

Wright Thompson
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THE WHITE HOUSE
WASHINGTON

April 28, 1942

My dear Mr. Secretary:

With the shortage of rubber and the prospective necessity for curtailing the civilian consumption of gasoline, the transportation problem for workers in many communities is rapidly becoming critical. It is imperative that we extend as long as possible that period of time in which we can count on private transportation of factory and office workers to their places of work and home again.

The transportation problem in Washington is no exception to that existing in very many of our communities at present. I am therefore calling upon the heads of the several Federal Departments and Agencies to work out a program for their employees which will substantially reduce the number of automobiles which are necessary to take men and women to and from their places of work. This program should be undertaken immediately and thoroughly. A few Federal Agencies have already taken steps in this direction and an interchange of ideas and experiences should facilitate the development of the most effective program. I would like to have a report from each Department and Agency at the end of thirty days relating the effectiveness of steps which have been taken.

I am also sending a copy of this letter to the Council of State Governments, the American Municipal Association and the United States Conference of Mayors asking that they use their influence to bring about the inauguration of similar programs in the State and local Governments.

Very sincerely yours,



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

April 28, 1942
10:43 a.m.

Colonel
Richard C.
Patterson:

.....your voice.

HMJr: Dick, I don't know whether your phones are always so busy, but for ten minutes we couldn't get a wire.

P: Well, these phones are busy all the time.

HMJr: Well, I tell you. What I suggest.....

P: I can't hear you, Henry.

HMJr: I've got a cold.

P: Oh, I'm sorry.

HMJr: I suggest - hello.

P: Yeah.

HMJr: I suggest you put in an unlisted number that you could take incoming calls on.

P: All right. I'll put in an unlisted number right away.

HMJr: And then let us know what it is.

P: I'll do it.

HMJr: And then when you have incoming calls, they can come in on that.

P: I'll do it.

HMJr: Will you do that?

P: Hello.

HMJr: Dick - hello - can you hear me?

P: Yes, Henry, I can hear you.

HMJr: What I want is this. We've been fooling

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around with this for a long time, but there must be somebody like old Tex Rickard who knows how to run meetings, see.

P: Yes.

HMJr: I don't know who it is. I don't know whether there's an association, for instance, across the country of men who belong to - people like who own Madison Square Garden and halls similar.

P: Yes.

HMJr: But could you find out - hello.

P: Yes, Henry.

HMJr: Because what we've got to do is to organize some big meetings across the country.

P: Yes.

HMJr: And I'm going to get some outstanding fellows like O'Hare - Lieutenant O'Hare.....

P: Yes.

HMJr:that we can send across the country, you see.

P: Yes.

HMJr: Not only in New York. But I want to get hold of the fellow - whoever the Tex Rickard is today.

P: Well, I tried to get Billy Rose ten days ago.

HMJr: Yeah.

P: I tried my level best to get him to come in here and take full command.

HMJr: Yeah.

P: I couldn't do it.

HMJr: Why not?

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P: Well, he's just tied up. I may go back at him. And I talked to Simon and Schuster at breakfast this morning.

HMJr: Yeah.

P: They're going to go to work and try and help me get this man.

HMJr: Is Billy Rose the fellow?

P: Well, I don't know. He's about the - he's almost the successor of - in - he's almost Rickard's successor.

HMJr: Well, think about it, because I'm tremendously interested. I'm going to get - I'll get the stars.

P: Yes.

HMJr: And - but I've got to have a showman.

P: You're damn right we've got to have a showman, and I'm dreaming it and sleeping it, and I'm provoked that we don't have a showman.

HMJr: Well, it.....

P: I think I'm reflecting your attitude, Henry.

HMJr: Good.

P: We're right after just what you want, but it's so difficult.

HMJr: Well, I want a showman, and you talk it over over there. If it's Billy Rose and you need some help, I'll get in touch with him myself.

P: Yes.

HMJr: I don't know who it is, but I'm not in that business. Well, you think about it, and after you're decided, either telephone or send me a wire, will you?

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P: Oh, I'll go right to it, Henry. I won't leave a stone unturned on that.

HMJr: Because MacLeish said last night, he said, "We've got to get more big public meetings."

P: Who said that?

HMJr: Archie MacLeish.

P: Oh, yes.

HMJr: And he wants us to do it.

P: All right. Give me just - we're - for instance, today I'm having the publishers of all the big papers at luncheon with me here in the office.

HMJr: Yeah.

P: Helen Reed's coming in.

HMJr: Yeah.

P: Arthur's in Washington, but they're all coming in just on this one thing.

HMJr: Well, what I want is a showman who we don't have to be ashamed of.

P: I know what you mean.

HMJr: And a fellow that.....

P: Well, give me just a little while, and I'll keep in contact with you.

HMJr: You ought to be able to in a day or two to tell me who it is.

P: I think I can. Give me forty-eight hours.

HMJr: But be sure it's somebody who won't get us into trouble.

P: Why, of course.

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HMJr: And whoever it is, then we'll put the heat on him and he'll have to come.

P: Have you got any suggestions outside of Billy Rose?

HMJr: Well, I - no. This is a field - if you ask me something easy - but I don't know anything about this.

P: Well, leave it to me; and I'll report back.

HMJr: But we've talked about these community sings and everything else, but I want a showman.

P: Leave it to me.

HMJr: I'll do that.

P: All right.

HMJr: Thank you.

P: I'll try to carry the message to Garcia for you.

HMJr: And have a phone number put in, and then let us know what it is so that incoming calls - or if you have a call you want to use yourself, it's there.

P: Oh, my God. The only reason I haven't had one put in - you know the reason.

HMJr: No.

P: We're trying to teach thrift in this country.

HMJr: Well, I'll personally okay this one.

P: (Laughs) All right, Henry.

HMJr: Thank you.

P: You'll hear from me. Good-bye.

April 28, 1942
11:00 a.m.

FINANCING

Present: Mr. Murphy
Mr. Haas
Mr. Piser
Mr. Hadley
Mr. Baker
Mr. Rouse
Mr. Szymczak
Mr. Buffington
Mr. McKee
Mr. Sproul
Mr. Goldenweiser
Mr. Williams
Mr. Bell
Mr. Eccles

H.M.JR: I hope you can all hear me. I can't talk any louder. If you can't, come up closer.

Bell, is there anything that you want to say other than that we need two billion dollars in May and June?

MR. BELL: Well, I can go over the figures if they would like to hear them for the next three months. This program contemplates or estimates that there will be six hundred million dollars in Savings Bonds in May, eight hundred in June, and a billion dollars from there on throughout the year. It also contemplates two billion dollars a month in regular financing up to and including September, and the expenditures on account of national defense will increase gradually from about three billion and a little over in May - three billion two in April to

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four billion six in December. We will go out of April with one billion seven hundred eighty million dollars; out of May with one billion five hundred; June, one billion eight; July, one billion eight; August, one billion six; and September, about a billion eight. It drops down to less than a billion and a half in October on the basis of that borrowing program.

For this immediate financing, I thought you might also like to know the balance on May 14, just the day before the contemplated payment date of this new issue. It would be down to about nine hundred fifty million dollars. It will be the lowest we have had for some time. In connection with this financing, I thought it might be a good thing if we would advise the banks before or at the time of this financing about how much will be withdrawn from the War Loan Accounts between the first of May and the fifteenth so that they could have a little better information on just how to pay, whether to pay for it by credit or pay for it in cash. Heretofore they haven't had that information, and sometimes they have said, "Pay by cash," and then when the payment date came along and we have made calls, they have changed it. I think it might help them this time if they knew that in advance. Somewhere along the line there is for consideration the question of calling the Home Owners' Loan two and a quarter's on July 1, which decision will have to be made by Wednesday.

H.M.JR: By Wednesday?

MR. BELL: Wednesday, yes.

H.M.JR: Tomorrow?

MR. BELL: May 1 is the date that we have to call them.

MR. McKEE: What is the total, Dan?

MR. BELL: Eight hundred seventy-five million, two and a quarter percent bonds.

MR. ECCLES: That would be a refunding in effect.

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MR. BELL: Yes..

MR. ECCLES: Treasuries direct, though, instead of guarantees.

MR. BELL: And there is an RFC maturity on the same date of two hundred seventy-six million, and then there is the September 15 notes of three hundred forty-two million which would make an operation of one billion four hundred ninety-three, if you took them all at once.

H.M.JR: Is that all?

MR. BELL: That is all up to that point. I have got some other questions I would like to raise after we get through with this.

H.M.JR: I would like Haas to read that memorandum on excess reserves out loud.

MR. HAAS: "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

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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.

"(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 Banks 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 ten 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 banks 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

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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.

"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."

MR. ECCLES: That is a memorandum from--

H.M.JR: Haas to me. Before we go much further, I would like to discuss it, because I felt it very badly last time, and the thing has become much more aggravated now, and I just wondered if something couldn't be done.

MR. ECCLES: I feel that the problem isn't so much the question of reserves, the whole thing is a question that the Treasury are pursuing a method of financing which is the same as has been the case in the past, that instead of adopting a financing program which is related to these very extraordinary conditions and the amount of financing, it is still based upon the open market cash offerings which are dependent upon the pressure of excess reserves for the underwriting of the financing by the banking system, which, of course, is inflationary in its implication. The whole thing is based upon creating a condition in the banking system that forces rates down, but puts the banks under pressure to do the buying and is contrary to what the public open statement is of doing as much financing as possible outside of the banks.

Our whole program is designed to do as much as possible in the banks and through the banks. We have felt for a long while that the Treasury should adopt a long-term war financing program and should get away from what seems to us to not at all meet the situation. We have agreed to

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give such support to the market as is necessary to maintain a pattern of rates agreed upon, and we feel that the Fed has carried out that commitment fully and adequately. The question - on the long market, the long market has been supported at the basis that was agreed upon and the short market, it was agreed, as I recall, the last time we discussed this, that the short-term rate would not be permitted to go to more than three-eighths on a ninety-day basis. The short market has not exceeded a third. It hasn't been up to three-eighths.

There is, of course - there are two or three ways to maintain an adequate reserve position, and the only purpose for maintaining a reserve position is its effect upon interest rates and we have based our policy on our obligation to maintain an interest rate structure. We recognize, certainly, that you cannot have widely fluctuating interest rates, that you can't do as was done in the last war, have a continued increase in interest rates and a decrease in bond prices during a financing period, and the stability of your whole rate structure is essential. We have recognized that.

Now, you can accomplish that in two ways or three ways, either open market operations, reduction of reserve requirements, or a reclassification of cities. The latter would be the least desirable, I think, without legislation that gave us the responsibility to change reserve requirements for reserve cities separate from central reserve cities, which is not permitted today. If we change reserve requirements, they must be changed both for reserve cities and central reserve cities.

MR. BELL: You say you can't change central reserve to reserve?

MR. SZYMCAK: No. What Marriner is talking about, increasing or decreasing reserve requirements under the law, we have to increase or decrease for New York and Chicago and the other reserve city banks.

MR. ECCLES: They are all tied in together.

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MR. SZYMCAK: And then the country banks in another group, you see.

MR. ECCLES: There should be three groups, and we tried to get that in the Banking Act of '35, but didn't succeed.

MR. BELL: But you could take one group?

MR. SZYMCAK: Yes.

MR. ECCLES: Yes, we could take reserve cities and central reserve cities in one group and country banks as another group.

MR. BELL: Can't you take just central reserve cities in one group?

MR. ECCLES: No. We could eliminate the central reserve cities and make them reserve cities.

MR. BELL: That is what I mean.

MR. ECCLES: Oh, we could do that.

MR. McKEE: The Board can do that without legislation.

MR. ECCLES: But that would be bad, I think. It would be an evasion. It would be a roundabout way of getting at it.

MR. SZYMCAK: You would still have to take the same action. It doesn't make any difference. In increasing or decreasing reserve requirements for reserve city banks, it is the same as for central reserve city banks.

H.M.JR: Could I just say something for a minute? We have spent a lot of time on this plan which you people gave us about a five-year tap issue and an eighteen- or twenty-year tap issue. We have had people out in the field, and we just can't find the money. It is just a rainbow, saying that there is money in corporations and so forth.

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MR. McKEE: How do you know it is a rainbow until you try it?

H.M.JR: Well, the easiest way to do it is to go and ask the corporations.

MR. McKEE: Well, what their position is one day or one month compared to some other month is pretty hard for them to tell you.

H.M.JR: I mean, I am not satisfied to sit in this chair and work on a highly theoretical basis of memoranda. When you go out in the field and talk to the corporations, the money isn't there.

MR. ECCLES: You have only talked to seventy of them. We spent an hour with what's-his-name over there going into this thing thoroughly.

MR. BUFFINGTON: Buffington.

MR. ECCLES: And as I understand it, he talked to seventy corporations. They were all the big corporations. I wouldn't feel for a minute that - from his survey, from what he told us, that that is conclusive at all.

H.M.JR: What have you got on the other side to prove it isn't, other than a matter of opinion?

MR. McKEE: All right, but Mr. Secretary, what have you got to lose by having all kinds of goods on your shelf, that if and when the Federal Reserve Bank would take the responsibility off of your hands and try to sell something, if you have got it on your shelves, to do their best, to get that much out, what if you don't get more than a billion and a half dollars out of it?

H.M.JR: I will tell you exactly what we have got to lose, John. I will tell you exactly what we have got to lose. The thing we have got to lose is this: Any way that you look at this thing, we are going to have to rely over and above what we can sell to the people on the payroll plan, we have got to sell it in lots to the banks and

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insurance companies, but more and more to the banks. Now, heaven knows nobody can accuse me of pampering the banks in the nine years that I have been here. Am I talking loud enough?

MR. McKEE: I can hear you.

H.M.JR: But if you offered this security which is payable on demand, and it is an attractive security because it is payable on demand, and you say to the banks, "But you can't buy it. We expect you to handle our War Bonds without any compensation, we expect you to be issuing agents and this thing and that think, and there are a thousand and one things that we ask you to do, but when we come along and give something that is a little bit extra nice, you can't have that." And I don't think it is fair, John.

MR. ECCLES: That--

H.M.JR: Now just let me finish one second. There must be other opinions, I don't know. Maybe they all agree with you, Marriner. Maybe it is just one voice.

MR. ECCLES: The Board is unanimous and so are the Federal Reserve Banks.

H.M.JR: Don't tell me that, Marriner, because you can't prove that.

MR. ECCLES: Well, you have got the record approved by the presidents and the - you can ask all the group that is in this room here.

H.M.JR: I have talked to some of the people - I am not talking about the Board, but the twelve Federal Reserve Banks are not with you, and I will bring them in here and they will tell you so.

MR. ECCLES: I would like to know which one isn't, because we had a meeting that lasted two days and each Federal Reserve Bank expressed themselves.

MR. McKEE: I am willing to accept it, not knowing

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who you mean.

H.M.JR: Let me keep on it, the other people can talk for themselves. Let's say, John, take you - you say a billion or a billion and a half. Let's say you sold two billion.

MR. McKEE: O.K.

H.M.JR: And then you are through and the banks get sore. Where does it leave me with the other twenty-five billion I have got to sell?

MR. McKEE: Well, now, I am not going to argue with you as far as the - as maybe some president of some particular Federal Reserve Bank hasn't really been sold as yet on this system, but on the other hand, I am not willing to accept that the bankers would be hurt about that kind of an issue. I think a lot of them - now, you might find fellows like Randy Burgess that are chasing rainbows up and down the streets. He may be hurt, but that isn't true of the banker mind, because I think I can get the banker complex of this United States just as well as anybody in Washington, and I do know that they want to see this sold to investors.

H.M.JR: And leave them out?

MR. McKEE: They know there is going to be plenty for them. You can't leave them out. You can't do your job and leave them out.

H.M.JR: How can you prove that to me?

MR. McKEE: Do the job and not leave them out?

H.M.JR: No, I am not questioning that. We will go on the assumption that you can sell a billion or a billion and a half the way you said. How can you prove it to me that in doing this thing that you are not going to make all the bankers sore?

MR. SPROUL: Some of them, I think, Mr. Secretary may--

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H.M.JR: Let's just stick to that point.

MR. McKEE: Excuse me, Allan, but on your over-all plan you are going to have to increase every kind of goods you have got on your shelf, short-term paper, intermediate paper, and long-term paper. Is that not right?

H.M.JR: That is correct.

MR. McKEE: So if this is short-term paper for some people, you are going to have to give them, to do your program, short-term paper enough for their portfolio. Nobody is going to be harmed. It isn't a scarcity of goods because your program - the job you have got to do hasn't any evidence of scarcity of activity on your part.

H.M.JR: I don't make myself plain. Just for a round figure - I may be wrong - twenty-five billion dollars, is that a figure for the rest of this year?

MR. BELL: That we will have to finance?

H.M.JR: Yes, outside of War Bonds.

MR. BELL: About sixteen or seventeen billion.

H.M.JR: Bell says sixteen or seventeen billion dollars. For argument's sake, let's say that twelve billion of it has to go to the banks. Is that a bad guess?

MR. BELL: No, that is a good guess, probably.

H.M.JR: All right. The thing that I want to get over to you, that I want you to convince me, is that out of the twelve you have got to sell sixteen to the banks. I mean, my figures may be off twenty-five percent, but for the argument.

MR. McKEE: Yes, that is all right.

H.M.JR: And in order to do that a demand security is much more attractive and all the banks would like to have it.

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What?

MR. BELL: That is right.

H.M.JR: Now, the thing that - the only thing that worries me is, in selling this merchandise I don't want to offend my best customers. It is just as though I was in the grocery business and the Atlantic and Pacific Tea Company took seventy-five percent of my goods, but I got out of something, and I said, "Well, I am sorry, you can't have that, that is going to the independent grocers." Now, you have got your idea and I have got mine. Now, how the hell can we find which of us is right?

MR. McKEE: Mr. Secretary, I appreciate--

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

MR. McKEE: ... what the banks would like to have and all that, but nevertheless they are going to buy market issues that they can dispose of, and you are going to have to price those market issues at a price that they will subscribe for. Now, that is going to be the proportion that they are going to take. Now, you don't have to give them more than they are going to take and hold and that is what they would like to see - some of them would like to see you do, and price it so that they could subscribe for it and sell it at a profit. Not to hold it.

H.M.JR: But you don't get away - are you familiar with the great number of things that we ask banks to do for us for nothing?

MR. McKEE: Yes, and I am in sympathy with - I know your position on that, that you would like to make a contribution, but you can't and you want to do something. Now, I think your best way of making that contribution - and I take it from George's memorandum that there is some concern on the bill rate moving up as fast as it has - well, there is a medium of subsidy by indirection which solely goes to the banks because they are the owners of bills.

H.M.JR: But that isn't what worries George. George

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can talk for himself.

MR. McKEE: I just inject that into the argument as a possibility, that through the short-term market you can pay for some of the services you are getting.

MR. ECCLES: Let--

H.M.JR: Do you mind one minute?

MR. ECCLES: Yes.

H.M.JR: I mean, I know I haven't convinced John, and John hasn't convinced me.

MR. McKEE: I know I haven't.

H.M.JR: I don't know where the other Board members are, but let me use an example. The Atlantic and Pacific Tea are such big buyers. Now, you might sit back and say, "Well, to hell with them. Supposing he does buy seventy-five percent of my goods? I will give him all the goods that he needs." That is your argument. "I will give him - I am a manufacturer of oatmeal, and he can have all he wants, but I am going to get out a specially nice package and that is going to go to the independent grocers and the A and P can't have any. I will give him all he wants, but he has got to take it in a less nice package." That is the situation. It is a matter of merchandising.

MR. McKEE: All right, but I still contend that this Federal Reserve System may be all wet, but they still believe that they can solicit, not the objections, but the support of member banks to help you sell your credit to investors, and they will help you sell them.

Now, I speak of that because I think that there are some banks that know that they are going to pay through the nose for this thing, and they have got their sales adjusted to take it on the chin, and they are willing to go ahead, and we have seen a lot of that by sympathetic reaction to Regulation V and coming forth and making loans for production. It is on your side, and I don't think you

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realize, and you can't sample it because it isn't general in any respect, it is spotty. But it will become more general by experience.

H.M.JR: John, in my whole experience in Washington, I have never had finer cooperation from any group than the banks have given me during the past year. They have been magnificent, see. Now, I don't want to, because I am Secretary of the Treasury, abuse that, see, and the thing that I am arguing about is, not what you and I think - let's say I am a hundred percent wrong, but how can we find out, not what Randolph Burgess thinks, but what the rank and file of the bankers think, you see.

Now, you and I sit in this room here and find that out and certainly you people on the Federal Reserve are in a much better position to find it out than I am. How can you find out for me, for us, what do these fellows think, the rank and file, not the National City, not the Chase, but the rank and file. Now, if I am wrong--

MR. McKEE: My answer to that is--

H.M.JR: John, if I am wrong--

MR. McKEE: If you have had any services worth while in the past from the Federal Reserve System and the Federal Reserve System continues to serve you as their fiscal agents and they come and they say - now, you might say that you know that we are not in accord or something like that. That is news to me, but nevertheless I am willing to accept your statement. Have you any reason now to be fearful that if and when they ask for this opportunity to serve you further through this medium, that you can be harmed and that they are not capable of selling the idea to the member banks, that this is for their own good as well as for the Treasury?

H.M.JR: Let me ask you. There is no difference between the Federal Reserves now. It is this Advisory Committee that I question, the Advisory Committee.

MR. McKEE: You mean the Federal Advisory Committee?

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H.M.JR: What is their title?

MR. SZYMCZAK: That is right, the Federal Advisory Council.

H.M.JR: I said the - the Federal Advisory Council, that is what I--

MR. McKEE: The banker group?

H.M.JR: The banker group is what I question.

MR. ECCLES: We didn't include those. The memorandum we sent came to you from the Board and the twelve bank presidents.

H.M.JR: I understood it included them.

MR. ECCLES: No, we never discussed it with them.

H.M.JR: I understood it included the Board plus the advisory group.

MR. ECCLES: No, the bank presidents.

MR. McKEE: You are going back to before Pearl Harbor when we wanted authority to raise reserve requirements.
(Laughter)

H.M.JR: I was thinking of the banker advisory group.

MR. ECCLES: No, they have never been - the thing presented to you was the memorandum only from the Board and its president.

H.M.JR: I understood it included the banker advisory group.

MR. ECCLES: We have never discussed it with them.

H.M.JR: Just let me and John have it out for a minute on a very friendly basis. I am not questioning one bit - you say to me you want this opportunity to go to town. I

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am not questioning your sincerity that you mean what you say and will do the best you can because you have demonstrated it again and again, but all I am saying is that the thing that worries me is that like any manufacturer, I think, before we try it on the forty-eight states, we should try it on a community, but at least find out what the community would like, because I have often been wrong sitting here in Washington trying to interpret what the public thinks, and I am just worried that we might - and it is very, I should think, easy to find out through the twelve presidents of the banks whether I am wrong or right, and I am willing to leave it to the twelve presidents of the banks, that if we get out an issue which is not available to the banks, will I be taking the risk that I will sufficiently offend these people that they may throw in my face some of this work which they are doing at no cost to me but at extremely heavy cost to them. That is the whole point.

