proposed new tax law we seek to take by taxation all undue or excess profits. It is incumbent upon the Congress to define undue or excess profits; and anything in excess of that specific figure should go to the Government.

automatically (omitted)

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One of our difficulties is to write a law in which some clever people will not find loopholes, or in which some businesses will not be equitably included. I have suggested to the Chairman of the Committee on Ways and Means in the House of Representatives that some blanket clause could well cover, by a special tax, all profits of any kind of business which exceed the expressed definition of the legal profit figure.

At the same time, while the number of individual Americans affected is small, discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year. It is indefensible that those who enjoy large incomes from State and local securities should be immune from taxation while we are at war. Interest on such securities should be subject at least to surtaxes.

I earnestly hope that the Congress will pass a new tax bill at the earliest moment possible. Such action is imperative in the comprehensive all-out effort to keep the cost of living down — and time is of the essence.

The second item, relating to price control is, with the exception of farm prices, adequately covered by existing law, and I have issued instructions to put this into effect immediately. It is our effort to be fair in all phases of price control; and if our future experience reveals inequality or unfairness, corrections will, of course, be made.

In respect to the third item, seeking to stabilize remuneration for work, legislation is not required under present circumstances. I believe that stabilizing the cost of living will mean that wages in general can and should be kept at existing levels and existing scales.

If the cost of living remains relatively stable, no one is going to be organized labor has voluntarily given up its right to strike during the war. Therefore all stabilization or adjustment of wages will be settled by the War Labor Board machinery which has been generally accepted by industry and labor for the settlement of all disputes.

OMITTED:

Concerning the question of double time for Sunday; it is contrary to sound

All strikes are at a minimum. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration date of those contracts. The existing machinery for labor disputes will, of course, continue to give due consideration to inequalities and the elimination of sub-standards of living. I repeat that all of these processes, now in existence, will work equitably for the overwhelming proportion of our workers if we can keep the cost of living down and stabilize their remuneration.

Some rare emergency circumstances in a plant make it necessary for a laborer to work on his day of rest — whether it be Sunday or not — he should be paid double wages for that 7th day. Most workers in munition industries are working far more than forty hours a week, and should continue to be paid at time and a half for overtime. Otherwise, their weekly pay envelopes would be reduced.

OMITTED:

The War Labor Board machinery has been generally accepted by labor and industry for the settlement of all disputes; and organized labor has given up its right to strike during the war. All strikes are at a minimum. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration date of those contracts. The existing machinery for labor disputes will, of course, continue to give due consideration to inequalities and the elimination of sub-standards of living. I repeat that all of these processes, now in existence, will work equitably for the overwhelming proportion of our workers if we can keep the cost of living down.

Price policy

All these policies will guide all government agencies.

In regard to item four, prices of farm products: for nearly nine years it has been the policy of the Government to seek an objective known as "parity" — or, in other words, farm prices that give the farmer an assurance of equality in individual purchasing power with his fellow Americans who work in industry. Some of the products of the farms have not yet reached the stage of parity. Others have exceeded parity. Under existing legislation a ceiling cannot be placed on certain products until they reach a level somewhat above parity. *(OMITTED: as confident, however, that with price ceilings imposed in accordance with law, the average of all farm products can be substantially kept at a parity level.)*

added This calls for the second legislative action which I have mentioned. Under a complicated formula in the existing law, prices for farm products — prices which housewives have to pay for many articles of food — may rise to 110% of parity or even higher. It is the fault of the formula. In the case of many articles this can mean a dangerous increase in the cost of living for the average family over present prices.

added In fairness to the American people as a whole, and adhering to the purpose of keeping the cost of living from going up, I ask that this formula be corrected, and that the original and excellent objective of obtaining parity for the farmers of the United States be restored.

added It would be equally harmful to the process of keeping down the cost of living if any law were passed preventing the Government from selling any of its own surplus farm commodities at the market price. As a national policy, the ceiling on farm products — in other words, the maximum prices to be received by the producers of these products — should be set at parity.

With respect to item five — the purchase of War Bonds — *added* the American people know that if we would raise the billions which we now need to pay for the war and at the same time prevent a disastrous rise in the cost of living, we shall have to double and more than double the scale of our savings. Every dime and dollar not vitally needed for absolute necessities should go into War Bonds and Stamps to add to the striking power of our armed forces. *putting savings*

If these purchases are to have a material effect in restraining price increases they must be made out of current income. In almost every individual case they should be big enough to mean rigid self-denial, a substantial reduction for most of us in the scale of expenditure that is comfortable and easy for us. We cannot fight this war, we cannot exert our maximum effort, on a spend-as-usual basis. We cannot have all we want, if our soldiers and sailors are to have all they need.

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of everyone's income. I prefer, however, to keep the voluntary plan in effect as long as possible, and I hope for a magnificent response.

With respect to item six — rationing — it is obviously fair that where there is not enough of any essential commodity *added* to meet all civilian demands, those who can afford to pay more for the commodity should not be privileged over others who cannot. I am confident that as to many basic necessities of life rationing will not be necessary, because we shall strive to the utmost to have an adequate supply. But where any important article becomes *added* scarce, rationing is the democratic, equitable solution.

added Item seven — paying off debts and curtailing instalment buying — should be made effective as soon as possible now that money is becoming more plentiful. Those who comply with it will be grateful that they have done so, when this war is over. Elimination of private debts and an accumulation of savings will provide a form of insurance against post-war depression. The Federal agency responsible for the control of credit for instalment buying is taking appropriate action.

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Added Indeed, as to all the items which do not require legislation, the executive departments and agencies whose functions and duties are involved, are at work as expeditiously as possible in carrying out this whole broad policy.

The result will be to have to give up many things to which we are accustomed. We shall have to live our lives with less in the way of creature comforts than we have in time of peace. Our standard of living will have to come down. We will welcome to share in the common effort of civilized mankind to preserve decency and dignity in modern life.

Some have called this an "economy of sacrifice". Some interpret it in terms that are more accurate — the "equality of sacrifice". I have never been able to bring myself, however, to full acceptance of the word "sacrifice", because free men and women, bred in the concepts of democracy and wedded to the principles of democracy, deem it a privilege rather than a sacrifice to work and to fight for the perpetuation of the democratic ideal. It is, therefore, more true to call this total effort of the American people an "equality of privilege".

I firmly believe that Americans all will welcome this opportunity to share in the fight of civilized mankind to preserve decency and dignity in modern life. For this is a people's war — and it must be followed by a people's peace. The achievement of victory in war and security in peace requires the participation of all the people in the common effort for our common cause.

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April 27, 1942.

FRANKLIN D. ROOSEVELT

APR 27 1942

Secretary Morgenthau**Mr. Foley**

When war was declared between the United States and Germany and Italy the German Government turned over to the Swiss Government approximately \$300,000 in United States currency. The Italian Government turned over to the Swiss Government approximately \$180,000 in United States currency. The Swiss Government is representing the interests of the German and Italian Governments in the United States.

The Treasury Department has taken the position that the expenses incurred by the Swiss Government in handling German and Italian interests in the United States must be paid out of free funds to be remitted from abroad since it is necessary for this Government to remit free funds for its expenses in enemy territory. The State Department is in accord with this view and has so advised the Swiss Government.

The Swiss Government now reports that the German and Italian Governments are not willing to accept this position and insist that the free use of the currency turned over to the Swiss Government be allowed. The German Government has even declared that it would take appropriate counter measures against the Legation of Switzerland at Berlin if the United States Government did not allow the free use of these funds.

White and I, as well as Bernstein and Pehle, feel strongly that it is a mistake to continue to give in to the German Government on demands of this character and have so advised State. However, the State Department takes the position that the amount involved is not too significant and that it cannot afford to take the risk that Germany and Italy will refuse to allow us to be

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represented in their countries. Moreover, State points out that it is trying to arrange a wholesale exchange of Americans in the occupied areas for citizens of Germany and Italy who are in the United States and desire to return to Germany and Italy and that it would be very unfortunate if such negotiations were terminated by the Axis Governments.

If you concur, we will advise State that we strongly disagree with the action of allowing Germany and Italy to use the funds in question; and that any decision to allow the use of such funds must be made by the State Department on the basis of foreign policy considerations.

(Initialed) E. H. P., Jr.

I concur

(Pgd) H. Morgenthau, Jr.

JWPehle:mgt 4/24/42

Treasury Department
Division of Monetary Research

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Date April 27, 1942 19

To: Secretary Morgenthau

In response to your inquiry of
April 25th "How about silver legislation?" -
The appended memorandum, prepared in this
Division on March 9th, was initialed by
the Legal Division and Mr. Viner, and was
sent for initial to Mr. Bell on March 24th.

H.D.W.

MR. WHITE
Branch 2058 - 214½

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3/24/42 - Originals of two at-
tached memos to Mr. Bell.

3/24 - Original of draft bill
to Mr. Bell with copy as in-
itialled by Messrs. White, Viner,
B. Bernstein and others.

March 9, 1942

Secretary Morgenthau

Mr. White

Subject: Silver Legislation

We are submitting a draft of the silver bill which, during the period of emergency, directs the cessation of silver purchases and authorizes the sale of Treasury silver at not less than thirty-five cents an ounce. We believe that it would be preferable to suspend silver purchases during the emergency rather than to seek permanent elimination of such purchases because:

1. It will call forth less opposition on the part of silver interests.
2. It will justify your raising the problem at this time purely as a measure for diverting labor and equipment to war uses.
3. It will not directly raise the question of the desirability of our silver policy in the past.
4. It will not prevent Congress from going farther and eliminating entirely all silver purchases, but the responsibility will be theirs and not yours.

If you agree with the foregoing, the following steps are suggested:

1. Have the President indicate whether he wants the silver question raised at this time. He may prefer not to stir up opposition in Congress on a matter of relatively small importance.
2. Get a statement from the War Production Board that (a) more silver on the market at current prices would help the war effort and (b) that silver mining is absorbing labor and equipment which could be more profitably used in the war effort.
3. Secure the support and acquiescence of Jesse Jones to the purchase by the Metals Reserve Corporation of high-cost copper, lead, and zinc from mines that depend on high silver prices to maintain production of these essential materials.

When these three steps are satisfactorily completed, you will probably want to discuss the problem with leaders in the Senate and the House before having the bill presented.

You may wish to read the appended memorandum setting forth in more detail the emergency silver program.

HDW:EMB/jm 3/9/42

March 9, 1942

Secretary Morgenthau

Mr. White

Subject: Silver Legislation

We are ready to submit for your approval a draft of a bill providing for suspension of silver purchases and authorizing the Treasury to sell silver at not less than 35 cents an ounce during the period of emergency. The bill does not affect the Treasury's power to purchase silver for coinage or to issue silver certificates.

We feel it would be a mistake to include in the bill authority to sell Treasury silver except with a stipulated minimum price. The threat of the enormous Treasury supply of silver hanging over the market without a minimum price at which it could be sold would arouse much greater opposition to the bill by the silver interests, and might make passage of the bill uncertain. Moreover, we do not believe that the authority to sell silver is of immediate importance because with the entire domestic output offered in the market it is very doubtful whether there would be any substantial demand for Treasury silver at anything like current prices. The addition to the market of domestic output of possibly 50 to 60 million ounces (output for 1942 at 71 cents will be about 70 million ounces) should prevent the price of silver from rising above 35 cents for some time, and might well drive the price down to 30 cents.

If, in addition, an attempt were made to sell substantial quantities of Treasury silver in competition with domestic and imported silver, the price would be still further depressed--how much, of course, would depend on the quantity of silver the Treasury tried to sell. Furthermore, the amount of silver offered on the market would very likely be further increased by the fact that such legislation would encourage countries to sell some of the silver they now hold as monetary reserves.

Should the expansion in the industrial uses of silver prove to be so great that a shortage appears notwithstanding the added supply from domestic output, the Treasury could, under the terms of the bill drafted, sell some of its silver.

The drafted bill also contains a provision for the continued purchase of domestic silver at the 71-cent price for a period of three months after the enactment of the bill.

As the hearings and discussions on the bill will certainly last many weeks, the silver producers will have a period of at least four to five months in which to make whatever adjustments may be necessary. Silver mined during the period of suspension would not be eligible for purchase by the Treasury as newly-mined domestic silver when the emergency is terminated.

As the supply of silver available for industry will be increased by the full amount of the domestic output, and as the Treasury will be able to sell silver at 35 cents an ounce or more, it is not regarded as necessary to provide for lending Treasury silver for recoverable industrial uses.

The advantages of suspending silver purchases at this time are clear. They are as follows:

1. The labor, equipment, and materials released from mines which produce predominantly silver can be utilized in the war effort. The increased supply of silver in the domestic market will probably drive down somewhat the price of silver but with a lower price of silver more will be used in industry and more of the competing metals will be free for defense use.

2. The South American countries producing silver are accumulating gold and dollar balances now. Therefore, a slightly reduced price of silver will not significantly impair their exchange position particularly as the principal effect of the lower price will be to reduce profits withdrawn in dollar exchange by American mine owners.

Though it is true that our silver purchases are inflationary and though such can be made of that in public discussion, actually the extent to which the coinage of silver adds to the money supply of a country is so negligible as to warrant little emphasis on this aspect of the problem.

The chief objection to suspending the purchase of silver is that it will reduce the receipts and hence the output of mines producing copper, lead, and zinc along with silver. This is a serious objection in view of the need for these materials for defense, but it can be met very simply by the Metals Reserve Corporation which already has the authority and pursues the policy of paying higher prices for higher-cost output.

The application of this policy to the silver problem needs no new legislation but merely requires a prior understanding with Secretary Jones that he will take care of such contingencies, so that when appearing before the Congressional Committees you will be able successfully to meet any objection that cessation of domestic silver purchased by the Treasury will reduce the

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supply of domestically-mined copper, lead, and zinc. With regard to foreign copper, lead, and zinc, produced along with silver, the Metals Reserve Corporation can, in exceptional cases, also pay slightly more for such metals. In any case, the decrease in price to foreign silver producers will probably not be large enough to seriously curtail production abroad during war time.

Two disadvantages in suspending the silver purchase program are:

1. It will be interpreted as a confession by the Administration that its silver purchase program was a mistake. I think it might be justly said, however, that the silver purchase program while not suited to a country at war was well suited to a country in depression. Nonetheless, the step will be heralded by the press and commentators as the "deserved end of a ridiculous policy instituted by the present administration."

2. If the suspension of silver purchases were to reduce the market price of silver below 75 cents an ounce, it would show an even greater disparity between the market price of silver and the value of silver bullion on the books of the Treasury. However, unless very considerable quantities of silver are sold at 75 cents an ounce, there will be no bookkeeping loss.

MD :TMB/ja 3/9/42

A BILL

To suspend certain provisions of the Silver Purchase Act of 1934 and of the Act of July 6, 1939, to provide for the sale of silver, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 3 of the Silver Purchase Act of 1934, 48 Stat. 1178 (U.S.C., title 31, sec. 734a), is hereby suspended: Provided, That nothing in this Act shall be construed to limit the authority of the Secretary of the Treasury to carry out the provisions of any contract or agreement made pursuant to said section prior to the enactment of this Act, or to acquire and make payment for silver pursuant to any such contract or agreement.

Sec. 2. Section 4 of the Act of July 6, 1939, 53 Stat. 998 (U.S.C., title 31, sec. 316c), is hereby suspended, such suspension to become effective on the ninetieth day following the date of enactment of this Act, and no silver mined during the period of suspension shall be eligible for deposit pursuant to the provisions of said section 4: Provided, That within such reasonable time after the effective date of such suspension as the Secretary of the Treasury shall determine, the coinage mints shall, in accordance with the provisions of said section 4 of the Act of July 6, 1939, and the Regulations of the Secretary of the Treasury issued thereunder, receive and settle for deposits of silver mined prior to the effective date of such suspension.

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Sec. 3. The Secretary of the Treasury, without regard to any other provision of law, is hereby authorized to sell at home or abroad, in such amounts, at such rates in excess of thirty-five cents per troy ounce .999 fine, at such times, and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest, any silver bullion in the monetary stocks of the United States not then held for redemption of any outstanding silver certificates.

Sec. 4. Sections 1 to 3, inclusive, shall remain in force only until December 31, 1944, and after such sections cease to be in force, any provisions of law amended or suspended thereby shall be in full force and effect as though this Act had not been enacted.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE April 27, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending April 25, 1942.

