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August 25, 1942
9:05 a.m.

TAXES

Present:

- Mr. Gaston
- Mr. White
- Mr. Paul
- Mr. Blough
- Mr. Stewart
- Mr. Haas
- Mrs. Klotz

(Memorandum for the President, dated August 25, 1942, read by the Secretary.)

H.M.JR: This sentence, "Exemptions somewhat lower than the exemptions of the income tax would be allowed"--

MR. BLOUGH: Personal exemptions.

MR. PAUL: That is the twelve hundred and the five hundred.

H.M.JR: When do you cross that bridge on exclusions, or whatever you call it?

MR. PAUL: That is a refinement that you don't have to get into now.

MR. BLOUGH: There is not agreement in the Treasury as to just what we ought to do.

H.M.JR: There is a terrific difference.

MR. BLOUGH: At this stage it is a question of the principle.

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H.M.JR: "Persons with incomes of not over \$2,000 or so would be taxed" - you mean taxed in addition?

MR. PAUL: No, in lieu.

MR. BLOUGH: They would be taxed additionally on their incomes.

H.M.JR: It is an addition, yes.

We will have to get a name for that tax so it will stand out.

MR. PAUL: It might be sort of a super tax.

H.M.JR: We do not have any tax called a "war tax", have we?

MR. PAUL: We could call it that.

H.M.JR: Wouldn't this stand out separately on the return?

MR. BLOUGH: You mean the third paragraph?

H.M.JR: Yes.

MR. BLOUGH: Yes, it would. I would think for psychological reasons it ought not to be too fully distinguished because I do not want it to appear that the lower-income group would pay one tax and the upper-income group doesn't pay it. As a matter of fact, the way the thing is worked out it will be indiscernible at what point they move from the income tax to the expenditure tax, except at the end of the year. But you might call this the spendings income tax and make this the income part of it.

H.M.JR: I would call it a "war tax."

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MR. PAUL: Roy, does it have to be a separate tax? You could raise the rates and introduce that other element in the lower brackets.

H.M.JR: Well, I will run through it, but I don't agree, necessarily, with your approach.

You see, Harry, I am going over to the White House at quarter of ten. I have got to be there at quarter of ten.

Walter, do you see anything in here--

MR. STEWART: Well, I think two and three are not very clear. They are not very clear to me.

MR. PAUL: Of course they are highly compressed.

MR. STEWART: I wonder whether it is compression or whether you have really made up your minds on what you want to say.

Do you really mean, for example, as between exemptions and exceptions that you do not need to go into it? You don't need to if you know how low you are going to go on your exemptions. There is a little confusion in my mind between paragraph three and the earlier paragraph on exemptions. If you were prepared to suggest a figure on exemptions in paragraph two, it has to be more concrete.

MR. PAUL: We hate to commit ourselves.

H.M.JR: I think it is wise to be a little bit muddy there because this thing really only came out through the question that I asked the man from OPA. What is his name, Nathan?

MR. PAUL: Yes, he is from WPB.

H.M.JR: We asked that question about how it affects the gap. The way it originally was set up he said it still would leave two-thirds of the gap untouched.

MR. PAUL: Herb Gaston made a very valuable point there, that it is not only the direct effect of the tax but the induced savings.

H.M.JR: Harry, let me give you a little background in the time that I have left.

MR. WHITE: It might be helpful. We have discussed this at considerable length in the past so I am quite familiar with it.

H.M.JR: I want to explain this. You might say, "Why do you drop the expenditure rationing in favor of this?" The answer is I have not dropped the expenditure rationing.

MR. WHITE: They are complimentary. They do not substitute each other.

H.M.JR: And you cannot sell the country, let alone Congress, on expenditure rationing in the time which we have. Everybody agreed, and I want to be sure that you feel that way, because they are complimentary, that if we did this it would not exclude the other.

MR. WHITE: Yes, we had agreed on that. The only reason we preferred the other is some of us thought if only one were to be obtained it should be the rationing; but if you can get both, as you might, I think this is probably a better approach to the problem.

Possibly you have left it out purposely - I don't know what your discussion has been - but there is no indication here to the first reader, if a

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person is first getting acquainted, as to, even roughly, how much we expect to get as a financial measure.

H.M.JR: If he asks that question, the answer is from three to five billion.

MR. WHITE: It is not in here. You mean you gave it to him orally?

H.M.JR: I am going to.

MR. WHITE: And the second point - it is maybe implied in this, but I think a sentence or two might be included to make it clearer that there are indirect effects which should be added to the tax; that is, what is collected will be withdrawn from purchasing power. This three to five is an additional mopping up, and then there is this indirect effect that Randolph said Herbert spoke about as being important because it leads them to save. Both of those might be included either written or orally.

H.M.JR: I have got it well soaked in because I was here last night, you see.

MR. WHITE: I feel, with Walter, that this third paragraph should be made clearer, unless you do not mind it being obscure so that he will feel there is to be further discussion.

H.M.JR: He does not know it is obscure, and it is obscure depending upon the exemptions that these people are given. In the lower brackets - how much we are willing to do in the lower brackets makes a difference of five billion dollars, roughly.

MR. BLOUGH: A lot more than that - you mean in the yield?

H.M.JR: Yes. The point, as I understand it, is if you say a man has a fifteen hundred dollar income

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and he gets a twelve hundred dollar exemption, you tax him on three hundred dollars; or if you say a fifteen hundred dollar man and he pays a tax on fifteen hundred dollars, the difference, they say, runs to about five billion dollars.

MR. BLOUGH: Just about.

MR. WHITE: Then this is to be regarded--

H.M.JR: Excuse me. Am I right?

MR. BLOUGH: Yes, that is right. The tax base would be about double present exemptions if you considered them exclusions and not exemptions; since at that level the money would be returned to them later, it might not be too inequitable to do that. However, I understand Herbert is not in favor of that type of procedure.

H.M.JR: I think that that thing it is important to leave open.

MR. PAUL: I do, too.

H.M.JR: Harry, you are evidently familiar with this thing. When I put the question to everybody yesterday as to the principle, did they feel that I should try to go forward at this time, without getting into the details, they said yes. Do you?

MR. WHITE: Provided you present it as another important step and not as the answer.

H.M.JR: That is right.

MR. PAUL: A step in the right direction.

MR. WHITE: As an important step in the right direction, I think there is very much to be said for it.

H.M.JR: "And agreed that the principle of the plan was sound and that it was a healthy step in the right direction."

MR. WHITE: There is only one reservation in my mind, which I merely mention, and that is that a good deal of the administrative work involved in this, I should hope, would lay the ground work, which would not necessarily be duplicated if later on the country, or you, found it wise to push for the expenditure rationing. So I don't see in this step anything which would make more difficult the assumption of expenditure rationing, and I see some things which would make it easier. I merely mention those things.

I feel that this is a step in the right direction, and I also think that it will appeal psychologically to the people very much.

H.M.JR: In other words, you like it?

MR. WHITE: Yes. Yes, I like it now, and I did like it. I just do not feel that it is a complete answer, and I--

H.M.JR: No, no, don't worry.

MR. PAUL: I would like to suggest something to you that the President may ask you about. He may ask, "Won't this delay the bill?" Certainly you have to say it will, subject to whatever George may say at lunch, but I am not sure that the bill is not going to be delayed anyway. There is a strong sentiment in the Finance Committee at this time for additional taxes, and there is a strong sentiment to get them by one means or another, including the sales tax; and if they get into a sales tax fight that is going to delay the bill, anyway, so we might as well have a delay on a good cause.

H.M.JR: The thing that I would like to do, if you men think well of it - and I think that this

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should be the approach with George at lunch, and I would like Blough there - is to try to sell this to George and then let George propose it rather than the Treasury. See?

MR. PAUL: Let me suggest there that I went to George yesterday and told him that I would suggest that he not bring out his ideas before the Committee about a gross withholding tax. I did not want him to get his neck out and get himself committed and have his pride involved; so he said he would not. Now, what you suggest may be a good idea. I am not sure, though.

H.M.JR: Well, think it over.

MR. PAUL: You might make a tender to him or he might--

H.M.JR: I would like to say something like this, "Now look, Walter, I do not want to have it appear that at the last minute we are trying to spring something. If, on the other hand, you brought this up as an alternative to the sales tax and asked the Treasury if this would be acceptable to the Treasury, we could say yes." But I think the way to put it up to him is this way, "Look, we have no pride of authorship. I personally think the country will take it better from you. If you would like to propose it, then ask us whether we will concur; but, on the other hand, if you want us to suggest it we will do it."

(Mr. Haas entered the conference.)

MR. PAUL: That is all right.

H.M.JR: "We will do it either way. I mean we think this is a good plan and I would be glad to put my name to it. If, on the other hand, you take it and suggest it, coming from the chairman I think the country would take it better."

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MR. PAUL: That is all right.

H.M.JR: You have a chance to think it over between now and twelve-thirty.

MR. WHITE: May I make a couple of minor suggestions?

H.M.JR: Listen, if they are minor, skip them.

MR. WHITE: One I am sure is not minor. I will skip the second. On the schedule of rates, the danger in this, and one of the things that detracted somewhat from its attractive features to begin with, was that we were afraid they would take the idea and quickly convert it into a sales tax, or something very close to it, by making the rates very slightly progressive.

That is suggested in this schedule one, and I am wondering, if you are going to give it to George, if you had not better continue that rate of progression and do this schedule one over so that he will not see in this a way to swing you around to a slightly modified sales tax.

H.M.JR: You answer that.

MR. PAUL: I do not think you are going to put much over on George. George is not particularly for a sales tax.

H.M.JR: And I don't think your criticism is very good because slightly progressive - from ten to thirty percent, I don't call that slightly progressive.

MR. WHITE: From four thousand up it remains flat.

MR. PAUL: We might increase the progression very slightly.

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H.M.JR: Look, Harry, I have got to go over. I don't want to get mixed up now, because with the President - I mean if you said to me, "Look, boss, I don't like it at all", but if you like it ninety-five percent - is that too high? Ninety percent?

MR. WHITE: Yes.

H.M.JR: How much, ninety-five percent?

MR. WHITE: Yes.

MR. PAUL: You get an "A" on it. (Laughter)

H.M.JR: You would have gotten a great kick out of Gilbert and Galbraith. I went around the room - I said, "Now we will go around the room. Mr. Gilbert, what would you like?" He says, "I think you had better pass me up this time." So Galbraith, who comes from the same office, said, "This is the first time I have seen Gilbert want to get on the side of the majority."

So then something else comes up, and he wants to do it by stamps. Galbraith says, "Well, Jack" - or whatever he calls him - "I think you have about enough of stamps. You can almost declare a monopoly on it." (Laughter)

MR. WHITE: Do you think that is an adequate statement, "It would involve some administrative difficulties." That is a little of an understatement.

MR. BLOUGH: It is an understatement. There will be serious difficulties.

MR. PAUL: I do not think we ought to take any position on that until we hear from the Bureau.

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H.M.JR: They were talking for a couple of hours, and Sullivan was here and kept his mouth shut - "There would be just a little administrative trouble." (Laughter)

MR. BLOUGH: I do not think you should understate the administrative difficulties to the President.

H.M.JR: He is not interested in administrative difficulties.

MR. BLOUGH: There are difficulties of a serious character involved.

MR. GASTON: George could not present such a detailed scheme as this as his own scheme, but what George could do, with entire plausibility, would be to say, "I am interested in the idea of a spendings tax. I have got this idea, with certain exemptions and progressive spendings tax, and I have asked the Treasury to see if they can work something up on it."

MR. PAUL: That would be better.

MR. WHITE: Somebody called it a "war spendings tax." I think it ought to be given a name of that character, in caps.

H.M.JR: That was the one for the rationing.

MR. HAAS: "War spendings" is not so good because you confuse that with spending for armament and things of that sort.

MR. BLOUGH: "War tax on spending."

H.M.JR: Why not just call it "war tax?"

MR. HAAS: That indicates you are going to take it off after the war.

H.M.JR: You want to. What is the matter with just "war tax?" You have not had a war tax yet.