MR. ECCLES: We have got two presidents here.

H.M.JR: John, do I make myself clear?

MR. McKEE: Yes.

H.M.JR: And if I am wrong, John - now, I am perfectly willing to leave it to the twelve presidents of the banks to test the thing. If I am wrong, I will say to you now that I am willing to try one of these issues. Now, could I be fairer? Could that be fairer?

MR. McKEE: That is all right, and I am willing to go farther than that. If you have anybody complaining to you and you haven't time to answer the telephone, you refer them to me and I will take care of them, I don't care where they are in the United States.

H.M.JR: Well, you have been very nice, and I have tried more and more to keep you informed, but I say before I stick my neck out - now, I have been put in the position as though I wasn't against inflation. Well, I made a speech in Boston in September which certainly went out all the way on the thing, and I am just as worried and just as conscious

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of it as anybody. I hate it, and fear it just as much as anybody. If there is any money lying around, let's call it of a non-inflationary kind, I would like to get it. I would like to mop it all up. If there is a billion or three billion - I will go so far that I would be willing to issue an open-ended issue at this time. I will take four or five billion dollars. Bell, you have heard me say that.

MR. SZYMCZAK: All right, now is the time.

MR. ECCLES: We have got a program here on that.

MR. SZYMCZAK: I think we have got to there.

H.M.JR: I will take it and rest on my oars for a couple of months. If there are four or five billion - no, I won't renege. If there are four or five billion dollars of this stuff lying around, idle money, I will take it and like it, just as long as the twelve Federal Reserve presidents can assure me that in doing this thing, I won't have these organizations who are doing a dozen different services for us throw this stuff back in my face and say, "Take it and do - you know what to do with it."

Now, you can't blame me because I don't know how many of you are familiar with what the banks as fiscal agents - I mean, I am not talking about the Federal Reserves, we pay them - but all of these banks are selling twenty-five dollar bonds and New York has got fifteen salesmen out for me and is getting them made fiscal agents, and they are doing a thousand and one things. We offered to pay the postage. We got some letters back which were magnificent. The bank president said, "I will start any time to make out a War Bond on my own time and let the customer wait." Now, there is that spirit. You know it is hard as hell to get that, but it is awfully easy to kill it. Now, I am through, John. That is my whole thing, but please, before you put me on the spot, prove to me that I am right or wrong. That is all I ask.

MR. McKEE: Well, I don't think anybody can tell you

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within any reasonable amount how much would be available and it would have to be just as you have done with your baby bonds, and then your Defense Bonds, you have put - you have had to build up an organization which will have to be done on this.

H.M.JR: John, that isn't the question. I don't care whether it is five hundred million or five billion. I want to get - prove to me that we can do it without offending or lessening the enthusiasm of the banks.

MR. SPROUL: Mr. Secretary, I think if you made an inquiry through the Federal Reserve Bank presidents, you would get undoubtedly a divided opinion. Some would say that they didn't like the idea at all. I think if you made an inquiry you would merely get a divided view. Some would say they didn't like the idea of short-term tap issue at all. Others would say, "It is a fine idea, but if there is going to be any of that around, we want in on it," and others would say, "Yes, it is a good idea to get something which can be sold outside the banking system." I think from my own experience and discussing this from day to day and week to week with the bankers, if that is any criterion, with the growth in the size of this program and the amounts that are going to have to be borrowed from the banks, they would come around gradually to the view that we must have all kinds of merchandise on the shelves, and we must have an organization to sell all kinds of merchandise both outside the banking system and inside the banking system, and that this type of issue from which we are barred is one kind of merchandise that we should have. My own view is that your situation now is not the same as the wholesale merchant selling to the A and P and to independent grocers. You have a program here which is so big that you have to give a lead as well as follow what the buyer wants, that you are not selling to competitors of the A and P, you are selling to his customers who he wants you to sell to. He says with you, "We want to get as much as this outside the banking system as possible." As far as the banks and their compensation and their spirit with respect to aiding you on the war financing program, I don't think you could kill it by any such small thing as this. I think it is too big and too

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real a spirit of "do whatever is necessary."

Now, the fundamental situation with respect to bank investment very soon is going to be that we are going to have to provide them with the funds with which they make those investments. We are going to have to put the fund in to maintain their reserves and in that situation it is merely the desirable, I think the necessary, alternative to doing it through greenbacks or direct through the central banking system, but there is no need for being too fearful about their reaction to whatever you do, because they are merely taking part in a big financing program in which you have to call the tune from here on, and we have to provide most of the funds.

MR. ECCLES: That is right.

H.M. JR: Well, just let me talk a minute. I haven't got any hobby in this thing. I haven't got any fixed opinion, but I don't want to kill this very fine spirit.

Now, I read this survey which Dan gave me on how the banks feel, and from that you don't get it. You don't get the feel of the situation. I just don't know.

MR. SPROUL: Well, as I say, I have been discussing it with the New York City banks for some time now.

First, there was general opposition to the idea with some minor views that, "If there is going to be anything, we want it."

The most recent views I have had, and I can't say that this could go for all the banks, because I don't think it would - but the most recent view I have had of the market was, "What is the harm in trying it? We are going to have to have all kinds of goods on the shelves. We are going to have to have an organization to sell those goods, and we want to be prepared to do it."

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MR. WILLIAMS: Mr. Secretary, I attended a meeting of five hundred country bankers last Saturday up in Lewisburg, and I can check on what you say about their being patriotic and friendly. It was evident, for example, in their response to the certificates of indebtedness. I have here statistics on response in the third district. In all, there are about nine hundred banks up there, and all together about two hundred and forty of them came in. They liked especially that provision that gave them assurance they could get twenty-five thousand dollars. They wanted to know where they stood. They wanted to know from you what they were to do. They will respond. I think you have got a loyal group. On the question you raised, I don't think they thought through it, but one could, certainly on an experimental basis, determine pretty quickly what their attitude would be, and I think if they had all the facts as Mr. Sproul has just indicated, that you would get full cooperation from them.

H.M.JR: Don't you think that my position is reasonable? I want to know before I jump. I want to know how deep the water is.

MR. WILLIAMS. Yes, you are asking for some evidence, and I think it could be obtained, and I think it would be the right sort. If we put before them the complete comprehensive program and the part that they would play in it--

H.M.JR: What state is Lewisburg in?

MR. WILLIAMS: Pennsylvania

H.M.JR: Well, how long do you think it would take through the presidents of the twelve banks to find out?

MR. WILLIAMS: You could do it in two or three days.

MR. McKEE: You know, Mr. Secretary, I don't know how the presidents could approach this subject without you having a program that would show what had to be done and they were privileged to talk about that program of

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what had to be done, not only this, but in many other ways, such as market issues and so forth, and which they had the future opportunity of coming in on. Now, I think that--

H.M.JR: Well, I am perfectly willing. I don't feel the way I used to, that this thing has to be guarded as a secret. Now, let me ask you gentlemen this. In this thing where you said you were going to sell a billion or a billion and a half, I will stick to your own figures, did you have in mind the five-year issue or the long issue?

MR. McKEE: Oh, I think that is up to you. The short issue is what I had in mind.

MR. ECCLES: The short, yes.

H.M.JR: Then supposing just for argument's sake - we won't settle this thing this morning - and I don't want to forget the excess reserve thing either - supposing we said that for this next issue they would rely on a - I think you called it tap issue, didn't you, five years?

MR. McKEE: Registered issue. I don't like that damn word, tap.

H.M.JR: I don't either.

MR. ECCLES: Non-negotiable. Registered is a good word.

H.M.JR: Let's say we were going to sell a billion dollars of that, the five year. That goes, I take it, to non-banking institutions. And then a billion dollars of a long issue, open to anybody, you see. I mean, I am just throwing that on the table. I mean, just for a minute. Then we say well, in the next day or two we decide that is it. We could decide in a day or two that is it. Then give it not only to the Federal Reserve, but to this very fine organization of security dealers to let them go out and feel the market. How long do you think?

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MR. SPROUL: Well, I don't think we can get a reaction within two or three days that would mean anything. It takes a consideration and study of the whole financing problem and the whole program, and to ask a lot of country bankers how they feel about it, they will look at it in an isolated way as one particular issue and give you a snap judgment, which I don't think would be worth very much.

(Discussion off the record.)

MR. WILLIAMS: John, I think the Secretary would be interested in our general approach to the whole problem because we have discussed only one or two aspects of it. I think the memorandum might be in order now.

MR. ECCLES: Yes. I was just going to say that in discussing the excess reserve question and likewise in discussing this particular tap issue, it doesn't seem to me it can be intelligently discussed without considering its relationship to the whole problem. Now, we have prepared a brief statement here of three pages. We haven't had any time to give it any particular refinement. It is rather a rough draft, but it does express in general the views of the Executive Committee and the staff members who sat in with us. Likewise, Mr. Ransom and Evans, who sat in with us. They were present, too, in the preparation of this statement. It deals with the immediate problem, and then - if you want to go over it, then I would like to say something briefly on this short tap issue as related to it.

H.M.JR: Has anybody else seen it?

MR. SZYMCAK: No, we just brought it up.

MR. ECCLES: This just came off the typewriter ten minutes before we left.

H.M.JR: Dan will read it out loud.

MR. BELL: "Treasury Financing. The magnitude of of the war financing program is increasing enormously as

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we are successful in the war production program. The most recent budget estimates for the fiscal year 1943 indicate that expenditures by the Federal Government will be seventy-six billion dollars instead of sixty-two billion as was estimated in January. The Federal debt, taking account of the income from proposed new taxes, will increase by fifty-four billion dollars instead of forty billion. Exclusive of sales of War Savings Bonds at the hoped for rate of one billion dollars per month, thirty-five billion dollars will have to be borrowed from banks and other lenders and investors.

"The size of this task alone emphasizes the necessity of adopting a comprehensive long range financing program. Yesterday's Presidential message required the support of such a program, if monetary policy is to support fiscal policy in combatting a rise in the cost of living. There is a danger in feeling our way along without a program; the danger that we shall drift into a program which does not measure up to the requirements of our situation. The views of various groups of lenders and investors should be taken into account, but they should not control policy, nor be allowed to delay too long the adoption of a program. Financing a war of the present magnitude involves a judicious but very substantial amount of telling the buyer what he is to take, as well as finding out what he wants to buy.

"General Principles. One, the program should not be cast in the last war pattern of rising rates of interest as the war progresses.

"Two, maintenance or increase of the present volume of excess reserves as such in the country outside of New York or in New York is not necessary to the program and might be detrimental - it would continue pressure upon banks to invest whereas banks should have less inducement to invest and others should have more inducement.

"Three, there is need for an additional amount of short-term Treasury paper, such as bills and certificates of indebtedness, so that excess reserves can be shifted readily from market to market and bank to bank, through the purchase and sale of these obligations. This mobility

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of funds will not be achieved, however, if short-term rates are so low as to repel demand for such maturities outside the principal money markets.

"Four, borrowing from non-bank investors must be increased to the fullest possible extent in order to avoid the inflationary implications of an unrestrained increase in the volume of bank credit.

"Five, borrowing from commercial banks, in so far as it is necessary, should be for periods not exceeding ten years.

"Six, Federal Reserve System purchases of Government securities in substantial amounts will be necessary in order to maintain adequate bank reserves, and to facilitate the Treasury's financing program.

"Methods. The differences not covered by agreement on principles relate to methods of putting those principles into effect, and most particularly to methods of selling and keeping as large a volume of securities as possible outside the banking system.

"There are various ways of carrying forward the financing program (exclusive of War Savings Bonds, etc.), including:

"One, continuance of present method of offerings for general subscription.

"Two, periodic offerings of very large issues to be sold by campaign methods (Canadian program).

"Three, the Tap Issue Method (British program).

"Four, a method which combines offerings of special securities available at all times to investors other than banks, with regular and special campaign offerings of securities suitable for bank and other investment (such as the program previously proposed by the Federal Open Market Committee and the Board of Governors of the Federal Reserve System).

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"Whatever method of financing is chosen, and we again recommend the fourth method, we have now reached a point where it is imperative that we have an organization (separate from the War Savings Bond organization, which is working in a special field) available to sell whatever securities are offered; that is, an organization of the commercial banks, as well as the investment bankers and others, that will reach investors everywhere and sell Government securities. Such an organization can and should be set up in each Federal Reserve District centering around the Federal Reserve Bank.

"There will not be time before the May financing must be decided and announced to set up the organization for making a comprehensive program effective. The attempt should be made, however, to have this financing conform, as far as possible, with the objectives of such a comprehensive program.

"Specific Suggestions for May Financing. One, issue a 7-9 year two percent bond which will be primarily a bank investment. Such an issue in the amount of one to one and one-half billion dollars could be readily sold.

"Two, begin immediately to increase the weekly offering of Treasury bills from one hundred fifty million dollars to two hundred fifty million. For the present, the Federal Reserve System will support the Treasury bill rate firmly at three-eighths of one percent.

"Three, offer a registered two and one-half percent, 20-25-year market bond which could not be registered in the name of commercial banks for ten years and which could not be transferred for sixty days. The amount of this offering need not be fixed."

H.M.JR: What does that mean?

MR. SZYMCAK: After a fifteen year bond before it could be transferred to a commercial bank. For the first ten years--

MR. ECCLES: You could take five years or fifteen years. Ten is a--

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H.M.JR: After the thing is out ten years, the bank can have it?

MR. SPROUL: After it comes within the area of suitable bank investment, then it would be available to banks.

MR. SZYMCAK: That is right. It is consistent with the other statement on the ten years maturity.

MR. BELL: "The amount of this offering need not be fixed. The books could be left open for as long as desired, and a special canvass of insurance companies and other similar investors could be made.

"Four, discard all subscription rules. The reasons for these rules have now disappeared and subscribers should be permitted and encouraged to subscribe for whatever amount of Government securities they desire.

"The Federal Reserve System in this serious situation must, of course, do whatever it can to assist in the Treasury's program. It can be of greatest help if a comprehensive program is now developed. It is ready and willing to support such a program in whatever ways are necessary by whatever means are at its disposal. As an immediate guide to its operations, the System might undertake to purchase in the open market a sufficient amount of Government securities to offset future increases in currency in circulation. This in itself would not constitute a net increase in the amount of available bank credit."

H.M.JR: I will say this. It is a very honest and sincere memorandum, and I am very glad to have it. I don't think there is a tremendous amount of difference between us. I think the principal difference is on the question of excess reserves, where you say that it shouldn't be changed.

MR. ECCLES: Well, you are interested in two things, the success of the Treasury financing, and secondly, that a pattern of rates be maintained. Now--

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H.M.JR: I will add a third one. I don't know which comes first. I would like to sell every dollar that I can to non-inflationary sources.

MR. ECCLES: Outside the bank. We agree on that.

H.M.JR: That is right, non-inflationary sources.

MR. ECCLES: Now, there is one other thing that we didn't - on page two where we - number four. It is our idea that this present program for May, that this number three, this long tap issue here, number three, as you will notice, is modified considerably from the one that we proposed in the former memorandum. That is number three, in that it is available--

MR. SZYMCAK: It is a market issue, but it is registered.

H.M.JR: But it is a market issue, you see, but you have a way of keeping the banks from taking it through its registration. It is a market issue, but not a--

MR. BELL: It can't be registered in the name of a bank.

MR. ECCLES: It is not demand at all. It is a market issue, but the banks can't take it because it is registered outside of the banks.

MR. BELL: You have improved.

H.M.JR: It is not a demand issue?

MR. ECCLES: No.

H.M.JR: Say it again.

MR. ECCLES: It isn't a demand issue, it is a market issue, but it is not - it can't be registered in the name of the banks, so it keeps the banks out of it, and it gets your long-term funds in it.

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MR. SZYMCZAK: The banks can get it.

MR. BELL: It can be transferred between permanent investors only in the banking area.

ME. ECCLES: That is right.

MR. SZYMCZAK: You don't exclude the banks either. After a period of time they can have it.

H.M.JR: The doctor is over at the White House; and if I slipped over, then I could come back; but if you people could keep this thing going, but particularly should we go ahead on May 4 and should we do it on May 11, or what? I will be back. It only takes me ten minutes. But you people have changed here considerably.

MR. SZYMCZAK: No, we haven't changed. We are just moving along with conditions, and we still stand by our original statement.

H.M.JR: But your other two issues were demand issues.

MR. SZYMCZAK: I know, but that is the present financing we are talking about, that May financing.

(The Secretary left the conference.)

MR. ECCLES: I was just going to say, Dan, that this specific suggestion for May financing on number three, that after that is out of the way, it was then our idea that the short-term non-negotiable issue should be tried before the June financing so as to find out what funds can be gotten from that source, and it may well be that with this program under number three here that you would get, as the Secretary indicated, he is willing to take three or four or five billion, that you may get enough that June financing, market financing, would not be necessary.

MR. BELL: I am a little worried about that, because it takes time, you know, to put one of these things out, regulations and everything.

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MR. ECCLES: What do you mean, Dan, which ones do you mean?

MR. BELL: I am talking about tap issues that require special provisions.

MR. ECCLES: Sure. Our idea was to make it available for the first of June. That is the short tap.

MR. BELL: I am still worried.

MR. ECCLES: Well, I mean to the extent here that you propose bills. We feel that you have got to have more bills for two reasons. First, to help to make effective the existing two and a half billion or two billion seven hundred million of excess reserves; and secondly, so that the Federal Reserve System will have a volume of securities that they can readily purchase. In other words, the best way for us to deal with the excess reserve picture would be to purchase a half billion dollars worth of bills over a period of weeks here. That would be the one way to give to the market excess reserves. We feel very strongly that to come out and to actually decrease reserve requirements until these other things are done - now, it may well be that later on it would appear to be advisable to do that; but until these other things were done, until a program is set, it would look like all we are trying to do is to make for the continuation of the easy open market financing based upon the banks doing the great bulk of the financing, doing the underwriting, and we feel that that is a mistake, to give that impression at this time. Again, the President has just announced an anti-inflationary program. The Board is considering a regulation covering the whole field of consumer credit, which is the most difficult and involved job. It will have to do with the banks to a large extent. Now, to come along and to take that action with reference to consumer credit as an anti-inflationary means, along with other things that the President is doing, and the the Board right in the face of that to come out and announce they have increased reserves, I mean, increased excess reserves so as to put the banks under pressure, it would look contradictory, and we feel it would be a great

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mistake, and entirely uncalled for. If this sort of a program is adopted and we carry out an open market operation in order to maintain that three-eighths rate in the bill market--

MR. BELL: Well, I don't think you necessarily put the banks under pressure by increasing reserve requirements. You certainly make them feel a little happier.

MR. ECCLES: They don't want it. Did you read this report of Reserve cities the other day on the question of reserves?

MR. BELL: I read it.

MR. ECCLES: Well now, speaking of pleasing the - the Secretary was anxious to avoid offending the banks from the standpoint of their being customers, and this point which is accepted by the Reserve City Bank Association has this to say: "For the maintenance of a broad and dependable market for Government securities, the prime necessity is cooperative understanding between the Treasury, the Reserve System, and banks, buyers, and others. Closely related to the question of maintenance of steady interest rates is the reserve position of the banks. For a number of years the banks have had large - have had huge amounts of excess reserves, and this excess has been largely responsible for a continuous decline in interest rates. It has made Treasury financing very easy; for as rates fell, bank earnings also fell; and the banks were under pressure to use excess funds to buy more and more Government securities. Now, this situation needs to be re-examined, for it is necessary that securities be distributed wisely among investors, and the banks take only what cannot be sold to others.

"The banks ought to have less inducement to invest, and others should have more inducement. This objective would probably be achieved more easily if excess reserves declined somewhat further, but they should not be allowed to decrease enough to place too much - or to place pressure on the market." Now, there is the bankers' point of view on this picture so that--

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MR. BELL: The original draft had a billion and a half, and they were afraid of that figure, so they took that out.

MR. SPROUL: They were afraid of that figure, because they had in the back of their minds selling the program to the Treasury, and they thought there might be some resistance to the figure here. They still believe that way, I think.

MR. BELL: That is right.

MR. ECCLES: They would be very much opposed to an increase in the reserves. We would get just the same - we would get real criticism, I am sure. I am not concerned about that. If it were the thing to do - I think this program cannot be designed to suit private interests. You have got to try to work with them, but at the same time it has got to be a broad over-all program, as indicated here.

MR. SZYMCAK: And it isn't something you can do over night, Dan. You can't go right out and say, "There is a billion or two billion dollars of money waiting for you. It is an educational effort just like the War Savings Bonds, it takes time to work out.

MR. BELL: That is right. We can't rely on it for any particular month's money. That is what I am afraid is developing here. The Secretary is--

MR. BUFFINGTON: He doesn't understand that.

MR. BELL: We just can't do that.

MR. ECCLES: We don't want that to take the place of your May and June financing, that isn't our idea.

MR. BELL: I don't think it should take the place of either one of them.

MR. ECCLES: No, we never expected it to.

MR. SZYMCAK: It takes time.

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MR. ECCLES: The Secretary as he went out of the room said we have got to discuss whether we have got to do this next week or the week of the eleventh. Now, Dan, you are out of money by the twentieth. I think it has to be done, and I think we have to have two billion to carry us through to the next financing; and while we have a large balance going out of June, we are spending a hundred to a hundred and twenty-five millions a day above our receipts.

MR. SPROUL: We say you can get that, and whatever you get with this long term registered bond will be so much additional, which will--

MR. SZYMCAK: And you are breaking--

MR. SPROUL: Ease your total.

MR. ECCLES: And you can get ready for your short registered for June.

MR. WILLIAMS: Dan, the attitude of the banks of the country which concerns the Secretary, and I think very properly so, I think, turns on this. Will they be content to confine their maturities to ten to twelve year stuff at a rate which related to the maturities, say two percent? I would think there the problem of earnings for the bank is taken care of by the volume of the stuff, because there is going to be enough for everybody by the time we get through here.

MR. BELL: Well, I don't think they are worried about the volume. They are going to get plenty. I think what the banks are going to ask for, at least I am fearful this is what they are going to ask for, you have given everybody else a special security. They can come in and get their money on it any time with certain notice. Now, you have left us the bag so far as the market is concerned. Now, why can't we get a special security where we can put it on our books at par?

MR. GOLDENWEISER: That is the very point I wanted to make. This security doesn't offer - this security that

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is proposed in the memorandum doesn't say that it is redeemable without notice.

MR. BELL: No, but that is just for this particular financing.

MR. ECCLES: This tap issue.

MR. BELL: You still want the tap issue, as I understood.

MR. SPROUL: The short-term issue we still recommend, and that would be a redeemable issue; but the banks are getting what they want in short-term market issues which they can buy and sell with anyone, not be confined as they would be with this redeemable tap issue; and furthermore, they - if they - they know that they have a call on the Federal Reserve System if they need funds prior to the maturity of the obligation. They both have a marketable issue which doesn't--

MR. BELL: You have discarded entirely the long tap?

MR. SPROUL: We have a substitute for it now, and we still recommend the short tap as part of a comprehensive program.

MR. BELL: Well, you have relieved my mind a little; because as we approached it before, I said that I didn't mind the short tap, and I thought maybe it would produce some money, but I certainly have always been luke-warm to this long tap, and I have never been so sure as to what it would do to the market.