Summary

(1) Industrial production last month did not quite measure up to the preliminary estimates of the Federal Reserve Board, consequently the adjusted index of production for March now stands at 172, unchanged from the previous month. The machinery, aviation, and shipbuilding industries continued to pace the rise in armament activity, but these gains were offset by decreases in various other industries after allowance for seasonal factors.

(2) With shipment of war goods being handicapped by lack of ships, with railroad traffic rising and gasoline rationing imminent, transportation problems are receiving increasing attention. The Iron Age claims that 40,000 military trucks are standing at one East Coast port waiting for ships, while in another instance 30,000 combat vehicles have accumulated at an inland plant awaiting shipment.

(3) The general price level continues to move gradually higher. As the result of a further 0.2 point rise, the BLS all-commodity index in the week ended April 18 stood at 98.3, or 31.1 percent above the pre-war level of August 1939.

(4) Living costs continued to move higher in March, with the BLS cost-of-living index rising 1.2 percent above the previous month. Clothing costs continued to rise sharply, showing an advance of 3.9 percent from February.

(5) Rural sales of general merchandise in March rose more than seasonally and exceeded by 42 percent the sales in the corresponding month of 1941. Unusually heavy buying of items subject to impending restrictions is believed to have contributed importantly to the strong sales showing. On the other hand, department store sales recently have shown signs of slackening.

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March rise in industrial output entirely seasonal

The Federal Reserve Board's preliminary estimate of industrial production for March proved to be 2 points too high, and as a consequence the FRB adjusted index for that month has been reduced to 172, unchanged from the revised figure for February. (See Chart 1.) Actual industrial output rose moderately during the month, but, as indicated by the unchanged level of the index, the rise was entirely seasonal.

The machinery and transportation equipment industries (including aviation and shipbuilding) continued to pace the rise in industrial output. (Refer to Chart 1, lower section.) However, the gains in these and other war industries, such as iron and steel, and chemicals, were to a considerable extent offset by less-than-seasonal increases in the production of cement and lumber, as well as actual declines in the output of crude petroleum and various other products. Due to transportation difficulties, further decreases in petroleum production appear likely, thus tending somewhat to offset anticipated gains in the near future in various other components of the index.

Transportation problems in limelight

In addition to the critical ocean shipping situation and the mounting traffic burdens of the railroads, the prospective rationing of gasoline in the Eastern States announced during the past week served to focus further attention on the country's imposing transportation problems. Although the amount of gasoline to be available to motorists after mid-May is still undetermined, a heavy cut is certain to have far-reaching effects. In addition to foreshadowing further traffic burdens for local transit companies and railroad passenger divisions, drastic rationing of gasoline would make a heavy cut in State revenues and would severely affect the fortunes of many business enterprises.

Railroad traffic rising

The East Coast oil shortage has greatly increased pressure on railroad tank car facilities, and promises to add considerably to the passenger traffic burden. Moreover, the Director of Defense Transportation has recently expressed special concern over the heavy additional freight traffic that the railroads would have to absorb in the event that truck operators should be unable to get sufficient tires. In the face of these and other problems, freight traffic is in a seasonal upswing. In the week ended April 15, carloadings rose to a new high for the

year at 847,000 cars. Although ore loadings showed an increase, they were still 16,000 cars below the corresponding period of 1941, despite the earlier start in Great Lakes navigation this year. This lag in ore loadings appears to have been due to the hampering effects of ice in Lake Superior at the entrance to the Soo Locks, where 80 ships were reported to have been tied up at one time.

In connection with the ocean shipping situation, the Iron Age asserts that war goods are piling up on the docks on both coasts and at some inland war plants. It cites one instance where 40,000 military trucks were standing at an East Coast port waiting for ships, and another where 30,000 combat vehicles had accumulated at an inland plant ready to be shipped.

Steel shortage contributes to lag in shipbuilding

A shortage of steel plates continues to be blamed as a primary factor in the lag in shipbuilding. During the past week, Admiral Land indicated that despite some improvement in March, steel plate deliveries to shipbuilders were still 169,000 tons behind schedule.

Although steel operations have slipped off moderately from the peak reached in the last week in March, total steel ingot production in April should approximate the record figure set last month. During the current week, steel operations are scheduled at 98.9 percent of capacity, as compared with 97.6 last week.

Shipments of finished steel by the U. S. Steel Corporation have levelled out during the past year, and in recent months have about equalled the volume of incoming orders. (See Chart 2, upper section.) Shipments in March were slightly below the peak reached late in 1941, and were less than 4 percent above the corresponding month of 1941. It will be noted that new orders received by the Corporation rose noticeably in March, but were well below the abnormal levels prevailing at this time last year.

The changed situation brought about by priorities and WPB regulations, however, has reduced the significance of new orders. The Carnegie-Illinois Steel Corporation (largest U. S. Steel subsidiary) revealed recently that 99.6 percent of the company's shipments in March carried priority ratings. As a result of the controls put into effect in the industry, estimated unfilled orders of the U. S. Steel Corporation have shown little change in recent months, being maintained close to the high level reached last summer. (Refer to Chart 2, lower section.)

Cost of living up sharply

The continued rise in wholesale commodity prices has brought a further sharp advance in living costs. (See Chart 3.) The BLS cost-of-living index for March was 1.2 percent higher than in February, and 15.9 percent above the pre-war level of June 1939.

Clothing prices continued their steep advance of the past three months, rising 3.9 percent in March. The clothing index is 23.2 percent higher than in June 1939. Food costs increased 1.5 percent in March, and are now 26.7 percent above the June 1939 level. Other living costs have increased moderately.

Living costs in the United States above Canadian

Comparison of the cost-of-living indexes for the United States and Canada show that in March, for the first time since the outbreak of the war, living costs in this country have made a greater overall advance than in Canada. (See Chart 4, upper half.) The Canadian index moved up slightly in March, but is still below the level prevailing before the Dominion's control of prices and wages was put into effect on December 1. The Canadian cost-of-living index has declined 0.3 percent since November, while ours has risen 3.7 percent.

The slight rise in the Canadian cost-of-living index in March was due entirely to a rise in prices for foods. (Chart 4, lower half.) Food prices in the United States, however, rose more steeply. Since November, Canadian food prices have declined 1.4 percent but ours have risen 4.9 percent.

Commodity prices little changed last week

Basic commodity prices moved in a narrow range last week in anticipation of announcement of details of the Administration's blanket program to curtail the rising cost of living. (See Chart 5.) Cotton and wool prices were off, and flaxseed prices declined on reports of the largest crushings in the first quarter of 1942 for at least as far back as 1919. Contributing factors were a Department of Agriculture statement forecasting an unchanged price level for fats and oils in the next few months, and an OPA announcement that ceilings on these products would not be raised. The OPA statement charged that rumors of an impending increase have inspired a withholding movement of substantial amounts of cottonseed oil, soy bean oil, and tallow.

Butter prices were up to a new high, and wheat prices regained a little of the ground lost in recent weeks. Prices for hogs last week were close to their 16-year high, although

the Department of Agriculture's new pork-buying program in the first three weeks of its operation has lagged behind the required schedule. Press reports express doubt that the OPA revision of the wholesale pork ceiling will be wholly effective in remedying the dislocation in the relationship of live hog prices to pork prices.

The BLS all-commodity index of prices of nearly 900 commodities in the week before last (ended April 18) rose 0.2 point to 98.3. This is 31.1 percent above the August 1939 pre-war level.

Cotton textile prices lowered

Maximum prices for various kinds of cotton textiles, at substantially lower levels than those now prevailing, will be made effective May 4 by an OPA order bringing under ceilings all types of unfinished and finished cotton goods not previously covered. The schedule is designed to restore more nearly normal price relationships.

A WPE order, believed to be the forerunner of others in the cotton textile field, was issued last week requiring diversion of a substantial percentage of loom facilities to the manufacture of heavy cloth for war purposes. An anticipated result of the order will be a severe curtailment of various cotton goods for civilian uses.

Lend-lease purchases by Agriculture up sharply

Lend-lease purchases of agricultural commodities are becoming of rapidly increasing importance as a factor contributing to pressure on supplies and on prices. Table 1, showing details of Lend-lease and other purchases by the Department of Agriculture since the buying program was started in March 1941, indicates strikingly the amount of upward pressure from this source recently on prices of various products. Takings in March 1942 in many instances consisted of very substantial portions of the year's total. Of the largest single item, pork products, more than one-seventh of the \$200,000,000 total was bought in March, even before the current buying program was announced. Almost one-fifth of the total egg purchases occurred in March, three-fifths of the quantity of butter, and one-eighth of milk and cheese purchases.

Rural retail sales rise sharply

On the basis of preliminary and confidential data, farm income in March ran about 41 percent above the corresponding period of 1941, thus maintaining virtually unchanged the

year-to-year gain shown in the previous month. (See Chart 6, top section.)

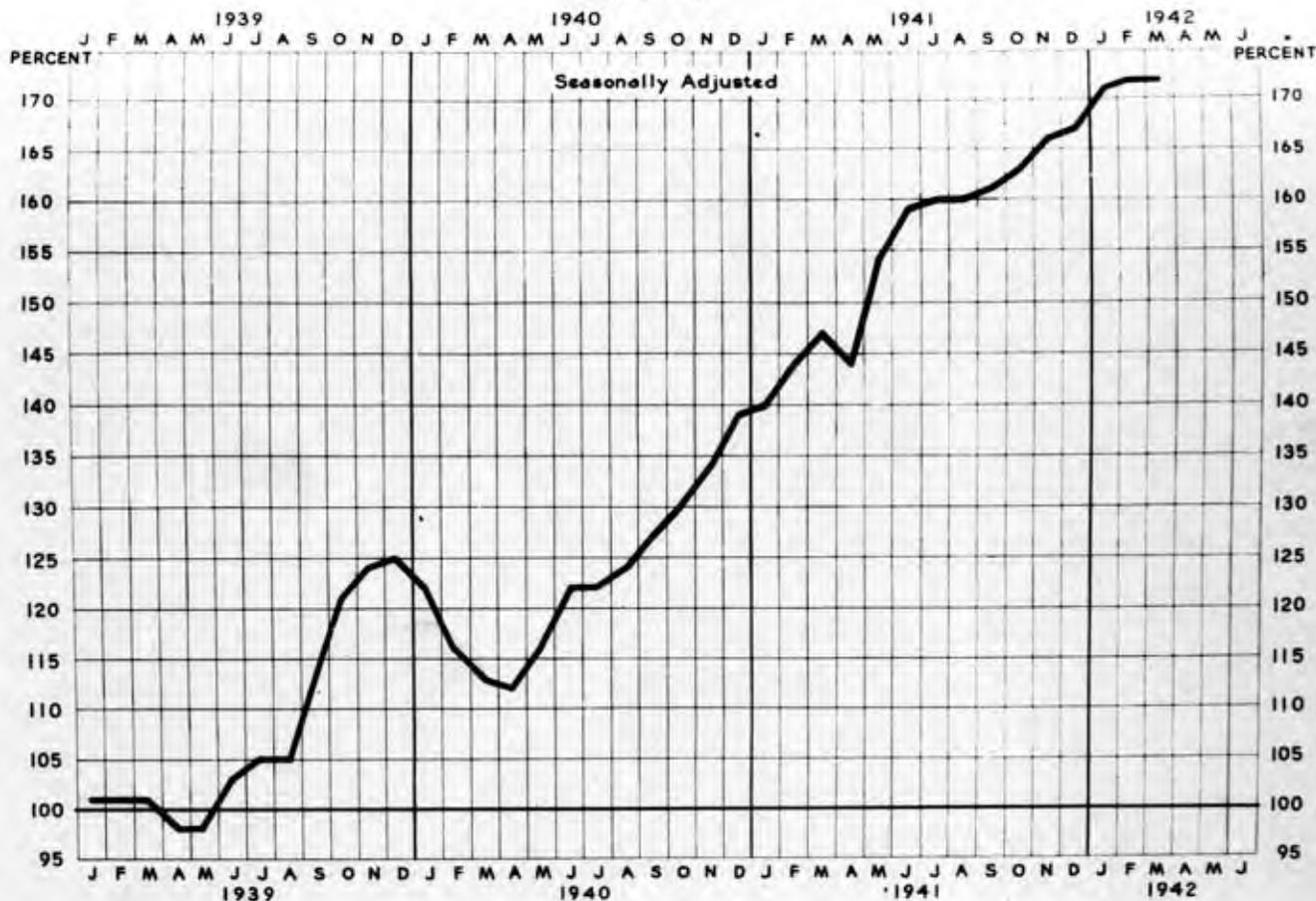
In reflection of the sustained high level of farm income and other factors, rural sales of general merchandise in March rose more than seasonally and ran 42 percent above March 1941. Unusually heavy consumer buying of items subject to impending restrictions undoubtedly contributed to the strong sales showing. Thus, Montgomery Ward and Company reported last week that heavy buying of durable household goods subject to war curtailment orders, such as refrigerators, washing machines and radios, had contributed importantly to the sales increase shown by the company in recent months.

Department store sales gain narrows

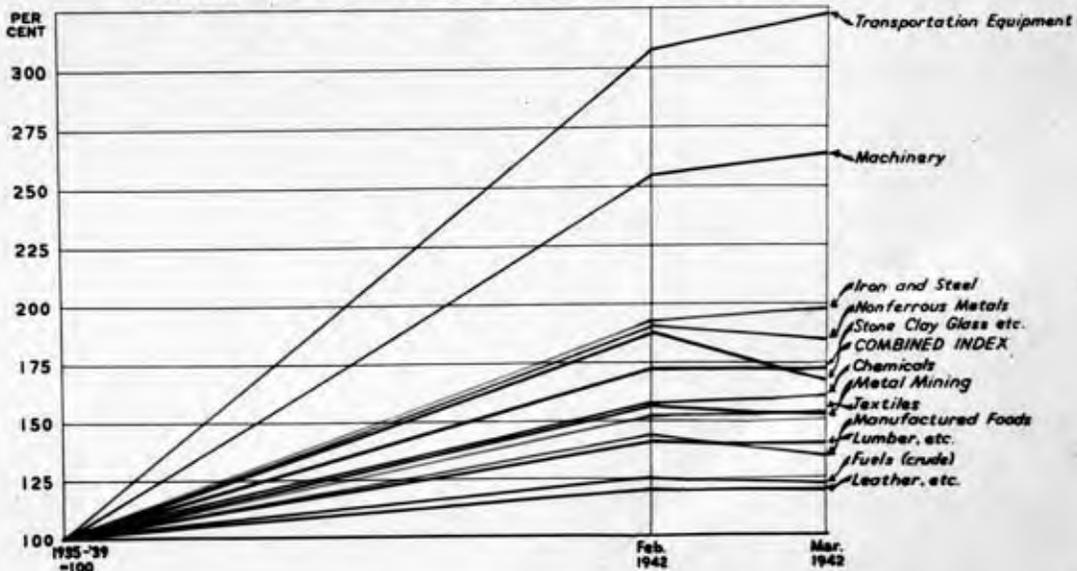
Department store sales during the current month, however, have shown signs of slowing down. Thus, in contrast to an average year-to-year sales gain of 26 percent from the first of January to the early part of April, the gain in the week ended April 18 was only 15 percent. Since average prices of department store items at the beginning of April were running about 19 percent higher than year-earlier levels, the unit volume of sales in mid-April was actually below the corresponding period in 1941. In addition to the evidence of slower sales shown by latest department store figures, Dun and Bradstreet last week reported a marked let-down in advance buying and a slackening in sales.