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* MR. BLOUGH: Not for a couple of years. We have a war surtax.

MR. PAUL: We have a defense tax.

MR. GASTON: "War-time tax on spending."

H.M.JR: That is too long, Herbert.

MR. PAUL: "Victory tax." (Laughter)

H.M.JR: Well, anyway, as long as we feel in that humor, - I would like Herbert Gaston to stay on another matter.

August 25, 1942

MEMORANDUM FOR THE PRESIDENT

The growing inflationary dangers inherent in the present situation require a tax program larger than the Treasury's \$8.7 billion. The Congress, however, is not likely to provide nearly that amount of revenue from proposed tax sources except by resorting to a general sales tax. There is a strong campaign under way for a general sales tax.

This situation could be met by a spending tax. Such a tax would be imposed at progressive rates on the amount spent on consumer goods and services. Exemptions somewhat lower than the exemptions of the income tax would be allowed. Debt payments, insurance, and other forms of savings would be exempt.

For administrative reasons persons with incomes of not over \$2,000 or so would be taxed on their incomes, rather than on their spendings, and the amount so collected would be held for return to them as a post-war credit.

The spending tax is not a sales tax. Personal exemptions would be allowed and the rates would be progressive thus obviating the unfair aspects of the sales tax. The spending tax would not affect price ceilings.

The spending tax is not an income tax. It avoids the hardships which high income taxes involve for persons having commitments to pay debt, and imposes a more definite penalty on spending than does the income tax. It would involve some administrative difficulties.

A group from OPA, NPB, Department of Commerce, Federal Reserve Board, and the Treasury Department, discussed the plan last night in my office in some detail, and agreed that the principle of the plan was sound and that it was a healthy step in the right direction. I believe the tax might well be suggested to Congress even at this late stage in the progress of the Tax Bill.

I am planning, with your approval, to discuss it with Senator George at lunch today.

RB:dd
8/25/42

**Illustrative Rate Schedules for a
Spending Tax**

Expenditure brackets in excess of exemptions	Schedule I	Schedule II
\$ 0 - \$ 500	10%	10%
500 - 1,000	10	15
1,000 - 2,000	15	20
2,000 - 3,000	20	30
3,000 - 4,000	25	40
4,000 - 5,000	25	40
5,000 - 6,000	30	50
6,000 - 7,000	30	50
7,000 - 8,000	30	50
8,000 - 10,000	30	50
10,000 - 25,000	30	75
Over 25,000	30	100

August 27, 1942

MEMORANDUM FOR THE SECRETARY

Subject: Luncheon with Senator George on the spendings tax.

The luncheon was held Tuesday, August 25, 1942, at 12:30 p.m. in the Secretary's dining room. Present in addition to the Secretary were Senator George, Mr. Paul and Mr. Blough.

Secretary Morgenthau said that he understood the Committee was interested in raising more revenue, and that he thought Senator George might ask the Treasury what it would recommend as a method of raising several billion dollars of additional money. He said he wanted to talk over an idea he had with the Senator to see what he thought about it. The idea was for a spendings tax, and he asked Mr. Blough to describe it briefly.

Mr. Blough explained the proposal for an additional tax on consumer spendings at progressive rates above an exemption. To save administrative difficulties the tax at the bottom would be measured by income rather than spendings and would be returned to the taxpayer as a post-war credit.

Senator George indicated that he thought the principle of a spendings tax had much to recommend it. He asked about the rates at which the tax would be applied and when told of a schedule which went to 30 percent and possibly of schedules going as high as 100 percent, he said that he thought members of the Committee might not want to approve the tax at rates which would increase so much the already heavy burden on the middle and larger incomes.

Senator George then said that he had been thinking about a tax on gross income. Upon detailed inquiry it appeared that the tax would be a supplementary income tax, would apply to income above income tax exemptions, would be largely collected at source, might be imposed at mildly progressive rates, and would be in whole or in part returned as a post-war credit.

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Senator George stated that there were members of the Committee who had worked very hard for a sales tax, and that although he had not favored the sales tax he had said he would accept it if necessary to increase the revenue of the bill.

In response to a question as to whether the consideration of the spendings tax would delay the passage of the bill possibly until after election, Senator George made no direct answer but said that a number of the members of the Committee who favored the Ruml plan would not be disturbed if the bill were delayed until after election. Senator George indicated that he did not favor the Ruml plan.

The Secretary asked Senator George to think about the spendings tax and let him or Mr. Paul know how he felt. The Secretary said he would be glad to come up to see Senator George any time he might wish. The Senator said he would talk with Mr. Paul about it.

RB

August 25, 1942

My dear Mr. President:

Senator Walter George has just left after having luncheon with Randolph Paul, Roy Blough and myself.

The Senator is very much interested in our suggestion for an expenditure tax. He says he will think it over, and will get in touch with us in a day or two.

Sincerely yours,

(Signed) Henry

The President,

The White House.

By Secret Service Agent
3:15 8/25/42.

August 25, 1942.
2:32 p.m.

Operator: Go ahead.

HMJr: Hello.

John McCloy: Hello. I heard about your trip.

HMJr: What trip?

M: Around the Army.

HMJr: Oh, yes.

M: And I was talking to Eddie Greenbaum, and Marshall spoke to me about it the other day.

HMJr: Yes.

M: I just wanted to be sure that we're getting the benefit of any of your thoughts about it. Have you taken them up with Marshall?

HMJr: Well, I have - I have no criticisms. I only have praise.

M: Well, I thought you - you might have - you might have picked up some points.

HMJr: No, I - I didn't know whether Mr. Stimson would care to have me come and see him.

M: I think he would.

HMJr: You think he would.

M: I think he would, yes, very much.

HMJr: Well....

M: He's - he's just back today....

HMJr: Oh.

M:and he's very - today's been a terrific day to get abreast of things, and I think it may be difficult today, but I - I think that tomorrow, if that's convenient for you, if I can set up some time for you to come over and let him get your impressions, he'd be very glad to get them.

- 2 -

HMJr: Well, I'll be - I'll be glad to do that. I....

M: You - you - you thought pretty - you saw - you were rather - were impressed with what you saw?

HMJr: Very well impressed.

M: You were.

HMJr: I'm - I could come over in the afternoon.

M: Fine. But now I'll - I'm going to see him in a few minutes....

HMJr: Yes.

M:and I'll set a date and then I'll let your secretary know.

HMJr: Right.

M: But don't hesitate to give us some criticisms....

HMJr: No.

M:because we'd be very glad to get them.

HMJr: Well, they're minor.

M: Uh huh. Well, if we can fix the minor ones up.

HMJr: They're minor.

M: But I'm very glad you had - you had a pretty good trip apparently. You went over....

HMJr: Excellent, excellent, I was very much pleased.

M: Good, fine. Well, I'll - I'll give your secretary a ring in a few - in a few minutes, and we'll set up something for tomorrow afternoon.

HMJr: Well, if you don't mind calling Mrs. Klotz.

M: All right, I shall.

HMJr: Thank you.

M: Goodbye.

August 25, 1942.
3:28 p.m.

Harry
White: Hello.

HMJr: Hello.

W: Yes, sir.

HMJr: Mr. Stettinius is here, Harry, and he's just back from London. He's got a lot of things, some of them Lend-Lease, some of them dollars. One of the things which isn't particularly down your alley - it's a question of some coins belonging to the Netherlands East Indies, which they say we've asked them to bring back - gold coins - and I've asked him to speak to you about that.

W: Yes.

HMJr: He's going to give you a ring.

W: All right, sir.

HMJr: And on the Lend-Lease in Reverse, he said he'd get four or five of you together, and then they'll see me later.

W: All right, sir.

HMJr: So when he calls - you know what it's about.

W: Right. All right, sir.

HMJr: And then we'll - I'll see you all later.

W: Okay, sir.

August 25, 1942.

Dear Colonel Phillips:

I have just written to General Marshall to thank him for having assigned you to me during my trip around the army camps. I told him that you had made the trip particularly pleasant for me and that you had been a wonderful guide.

These few lines to you are just to add my personal thanks for courtesies that are almost too many to mention. Throughout the trip you were so helpful and informative that you added greatly to my understanding of what I saw.

More than that, it was a real pleasure to have had you as a companion, and I hope that before long we may be able to travel together again.

Sincerely,

(Signed) H. Morgenthau, Jr

Colonel James H. Phillips,
Army War College,
Washington, D. C.

FK:eg

File in Diary

August 25, 1942.

Dear General Balmer:

It was most thoughtful of you to have sent me the pictures that were taken at Fort Sill last week when I visited the camp. They will help to remind me of a most pleasant and heartening occasion. I was genuinely impressed with what I saw of the work that is being done at Fort Sill, and I only wish that my few hours with you could have been longer.

Please remember me to General Potter and to your other fellow officers who showed me so many courtesies at The Field Artillery School.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. D. Balmer,
Brigadier General, U.S.A.,
Commandant,
The Field Artillery School,
Fort Sill, Oklahoma.

FK:eg

THE FIELD ARTILLERY SCHOOL
OFFICE OF THE COMMANDANT

FORT SILL, OKLAHOMA
August 20, 1942.

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

Dear Mr. Secretary:

I am inclosing herewith pictures taken while
you were here at Fort Sill on your recent visit.

Let me assure you that it was a genuine
pleasure to have you, and I regret that time was not
available to show you more interesting operations of
the Field Artillery School.

Very sincerely yours,



J. D. RALMER,
Brigadier General, U. S. A.,
Commandant.

Incls.

August 25, 1942.

Dear General Ridgway:

It was most kind and thoughtful of you to have sent me the framed cartoon entitled "We're On The Way!" The picture makes me all the sorer that I was not able to come to Camp Claiborne as I had hoped and planned to do.

My schedule last week turned out to be so crowded that a visit to your Division on the 18th was a physical impossibility. I should like to feel, however, that this visit has been postponed rather than canceled, and that at some future date I may have the privilege of inspecting your command.

Sincerely,

(Signed) H. Morgenthau, Jr.

Major General M.B. Ridgway,
Camp Claiborne, Louisiana.

FK:eg

File in diary

August 25, 1942

My dear General Marshall:

I thought you might be interested in the beginning of my address at Roanoke, Virginia, where I talked about my recent inspection trip of the Army.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

General George C. Marshall,
Chief of Staff,
United States Army,
Washington, D. C.

Delivered by SS Agent
9:25 a.m. 8/26/42

File to NMC

August 25, 1942

Dear Henry:

I thought you might be interested in the ^{beginning} beginning of my address at Roanoke, Virginia, where I talked about my recent inspection trip of the Army.

Yours sincerely,

(Signed) Henry

Honorable Henry L. Stimson,
Secretary of War.

Delivered by SB Agent
9:25 8/26/42.

File to NMC

August 25, 1942.

Dear Mr. Horner:

It was most thoughtful of you to have sent me a set of the pictures which your staff members took at the War Bond celebration in Roanoke last week. They are excellent pictures, and they will always serve to remind me of a most pleasant and heartening occasion.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. R. R. Horner,
Editor,
Norfolk and Western Magazine,
Roanoke, Virginia.

FH:eg

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AUG 24 1942

NORFOLK AND WESTERN MAGAZINE

PUBLISHED BY THE

NORFOLK AND WESTERN RAILWAY COMPANY

ROANOKE, VIRGINIA

August 22, 1942

R. R. HORNER
EDITOR
HAROLD T. FREED
ASSISTANT EDITOR
PAGE NELSON PRICE
ASSISTANT EDITOR

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

Dear Mr. Secretary:

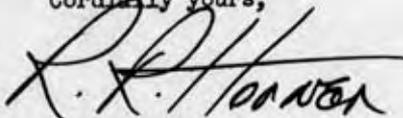
Members of our editorial and photographic staff covered your visit and the War Bond rally in Roanoke on last Thursday. I am attaching a set of pictures which we made, with the thought that perhaps you would like to have them for your files.

I want to take this opportunity to express our sincere appreciation for the honor you paid our city and for your very fine talk. Your presence in Roanoke was an inspiration to our citizens.