MR. McKEE: That is fine. Then you vote "yes" on the short tap?

MR. BELL: I didn't say I voted "yes." I said, "I would go along with it."

MR. ECCLES: Well, Dan, so far as the long tap, we were interested in accomplishing a financing of a long-term -

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a long-term financing outside of the banks.

MR. BELL: We all agree to that. We all agree that we want to get outside of the banks.

MR. ECCLES: Well, this accomplishes the same thing.

MR. BELL: Let me ask you this. You talk about this sales program and the drive that the Federal Reserve with the organization they have could put on. Couldn't you do the same thing with a two and a half percent marketable security with no frills or additions?

MR. SPROUL: Sure we could, but then it would go into the banks as well as to the others--

H.M.JR: It wouldn't if you placed it permanently.

MR. SPROUL: Well, they could buy it in the market.

MR. BELL: No, I am talking about a marketable security, and banks will take the security that is meant for them, the two percent. Now, you are going to put on a selling campaign to sell the long two and a half percent marketable security, and you are going to sell it to everybody except banks.

MR. SPROUL: The banks all over the country, I think, many of them would take the two and a half percent obligation knowing that they had a demand obligation as far as we are concerned under present circumstances, and I see no reason why the Treasury should pay two and a half percent for bank money under these conditions.

MR. ECCLES: It is demand when you get the market issue - two and a half market issue is practically a demand issue today.

MR. SPROUL: I think the only money the Treasury should pay two and a half percent for is insurance companies' and other institutional investors' money, where there is some reason really to subsidize the business because it needs

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that sort of income to keep going, and it is necessary to our social order to keep it going, but there is no reason to pay two and a half percent to banks for bank credit in these circumstances.

MR. HAAS: What is significance in - the meaning of "for the present" when you are talking about that three-eighths rate?

MR. ECCLES: George, you don't want to say--

MR. HAAS: I would like to get a little bit more the spirit of '76 on that.

MR. MURPHY: He means they will put it down soon.

MR. HAAS: I mean, is that just a temporary--

MR. McKEE: I think it was Ransom, George, that was speaking about '76. He was reading a circular of Government debt during the Civil War. "What was the length of it?" he said. It was a period of time. The interest rate was seven and three-eighths.

MR. SPROUL: Well, as far as I am concerned, I would be frank with you about that. I think we should stand at three-eighths of one percent for the present until we see what the effect of standing at three-eighths percent as on the distribution of securities at short term, that we would want to take another look at it after we had had experience with it, not be committed to that indefinitely, and that if the rate had to go higher to accomplish the purpose of getting a wider distribution outside the principal money centers of short term securities, then we would want to contemplate that.

MR. McKEE: Haven't we gone a long distance since the rate has come up here, George, in speeding this out in the street, so to speak?

MR. HAAS: You have gone a long distance. If it went any place it had to go outside.

MR. ECCLES: Yes, but they did go out. I mean, there is an increased buying outside as the rate gets above a quarter. A quarter of a percent rate just didn't interest the outside investors. The three-eighths does. Even now you have had quite a considerable amount of outside buying of bills, even though you are not quite up to the three-eighths, and it is our feeling that a three-eighths rate would bring in a considerable amount of the excess reserves of the banks outside of New York. Certainly we wouldn't have any - we didn't expect that the three-eighths rate would be changed unless it was agreeable to the Treasury that it should be, unless all of the facts of the situation after discussion and consultation with the Treasury made it appear to them as well as to us that there should be a change.

MR. HAAS: My personal opinion is that the three-eighths and the prospect that this isn't even firm, is going to change your rate structure even out on the long end.

MR. BELL: That is what I am afraid of, too.

MR. ECCLES: Well, if we support the long bonds it isn't.

MR. MURPHY: There is a big difference between a market that is supported, though, and a market that stays there, apparently, of its own accord.

MR. ECCLES: You are going to have to have a supported market on this whole picture. Every country has had it, and you are going to have to get used to it.

MR. MURPHY: I would prefer to not have a - there is one thing between a market that is mesmerized, and another thing between a market that has visible props under each issue.

MR. McKEE: By purchasing power?

MR. MURPHY: By direct purchasing.

MR. GOLDENWEISER: A reduction in a reserve requirement is a pretty visible prop. I can't see why that isn't as visible a prop and as big a prop as anything you could put up. I don't think you can get any distinction as between buying the securities as a visible prop, and reducing the reserve requirements as an invisible prop. I don't know that the distinction is a good distinction anyway, but you certainly can't make it between those two things.

MR. HAAS: Well, Goldie, before this year is out there has got to be quite an increase in excess reserves. Are you going to do it all through open market operations?

MR. SPROUL: Got to be quite an increase in reserves, not in excess reserves.

MR. HAAS: Oh, I see what you mean. All right.

MR. GOLDENWEISER: You are asking me, George. My answer is that I wouldn't want to say now what is - what we have got to do six months from now or nine months from now. Things are changing too fast. I wouldn't reduce requirements until we found that there is a situation that requires a major readjustment. I think myself, and I can speak only for myself, that the reserve requirements should be used only as a major readjustment at infrequent intervals.

MR. HAAS: In terms of what the Budget has just recently been advised, and I thought there was a general feeling in the Reserve that they wanted a long term program, I should think the long term program would at least envisage - I mean, the expenditure figures as they are now set forth have just recently been revised, so that you would - you couldn't look that far ahead, it is obvious. There are only really two places where the money and the magnitude as required can come from. That is from -

that, of course, is your income which is generally wages and salaries, and what you can't get out of that has to come from the banks.

MR. ECCLES: Well, it has to come from corporations, too, George.

MR. HAAS: Yes. I wasn't counting that. But that is a minor - in terms of the magnitude of the figures, Marriner, wouldn't you say it would be minor? I will take any estimate you want and say, "I agree with you," but still the amount is relatively small.

MR. ECCLES: Isn't this true? It is a question, after all, of the total volume of funds and the velocity of them, how fast you can - now, the velocity of our deposit structure is still very low, which shows that there are a lot of funds that aren't being used. So to the extent that funds must be supplied by increasing the volume of funds through banks making the investments, it seems to me it is pretty difficult to determine until you get a much greater velocity of existing funds, that we are not at the present time using anywhere near the funds that are available and the short tap issue would, to my way of thinking, tap a very large supply of funds, an increasing amount of funds, as corporations are unable - that is, the non-defense corporations are unable to invest their depletion and their depreciation reserves and likewise the funds that are going to accumulate through the reduction of inventories. The inventories today of consumer goods are very high and those - and the accounts are high, and as the accounts are checked and as the inventories are reduced, which is sure to be the case due to the reduction in the supply of consumer goods; funds are going to accumulate and as those funds accumulate the Treasury ought to get those funds rather than create new funds, and it was for that reason that we felt that this short tap issue would meet that problem, and I am sure that if the banks had a choice of having the short tap issue put into effect, or increasing reserve requirements

so that they could do the financing that we would expect to be done through the short tap issue, they would prefer the short tap issue rather than the increase in reserve requirements which would force them to not only take what we want them now to take, but take, in addition, funds that we would like to place outside the banks.

MR. HAAS: Assume, Marriner, all right, you put out tomorrow the short tap. Still you have got to do something about the reserve picture and, of course, you wouldn't do the whole thing in one lick. I wouldn't suggest that. But something has to be done in the very near future. Why not do it prior to this financing?

MR. ECCLES: Well, you have got two billion seven hundred million of excess reserves and we feel if you put out some bills and if the Federal Reserve operates in the bill market, that that will meet the situation, at least for a month or so here. Now, it may well be that it would be necessary for us to take action on reserves in the course of several months, and we feel that it would be better to do it then rather than right now after this anti-inflationary program has been announced.

(The Secretary returned to the conference.)

MR. HAAS: How about posting a bill rate? That would be right in line with the anti-inflationary program.

MR. ECCLES: Well, if we go in and buy at three-eighths it has the same effect.

MR. McKEE: Well, you haven't any fear, George, that any issue that you put out isn't going to be sold, have you?

MR. HAAS: Well, I think - that would just be foolishness to allow that to happen.

MR. McKEE: Yes.

MR. HAAS: But I have these fears, that you get rates -

well, now for instance, the six months certificate, we can't use that any more with the present rates. We couldn't issue another one today, I don't think.

MR. McKEE: Why not?

MR. HAAS: I think it is out of line.

MR. MURPHY: The bill rate went up.

MR. HAAS: The creeping up is what bothers me and pretty soon it creeps up so the long end of your market becomes untenable.

MR. SPROUL: There is nothing to - at least in the past record of rates, to indicate that the long market must become untenable.

MR. ECCLES: The Secretary has suggested that on account of his throat and this treatment, that we meet with him again in the morning and this afternoon that you boys meet with us over at the Fed. Is that agreeable?

MR. SPROUL: I will have to be back in New York tomorrow.

MR. ECCLES: Afternoon?

MR. SPROUL: Yes.

MR. ECCLES: Can you be here in the morning and take a plane at noon? It is important. What time this afternoon, Dan, would be suitable? How would two-thirty do?

MR. BELL: I have got an appointment at two-thirty but I can break that. Would three be all right?

MR. ECCLES: It would be all right with me. Is that O.K. with everybody?

MR. SZYMCZAK: And eleven o'clock tomorrow morning?

MR. McKEE: Three this afternoon?

H.M.JR: Shall we do it at three here tomorrow afternoon? Could you stay over, Bob?

MR. ROUSE: I think it would be better to go home and come back. I can be here tomorrow at three.

MR. ECCLES: O.K., then.

H.M.JR: I will be free at three tomorrow afternoon.

MR. ECCLES: How is that for you, Al?

MR. WILLIAMS: All right.

H.M.JR: All right, then.

April 28, 1942

TREASURY FINANCING

The magnitude of the war financing program is increasing enormously as we are successful in the war production program. The most recent budget estimates for the fiscal year 1943 indicate that expenditures by the Federal Government will be 76 billion dollars instead of 62 billion as was estimated in January. The Federal debt, taking account of the income from proposed new taxes, will increase by 54 billion dollars instead of 40 billion. Exclusive of sales of war savings bonds at the hoped for rate of one billion dollars per month, 35 billion dollars will have to be borrowed from banks and other lenders and investors.

The size of this task alone emphasizes the necessity of adopting a comprehensive long range financing program. Yesterday's Presidential message requires the support of such a program, if monetary policy is to support fiscal policy in combatting a rise in the cost of living. There is a danger in feeling our way along without a program; the danger that we shall drift into a program which does not measure up to the requirements of our situation. The views of various groups of lenders and investors should be taken into account but they should not control policy, nor be allowed to delay too long the adoption of a program. Financing a war of the present magnitude involves a judicious but very substantial amount of telling the buyer what he is to take, as well as finding out what he wants to buy.

General Principles

1. The program should not be cast in the last war pattern of rising rates of interest as the war progresses.
2. Maintenance or increase of the present volume of excess reserves as such in the country outside of New York or in New York is not necessary to the program and might be detrimental--it would continue pressure upon banks to invest whereas banks should have less inducement to invest and others should have more inducement.
3. There is need for an additional amount of short-term Treasury paper, such as bills and certificates of indebtedness, so that excess

reserves can be shifted readily from market to market and bank to bank, through the purchase and sale of these obligations. This mobility of funds will not be achieved, however, if short-term rates are so low as to repel demand for such maturities outside the principal money markets.

4. Borrowing from non-bank investors must be increased to the fullest possible extent in order to avoid the inflationary implications of an unrestrained increase in the volume of bank credit.
5. Borrowing from commercial banks, in so far as it is necessary, should be for periods not exceeding ten years.
6. Federal Reserve System purchases of Government securities in substantial amounts will be necessary in order to maintain adequate bank reserves, and to facilitate the Treasury's financing program.

Methods

The differences not covered by agreement on principles relate to methods of putting those principles into effect, and most particularly to methods of selling and keeping as large a volume of securities as possible outside the banking system.

There are various ways of carrying forward the financing program (exclusive of War Savings Bonds, etc.), including:

1. Continuance of present method of offerings for general subscription.
2. Periodic offerings of very large issues to be sold by campaign methods (Canadian program).
3. The Tap Issue Method (British program).
4. A method which combines offerings of special securities available at all times to investors other than banks, with regular and special campaign offerings of securities suitable for bank and other investment (such as the program previously proposed by the Federal Open Market Committee and the Board of Governors of the Federal Reserve System).

Whatever method of financing is chosen, and we again recommend the fourth method, we have now reached a point where it is imperative that we have an organization (separate from the War Savings Bond organization, which is working in a special field) available to sell whatever securities are offered; that is, an organization of the commercial banks, as well as the investment bankers and others, that will reach investors everywhere and sell Government securities. Such an organization can and should be set up in each Federal Reserve District centering around the Federal Reserve Bank.

There will not be time before the May financing must be decided and announced to set up the organization for making a comprehensive program effective. The attempt should be made, however, to have this financing conform, as far as possible, with the objectives of such a comprehensive program.

Specific Suggestions for May Financing.

1. Issue a 7-9 year 2 per cent bond which will be primarily a bank investment. Such an issue in the amount of 1 to 1 1/2 billion dollars could be readily sold.
2. Begin immediately to increase the weekly offering of Treasury bills from 150 million dollars to 250 million. For the present, the Federal Reserve System will support the Treasury bill rate firmly at 3/8 of 1 per cent.
3. Offer a registered 2 1/2 per cent, 20-25 year market bond which could not be registered in the name of commercial banks for 10 years and which could not be transferred for 60 days. The amount of this offering need not be fixed, the books could be left open for as long as desired, and a special canvass of insurance companies and other similar investors could be made.
4. Discard all subscription rules. The reasons for these rules have now disappeared and subscribers should be permitted and encouraged to subscribe for whatever amount of Government securities they desire.

The Federal Reserve System in this serious situation must, of course, do whatever it can to assist in the Treasury's program. It can be of greatest help if a comprehensive program is now developed. It is ready and willing to support such a program in whatever ways are necessary by whatever means are at its disposal. As an immediate guide to its operations the System might undertake to purchase in the open market a sufficient amount of Government securities to offset future increases in currency in circulation. This in itself would not constitute a net increase in the amount of available bank credit.

April 28, 1942
1:00 p.m.

HMJr: Hello.

Operator: Judge Rosenman.

HMJr: Right.

Operator: Go ahead.

HMJr: Hello. Hello.

Judge
Rosenman: Hello.

HMJr: My name is Henry.

R: Henry.

HMJr: Yeah.

R: Can you tell me approximately how many people are affected in the United States on - by a twenty-five thousand ceiling? In other words, how many people, approximately, would have a net income after payment of taxes of twenty-five thousand or.....

HMJr: No, but I'll try and find out for you.

R: No, I don't mean the exact, I mean, five hundred thousand, two hundred.....

HMJr: I wouldn't know.

R: Could you find out?

HMJr: Sure. How many pages are there in the Sears, Roebuck catalog?

R: Yeah. Is that many?

HMJr: I don't know.

R: Okay.

HMJr: How soon do you want to know?

R: Well, inside of two hours.

April 28, 1942
1:00 p.m.

HMJr: Hello.

Operator: Judge Rosenman.

HMJr: Right. ~~-----~~

Operator: Go ahead.

HMJr: Hello. Hello.

Judge
Rosenman: Hello.

HMJr: My name is Henry.

R: Henry.

HMJr: Yeah.

R: Can you tell me approximately how many people are affected in the United States on - by a twenty-five thousand ceiling? In other words, how many people, approximately, would have a net income after payment of taxes of twenty-five thousand or.....

HMJr: No, but I'll try and find out for you.

R: No, I don't mean the exact, I mean, five hundred thousand, two hundred.....

HMJr: I wouldn't know.

R: Could you find out?

HMJr: Sure. How many pages are there in the Sears, Roebuck catalog?

R: Yeah. Is that many?

HMJr: I don't know.

R: Okay.

HMJr: How soon do you want to know?

R: Well, inside of two hours.

- 2 -

HMJr: Oh, hell. We'll either give it to you right or not at all.

R: Okay.

HMJr: What?

R: Okay.

HMJr: Sure.

R: All rightie.

HMJr: Sure. Is that all you want to know?

R: That's all right now. There's been no change on taxes. Anything you got in the speech about taxes you want changed?

HMJr: No, I'm - no, I'll leave it - as far as I'm concerned, I'd say leave it alone. It's a good speech.

R: Well, it's been changed a lot. Oh, I'm wrong when I say that there's no change on taxes. Where he lists as items.....

HMJr: Yeah.

R:he's changed that number one to read - you make the change there.....

HMJr: Wait a minute. What's it say?

R: That item number one he's just changed to read - oh, wait until I get it.

HMJr: (Talks aside) Tell Chauncey or somebody - somebody has the President's speech for tonight - to get it. I don't know who has it. Somebody.

Hello.

R: Hello.

HMJr: Yeah.

R: He's cut the seven points in length.

- 3 -

HMJr: Yeah.

R: "One. We must through heavier taxes keep personal and corporate profits at a low, reasonable rate."

HMJr: Yeah.

R: That's all you're interested in.

HMJr: Is that all?

R: And then in five, you know he says - it's changed. "We must get more billions into War Bonds."

You don't object to that.

HMJr: No.

R: There have been no other changes you're interested in.

HMJr: No, that's all right.

R: Okay.

HMJr: I'd say that was fine.

R: All right.

HMJr: That's fine.

R: If any more changes come that you're interested in, I'll call you.

HMJr: I appreciate it. And I'll do the other thing right away.

R: He's thinking of putting in a sentence, "We will have to tax all tax-exempt Federal securities."

HMJr: (Laughs) Go to hell.

R: Okay.

HMJr: (Laughs)

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R: (Laughs)

HMJr: Did you get my letter?

R: No.

HMJr: It's not fair to pick on me today, Sam.
I've got such a bum throat. I'm low.

R: Okay. You should be in bed.

HMJr: It's - I'm not up - it isn't - it's unfair
sport.

R: Okay.

HMJr: (Laughs)

R: (Laughs) All right.

HMJr: But I can still laugh.

R: All right.

HMJr: All right.

R: Good-bye.

MEMORANDUM

April 28, 1942.

TO: Judge Rosenman
FROM: Secretary Morgenthau

In response to your inquiry as to the approximate number of people who would be affected by limitation of \$25,000 yearly income after Federal income taxes, I wish to advise you:

1. In calendar year 1942, under the tax rates proposed by the Treasury, it is estimated that the number of individuals or families who would have left more than \$25,000, after Federal income taxes, is as follows:
 - a. If joint returns are made mandatory, 22,000
 - b. If joint returns are not made mandatory, 19,000
2. In calendar year 1942, under the rates in the Revenue Act of 1941, it is estimated that the number of individuals or families who would have left more than \$25,000, after Federal income taxes, is as follows:
 - a. If joint returns are made mandatory, 44,000
 - b. If joint returns are not made mandatory, 38,000

April 28, 1942
3:00 p.m.

SILVER LEGISLATION

Present: Mr. White
Mr. Foley
Mr. Bernard Bernstein
Mr. E. M. Bernstein
Mrs. Klotz
Mr. Henry Morgenthau, III

H.M.JR: I am for abolishing all silver legislation when I go up there tomorrow.

MR. WHITE: Well, they will certainly do that.

H.M.JR: What are they?

MR. FOLEY: McCarran introduced a resolution--

H.M.JR: A little louder. Just because I talk in a whisper is no reason for you to.

MR. FOLEY: McCarran introduced a resolution about a month ago which was referred to this special silver committee in the Senate to investigate the reasons relating to the order which OPM put out relating to preference ratings for certain mining machinery. I assume that that is the reason why he wants you to come down there.

H.M.JR: No, he said in view of my statements in the press.

MR. FOLEY: I see.

H.M.JR: So your assumption is wrong. Start all over again. I made a statement based on what Harry White told me a couple of months ago, that he would have some silver legislation ready for me if and when I would give him a hearing. They pressed me, and I said, "Yes, it is being studied in Harry White's shop." Now I am on the spot. What did you have, Harry?

- 2 -

MR. WHITE: We are on the spot. We have got a bill there.

MR. FOLEY: We have got a couple of bills here. One bill would authorize you to sell silver at thirty-five cents an ounce, not less than thirty-five cents an ounce, and it also would permit you to lease or license the use of silver and it also would permit you upon such terms and conditions as you prescribed to make silver available for use in articles or commodities which are essential to the prosecution of the war and which are manufactured pursuant to a contract with the United States. In other words, that would permit you to give it away.

H.M.JR: And then I could sell it out of stuff already in the Treasury?

MR. FOLEY: That is right, stuff that is already here.

H.M.JR: Harry, one of you guys, tomorrow morning have it on a piece of paper, how much industrial silver we will use, the rate now as compared with the last two or three years. That is my whole excuse, see. And then have something about copper, Harry, when I go up there tomorrow morning, because we have got so much shortage of copper and so much use for the silver, and therefore I feel that we ought to loosen up and let them buy the newly mined silver. What is it, a hundred and twenty thousand a year?

MR. WHITE: It hasn't been that, but it may be that this year.

H.M.JR: Well, have something like that. But that is no good.

MR. FOLEY: And then it also would suspend the provision in the Silver Purchase Act which requires you to buy all newly mined domestic silver at seventy-one cents an ounce.

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MR. WHITE: If you raise that point, I don't think you can quite say what you said unless you say something else, because if you stop buying domestic silver at seventy-one cents an ounce, McCarran will come back and say, "Why, there is a lot of silver that is produced with this copper and this lead. If we can't get seventy-one cents an ounce, we will have to stop producing some of that copper."

H.M.JR: Now listen, what I was going to do is, instead of being political and smart, just for a change I thought I would be honest. You know, just for a change once in a while. I thought I would say, "Now, look, gentlemen, I know you are not going to agree with me. I think the silver legislation has had eight years of trial. In my opinion, for whatever it is worth, I don't think it has worked. Therefore, I think it ought to be abolished. That is my position."

MR. WHITE: I don't think they will let you get away with that wholly, because McCarran is bound to say, "Now, you are interested in saving copper."

H.M.JR: No, supposing I just say that. "I don't think that during the past eight years we have been able to prove to my satisfaction that silver is of monetary value."

MR. WHITE: Do you think this is a good time, Mr. Secretary, to curtail the production of such necessary metals as copper and zinc?

H.M.JR: Well, no, but let them pay for what they need for copper and zinc.

MR. WHITE: And Jesse Jones can do that under authority which he has. He can pay more for certain copper and zinc from certain mines or certain lodes than he can for others, and that is the way to meet that argument. That is Jesse Jones' problem. That is up to him. He is given authority to pay as much as he wants.

H.M.JR: The thing that I am afraid of, I have made this statement now publicly to Vandenberg and all the others.

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You fellows think it over. I will simply say, "Gentlemen, this is the way I feel. I know you don't agree with me, but this thing has had this time." You can give me figures. I mean, we haven't been able to get up to - what is it, one-third?

MR. WHITE: One-fourth.