FEDERAL RESERVE BOARD INDEX OF INDUSTRIAL PRODUCTION

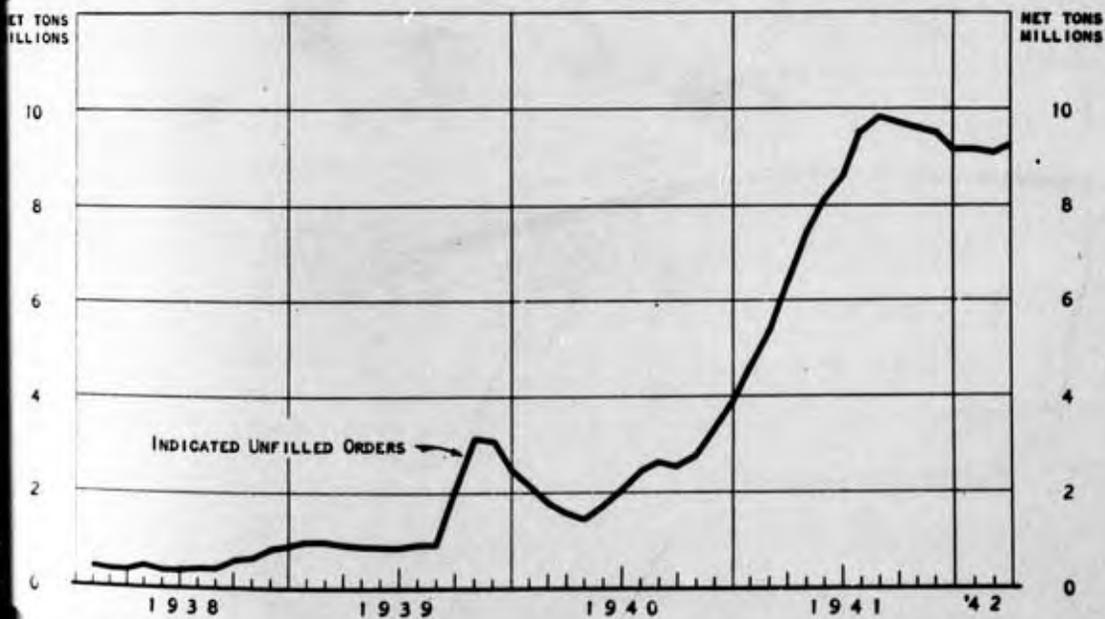
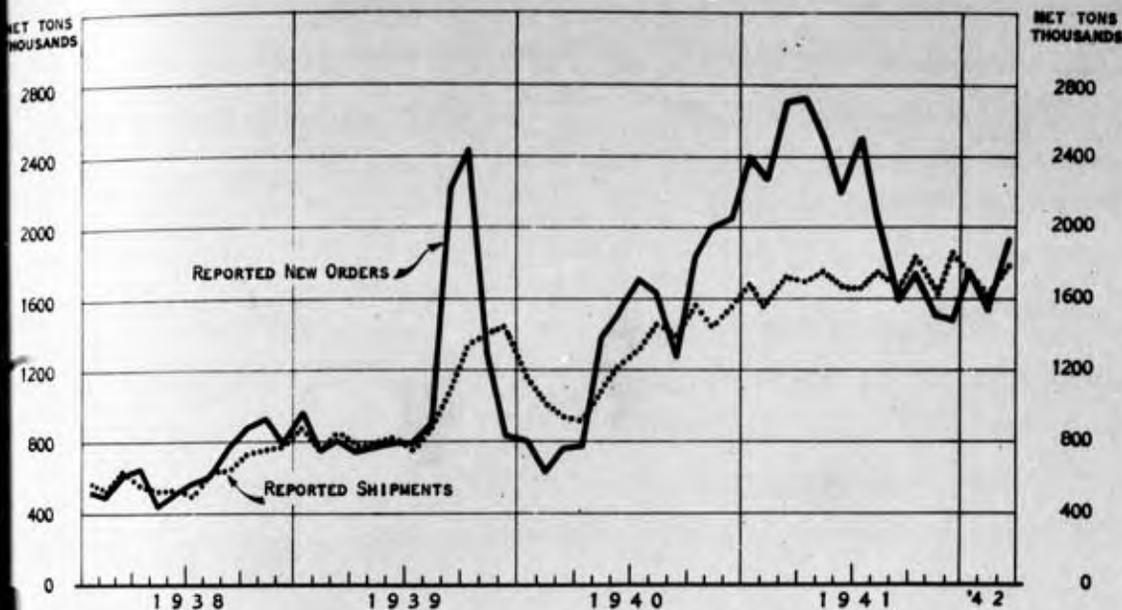
1935-39=100



Selected Components
Feb. 1942 and Mar. 1942 Compared with 1935-39 Average

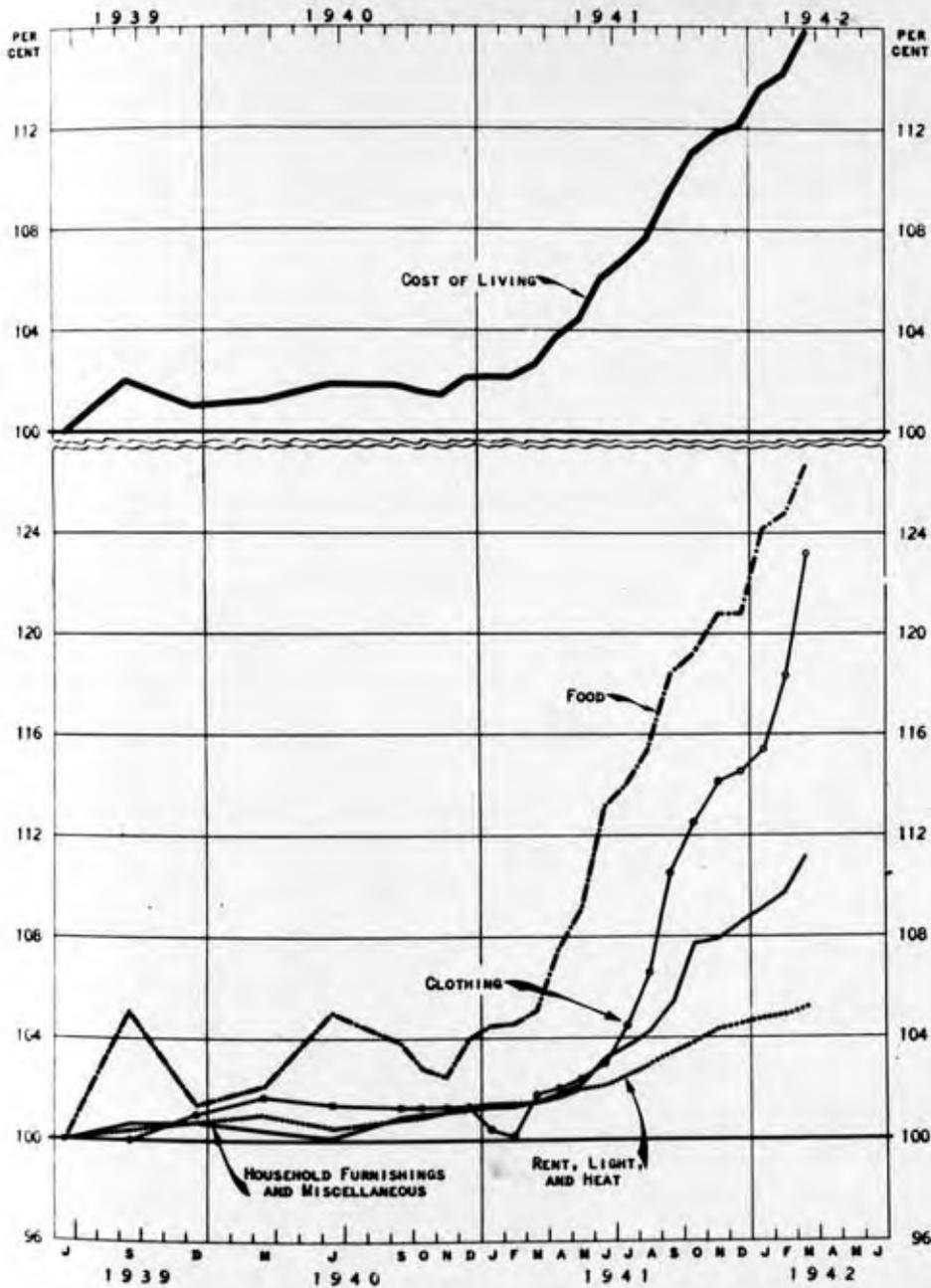


REPORTED NEW ORDERS, SHIPMENTS, AND INDICATED UNFULFILLED ORDERS OF THE U.S. STEEL CORPORATION 127



COST OF LIVING AND SELECTED ITEMS

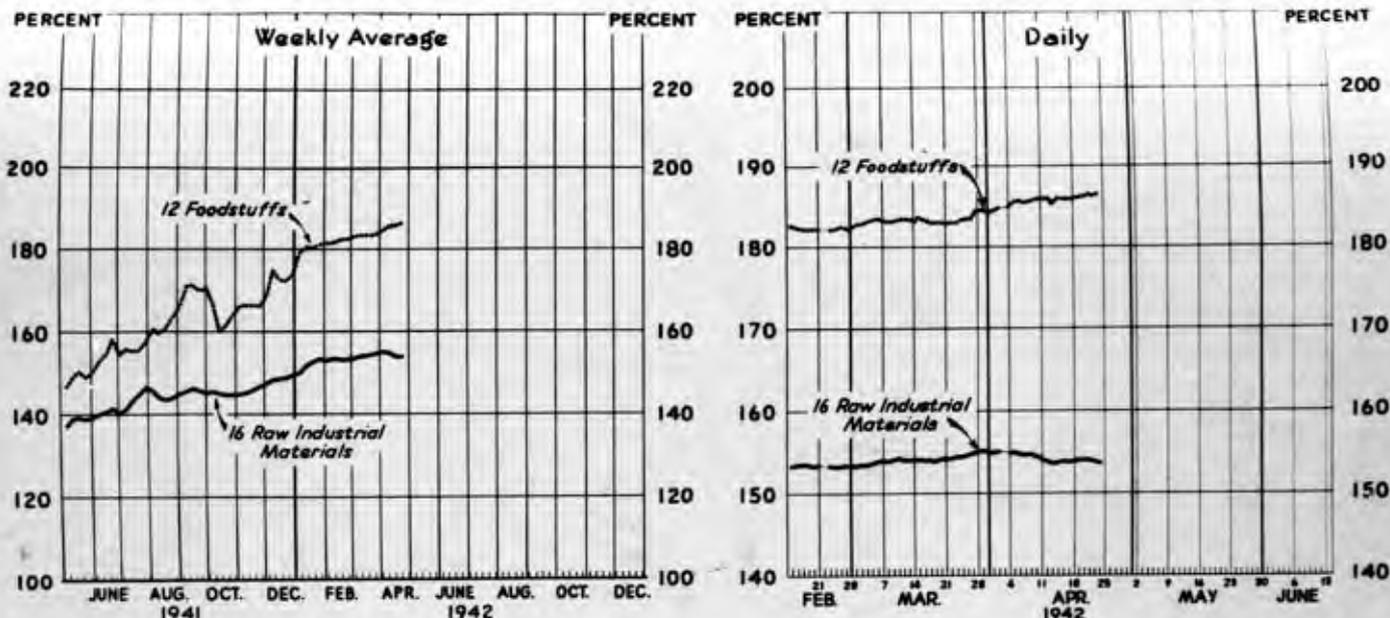
JUNE 1939 = 100



SOURCE: B.L.S.

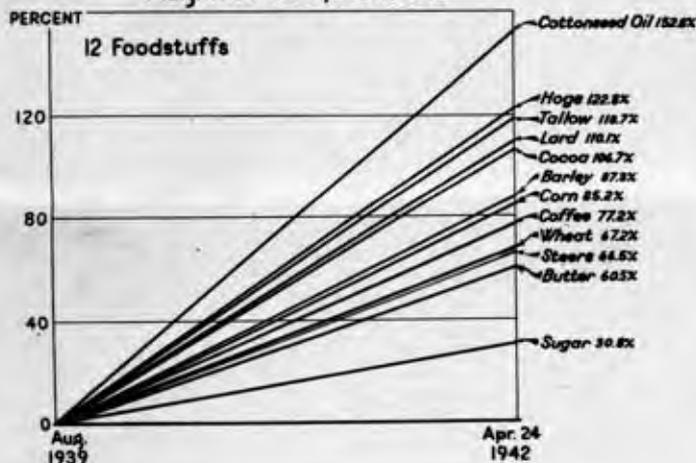
MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100

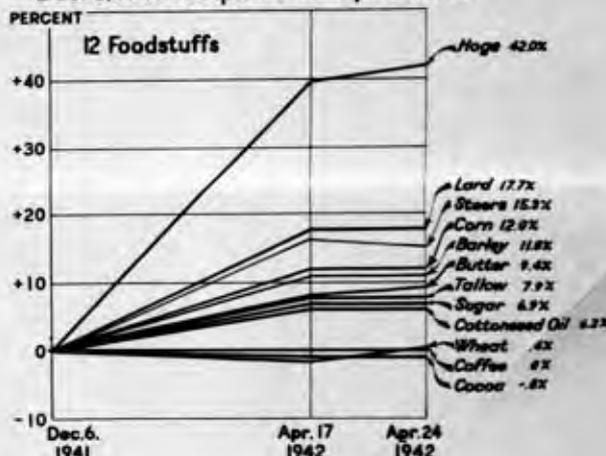


PERCENTAGE CHANGE FOR INDIVIDUAL COMMODITIES*

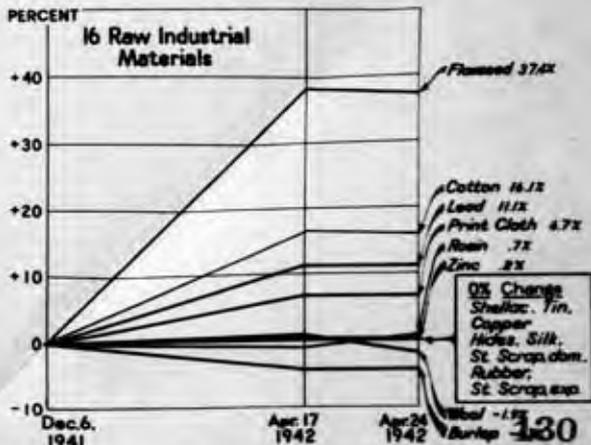
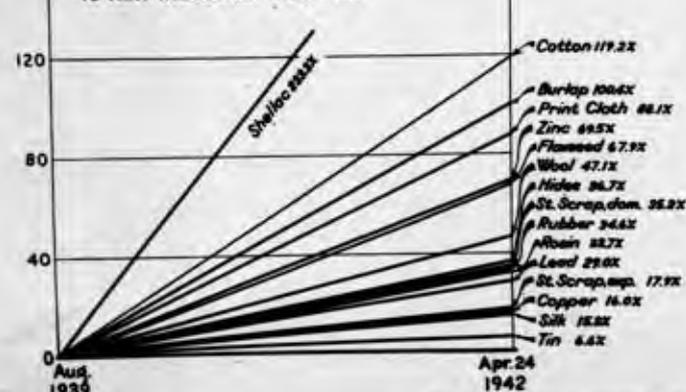
Aug. 1939 to Apr. 24, 1942