We of the Norfolk and Western were particularly gratified with the War Bond celebration, inasmuch as 99.8 percent of our more than 23,000 employees have purchased or subscribed to bonds since the inauguration of our recent system-wide bond selling campaign.

With all good wishes, I am

Cordially yours,



RRH:C

August 25, 1942.

Dear Mr. Kelley:

Thank you very much for your letter of August 21st and for the copy of the Roanoke Honor Roll which you enclosed.

Looking back upon last Thursday, I feel that it was a most heartening occasion and that Roanoke's example should stimulate other cities throughout the United States to greater effort and achievement in the War Bond campaign. It was a real pleasure for me to have come to Roanoke, and I appreciate all that you and your committee did to make the meeting and the dinner so successful.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. H. W. Kelley,
President,
Chamber of Commerce,
Roanoke, Virginia.

FK:eg

N. W. KELLEY, PRESIDENT

ROBERT L. LYNN, VICE-PRESIDENT

B. F. MOOMAW, SECRETARY

FRANK W. ROGERS, NATIONAL COUNCILOR

30

AUG 24 1942

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OF
ROANOKE, VIRGINIA
INCORPORATED

CHURCH AVENUE, S. W.
P. O. BOX 20
PHONES 5108-5109

August 21, 1942

REFER TO FILE

JAS. P. WOODS - - - 1917
L. S. DAVIS - - - 1920
JOS. T. ENGLEBY - - - 1921
C. R. WILLIAMS - - - 1923-24
D. D. HULL - - - 1925
E. R. JOHNSON - - - 1928
PAUL C. BUFORD - - - 1929
H. W. PUGH - - - 1930
LEO F. HENEBRY - - - 1931
C. T. DUDLEY - - - 1932
E. D. NIMMER - - - 1933
CLEM D. JOHNSTON - - - 1934
J. S. BASKERVILLE - - - 1935
M. A. SMYTHE - - - 1936-37
JAS. A. TURNER - - - 1938
R. H. SMITH - - - 1939
JAMES J. LEARD - - - 1940
FRANK W. ROGERS - - - 1941

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

Dear Mr. Secretary:

We are sincerely grateful to you for honoring us with your presence in our city yesterday.

The anticipation of your coming here was a material contribution in boosting the sale of War Bonds under the payroll savings plan. The very fact that you appeared in person before a Roanoke audience and your splendid and inspiring address, which was also heard by many thousands over the air, will add impetus to further participation under the payroll savings plan.

I am transmitting to you herewith a copy of the Honor Roll, which was presented to you yesterday by the Chairman of our War Savings Committee, Mr. Nicholson, and attached thereto is a summary of the report. We regret that this report, while a splendid accomplishment, does not fully measure up to the high degree of achievement of "every company", as stated in your address, but it is our sincere hope that we may attain the final goal in the very near future.

We regret so much that weather conditions did not permit us to hold our meeting in the stadium, as we know you would have been very much impressed with the splendid pageant that had been arranged for you.

Everyone here was very much pleased with the opportunity of seeing you in person and hearing you speak. We sincerely hope you will find it convenient to pay us another and longer visit.

Very sincerely yours,

N. W. Kelley, President

845 V 55 W 20

SUMMARY OF HONOR ROLL

Submitted to

Secretary Morgenthau in Roanoke, Virginia, August 20, 1942

- - - - -

Number of "Minute Man" Firms - Roanoke and vicinity	211
Number of 100% Participation Firms - Roanoke and vicinity	141
Number of Firms 10% Pay Allotment - Roanoke and vicinity	53
Number of Employees of 10% Pay Allotment Firms - Roanoke and vicinity	22,998
Total Number of Employees of all Firms on Honor Roll	46,126

HONOR ROLL
of
FIRMS IN ROANOKE AND VICINITY
with
NINETY PER CENT OR BETTER PARTICIPATION
in
THE PAYROLL SAVINGS PLAN
PRESENTED TO
HONORABLE HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY
AT ROANOKE, VIRGINIA
AUGUST 20, 1942

<u>NAME</u>	<u>NUMBER OF EMPLOYEES</u>
Abbot Proctor & Paine	* 4
Dr. Edgar Abram	* 3
American Bakeries Co.	* 138
American Oil Company, Roanoke Branch	* 26
Antrim Motors Inc.	26
Armour & Company	* 60
Art Printing Company	* 3
Auto Spring & Bearing Co.	* 32
Baer's	* 5
Bibee's Super Market	* 7
J. J. Bower & Co.	* 22
A. Bowman & Son	* 55
Brotherhood Mercantile Co.	* 10
Frank E. Brown	* 9
C. I. T. Corporation	* 8
Caldwell-Sites Co.	40
Cawley & Scott	* 3
Chamber of Commerce Staff	* 6
Chesapeake & Potomac Telephone Co.	263
City of Roanoke	675
L. Cohn & Son	12
Colonial-American National Bank	* 27
Colony Shop	* 5
Continental Oil Company	* 7
Continental Tramway Company	* 24
Cooperative Seed & Farm Supply	* 13
Joseph Davidson, Inc.	* 11
Dobson & Company	13

* indicates 100% participation

<u>NAME</u>	<u>NUMBER OF EMPLOYEES</u>
Eagle Cleaning Co.	* 8
Engleby Electric Co.	* 18
Eskelund's Beauty Shop	* 24
Firestone Home & Auto	* 8
First Federal Savings & Loan Association of Roanoke	* 5
First National Exchange Bank	* 104
E. F. Flora, MD.	* 1
Food Specialty Co.	* 8
B. Forman & Sons	* 13
Frigidaire Division General Motors Corporation	* 4
S. Galeski Optical Company	* 5
General Motors Acceptance Corporation	* 21
Glenn-Minnich Clothing Co.	* 18
Goodyear Service Co.	* 8
Graham-White Sander Co.	* 18
Grand Piano Co.	18
W. T. Grant Company	* 55
Graybar Electric Company	* 10
Hammond's Printing & Litho. Works	* 27
Harrison Jewelry Co.	* 2
Hi-Lo Market	* 2
S. H. Heironimus Co., Inc.	224
Henebry & Son	15
S. P. Hite Company, Inc.	* 8
Home Lumber Corporation	* 10
George T. Horne & Company	* 17
W. W. Huff Awning Company, Vinton, Va.	* 67

* indicates 100% participation

<u>NAME</u>	<u>NUMBER OF EMPLOYEES</u>
Ideal Plumbing & Heating Co.	* 11
International Business Machines Corporation	* 2
International Harvester Company	* 6
Jefferson Theatre	* 14
Johnson-McReynolds Chevrolet Corporation	* 38
W. G. Jones & Co., Inc.	* 13
Joy Shop	* 17
Dr. H. M. Kaminester	* 2
Kann's Inc.	* 15
Kelsey & Lyons Inc.	* 7
Henri Kessler	* 6
Killinger's	* 5
Kingoff's Inc.	* 8
G. R. Kinney & Co.	* 6
David Kohen & Co.	* 7
Lazarus Inc.	13
Lee, Alex Y.	* 4
Lerner Shops of Virginia	* 12
Phillip Levy's Underselling Store Inc.	10
Lewis-Gale Hospital Inc.	* 108
Liberty Trust Bank	* 11
Lipes Pharmacy	* 8
Loose-Wiles Biscuit Co.	* 6
Lord's Inc.	* 7
Lorraine Shop	* 8
Malcolm's	* 4
Marsteller Corporation	28
The Meiringen	* 6

* indicates 100% participation

<u>NAME</u>		<u>NUMBER OF EMPLOYEES</u>
Metropolitan Life Insurance Co., Roanoke Branch		25
Wayne C. Metcalf, New England Mutual Life Ins. Co.	*	3
James W. Michael's Bakery Corporation		42
Mick or Mack Stores Co., Inc.	*	41
Montgomery Ward & Co.	*	54
Moore-Williams Clothing Co.	*	4
Morris Plan Bank		35
Mountain Trust Bank	*	30
Thom McAn	*	2
McCorkindale & Company	*	3
McLellan Stores Company		33
Natalie Shoppe		12
National Biscuit Company	*	28
National Cash Register Co.	*	11
A. L. Nelson Truck Company		14
New Vogue Cleaners & Dyers	*	14
Norfolk & Western Railway Co., Roanoke only		7,428
Norman-Shepherd Inc.	*	8
Old Dominion Candies Inc.		66
Old Dominion Coal Iron & Coke Corporation	*	4
M. J. Patsel Inc.	*	6
Patterson's Drug Store		11
Peoples Service Drug Stores	*	74
John H. Pence	*	2
Dr. Pepper Bottling Co.	*	37
Pepsi-Cola Bottling Co., Inc.	*	14
A. S. Pflueger	*	4
Phelps & Armistead Inc.		26

* indicates 100% participation

<u>NAME</u>	<u>NUMBER OF EMPLOYEES</u>
Dr. Leo Platt	* 1
Pollock's	* 5
N. W. Pugh Co., Inc.	97
Puritan Mills Inc.	306
Railway Express Agency Inc.	* 110
Rainbo Bread Co.	96
Remington-Rand Inc.	* 9
Re-Nu Cleaners	13
Richardson-Wayland Electrical Corporation	36
Roanoke Coca Cola Bottling Works Inc.	35
Roanoke Gas Company	134
Roanoke Iron Works	29
Roanoke Iron & Bridge Works	* 54
Roanoke Linen Service	115
Roanoke Mattress Company	* 7
Roanoke Merchants Association Staff	* 18
Roanoke Mills Inc.	456
Roanoke Photo Finishing Company	* 23
Roanoke Printing Company	19
Roanoke Railway & Electric Company	202
Roanoke Ready Mix Concrete Co., Inc.	10
Roanoke Scrap Iron & Metal Co.	* 41
Roanoke Tractor & Equipment Company	30
Roanoke Truck Depot Inc.	27
Roanoke Weaving Company	442
Sam's	* 8
Saunder's Pharmacy	* 2
Schulte-United	69

* indicates 100% participation

<u>NAME</u>	<u>NUMBER OF EMPLOYEES</u>
Sears Roebuck & Company	46
Shenandoah Life Insurance Co. - Home Office	* 126
Shepherd's Auto Supply Inc.	* 31
Sherrill's Colonial Furniture Shop	* 1
M. Sidney's Clothing Co.	* 14
Sigmon Brothers	* 3
Smartwear-Irving Saks Inc.	33
H. F. Somnardahl	* 2
Southeastern Optical Company, Inc.	* 11
Southern Dairies Inc.	* 13
Southern Varnish Corporation	40
Samuel Spigel Inc.	* 16
Standard Drug Company	33
Stauffer Chemical Company	59
Joseph Stern	* 3
Stiff's Villa Heights Pharmacy	* 3
Stone Printing & Manufacturing Co.	120
Storage Garage	* 3
Sunnyside Awning & Tent Co.	* 20
Swift & Company	33
Tidewater Supply Co.	* 14
Turner & Turner	* 2
Virginia Auto Parts	14
Virginia Bridge Company	1,611
Virginia Iron Coal & Coke Company	* 8
Virginia Scrap Iron & Metal Co.	41
Western Union Telegraph Company	* 65
Westinghouse Electric Supply Co.	* 8

* indicates 100% participation

<u>NAME</u>	<u>NUMBER OF EMPLOYEES</u>
Witten-Martin Furniture Co.	* 6
Wood Shoe Company	* 3
Woods Chitwood Coxe Rogers & Muse	* 10
W S L S Radio Station	* 16

<u>NAME</u>	<u>NUMBER OF EMPLOYEES</u>
American Viscose Corporation	3750
Atlantic Greyhound Lines	* 178
Atlantic & Pacific Tea Company	25
Becker Millinery Corporation	11
Bush & Hancock	* 8
Central Manufacturing Company	19
Cinder Block Incorporated of Roanoke	118
Fink's Jeweler	* 12
Klensall Cleaners	* 18
Loebl Dye Works Inc.	* 17
McKesson & Robbins, Inc.	36
Noland Company Inc.	* 32
Rathskeller	* 13
Standard Oil Company	12
Thornton & Creasy	* 7
Trompeter's Bakery	* 7
U. S. Alcohol Tax Unit	* 5
National Park Service - Blue Ridge Parkway	* 60
War Savings Staff	* 2
National Theatre Corporation	* 49

LABOR ORGANIZATIONS

International Brotherhood of Electrical Workers, Local Union No. 813

Sheet Metal Workers International Union, Local Union No. 54

International Brotherhood of Railway Carmen, Local Union No. 61

International Association of Machinists, Local Union No. 165

International Brotherhood of Firemen and Oilers, Local Union No. 741

International Association of Machinists, Local Union No. 942

United Association of Plumbers and Steamfitters, Local Union No. 491

International Brotherhood of Railway and Steamship Clerks and Freight
Handlers, Local Union No. 538

Freight Handlers Local Union No. 6168

Teamsters, Chauffeurs, Warehousemen and Helpers, Local Union No. 171

Textile Workers of America, Local Union No. 202, Covington, Va.