H.M.JR: "And the thing hasn't worked and that is the way I feel. I know that you won't agree with me, and if you need the zinc or the copper, Procurement will pay whatever it is, two cents extra for high-cost copper in Michigan. We can do it through Procurement, or Mr. Jones can do it. If we need the extra stuff, we will pay the extra money. But to keep on buying this thing and so forth and so on, I think it is just unnecessary subsidy to a very small segment of the economic part of this country. That is the way I feel. I am not going to get excited. I know you people will not agree with me, but that is the way I feel."

MR. WHITE: I think you could say that and add one or two more arguments and make it very effective. I think you might also say that you would like to be able to sell silver if it is going above thirty-five cents. You just got a letter from OPA that they are worried about the rising price of silver and there is no way of stopping it, because the industrial demand is increasing and the foreign supply is diminishing, and silver will rise.

H.M.JR: Well, I think I should say something. It is running at about the rate of a hundred and twenty million ounces. We produced how much silver in this country?

MR. WHITE: Sixty-five.

H.M.JR: Sixty-five million in this country and sixty million in Mexico.

MR. WHITE: Seventy-five million.

H.M.JR: And how much in Canada?

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MR. WHITE: What is it, about fifteen in Canada? Twenty-five.

H.M.JR: Now, for every million ounces of silver that we can substitute for some other things, it releases that much for bullets.

MR. WHITE: That is right.

H.M.JR: "Now, both from a military standpoint and an economic standpoint, I can't see any justification, and that is the way I feel, gentlemen."

MR. WHITE: And it is inflationary too, at this time. Not much, but for whatever it is worth, it is inflationary.

H.M.JR: How much is there of gold and silver behind any dollar?

MR. WHITE: For every ounce of silver that is mined, you issue seventy-one cents.

H.M.JR: But how much is there behind - there is over two dollars behind it.

MR. B. BERNSTEIN: There is eleven and a half millions of currency in circulation. As against that, you have probably twenty-two and a half to twenty-three billions of gold besides the silver.

H.M.JR: But I mean the last I heard it was two dollars plus, was how much gold and silver there was behind every dollar.

MR. B. BERNSTEIN: That is approximately correct.

MR. WHITE: What I had in mind, it is inflationary in the sense that you issue money for the silver that you buy. It just takes more money and makes copper worth that much more.

H.M.JR: You issue a dollar twenty-nine, don't you?

- 6 -

MR. WHITE: You could, but you don't. You issue only the value of the silver you buy. So you issue seventy-one cents worth of silver certificates for every seventy-one cents worth you buy.

H.M.JR: Well, I could say on the inflationary front, on the economic front, and on the military front, every one of these fronts, my judgment tells me we should stop doing this thing. I am going to say, "Gentlemen, I am not going to get excited about this thing. I am not going to pull my hair about it one way or the other. I know you people don't agree with me. I don't expect to get into an argument. As far as I am concerned, the thing has had a trial for eight or nine years. It is no more necessary today than an NYA or CCC camp. They have both served their purposes in their time, and their time is past. What?

MR. WHITE: I think that is all right.

H.M.JR: That is a poor comparison.

MR. WHITE: I wouldn't make that comparison, but do you think that is the way to handle it? They are not going to agree with it. They are not interested in your arguments.

H.M.JR: If I begin to compromise, I might just as well go the whole hog and say, "Gentlemen, I am going to strike the thing off." If it was left to me, I would. I am not going to push this thing. I am not excited about it. There are a lot of other things.

MR. FOLEY: Well, I think if you say that you also ought to tell them that Nelson is thinking in terms of repealing the provision in the Silver Purchase Act which requires you to buy all the newly mined domestic silver, so that that silver will get into the market.

MR. WHITE: Did Nelson tell you that? If he didn't, I don't think you should say so.

MR. FOLEY: His people have talked about it.

- 7 -

H.M.JR: I will say this last move we made on silver was on the instigation of Nelson's office.

MR. WHITE: It was at their request.

H.M.JR: Instigation. 2

MR. B. Bernstein: May I be the devil's advocate with just one more question?

H.M.JR: I would be disappointed if you weren't, Bernie, but I am getting used to it, and like it.

MR. B. BERNSTEIN: Thank you very much. Supposing McCarran says, "There is such a shortage of strategic materials that no manpower is wasted when any metal is produced; and since silver is being used as though it were a strategic material, isn't it worth producing it even if you have to pay seventy-one cents an ounce for it?"

H.M.JR: Oh, I will say, "Why pay seventy-one when you can get it for thirty-five?"

MR. WHITE: Plus what Jones would pay for the by-products, plus the further fact that the material and the labor that goes into the the mining of silver should go into the mining of copper and other materials which are more necessary, and it won't be wasted if you don't produce silver.

H.M.JR: He knows I have got an eleven o'clock appointment. When I sit down I will say, "Now, gentlemen, please remember I have got an eleven o'clock appointment," so at a quarter of eleven if this is a heated argument, please don't think I am running out on you. What do you think, Edward?

MR. FOLEY: It is all right. We are not going to recommend anything. We will just have a little talk.

H.M.JR: No. I will just say, "This is the way I feel. I know you are not going to do anything. I have made this statement, and that is the way I feel. If you feel some way else, then don't let's have a hair-pulling match."

- 8 -

MR. FOLEY: All right, and we haven't got a bill that we are going to ask to have introduced, and we are not going to ask the President to send anything down.

H.M.JR: No.

MR. FOLEY: O.K.

H.M.JR: And I think they would be flabbergasted - what?

MR. WHITE: There is some question about OPA coming to us again for more bus bars, and we will have soon reached the limit of free silver. Now, do you want to mention that or do you want to anticipate coming to them for further powers or let that go until that occasion arises?

H.M.JR: We will let them have forty million ounces?

MR. WHITE: Forty thousand tons.

H.M.JR: How much have you got altogether?

MR. WHITE: Well, there is another seventeen. It is mostly gone, of the free silver. We would have to go into the silver behind the silver certificates.

MR. FOLEY: What have we got, about eighty of that?

MR. E.M. BERNSTEIN: Eighty-six altogether.

H.M.JR: After we let the free silver go, how much would we have left?

MR. B. BERNSTEIN: About forty-seven altogether.

H.M.JR: Tons?

MR. WHITE: Thousand tons.

H.M.JR: But I don't think we ought to let that go.

- 9 -

MR. WHITE: There is some difference of opinion on that. I don't know, if we ever wanted to go to it, there is another proposal which the lawyers have, and that is to permit you the authority to use any metal that you have at all in your coins or behind the silver, if you see fit, in any way you see fit for the war effort.

H.M.JR: Well, I think what I will say is this: "If Mr. Nelson feels he needs something more, I am going to ask him to come up before you and ask you."

MR. FOLEY: If the shortage of copper and other metals gets more acute, you might want to ask Congress for authority to call in the copper pennies and the nickels and melt them down and put out some kind of a war coin in lieu of the things that are out now.

H.M.JR: I don't think I am going to say much, gentlemen. I think I am going to go up there and just be very quiet like, because they are not going to expect that and so forth.

MR. WHITE: I think that is wise, because they have no intention of being convinced by anything you say.

H.M.JR: I will never forget the first year I was here. You (Mrs. Klotz) have heard this story. I went to Senator Ashurst of Arizona. Have you heard me tell this story?

MR. FOLEY: No.

H.M.JR: Have you?

MR. WHITE: No.

H.M.JR: I said, "Look, Senator, I am here and I come from the East, and I don't understand silver. Why are you so interested in silver?" He said, "Morgenthau, I was brought up on my mother's knee on silver, and I can no more discuss silver with you than you can discuss your religion with me." And I said, "Senator, thank you for that very revealing explanation."

- 10 -

MR. WHITE: That explains a lot. The only thing is, you don't make money out of your religion.

H.M.JR: No, I don't say I do.

MR. WHITE: But they do make it out of their silver.

APR 28 1942

Dear Mr. Nelson:

This is in reply to your letter of April 22nd, enclosing a copy of your letter to Mr. Jesse Jones on the matter of silver bus bars.

I understand from Mr. Foley that Mr. Jones is going forward with the arrangements.

Sincerely yours,

(Signed) H. Morgenthau, JR.

Secretary of the Treasury.

Mr. Donald M. Nelson,
Chairman, War Production Board,
Washington, D. C.

*cc - n.m.c. Please file**By Messenger [Signature] 4:00**copies to Thompson**File to Dr. White*HHS:ls
4/27/42

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

April 22, 1942

Dear Mr. Secretary:

This will acknowledge and thank you for your letter of April 16th together with the enclosures referred to therein relating to the use of the free silver stocks of the Treasury in lieu of copper for bus bars and other purposes. In this connection I have written to Jesse Jones per the attached copy requesting him to save the Treasury harmless from any loss of silver resulting from its conversion and use for war purposes.

I am very anxious that no delay occur in the prompt use of this silver and therefore hope you will advise me if you feel that I can be of any further assistance.

Sincerely yours,



Donald M. Nelson

The Honorable
The Secretary of the Treasury

Attachment



WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

April 22, 1942

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I am very anxious that no delay occur in the prompt use of this silver and therefore hope you will advise me if you feel that I can be of any further assistance.

Sincerely yours,



Donald M. Nelson

The Honorable
The Secretary of the Treasury

Attachment

DEFENSE



April 22, 1942

Dear Jesse:

I am in receipt of a letter from Henry Morgenthau dated April 16, 1942, enclosing copies of his recent correspondence with you on the subject of the substitution of silver for copper for bus bars and other purposes. In order to save time in this pressing matter, I am writing you directly and am sending a copy of this letter to Mr. Morgenthau.

Mr. Morgenthau, in his letter, referred to the fact that the Treasury Department concluded there was legal authority to permit the use of the free silver on the basis that it be returned to the Treasury and that any loss through wear or tear or other reasons be made good. Mr. Morgenthau states that the Attorney General rendered an opinion concurring in the Treasury's view and that the President approved the proposal.

In your letter of April 14th to the Secretary of the Treasury you suggest that the Defense Plant Corporation should not bear the risk of loss involved in its agreeing to return silver of the same weight and fineness to the Treasury. Any such change from the other proposal would appear to necessitate further delay, as it would presumably require a further opinion from the Attorney General, and possibly another approval from the President.

It is of the utmost importance that these arrangements be completed promptly, if we are to save the copper and not delay the aluminum and magnesium programs. Accordingly, I request that you, through the Defense Plant Corporation or any other agency under your jurisdiction, agree to bear these risks. If for any reason you feel you do not have the authority to make such an arrangement, please advise me as promptly as possible.

Sincerely yours,

Donald W. Nelson

The Honorable
The Secretary of Commerce

cc: Secretary of Treasury ✓

LML:ECH:ms

APR 28 1942

Gentlemen:

Attention: L. W. Knack

Reference is made to my letter of November 19, 1941, enclosing a form of letter which I approved and which I authorized and requested you, as fiscal agent of the United States, to write to Banco de Mexico, S. A., Mexico City, Mexico, respecting the purchase of newly-mined Mexican silver.

It is my understanding that Banco de Mexico has advised you that it wishes to renew, for the month of May, 1942, the arrangement provided for by your letter of November 21, 1941, to it. This is to advise you that you are authorized and requested, as fiscal agent of the United States, to renew such arrangement for the month of May, 1942, all as stated in your letter to Banco de Mexico above mentioned, except that during May, 1942, you may purchase newly-mined Mexican silver which according to the production date marked on the bars was produced in Mexico during April, May or June, 1942, and so to advise Banco de Mexico, and to carry out during such month the transactions contemplated by your letter of November 21, 1941.

It is understood that the terms of the Department's letter to you of June 19, 1934, regarding the purchase for the account of the United States of silver, at home or abroad, shall apply to the action taken by you pursuant to the foregoing, except that the silver purchased pursuant to this authorization need not be of the degrees of fineness, or carry the marks, required for "good delivery" in the market of the place where the purchase is made or where delivery is to be taken.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Federal Reserve Bank of New York,
33 Liberty Street,
New York, N. Y.

RH:kma 4/14/42

H. S. M. C.
Bureau District Office

APR 28 1942

Gentlemen:

Attention: L. W. Keeble

Reference is made to my letter of February 28, 1936, enclosing a form of letter which I approved and which I authorized and requested you, as fiscal agent of the United States, to write to the Bank of Canada, Ottawa, Ontario, Canada, respecting the purchase of newly-mined Canadian silver, and also to my letters of May 13, 1936, November 5, 1936, January 26, 1938, March 29, 1940 and September 14, 1940, in this connection.

It is my understanding that the Bank of Canada has advised you that it wishes to renew, for the month of May, 1942, the arrangement provided for by your letter to it of February 29, 1936 as amended and clarified by your letters of May 27, 1936, November 10, 1936, January 27, 1938, March 30, 1940 and September 24, 1940. This is to advise you that you are authorized and requested, as fiscal agent of the United States, to renew such arrangement for the month of May, 1942, all as stated in your letter to the Bank of Canada above mentioned, as amended and clarified, except that during May, 1942, you may purchase newly-mined Canadian silver which according to the production date marked on the bars was produced in Canada during April, May or June, 1942, and so to advise the Bank of Canada, and to carry out during such month the transactions contemplated by your letters of February 29, 1936, May 27, 1936, November 10, 1936, January 27, 1938, March 30, 1940 and September 24, 1940.

It is understood that the terms of the Department's letter to you of June 19, 1934, regarding the purchase for the account of the United States of silver, at home or abroad, shall apply to the action taken by you pursuant to the foregoing, except that the silver purchased pursuant to this authorization need not be of the degrees of fineness, or carry the marks, required for "good delivery" in the market of the place where the purchase is made or where delivery is to be taken.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Federal Reserve Bank of New York,
33 Liberty Street,
New York, N. Y.

RH:kma 4/15/52

*Mailed from District office
M.M.C.*

April 28, 1942
3:58 p.m.

HMJr: Hello.

Secretary
Stimson: Hello, Henry.

HMJr: How are you, Henry?

S: You wrote a letter to me about next Monday,
which I'm trying to accept.

HMJr: Oh, good.

S: But it's awfully hard for me to make any sort
of a talk.....

HMJr: Oh.

S:and I'm - I - I'm a little choosy about
my talks. I don't have any ghost writers much.

HMJr: I see.

S: But - so I'd like to know what to - what the
time is - I mean the length of time, the length
of the thing and the surroundings.

HMJr: Well, I - well, the surroundings would be my
office, and Mr. Nelson's accepted.

S: Mr. who?

HMJr: Nelson - Donald Nelson. Knox is out of town.
He suggested Admiral King. I think he's going
to accept, but he's - I can't reach him - but
his office said they thought he'd talk. And
the idea is just to stimulate the purchase of
War Bonds.

S: How much time.....

HMJr: From you?

S: For me.

HMJr: Oh, five minutes?

- 2 -

S: Well, is it - is it worth it, that's only.....

HMJr: Pardon?

S: I was wondering whether my contribution in that length of time would be worthwhile.

HMJr: Well, I.....

S: A little bit longer would be essential to bring out the point I wanted to bring.

HMJr: You want - well, how much time do you want?

S: I don't know. I don't want any more than the others have, but I wanted to have enough to make a point - my point that I found most effective in the last war when I was snaked in - when I came back from the front - on Liberty Loan Bonds was - I'm not going to say anything about the amount of weapons we want.....

HMJr: Yes.

S:I mean, the kind of weapons and things of that sort; but what I found was counted - woke up the people.....

HMJr: Yeah.

S:was that the weapons in a war of this kind, even of the kind then, but much more so in this war, meant the saving of life to the American soldiers.

HMJr: Yes.

S: And I say - you put it every - you've got to pay either a dollar in bonds, or a dollar in blood.

HMJr: Yeah.

S: And you - the enemy are going to have their people protected, and if you're unwilling to give us the weapons to overcome their defense, why it means simply that our poor men will have to do it with their bare hands, and that's

- 3 -

why we ask you for more weapons. Well, that's now - I mean, just in general.

- HMJr: Well, it sounds very good. I sent for Kuhn. He ought to be here any minute. I can then ask him what time we go on and how much time that they've given us, you see.
- S: But I mean, a mere five minute speech is.....
- HMJr: Well, how about.....
- S: I wondered whether it was worthwhile.
- HMJr: Well, how about ten minutes?
- S: Ten minutes could be done, I think.
- HMJr: Well, I'm sure we can arrange ten minutes.
- S: Yes.
- HMJr: I'm sure we can arrange ten minutes.
- S: I mean, in other words, I'm - we're preparing an army of American boys and I'm - whatever I say, I'm going to say it for their protection, and their help in the hardest and most dangerous and bloodiest task they've ever had.
- HMJr: Well, now, if you'll just hold the wire one second, I'll ask Kuhn.
- He says it's from nine-thirty until ten.
- S: Yes. How many people have got to speak in that time?
- HMJr: Well, there'd be - the way it is now - I mean, all I'll do is to introduce - there'd be yourself, and Nelson, and King.
- S: Yes. Well, I can - I guess I can get it in easily in that time.
- HMJr: I'd like awfully to have you. Hello.

- 4 -

S: Yes.

HMJr: I say, I'd like very much to have you.

S: I appreciate that. Thank you. But I was just thinking to myself.

HMJr: Well.....

S: I think we could probably put in something if I had seven or eight minutes, something like that, we'd get it in.

HMJr: Oh, yes.

S: But make it ten, if possible.

HMJr: Yes.

S: All right. Okay, I'll try to do it then.

HMJr: Well, can - are you saying yes to me?

S: I'm saying yes, but it's - (Laughs) - it's a reluctant, hard yes.

HMJr: What?

S: Still I think you're entitled to it. I want to help you.

HMJr: Well, it would be most helpful to us. I say it would be most helpful.

S: Yes. Well, thank you for that. Yes, I'm glad that you think that my help will do you any good.

HMJr: We've got - we have two hook-ups that night. There are two different radio chains.

S: What hour?

HMJr: Nine-thirty to ten.

S: Yes, I see.

HMJr: That's a good time.

- 5 -

S: Yes.

HMJr: And we're on NBC and then on Mutual.

S: Yes. And I was just trying - I was just trying to visualize your whole picture and see how it would come in.

HMJr: My picture?

S: The picture that you presented - that set-up that you just.....

HMJr: Oh.

S:were speaking of.

HMJr: Well, each man will talk on what is closest to his own heart, you see.

S: Yes.

HMJr: And the idea is that by having you, we get the audience and we explain what it means to the armed forces to have, as you say, the tools they have to work with and if they're going to have them, we've got to pay for them.

S: Yes.

HMJr: I mean, that's the whole idea; and somebody like myself can stress - why, I mean, I won't talk much at all - just introduce; but if I have a few minutes, I may say something of the importance of getting it from the man who works in the munitions plant and so that he'll give us the money rather than spending it on some luxury.

S: Yes. What - oh, yes, I see.

HMJr: You see what I mean?

S: You mean - yes.

HMJr: I mean, that if he'll save his money rather than spending it on a luxury, and lend it to his

- 6 -

Government.....

S: Yeah.

HMJr:that we can put it to a great.....

S: In other words, the difference - if he'll make the difference of putting in an investment in a bond instead of squandering it on a.....

HMJr: That's right.

S:drink, why that's all we're asking him.

HMJr: That's right.

S: Well.....

HMJr: The President, both in his message to Congress stressed the bond thing and the objective, if you would notice - I'm sure you've.....

S: I haven't yet read the message.

HMJr: Well, if you read that, that gives the.....

S: The one today, or the one.....

HMJr: / The one today - particularly the one to Congress.

S: Yes.

HMJr: I mean the one to Congress, because - how should I say - we gave him a few hints - is that a polite way of putting it?

S: Yes.

HMJr: What?

S: A very true way, probably.

HMJr: And he took it and amplified it, and I think if you would read what he said about War Bonds, you'd get sort of the keystone, the spirit of the thing.

S: Yes.

- 7 -

HMJr: Because he said quite a lot about it.

S: Yes, I see. That's in the Congress one.

HMJr: In the Congress.

S: All right.

HMJr: Yes.

S: All right.

HMJr: Well, I'm delighted.

S: Well, I want to help you, old man, in this thing.

HMJr: Thank you.

S: Good-bye.

4/28/42

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Admiral Wilson reported Admiral King will
be out of town until 4/29 - will let HM Jr
know then.

April 25, 1942

TO: MR. KUHN
FROM: THE SECRETARY

Secretary Knox cannot come for the broadcast on May 4. I asked if it would be all right if we asked Admiral King and Knox said yes; he would be glad to have Admiral King go on and I could say so to Admiral King.

*See phone conv. with King - 4/25 -
Will let King know -*

*Broadcast postponed
indefinitely 4/29 -*

TREASURY DEPARTMENT

85
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INTER OFFICE COMMUNICATION

DATE April 28, 1942

TO The Secretary of the Treasury
FROM Mr. Houghteling

At your suggestion I recently approached William Green of the A.F. of L. and Philip Murray of the C.I.O. about getting the help of field organizers of their staff and of their constituent national unions to help us promote the participation of their members in Pay Roll Savings Plans. Both Mr. Green and Mr. Murray agreed cordially to put their entire staff of organizers at our disposal.

Mr. Green agreed to write the heads of all of his national unions about this matter and also asked me to consult with Frank Fenton, Director of Organization, who has 150 organizers working directly under his control.

Mr. Murray has a similar group of organizers, directed by Alan Hayward, who will be available to help the Treasury.

Yesterday I worked out a plan with Mr. Fenton. It involved dividing the country into four districts, the North Atlantic States, the Southern States, the Middle West and the Western States. It was agreed that one member of the War Savings Staff should be in charge of each district and should have the duty of contacting the organizers at various central points and explaining the whole program to them. The Treasury can provide our representatives with schedules by States, showing the companies in each State which have installed Pay Roll Savings Plans, the number of members participating and the percentage of pay allotted per participant. Mr. Fenton agreed to appoint one of his chief organizers for each district to work with our Treasury men -- Mr. Hyatt, Mr. Barrett, Mr. Dowell, etc. In this way we will have two men responsible for allocating work to the various A.F. of L. organizers in each district. These men will ascertain which of the Pay Roll Savings Plan companies have labor contracts with A.F. of L. unions. From the result of this, the A.F. of L. organizers will be asked to get to work on the local A.F. of L. unions employed in the various plants having Pay Roll Savings Plans, in order to urge union members to participate in greater numbers and to allot a larger percentage of their pay. This can be done through forming committees in the local unions, through union meetings, mass meetings, individual solicitation, etc. Mr. Fenton stated that he wished to use the entire organization of the A.F. of L. to vitalize this program among State Federations, City Central bodies, etc., forming committees everywhere to promote the War Savings Program.

- 2 -

In the case of the railroad unions we already have joint committees on 150 railroads, with membership representing both management and labor. We have an average of ten labor men on each railroad committee, all of them general chairman of railroad unions whose time is paid for by the unions themselves. Besides these 1500 railroad labor men who are giving a considerable part of their whole time to the War Savings Program we have many divisional chairmen whose time is paid for by the railroads themselves.

In the case of the C.I.O., Mr. Murray and Mr. Carey have agreed to a program like that of the A.F. of L. and we hope to follow with the C.I.O. the same plan outlined in yesterday's discussion with Mr. Fenton.