Dec. 6, 1941 to Apr. 17, and Apr. 24, 1942



16 Raw Industrial Materials



* Black lines indicate commodities under price ceilings or other control

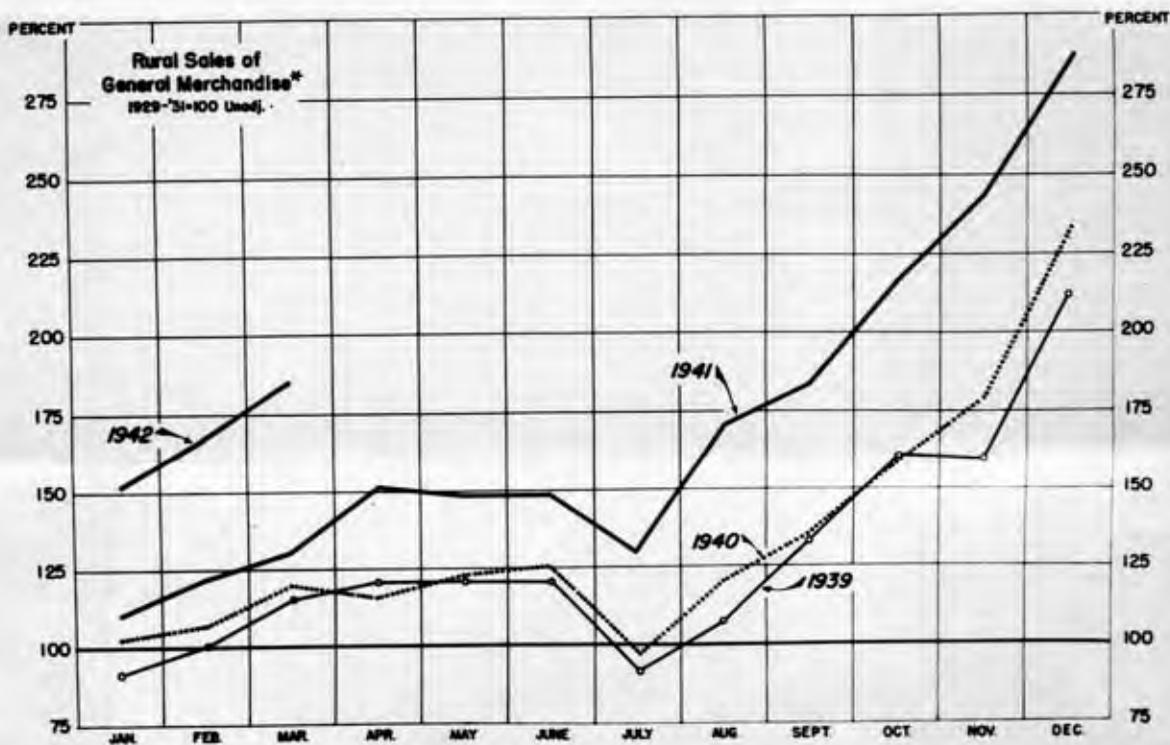
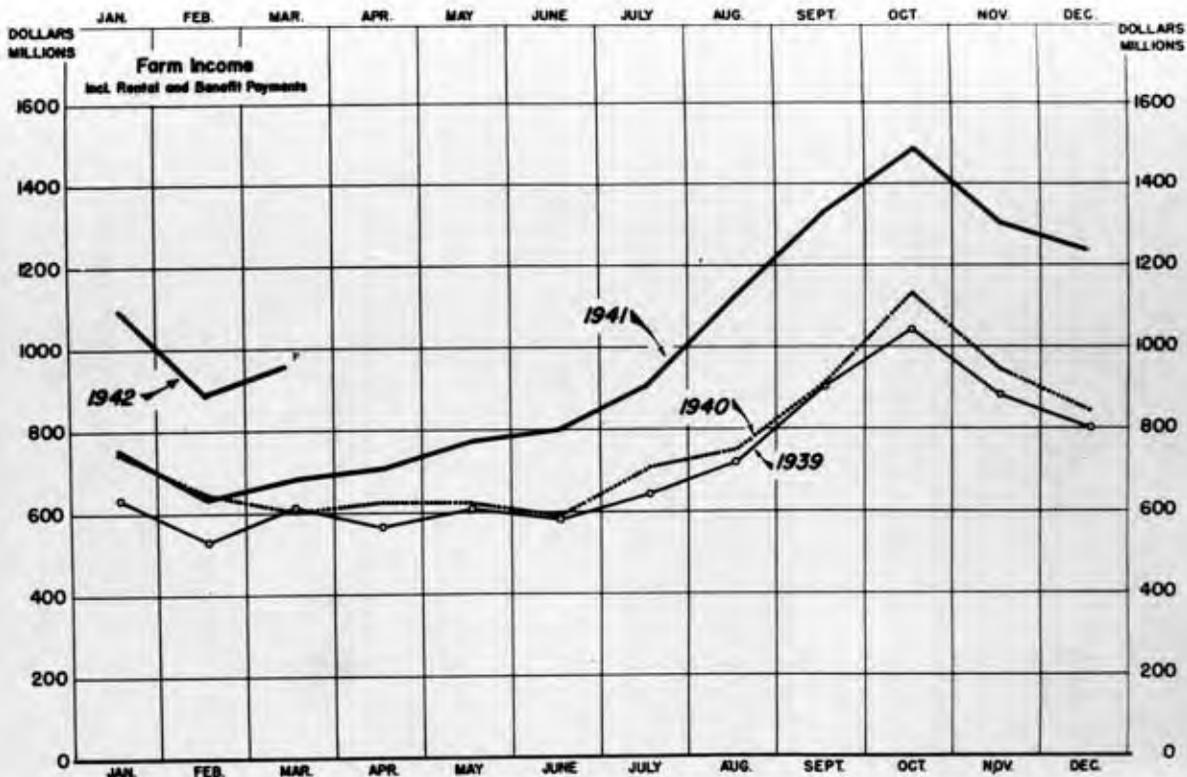
Table 1

Lend-lease and other purchases by Department of Agriculture
March 15, 1941 to March 31, 1942

	Leading item	Total F.O.B. cost	Percent purchased in March 1942
<u>Livestock and poultry products</u>			
Lard		\$ 52,622,000	9.3
Pork meat products	pork-canned	200,592,000	14.7
Beef products	frozen beef	225,000	2.7
Poultry, canned	chicken	7,938,000	0.0
Cheese		64,212,000	12.3
Milk, dry and evaporated	evaporated	109,200,000	13.3
Butter		2,946,000	60.3
Eggs, dried, frozen and shell	dried	137,747,000	19.3
Other	edible tallow	87,000	94.0
<u>Vegetables</u>			
Vegetables, canned	tomatoes	11,388,000	1.3
Beans and peas, dried	beans	12,576,000	1.1
White potatoes		1,211,000	1.0
Other fresh vegetables	cabbage	741,000	38.0
Dehydrated vegetables	onions	694,000	35.6
<u>Fruits</u>			
Apples, fresh	dried	7,346,000	0.0
Other apple products	canned	2,907,000	.04
Grapefruit and products	juice	3,917,000	12.5
Oranges, lemons, and products	concentrated orange juice	3,490,000	25.3
Other fresh fruits	peaches	1,315,000	0.0
Canned fruits	pears	7,045,000	0.0
Dried prunes (and canned)		11,295,000	0.0
Raisins		4,023,000	0.0
Other dried fruit	apricots	3,836,000	0.0

	<u>Leading item</u>	<u>Total F.O.B. cost</u>	<u>Percent purchased in March 1942</u>
<u>Cereal food products</u>			
White flour		9,059,000	31.9
Graham flour		611,000	0.0
Corn meal and grits	meal	1,122,000	75.5
Cornstarch		5,811,000	0.0
Oat cereal		3,495,000	0.0
Rice		1,579,000	0.2
Other cereal foods	cracked wheat	967,000	12.3
<u>Miscellaneous foods</u>			
Fish	canned	23,531,000	0.9
Canned beans		7,941,000	0.0
Sugar	granulated cane	3,976,000	51.2
Linseed oil - edible		2,285,000	0.0
Pectin		1,380,000	18.7
Whey flour		1,163,000	0.0
Vitamin concentrates	B ₁	4,202,000	6.2
Other foods	dehydrated soup	5,510,000	18.7
<u>Other agricultural products</u>			
Livestock feed and grain	corn	1,112,000	15.3
Pine products	turpentine	3,329,000	2.8
Cotton and products	baled cotton	9,523,000	2.7
Other products	grass and clover seed	4,405,000	5.2
<u>Products made available for lend-lease operations by Commodity Credit Corporation</u>			
Baled cotton		56,480,000	12.8
Corn		10,822,000	0.0
Gum rosin		2,241,000	0.0
Tobacco		68,372,000	0.0
Wheat		1,054,000	5.8

FARM INCOME AND RURAL SALES OF GENERAL MERCHANDISE



*Dept. of Commerce index of dollar sales of general merchandise in small towns and rural areas

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 27, 1942

TO Secretary Morgenthau

FROM Mr. White *JDW*

Subject: Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the 10-day period ending April 10, 1942.

1. Exports to Russia

Exports to Russia, as reported to the Treasury during the period ending April 10, 1942 amounted to more than \$51,000,000. Motor trucks, military tanks and landplanes were the principal items. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to about \$4,800,000. Landplanes were the principal items. (See Appendix D.)

Exports to Burma amounted to \$447,000. (See Appendix E.)

3. Exports to France

No exports to France were reported during the period under review.

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Sweden and Portugal amounting to \$1,572,000 and \$1,077,000, respectively.

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

July 28, 1941 to April 10, 1942.

(In thousands of dollars)

	July 28 to <u>Mar. 20</u>	Period ended <u>March 31</u>	Period ended <u>April 10</u>	Total Domestic Exports
U. S. S. R.	\$236,748	\$ 42,435	\$ 51,698	\$ 330,881
Free China	60,693	2	4,836	65,531
Burma ^{2/}	11,108	2	447	11,557
France ^{3/}	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	28	-	-	28
Spain	2,833	^{5/}	12	2,845
Switzerland	7,406	273	11	7,690
Sweden	13,855	2,045	1,572	17,472
Portugal	6,933	478	1,077	8,488
French North Africa ^{4/}	6,283	-	-	6,283

Treasury Department, Division of Monetary Research

April 23, 1942.

- ^{1/} Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.
- ^{2/} From September 11, 1941 to date — it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- ^{3/} Includes both Occupied and Unoccupied France through week ending October 4, 1941. Occupied and Unoccupied France separated thereafter.
- ^{4/} Includes Morocco, Algeria and Tunisia.
- ^{5/} Less than \$500.

APPENDIX B

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Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 28, 1941 - April 10, 1942

(Thousands of Dollars)

	<u>Exports to Free China</u>	<u>Exports to Burma 3/</u>	<u>Exports to U.S.S.R.</u>
July 28 - August 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		986
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281 2/		5,217
Sept. 15 - Sept. 20	3,822 2/		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 4/	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	28,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31 6/	2	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,698
Total	68,134	10,444	331,316

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.

Treasury Department, Division of Monetary Research

April 25, 1942

APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
April 10, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$51,698
Principal Items:	
Motor trucks	7,919
Military tanks - medium	4,782
Dried egg products	3,599
Landplanes, pursuit, interceptor and fighter	3,538
Sausage canned	2,732
Pork canned	1,909
Lard	1,446
Insulated copper wire	1,311
Brass and bronze plates and sheets	1,221
Sugar, refined	1,149
Metallic cartridges	1,134
Landplanes, bombardment	1,050
Military tanks - light	1,045
Steel bars	836
Brass and bronze fabrications for munitions	814
Armor plate	768
Tin plate and taggers tin	750
Explosive shells and projectiles	748
Iron and steel strip	710
Mens boots and shoes	699
Sole leather	690

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
April 10, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 4,836
Principal Items:	
Landplanes, pursuit, interceptors, fighter	1,289
Aircraft parts and accessories, n.e.s.	559
Other ammunition	470
Smokeless powder	442
Motor trucks	254
Metallic cartridges	236
Iron and steel bars	198
Industrial chemicals	192
Printed matter	140
Shot shells	115

APPENDIX E

Principal Exports from U. S. to Burma
as reported to the Treasury Department
during the ten-day period ending
April 10, 1942

(Thousands of Dollars)

TOTAL EXPORTS

\$ 447

Principal Items:

Motor trucks

445

Alloy steel sheets

2

ASSISTANT SECRETARY OF THE TREASURY

April 27, 1942.

MEMORANDUM

TO: Secretary Morgenthau
 FROM: Mr. Gaston

The attached table lists the number of vessels, their nationalities and their action status, in the ports of Boston, Philadelphia, Baltimore, Norfolk, Charleston, Savannah, New Orleans, Galveston (including Houston and Corpus Christi), Los Angeles, San Francisco, Portland, and Seattle on April 24, 1942.

It will be noted that of the 358 vessels at the fourteen ports listed on Friday, April 24, the "action status" was as follows:

Total working cargo:		
Discharging	56	
Lading	89	145
Repairing		141
Idle		35
Total in stream:		
In ballast	19	
Laden	12	
Coastwise	1	
Enroute	5	37
		<u>358</u>

<u>PORT</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
<u>Boston</u>	American	5	Discharging
		2	Repairing
	British	2	Discharging
		2	Lading
		1	Repairing
	Panamanian	1	Lading
		2	Repairing
	Norwegian	1	Lading
		3	Repairing
	Greek	1	Repairing
Honduran		<u>1</u>	Lading
	TOTAL	21	

<u>Philadelphia</u>	American	6	Discharging
		4	Lading
		9	Repairing
		5	Idle
		1	In stream...Coastwise
	British	2	Discharging
		3	Lading
		3	Repairing
	Norwegian	1	Lading
		1	Idle
	Swedish	1	Discharging
	Panamanian	2	Repairing (loaded)
		1	In stream....Ballast
	Belgian	1	Lading
	Portugese	<u>1</u>	Discharging
	TOTAL	41	

<u>Baltimore</u>	American	2	Discharging
		2	Lading

<u>PORT</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
		28	Repairing
		3	Idle
		2	In stream....Ballast
	British	1	Discharging
		1	Lading
		3	Repairing
		1	Idle
		1	In stream....Laden
	Panamanian	1	Discharging
		1	Lading
		3	Repairing
	Norwegian	1	Repairing
	Yugoslav	1	Idle
	Brazilian	1	Idle
	Greek	1	Lading
	Cuban	1	Lading
	Belgian	<u>1</u>	In stream....Ballast
	TOTAL	55	

<u>Norfolk</u>	American	2	Discharging
		7	Lading
		7	Repairing
		1	Idle
		4	In stream....Ballast
		4	" "Laden
	British	1	Lading
		2	Repairing
	Panamanian	1	In stream....Laden
		1	" "Ballast
		1	Repairing
	Portuguese	1	In stream....Laden
	Yugoslav	<u>1</u>	Repairing
	TOTAL	33	

<u>PORT</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>	
<u>Charleston</u>	American	1	Discharging	
		4	Repairing	
		2	In stream....Ballast	
	British	1	Lading	
	Yugoslav	1	In stream....Laden	
	Honduran	1	" "Ballast	
	Panamanian	1	Repairing	
		<u>1</u>	In stream....En route	
	TOTAL		12	

<u>Savannah</u>	American	1	Repairing
		3	Idle
	Panamanian	<u>2</u>	Repairing
TOTAL		6	

<u>New Orleans</u>	American	9	Discharging
		5	Lading
		2	Repairing
		1	Idle
		1	In stream....En route
	British	2	Lading
		1	Repairing
	Norwegian	1	Discharging
		1	Lading
		6	Repairing
		1	In stream.....Laden
		1	" "En route
	Honduran	3	Discharging
		2	Lading
		1	Repairing
	Panamanian	3	Lading
		1	Repairing

-4-

<u>PORT</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
	Dutch	2	Discharging
	Mexican	1	Lading
	Canadian	1	Idle
	French	1	Idle
	Italian	1	Repairing (the ADA O)
		<hr/>	
		TOTAL 47	

<u>PORT</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
<u>Galveston</u> (Including Houston and Corpus Christi)	American	3	Discharging
		4	Lading
		7	Repairing
		6	In stream Ballast
		1	In stream Laden
	British	1	Discharging
		1	Lading
		1	Repairing
	Norwegian	1	Lading
		1	Repairing
		1	In stream Ballast
	Panamanian	1	Repairing
	Swedish	1	Lading
	Mexican	1	Repairing
	TOTAL		50

<u>Los Angeles</u>	American	2	Lading	
		4	Repairing	
		3	Idle	
		1	In stream Laden	
	British	1	Lading	
	Norwegian	1	Lading	
		2	Repairing	
	Dutch	1	Lading	
	USSR	2	Repairing	
	Mexican	2	Idle	
	Argentinian	1	Repairing	
	Honduran	1	Discharging	
	TOTAL		21	

<u>San Francisco</u>	American	5	Discharging
		16	Lading
		14	Repairing
		4	Idle (coastwise schooners under 600 tons)
		3	Idle
	British	1	Idle

- 6 -

<u>PORT</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>	
<u>San Francisco</u> (Continued)	Dutch	2	Lading	
	Norwegian	1	Repairing	
	Panamanian	2	Lading	
	Swedish	1	Lading	
	Phillipine	1	Lading	
		1	Idle	
	USSR	5	Repairing	
		2	Idle	
	TOTAL	58		

<u>Portland, Ore.</u>	American	1	Lading	
		1	In stream Laden	
		1	In stream Enroute	
	USSR	3	Repairing	
	TOTAL	6		

<u>Seattle</u>	American	5	Discharging	
		9	Lading	
		5	Repairing	
	USSR	4	Repairing	
		2	Idle	
		1	In stream Enroute	
	Dutch	1	Idle	
	Norwegian	1	Lading	
	TOTAL	28		

RECAPITULATION

<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
American	40 52 84 20 <u>24</u>	Discharging Lading Repairing Idle In stream
TOTAL	220	

British	6 12 11 2 <u>1</u>	Discharging Lading Repairing Idle In stream
TOTAL	32	

Canadian	1	Idle

U.S.S.R.	14 4 <u>1</u>	Repairing Idle In stream
TOTAL	19	

Panamanian	1 7 12 <u>4</u>	Discharging Lading Repairing In stream
TOTAL	24	

<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
Honduran	4	Discharging
	3	Lading
	1	Repairing
	<u>1</u>	In stream
TOTAL	9	

Norwegian	1	Discharging
	6	Lading
	14	Repairing
	1	Idle
	<u>3</u>	In stream
TOTAL	25	

Dutch	2	Discharging
	3	Lading
	<u>1</u>	Idle
TOTAL	6	

Swedish	1	Discharging
	<u>2</u>	Lading
TOTAL	3	

Greek	1	Lading
	<u>1</u>	Repairing
TOTAL	2	

Portuguese	1	Discharging
	<u>1</u>	In stream
TOTAL	2	

<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
Yugoslav	1	Repairing
	1	Idle
	<u>1</u>	In stream
TOTAL	3	

Brazilian	1	Idle

Argentinian	1	Repairing

Cuban	1	Lading

Philippine	1	Lading
	<u>1</u>	Idle
TOTAL	2	

Mexican	1	Repairing
	<u>2</u>	Idle
TOTAL	3	

Belgian	1	Lading
	<u>1</u>	In stream
TOTAL	2	

French	1	Idle

Italian	1	Repairing

<u>TOTAL NUMBER OF VESSELS</u>	358	

STRICTLY CONFIDENTIAL

Bottom cargo for Russians sent from mills to Seattle,
weekly, March 30 to April 25, 1942

Name of company and commodity	Tonnage			
	Total : March 30 : to : April 4	Total : April 5 : to : April 11	Total : April 12 : to : April 18	Total : April 19 : to : April 25

Steel

Bethlehem Steel Co.....				546
U. S. Steel Export Co.....				1,059
Weirton Steel Co.....				288
Total.....	-	-	-	1,893

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

April 27, 1942

Source: Procurement Division, Treasury Department.