Textile Workers of America, Local Union No. 11

<u>NAME</u>	<u>NUMBER OF EMPLOYEES</u>
Altavista, Virginia	
Altavista Mills	* 847
The Fane Company	850
Bedford, Virginia	
Bedford Paper Company	250
Hampton Looms	345
Piedmont Label Company	110
Covington, Virginia	
Covington Weaving Co.	400
Industrial Rayon Corporation	1058
Fieldale, Virginia	
Marshall Field Towel Mill and Hosiery Mill	950
Lynchburg, Virginia	
Glamorgan Pipe & Foundry Co.	* 400
Martinsville, Virginia	
Jobbers Pants Company	1241
Dupont Company	1100
Virginia Underwear Company	175
Fontaine's Converting Works	* 300
Rockbridge, Virginia	
Blue Ridge Company	* 1100
Waynesboro, Virginia	
Dupont Company	2500
Wayne Manufacturing Company	1600
Crompton Shenandoah Company	* 500
Basic Witz Furniture Company	225
Wytheville, Virginia	
The Freezer Shirt Company	* 100

* indicates 100% payroll

NAME

NUMBER OF EMPLOYEES

Various Locations

Miscellaneous Industries

12,000

August 25, 1942.

Dear Mr. President:

I am delighted to hear from you that the Filipino War Bond Committee in Hawaii has doubled its quota. I know that your speech will help to achieve similar results in the future, and I want you to know that we at the Treasury are grateful to you.

I should like to take this opportunity of sending you slightly belated birthday congratulations, with all good wishes to you for your future health and happiness.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Manuel L. Quezon,
President, Commonwealth of
the Philippines,
1617 Massachusetts Avenue, N.W.,
Washington, D. C.

FK:eg

File in Diary

AUG 22 1942

Kil 45

Office of the President
of the Philippines

Washington, D.C.
August 20, 1942

My dear Mr. Secretary:

In relation to my previous letter, I am pleased to inform you that the Filipino War Bond Committee in Hawaii sold \$2,000,000 in war bonds - twice as much as they were asked to raise. In their radio program last night in which I took part from here by broadcasting a speech, copy of which is enclosed, they stated to me over the radio from Honolulu that they were starting another campaign to sell war bonds.

Very sincerely yours,

Franklin D. Roosevelt

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

My Beloved Countrymen:

One year ago today, on the 19th of August 1941, I celebrated my 63rd birthday anniversary in Manila in the Palace of Malacanan, the official residence of the President of the Commonwealth of the Philippines. My heart was heavy and my mind grievously concerned over the future of our country. The signs of an impending and, as it seemed to me, inevitable war, were before my eyes as reports from abroad daily reached my desk. Addressing Vice President Wallace of the United States over the radio from the library of Malacanan, I said on that occasion:

"In this grave national emergency, the stand of the Filipino people is clear and unmistakable. We owe loyalty to America and we are bound to her by bonds of everlasting gratitude. Should the United States enter the war, the Philippines would follow her and fight by her side, placing at her disposal all our manpower and all our material resources, however limited these might be. We stand with the United States in life and in death."

What I then had predicted and pledged has now come to pass. The American flag has been assailed and our country wantonly attacked by the hordes of Japan. The Filipino people fought side by side with the United States, placed at her disposal all our manpower and all

our material resources. Our boys, the best that we had, shed their blood, even as the American boys shed theirs, in defense of the Stars and Stripes and our beloved fatherland. We stood and we still stand with the United States in life and in death."

The 19th of August 1948 finds me and my government in exile in Washington, D.C. where, by invitation of President Roosevelt, I have come with Vice President Clegg and the other members of my War Cabinet. I am informed that you are gathered today to celebrate this 64th anniversary of my birthday. Such an evidence of your unflinching support and affection must necessarily warm my heart, pleased and saddened as it is, for you make me feel that I am not really in exile here, as I still am in the midst of my countrymen. Indeed, I may go further and say that the unusual reception accorded me by the President of the United States and the highest officials of his government, as well as the demonstrations of friendship given me by the American people since my arrival, have made me feel at home. Nevertheless, it is still true that this is the loneliest birthday I have ever had. My heart is grieved beyond compare by the lives lost and the smiles suffered by our people. Tears of blood have been dropping day after day from my eyes for those who have died the death of heroes, for their mothers, their widows, and their orphans. I am weeping, too, for the ill fate that

- 3 -

has befallen our country, now under the heels of the invader.

But there is no reason to despair and lose hope. America, through the plighted word of its great leader, President Roosevelt, has assured us that our freedom will be redeemed and our independence established and protected. Indeed, I have already achieved, since I came to this country, what, in effect, amounts to the recognition of full Philippine nationhood when, in the month of June last, I signed the Atlantic Charter and took my seat in the Pacific War Council. We are now a member of the United Nations - the nations that are united in the common purpose and the firm determination to destroy the Axis Powers and bring about the birth of a new world -- a world with greater freedom for everyone; a world without fear and without want; a world where all of us can live in freedom to speak and think and worship; a world where evil men can no longer break the peace.

I know that you are not gathered only to celebrate my birthday. In this honoring me you are also rededicating yourselves with me to the one single purpose which now unites all the Filipinos -- the reconquest of our beloved Philippines, and, to the still greater cause of freeing mankind from despotism and military rule.

- 4 -

To you Filipinos who have joined the Army of the United States and now constitute a Philippine Unit that is being trained in California, I send my greetings and convey my confident expectation that they will prove to be worthy brothers in arms of the heroes of Bataan and Corregidor. To those other Filipinos who have given their contribution to the war efforts of America in many other ways, my thanks and my plaudits. And to you the Filipinos in Hawaii who have purchased \$2,000,000 in war bonds, all honor and glory. You have given from your earnings and your savings more than you have been asked to give. I am proud of you knowing that in the future you will do even more.

What you Filipinos in the mainland of America, in Hawaii and in other parts of the world, and, especially, you, Filipinos, in the hills and in the jungles, in the plains and in the cities, in the towns and in the barrios of our conquered but undaunted Philippines, what all of you are doing to help win this war, is the best birthday gift that I can receive.

May God bless each and everyone of you. May He grant, too, that victory shall not be too long delayed, so that I may set my eyes again, on our beautiful Philippines. But no matter how long the war lasts,

- 3 -

I count upon every red-blooded Filipino to stand fast and firm to the bitterest, but, I am sure, glorious and triumphant end.

TREASURY DEPARTMENT

APR 15 1930

SECRETARY OF THE TREASURY
OFFICE

AUG 25 1942

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My dear Mr. Secretary:

I am enclosing a brief statement "A Wartime Program for United States Farmers" which the Treasury intends to publish at once in pamphlet form for wide distribution among farm people in the interest of the War Savings Program. The principles outlined in this statement will constitute the Agricultural War Savings Program of the Treasury. I am sure you will agree with me on the soundness of this program and I would appreciate a letter from you to be used as a foreword, which would indicate your warm approval and bespeak the hearty cooperation of all agricultural agencies.

The success of the agricultural phase of the War Savings Program is vital to the Nation and to the financial security of farm people themselves. One important step in attaining this objective is to get general agreement as to the proper phase of investment in War Bonds in the general financial program of farmers in this war period. This statement attempts to set forth the principles of a sound program and thus resolve the apparent conflict between the repayment of debts and the purchase of War Bonds.

The cooperation of the Department of Agriculture, of State and County War Boards, and of the Agricultural Extension Service has been of the greatest value in the War Savings Program among farm people. The principal weakness in the program to date has been the lack of qualified men on the War Savings Staff to assist the volunteer groups in rural counties in organizing for effective education and follow-up. The Treasury is now taking steps to correct this weakness by employing a competent man with agricultural training and experience in each important agricultural State. The principal duty of these men will be to assist county committees in obtaining the fullest cooperation of all agricultural agencies in an educational program to inform every farm family of the advantages to the Nation and to themselves of building a financial reserve in War Bonds.

The only effective way of avoiding the disastrous effects of inflation and deflation is through using the increased farm incomes of the war period to get debts in shape and to build financial

- 2 -

reserves. Since time is pressing your prompt cooperation in this matter will be sincerely appreciated.

Sincerely,

(Signed) H. Morgenthau, Jr.

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

copy NMC
copies Thompson

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A WARTIME PROGRAM FOR UNITED STATES FARMERS

William I. Myers, Consultant
War Savings Staff
United States Treasury

Farmers, like all other citizens, are anxious to do their full share in the nation's war effort, including assistance in financing the war through the purchase of War Bonds. However, the farmer's problem is more difficult because, unlike the factory worker, he has to finance his own job as well as his home. The average investment per worker in United States farms is approximately the same as in industry. However, the investment in plant and equipment used by the industrial worker is provided by investors, while the investment in farm, livestock and equipment is usually financed by the farm operator.

1. Maximum Production of Essential Foods and Fibers.

The first and most important job of farmers is the maximum production of essential foods and fibers for our armed forces, our allies, and ourselves. Food production is of equal importance with the production of planes, guns, and ships. The requirements of our allies are increasing steadily. There is a critical need for all that we can possibly produce as long as the war lasts and at least a year or two thereafter. With increasing shortages of labor, machinery and farm supplies, the maximum efforts of farmers and their families will be required to meet these expanding requirements.

In order to fulfill his obligation for maximum production of food, it is necessary for every farmer to develop and maintain an efficient farm business. As a result of the war, there has been a substantial increase in the requirements of working capital for efficient farm operation. This is partly due to higher prices and partly to the fact that adequate inventories of feed, fertilizer, spray materials and machine parts must be maintained in order to avoid delay at critical periods. It is good business to use the credit necessary for intensive operation but debts should be kept at the lowest point that will permit an efficient business. Conditions are favorable for enlarging a small farm business to efficient size if labor is available and it can be financed safely. However, it is unwise to use credit to enlarge farms beyond the size necessary for reasonable efficiency.

2. Get Debts in Shape.

The second job of farmers is to get their debts in shape by reducing excessive debts to a safe basis. There is no conflict between the reduction of debts and the War Bond program. Income paid on debts does not compete with the war effort and hence does not contribute to inflation. Then, too, such payments are available for use by creditors or credit

-2-

agencies for the purchase of War Bonds or other Government securities.

Every farmer, no matter how heavy his debts, will want to buy some War Bonds for the satisfaction of feeling that he is giving some direct financial aid to his country in this great emergency. However, in order to insure their continuing operations as food producers, heavily indebted farmers should use the major part of their increased incomes to reduce their debts to a conservative level so they can withstand bad years which may come later. After paying up delinquencies and extensions, if any, the next step is the reduction of excessive mortgage debts to a safe basis. Land Bank Commissioner loans and other emergency second mortgages should be paid off as rapidly as possible. Production loans should also be reduced to a conservative level.

It is equally important for farmers to get the debts of their cooperatives in shape. Efficient cooperatives are of vital importance in enabling farmers to meet the demands of the victory food program with wartime shortages and restrictions. Cooperatives perform necessary services in marketing farm products and purchasing essential farm supplies that can be done most effectively by group action. The financial requirements of cooperatives have also increased substantially because of higher prices and the necessity of maintaining adequate inventories to meet transportation emergencies. In this period of higher farm incomes it is highly important to strengthen the financial position of essential farm cooperatives to withstand bad years. This can be done by reducing debts, by increasing their net worth through increased investment by members, and by building financial reserves through investment in War Bonds or other Government securities.