April 28, 1942

My dear Mr. President:

I feel sure that you will be as pleased as I was on reading these very unique letters from President Green to the various officers of the A.F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A.F. of L.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

The President,
The White House.

File N.M.C.

By Messenger 55 Aug. 5:20

April 28, 1942

Dear Henry:

I thought you would be interested in reading these very unique letters from President Green to the various officers of the A. F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A. F. of L.

Yours sincerely,

(Signed) Henry

Hon. Henry A. Wallace,
The Vice President.

N.M.C.

April 28, 1942

Dear Harry:

I thought you would be interested in reading these very unique letters from President Green to the various officers of the A. F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A.F. of L.

Yours sincerely,

(Signed) Henry

Hon. Harry Hopkins,
The White House.

n.m.c.

April 28, 1942

Dear Steve:

I thought you would be interested in reading these very unique letters from President Green to the various officers of the A. F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A. F. of L.

Yours sincerely,

(Signed) Henry

Hon. Stephen Early,
Secretary to the President,
The White House.

N.M.C.

April 28, 1942

Dear Lauch:

I thought you would be interested in reading these very unique letters from President Green to the various officers of the A. F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A. F. of L.

Yours sincerely,

(Initials) N M C

Dr. Lauchlin Currie,
The White House.

N.M.C.

April 28, 1942

Dear Donald:

I thought you would be interested in reading these very unique letters from President Green to the various officers of the A. F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A. F. of L.

Yours sincerely,

(Signed) Keenan

Mr. Donald Nelson, Chairman
War Production Board,
Washington, D. C.

N.M.C.

April 28, 1942

Dear Harold:

I thought you would be interested in reading these very unique letters from President Green to the various officers of the A. F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A.F. of L.

Yours sincerely,

(Initialed) H M G.

Hon. Harold W. Smith,
Director of the Budget.

H.M.C.

April 28, 1942

Dear Leon:

I thought you would be interested in reading these very unique letters from President Green to the various officers of the A. F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A. F. of L.

Yours sincerely,

(Signed) Henry

Hon. Leon Handerson,
Office of Price Administration,
Washington, D. C.

n.m.c.

April 28, 1942

Dear Archie:

I thought you would be interested in reading these very unique letters from President Green to the various officers of the A. F. of L.

I have been assured by the C.I.O. and the Railroad Brotherhood that they will do at least as well by us as the A.F. of L.

Yours sincerely,

(Signed) Henry

Hon. Archibald MacLeish,
Office of Facts and Figures,
Washington, D. C.

n.m.c.

C
O
P
Y
AMERICAN FEDERATION OF LABOR

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,

(Signed) William Green

President,
American Federation of Labor.

Y. Enclosure.

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AMERICAN FEDERATION OF LABOR

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.

- 2 -

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,

(Signed) William Green

President,
American Federation of Labor.

C
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Y
AMERICAN FEDERATION OF LABOR

April 24, 1942

TO ORGANIZERS OF
AMERICAN FEDERATION OF LABOR

Dear Sir and Brother:

Secretary of the Treasury Morgenthau, Jr., has appealed to me to render all assistance possible in the sale of Savings Stamps and Bonds. As you well know, the cost of the war is very great. In order to meet this cost a regular 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.

- 2 -

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,

(Signed) William Green

President,
American Federation of Labor

April 24, 1942
ds

APR 28 1942

Dear Bob:

I want you to know that General A. H. Carter, in charge of the Administrative Division, and his representatives were very helpful in changing the War Department directive covering the accountability for pay roll deductions made by corporations under cost-plus-a-fixed-fee contracts with the Government.

I appreciate the good and fast work which they did in this connection and I have taken the liberty of writing directly to General Carter to thank him and his representatives for their part in it.

Sincerely yours,

(Signed) H. Worgenthau, Jr.

Secretary of the Treasury

Honorable Robert P. Patterson,
Under Secretary of War,
War Department,
Washington, D. C.

By Messenger

n.m.c.

Sturges 12:20
copy to ThompsonDWB:HLE
4/28/42

LORD & THOMAS
Advertising

247 PARK AVENUE, NEW YORK

April 28, 1942

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

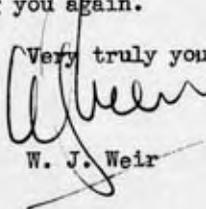
Dear Mr. Secretary:

I spoke with Mr. Gamble today and was sorry to hear that you aren't feeling so well. I sincerely hope you will be back at your desk soon and feeling well above par.

Meanwhile, I have prepared a device to be used in the advertisements which I think will do much to put across the quota idea in all communities, and do it locally.

Mr. Gamble told me he would speak to you on your return and arrange for our next meeting. I look forward to seeing you again.

Very truly yours


W. J. Weir

WJW/hs

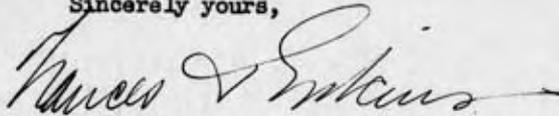
April 28, 1942

My dear Henry:

Thank you so much for sending me the copy of the letter and leaflet urging the purchase of War Savings Bonds.

May I congratulate you on your program?

Sincerely yours,



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

RECEIVED DEPARTMENT OF THE TREASURY
APR 29 1942

RECEIVED DEPARTMENT OF THE TREASURY
APR 29 1942



BUREAU OF ACCOUNTS
OFFICE OF THE COMMISSIONER

TREASURY DEPARTMENT

FISCAL SERVICE

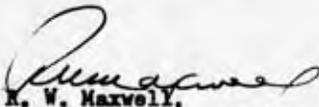
WASHINGTON

April 28, 1942.

TO MISS CHAUNCEY:

Further reference is made to your inquiry of April 21 concerning the newspaper clipping captioned "WPA Worker Loses Job When He Buys War Bonds," and to my memorandum of that date stating that Mr. Brummett, Assistant Commissioner of the Work Projects Administration, had advised that the case was a misinterpretation of the regulations issued by the Work Projects Administration. Mr. Brummett also advised that the employee would be reinstated and that a definite interpretation of the regulation would be sent out pertaining to the purchase of War Savings Bonds.

There is enclosed a copy of Employment Letter No. 34 of the Work Projects Administration which is self-explanatory, and which also takes care of the re-employment of the worker mentioned in the clipping.



R. W. Maxwell,

Assistant Commissioner of Accounts.

Enclosure



FEDERAL WORKS AGENCY
WORK PROJECTS ADMINISTRATION
1724 NEW YORK AVENUE NW.
WASHINGTON, D. C.

A4293

HOWARD O. HUNTER
COMMISSIONER OF WORK PROJECTS

April 16, 1942

Employment Letter No. 34

TO: All State Work Projects Administrators

SUBJECT: Eligibility of Persons who own Defense Bonds
or Stamps

In determining need for employment and continued employment on projects of this Administration, defense bonds and/or stamps (hereafter to be known as War Savings Bonds and Stamps) owned by the applicant shall not be considered. Referral agencies should be instructed regarding this policy. Workers who, during the review of need, have had their certification cancelled because they owned war Savings Bonds and/or Stamps, should be recertified by local offices of this Administration if they reapply for employment.



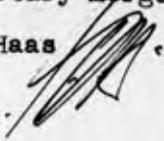
Malcolm J. Miller
Assistant Commissioner

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE **APR 28 1942**

TO Secretary Morgenthau

FROM Mr. Haas 

1. The attached tables present data showing (1) the number of agents qualified to issue War Savings Bonds, Series E, as of the close of business on April 25, classified by type of agent according to Federal Reserve Districts and (2) the number of issuing agents on selected dates since May 7, 1941.

2. Excluding post offices, agents qualified to issue Series E Savings Bonds numbered 21,287 on April 25, 164 more than on April 18.

3. Corporations qualified to issue Series E Savings Bonds on payroll allotment plans totaled 1,223 on April 25, an increase of 113 since April 18.

Attachments

Number of agents qualified to issue Series E
Savings Bonds, May 7, 1941
to date

	1941		1942				
	May 7	Sept. 30	Jan. 31	Feb. 28	March 28	April 18	April 25
Commercial and savings banks....	7,676	11,571	14,097	14,240	14,331	14,383	14,394
Building and loan associations..	739	1,481	2,434	2,560	2,632	2,662	2,675
Credit unions.....	8	389	2,080	2,479	2,695	2,765	2,791
Other corporations <u>1/</u>	-	-	351	686	931	1,110	1,223
Investment Industry.....	-	-	37	63	66	67	69
All others.....	<u>7</u>	<u>27</u>	<u>99</u>	<u>137</u>	<u>135</u>	<u>136</u>	<u>135</u>
Total other than post offices..	8,430	13,468	19,098	20,165	20,790	21,123	21,287
Post offices.....	<u>15,812</u>	<u>16,429</u>	<u>17,123</u>	<u>17,928</u>	<u>18,208</u>	<u>18,361</u>	<u>18,361</u>
Grand total.....	<u>24,242</u>	<u>29,897</u>	<u>36,221</u>	<u>38,093</u>	<u>38,998</u>	<u>39,484</u>	<u>39,648</u>

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

April 28, 1942

1/ In accordance with telegram of December 27, 1941.

Classification of the number of agents qualified to
issue Series E Savings Bonds on April 25, 1942

	Banks	Building: and loan associations	Credit unions	Other corpora- tions ^{1/}	Invest- ment industry	All others ^{2/}	Total
Corporations and associations:							
Federal Reserve District of:							
Boston.....	837	253	231	82	1	14	1,418
New York.....	1,166	258	433	214	18	68	2,157
Philadelphia.....	862	116	126	231	-	-	1,335
Cleveland.....	1,190	395	354	73	8	2	2,022
Richmond.....	1,029	196	151	50	8	1	1,435
Atlanta.....	1,032	168	197	30	-	-	1,427
Chicago.....	2,382	488	289	338	19	28	3,544
St. Louis.....	1,414	169	83	59	7	1	1,733
Minneapolis.....	1,282	62	86	11	-	3	1,444
Kansas City.....	1,790	195	225	28	2	6	2,246
Dallas.....	864	131	253	64	3	9	1,324
San Francisco.....	546	244	363	43	3	3	1,202
Subtotal.....	14,394	2,675	2,791	1,223	69	135	21,287
Post offices.....	-	-	-	-	-	-	18,361
Grand total.....	<u>14,394</u>	<u>2,675</u>	<u>2,791</u>	<u>1,223</u>	<u>69</u>	<u>135</u>	<u>39,648</u>

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

April 28, 1942

^{1/} In accordance with telegram of December 27, 1941.

^{2/} Except post offices.

UNITED STATES SAVINGS BONDS
Daily Sales - April, 1942
On Basis of Issue Price
(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,980
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
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	2,690	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
27	5,317	15,721	2,313	7,971	26,004	21,038	2,313	7,971	31,321
Total	\$ 73,657	\$214,777	\$ 34,825	\$141,736	\$391,338	\$288,434	\$ 34,825	\$141,736	\$464,995

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

April 28, 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

Comparative Statement of Sales During
 First Twenty-three Business Days of April, March and February 1942
 (April 1-27, March 1-27, February 1-27)
 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	\$ 73,657	\$ 76,736	\$ 84,361	-\$ 3,079	-\$ 7,625	- 4.0%
Series E - Banks	<u>214,777</u>	<u>226,272</u>	<u>301,631</u>	- <u>11,495</u>	- <u>75,359</u>	- <u>5.1</u>	- <u>25.0</u>
Series E - Total	288,434	303,008	385,992	- 14,574	- 82,984	- 4.8	- 21.5
Series F - Banks	34,825	37,154	50,310	- 2,329	- 13,156	- 6.3	- 26.1
Series G - Banks	<u>141,736</u>	<u>162,053</u>	<u>244,819</u>	- <u>20,317</u>	- <u>82,766</u>	- <u>12.5</u>	- <u>33.8</u>
Total	<u>\$464,995</u>	<u>\$502,215</u>	<u>\$681,121</u>	-\$ <u>37,220</u>	-\$ <u>178,906</u>	- <u>7.4%</u>	- <u>26.3%</u>

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

April 28, 1942.

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

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

TREASURY DEPARTMENT

323

INTER OFFICE COMMUNICATION

DATE April 28, 1942.

TO Secretary Morgenthau

FROM Mr. Shaeffer *C.P.S.*

U. V. Wilcox, Washington correspondent of the AMERICAN BANKER, has been "tipped off" by his parent office that three major changes in the Administration are imminent.

His information is to the effect that Secretary Morgenthau will replace Ambassador Winant at the Court of St. James, and Winant would replace Madame Perkins as Secretary of Labor. Governor Lehman would then be drafted as Secretary of the Treasury.

Wilcox was informed these changes would occur before "the middle of the year".

I am passing it along for your information.

MEMORANDUM

April 28, 1942.

TO: The Secretary

FROM: Commissioner Helvering and Mr. Sullivan

We submit the following procedure to be followed in the investigation of the income and excess profits tax returns of the 350 corporations having the majority of war contracts, and those corporations constructing the principle Army cantonments and Navy bases:

1. Select from this number those cases with patent irregularities.
2. Order immediate investigation.
3. In the absence of evidence of criminal fraud, revenue agent immediately upon completion of his investigation will notify the taxpayer of the proposed adjustments, give taxpayer a copy of the agent's report, and request taxpayer's explanation forthwith.
4. Agent will then transmit his report, together with taxpayer's explanation to Washington.
5. The Bureau of Internal Revenue will immediately review agent's report and taxpayer's explanation and the Commissioner will advise the Secretary as to his views on the proposed deficiency.
6. Presentation of the case to the Joint Tax Committee.
7. If fraud is present to such a degree as to warrant a criminal prosecution, special Intelligence agents should interrogate corporate officials and employees immediately after the field investigation is made and before presentation of the case to the Joint Tax Committee.

Guy P. Helvering
TWS

BOARD OF ECONOMIC WARFARE
~~ECONOMIC DEFENSE BOARD~~
 WASHINGTON, D. C.

OFFICE OF THE CHAIRMAN

April 28, 1942

The Honorable,

The Secretary of the Treasury.

Dear Henry:

Beginning May 7, a meeting of the Board of Economic Warfare will be held every other Thursday at 10:00 a.m. at my office in the Capitol.

At the meeting on May 7, the subject for discussion will be ways and means of cooperating with the South American Republics in ridding those Republics of Axis influences.

It is my hope that these regular meetings will increase the effectiveness of our work.

Sincerely yours,

H. A. Wallace

H. A. Wallace

4-30-42

Secy says he will attend with White

White advised

*Vice President's Office Notified
 E.J.F.*

RECEIVED
 APR 30 1942
 U.S. DEPARTMENT OF THE TREASURY

APR 22 1942

Dear Mr. Perkins:

I am in receipt of a letter, dated April 16, 1942, from the Vice President, outlining an interim procedure for obtaining background material with a view toward discharging the responsibilities centralized in the Board of Economic Warfare by Executive Order 9126.

In accordance with your Directive No. 1, transmitted by the Vice President, I am designating Mr. Clifton Mack, Director of the Procurement Division, to serve as clearance officer for the Treasury.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Milo Perkins,
Executive Director,
Board of Economic Warfare,
Washington, D. C.

cc. n. m. c.
cc - Clifton Mack
cc - Thompson

By Messenger *Bundy* 5:10

WLU:as
4/17/42

FIFTH DRAFT

ADDRESS OF THE PRESIDENT

APRIL 28, 1942

It is nearly five months since in true Nazi style we were attacked at Pearl Harbor. For the two years prior to that attack this country had been gearing itself up to a high level of production of munitions. Yet our war efforts had done little to dislocate the normal lives of most of us.

We have dispatched strong forces of our Army and Navy to bases and battle fronts thousands of miles from home, and we have stepped up our war production on a scale that has tested our industrial power and our engineering genius and our economic structure to the utmost. We did this with our eyes open; we did it knowing that the fulfillment of our objectives would be felt in every home throughout the land. We have had no illusions about the fact that this would be a tough job, and a long one.

American war ships are now in combat in the North and South Atlantic, in the Arctic, in the Mediterranean, and in the North and South Pacific. American troops have taken stations in South America, Greenland, Iceland, the British Isles, the Near East,

FIFTH DRAFT

- 2 -

the Middle East, the Far East, the Continent of Australia, and the many Islands of the Pacific. American war planes manned by Americans are flying in actual combat over all the continents and all the oceans.

On the European front the most important development of the past year has been the crushing offensive on the part of the great armies of Russia against the powerful German army. These Russian forces have destroyed and are destroying more armed power of our enemies -- troops, planes, tanks, guns and other munitions of war -- than all the other United Nations put together.

In the Mediterranean area, matters remain, on the surface, very much as they were. But the situation here is receiving very careful attention.

Very recently we have received news of a change in government in what we knew as the Republic of France -- a name dear to the hearts of all lovers of liberty -- a name and an institution which we hope will soon be restored to full dignity.

Throughout the Nazi occupation of France, we have hoped for the maintenance of a French Government which would strive to regain independence to reestablish the principles of "Liberty,

FIFTH DRAFT

- 3 -

Equality and Fraternity" and resume the historic culture of France. However, the known character of those who have recently come to power can mean only that a determined attempt will be made to force the brave French people to complete surrender to the Nazi despotism.

The United Nations will take measures, if necessary, to prevent the use of French territory in any part of the world for military purposes by the Axis powers. The good people of France, wherever they may be, will readily understand that such action is essential for the United Nations in preventing assistance to the armies or navies or air forces of Germany, Italy and Japan. The overwhelming majority of the French people understand that the fight of the United Nations is their fight, that victory for the United Nations means the restoration of a free and independent France -- and the saving of France from the subjection and the slavery which would be imposed upon her by her own enemies and her own traitors.

We know how the French people really feel. We know because they tell us by their heroic actions in defiance of Hitler and his Gestapo. They do all in their power to slow up work, to

FIFTH DRAFT

- 4 -

sabotage production in their factories which have been perverted to the service of the Nazi war machine. They cheer the R.A.F. when these factories are bombed. They will have occasion to cheer our own American Flying Fortresses and Liberators when we have joined in force with the British over the darkened continent of Europe.

The same holds true of all the occupied countries. In Norway, Belgium, The Netherlands, Poland, Czecho-Slovakia, Jugoslavia and Greece there are men, women and even little children who have never stopped fighting, never stopped resisting, never stopped proving to the Nazis that their so-called "New Order" can never be enforced upon free peoples.

In the German and Italian peoples themselves there is a growing conviction that the cause of Nazism and Fascism is hopeless -- that their political and military leaders have led them along the bitter road which leads not to world conquest but to final defeat. They cannot fail to contrast the present defensive speeches of these leaders with their arrogant boastings of a year ago, and two years ago.

FIFTH DRAFT

- 5 -

On the other side of the world, in the Far East, we have passed through a phase of serious losses.

We have inevitably lost control of a large portion of the Philippine Islands. But this whole nation pays tribute to the Filipino and American officers and men who held out so long on Bataan Peninsula, to those grim and gallant fighters who still held Corregidor, and to the forces who are still striking effectively at the enemy on Mindanao and other islands.

The Malayan Peninsula and Singapore are in the hands of the enemy; the Netherlands East Indies are almost entirely occupied, though resistance there continues. Many other Islands are in the possession of the Japanese. But there is good reason to believe that their southward advance has been checked and that Australia, New Zealand and the Islands along our lines of communication will be held, and will be bases for offensive action.

The Japanese are pressing their northward advance in Burma with considerable power, driving toward India and China. They have been opposed with great bravery by small British and Chinese forces, aided by American fliers.

FIFTH DRAFT

- 6 -

The news in Burma tonight is not good. The Japanese may cut the Burma Road; but I want to say to the gallant people of China that no matter what advances the Japanese may make, ways will be found to deliver airplanes and munitions of war to the armies of the Generalissimo Chiang Kai-shek.

We remember that the Chinese people were the first to stand up and fight against the aggressors in this war; and in the future an unconquerable China will play its proper role in maintaining peace and prosperity not only in Eastern Asia but in the whole world.

For every advance that the Japanese have made since they started their frenzied career of conquest, they have had to pay a very heavy toll in warships, in transports, in planes and in men. They are feeling the effects of those losses. The inevitable results of the ambition and the greed of the Japanese Army-Navy oligarchy are being brought home to the Japanese people.

It is even reported from Japan that somebody has dropped bombs on Tokyo and on other principal centers of Japanese war industries. If this be true, it is the first time in history that Japan has suffered such indignities.

FIFTH DRAFT

- 7 -

Although the treacherous attack on Pearl Harbor was the immediate cause of our entry into the war that event ^{found} ~~found~~ the American people spiritually prepared for war on a world-wide scale. We went into this war fighting. We know what we are fighting for. We realize that the war has become what Hitler originally proclaimed it to be -- a total war.

Nor all of us will have the privilege of fighting our enemies in distant parts of the world.

Not all of us will have the privilege of working in a munitions factory or shipyard, or on the farms or in oil fields or mines, producing the weapons or the raw materials which are needed by our armed forces.

But there is one front and one battle where everyone in the United States -- every man, woman, and child -- is in action and will be privileged to remain in action for the duration. That front is right here at home, in our daily lives and in our daily tasks. Here at home everyone will have the privilege of making whatever self-denial is necessary, not only to supply our fighting men, but to keep the economic structure of our country fortified and secure during the war and after the war.

This will require the abandonment not only of luxuries

WHEEL DRIVE

-3-

but many other creature comforts.

Every loyal American is aware of his individual responsibility. Whenever I hear anyone saying "The American people are complacent -- they need to be aroused", I feel like asking him to come to Washington and read the mail that floods into the White House and into all departments of this government. The one question that recurs through all these thousands of letters and messages is "What more can I do to help my country in winning this war?"

To build the factories, and buy the materials, and pay the labor, and provide the transportation, and equip and feed and house the soldiers, sailors and marines, and to do all the thousands of things necessary in a war -- all cost money, more money than has ever been spent by any nation at any time in the history of the world.

We are now spending, solely for war purposes, the sum of about one hundred million dollars every day in the week. But, before this year is over, that almost unbelievable rate of expenditure will be very nearly doubled.

All of this money has to be spent -- and spent quickly -- if we are to produce within the time now available the enormous quantities of weapons of war which we need. But the spending

WIRE DRAFT

-9-

of these tremendous sums presents grave danger of disaster to our national economy.

When your Government continues to spend these unprecedented sums of money for war materials -- month by month, and year by year, it means that more and more money will be finding its way into the pocketbooks and bank accounts of nearly every civilian in the United States. At the same time that this is going on, the supply of goods in the United States, which you and I might ordinarily buy, is being constantly reduced. It is being reduced because raw materials must be taken away from civilian use and put into war use; because machinery and factories must be converted to war production by the Government; because our normal sources of supply from countries abroad are cut down by enemy action.

You do not have to be a Professor of Economics to see that when people have enough ready cash to buy all the goods they want but the supply of goods is limited, the people begin to bid against each other and the price of the goods goes up.

Yesterday I submitted to the Congress of the United States a seven point program of general principles which together could be called the national economic policy for

FIVE SEVEN

-10-

attaining the great objective of keeping the cost of living down.

I repeat them now:

1. 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. 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.