STRICTLY CONFIDENTIAL

Bottom cargo for Russians sent from mill to port
(In tons)

	Philadelphia	Baltimore	New York	Seattle	Total
1. Bottom cargo requirements at the port:					
Week of April 19 to April 25.....	17,175	6,500	21,300	-	44,975
Week of April 26 to May 2.....	<u>45,000</u> ^{1/}	<u>11,000</u>	<u>26,500</u>	<u>4,000</u>	<u>86,500</u>
Total April 19 to May 2.....	<u>62,175</u> ^{1/}	<u>17,500</u>	<u>47,800</u>	<u>4,000</u>	<u>131,475</u>
Less bottom cargo on hand at port on April 19	<u>24,840</u>	<u>7,520</u>	<u>1,240</u>	-	<u>33,600</u>
Net shipments required, two weeks April 19 to May 2.....	<u>37,335</u>	<u>9,980</u>	<u>46,560</u>	<u>4,000</u>	<u>97,875</u>
2. Record of actual tonnage sent from mill to port April 19 to April 25:					
Sunday April 19.....	1,133	1,942	1,498		4,573
Monday April 20.....	2,893	1,410	2,064		6,367
Tuesday April 21.....	2,060	2,591	1,494		6,145
Wednesday April 22.....	2,686	2,846	3,343	288	9,163
Thursday April 23.....	2,399	2,650	5,594	998	11,641
Friday April 24.....	1,877	2,470	6,972	381	11,700
Saturday April 25.....	<u>1,294</u>	<u>1,429</u>	<u>4,201</u>	<u>226</u>	<u>7,150</u>
Total actual shipments, April 19 to April 25.....	<u>14,342</u>	<u>15,338</u>	<u>25,166</u>	<u>1,893</u>	<u>56,739</u>
3. Amount required to be shipped, week of April 26 to May 2.....					
	22,993	0	21,394	2,107	46,494 ^{2/}

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

April 27, 1942

^{1/} Preliminary - assumes the arrival about May 1 of 15 ships now enroute.
^{2/} Total excludes surplus of cargo at Baltimore.

Source: Procurement Division, Treasury Department.

Bottom cargo for Russians sent from mills to Philadelphia,
weekly, March 30 to April 25, 1942

Name of company and commodity	Tonnage			
	Total	Total	Total	Total
	March 30 to April 4	April 5 to April 11	April 12 to April 18	April 19 to April 25
<u>Brass</u>				
American Brass Co.....	1,156	513	337	513
Chase Brass & Copper Co.....	96	58	28	96
Revere Copper & Brass Co.....	84	176	215	80
Socvill Manufacturing Co.....	108	97	39	117
Wallingford Steel Co.....		16		
<u>Copper</u>				
American Brass Co.....			19	
Anaconda Wire & Cable Co.....		24		
<u>Copper and brass</u>				
Revere Copper & Brass Co.....	127			
<u>Nickel</u>				
International Nickel Co.....		200		
<u>Steel</u>				
Alan Wood Steel Co.....		152	885	851
Allegheny Ludlum Steel Co.....	322	440	409	48
American Rolling Mills.....	484		264	136
American Steel & Wire Co.....	50			
Armco International Co.....	89	1,762	2,291	1,567
Babcock & Wilcox Co.....				88
Bethlehem Steel Co.....	1,764	2,331	1,357	442
Blair Strip Steel Co.....	28			
Erwiner Steel Co.....	50	50		25
Carpenter Steel Co.....			5	
Cold Metal Process Co.....		50	209	
Collyer Insulated Wire Co.....		15		
Colonial Steel Co.....				20
Colorado Fuel & Iron Co.....	1,882			
Crucible Steel Co.....	91		27	26
Ellicott Bros.....			109	126
Firth Sterling Corp.....	17			
Ford Motor Co.....	2			
Great Lakes Steel Corp.....	1,630	1,420	37	
Greer Steel Co.....			64	
Inland Steel Co.....	1,903	547	55	
Jesseop Steel Co.....			3	
Johnson Steel & Wire Co.....		24		
Jones & Laughlin Steel Corp.....	398	837	796	444
Kelasetman Bros.....	20			
Keystone Steel & Wire Co.....	30	330	202	
La Salle Steel Co.....	79			
Madison Wire Co.....	34	81	99	92
McLouth Steel Co.....	881	622	364	679
Mid States Steel Co.....	25		50	
National Standard Co.....				50
National Steel Corp.....		185		
National Tube Co.....		9		9
New England High Carbon Wire Co.....	200	90	204	670
Newport Rolling Mills.....	639	772	616	358
Otis Steel Co.....		255		
P & M Co.....	51	457		
Pittsburgh Steel Co.....	3,242	3,838	3,801	1,138
Republic Steel Corp.....	104			
John A. Roebling & Sons.....		30	84	60
Benees Steel Co.....	176		99	308
Sheron Steel Co.....	271	217	25	141
Superior Steel Co.....	145	234	60	111
Thomas Steel Co.....	56	200	249	
Thompson Steel & Wire Co.....	274	460	136	
Union Drawn Steel Co.....	3,702	309	4,130	2,323
U. S. Steel Export Co.....	45	9		
Universal Cyllops Co.....		1		
Vulcan Crucible Co.....	72	138		
Wallingford Steel Co.....	36		78	95
Washington Tinplate Co.....	1,302	231	276	99
Wairton Steel Co.....	2,105	1,365	325	
Wheeling Steel Corp.....	80			
Wyckoff Drawn Steel Co.....	714	221	855	3,425
Youngstown Sheet & Tube Co.....	11			
Undesignated.....				
<u>Miscellaneous</u>				
Electro Refractories & Alloys Corp..		130		101
National Lock Washer Co.....	2			104
Southern Alloys Co.....	28	56		
Vanadium Corp.....				
Total.....	24,605	18,952	18,802	14,342

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

April 27, 1942

Source: Procurement Division, Treasury Department.

Regreded Unclassified

STRICTLY CONFIDENTIAL

Bottom cargo for Russians sent from mills to Baltimore,
weekly, March 30 to April 25, 1942

Name of company and commodity	Tonnage			
	Total	Total	Total	Total
	March 30	April 5	April 12	April 19
	to	to	to	to
April 4	April 11	April 18	April 25	
<u>Brass</u>				
American Brass Co.....	96	329	187	141
Cheese Brass & Copper Co.....	58	42	40	87
<u>Copper</u>				
Wolverine Tube Co.....	10			
<u>Steel</u>				
Alan Wood Steel Co.....				45
Allegheny Ludlum Steel Co.....		11	33	
American Rolling Mills.....	352		116	
Armco International Co.....			916	1,010
Bethlehem Steel Co.....	360	334	95	61
Blair Strip Steel Co.....	21	19		92
Brainerd Steel Co.....		50		
Cold Metal Process Co.....	53			
Colonial Steel Co.....	18	33		
Colorado Fuel & Iron Co.....			1,796	555
Eaton Steel Co.....			6	
Follansbee Steel Corp.....			58	
Great Lakes Steel Co.....	537	731	697	52
Inland Steel Co.....		1,010		
Johnson Steel & Wire Co.....	24	44	25	
Jones & Laughlin Steel Corp.....	1,592	3,342	598	2,080
Keystone Steel & Wire Co.....	227			
Otis Steel Co.....	111	293	224	255
P & M Co.....		51		
Republic Steel Co.....	5,397	3,830	3,699	6,716
John A. Roebling & Sons.....		33		106
Rotary Electric Co.....				206
Rustless Iron & Steel Co.....	13	54	37	37
Seneca Steel Co.....		194	208	34
Sharon Steel Co.....	128			38
Spang Chalfant, Inc.....			112	133
Thomas Steel Co.....	38	35		55
Union Drawn Steel Co.....				924
U. S. Steel Export Co.....	611	2,736	1,857	
Universal Cyclops Co.....	25			
Washburn Wire Co.....	4			
Weirton Steel Co.....	182	644	425	574
Youngstown Sheet & Tube Co.....	153	1,310	2,420	2,137
Undesignated.....	187			
<u>Miscellaneous</u>				
Hubbard & Co.....	115			
McKenna Metals Co.....		353		
Undesignated.....	67			
Total.....	10,379	15,478	13,549	15,338

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

April 27, 1942

Source: Procurement Division, Treasury Department.

STRICTLY CONFIDENTIAL

Bottom cargo for Russians sent from mills to New York,
weekly, March 30 to April 25, 1942

Name of company and commodity	Tonnage			
	Total	Total	Total	Total
	March 30	April 5	April 12	April 19
	to	to	to	to
	April 4	April 11	April 18	April 25
<u>Brass</u>				
Bristol Brass Co.....				73
Phelps Dodge Corp.....		113		
Revere Copper & Brass Co.....			71	411
<u>Copper</u>				
Phelps Dodge Copper Products Co.....				274
United Wire & Supply Co.....	33			
<u>Iron</u>				
Oliver Iron Co.....		22		
<u>Steel</u>				
Allegheny Ludlum Steel Co.....			330	835
American Rolling Mills.....	1,225			
Armco International Co.....	541	530	1,235	1,197
Bethlehem Steel Co.....	50	123	921	1,163
Brainerd Steel Co.....				47
Carnegie Illinois Steel Co.....	331			52
Cold Metal Process Co.....	84	53		25
Collyer Insulated Wire Co.....			629	1,161
Colorado Fuel & Iron Co.....	1,332		182	579
Crucible Steel Co.....		28	501	
Great Lakes Steel Co.....		1,641	34	
Halcomb Steel Co.....		66	46	49
Heppenstahl Co.....	101	59	284	465
Indiana Steel & Wire Co.....		135		
Inland Steel Co.....	695	956	3,341	
Johnson Steel & Wire Co.....				24
Jones & Laughlin Steel Corp.....	135	469	562	1,859
Keystone Steel & Wire Co.....				252
Madison Wire Co.....	25		144	240
McLouth Steel Co.....	54		5,861	
National Tube Co.....				25
Newman Crosby Steel Corp.....				30
Northwestern Steel & Wire Co.....		981	1,163	1,461
Otis Steel Co.....	652			
P & M Co.....		51		
Pittsburgh Steel Co.....	1,349	1,473	403	1,086
Republic Steel Co.....	940	391	582	1,230
John A. Roebling & Sons.....		65		137
Sheffield Steel Co.....				1,784
Spang, Chalfant, Inc.....			111	59
Thomas Steel Co.....				189
Thompson Steel & Wire Co.....				361
Union Drawn Steel Co.....			4,468	9,146
U. S. Steel Export Co.....	1,336	3,103	25	29
Wallingford Steel Co.....				9
Washburn Wire Co.....		34	34	
Washington Tin Plate Co.....		45		220
Weirton Steel Co.....	117			
Wheeling Steel Corp.....	78	348	651	454
Wyckoff Drawn Steel Co.....	399		702	240
Youngstown Sheet & Tube Co.....	1,829	2,939		
<u>Miscellaneous</u>				
National Standard Co.....		54		
Total.....	11,306	13,679	22,280	25,166

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

April 27, 1942

Source: Procurement Division, Treasury Department.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

April 27, 1942

MEMORANDUM TO THE SECRETARY:

Just received word from Colonel R. H. Wylie, Chief, Operations Section, Transportation Division, War Department, that no further releases would be issued by the War Department for movement of supplies for Russia to ports of shipment and that an immediate study would be made of tonnage in transit to determine what part would be loaded in available boats and what part should be stored.

I asked him the basis and the reason for this order and he advised that there is an accumulation in the Iceland area of ships en route with Russian supplies and they are not getting through to destination, also, the instruction was issued from the White House last night.

Colonel Wylie explained that this is a very ticklish situation and they hope to have an answer within the next forty-eight hours as to the disposition of boats that have been earmarked for Russian shipments.

Clifton E. Mack
Clifton E. Mack
Director of Procurement



APR 27 1942

My dear Mr. Prime Minister:

Last Thursday I had the pleasure of seeing Mr. John Martin, whom you have sent to this country on a special supply mission.

I want to assure you that I and the members of my staff will do all that we can to be of assistance to him and to your Government.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable J. G. Smuts,
Prime Minister of the Union of South Africa,
Pretoria,
South Africa.

*Photo file N.M.C.
File Dr. White + Thompson
By Messenger Simmons 3:30*

*Sent to State Dept. for forwarding
via Diplomatic pouch*

JEH/gra - 4/26/42



Prime Minister's Office
Pretoria.

29. 3. 42

Dear Mr. Ingpen,

I am sending Mr John Martin to Washington on a special mission to replace our South African Purchasing Commission and to improve the machinery which provides for our war and civil supplies from the U.S.A. I have asked him to contact you and commend him to your consideration, and I shall very much appreciate any assistance you could kindly give him in his task. He is a foremost leader in our industrial and mining world and also a director of the Bank of England. Personally you will find him most agreeable as well as well-informed on all South African matters.

I know of no man better qualified than he to do our supplies work in your great country and to do so in a most friendly and helpful spirit. He has my full confidence and I am sure will prove worthy of yours. So far as I am concerned you may discuss most freely all business and war questions with him.

Yours sincerely,

W. M. ...

*Hon Mr Argentinean
Washington*

RECEIVED
Treasury Department
APR 23 1942
Division of
Monetary Research

RECEIVED
APR 21 AM 8 43
SECRETARY OF TREASURY

LEGATION OF
THE UNION OF SOUTH AFRICA
WASHINGTON, D.C.

20 April 1942.

My dear Sir,

I have had the honour of carrying
with me on an Air journey from South
Africa the enclosed letter to you from
the Prime Minister, Field Marshal, the Rt Hon
J.C. Smuts PC. I should esteem it as
a great favour if you should find it
possible upon some occasion convenient
to yourself to grant me a short
interview.

Yours sincerely,

John Martin.

The Hon Henry Morgan Mace Esq.
Washington.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 27, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Shipment of Planes to British Forces, week ended
April 21, 1942

1. In the week ended April 21, 1942, a total of 158 planes of all types (124 combat planes) were shipped to British forces.