3. Invest in War Bonds to Help the Nation and to Build Financial Reserves.

The third job of farmers is to invest in War Bonds to help the Nation and to build financial reserves. Farmers who are out of debt can begin at once by investing all of their available income above necessary business and living expenses in War Bonds. The experience of the last war period indicates that such farmers will find greater security and satisfaction in the long run in building financial reserves to protect their farms and their standard of living than in enlarging their holdings beyond the size necessary for efficient operation. The possible profit from the speculative purchase of farm land in periods of favorable prices and incomes is seldom worth the worry and the risk of losing all if a severe depression should follow. In addition, speculation in farm land is harmful to agriculture and to the Nation.

For farmers with moderate debts or who have reduced their financial obligations to a safe basis, patriotism and self-interest are served by investing in War Bonds to the limit of their available net incomes, postponing unnecessary expenses until after the war has been won.

The savings invested in War Bonds provide our Government with an important part of the funds required to meet the costs of this world-wide total war. Enormous expenditures are called for to provide men, planes, ships, guns, munitions and food for our armed forces and our allies. Taxes cannot be increased enough to meet these costs in full. It is imperative that farmers as well as other citizens should eliminate unnecessary expenditures and transfer these savings to their Government through investment in War Bonds.

4. War Bonds are the best form of financial reserve ever offered to United States farmers.

War Bonds are the promises to pay of the strongest government in the world. They are not transferable but the full investment will be repaid to the owner if needed at any time after sixty days from issue. If left for one year or more, interest will be received in addition and if left to maturity, in ten years, the investor gets back \$4.00 for every \$3.00 put in.

During this war period the production of automobiles, farm tractors, combines and other machinery will be greatly reduced because of the need of steel and other critical materials for war purposes. A part of the money received by farmers for their products is pay for the wearing out of all types of farm equipment. It is not income but is a return of working capital which is being worn out. The money that would ordinarily be used to replace automobiles and farm equipment should be invested in War Bonds as a depreciation reserve which will be available for replacement after the war.

Many farm families will now have money available for the purchase of electric refrigerators or water systems, or other home equipment, or for the improvement of farm homes, but these facilities for comfortable living are not available. By investing the cost of the desired improvements in War Bonds it will be possible to insure their purchase when factories have changed back from the production of war goods to those of peace.

After debts have been reduced to a safe basis, it is safer and better for most farmers to build an adequate financial reserve through investment in War Bonds than to apply all available income on debts. If all income is applied on debts, it will probably be necessary to borrow again in order to replace tractors or automobiles or other farm machinery when they become available. At some times in the past it has been difficult to borrow especially when money was needed most and these conditions may recur. A financial reserve in War Bonds is available at any time for any purpose—for the purchase of machinery, for the improvement of homes, for education of children, for unexpected hospital bills, or for the payment of taxes and debts. The slight difference in interest between the rate paid on debts and that received on War Bonds is a small price to pay for the insurance which such a financial reserve will provide.

Patriotism and self-interest combine to make an investment in War Bonds the best possible form of financial reserve for farm people. Unnecessary expenditure in wartime is unpatriotic and wasteful. By postponing the spending of the increased farm incomes of the war period until after the war has been won, farmers will help their country and themselves. At that time the gradual expenditure of these financial reserves will help to stabilize business conditions and employment in the period of readjustment from war to peace. It will also provide productive employment for the returning men of our armed forces after victory has been won. By using the peak incomes of prosperous years to fill the valleys of depression years, farmers can protect their farms and their standard of living in unfavorable periods that may follow.

The financial welfare of farm people in the next two decades depends to a great extent on the wise utilization of the higher farm incomes of the present war period. For the first time since the last World War, the incomes of farmers generally will provide a margin for reserves above necessary expenses. The overexpansion and speculation in agriculture between 1914 and 1920 resulted in suffering and loss in later years to thousands of farmers who expanded their business on credit at the inflated values of that period. The only effective way of avoiding the disastrous results of inflation and deflation is through using the increased incomes of this period to get debts in shape and to build financial reserves in War Bonds.

approx
8/22/42

A MESSAGE TO THE AMERICAN FARMER.

This war we are waging is being fought on many fronts. It is being fought from the home and from the farm as well as on the field of battle. On your farm front you are already raising food for freedom in volumes never before reached. You are furnishing scrap iron and are contributing your work and money to many war organizations.

You and your family are also buying War Bonds. It is this vital part of your war work that I wish to discuss with you, as one American farmer writing to another.

If you didn't have enough money for seed and if planting time were drawing near you would probably borrow seed money and put up something you own as security. You would pay this money back and take up your note when you harvested.

Victory must be planted like any crop and it takes many tools to cultivate it, too. Your government needs money to put this crop in and it asks that you lend it your money for this purpose. The United States Treasury will give you a note, a War Savings Bond, for the use of your money. This note is actually a first mortgage on all the resources, farms and industries in the United States because your government is the chosen representative of those resources, farms and industries.

When we win this war, when we harvest Victory and Freedom, you who are buying War Bonds regularly today will be prouder still of the part you are now playing. You will have secured your own future, too, along with that of your Nation, because you will have a good backlog of soundly invested money always ready in case of poor crop years or misfortunes.

We must plant mightily to harvest Victory.

Sincerely,

August 25, 1942.

Dear Henry:

Thank you for your letter of August 24, telling me of your work as Chairman of a new committee in connection with savings banks' cooperation in the war effort.

I shall be very glad to see you and to talk over with you the ideas that you have in mind. I have put down on my calendar an appointment for 3:00 p.m. Tuesday, September 1, and hope that will be a convenient hour for you to visit my office.

With good wishes,

Sincerely,

(Signed) Henry

Mr. Henry Bruce,
President, The Bovey Savings Bank,
110 East 42nd Street,
New York, New York.

GEF/dbs

Photostat NMC

THE BOWERY SAVINGS BANK

110 EAST 42ND STREET

NEW YORK

HENRY BRUÈRE
PRESIDENT

August 24, 1942

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

Dear Henry:

I have been appointed chairman of a special committee of the National Association of Mutual Savings Banks whose purpose is to stimulate in every way possible the functioning of the savings banks in the war effort. This committee has been made up of the most active individuals in the Association from all parts of the country with a view to continuing and developing the widest cooperation between the banks and the government in financing the war.

I have some ideas in respect of promoting savings and the use of the customary channels of savings to mop up funds for financing the war, as has been successfully done in England.

I would like to talk personally with you about the matter. It would be most convenient for me to come to Washington some Tuesday. Tuesday, September first would be good for me if that would suit you.

Faithfully yours,


President

HD

August 25, 1942.

Dear Mr. Mayer:

On my return to the office I find your letter which was acknowledged on its receipt here.

Thank you for what you said of the work I have been able to do since coming to the Treasury. If you are ever in Washington, I shall be glad to greet you. Thank you also for your offer of service in connection with the war effort.

Sincerely,

(signed) H. Morgenthau, Jr.

Mr. Louis B. Mayer,
Metro-Goldwyn-Mayer Pictures,
Culver City, California.

GMF/dbs



OFFICE OF
LOUIS B. MAYER

August 10, 1942

Dear Mr. Morgenthau:

I have just returned from a two week trip away from the studio, and I hasten to answer your letter of July 22nd.

It was a privilege to be of some service to you. I do have one regret, however, and that is that I have never had the pleasure of meeting you personally. I know your Father very well and I have great regard and affection for him.

The reason for my desire to know you personally is that I am so proud of your record in a most difficult position, particularly in this trying era. During my lifetime I cannot recall of a Secretary of the Treasury who has been faced with the burdens you have and wherever I turn I hear complimentary remarks about you, and it pleases me very much.

If I can be of any further service or comfort to you to lighten your burdens, please do not hesitate to give me the opportunity.

Sincerely,

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

RECEIVED

August 17, 1942.

Dear Mr. Mayer:

In the absence of the Secretary,
who is away from Washington, I am
acknowledging your letter of August 10.
As soon as Mr. Morgenthau is back at
his desk, I shall be very glad to bring
it to his attention.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Louis B. Mayer,
Metro-Goldwyn-Mayer Pictures,
Culver City, California.

GEF/dbs/dma

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 25, 1942.

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Here's a relic of our Disney film. It has just
been published. I thought you'd like to see a copy.

F. K.

64 DC

The YANKEE DOODLE SPIRIT

from the
WALT DISNEY MOTION PICTURE
"THE NEW SPIRIT"

PRODUCED FOR THE U.S. TREASURY DEPT.



TITLE PAGE © 1942

WALT DISNEY

The Yankee Doodle Spirit

Words and Music by
OLIVER WALLACE
and CLIFF EDWARDS

With martial spirit

What's that spir - it in the air? _____ It must be some-thing that's

"new" for me and for you. _____ What's that tin - gling up your

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spine, _____ That makes you feel like cheer-ing all the time? _____

CHORUS
There's a YAN-KEE DOO-DLE SPIR-IT in the heart of ev'-ry-one. It's the

YAN-KEE DOO-DLE SPIR-IT now that's shoul-der-ing a gun, For Free-dom

_____ and Lib-er-ty your Free-dom, _____ your

Yankee Doodle Spirit 4

4

Fm E^b B^{b7} E^b Cm7 F7 B^b

Lab - er - ty. Rights that our Fa - thers won,

B^{b7} E^b B^{b7} E^b E^{b7}

For these we'll fight with all our might and nev - er will we cease, Un -

A^b E^{b7} A^b A dim E^b Gm^{b7}

til we win our vic - to - ry and ev - er - last - ing peace — So light up that

C7 Fm Fm7 B^{b7} E^b B^{b7} E^b E^{b7} Fm7 E^b

"new" YAN - KEE DOO - DLE SPIR - IT and for - ev - er let it

Yankee Doodle Spirit 4

5

B^b Fm7 B^{b7} E^b B^b E^{b7} A^b E^{b7}

shine: And show the world that this YAN - KEE DOO - DLE

A^b A^{b7} F7 Fm^{b7} B^{b7} Fm7

SPIR - IT is ours! It's yours! It's

E^b B^{b7}

(Guitar Tacet)

mine! There's a

Fm7 Fm^{b7} E^b

mine!

Yankee Doodle Spirit 4

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 25, 1942

TO Secretary Morgenthau
FROM Mr. Thompson

Respecting complaints on delays in issuing bonds to persons who have come into the pay roll deduction plan, and your request that I investigate the complaint of Mr. C. C. Smoot of San Francisco, as well as other complaints which are now coming in mentioned in the memorandum of August 21st from Mrs. Forbush, the following is reported:

Mr. Smoot is a P-3 engineer in the War Department, with headquarters at San Francisco, who apparently was designated a Minute Man for certain War Department employees in that city. Since receipt of his letter the War Savings Staff replied under date of August 18th, informing him that a copy of his letter was being forwarded to the San Francisco office of the War Savings Staff with the request that they communicate with him direct and assist in every way possible to adjust the situation complained of. It is found that War Savings Staff officials have been working with War Department officials with a view to simplifying as far as practicable operations relating to the deduction plan, and it is hoped that much improvement will take place as the plan progresses.

Respecting other complaints of delays, it was found that the War Savings Staff officials are actively engaged on a program of breaking up bottlenecks wherever they are thought to exist and are using the current statistics prepared by the Division of Research and Statistics as a guide

Secretary Morgenthau - 2

to improving the time period between the last payment on bond and delivery of bond. While there may always be isolated cases of delay, it is evident from what is being accomplished that this whole situation will improve materially as persons become acquainted with the mechanics of the deduction plan.

Ham

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE AUG 25 1942

TO Secretary Morgenthau
 FROM Mr. Haas
 Subject: Operation of the payroll savings plan in companies where deductions have reached 10 percent of payroll.

Each week the names of organizations which have reached or exceeded 10 percent of payroll deducted for the purchase of war savings bonds are reported to the Treasury in accordance with your request. These reports cover plants, units, branches or subdivisions of companies as each of these reaches the 10 percent goal.