3. We must stabilize the remuneration received by individuals for their work.

4. We must stabilize the prices received by growers for the products of their lands.

5. We must encourage all citizens to contribute to the cost of winning this war by purchasing War Bonds with their earnings instead of using these earnings to buy articles which are not essential.

FIFTH DRAFT

- 11 -

6. 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.

7. 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 creditor for the purchase of War Bonds.

I do not think it is necessary to repeat what I said yesterday to the Congress in discussing these general principles.

The important thing to remember is that each one of these points is dependent on the others if the whole program is to work.

There are those who say that the only thing necessary is to freeze all prices. There are others who say that the only thing necessary is to freeze wages. There are others who say that the only thing necessary is to increase taxes. But none of these alone would be enough. The only effective course of action is a simultaneous attack on all of these problems in one comprehensive,

VITAL STATE

-13-

all-embracing program -- aimed at wages, prices, profits, taxes, and control of consumer buying on credit.

The blunt fact is that every single person in the United States is going to be affected by this program. Some of you will be affected more directly by one or two of these restrictive measures, but all of you will be affected indirectly by all of them.

Are you a business man, or do you own stock in a business corporation? Your profits are going to be cut down to a reasonably low level by taxation. Your income will be subject to higher taxes. Indeed in these days, when every available dollar should go to the war effort, I do not think that any American citizen should have a net income in excess of \$25,000 per year after payment of taxes.

Are you a retailer or a wholesaler or a manufacturer or a farmer or a landlord? Ceilings are being placed on the prices at which you can sell your goods or rent your property.

Do you work for wages? You will have to forego higher wages for your particular job for the duration of the war. There may be exceptional circumstances where injustices

FIVE DRAVE

-13-

in wage rates prevail and where corrections are obviously needed.

All of us are used to spending money for things we want which are not absolutely essential. We will all have to forego that spending.

Because we must put every dime and every dollar we can possibly spare out of our earnings into War Bonds and Stamps.

Because the demands of the war effort require the rationing of goods of which there is not enough to go around.

Because the stopping of purchases of non-essentials will release thousands of workers who are needed in the war effort.

This great war effort must be carried through to its victorious conclusion by the indomitable will and determination of the people. It must ^{not} be impeded by the faint of heart. It must not be impeded by those who put their own selfish interests above the interests of the nation. It must not be impeded by the bogus patriots who use the sacred freedom of the press to echo the sentiments of the propagandists in Tokyo and Berlin.

FIFTH DRAFT

- 14 -

And, above all, it shall not be imperilled by the harmful of noisy traitors -- the betrayers of America and of Christianity itself -- the would-be dictators who in their hearts and souls have yielded to Hitlerism and would have this republic do likewise.

I shall use all of the executive power that I have to carry out the policy laid down. If it becomes necessary to ask for any additional legislation in order to attain our objective of preventing a spiral in the cost of living, I shall do so.

I know the American farmer, the American workman, the American business man. I know that for freedom's sake they will stop at nothing. I know that this economy of sacrifice they will gladly embrace -- satisfied that it is necessary for the most vital and compelling motive in their lives -- winning through to victory.

Never in the memory of man has there been a war in which the courage, the endurance and the loyalty of civilians played so vital a part.

Many thousands of civilians all over the world have been and are being killed or maimed by enemy action.

FIFTH DRAFT

- 14 -

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Many thousands of civilians all over the world have been and are being killed or maimed by enemy action.

FIFTH DRAFT

- 15 -

Our own American civilian population is now relatively safe from such disasters. And, to an ever increasing extent, our soldiers, sailors and marines are fighting with great bravery and great skill on far distant fronts to make sure that we shall remain safe.

April 28, 1942

CAUTION: The following address of the President MUST BE HELD IN CONFIDENCE until released.

NOTE: Release to editions of all newspapers appearing on the streets NOT EARLIER THAN 10:00 P.M., E.S.T., April 28, 1942. The same release of the text of the address also applies to radio announcers and news commentators.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President

It is nearly five months since we were attacked at Pearl Harbor. For the two years prior to that attack this country had been gearing itself up to a high level of production of munitions. Yet our war efforts had done little to dislocate the normal lives of most of us.

Since then we have dispatched strong forces of our Army and Navy to bases and battle-fronts thousands of miles from home. We have stepped up our war production on a scale that is testing our industrial power and our engineering genius and our economic structure to the utmost. We have had no illusions about the fact that this would be a tough job — and a long one.

American warships are now in combat in the North and South Atlantic, in the Arctic, in the Mediterranean, and in the North and South Pacific. American troops have taken stations in South America, Greenland, Iceland, the British Isles, the Near East, the Middle East, the Far East, the Continent of Australia, and many islands of the Pacific. American war planes, manned by Americans, are flying in actual combat over all the continents and all the oceans.

On the European front the most important development of the past year has been the crushing offensive on the part of the great armies of Russia against the powerful German army. These Russian forces have destroyed and are destroying more armed power of our enemies — troops, planes, tanks and guns — than all the other United Nations put together.

In the Mediterranean area, matters remain, on the surface much as they were. But the situation there is receiving very careful attention.

Recently we have received news of a change in government in what we used to know as the Republic of France — a name dear to the hearts of all lovers of liberty — a name and an institution which we hope will soon be restored to full dignity.

Throughout the Nazi occupation of France, we have hoped for the maintenance of a French Government which would strive to regain independence, to reestablish the principles of "Liberty, Equality and Fraternity", and to restore the historic culture of France. Our policy has been consistent from the very beginning. However, we are now concerned lest those who have recently come to power may seek to force the brave French people to submission to Nazi despotism.

The United Nations will take measures, if necessary, to prevent the use of French territory in any part of the world for military purposes by the Axis powers. The good people of France will readily understand that such action is essential for the United Nations to prevent assistance to the armies or navies or air forces of Germany, Italy and Japan. The overwhelming majority of the French people understand that the fight of the United Nations is fundamentally their fight, that our victory means the restoration of a free and independent France -- and the saving of France from the slavery which would be imposed upon her by her external enemies and her internal traitors.

We know how the French people really feel. We know that a deep-seated determination to obstruct every step in the Axis plan extends from occupied France through Vichy France to the people of their colonies in every ocean and on every continent.

Our planes are helping in the defense of French colonies today, and soon American Flying Fortresses will be fighting for the liberation of the darkened continent of Europe.

In all the occupied countries there are men, women and even little children who have never stopped fighting, never stopped resisting, never stopped proving to the Nazis that their so-called "New Order" can never be enforced upon free peoples.

In the German and Italian peoples themselves there is a growing conviction that the cause of Nazism and Fascism is hopeless -- that their political and military leaders have led them along the bitter road which leads not to world conquest but to final defeat. They cannot fail to contrast the present frantic speeches of these leaders with their arrogant boastings of a year ago, and two years ago.

On the other side of the world, in the Far East, we have passed through a phase of serious losses.

We have inevitably lost control of a large portion of the Philippine Islands. But this whole nation pays tribute to the Filipino and American officers and men who held out so long on Bataan Peninsula, to those grim and gallant fighters who still hold Corregidor, and to the forces which are still striking effectively at the enemy on Mindanao and other islands.

The Malayan Peninsula and Singapore are in the hands of the enemy; the Netherlands East Indies are almost entirely occupied, though resistance there continues. Many other islands are in the possession of the Japanese. But there is good reason to believe that their southward advance has been checked. Australia, New Zealand and much other territory will be bases for offensive action -- and we are determined that the territory which has been lost will be regained.

The Japanese are pressing their northward advance in Burma with considerable power, driving toward India and China. They have been opposed with great bravery by small British and Chinese forces aided by American fliers.

The news in Burma tonight is not good. The Japanese may cut the Burma Road; but I want to say to the gallant people of China that no matter what advances the Japanese may make, ways will be found to deliver airplanes and munitions of war to the armies of Generalissimo Chiang Kai-shek.

We remember that the Chinese people were the first to stand up and fight against the aggressors in this war; and in the future an unconquerable China will play its proper role in maintaining peace and prosperity not only in Eastern Asia but in the whole world.

For every advance that the Japanese have made since they started their frenzied career of conquest, they have had to pay a very heavy toll in warships, in transports, in planes and in men. They are feeling the effects of those losses.

It is even reported from Japan that somebody has dropped bombs on Tokyo and on other principal centers of Japanese war industries. If this be true, it is the first time in history that Japan has suffered such indignities.

Although the treacherous attack on Pearl Harbor was the immediate cause of our entry into the war, that event found the American people spiritually prepared for war on a world-wide scale. We went into this war fighting. We know what we are fighting for. We realize that the war has become what Hitler originally proclaimed it to be -- a total war.

Not all of us can have the privilege of fighting our enemies in distant parts of the world.

Not all of us can have the privilege of working in a munitions factory or shipyard, or on the farms or in oil fields or mines, producing the weapons or the raw materials which are needed by our armed forces.

But there is one front and one battle where everyone in the United States -- every man, woman, and child -- is in action, and will be privileged to remain in action throughout this war. That front is right here at home, in our daily lives and in our daily tasks. Here at home everyone will have the privilege of making whatever self-denial is necessary, not only to supply our fighting men, but to keep the economic structure of our country fortified and secure during the war and after the war.

This will require the abandonment not only of luxuries but many other creature comforts.

Every loyal American is aware of his individual responsibility. Whenever I hear anyone saying "The American people are complacent -- they need to be aroused", I feel like asking him to come to Washington and read the mail that floods into the White House and into all departments of this government. The one question that recurs through all these thousands of letters and messages is "What more can I do to help my country in winning this war?"

To build the factories, and buy the materials, and pay the labor, and provide the transportation, and equip and feed and house the soldiers, sailors and marines, and to do all the thousands of things necessary in a war -- all cost money, more money than has ever been spent by any nation at any time in the history of the world.

We are now spending, solely for war purposes, the sum of about one hundred million dollars every day in the week. But, before this year is over, that almost unbelievable rate of expenditure will be doubled.

All of this money has to be spent -- and spent quickly -- if we are to produce within the time now available the enormous quantities of weapons of war which we need. But the spending of these tremendous sums presents grave danger of disaster to our national economy.

- 4 -

When your Government continues to spend these unprecedented sums for munitions month by month and year by year, that money goes into the pocketbooks and bank accounts of the people of the United States. At the same time raw materials and many manufactured goods are necessarily taken away from civilian use; and machinery and factories are being converted to war production.

You do not have to be a professor of economics to see that if people with plenty of cash start bidding against each other for scarce goods, the price of them goes up.

Yesterday I submitted to the Congress of the United States a seven point program of general principles which together could be called the national economic policy for attaining the great objective of keeping the cost of living down.

I repeat them now in substance:

1. We must, through heavier taxes, keep personal and corporate profits at a low reasonable rate.
2. We must fix ceilings on prices and rents.
3. We must stabilize wages.
4. We must stabilize farm prices.
5. We must put more billions into War Bonds.
6. We must ration all essential commodities which are scarce.
7. We must discourage instalment buying, and encourage paying off debts and mortgages.

I do not think it is necessary to repeat what I said yesterday to the Congress in discussing these general principles.

The important thing to remember is that each one of these points is dependent on the others if the whole program is to work.

Some people are already taking the position that every one of the seven points is correct except the one point which steps on their own individual toes. A few seem very willing to approve self-denial — on the part of their neighbors. The only effective course of action is a simultaneous attack on all of the factors which increase the cost of living, in one comprehensive, all-embracing program covering prices, profits, wages, taxes and debts.

The blunt fact is that every single person in the United States is going to be affected by this program. Some of you will be affected more directly by one or two of these restrictive measures, but all of you will be affected indirectly by all of them.

Are you a business man, or do you own stock in a business corporation? Your profits are going to be cut down to a reasonably low level by taxation. Your income will be subject to higher taxes. Indeed in these days, when every available dollar should go to the war effort, I do not think that any American citizen should have a net income in excess of \$25,000 per year after payment of taxes.

Are you a retailer or a wholesaler or a manufacturer or a farmer or a landlord? Ceilings are being placed on the prices at which you can sell your goods or rent your property.

Do you work for wages? You will have to forego higher wages for your particular job for the duration of the war.

All of us are used to spending money for things we want but which are not absolutely essential. We will all have to forego that spending. Because we must put every dime and every dollar we can possibly spare out of our earnings into War Bonds and Stamps. Because the demands of the war effort require the rationing of goods of which there is not enough to go around. Because the stopping of purchases of non-essentials will release thousands of workers who are needed in the war effort.

As I told the Congress yesterday, "sacrifice" is not the proper word with which to describe this program of self-denial. When, at the end of this great struggle we shall have saved our free way of life, we shall have made no "sacrifice".

The price for civilization must be paid in hard work and sorrow and blood. The price is not too high. If you doubt it, ask those millions who live today under the tyranny of Hitlerism.

Ask the workers of France and Norway, whipped to labor by the lash, whether the stabilization of wages is too great a "sacrifice".

Ask the farmers of Poland and Denmark, of Czechoslovakia and France, looted of their livestock, starving while their own crops are stolen from their land, whether "parity" prices are too great a "sacrifice".

Ask the business men of Europe, whose enterprises have been stolen from their owners, whether the limitation of profits and personal incomes is too great a "sacrifice".

Ask the women and children whom Hitler is starving whether the rationing of tires and gasoline and sugar is too great a "sacrifice".

We do not have to ask them. They have already given us their agonized answers.

This great war effort must be carried through to its victorious conclusion by the indomitable will and determination of the people.

It must not be impeded by the faint of heart.

It must not be impeded by those who put their own selfish interests above the interests of the nation.

It must not be impeded by those who pervert honest criticism into falsification of fact.

It must not be impeded by self-styled experts either in economics or military problems who know neither true figures nor geography itself.

It must not be impeded by a few bogus patriots who use the sacred freedom of the press to echo the sentiments of the propagandists in Tokyo and Berlin.

And, above all, it shall not be imperiled by the handful of noisy traitors -- betrayers of America and of Christianity itself -- would-be dictators who in their hearts and souls have yielded to Hitlerism and would have this Republic do likewise.

I shall use all of the executive power that I have to carry out the policy laid down. If it becomes necessary to ask for any additional legislation in order to attain our objective of preventing a spiral in the cost of living, I shall do so.

I know the American farmer, the American workman, the American business man. I know that they will gladly embrace this economy of sacrifice -- satisfied that it is necessary for the most vital and compelling motive in all their lives -- winning through to victory.

Never in the memory of man has there been a war in which the courage, the endurance and the loyalty of civilians played so vital a part.

Many thousands of civilians all over the world have been and are being killed or maimed by enemy action. Indeed, it was the fortitude of the common people of Britain under fire which enabled that island to stand and prevented Hitler from winning the war in 1940. The ruins of London and Coventry and other cities are today the proudest monuments to British heroism.

Our own American civilian population is now relatively safe from such disasters. And, to an ever increasing extent, our soldiers, sailors and marines are fighting with great bravery and great skill on far distant fronts to make sure that we shall remain safe.

I should like to tell you one or two stories about the men we have in our armed forces:

There is, for instance, Dr. Corydon M. Wassell. He was a missionary, well known for his good works in China. He is a simple, modest, retiring man, nearly sixty years old, but he entered the service of his country and was commissioned a Lieutenant Commander in the Navy.

Dr. Wassell was assigned to duty in Java caring for wounded officers and men of the cruisers Houston and Marblehead which had been in heavy action in the Java seas.

When the Japanese advanced across the island, it was decided to evacuate as many as possible of the wounded to Australia. But about twelve of the men were so badly wounded that they could not be moved. Dr. Wassell remained with these men, knowing that he would be captured by the enemy. But he decided to make a desperate attempt to get the men out of Java. He asked each of them if he wished to take the chance, and every one agreed.

He first had to get the twelve men to the sea coast -- fifty miles away. To do this, he had to improvise stretchers for the hazardous journey. The men were suffering severely, but Dr. Wassell kept them alive by his skill, and inspired them by his own courage.

As the official report said, Dr. Wassell was "almost like a Christ-like shepherd devoted to his flock".

On the sea coast, he embarked the men on a little Dutch ship. They were bombed and machine-gunned by waves of Japanese planes. Dr. Wassell took virtual command of the ship, and by great skill avoided destruction, hiding in small bays and inlets.

A few days later, Dr. Wassell and his little flock of wounded men reached Australia safely.

Dr. Wassell now wears the Navy Cross.

Another story concerns a ship rather than an individual man.

You may remember the tragic sinking of the submarine SQUALUS off the New England coast in the summer of 1939. Some of the crew were lost, but others were saved by the speed and efficiency of the surface rescue crews. The SQUALUS itself was tediously raised from the bottom of the ocean.

Eventually she sailed again under a new name, the U.S.S. SAILFISH. Today, she is a potent and effective unit of our submarine fleet.

The SAILFISH has covered many thousands of miles in operations in the far western Pacific.

She has sunk a Japanese destroyer.

She has torpedoed a Japanese cruiser.

She has made two torpedo hits on a Japanese aircraft carrier.

Three of the enlisted men of our Navy who went down with the SQUALUS in 1939 are today serving on the same ship, the SAILFISH, in this war.

It is heartening to know that the SQUALUS, once given up as lost, rose from the depths to fight for our country in time of peril.

One more story, which I heard only this morning:

This is a story of one of our Army Flying Fortresses operating in the Western Pacific. The pilot of this plane is a modest young man, proud of his crew for one of the toughest fights a bomber has yet experienced.

The bomber departed from its base, as part of a flight of five, to attack Japanese transports which were landing troops in the Philippines. When they had gone about half way to their destination, one of the motors of this bomber went out of commission. The young pilot lost contact with the other bombers. The crew, however, got the motor working again and the plane proceeded on its mission alone.

By the time it arrived at its target the other four Flying Fortresses had already passed over, had dropped their bombs, and had stirred up the Japanese "Zero" planes. Eighteen of them attacked our one Flying Fortress. Despite this mass attack, our plane proceeded on its mission, and dropped all of its bombs on six Japanese transports which were lined up along the docks.

As it turned back on its homeward journey a running fight between the bomber and the eighteen Japanese pursuit planes continued for seventy-five miles. Four pursuit ships attacked simultaneously at each side, and were shot down with the side guns. During this fight, the bomber's radio operator was killed, the engineer's right hand was shot off, and one gunner was crippled, leaving only one man available to operate both side guns. Although wounded in one hand, this gunner alternately manned both side guns, bringing down three more Japanese "Zero" planes. While this was going on, one engine on the bomber was shot out, one gas tank was hit, the radio was shot off, and the oxygen system was entirely destroyed. Out of eleven control cables all but four were shot away. The rear landing wheel was blown off, and the two front wheels were both shot flat.

- 8 -

The fight continued until the remaining Japanese pursuit ships exhausted their ammunition and turned back. With two engines gone and the plane practically out of control, the American bomber returned to its base after dark and made an emergency landing. The mission had been accomplished.

The name of that pilot is Captain Hewitt T. Wheless, of the United States Army. He comes from Menard, Texas -- population 2,375. He has been awarded the Distinguished Service Cross. I hope he is listening.

These stories I have told you are not exceptional. They are typical examples of individual heroism and skill.

As we here at home contemplate our own duties, our own responsibilities, let us think and think hard of the example which is being set for us by our fighting men.

Our soldiers and sailors are members of well disciplined units. But they are still and forever individuals -- free individuals. They are farmers, workers, business men, professional men, artists, clerks.

They are the United States of America.

That is why they fight.

We too are the United States of America.

That is why we must work and sacrifice.

It is for them. It is for us. It is for victory.

- - - - -

April 28, 1942

Dear Admiral Land:

I am sending you herewith a *Dastous memo*
confidential Treasury memorandum listing *of 4/07-*
vessels at fourteen ports as of April 24.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral Emory S. Land,

U. S. Maritime Commission.
Chairman,

H.M.C.

By Messenger *Bunay* 3:40

April 28, 1942

Dear Lew:

I am sending you herewith a confidential Treasury memorandum listing vessels at fourteen ports as of April 24.

Yours sincerely,

(Signed) Henry

Mr. Lewis Douglas,
U. S. Maritime Commission,
Washington, D. C.

n.m.c.

By Messenger *Benny* 3:40

APR 28 1942

My dear Mr. President:

I am enclosing report on our exports
to some selected countries for the period
ending April 10, 1942.

Faithfully,

(Signed) H. Morgenthau: JFJ

Secretary of the Treasury

The President,
The White House.

Enclosure.

n. m. c.
Copies to Dr. White's office
By Messenger *D. L. [unclear] 5:20*

RDW:neh
4/27/42

Ret to Secy's office

APR 28 1942

My dear Mr. Secretary:

I am enclosing copy of report on our
exports to some selected countries for the
period ending April 10, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,

The Secretary of State,
Washington, D. C.

Enclosure

*n.m.c.
copies to Dr. White's office*

By Messenger *Bunney 3:40*

HDW:msh
4/27/42

Rel to Secy office

APR 28 1942

My dear Colonel Donovan:

I am enclosing copy of report on our experts to some selected countries for the period ending April 10, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Colonel William J. Donovan,
Coordinator,
Office of Coordinator of Information,
Old National Institute of Health Building,
25th and E Streets, N. W.,
Washington, D. C.

Enclosure.

n.m.c.

Copies to Dr. White's office

By Messenger

Bundy 3:40

HDW:neh
4/27/42

Ret to Secyp office

APR 28 1942

My dear Mr. Perkins:

I am enclosing five copies of the report on our exports to some selected countries for the period ending April 10, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Milo Perkins,
Executive Director,
Board of Economic Warfare,
Room 3710,
Department of Commerce Building,
Washington, D. C.

Enclosures.

*n. m. c.
copies to Dr. White's office*

By Messenger *Bundy 3:40*

HBV:msh
4/27/42

Ret. to Lacey's office

April 25, 1942

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 G.)

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 MAR. 30	Period ended March 31	Period ended April 10	Total Domestic Exports
U. S. S. R.	\$296,748	\$ 42,435	\$ 51,698	\$ 390,881
Free China	60,693	2	4,836	65,531
Burma 2/	11,108	2	447	11,597
France 3/	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	28	-	-	28
Spain	2,833	1/	12	2,845
Switzerland	7,406	273	11	7,690
Sweden	19,855	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.

AM:rl 4/23/42

Exports from the U. S. to Free China, Burma and
U. S. S. R. as reported to the Treasury Department
July 26, 1941 - April 10, 1942

(Thousands of Dollars)

	<u>Exports to Free China</u>	<u>Exports to Burma 1/</u>	<u>Exports to U. S. S. R.</u>
July 26 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		586
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 3/	4,889	1,054	13,315
Feb. 10 - Feb. 20 3/	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	26,119
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	51,688
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. 5-day period.
6. 11-day period.