2. The largest movement of heavy bombers in 1942 occurred in this week with the shipment of 11 heavy bombers to England.

3. All of the 55 bombers going to England in this week were delivered by air.

TREASURY DEPARTMENT

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Table A - Shipments by Area

	Week Ending <u>Apr. 21, 1942</u>	Total Shipped in 1942 <u>to date</u>	Total Shipped since <u>Jan. 1, 1941</u>
<u>To the United Kingdom</u>			
Light and medium bombers	44	190	1,351
Heavy bombers	11	35	139
Naval patrol bombers	0	8	110
Pursuit	19	561	872
Army Cooperation	15	59	90
Trainers	<u>0</u>	<u>0</u>	<u>24</u>
Total to the United Kingdom	89	853	2,586
<u>To the Middle East</u>			
Light and medium bombers	6	192	522
Heavy bombers	0	0	5
Pursuit	3	166	1,014
Army Cooperation	0	12	12
Trainers	<u>0</u>	<u>8</u>	<u>150</u>
Total to the Middle East	9	378	1,703
<u>To the Canadian Forces</u>			
Light and medium bombers	5	32	200
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	<u>34</u>	<u>287</u>	<u>1,528</u>
Total to the Canadian Forces	39	373	1,832
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	121	216
Naval patrol bombers	0	0	27
Pursuit	14	127	295
Trainers	<u>0</u>	<u>0</u>	<u>105</u>
Total to Pacific Forces	14	248	643
<u>To the British Indian Forces</u>			
Pursuit	<u>7</u>	<u>40</u>	<u>40</u>
Total to Indian Forces	7	40	40
<u>Total</u>			
Light and medium bombers	55	535	2,289
Heavy bombers	11	36	145
Naval patrol bombers	0	31	168
Pursuit	43	924	2,293
Army Cooperation	15	71	102
Trainers	<u>34</u>	<u>295</u>	<u>1,807</u>
Totals	158	1,892	6,804

Table B - Shipments by Types

	Week Ending <u>Apr. 21, 1942</u>	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	19	307	461
Boeing B-17	2	9	29
Boston III	0	5	29
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	5	31	31
T-50	0	86	700
Consolidated Catalina	0	31	168
Liberator	9	27	116
Curtiss Kittyhawk	17	327	709
Tomahawk	0	0	544
Douglas Boston I and II	0	0	82
Boston III	0	0	410
Fairchild 24 R-9	15	61	83
Glenn Martin Baltimore	6	195	263
Maryland	0	0	150
Grumman Martlet II	7	45	86
Lockheed Hudson	25	253	1,223
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	22	66	66
North American B-25B	2	4	4
Harvard II	0	51	948
Mustang	0	242	322
Pitcairn Autogiro	0	0	5
Stearman PT-27	29	127	128
Vought Sikorsky Chesapeake	0	0	50
Vultee Stinson-049	<u>0</u>	<u>10</u>	<u>14</u>
Grand Total - All Types	158	1,892	6,804

Table C - Plane Shipments to the British by Weeks

161 Week Ended	Light and medium bombers	Heavy bombers	Naval patrol bombers	Pursuit	Army Coopera- tion	Trainers	Total
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	49	1	0	58	4	10	122
April 7, 1942	69	2	0	8	4	5	88
April 14, 1942	55	7	0	86	6	29	183
April 21, 1942	55	11	0	43	15	34	158
Total shipments since January 1, 1941 to date *	2,289	145	168	2,293	102	1,807	6,804

* These tables 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.

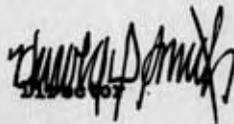
EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D. C.

APR 27 1942

Dear Henry:

Many thanks for your note of April 22,
forwarding Sir Frederick Phillips's report
on the British War Ships Week campaign. I
read the report with interest.

Sincerely yours,


Director

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

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APR 28 1942
BUREAU OF THE BUDGET
WASHINGTON, D. C.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

M. S. SZYMCAK
MEMBER OF THE BOARD

April 27, 1942.

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

Dear Mr. Secretary:

Mr. Eccles showed me your letter to him in
reference to the Japanese evacuation on the coast.

It was a pleasure to have been of some
assistance.

Please accept my thanks for your expression
as well as my assurance of a desire to cooperate
whole-heartedly in this and any other similar
matter.

Kind personal regards and best wishes.

Respectfully yours,

M. S. Szymczak
M. S. Szymczak

MSS ams

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



H. S. SZYMCAK
MEMBER OF THE BOARD

April 27, 1942.

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

Dear Mr. Secretary:

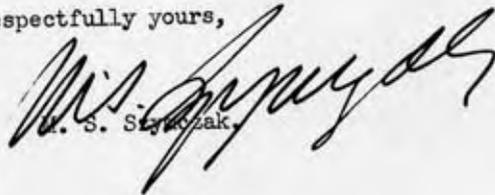
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MSS ams

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



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M. S. Szymczak
M. S. Szymczak

MSS ams

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 27, 1942

TO Secretary Morgenthau

FROM Mr. White

Subject: South American Traffic in Dollar Currency

The attached cable from the American Embassy in Buenos Aires reports large shipments of United States currency from Buenos Aires to New York.

American currency seized by Germany in the Occupied Countries has been sold in Switzerland, Spain, and Portugal, and to a lesser extent in Latin America. To prevent Germany from deriving foreign exchange from the sale of American currency, the Treasury Department extended General Ruling 6 procedure to currency imported from any blocked country outside the generally licensed trade area or from any Proclaimed List national.

Because of the Treasury's disapproval, no United States currency was imported from Continental Europe in the first quarter of 1942. However, \$1.5 million in United States currency was imported from South America, three-fourths of it from Argentina. If this means of transit could be stopped, we could effectively prevent Germany from profiting from looted dollar currency.

General Ruling 6 procedure could be extended to the American Republics with the provision that imports of currency would be permitted only from Central Banks upon their certification that the currency is known to be of local origin and has not been acquired from Axis nationals in this Hemisphere. To assure the good faith of their certification, cooperating American Republics would find it necessary to impose strict control on the import of dollar currency. In many countries it might be desirable to require the surrender of all holdings of dollar currency, thus obviating future currency shipments.

Such a program would permit the continued use of dollar currency in Cuba and other American Republics while preventing European countries from disposing of their holdings of dollar currency through Latin America. Monetary Research, the General Counsel's Office, and Foreign Funds Control are working on the details of such a program, and Mr. Bell is following the matter.

C
O
P
YDEPARTMENT OF STATE
WASHINGTONIn reply refer to FF
840.51 Frozen Credits/5768

March 25, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for his information a copy of an air-mail despatch no. 4396 dated March 12, 1942, from the American Embassy, Buenos Aires, concerning the repatriation of United States currency by way of Buenos Aires.

Enclosure:

Copy of an air-mail despatch no. 4396 from the American Embassy at Buenos Aires.

Copy:mc
3/27/42

C
O
P
Y

Buenos Aires, Argentina, March 12, 1942

No. 4396

Subject: REPATRIATION OF UNITED STATES CURRENCY BY WAY OF
BUENOS AIRESSTRICTLY CONFIDENTIAL

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to report that there is becoming increasingly conspicuous here the traffic in United States currency, one aspect of which is the large shipments of notes from Buenos Aires to New York.

The Treasury Department undoubtedly has complete statistics concerning the importation of such currency from the Banco de la Nacion, Shaw Strupp y Cia., Pascual Hnos., and other institutions here. It may be reported, however, that the Banco de la Nacion alone is understood to have sent to New York 250,000 dollars in United States currency in recent months, and Shaw Strupp y Cia. is believed to have sent \$165,000 in this form to the Chase National Bank since last November. The logical inference, of course, is that a considerable part of the dollar notes being sent to the United States is looted from the occupied countries, although at least a certain amount represents the repatriation of
notes

- 2 -

notes imported here from the United States after the adoption of the first blocking measures in the United States in 1940 (as was reported in the last paragraph of the Embassy's despatch no. 3958 of January 23, 1942).

The local firm of Casal, Manfredi, Perego y Cia., which is probably the principal importer here of dollar notes from Europe, has stated that it brought into Argentina \$398,000 in such notes in 1941. The Zurich branch of the Societe Alsacienn de Banque, of Strasburg, is reported to be one of the chief suppliers of dollar currency to Argentina and has supplied Casal, Manfredi, Perego y Cia., but the latter has agreed to discontinue importing through this institution. It is reasonable to assume that a large quantity of dollar notes is also being smuggled into Argentina, particularly by persons on Spanish and Portuguese vessels and by refugees.

The suggestion has been made, and it is understood that the British Embassy here has forwarded the suggestion to the British Embassy in Washington, that an effective means of controlling this situation might consist of a requirement by the United States Treasury Department whereby dollar notes could be imported into the United States for free accounts from the other American republics only through branches of American and British banks in those countries, together with a measure whereby these institutions would be given the responsibility of carefully scrutinizing the dollar
notes

- 3 -

notes purchased with a view to ascertaining whether their sources were legitimate. Dollar currency from other institutions, under the suggested plan, could be imported only for deposit in blocked accounts.

Respectfully yours,

For the Ambassador:

Edward L. Reed,
Counselor of Embassy

File No. 851

JWG:dnb

A true copy of
the signed original (s) dnb

Copy:imc
3/27/42

C
O
P
YDEPARTMENT OF STATE
WASHINGTON

April 27, 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. 235, dated April 25, 11 a.m., from the American Consulate General at Sydney, which in terms of reference to the Consulate General's telegram 216, dated April 10, 5 p.m., reports the aggregate amount of Treasury checks received from the Commonwealth Bank April 24, as \$35,101.37.

Enclosure:

From Consulate, Sydney,
no. 235, April 25, 1942.

Copy:vw:4-27-42

C
O
P
Y

170

MEV

This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

Sydney

Dated April 25, 1942

Rec'd 6:41 a.m.

Secretary of State,

Washington.

235, April 25, 11 a.m.

Referring to my telegram no. 216, April 10, code
group \$35101.37.

PALMER

EPD

Copy:vw:4-27-42

APR 27 1942

Dear Dr. Currie:

Reference is made to your letter of April 21, 1942 enclosing paraphrase of cable from Dr. Kung of April 20.

I appreciate your suggestions and I would be glad if you would reply informing Dr. Kung that the Treasury is pleased with Dr. Kung's communication.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. Leuchlin B. Currie,
Administrative Assistant
to the President,
The White House.

*Photo file N.M.C.
55 Apt 3:25
File to Dr. White
cc - Thompson*

IRB/ofs
4/23/42

THE WHITE HOUSE
WASHINGTON

April 21, 1947.

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

Dear Mr. Secretary:

I am attaching a cable I just received from Dr. Kung. I am not sure that it advances matters very much, but it occurs to me that on the strength of it you could quite properly instruct Adler to keep himself informed on actual and pending developments and to send you his suggestions and recommendations.

I can reply if you wish, saying you are pleased and reassured by Dr. Kung's communication and that you are instructing Adler to keep you completely informed on current and pending developments.

Sincerely yours,



Lauchlin Currie

P A R A P H R A S E

CONFIDENTIAL

CABLE FROM DR. KUNG, APRIL 20, 1942.

With reference to keeping the Treasury informed on all developments relating to the loan I have done so, and intend to do so in the future. For example, I told Adler on the 18th of March about the plan to put out savings certificates and bonds and he must have cabled this to the Treasury. I welcome any counsel the Treasury is willing to offer and if the Secretary cares to make any suggestions every consideration will be given to them. It was essential to request the shift of funds to the Central Bank in order to convince the people that use was being made of the loan without delay to prevent inflation.

MJL

Chungking via N.R.

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Dated April 27, 1942
Rec'd 5:25 p.m.

Secretary of State,
Washington.

467, April 27, 1 p.m.

ADLER FOR WHITE CARE OF SECRETARY OF THE
TREASURY.

RE your 311 of April 22. Board's proposal a compromise which appears least unsatisfactory way out of embarrassing situation.

(1) November 1 agreement between and Minister of Finance gave Board no authority over Chinese Government foreign exchange expenditures approved by Exchange Control Commission. In undertaking commitment Board did not receive any power (?) Government applications for foreign exchange. Nevertheless at time of its conclusion agreement seemed (?) (?), as probability was that current receipts on account of agreement -- namely, foreign exchange from remittances and exports -- would exceed current out goes on its account.

(2) With outbreak of Pacific War reverse side became the

-2- #467, April 27, 1 p.m. from Chungking via N.R.

BECAME THE CASE. Without some modification of agreement Board's sterling would be exhausted and ~~the~~ whole question of Board's survival (?) as tripartite body would arise unless British Treasury were to make a new advance, which apparently it was reluctant to do. Moreover as most of China's present foreign trade is with sterling area, exhaustion of Board's sterling would deprive it of one of its main raisons d'être.

VINCENT

WSB

LSH

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Chungking

Dated April 27, 1942

Rec'd 9:51 p.m. 28th

Secretary of State,
Washington,

467, April 27, 1 p.m. (SECTION TWO)

(3) (?) embarrassing for to renege on November 1 agreement entirely. Proposal enables Board to withdraw from it gracefully and with minimum loss, December 8 being logical date for termination of obligation under agreement. Board might have asked for receipts from November 1 to December 8 but they would have been small as general license 75 became operative only on November 12 and British has made no (?) to (?) (?) remittances from sterling area. Further there was some doubt as to whether November 1 agreement was not intended to be retroactive to mid-August, and as it was impossible to lay hands on receipts prior to November 1 Board felt it was getting off lightly and that receipts from November 1 to December 8 were not worth making issue of.

(4) N. (?) B. (?) involves no in Board's relation to Exchange Control Commission. Board has never had

-2- #467, April 27, 1 p.m. (SECTION T.O) Chungking
never had any power over Commission's (?) and
proposal leaves things as they were. Situation in
which control over foreign exchange is vested in
two agencies and one admittedly not best possible,
but for this neither November 1 agreement nor Board's
new proposal is responsible.

VINCENT

WSB

PH
 This telegram must be
 paraphrased before being
 communicated to anyone
 other than a Governmental
 agency. (BR)

Chungking via N.R.

Dated April 27, 1942

Rec'd 5:27 p.m.

Secretary of State,
 Washington.

467, April 27, 1 p.m. (SECTION THREE)

(5) Board's undertaking to turn over to
 Central Bank exchange accruing from general
 license 75 and from other current sources
 "in so far as is necessary to cover applications
 for foreign exchange approved by Exchange Control
 Commission" would appear only substantial concession
 it is making. But even this is a compromise Central
 Bank originally desiring clause without "insofar as
 is necessary, etc." Actually we do not like paper
 concession as Board's current receipts "will fall
 far short of exchange requirements.

(6) Only real alternative to proposal is
 for Board to abide by November 1 agreement and
 fight for abolition of Exchange Control Commission
 that is, if British Treasury could be persuaded to
 make a new sterling advance this fight would lead
 to serious dispute with Chinese Government and with
 prevailing

-2-#107, April 27, 1 p.m. (SECTION THREE) from Chungking
via N.R.

prevailing nationalistic mood here it is extremely doubtful whether desired result could be obtained. (see Madame Chiang's reference to foreign control over China's foreign exchange in NEW YORK TIMES of April 19)

For these reasons strongly recommend endorsement of Board's proposal.

(END OF MESSAGE)

VICENT

WSB

CORRECTED COPY

AS
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

Chungking via N. R.

Dated April 27, 1942

Rec'd 5:25 p.m.

Secretary of State,
Washington.

467, April 27, 1 p.m. (SECTION ONE)

FOLLOWING FROM ADLER FOR WHITE CARE OF SECRETARY OF THE TREASURY.

Re your 311 of April 25 Board's proposal a compromise which appears least unsatisfactory way out of embarrassing situation.

(1) November 1 agreement between and Minister of Finance gave Board no authority over Chinese Government foreign Exchange expenditures approved by Exchange Control Commission. In undertaking commitment Board did not receive any power to scrutinize Government applications for foreign exchange. Nevertheless at time of its conclusion agreement seemed a good bargain, as probability was that current receipts on account of agreement -- namely, foreign exchange from remittances and exports -- would exceed current outgoes on its account.

(2) With

-2- #467, April 27, 1 p.m. (SECTION ONE), from
Chungking via N. R.

(2) With outbreak of Pacific War reverse side became the case. Without some modification of agreement Board's sterling would be exhausted and whole question of Board's survival as tripartite body would arise unless British Treasury were to make a new advance, which apparently it was reluctant to do. Moreover as most of China's present foreign trade is with sterling area, exhaustion of Board's sterling would deprive it of one of its main raisons d'être.

VINCENT

WSB

April 27, 1942

Mr. Mivens

Mr. S. V. Bell

Will you please send the following cable to the American Embassy, London:
"From Treasury."

Reference your No. 2153, April 25, 2 p.m. Also to effect dollar
credits under procedure No. 1442, April 8, midnight in approximately
two days after Treasury receives from State Department cable advising
amount deposited with Embassy."