The table attached to this memorandum presents summary data on the operation of the payroll savings plan in the 50 largest organizations standing on the payroll savings 10 percent honor roll last week. The table below shows the progress of the attainment of 10 percent of payroll as reported since July 11, 1942.

Organizations Reported to be Deducting 10 Percent or More of Aggregate Payroll Under the Payroll Savings Plan

Date	Number of Organizations Reporting 10 Percent or More Deduction	Number of Persons Employed in Organizations Reporting 10 Percent or More Deduction	Employees as a Percent of the Total Number of Persons Exposed to Payroll Savings Plans
July 11.....	5,143	460,195	2.9
July 29.....	9,079	953,893	4.3
August 12...	11,889	1,183,607	5.4
August 19...	13,078	1,327,960	6.0

Attachment

Fifty Largest Firms on the Payroll Savings 10 Percent Honor Roll
August 19, 1942
(As Reported by the War Savings Staff's State Administrators)

Name of firm and state	Number of employees	Approximate aggregate monthly payroll (in thousands)	Percent of aggregate pay deducted	Average monthly deduction per employee
General Electric Co., N. Y.	136,600	28,580	10	\$ 20.92
United Aircraft, Conn.	42,618	11,028	10	25.88
Oregon Shipbuilding Co., Ore.	29,554	7,416	10	25.09
Southern Bell Telephone & Telegraph Co., Ga.	27,703	3,187	10	11.50
Westinghouse Elec. & Mfg. Co., Pa.	26,000	6,247	11	26.43
Sun Shipbuilding & Drydock Co., Pa.	24,297	6,113	10	25.16
Bethlehem Steel Co., Mass.	23,177	4,880	10	21.06
Bell Telephone Co. of Pennsylvania, Pa.	19,705	3,173	10	16.10
Standard Oil Co. of California, Cal.	18,005	3,580	10	19.88
Glen Alden Coal Co., Pa.	16,700	2,000	10	11.98
Hudson Motor Co., Mich.	16,485	4,452	11	29.70
Denver Ordnance Plant, Colo.	14,747	2,536	10	17.19
Consolidated Steel Corp., Texas	14,066	2,884	10	20.51
Federal Cartridge Co., Minn.	11,772	2,058	10	17.12
Gulf Shipbuilding Co., Ala.	10,499	2,145	10	21.13
E. I. duPont de Nemours & Co., Okla.	10,401	*	10	*
Kaiser Co., Wash.	10,000	1,800	11	19.80
National Cash Register Co., Ohio	9,383	2,193	13	30.38
Stewart Warner Co., Ill.	8,734	1,439	10	16.47
Hudson Coal Co., Pa.	8,398	1,125	10	13.40
Ex-Cell-O Corp., Mich.	7,639	1,989	11	28.64
Twin City Ordnance, Minn.	7,611	*	10	*
Savage Arms Corp., N. Y.	7,545	1,977	10	26.20
General Steel Casting Co., Incorporated, Pa.	6,809	1,842	10	27.83
Northern Pump Co., Minn.	6,800	2,301	14	47.37
Tampa Shipbuilding Co., Fla.	6,781	1,116	12	19.74
International Business Machines, N. Y.	6,645	1,449	10	21.80
Delco Products, Division of General Motors, Ohio	6,282	1,513	10	24.09
Beech Aircraft Corp., Kan.	6,000	*	16	*
York Safe and Lock Co., Pa.	5,885	1,258	10	21.38
American Bosch Corp., Mass.	5,354	1,250	11	25.68
Cities Service Oil Co., Okla.	5,200	*	10	*
Hygrade Food Products Corp., N. Y.	5,000	*	10	*
Chesapeake & Potomac Telephone, Va.	4,800	623	10	12.98
Brown-Bellows-Columbia, Texas	4,764	994	10	20.86
Delaware, Lackawanna & Western R.R., Pa.	4,400	*	10	*
Kearney Trecher Corp., Wisc.	4,311	1,329	14	43.16
Kaiser Co., Inc., Ore.	4,200	*	13	*
Colonial Stores, Ga.	3,800	*	10	*
Cessna Aircraft Co., Kan.	3,741	*	10	*
Mahoney Troast, N. J.	3,620	*	11	*
Bayonne Associates, N. J.	3,602	1,187	13	44.35
Carson Pirie-Scott & Co., (Retail) Ill.	3,584	510	11	15.66
United Airlines Transport Corp., N. Y.	3,500	747	10	21.34
Armo Corp., N. Y.	3,500	908	12	31.13
Cooper Bessmer Corp., Ohio	3,498	708	10	20.24
Permanente Metals Corp., Calif.	3,437	542	14	22.07
Firestone Rubber & Latex Products, Mass.	3,358	575	10	17.13
Eli Lilly and Co., Ind.	3,116	1,185	13	47.97
R. P. Farnsworth & Co., La.	3,103	*	10	*

August 24, 1942.

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

* Not available.

Sales of United States savings bonds
 August 1 through August 24, 1942
 Compared with sales quota for same period
 (At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual sales		Quota,	Sales	Actual sales		Quota,	Sales	Actual sales		Quota,	Sales
	Daily	August 1 to date	August 1 to date	to date as % of quota	Daily	August 1 to date	August 1 to date	to date as % of quota	Daily	August 1 to date	August 1 to date	to date as % of quota
1	\$ 14.0	\$ 14.0	\$ 16.0	87.5%	\$ 12.2	\$ 12.2	\$ 7.7	158.4%	\$ 26.3	\$ 26.3	\$ 23.7	111.0%
3	22.2	36.2	47.3	76.5	16.6	28.8	21.5	134.0	38.8	65.0	68.8	94.5
4	14.6	50.8	61.0	83.3	12.4	41.3	29.6	139.5	27.0	92.1	90.6	101.7
5	13.0	63.8	84.0	76.0	12.8	54.1	45.4	119.2	25.8	117.9	129.4	91.1
6	23.0	86.8	107.3	80.9	17.4	71.6	58.7	122.0	40.5	158.3	166.0	95.4
7	25.0	111.7	134.4	83.1	13.2	84.8	68.8	123.3	38.2	196.5	203.2	96.7
8	16.4	128.2	154.1	83.2	7.8	92.6	76.3	121.4	24.2	220.7	230.4	95.8
10	26.8	155.0	190.6	81.3	14.2	106.8	87.9	121.5	41.0	261.8	278.5	94.0
11	9.9	164.9	205.1	80.4	5.4	112.2	94.1	119.2	15.3	277.0	299.2	92.6
12	15.9	180.8	227.1	79.6	8.8	121.0	105.1	115.1	24.7	301.8	332.2	90.8
13	16.4	197.1	247.9	79.5	6.4	127.4	114.0	111.8	22.8	324.5	361.9	89.7
14	18.8	215.9	271.0	79.7	9.7	137.1	120.9	113.4	28.5	353.0	391.9	90.1
15	9.6	225.5	287.7	78.4	3.3	140.4	126.4	111.1	12.8	365.9	414.1	88.4
17	28.7	254.2	319.2	79.6	13.1	153.5	135.8	113.0	41.8	407.7	455.0	89.6
18	9.7	263.9	332.2	79.4	4.8	158.3	141.3	112.0	14.6	422.2	473.5	89.2
19	17.6	281.6	353.0	79.8	10.1	168.4	151.9	110.9	27.8	450.0	504.9	89.1
20	15.5	297.1	373.6	79.5	8.3	176.7	161.0	109.8	23.8	473.8	534.6	88.6
21	16.0	313.1	397.4	78.8	6.2	182.8	168.3	108.6	22.2	495.9	565.7	87.7
22	9.9	323.0	415.1	77.8	3.4	186.2	174.3	106.8	13.2	509.2	589.4	86.4
24	30.5	353.5	449.0	78.7	10.5	196.7	184.8	106.4	41.0	550.2	633.8	86.8
25			462.9				191.0				653.9	
26			484.5				203.0				687.5	
27			505.0				213.2				718.2	
28			527.8				221.4				749.2	
29			544.2				228.1				772.3	
31			575.0				240.0				815.0	

August 25, 1942.

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

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

Note: Quota takes into account both the daily trend during the week and the monthly trend during the month.

UNITED STATES SAVINGS BONDS - SERIES B

Comparison of August sales to date with sales during the same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days			August as percent of July
		August	July	June	
August 1942					
1	\$ 14,044	\$ 14,044	\$ 15,821	\$ 19,834	88.8%
3	22,178	36,222	30,701	27,841	118.0
4	14,575	50,797	47,523	40,811	106.9
5	12,988	63,785	77,320	58,199	82.5
6	23,004	86,789	95,044	82,988	91.3
7	24,959	111,748	116,643	98,197	95.8
8	16,429	128,176	139,390	125,245	92.0
10	26,805	154,981	164,161	134,157	94.4
11	9,885	164,866	183,238	154,242	90.0
12	15,921	180,787	209,787	169,920	86.2
13	16,356	197,143	225,532	186,470	87.4
14	18,760	215,903	243,938	201,700	88.5
15	9,578	225,481	261,766	225,684	86.1
17	28,683	254,163	284,111	233,218	89.5
18	9,737	263,900	296,344	249,033	89.1
19	17,650	281,550	327,712	261,321	85.9
20	15,525	297,075	339,951	280,742	87.4
21	16,026	313,101	358,135	291,729	87.4
22	9,881	322,982	376,396	321,114	85.8
24	30,522	353,504	394,984	331,806	89.5

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

August 25, 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 - SERIES F AND G COMBINED

Comparison of August sales to date with sales during the same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	Cumulative sales by business days					August as percent of July
	August daily sales	August	July	June	August as percent of July	
August 1942						
1	\$ 12,222	\$ 12,222	\$ 12,597	\$ 9,705		97.0%
3	16,587	28,810	21,986	17,601		131.0
4	12,448	41,258	32,441	26,235		127.2
5	12,847	54,105	49,175	40,009		110.0
6	17,447	71,552	62,561	49,353		114.4
7	13,225	84,777	84,413	55,888		100.4
8	7,789	92,566	101,585	67,414		91.1
10	14,216	106,782	124,568	72,366		85.7
11	5,389	112,171	141,618	82,310		79.2
12	8,803	120,974	162,232	89,852		74.6
13	6,401	127,375	176,590	95,254		72.1
14	9,744	137,119	191,991	101,464		71.4
15	3,253	140,372	205,833	108,715		68.2
17	13,124	153,496	221,147	112,279		69.4
18	4,814	158,309	230,842	119,749		68.6
19	10,106	168,415	252,731	126,048		66.6
20	8,266	176,681	262,178	134,062		67.4
21	6,161	182,842	278,505	137,429		65.7
22	3,365	186,207	293,679	147,698		63.4
24	10,507	196,715	308,077	153,532		63.9

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

August 25, 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 - TOTAL

Comparison of August sales to date with sales during the
same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days				August as percent of July
		August	July	June	August as	
August 1942						
1	\$ 26,267	\$ 26,267	\$ 28,418	\$ 29,539		92.4%
3	38,765	65,032	52,687	45,442		123.4
4	27,023	92,055	79,964	67,046		115.1
5	25,835	117,890	126,495	98,208		93.2
6	40,450	158,341	157,605	132,341		100.5
7	38,184	196,524	201,056	154,085		97.7
8	24,218	220,742	240,974	192,659		91.6
10	41,021	261,763	288,729	206,523		90.7
11	15,274	277,037	324,856	236,552		85.3
12	24,724	301,761	372,020	259,772		81.1
13	22,757	324,518	402,122	281,724		80.7
14	28,504	353,022	435,929	303,163		81.0
15	12,830	365,852	467,599	334,398		78.2
17	41,806	407,659	505,257	345,497		80.7
18	14,551	422,209	527,186	368,782		80.1
19	27,756	449,965	580,443	387,369		77.5
20	23,791	473,756	602,129	414,804		78.7
21	22,187	495,943	636,640	429,158		77.9
22	13,246	509,189	670,075	468,812		76.0
24	41,029	550,219	703,062	485,338		78.3

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

August 25, 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.