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	4,762
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 B

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the 90-day period ending
April 10, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 4,536
Principal Items:	
Landplanes, pursuit, interceptors, fighter	1,289
Aircraft parts and accessories, n.e.s.	559
Other ammunition	470
Smokeless powder	442
Motor trucks	258
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

Treasury Department, Division of Monetary Research

April 25, 1942

127/efc
4/25/42

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 28, 1942

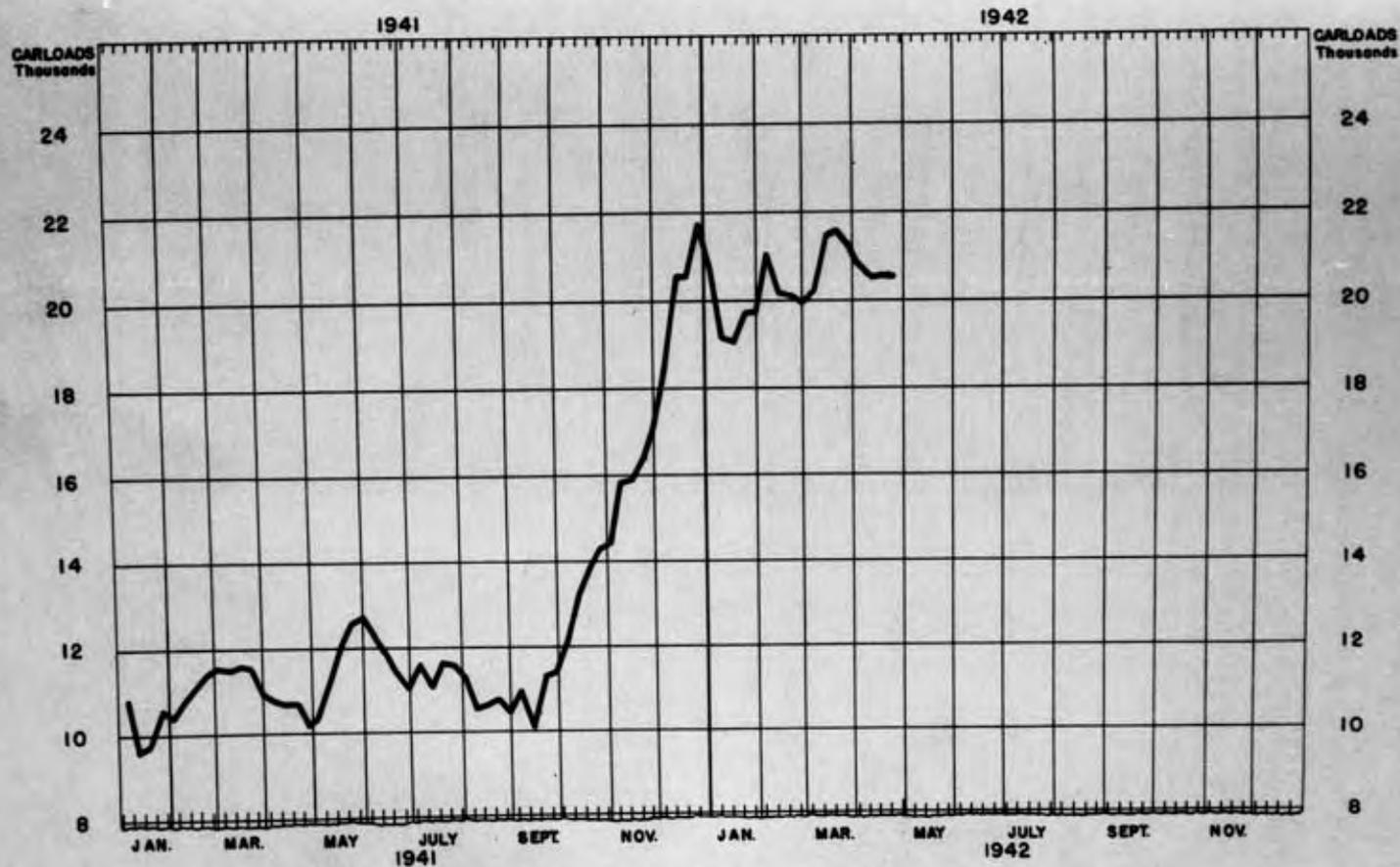
TO Secretary Morgenthau
FROM Mr. Hagg
Subject: The Export Freight Situation.

Lighterage freight in storage and on hand for unloading at New York decreased by 46 cars during the past week to 20,539 cars. (See Chart 1.) Rail storage space occupied at the end of the week amounted to 12,086 cars, while additional storage space was available for 8,013 cars.

Exports from New York decreased by an estimated 253 cars to 7,209 cars. (See Chart 2, upper section.) Receipts for export at New York decreased by 344 cars to 7,167 cars. (Chart 2, lower section.)

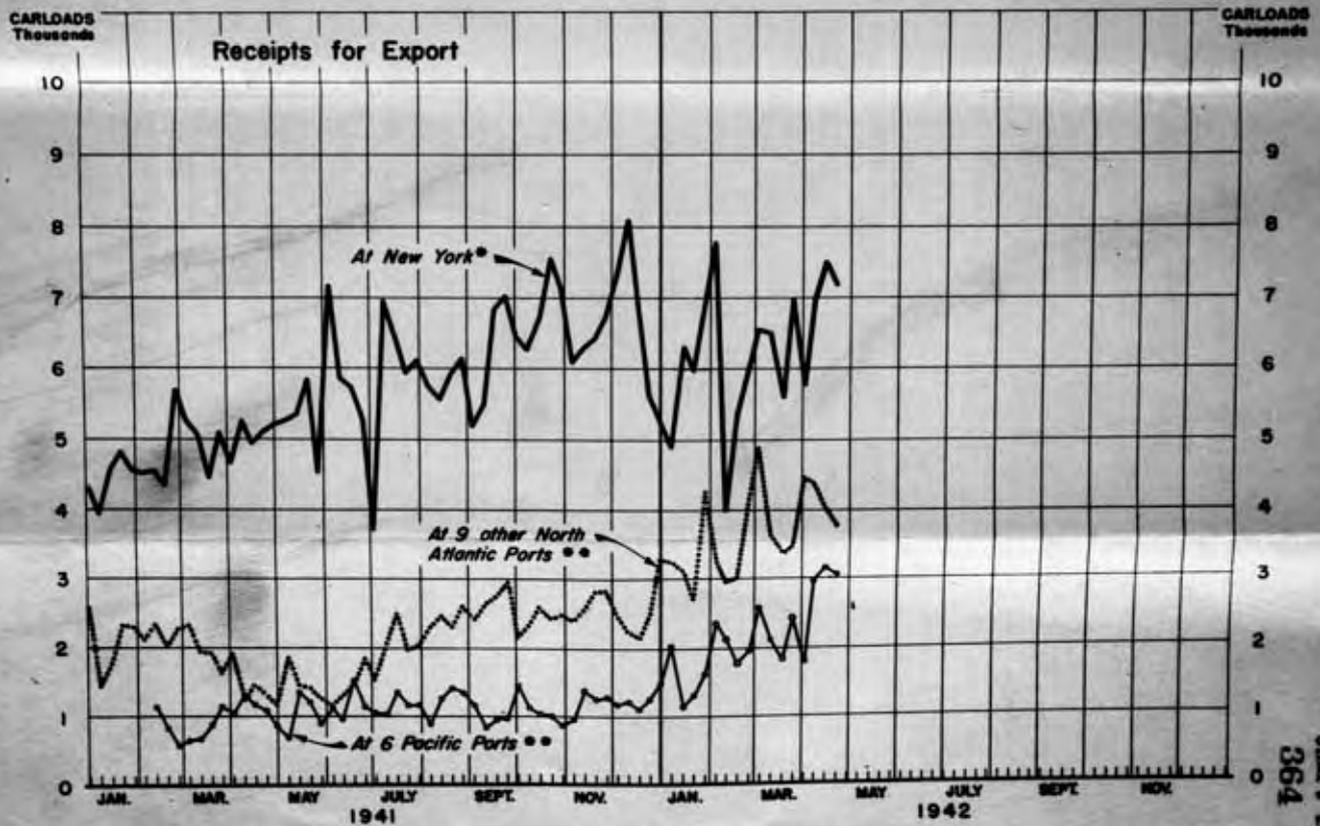
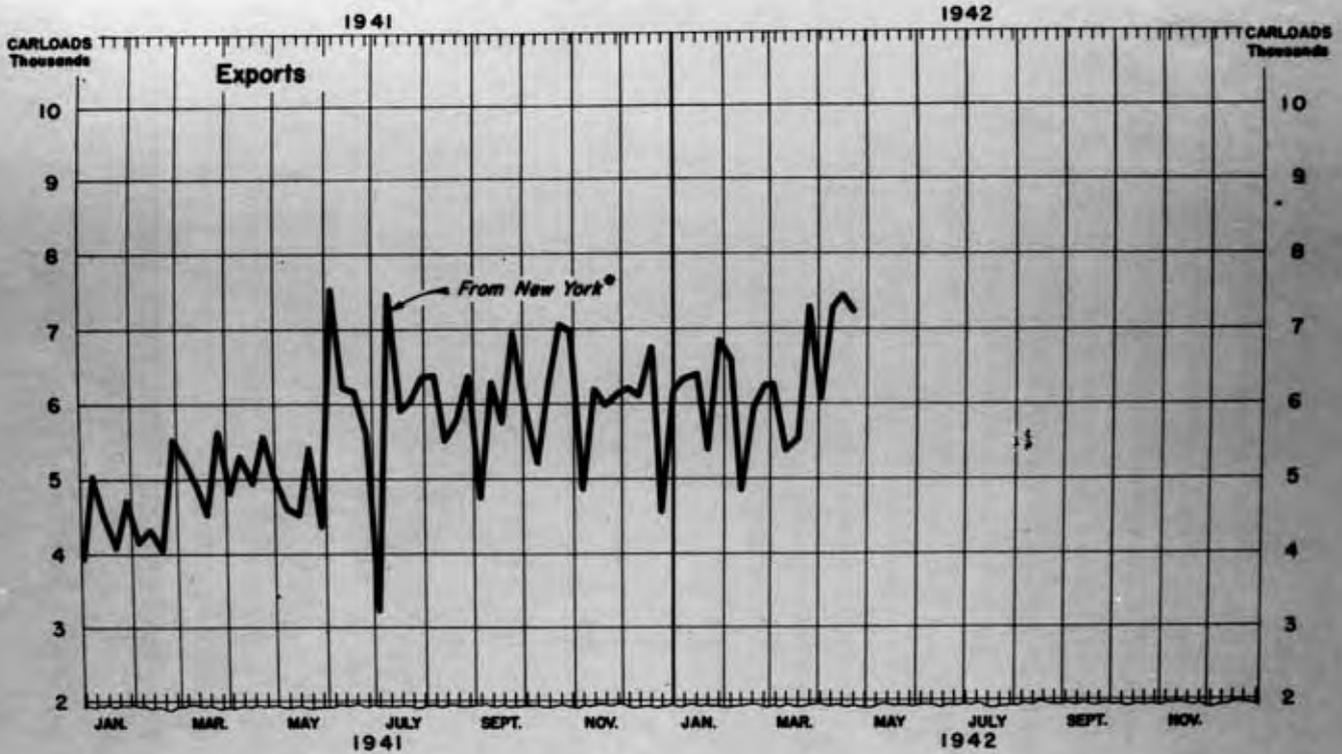
Receipts of export freight at 9 North Atlantic ports and at 6 Pacific ports also showed declines, dropping by 217 and 102 cars to 3,787 and 3,048 cars, respectively. (Refer to Chart 2, lower section.)

LIGHTERAGE FREIGHT IN STORAGE AND ON HAND FOR UNLOADING IN NEW YORK HARBOR*



* Largely export freight, but about 10% represents freight for local and coastal shipment. Figures include grain.

EXPORT FREIGHT MOVEMENT



*As estimated from data of general managers' association of New York.
 **Association of American Railroads.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

April 28, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended April 15, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

lap-4/28/42

C
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P
YFEDERAL RESERVE BANK
OF NEW YORK

April 23, 1942

CONFIDENTIALDear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended April 15, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vw:4-27-42

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS

(In Millions of Dollars)

Week Ended April 15, 1942

C.M. 1000

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE						
	DEBITS			CREDITS					DEBITS			CREDITS			Net Incr. (+) or Decr. (-) in Balance
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Other Credits (c)	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Gov't Expenditures (d)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	57.0	420.1	+ 35.0	866.3 (a)	416.6 (e)	449.7	1,095.3 (b)	900.2	195.1 (e)	+229.0
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Second year of war (8/29/40-8/27/41)**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1
1941															
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4
1942															
Jan. 1 - Jan. 28	102.3	73.2	29.1	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.4	-	0.4	+ 0.2
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	- 30.0	-	-	-	0.3	-	0.3	+ 0.3
Feb. 26 - Apr. 1	121.4	86.4	35.0	171.4	-	-	171.4	+ 50.0	0.1	-	0.1	0.4	-	0.4	+ 0.3
WEEK ENDED:															
Mar. 25	21.1	14.2	6.9	18.8	-	-	18.8	- 2.3	-	-	-	1	-	0.1	+ 0.1
Apr. 1	19.8	13.3	6.5	58.9	-	-	58.9	+ 39.1	-	-	-	-	-	-	-
8	36.3	19.0	17.3	20.3	-	0.5	19.8	- 16.0	-	-	-	0.1	-	0.1	+ 0.1
15	24.8	17.6	7.2	22.8	-	-	22.8 (f)	- 2.0	0.1	-	0.1	1	-	0.1	-

Transfers from British Purchasing Commission to Bank of Canada for French Account

Week ended April 15, 1942 \$ - million
 Cumulation from July 6, 1940 \$ 162.7 million

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) 27.6 million
 England (since June 19, 1940) 38.9 million

April 23, 1941.

October 8, 1941

*For monthly breakdown see tabulations prior to
 **For monthly breakdown see tabulations prior to
 (See attached sheet for other footnotes)

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$10 million transferred from accounts of British authorized banks and \$3.6 million presumably representing proceeds of wool exports to the U. S.

(15 MILLION U.S. DOLLARS)

216474

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australia)						
	DEBITS			CREDITS			Net Incr. (+) or Decr. (-) in Balance	DEBITS			CREDITS			Net Incr. (+) or Decr. (-) in Balance		
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		For Own A/C	For French A/C	Other Credits	Total Debits	Transfers to Official British A/C	Other Debits		Total Credits	Proceeds of Gold Sales
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	43.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Aug. 28 - Oct. 1 1941	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	24.8	2.1	0.7	- 7.9
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.0	2.6	+ 1.3
Dec. 4 - Dec. 31	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	0.2	2.6	- 1.1
1942																
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8
Feb. 26 - Apr. 1	46.5	-	46.5	99.3	20.5	7.7	-	71.1	+ 52.8	7.8	1.3	6.5	3.6	-	3.6	- 4.2
WEEK ENDED:																
Mar. 25	11.9	-	11.9	8.3	0.2	3.4	-	4.7	- 3.6	0.1	-	0.1	0.5	-	0.5	+ 0.4
Apr. 1	14.1	-	14.1	12.7	9.2	-	-	3.5	- 1.4	2.3	1.3	1.0	2.4	-	2.4	+ 0.1
8	7.2	-	7.2	9.5	2.5	-	-	7.0	+ 2.3	0.3	-	0.3	0.8	-	0.8	+ 0.5
15	7.6	-	7.6	7.9	3.7	-	-	4.2(a)	+ 0.3	1.1	-	1.1	12.3	-	12.3(b)	+ 11.2

Weekly Average of Total Debits Since Outbreak of War

Through April 15, 1942 \$ 7.8 million

* For monthly breakdown see tabulations prior to April 23, 1941.
 ** For monthly breakdown see tabulations prior to October 8, 1941.

(a) Includes about \$2 million representing proceeds of U. S. Government checks deposited by War Supplies, Ltd.
 (b) Includes \$12 million received from U. S. Govt. for account of U. S. military and naval forces abroad.

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

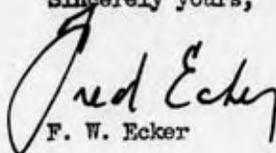
April 28, 1942

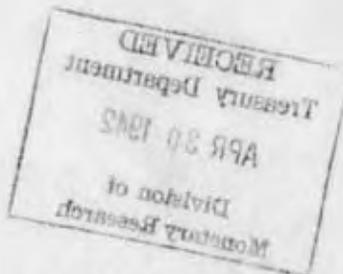
Mr. Harry D. White
Assistant to The Secretary
Treasury Department
Washington, D.C.

Dear Mr. White,

As requested, I enclose herewith a memorandum which in substance covers the points which it was felt by Lend-Lease could be agreed on by the Treasury, State, War Department and ourselves. It was our understanding that this arrangement was superseded by the conversation held in Mr. Morgenthau's office.

Sincerely yours,


F. W. Ecker



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

April , 1942

MEMORANDUM

TO: The President

FROM: Messrs. Morgenthau, Acheson, McCloy and McCabe

SUBJECT: British Dollar Position

*Reconstructed
Draft.*

As of April 1st the British gold and U.S. dollar position amounted to approximately \$600 millions. Outstanding contracts requiring dollar payments together with other net expenditures are such that it is estimated that by the end of 1942 this figure may be reduced to \$150 million if it is not augmented by current gold production. In making this estimate it is assumed that approximately \$150 million of the pay of American expeditionary forces will be spent in sterling areas and that all imports to the United States from such areas will be paid for in U.S. dollars. On the other hand, it assumes that supplies and food obtained locally for American expeditionary forces will be provided on Lend-Lease in Reverse as will also pay of civilians in sterling area working on projects for U.S. armed forces.

The balance of \$150 million, referred to above, is too low, and it is felt that ways and means should be provided to maintain it around the present level.

It is, therefore, agreed that

- (1) the War Department will take over from the British certain ordnance contracts which will provide approximately \$110 million.
- (2) from a study of the Treasury estimates based on the British figures, Lend-Lease

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS

The President

(2)

April , 1942

believes that the current trend of its operations may well result in the reduction in British dollar needs by \$100 millions, and will attempt through broadening its policy of aid to assist in reaching this objective.

- (3) up to \$200 millions additional will be provided by payment in dollars for supplies and/or local civilian labor assumed in the estimate to be received under Lend-Lease in Reverse.

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DEPARTMENT OF STATE
WASHINGTON

April 28, 1942

In reply refer to
FF 865.5151/432

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for his information a copy of telegram no. 741, April 23, 1 p.m., from the American Embassy at Buenos Aires, as well as a paraphrased copy of telegram no. 742, April 23, 2 p.m., concerning an offer from Hans Seligman, Schurch and Company, of Basel, which proposes to involve licensed lire exchange transfers to America in amounts of at least twenty million lire each for investments, debt repayments and gifts, and suggesting the United States Treasury would consent to exchange transactions as depriving Italy of foreign exchange.

Enclosures:

1. Telegram no. 741,
April 23, from
Buenos Aires.
2. Paraphrase of
telegram no. 742,
April 23, from
Buenos Aires.

Copy:bj:4-28-42

MRL

GRAY

Buenos Aires

Dated April 23, 1942

Rec'd 2:40 p.m.

Secretary of State,
Washington.

RUSH

741, April 23, 1 p.m.

Strupp of Strupp and Company has informed the Embassy of the following telegram from Hans Seligman Schurch Company of Basel received this morning:

"Have special permit many million lire for expenditure investments, debt repayments, gifts ethical by any person residing anywhere. Seller is Vatican. Could you organize sale in America main condition buying firm each time at least 20,000,000. Think can provide consent United States of American Treasury for transaction as depriving Italy foreign exchange coming in hands of Vatican to be used for their peaceful purposes abroad. Could buy those special lire at about 50% discount of official rate. Matter very interesting, urgent, hurry as can approach Treasury only after you general but unobliging consent. Italian treasury indicates gift transfers from Argentine monthly above 20,000,000." See Embassy's telegram 742.

ARMOUR

WSB

Copy:bj:4-28-42

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Buenos Aires.
TO : Secretary of State, Washington.
DATED: April 23, 1942, 2 p.m.
NUMBER: 742.

Part two of telegram 741 from the Embassy at Buenos Aires.

The party mentioned in the telegram under reference, Hans Seligman, Schurch & Company of Basel, is on the Proclaimed List and Strupp stated his bank would have no relations with the subject matter and later he agreed with the British Embassy that no reply to the offer would be forthcoming from his firm until that Embassy was heard from again. Instructions from London are being requested.

ARMOUR

Copy:bj:4-28-42

Treasury Department **377**
Division of Monetary Research

Date..... April 28 19 42

To: Miss Chauncey

I think the Secretary
might want to glance at this.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 28, 1942

TO Secretary Morgenthau

FROM Mr. White

Subject: Digest of cable from Mr. Adler dated April 23, 1942.

1. Economic conditions in Chungking have deteriorated further. Wholesale price index now 4,130. (January - June 1937 equal 100.) However, collection of land tax in kind proving fairly successful.
2. It is interesting to note that according to reports received the Chinese Government plans compulsory subscription of Chinese bonds payable in United States dollars by high income groups and voluntary subscription by the general public.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: April 23, 1942, 9 a.m.

NO.: 447

This is a strictly confidential message, TF-29, for Mr. Fox, in care of the Secretary of the Treasury, from Mr. Adler.

For Treasury's and your information following is the first weekly economic report, no.1.

1. March prices in Chungking (Wholesale price index of the Institute of Wartime Economic Research and retail price index of the Farmers Bank, both based on January - June 1937 equalling 100) were 4130 wholesale, and 3390 retail, up 12 and 12.5% respectively over the February prices. The February rise in retail prices over January was 12.5% and the wholesale was 18%.

2. In March the legal tender notes in circulation increased 4% over the February figures--from 16,333 million Chinese currency dollars in February to CN 17,150 million (preliminary) in March. The February figure is a 5% increase over that of January.

3. On April 16 the interest rate of the native banks in Chungking on 15-day loans was CN dollars 14 per 1000 Chinese national dollars or 33.6% per annum. Since April 1 there has been no change.

4. According to the report of the Ministry of Finance April 20 the collection of the land tax in kind rendered 21.2 million standard piculs of rice and other cereals or 94% of the revised estimate for September 1941--April 1942 season which was 22.9 million piculs. (110 pounds avoirdupois equals one standard picul.) 11% of the estimated Szechuan collection was produced, this accounting for about 1/3 of the total.

5. According to a preliminary estimate, from April 1 to 18 the sale of saving certificates was: Chungking, 8 million dollars; Kunming, 2 million Chinese national dollars and 2 million Chinese national dollars, making a total of CN dollars 12 million.

6. Issue beginning May 1 of United States dollar-backed bonds of up to 100,000,000 in United States dollars

paying

-2-

paying 4% per annum with a maturity of 10 years at the purchase price of CN dollars 100 equalling \$5 in United States currency was authorized by the Executive Yuan on April 21. Under the authorized scheme a large scale selling campaign is planned including compulsory subscriptions by the high income groups and voluntary subscriptions by the general public. Ta Kung Pao reported this decision on April 22 and it was confirmed on the same date in a conversation with Y. C. Koo and O. K. Yui.

In paragraphs 2, 4, and 5, the figures given are strictly confidential and are unpublished. Those in paragraph 1 are published only after a one-to-three months lag.

GAUSS

PLAIN

Cairo

Dated April 28, 1942

Rec'd 3:18 a.m., 29th

Secretary of State,

Washington.

666, twenty-eighth.