Bilag-2/27/42

TELEGRAM SENT

DM
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

April 27, 1942
midnight

MEMBASSY,

LONDON, (ENGLAND).

1830

FROM TREASURY

QUOTE Your 2153, April 25, 2 p.m. Time to
effect dollar credits under procedure no. 1468,
April 8, midnight is approximately two days after
Treasury receives from State Department cable
advising amount deposited with Embassy. END
QUOTE.

HULL
(FL)

FD:FL:ME

MEV

GRAY

Bombay

Dated April 27, 1942

Rec'd 1:06 p.m.

Secretary of State,
Washington.

292, April 27, 4 p.m.

Department's 68 to Calcutta.

Total amount of United States Treasury checks
cashed by National City Bank of New York at Bombay
and delivered to this Consulate is \$680.85.

INFORM TREASURY

DONOVAN

RR

TELEGRAM SENT

IM
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

April 27, 1942

5 p.m.

AMERICAN CONSUL

SUVA, FIJI ISLANDS.

20

FROM TREASURY.

QUOTE Your despatch No. 60, April 11, 1942.

1. For your information the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound net in Great Britain and Northern Ireland and the Treasury understands that the British Government has cabled the Dominion Central Banks respecting similar arrangements on the basis of \$4.03-1/2 per pound net in the sterling area.

2. In order to facilitate the negotiation of and improve the rate for the sale of United States currency and checks drawn on the Treasurer of the United States, the following

-2- #20, April 27, 5 p.m., to Suva, Fiji Islands.

the following procedure is suggested.

3. In the case of excess United States paper currency, instruct the Bank of New South Wales, Suva, to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately, and for Federal Reserve notes and for Federal Reserve Bank notes, the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Consul, Suva.

4. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice, payment in corresponding amount will be made to the New York correspondent for the account of the Bank of New South Wales, Suva. Please include in your first telegram name of correspondent. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be
forwarded

-3- #20, April 27, 5 p.m., to Suva, Fiji Islands.

forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. The American consular officer will retain fourth copy of list.

5. All United States dollar checks drawn on the Treasurer of the United States negotiated by the Bank of New South Wales, Suva, are to be delivered to the American Consul, Suva, accompanied by list in triplicate with complete description of each check as follows: Name of drawer, symbol number; check number; amount; payee's name; date of check.

Consular officer will carefully verify checks against list and advise Treasury by telegram through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice, Treasury will effect payment in corresponding amount to the New York correspondent of the Bank of New South Wales.

Consular officer should instruct Bank of New South Wales to use all possible diligence in identification of payee and determining validity of endorsements. Bank of New South Wales should endorse checks as follows:

Inner

-4- #20, April 27, 5 p.m., to Suva, Fiji Islands.

Inner Quote. Pay to the order of the Treasurer of the United States for credit of our account with (name of bank). Signed Bank of New South Wales, Suva. End Inner Quote. Treasury will look to Bank of New South Wales only for usual guarantee under laws applicable in the Fiji Islands.

Consular officer should forward checks accompanied by one copy of list to Treasurer of United States, Washington, as promptly as possible by safest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by consular officer.

6. Consular officer should make no arrangements for insurance as shipments of both checks and currency will be covered by Government Losses in Shipment Act.

7. The designation of the Bank of New South Wales as a depository of public monies of the United States, as outlined in the Treasury's letter to the Head Office of the Bank at Sydney, dated December 31, 1941, is hereby extended to carry out the procedure outlined in this telegram.

8. Please advise the Bank of New South Wales, Suva,

the Bank

-4- #20, April 27, 5 p.m., to Suva, Fiji Islands.

Inner Quote. Pay to the order of the Treasurer of the United States for credit of our account with (name of bank). Signed Bank of New South Wales, Suva. End Inner Quote. Treasury will look to Bank of New South Wales only for usual guarantee under laws applicable in the Fiji Islands.

Consular officer should forward checks accompanied by one copy of list to Treasurer of United States, Washington, as promptly as possible by safest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by consular officer.

6. Consular officer should make no arrangements for insurance as shipments of both checks and currency will be covered by Government Losses in Shipment Act.

7. The designation of the Bank of New South Wales as a depository of public monies of the United States, as outlined in the Treasury's letter to the Head Office of the Bank at Sydney, dated December 31 1941, is hereby extended to carry out the procedure outlined in this telegram.

8. Please advise the Bank of New South Wales, Suva,
the Bank

-5- #20, April 27, 5 p.m., to Suva, Fiji Islands.

the Bank of New Zealand, Suva, and other United States Government officials of appropriate parts hereof.

9. To minimize number of checks drawn on the Treasurer of the United States, suggest that you advise disbursing officers that they should cable through their respective departments their local currency requirements. Arrangements will then be made to advance dollar credits to the Bank of New South Wales, Suva. END QUOTE.

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. V - 45, Foreign Service Regulations.

HULL
(FL)

FD:FL:MLB

PH
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

April 27, 1942

5 p.m.

AMLEGATION

WELLINGTON (NEW ZEALAND)

20

FROM TREASURY

QUOTE. 1. For your information the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound net in Great Britain and Northern Ireland and the Treasury understands that the British Government has cabled the Dominion Central Banks respecting similar arrangements on the basis of \$4.03-1/2 per pound net in the sterling area.

2. In order to facilitate the negotiation of the sale of United States currency and checks drawn on the Treasurer of the United States, the following procedure is suggested.

3. In the case of excess United States paper
currency,

-2-#20, April 27, 5 p.m., to Wellington (New Zealand)

currency, instruct the Bank of New Zealand, Wellington, to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately, and for Federal Reserve notes and for Federal Reserve Bank notes, the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Consul, Wellington.

4. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice, payment in corresponding amount will be made to the New York correspondent for the account of the Bank of New Zealand Wellington. Please include in your first telegram name of correspondent. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third
copy of

-3-#20, April 27, 5 p.m., to Wellington (New Zealand)

copy of list should be forwarded by still another carrier. The American consular officer will retain fourth copy of list.

5. All United States dollar checks drawn on the Treasurer of the United States negotiated by the Bank of New Zealand, Wellington, are to be delivered to the American Consul, Wellington, accompanied by list in triplicate with complete description of each check as follows: Name of drawer; symbol number; check number; amount; payee's name; date of check.

Consular officer will carefully verify checks against list and advise Treasury by telegraph through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice, Treasury will effect payment in corresponding amount to the New York correspondent of the Bank of New Zealand, Wellington.

Consular officer should instruct Bank of New Zealand to use all possible diligence in identification of payee and determining validity of endorsements. Bank of New Zealand should endorse checks as follows: INNER QUOTE. Pay to the order of the Treasurer of the United States for credit of our account with

(NAME OF

-4-#20, April 27, 5 p.m., to Wellington (New Zealand)

(name of bank). Signed Bank of New Zealand Wellington.
END INNER QUOTE. Treasury will look to Bank of
New Zealand only for usual guarantee under laws applicable
in New Zealand.

Consular officer should forward checks accompanied
by one copy of list to Treasurer of United States,
Washington, as promptly as possible by safest means
available. Second copy of list should follow by
separate carrier at earliest possible date. Third
copy should be retained by consular officer.

6. Consular officer should make no arrangements
for insurance as shipments of both currency and
checks will be covered by Government Losses in Ship-
ment Act.

7. The designation of the Bank of New Zealand,
Wellington, as a depository of public monies of the
United States, as outlined in Treasury's letter dated
April 4, 1942, is hereby extended to carry out the
procedure outlined in this telegram.

8. Please advise the Bank of New Zealand,
Wellington, and other United States Government
officials of appropriate parts hereof.

9. To minimize

-5-#20, April 27, 5 p.m., to Wellington (New Zealand)

9. To minimize number of checks drawn on the Treasurer of the United States, suggest that you advise disbursing officers that they should cable through their respective departments their local currency requirements. Arrangements will then be made to advance dollar credits to the Bank of New Zealand. END QUOTE.

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. V-45, Foreign Service Regulations.

HULL
(FL)

FD:FL:BMcB

TREASURY DEPARTMENT

195

INTER-OFFICE COMMUNICATION

DATE April 27, 1942

TO Secretary Morgenthau

FROM Mr. White

For Miss Gandy

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£68,000
Purchased from commercial concerns	£10,000

Open market sterling remained 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	12-1/4% discount
Argentine peso (free)	.2365
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2870
Cuban peso	1/4% premium

We sold \$273,000 in gold to the Central Bank of Venezuela, which was earmarked for its account.

No new gold engagements were reported.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 137

Information received up to 7 A.M., 27th April, 1942.

1. NAVAL

20th. One of H.M. submarines sank a 6,000 ton laden vessel north-bound near TRONDHJEM. A Russian submarine reports having sunk an 8,500 ton ship date and locality not given.

2. MILITARY

LIBYA. An enemy column was engaged by one of our forward columns on the 25th 20 miles south-west of SEGnali and withdrew westwards.

3. AIR OPERATIONS

WESTERN FRONT. 25th/26th. Corrections now known that five enemy aircraft were brought down. Five Stirlings reached POZEN but found complete cloud conditions over the objective, one bombed from low altitude.

ROSTOCK. Weather was excellent with very good visibility and no cloud, objective was easily identified. Six 4,000 lb., twenty-six 2,000 lb. and over 16,000 incendiaries were dropped on the town and eight 4,000 lb. and many incendiaries, including nearly 200 30-pounders, upon the Heinkel Works, where visibility was also good in spite of smoke haze. Seven R.C.A.F., six R.A.A.F. and eight New Zealand aircraft took part without casualties.

26th. Boston bombers hit the Railway Station and a barrack block at ST. OMER and claimed 12 hits on HAZELBROUCK Railway Yards. During operations by 627 fighters, three enemy aircraft were destroyed, three probably destroyed and five damaged. We lost four fighters, two pilots safe.

26th/27th. 155 aircraft were despatched - ROSTOCK 52, Heinkel Works 55, DUNKIRK 24, Aerodromes 13. Three are missing. One enemy night fighter was destroyed and two damaged. Weather at ROSTOCK was again good and fires from the previous night were still burning. Some aircraft reported defences considerably increased. About 60 enemy aircraft were plotted over the south-western counties, half of which concentrated on BATH. Fighters probably destroyed one and five were damaged.

MALTA. Corrections. From 23rd to 25th, 418 bombers, exclusive of fighter escort attacked. Between 3.45 p.m. 25th and 12.30 p.m. 26th, 139 bombers attacked. At LUQA, the airmen's quarters were destroyed and parachute stores damaged. Two of our fighters were lost, four crashed and two were damaged (five

- 2 -

pilots safe). Enemy casualties were four destroyed by fighters and one by anti-aircraft, one probably destroyed and ten damaged.

4. HOME SECURITY

26th. During the morning, some bombs dropped in KENT damaged a Colliery boiler house, probably stopping production for a week. Damage to an electric cable interrupted work at another Colliery.

26th/27th. BATH. Main damage in the old part of the city. Some serious fires but situation has improved. Water supply has been difficult. Casualties 25th/26th now reported 50 killed. Last night's casualties reported to be numerous.

5. JAPAN.

Recent reliable information indicates that the Japanese forces in MANCHURIA have been increased from 20 to 23 divisions.

April 28, 1942
9:30 a.m.

GROUP MEETING

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

H.M.JR: Norman?

MR. THOMPSON: I have two reports here for you, one on the situation on automobiles.

H.M.JR: I haven't read that.

MR. THOMPSON: Mr. Spingarn was down, and he talked to the colored leaders here in Washington.

H.M.JR: Read both of these out loud.

(Mr. Kuhn entered the conference.)

MR. THOMPSON. He talked to the colored leaders and--

H.M.JR: Tell them who Spingarn is. Half of these people don't know.

MR. THOMPSON: Mr. Spingarn is the President of the Association for the Advancement of Colored People, and he came--

- 2 -

H.M.JR: He is a white man.

MR. THOMPSON: And he came down to advise us as to what steps might be taken to help us solve the problem of the Bureau of Engraving and Printing cafeteria, where the colored employees are insisting on sitting with the whites, and the white employees are boycotting the cafeteria; and there has been what Mr. Spingarn termed guerrilla warfare going on down there, so he talked to the leaders of the other people here in Washington, and reported to me afterward that they said that guerrilla warfare would cease, so I think that is quite a step forward.

H.M.JR: You didn't say who recommended bringing Spingarn down.

MR. THOMPSON: The Secretary of the Treasury.

H.M.JR: It was me. I was waiting to find out. I wasn't saying--

MR. THOMPSON: I think that will be very helpful. In addition, he suggested that we notify the Bureau employees that the policy of the Administration as set forth by the President was one of non-segregation; and, therefore, there should be no return in the Bureau to the old system where there was segregation.

H.M.JR: You feel better then?

MR. THOMPSON: That is known to the employees, but he felt if we put a notice out to that effect, it might have some bearing in settling the situation and getting the employees to realizing that is the final decision, and they might as well make up their minds to it.

MR. FOLEY: What is the guerrilla warfare that goes on down there?

H.M.JR: I will explain it. Can you hear me?

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MR. FOLEY: Yes.

H.M.JR: See if I have got it straight. There are four tables where you can get your food down there, two for men and two for women, and the negro women go and get their food. Each one sits at a table where normally men sit, so it gets down to the fact that the white men have to sit down at a table with the negro women. They each take a place, you see, and these men don't want to do it, and the thing that they have been afraid of as a result is that there would be a fight, and somebody would say something insulting. So the white men stayed away. They haven't gone to the restaurant. Am I right?

MR. THOMPSON: That is right.

H.M.JR: And the negroes said, "We are being boycotted, and the men won't come to the restaurant. Well, if they don't want to come to the restaurant, that is their business. It is their own business. But the white men have refused to come to the restaurant.

MR. FOLEY: And the negroes were making the complaint?

MR. THOMPSON: Well, the negroes asked that we stop the boycott. I asked them how they wanted us to stop it, and they haven't told us.

H.M.JR: After all, the white people say, "All right, we won't go there," but each woman, normally - at one end of the restaurant is the white men and negro men, and at the other end of the restaurant the women, you see. Is that right?

MR. THOMPSON: That is right.

H.M.JR: But the negro women moved over on the side of the men and sat down, one at each table. Then the white men wouldn't come at all to the restaurant. The negro women said, "We are being boycotted." They want the

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boycott stopped, and the men said they were afraid to come for fear that there would be a riot, a fight. So they said rather than to have a fight, they would stay away, and it isn't only our place, it is going on all over in Washington. So I suggested--

MR. THOMPSON: It is under cover.

H.M.JR: So I suggested that Mr. Spingarn, who after all is giving his life to this work, come down.

MR. THOMPSON: He was very optimistic when he came back from the Bureau last Friday, because he had noticed a natural segregation. In other words, the colored people were grouping by themselves at one end, and the whites at the other, just as they had formerly. There were just one or two who didn't do it. But he thought in time it would all solve itself that way.

H.M.JR: Well, I took an awful chance, because it has been Spingarn through his association who has been urging them to fight for their rights. I didn't know what he would do. This sounds very good.

MR. THOMPSON: Yes. He thought, of course, they shouldn't have segregation, because that is against the policy.

H.M.JR: Do you mind writing a little progress report for me that I can send to Mrs. Roosevelt?

MR. THOMPSON: Yes.

H.M.JR: That sounds pretty good, doesn't it?

MR. THOMPSON: I think it would be helpful. Mr. Paul isn't so optimistic over it. He feels that the white employees will continue to stay away.

H.M.JR: Well, we will see. In all my experience, I have never heard anything like it, of the negroes claiming they are being boycotted against because the whites won't come there. And the whites didn't want to go there for fear that there would be a fight.

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MR. BELL: The prices of the restaurant have gone up because of the two or three thousand people staying away.

MR. FOLEY: It is just the reverse of the usual situation.

H.M.JR: But I mean, these people were very aggressive, and each one would take a table, you see, like that.

MR. THOMPSON: I suggested to Mr. Hall and Mr. Spingarn that perhaps we might segregate as to sex have the men on one side, and the women on the other.

H.M.JR: That is the way we used to have it, isn't it?

MR. THOMPSON: There is a further segregation. We had the men and women, and then the colored and white separated. Mr. Spingarn thought that would probably be worth trying out if it didn't work out the other way.

H.M.JR: The men on the one hand and the women on the other, irrespective of color?