August 25, 1942.

Dear Randolph:

Thank you for your letter of August 19, with its congratulations and comment upon the recent tax issue. I appreciated your writing me as you did.

Sincerely,

(Signed) Henry

Dr. V. Randolph Burgess,
The National City Bank of New York,
New York, New York.

GMR/dbs

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The National City Bank
of New York
ESTABLISHED 1812

New York

August 19, 1942.

OFFICE OF
THE VICE CHAIRMAN
OF THE BOARD

Dear Henry:

Let me congratulate you on the sales of the 2 1/2 per cent tap issue. This seems to me one of the most encouraging things that has happened in the whole government financing program, for it indicates that a regular coupon bond can be sold in larger amounts when a good sales organization is built up and a vigorous and intelligent effort is made.

This gives us reason to hope that a larger amount of the budget can be financed outside the banks than our earlier estimates, and suggests the desirability of putting on another drive in late September or early October of the sort that we discussed when our group was last in Washington.

The change in reserve requirements was well received this morning, and I think that whole matter has been very well handled.

I hope you have had some holiday. I was away the first two weeks in August, and am back again now, ready for action.

With cordial regards,

Sincerely yours,

Raufer

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

WRB.H

→ I like the *Raufer* plan as a way out
of a very difficult situation.

TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE August 25, 1942

TO Secretary Morgenthau
FROM Mr. Thompson

With reference to Colonel Greenbaum's memorandum concerning the Empire Hotel Building in San Francisco I submit the following:

Early in May the Public Buildings Administration informed the Treasury Department that it was necessary to expand Army and Navy activities in San Francisco in the Federal Office Building and that the Treasury Department should undertake to obtain commercial space and vacate the Federal Building as promptly as possible.

Immediately thereafter a survey was made of between 50 and 60 commercial properties in San Francisco and the only space found in close proximity to the Civic Center and Federal Building with sufficient footage to accommodate our Treasury activities was the Empire Hotel, having 230,000 square feet. The owners of this hotel, after much negotiation, asked \$2,000,000 net for the property. Arrangements were made with the R. F. C. Mortgage Company to purchase the building for use of the Treasury and War Departments on a rental basis, the rent to be fixed by the R. F. C. Mortgage Company and paid for by the Navy and War Departments.

In an effort to arrive at a fair price to be paid for the building this office had it appraised by a valuation engineer of the Bureau of

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Internal Revenue, by the Public Buildings Administration, and by the Home Owners' Loan Corporation. These appraisements are much in excess of the appraisement of \$750,000 quoted in Colonel Greenbaum's memorandum. Our Engineering and Valuation Division, Internal Revenue, appraised it at \$1,520,471; the Public Buildings District Engineer, (building only) at \$1,220,000, and H.O.L.C. valuation analysis, reproduction cost, at \$2,231,176. In addition to the above appraisals, an earlier appraisement made by a private concern for the R.F.C. was on the basis of \$1,510,095.

All of these estimated values were less than the asking price of \$2,000,000 and through further negotiations the Empire Hotel Company finally agreed to recondition and partition the building at a cost not exceeding \$140,000. This had the effect of reducing the asking price to \$1,860,000. In addition, all floor coverings, certain office furniture, venetian blinds, and items of portable equipment, which have an estimated present value of approximately \$60,000, were turned over to the Treasury in the agreement. Hence the building stands to cost the Government \$1,800,000. This was regarded as an acceptable price by Mr. Williams of the R.F.C., who arranged for the purchase on that basis.

In this connection, all of the negotiations entered into were handled jointly with the advice of our General Counsel, Larry Bernard having personally visited San Francisco to review the matter while it was under discussion and Joe O'Connell handling the conferences and legal phases at this end.

John

CONFIDENTIAL

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August 13, 1942

MEMORANDUM FOR SECRETARY MORGENTHAU

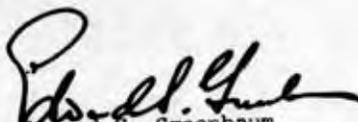
Last night a lawyer, upon whose judgment I rely, telephoned to me from San Francisco and gave the following information:

1. Treasury Department is reported to be negotiating for the purchase of the Empire Hotel at a price stated to be in the neighborhood of \$1,800,000.

2. My informant has heard various people state that the price was extraordinarily high and was told by a real estate appraiser of unquestioned standing that he had occasion some time ago to appraise the property at \$750,000.

3. It was also stated that the property has been offered for sale for some time for \$1,000,000, and that the stock of the company which owns the property has a value of about \$800,000.

I gave this information to Colonel Ed Foley who in turn gave it to Charles Bell.


Edward S. Greenbaum,
Colonel, Ord. Dept.,
~~Executive Assistant to~~
~~Under Secretary of War~~

CONFIDENTIAL

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

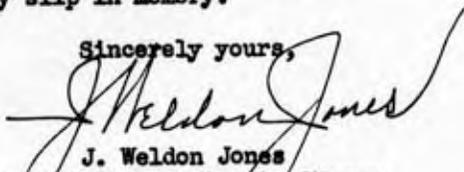
August 25, 1942

My dear Mr. Secretary:

Mr. Blough has just called me to say that he regretted that I was not present at the conference in your office last night. His voice brought complete disturbance of mind for I had forgotten the arrangement made with the Director at noon yesterday for Mr. Colm and myself to attend the meeting.

It is needless to recite the many factors which may have caused me to forget the assignment since I left the office at about the time your meeting began. I trust that you will accept my sincere regrets and an apology for my slip in memory.

Sincerely yours,



J. Weldon Jones
Assistant Director in Charge
of the Fiscal Division

The Honorable

The Secretary of the Treasury

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE AUG 25 1942

TO Secretary Morgenthau
FROM Randolph Paul

This morning the Senate Public Buildings and Grounds Committee, after hearing eight witnesses, unanimously reported the resolution authorizing the payment of taxes for the acquisition of the Widener Collection.

The resolution and the committee report were drafted in the Treasury Department.

R.P.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 25, 1942

TO Secretary Morgenthau
FROM Randolph Paul

The Resolution authorizing the acceptance of the
Widener Art Collection passed the Senate this afternoon.

LET

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE AUG 25 1942

TO Secretary Morgenthau
FROM Mr. Paul

In accordance with the existing instructions, there is submitted herewith a summary report of activities and accomplishments carried on by the Legal Staff for the month of June, 1942.

REP.

Attachment.

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SUMMARY REPORT ON ACTIVITIES AND ACCOMPLISHMENTS
IN THE OFFICE OF THE GENERAL COUNSEL
JUNE, 1942

The following matters received attention in the Office of the Chief Counsel for the Bureau of Internal Revenue:

1. Tax Evasion by Herbert Glassman, et al. (for description see May 1942 report, item 4). Glassman, who had been convicted in Baltimore on a five-count indictment for tax evasion, was sentenced to five years imprisonment and fined \$10,000 in connection with his individual tax liability, and Joseph Zucker, accountant and instructor in accountancy at Benjamin Franklin University in Washington, who had been convicted of aiding and abetting was sentenced to three years imprisonment and fined \$5,000. The Sun Cab Company, of which Glassman was president, was fined \$5,000. Additional sentences to run concurrently, were also imposed in the related cases but no additional fines were imposed. The defendants, however, were ordered by the Court to pay costs.

2. Tax Evasion by Former Superintendent of Police, Detroit, Michigan. June 1, 1942, Fred W. Frahm, former Superintendent of Police, Detroit, Michigan, pleaded guilty on four counts of an indictment charging him with willfully attempting to evade and defeat his income taxes for the years 1936 to 1939, inclusive. He

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was fined \$5,000 and sentenced to two years in prison. He also received a four year sentence in the State Court. He is now in the Michigan State Prison where he was committed following conviction on a conspiracy charge.

3. Tax Evasion Case of a New York Physician.

Doctor Curtis H. Muncie, a New York osteopath, pleaded guilty on June 15, 1942, to an indictment for evasion of income taxes for the years 1932 to 1936, inclusive. On June 24 he was sentenced to serve one year and one day in a Federal penitentiary. The liabilities involved in the case are about \$130,000. On June 23 the attorney for the taxpayer delivered a certified check to the collector in the amount of \$100,000, in compromise of taxes, penalties, and interest.

4. Procurement of Canadian Citizenship by United States Citizen as Tax Avoidance Device. William C. Hay, a Canadian citizen, became a citizen of the United States in 1918, settled in Los Angeles and amassed wealth running into the millions. He returned to Canada in 1936, and in June 1937 formally became a citizen of Canada. In August of 1937 he participated in an exchange of securities involving corporations he owned realizing a profit of about \$2,500,000, representing a capital gain. He avoided payment of taxes thereon, as he became a nonresident alien not engaged in trade or business in the

United States, and having no office or place of business therein, in June of 1937, and in that status he was not liable to tax on capital gain even though such capital gain was derived from sources within the United States. As a further tribute to his technique, he had the transaction carried out in Nassau, British West Indies.

5. Refusal by Conscientious Objector to War to Purchase Automobile Use Stamp. Ernest R. Bromley, a Methodist minister of Bath, North Carolina and a conscientious objector to war, refused to purchase an automobile use stamp on the ground that the money paid for the stamp would be used to finance the war. On June 18, 1942, the Bureau referred the case to the Department of Justice, suggesting that the United States Attorney endeavor to induce the taxpayer to conform to the law. If the taxpayer persists in his present attitude there appears no alternative to proceeding with prosecution under the penal provisions of the law.

6. Settlement of Claims Against the Chesapeake Corporation. This Corporation, a subholding company of the former Van Sweringen railroad empire, began liquidation some three years ago under a receiver appointed by the Maryland courts. Deficiencies assessed for 1936 and 1937 amounted to \$6,092,596 and \$1,048,121, respectively. These large amounts were due chiefly to

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fact that gains on sale of securities were computed under the first-in, first-out rule. However, the taxpayer satisfactorily established that the first-in, first-out rule should not apply. Certain additional issues, however, were considered; namely, the year of taxability of a large stock dividend declared in 1936 and received by the taxpayer in 1937, and the taxability of the Corporation either under section 102 or as a personal holding company. At a conference held in the Chief Counsel's Office on May 28, 1942, with the receiver, it was agreed that the receiver should pay a lump sum of \$1,200,000 (inclusive of interest), this amount being in addition to the sum of \$578,109 already paid for the years indicated. The settlement was approved by the Commissioner and the Maryland Court, and the payment was made on June 30, 1942.

7. Deduction as a Contribution of Cost of Phonograph Records Supplied Troops Overseas. Under the War Department's program designed to supply troops overseas with current radio entertainment, commercial radio advertisers would donate transcriptions of their programs which will be sent overseas. Each advertiser would furnish 1,000 phonograph records of each of their recent broadcasts. The estimated

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cost of 1,000 records of a half-hour radio program is \$660. Some advertisers have agreed to supply as many as 3,000 records a month, at a cost of nearly \$2,000 a month. The War Department requested an opinion as to whether the cost of providing these radio transcriptions is deductible from corporate income tax returns as a contribution. A negative answer was given to this question, but it was held that deduction might be made under section 23(a) of the Code as an ordinary and necessary expense, provided such expenses bear a reasonable relation to the business activities in which the enterprise is engaged.

8. Deduction for Tax Purposes of Losses Incurred in Enemy Controlled Countries. Entrance of the United States into the War made inevitable the loss of American property in enemy controlled countries, thus creating the problem of determining the amount and time of realization of losses for tax purposes. The problem parallels, but exceeds in scope, that growing out of the First World War. Recently, a delegation representing American business interests conferred in the office of the Tax Legislation Counsel outlining the problem to representatives of that office

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and the Bureau. The problem has also been presented to the House Ways and Means Committee by Arthur H. Kent. The existing obscurity surrounding the situation in the various enemy countries and invaded areas prevents the statement of any definite position with respect to the matter. It is anticipated, however, that prior to the processing of returns for the year 1941 the situation will have become sufficiently clarified to enable the Bureau to determine the position to be taken. A memorandum has been prepared in the Bureau advising the Tax Legislative Counsel that when the factual situation has been satisfactorily clarified, a solution, either administrative or statutory, will be sought.