Today's press carries in extenso speech of Finance Minister Makram Ebeid Pasha in Chamber of Deputies last night introducing new budget stated to be largest (53 million Egyptian pounds) ever framed in Egypt outstanding feature of speech was Minister's emphasis on social principles underlying Government's proposals following points being stressed (one) last budget was of bureaucratic type and was "designed not to serve the people in their relations with the government but the Government in its relations with the people" (two) new budget aims at presenting clearcut financial policy reconciling needs and serving interests of different classes and at realizing progressive schemes which had been "disastrously neglected in the past" (three) East is particularly liable to fall prey to a form of economic dictatorship which is more deadly than political "for a political dictatorship may arouse men to revolution whereas an economic dictatorship **** so absorbs them in the struggle for existence that they have no time to think of active struggle". If political independence of Egypt is to be real it must be accompanied by economic independence based on interest of people rather than of Government. In Egypt Government officials are wellpaid and landowners flourish but what of industrial and farm laborers who although forming about 90% of population "might well be living in another world and in another age? **** Let us bluntly state our aims. We have worked to save the Egyptian from foreign imperialism; it is now time to save him from Egyptian imperialism" the only way to achieve this is to extend and maintain democracy in Egypt and the WAFD although not claiming perfection in itself is as the party of the people best qualified to carry through such a program this is not socialism but merely an effort to achieve social justice in struggle between democracy and bureaucracy.

Proceeding to deal with more concrete aspects of budget Finance Minister mentioned inter alia following (one) necessity to curb inflation (two) plans to effect more equitable distribution of tax burden by lightening taxes on small landowners increasing taxes, on large incomes and commercial profits, amusements, alcoholic beverages, raising supplemental tax (three) increasing telephone and telegraph rates (four) selling government land (five) reduction of expenses wherever possible.

-2-

In addition to budget proper Finance Minister took occasion to discuss Government policy regarding creation of department of Government accounts reduction of land debts cereal shortage financing next cotton crop (mention being made of offer of British Government to purchase from Anglo-Egyptian Cotton Commission 500,000 cantars of giza seven cotton at 21 dollars 50 cents or five dollars fifty dollars above original purchase price) improved distribution to meet sugar shortage fertilizer supply export and import licensing project to reduce government pensions fiduciary circulation at one point Minister expressed appreciation of action of American Government in including Egypt among countries entitled to Lead-Lease.

KIRK

BB

Copy:bj:5-5-42

April 21, 1948

Mr. Liveness

Mr. Dietrich

Will you please send the attached cable to the American Embassy, London,
"For Cassady from the Secretary of the Treasury".

Rich

To **L. W. Cassidy,**
American Embassy,
London, England.

From **The Secretary of the Treasury**

Please send by air pouch the series on "Consumer Rationing--
Coupon Banking Scheme", as listed in recent summaries of reporting
activities.

WRE:GP 4/28/48

TELEGRAM SENT

PH

April 28, 1942

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

7 p.m.

AMEMEASSY

LONDON (ENGLAND)

1838

FOR CASADAY FROM THE SECRETARY OF THE TREASURY

QUOTE Please send by air pouch the series on
INNER QUOTE Consumer Rationing--Coupon Banking Scheme
END INNER QUOTE, as listed in recent summaries of
reporting activities. END QUOTE.

HULL
(FL)

FD:FL:ME

C
O
P
Y

DEPARTMENT OF STATE

386

WASHINGTON

April 28, 1942

In reply refer to
FD 102.1/6476

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 2018, dated April 21, 1942, from the American Embassy, London, England, regarding the procedure for cashing Treasury checks under arrangements made between the United States and the British Treasuries, and copies of the Department's telegram No. 1820, dated April 27, 1942, in reply thereto.

Enclosure:

From Embassy, London,
No. 2018, April 21, 1942.

To Embassy, London,
No. 1820, April 27, 1942.

eh:copy
4-29-42

C
O
P
Y

387

TELEGRAM SENT

HRL

PLAIN

April 27, 1942

AMEMBASSY,

LONDON (ENGLAND).

1820, twenty-seventh.

Your 2018, April 21, 5 p.m.

Department's 1468 sent for Treasury Department pertains to checks drawn on the Treasurer of the United States by disbursing officers having checking accounts with him. Drafts drawn on the Secretary of State are apparently being negotiated in the British Isles in a normal manner as the Department has not heard of any difficulties being experienced there in that respect.

Foreign Service Officers in the British Isles should draw, negotiate and account for drafts as usual unless conditions make this practice unsatisfactory in which event Department should be advised. However, it is believed advisable that a first and second of exchange be drawn and issued of each draft negotiated.

HULL
(GHS)

102.1/6476

DA:LLW:SJ FA FD

eh:copy
4-29-42

NWN

GRAY

London

Dated April 21, 1942

Rec'd. 8:30 p.m.

Secretary of State,
Washington.

2018, April 21, 5 p.m.

Department's 1468, April 8, midnight.

On April 14, the Bank of England issued a notice to banks and bankers, the substance of which was communicated to the Treasury of the United States outlining procedure under arrangements made between the American and British Treasuries. According to this notice, checks subject to procedure outlined by Treasury of United States are confined to official drafts and checks on the United States Treasury from United States military or naval paymasters, United States diplomatic officers, disbursing officers or senior officers acting in their official capacity. British authorities state that this can be meant to include individual checks cashed by American officials and employees with paymasters and later turned into banks by the latter for negotiation. It is assumed that when the Treasury says all (repeat all) "United States

-2- #2018, April 21, 5 p.m., from London.

States dollar checks drawn on the Treasurer of the United States" in part two of the outline it means checks affected by the negotiations and excludes pension checks and other Treasury checks drawn to individual order and cashed by individual as a regular commercial transaction.

Army and Navy officials have been informed of the suggested procedure outlined in point nine of the Treasury's communication to the Department.

Does the Department wish Embassy to follow procedure outlined in point nine for local currency requirements? If so, what accounting procedure is to be used where standing instructions from the Department require the drawing of separate drafts and separate accounting? In the event that Embassy is no longer to draw drafts for local currency requirements the Chase National Bank is designated as bank of deposit.

Bank of England has raised question as to whether procedure applies to consular officers outside London. As Department made no mention of consular officers in the field in its cable, instructions are requested as to whether they are to draw drafts as usual and have them

-3- #2018, April 21, 5 p.m., from London.

have them delivered through appropriate London bank to Embassy for transmission. As consular officers draw very few drafts it will appear needless to telegraph for local currency requirements.

In order that end of April accounts may be expedited an early reply is requested.

MATTHEWS

KLP

Copy

391

To: Miss Chauncey

From: O. G. & Tar.

Not worth calling to Secretary's
attention.

orig. of this memo attached to 5/1/42 STATE

NMG

PLAIN

Bern

Dated April 28, 1942

Rec'd 3:38 a.m.

Secretary of State,
Washington.

1784, Twenty-eighth

Consul Zurich reports: fundamental reorganization German industrial economy illustrated by new decree regulating simplification industrial economy which came into force April 20 as described by various newspaper. FRANKFURTER ZEITUNG owing increased demand armaments industries organization must be simplified production intensified. National industrial economy now comes under direct control district economic chambers (Gauwirtschaftskammer) specially created and directly responsible to Reichs Economic Minister. All other organizations such as local chambers of commerce and industry abolished and absorbed by new district chambers this gives Gauleaders increased authority. Effective immediately forty-one chambers of commerce closed viz Arnshausen, Bingen, Coburg, Danstadt, Dessau, Detmold, Erfurt, Feldkirch, Flensburg, Frankfurt

-2- #1784, Twenty-eighth, from Bern

Frankfurt on Oder, Freidberg, Gera, Giessen Goerlitz Halberstadt, Hildesheim, Hirschberg, Krefeld, Liegnitz Mainz, Nordhausen, Offenbach, Oppelnoan, Abruueck, Passau, Pforzheim, Plauen, Reutlingen, Rottweil, Sagan, Schneidemuehl, Schweidnitz, Solingen, Sonnenberg, Stadthagen, Stolp, Teschen, Ulm, Verden, Worms, Zittau. Introduction of district economic chambers brings regional economic organization under greater party control. Therefore decentralization as planned by decree March 19 canceled FRANKFURTER ZEITUNG continuing discussion following day states necessities caused by long war awakened new energies. For months everyone busy endeavoring improve Germany's war industries in making them stronger more elastic. Of Germany's 111 local Chambers of Commerce 41 will completely disappear this but preliminary spade work. Other industrial and commercial chambers will not be closed but will disappear as such becoming centers of new organization. Also 71 chambers of commerce and 23 chambers of industry lose former privileges and disappear. Future regional organizations will be managed by district local and branch economic chambers. In many instances seat of new chambers will be district Government office (Gauverwaltung)

whose

-3- \$1784, Twenty-eighth, from Bern

whose resident will become proper exponent regional economic development coordinating it with party economic and political program. District economic chambers will directly represent economic organization and will take over all duties prerogatives former chambers of commerce industry craftsmens guilds others. They will form separate groups dealing with industry guilds banks insurance power plants and transportation. Cooperation with party will be increased. Centralization economic power made easier. BERLINER BOERSENZEITUNG Funk spoke in Graz occasion opening first "Gauwirtschaftskammer" stating self administration of industry considered unsatisfactory being partial compromise between old new systems. New measures simplify operations and represent stronger "transversal" tie with party. New chambers will unite all economic organizations and create "vertical" connections between various groups of industry. Instead of being merely "super structures" as chambers commerce were they will maintain direct relations with manufacturers. Their managers who are given extraordinary responsibility have important education work to perform. Next day Funk spoke in

-4- §1784, Twenty-eighth, from Bern

spoke in Klagenfurt inauguration new chambers
FRANKFURTER ZEITUNG "his statements on new industrial
policy. Simplification as now being introduced not
only applies war industries but whole national production.
Main points were: (one) armaments Minister must feel
sure that industries being supplied with necessary raw
materials with minimum friction in order that production
be increased and former methods must be ignored;
(two) allotments to be made with minimum "paper" work
as speedily possible (three) allotment control centers
must act mainly as statistical offices reducing unnecessary
labor other statistical bureaus (four) industry must reduce
official correspondence to minimum (five) in order speed
up production measures must be taken eliminate necessity
industries to communicate with too many official Reich
offices (six) financial methods to be radically altered in
that greater stress to be laid on granting normal bank
credits and reduction government subsidies (seven)
manufacturers called on for greater discipline and re-
nunciation normal industrial lucrative considerations
(eight) consumers called on for similar discipline in
reducing standard living (nine) war debts will be settled
comparatively short

-5- \$1784, Twenty-eighth, from Bern

comparatively short time after was as surplus cheap labor raw materials will be available. Manufactured goods will be cheaper than price level Germany and difference will be used reduce war debt as well as insure stabilization currency (detailed report will follow by airmail).

State Secretary Reinhardt announced important reform German income tax. Local municipal income tax abolished state tax increased. New system provides taxation relief for small medium wage earners increased taxation higher salaried classes BERLINGER BOERSENZEITUNG states 1941 municipal income tax totaled 800 million marks new taxation comes into force July first. This measure reduces work done by municipal authorities making unnecessary for them to fill out page four on some 26 million income tax declarations and abolishes their complicated accounting system. As minimum exemption from municipal taxes was lower than from Government income tax and as undesirable that persons formerly liable municipal income taxes now exempt Government minimum exemption from income tax reduced for all single persons, childless married couples or families with not over two children.

HARRISON

BB

B.S

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

Montevideo

Dated April 28, 1942

Rec'd 6:35 p.m.

Secretary of State,
Washington.

324, April 28, 7 p.m.

Department's telegram 220, April 23, 9 p.m.

Commercial Attache has made discreet inquiry of Bank of the Republic official who is usually very willing to furnish information. The official appeared reluctant to make any statement other than that the gold was being brought to Uruguay in agreement with the Minister of Finance.

Another bank official has mentioned the impending shipment to an American banker but gave no information as to reason. The American banker is at a loss to explain the shipment but suggests that it may be either because of apprehension of an eventual gold embargo in the United States or because of the feeling that a large proportion of gold reserves should be in Uruguay.

DUNSON

CSB

TREASURY DEPARTMENT

398

INTER-OFFICE COMMUNICATION

DATE April 28, 1942

TO *Miss Chauncey*
Secretary Morgenthau

FROM Mr. White

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£61,000
Purchased from commercial concerns	£42,000

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

In a dull market, the Canadian dollar discount narrowed to 12-1/16%, as compared with 12-1/4 yesterday.

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

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

There were no purchases or sales of gold effected by us today.

The Federal Reserve Bank of New York has been holding an earmarked gold balance of \$4,438,000 for the Banke Millie Afghan, Account G, this gold being the property of the Royal Afghan Government. The Treasury authorized the Federal today to transfer this gold in its vaults to a new account entitled "Da Afghanistan Banke, Account G". The latter is the Government Central Bank of that country.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped \$176,000 in gold from Mexico to the Federal for its account, for sale to the New York Assay Office.

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.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 138

Information received up to 7 A.M., 28th April, 1942.

1. NAVAL

Air reconnaissance yesterday showed TIRPITZ, SCHEER, HIPPER and PRINZ EUGEN at TRONDHJEM in their usual positions.

2. MILITARY

BURMA. By early 26th our forces had occupied a general line KYAUK-PADANG-MEIKTILA covering the withdrawal of Chinese troops. There are continued reports of enemy thrusts towards the Northern SHAN STATE and elements have reached about half-way along the road LOILEM-BSIPAY, RUSSIA. Local Russian attacks are continuing in the Central Sector.

3. AIR OPERATIONS

WESTERN FRONT. 26th/27th. About fifty tons of high explosive and incendiaries were dropped on ROSTOCK and about eighty-six tons on the Heinkel Works. Weather was excellent and the attack is considered successful. Many crews considered the attack on the town the best of the series.

27th. Bostons and Hurricane bombers attacked power stations at OSTEND and LILLE as well as three enemy aerodromes. 518 Fighters operated and enemy casualties were eleven destroyed, eight probably destroyed and fourteen damaged. Two Bostons, two Hurricane bombers and fifteen fighters are missing. One pilot safe. Off the Danish Coast Hudsons made two hits on each of two vessels of about 3,500 tons.

27th/28th. 120 aircraft were despatched: COLOGNE 92, DUNKIRK 12, Sea mining 11, Leaflets 5. Weather was very good and many big fires are reported at COLOGNE. Twelve of our aircraft are missing. About 25 enemy aircraft made a sharp attack on NORWICH.

MALTA. Between 1600/26 and 1320/27 125 bombers with fighter escort attacked. At KALAFRANA a high speed launch and two seaplane tenders were destroyed. Elsewhere, a transformer room and power station were hit. Anti-aircraft destroyed two Junkers 88.

4. HOME SECURITY

BATH. On 26th/27th about sixty high explosives were dropped. Blast effect was reported as exceptional. Casualties for the two nights are given as 150 killed.

NORWICH. 27th/28th. The city station and a hospital were seriously damaged and there were about thirty-five fatal casualties.



UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

400

April 28, 1942

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

Dear Henry:

The attached has just come to me from
our London office. It is the British Political
Warfare Executive Weekly French Directive.

Sincerely,

Bill
William J. Donovan

The French fleet:

a. Do not comment on French warships, either on their dispositions or the possible use of them. Do not go out of your way to attack Darlan. There may be some significance in the omissions in his Order of the Day and letter of resignation. Avoid referring to Darlan as Commander in Chief of the French navy. Insist on the way the Germans are exploiting the economic resources of the French colonies and the French merchant fleet. Any discussion of Madagascar should be avoided.

France:

a. Police measures. Undoubtedly Laval is concentrating on a cleanup. It is expected that there will be a comprehensive purge among Darlan's former administrative collaborators. In unoccupied France the police are to be reorganized by Bousquet. The Paris police force is asking for further recruits. Before he makes any further steps toward selling out, Laval is making sure of his internal position.

b. RNP is to extend its organization to the unoccupied zone. Deat's forces will be put at Laval's disposal. The attempt to form a "Partie de la Revolution National" should be shown up as a trick on the part of Laval to suppress all other organizations, even those which support the Marshal.

c. The present government is little more than a "half-way house" towards a full collaborationist" government. Moysset and Barthelemy are not likely to last long. It should be pointed out that the cabinet is full of second class men who were deliberately chosen to cover the first period while Laval gets full control of all the reins of government. Eventually Laval, having served his usefulness, will also be discarded by the Germans.

d. The Germans are being discreet about Laval. Only after he has shown himself a good servant will they make concessions.

e. Laval will probably get in touch with Germans in a higher place than Abetz. The position of Petain in 1942 is the same as that of Hindenburg in 1933.

Emphasize:

a. The distinction between Laval and the French people.

b. Although Laval is afraid of the French people, he flatters himself that he can double cross them. He is therefore proceeding in two stages, first, temporary acceptance of Darlan's military position and Marshal's "cover", second, gradual purge of Vichy's "old guard".

c. While Germany undertakes the spring campaigns, she requires that France be ruled by a man whose future is bound up with hers.

d. Petain has been reduced by Laval to a mere figure-head. Point out all Laval's efforts to cover himself by the Marshal's formal authority. Petain will not know what Laval is planning; he has no control over internal policy.

e. Frenchmen who have been serving Vichy through self interest or under the illusion that they have been serving France must now be disillusioned. They must not know that Laval is to them an implacable enemy. There is no longer the appearance of a "buffer" between Germany and the people of France.

f. The fact that both these factions are their enemies will now be apparent to the people of France.



UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

April 28, 1942

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

Dear Henry:

The attached is from the British Political
Warfare Executive German Weekly Directive.

Sincerely,

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

William J. Donovan

Policy:

a. Inside Germany. In news matter we should confine ourselves to factual reportage, personnel changes, decrees, etc. Watch for items which will illustrate Sauckel's manpower crisis.

b. France. Avoid mere abuse of Laval; vague statements that all France is against him; emphasize that the new government is proof of: first, Germany's fear of intervention in the West; second, Germany's need of foreign labor.

Strategy:

a. Be careful to stick to innuendo when mentioning our western front intervention threat. The Germans are talking of "Wikingersburgen" on the west. However, such fortifications are as outdated as the Maginot line. RAF offensive and Commando raids should still be described as the first stage of our offensive action.

b. Be careful not to over inflate the Russian local attacks. We can assume that the German spring offensive will not start for several weeks.

Military points:

a. Malta. We can state that Malta's resistance has already delayed the spring offensive by diverting Kesselring's forces.

b. Yugoslavia. Some seventeen Italian divisions are now contained by the Yugoslav army, not to mention Bulgarian, Hungarian or German--in all, some thirty divisions.

Naval points:

a. Continue to emphasize Germany's need to break our communications with Murmansk. The Tirpitz, etc. still inactive at Trondheim. The Gneisenau was damaged so seriously that she has now been towed to Cydnia for repairs where she

-2-

lies alongside the Graf Zeppelin, still incomplete. The Scharnhorst is also in dry dock.

b. Lay off U-boats sinking stories and expose German sinking claims.

Air Points:

a. It is possible to assume that the Luftwaffe is feeling the pinch both in personnel and in machines because: first, wastage of machines in Russia because of climatic conditions, poor runways, low efficiency of flying personnel owing to over-work, inadequate aids to landing at night; second forced landings due to using aircraft which has exceeded normal first line life and aircraft not serviced with usual completeness.

b. Many units had less than half their strength towards the end of 1941. The reserves have been swallowed up in less than six months. The results of this shortage have been: first, the number of dive bomber units has been reduced to two-thirds of June, 1940. Until late in March no dive bombers could be spared for Malta and since then there have been only enough to contribute less than ten per cent of the total effort. Second, for months the raids on Moscow have had only a nuisance effect. Third, it has been necessary to use first line bomber aircraft for transport work. Fourth, owing to a shortage of ME 110, twin engine day-fighter units have been disbanded to expand night-fighters.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 28, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck

Subject: Summary of Intelligence Reports

Russo-Japanese Relations

(The Japanese are reinforcing their army in Manchuria. If this trend continues, an attack on Siberia around the first of June probably is to be expected.)

The British state that recent reliable information indicates that the Japanese forces in Manchuria have been increased from 20 to 23 divisions.

(U.K. Operations Report, April 27, 1942)

Information secured by the Coordinator of Information's office is to the effect that the number of military planes in Manchuria and Korea was increased in the first half of April from 300 to 700 and in Northern China from 60 to 200. The number of planes in Japan also increased from 400 to 750. (The total number of Japanese planes available against Siberia thus totals 1,650, or almost half of the Japanese first-line combat strength.)

(C.O.I. "The War This Week", April 16-23, 1942)

Chinese Supplies in Burma

According to an American transport expert, it will require a year to 18 months to move into China the Chinese supplies accumulated in Burma. In December, there were 150,000 tons of Chinese goods in Burma, of which almost half were already in upper Burma. By the end of February, the great bulk of lend-lease goods had been moved up-country out of Rangoon.

(C.O.I. "The War This Week", April 16-23, 1942)

France

Food supplies in France were so short in the large towns during March that mass street demonstrations occurred in Montpellier, Sete, and Lyons. Crowds shouted for meat, milk and bread. Thousands of women sent deputations to mayors and signed petitions.

(U.K. Ministry of Economic Warfare Weekly Digest;
C.O.I., April 25, 1942)

Voice of the Chief BroadcastsItalians Bring Death to Nazi Captives

Recently, 72 Nazi soldiers from the Afrika Korps lost their lives aboard the Italian ship Eretria which went down in the Mediterranean.

"These Germans were prisoners aboard the ship, mostly for disciplinary breach of discipline. Thus one German soldier in a dispute with an Italian officer, had pushed his elbow into the latter's face." Another Nazi had ambushed an Italian who had stolen his food.

"It is really the height of outrage when a German soldier has to submit without resistance to arrest by a stuck-up macaroni policeman. But in addition, these 72 Nazi fighters aboard the Italian ship were manacled and herded like sheep into locked compartments to travel under Italian guard to a Naples prison camp.

"As a result, when the ship sank and the Italian jailers jumped, these men were unable to get out and drowned helplessly."

(Federal Communications Commission)

Racketeers Cheat on U-Boat Rations

The Griem concern commits its most flagrant crimes in Wilhelmshaven. There, "home-coming and outgoing subs are met by Griem's crooked agents, such as the ring-leader Fritz Wimmert or fat Herr Franzmann who owns the bar next to the Tax Office. Sometimes, female agents are used to bring in the business. Now the sub might order for its next long-distance cruise 1,800 eggs, 300 pounds of coffee, 1,200 bars of chocolate, 750 cans of preserved fruits, and so on.

"After delivery of the stuff, the sub supply steward, who is often in on the game, will sign bills for the above amounts as having been received from the Griem concern. These bills are then counter-signed by the sub's commandant whereupon prompt payment is made by the Navy cashier. Actually, of all goods supposedly delivered, one-third will be missing.

"Ten years' imprisonment were recently meted out to Herr Hugo Finch, a small grocer in Berlin-Wilmersdorf, for supplying a customer with 2 pounds of cheese outside of rations. But a well-connected firm like that of Wilhelm Griem is suffered to carry on wholesale corruption undisturbed."

(Federal Communications Commission)