MR. THOMPSON: Yes, that is right, because the men have their soiled clothes on. We may try that out sometime later.

H.M.JR: What else?

MR. THOMPSON: On the question of automobiles--

H.M.JR: I would like to say that Mr. Ickes brought up in Cabinet whether the various departments wouldn't sort of form automobile clubs so that the people in the neighborhood could get together and ride down together. The President asked us to do it, so I passed it along. You know, if there are a group of Treasury employees in the neighborhood, they might take turns driving.

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MR. THOMPSON: I think we have pretty well accomplished that. In a survey that I had made, we had about seventeen thousand answers come in to the questionnaire--

H.M.JR: Just because I talked - it is always so funny when people talk to a foreigner and they can't understand his language, they always shout at him. When I am hoarse, everybody else begins to whisper. Talk loud, because my ears are stopped up.

MR. THOMPSON: Of the seventeen thousand employees who replied to the questionnaire, there were about twelve thousand who were using bus, streetcar, and train transportation. Of two thousand six hundred seventy-one driving their own automobiles--

H.M.JR: How many?

MR. THOMPSON: Twenty-six hundred and seventy-one. Sixteen hundred were bringing twenty-six hundred others with them.

H.M.JR: That is nice.

MR. THOMPSON: I will take myself as an example. I have six of them. We have been doing that for quite some time. Mr. Bell and I come together, and we bring four others with us.

H.M.JR: Is that right?

MRS. KLOTZ: Charlie Bell.

MR. THOMPSON: The President of the Board of Commissioners of the District of Columbia got out a card urging a share-your-car movement. That is being passed around to all the employees. I can go a step further, if you would like, and urge that they form clubs, but I think we are pretty well along the line on it.

H.M.JR: Use your own judgment. You may not have read the paper, but I believe in the volunteer method.

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MR. THOMPSON: I think so too. (Laughter) I think we have really made some progress there. As to the cars down here, Mr. Secretary, there are not enough to meet the calls most of the time. There are an awful lot of staff members traveling around on Government business.

H.M.JR: We don't have enough cars?

MR. THOMPSON: No.

H.M.JR: Well, let's leave it that way until we see how much gasoline Mr. Krock tells us we are going to have. I again refer you to Mr. Krock today for another dirty, dirty article. What?

MR. THOMPSON: In the field, the officers we have traveling all the time may have a little difficulty getting tires when the tires wear out. On so-called police operations, I understand they will get new tires or retreads, but they are using their own cars for official business in some cases, and they will have some difficulty.

H.M.JR: Well, would you mind making a note to check on this thing once a week until we sort of get this thing straightened out? Will you?

MR. THOMPSON: Yes

MR. SULLIVAN: All of the deputy collectors use their own cars, Mr. Secretary. They are going to be in plenty of trouble.

H.M.JR: Did you get your typewriters?

MR. SULLIVAN: Not yet.

H.M.JR: O.K.? Now, there are two things I would like to say. If you can't hear me, come closer. One thing, I really am terribly pleased on the President's message, because there is really everything in there that I fought for; one, no ceiling on wages, we fought

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for rationing, and he has come out for rationing; we insisted on a ceiling on prices, and he has got that; he was very fine on the War Bonds; there is nothing about the tax thing that I couldn't endorse, so I would say that the Treasury got about a ninety-five percent compliance from the President, which I think is pretty good.

MR. BELL: It read a little better, too, in the press than it did in the rough draft.

H.M.JR: According - somebody told Harry here the other day after I left Cabinet three weeks ago, where the Director of the Budget called a meeting of us together, well, Henderson evidently told one of his cohorts, who told Harry, "We just wiped the Secretary of the Treasury off the map. We just cleaned him up."

MR. BELL: That was the first attack?

H.M.JR: Yes. So I feel pretty good. I have got a call in here from Senator McCarran at nine twelve. When I was asked the other day about tax silver, somebody told me, maybe erroneously, that Harry White had a silver plan.

MRS. KLOTZ: Did you see the letter he wrote you the other day?

(The Secretary held a telephone conversation with Senator McCarran.)

April 28, 1942
9:47 a.m.

HMJr: Hello.

Senator
McCarran: Hello, Mr. Secretary.

HMJr: I don't know whether you can hear me. I've got a very bad cold.

Mc: Oh, I'm sorry.

HMJr: Can you hear me?

Mc: Yes, sir.

HMJr: All right.

Mc: What I wanted in behalf of those of us who represent the Western states, we had a little preliminary meeting and wanted to know if we could have a conference with you on this silver matter which we see you quoted about.

HMJr: Surely.

Mc: When would it be convenient, Mr. Secretary?

HMJr: Well, I'll try to make it convenient for you gentlemen.

Mc: Would tomorrow be - or are you feeling that way?

HMJr: No, unless I get worse and die, I'll be all right tomorrow.

Mc: Well, we hope you won't get worse and we hope you won't - nothing will happen to you.

HMJr: How early in the morning would you like it?

Mc: I was thinking at eleven o'clock.

HMJr: Well, unfortunately I have a meeting with people from out of town at eleven.

Mc: All right. Now.....

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HMJr: Could you make it ten?

Mc: Yes, sir.

HMJr: Ten.

Mc: All right. We'll make it at ten o'clock, and.....

HMJr: Where would you like to meet?

Mc: I thought if it would be convenient for you to come up here, we can get a meeting room here.

HMJr: Oh.

Mc: Will that be all right?

HMJr: Well, as long as I can get back to my own office by eleven.

Mc: I think we can do that.

HMJr: All right. Well, will you let me know where?

Mc: Yes, sir, I will. I'll call you or your secretary this afternoon.

HMJr: Fine. I'll be there.

Mc: Thank you. At ten o'clock tomorrow.

HMJr: I thank you.

Mc: Thank you, sir.

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H.M.JR: For God's sake, some of you silver boys get together.

MR. WHITE: I thought they had it already settled.

H.M.JR: I can't hear you.

MR. WHITE: I thought the lawyers had it already fixed up.

H.M.JR: I thought the economists had it all fixed.

MR. WHITE: No, economists never fix anything. They only unfix things.

MR. FOLEY: Well, he isn't talking about the use of silver in the defense plants.

MR. WHITE: Oh!

MR. FOLEY: I think he is talking about legislation, Harry.

MR. WHITE: Oh, yes. Well, that is ready.

H.M.JR: Well, anybody who is interested in silver, I will see them at three o'clock. Heigh-ho Silver!

MRS. KLOTZ: Three o'clock when?

H.M.JR: This afternoon.

MRS. KLOTZ: No, you have another appointment.

H.M.JR: Well, I can see them at three-fifteen.

MR. BELL: You have got a conference tomorrow morning at nine-fifteen.

H.M.JR: Well, we can start at nine-fifteen. After all, in half an hour I can tell them what I want and they can adjourn and talk it over and come back.

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MR. BELL: They can go into my office.

MRS. KLOTZ: Maybe they can come at nine.

H.M.JR: No, I don't want them to.

MR. BELL: They are arriving from out of town.

H.M.JR: Well, Bell and White and Foley and anybody else who has any ideas on silver, come in this afternoon at three-fifteen. Ask the cop on the corner what he wants. We will do it that way. Now, one other thing. Harold Graves, they are running another railroad man on me today.

MR. GRAVES: Yes, I have heard. Mr. Luhrsen?

H.M.JR: Yes. Did you know about it?

MR. GRAVES: Mr. Fitzgerald told me about it.

H.M.JR: I asked Houghteling yesterday. Oh, no, they didn't need the Railroad Brotherhoods. Now he has run them in on me. We will need two more chops and another lump of sugar.

Do you want your Penn Mutual man?

MR. GRAVES: I would rather not.

H.M.JR: That is all right, two less chops. Let's see, there will be Graves, Gamble, three labor men and one Morgenthau.

MR. GRAVES: Mr. Houghteling?

H.M.JR: Yes, and Houghteling. How many is that?

MRS. KLOTZ: Seven.

H.M.JR: And we won't say anything about Henry, and if Henry comes - well, we have two chops for everybody and I will only eat one.

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MRS. KLOTZ: Is Odegard here?

H.M.JR: Odegard isn't in on this, is he?

MR. GRAVES: He is not here.

MRS. KLOTZ: Has everybody been invited?

H.M.JR: Yes. How many is that?

MRS. KLOTZ: With Henry, it would be eight.

H.M.JR: I don't know whether Henry is coming.

MRS. KLOTZ: Well, we will have to order for eight anyway.

MR. GRAVES: And we are coming in at twelve forty-five?

MRS. KLOTZ: Yes, that is down.

H.M.JR: Yes, you are down. I have got from now until ten o'clock.

Mr. Bell?

MR. BELL: Here are the names of those people that are coming.

H.M.JR: Oh!

MR. BELL: That is the letter to Bob Patterson.

H.M.JR: They all made it, did they?

MR. BELL: They all made it.

H.M.JR: That is nice. That is a good crowd.

MR. BELL: There are a couple of them out of town, but they said they would be here. Tom Smith is away and Spencer is away.

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H.M.JR: It is a good crowd.

Before you leave, Friend Graves, I have got a memo for you.

MR. GRAVES: This is for Friend Kuhn.

H.M.JR: What else?

MR. BELL: Are you going to have any preliminary conference to the eleven o'clock meeting?

H.M.JR: I will tell you, as soon as this air marshal leaves at ten, I am going to see if I can get a medical treatment and if I can't, I will see you fellows. I want to see if I can get over there to the doctor. I have got nothing - but I also want to see the President's radio speech as soon as the air marshal goes. Did I ask White?

MR. WHITE: No, I have nothing, sir.

H.M.JR: Wonderful. Thank you.

MR. WHITE: I think so. (Laughter)

H.M.JR: Well, that is of the first importance.

Harold?

MR. GRAVES: You mentioned Senator Downey's statement in opposition to voluntary saving.

H.M.JR: You are wrong. Josh Lee.

MR. GRAVES: Yes, I have that too, but you asked me if nothing could be done to straighten out Senator Downey.

H.M.JR: Well, you have got me and Edward Heller mixed up. You heard that from Heller just the way I did.

MR. GRAVES: No, I understood you to say that.

H.M.JR: No, sir. Don't bet me, either.

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MR. GRAVES: I won't.

H.M.JR: I spoke to you about Josh Lee and Heller mentioned Downey to me, and that was the first I had heard about it. What else?

MR. GRAVES: That is all.

H.M.JR: Now, I want to put all these labor union fellows to work, you see. Paul? Paul, you have got six minutes. Do you want to explain what the President meant - what are you going to do with what is left over after the excess profits?

MR. PAUL: Well, we will just take a hundred percent and be done with it.

H.M.JR: Last night I asked - Rosenman was at the house for dinner, and Paul asked me particularly - don't forget to give me a copy of that memo.

MR. PAUL: I have done it.

H.M.JR: I said, "Sam, Mr. Paul is quite worried with this sentence. He would like to know what the President meant." He chuckled and he said, "Listen, for two hours they asked the President what that meant. The President said, 'That is just a matter of detail, I can't go into it.'" I said, "Well, what does he mean?" Sam says, "I don't know. He says he won't discuss it. It is just a matter of detail."

MR. GASTON: As I understand that, the President was just giving whole-hearted, one-hundred-percent support to the Treasury program. I think that is the position we will take, isn't it, Randolph? (Laughter)

MR. PAUL: Sure, he is supporting us with a little gravy on top.

H.M.JR: I told Sam what Lauch Currie said. He had gone in to see the President and asked him if he was for six percent on invested capital or on average earnings, but

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Lauch couldn't remember which one it was. (Laughter) He got that far and then he couldn't remember. Sam Rosenman just howled when he heard that.

MR. PAUL: Lauch said "net worth", and then I said, "Is that your word or the President's?" He said, "I guess it is my word, but I know the six percent is right."

H.M.JR: Well, Sam said, "For two hours the President tried to - they tried to find out from the President, and he said, 'It is just a matter of detail. Congress can work that out.'" So you can be just as nonchalant.

George?

MR. HAAS: I have nothing.

H.M.JR: Mr. Kuhn, on those intercepted Japanese messages--

MR. KUHN: We are monitoring all the digests of Japanese broadcasts. They don't want to emphasize the atrocities now until they get all the Japanese moved away from the West Coast. The Army is very afraid of lynchings, and they don't want to put atrocity stuff on the air or in the movies until that operation is completed. They are very worried about it.

H.M.JR: But you have got somebody?

MR. KUHN: Yes.

H.M.JR: Who is that "somebody"?

MR. KUHN: Well, I take the FCC which sends every day a digest of Japanese broadcasts.

H.M.JR: Yes, but who is the person who does it?

MR. KUHN: Just in my office. I am not having anyone else do it.

H.M.JR: You mean you, Kuhn, in person?

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MR. KUHN: I get it every day.

H.M.JR: Have you got time to do that?

MR. KUHN: It doesn't take much. There is not much material.

H.M.JR: Well, that one that General Searle told us, I would like to use that, but not now.

MR. KUHN: I wouldn't do it now.

H.M.JR: They don't want to use it?

MR. KUHN: I wouldn't do it now.

H.M.JR: You know what the Japanese did? They had a broadcast. This is a little strong. They said to their farmers, "Now in case any parachutist troops drop on your farm, first cut off their legs, then their arms, and then their heads." I mean, that was the instruction the official radio broadcast to the farmers of Japan. I want to let our people know about it, but they don't want to.

MR. KUHN: Not yet.

MR. BUFFINGTON: I have nothing.

H.M.JR: Why don't you have a haircut?

MR. BUFFINGTON: I think I need one.

H.M.JR: John?

MR. SULLIVAN: Mr. Helvering wants to come over--

H.M.JR: I gave him an appointment.

MR. SULLIVAN: I hadn't heard about it. I will find out what time it is. Forrestal and Patterson are both sending

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that information on the income. It hasn't yet arrived.

H.M.JR: That is going to be juicy. You and I are going to be the most popular fellows outside of Washington.

MR. SULLIVAN: I am getting back into the rut.

H.M.JR: It is not a rut. I said, "outside of Washington." We are going after all Government contractors now. My God, when one contractor can reduce his price by a hundred million dollars, that is something. Edward Foley, Jr.?

MR. FOLEY: Bishop Shiel says he wants to come Friday instead of today.

H.M.JR: Well, then, move the silver boys up to three o'clock.

MRS. KLOTZ: Friday at what time, three o'clock?

H.M.JR: No, Friday is Cabinet. Give him - gosh, Friday is a bad day.

MR. BELL: Are you going to see any dealers Thursday or Friday?

MR. FOLEY: Tell him Monday?

H.M.JR: Better make it Tuesday at three.

MR. FOLEY: All right.

H.M.JR: I think we had better save some time for this thing. Tell him I am sorry.

MR. FOLEY: I will.

H.M.JR: Herbert?

MR. GASTON: I think we want to make some use of the President's language on War Bonds. In this message it kind

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of got lost in the shuffle of newspaper stories. There is some good material for an ad and it may be of some other use.

MR. KUHN: Herbert, I suggested to Callahan last night that he get out some specials, quick radio announcements, using the President's words and substituting those for other announcements already out and also there are some speeches being made in Chicago this week and in various conventions next week where this is going to be used.

H.M.JR: Don't you men meet at ten-thirty today? I had hoped you would get me some posters.

MR. KUHN: We want to get some O.K.'d today. Could you see any today, Mr. Secretary?

H.M.JR: Let's see how I feel.

MR. KUHN: I have the John Latouche script about Russia, in line with your idea, about supplies going to Russia.

H.M.JR: Yes.

MR. KUHN: It is quite good.

H.M.JR: Good. What we are doing is this: Next Monday, what is known as the gold room is being taken over by me personally, and in there is going to be a chart for each state on pay-roll allotments, and in the corner will be boards for posters, so if you say, "Well, now, do you want to see some posters?" you stick them up there and when I get five minutes, I can walk across there and look at them, see. I mean, that is going to be my chart room. Or if you want any posters or anything you can say, "Well, if you have got five minutes, step across the hall," and you can put them up there, and I can see them.

MR. KUHN: Would you like to see that script, since it is your idea, Mr. Secretary?

H.M.JR: I haven't got time.

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MR. GASTON: The Supreme Court made some rather important decisions yesterday on wire tapping and dictaphones. Ed is having a digest made of it. It may affect our policy.

H.M.JR: All right.

You stay behind, Ferdie.