9. Extension of Time to State Department Personnel in Countries "Beleaguered and Besieged by Enemy Forces."

Recommendation has been made to the Income Tax Unit that in response to a letter from the State Department it be advised that the Treasury Department is still of the opinion that a definitive ruling on the question whether personnel of the State Department in certain countries are "beleaguered and besieged by enemy forces" within the meaning of section 14 of Public Law 490, should be deferred pending Congressional

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consideration of proposed legislation giving more extensive relief to persons outside the United States subject to the internal revenue laws.

10. Device to Prevent Post-War Deflation of Farm Land Values. A proposal has been made to impose extremely high stamp taxes, running up to 90 percent, on the gain from sales of agricultural and forest real estate when the property has been held for a very short time. It will be remembered that during and following the First World War the prices of certain agricultural products were highly inflated, and there was much speculation in farm lands. The subsequent deflation of farm land values was supposed to have been a factor contributing to the depression. Extremely heavy taxation of gain from sales of agricultural land should prove effective in discouraging such speculation.

11. Oklahoma Community Property. The Chief Counsel's Office gave final review to a brief for filing in the Board of Tax Appeals contesting the validity of the Oklahoma Community Property Act of 1939. Among other grounds, the Government will contend that the Act conflicts with the Supreme

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Court's decision in Lucas v. Earl in that income from property is taxable to the owner and may not be assigned; and that the Act provides for "anticipatory arrangements" by spouses residing in the State of Oklahoma at their election to avoid Federal income taxes.

12. Stamp Transfer Tax. The New York State Superintendent of Banks under section 606 of the New York Banking Law has recently taken possession of the business and property of six Japanese and four Italian foreign agencies. The question presented is whether the stamp transfer tax is applicable to the transfer of the stock. The Chief Counsel's Office has answered the question in the negative, basing its ruling on that of the General Aniline & Film Corporation in which it was held that the transfer of stock was effected by an order issued by the Federal Government acting in its sovereign capacity and, consequently, such transfers did not come within the provisions of the stock transfer tax.

13. Tax Convention Between the United States and Canada (for description see March 1942 report, item 1). Ratifications of the Convention have now been exchanged between the United States and Canada.

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The effective date of the Convention relates back to January 1, 1941. Incident to ratification of the Convention, the United States Senate evinced an interest in allowing to Canadians performing services in the United States and commuting to Canada the same personal exemption as residents of the United States, provided Canada extended reciprocity. Consistent with the laws of Canada the Internal Revenue Code provides for an exemption of \$750 for a non-resident alien regardless of marital status, but for a married resident alien an allowance of \$1,500 is provided. The suggestion is that the personal exemption for a non-resident alien should be the same as for a resident alien. However, a non-resident alien is taxable only on income from United States sources, while a resident alien is taxable on income from all sources. A change in the law as suggested will require either an addendum to the existing Convention, or reciprocal legislation.

14. Summary of Supreme Court Actions in Federal Tax Cases - October Term, 1941. During the past term the Supreme Court decided 28 Federal tax cases, of which 19 were decided in favor of the Government, 1 partially in its favor, and 8 in favor of taxpayers. The Government was petitioner in 17 cases and obtained outright

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reversals in 10 and a partial reversal in 1. In the remaining 11 cases in which taxpayers were petitioners, they obtained reversals in 2 cases. Nine tax cases have been carried over to the next term of court. During the term the Government filed 23 petitions for certiorari, of which 18 were granted, 3 denied, and 2 have not been acted upon. Taxpayers filed 122 petitions, of which 9 were granted, 105 denied, and 8 have not been acted upon.

The following work was done under the supervision of Assistant General Counsel Cairns:

15. Subpoenas for confidential records. At the informal suggestion of Assistant Attorney General Rao, who had been served subpoenas for production in court of copies of certain customs investigative reports previously furnished him by this Department for use in connection with the trial of cases in the Customs Court, letters were prepared by Mr. Chambers for Mr. Gaston's signature, informing Mr. Rao that the Department deemed the reports confidential and requesting him to take appropriate steps to oppose their production pursuant to the subpoenas. Mr. Rao later advised that the court had granted motions to quash

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the above subpoenas and also had granted motions to quash subpoenas which had been served upon the Director of the Customs Information Exchange for the production of similar confidential records.

16. Classification of Brazilian fibers. On the basis of an opinion prepared by Messrs. Chambers and Wolf and a conference held in the office of Mr. Herbert Gaston, Assistant Secretary of the Treasury, attended by Messrs. Cairns, Johnson, Higman, Chambers, Nugent and Wolf, a letter to the collector of customs at New York was prepared by Messrs. Chambers and Wolf, for the signature of the Commissioner of Customs and for the approval of the Acting Secretary of the Treasury, in which it was held that fabric, manufactured wholly of hibiscus ferox fiber, or any other fabric which is indistinguishable from fabric wholly of true jute fibers (corchorus capsularis or corchorus olitorius) is classifiable under paragraph 1008 of the Tariff Act of 1930 (U.S.C., 1940 ed., title 19, sec. 1001, par. 1008). This decision will result in fabrics, which are indistinguishable from true jute fabrics, being dutiable at the same rate of duty as true jute fabrics and, in that respect, it modifies the decision of the

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Department which was contained in a letter to the Secretary of State dated April 25, 1941. The Secretary of State, the Board of Economic Warfare, and the Coordinator of Inter-American Affairs, all having displayed an interest in this matter, were informed of the above ruling.

17. Free entry of war materials. In response to a request from the Bureau of the Budget for an expression of the views of this Department on a draft of a proposed Executive Order which would authorize the Reconstruction Finance Corporation and the Secretaries of War and Navy to exercise the functions heretofore vested in the Secretary of the Navy by the Act of June 30, 1914 (38 Stat. 399, U.S.C. title 34, sec. 568) to make emergency purchases of war material abroad and bring such material into the United States free of duty, a letter was prepared by Messrs. Chambers and Wolf of this office, for the signature of the Administrative Assistant to the Secretary, suggesting certain changes in the proposed Executive Order, including the vesting of authority in the Commissioner of Customs to issue regulations in connection with the administration of certain provisions of the order, and stating that if such changes were adopted this Department

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would have no objection to the issuance of the proposed order. The Executive Order was signed by the President on May 30, 1942, No. 9177, with the suggested amendments having been made. Prior to its being signed, an amendment had also been made to the order extending the emergency purchase and free entry authority to the Secretary of the Treasury and the Secretary of Agriculture. Mr. Chambers of this office participated with officials of the Bureau of Customs in the preparation of regulations to carry out the provisions of the order. The order and the regulations were published as T. D. 50651.

18. Entry of Cuban Ethyl Alcohol Tax Free. An opinion in the form of a letter from Assistant Secretary Sullivan to Mr. Morgenthau, which was prepared by Mr. Feidler and Mr. Cairns, and signed on June 9, 1942, concluded that the tax upon Cuban ethyl alcohol must be paid; that the trade agreement between the United States and Cuba of its own force did not effect any reduction in internal revenue taxes; and that new legislation is necessary. If the tax is regarded as a customs duty, it cannot be reduced more than 50%.

19. Blue Prints of Automatic Coin Weighing Machine. An opinion addressed to the Director of the

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Bureau of the Mint, which was prepared by Mr. DuBois, and signed on June 12, 1942, concluded that the blue prints for the automatic coin weighing machine, which machine has been in use for many years in the Philadelphia Mint, may be made available to a private industrial firm to manufacture parts for a powder weighing machine.

20. Leases of Warehouse Space for Lend-Lease Purposes. An opinion addressed to Mr. Hill, Chief Counsel of Procurement, which was prepared by Mr. Meyer and Mr. Gilmore, and signed on June 16, 1942, concluded that in view of the removal of the prohibition against advance payments contained in section 201 of the First War Powers Act, 1941, a lease may be made for a term extending beyond the fiscal year during which the appropriation is available for expenditure. On June 20, 1942, a supplemental opinion addressed to Mr. Hill was prepared by Messrs. Meyer, Gilmore and O'Connell. This opinion concluded that a lease under present appropriation may be made for a term not extending beyond June 30, 1945, if there is sufficient amount in the appropriation to cover the entire rental. No obligation to pay any part of the rental in advance is necessary.

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21. Printing Expenses Incurred by the Federal Reserve Bank of New York in connection with Foreign Funds Control. An opinion addressed to Mr. Pehle, which was prepared by Mr. Tobolowsky and Mr. Feidler, and signed on June 17, 1942, concluded that there is authority in the Treasury and Post Office Departments Appropriation Act, 1942, to reimburse the Federal Reserve Bank of New York for the printing, and that no valid objection exists to such reimbursement.

22. Drugs for Lockheed Overseas Corporation. The Los Angeles Branch of E. R. Squibb & Sons requested information as to the manner of supplying the Lockheed Overseas Corporation with narcotic drugs which were to be taken abroad for the use of units constructing and maintaining airports in foreign countries. The inquirer was advised by Mr. Tennyson that the Lockheed Overseas Corporation should make application to the Commanding General, Service of Supply, War Department, setting forth its need for drugs, and that the War Department would make arrangements to obtain the drugs and furnish them to the Corporation at the various airports.

23. List of physicians who have violated Federal narcotic laws. In response to a request from the Oklahoma State Director of Selective Service, Mr. Tennyson

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supplied him with a list of the names of physicians in Oklahoma concerning whom reports had been received indicating narcotic irregularities, and a brief outline of the facts and circumstances in each case. The Director desired this information to enable him to exclude such doctors from a list of qualified physicians in the State of Oklahoma "capable to be designated to participate in the rehabilitation of physically defective registrants" to be furnished the Director of the National Headquarters, Selective Service System.

The Bureau of Narcotics has been reporting to the Surgeon General of the Army and of the Navy, respectively, a statement of the facts and circumstances in cases reporting irregularities on the part of physicians when these physicians are known to have entered or to be about to enter the Army or the Navy Medical Service.

The following work was done under the supervision of Assistant General Counsel Bernard:

24. Interdepartmental Meeting on Investigation (for description see April 1942 report, item 25).

Mr. Bernard attended a meeting of the Interdepartmental Committee on Investigation on June 19, 1942, at Mr. Gaston's request.

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25. Board of Legal Examiners (for description see July 1941 report, item 15). Mr. Bernard, as alternate for Mr. Foley, attended the regular meeting of the Board of Legal Examiners on June 20, 1942.

26. Coordination Conference of Treasury Enforcement Agencies. Mr. Bernard and Mr. Shea attended a meeting of the enforcement agencies on June 15, 1942.

27. Board of War Communications. Mr. Shea attended a meeting of the Law Committee of the Board of War Communications on June 26, 1942.

28. Bill to accord privileges of free importation to members of armed forces of other United Nations. Mr. Shea worked on drafts of H. J. Res. 327, "To accord privileges of free importation to members of the armed forces of other United Nations, to enemy prisoners of war and civilian internees and detainees, and for other purposes"; prepared committee reports on the Resolution for the House Ways and Means Committee and the Senate Finance Committee; accompanied Assistant Secretary Sullivan to hearings before both Committees; was in contact with Senator George when the bill was before the Senate; and assisted in expediting passage and approval of the Resolution.

29. Bill to exempt from duty personal and household effects brought into United States under Government

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orders. Mr. Shea prepared Committee reports on H.R. 7234, "To exempt from duty personal and household effects brought into the United States under Government orders", and accompanied Mr. Sullivan to a hearing on the bill before the Senate Finance Committee.

30. Disposition of C.C.C.'s Surplus Personal Property. Procurement Division proposed an amendment to H.R. 7181, which amendment would provide, in effect, for the disposition by the Director of Procurement of surplus personal property of the C.C.C., in accordance with existing law. Mr. Shea attended a conference in Mr. Schoeneman's office to settle a controversial point pertaining to the amendment, and it was agreed that a part of the proposed amendment should be deleted. An explanatory letter to the Chairman of the Senate Committee on Appropriations and the revised amendment were sent forward to the Bureau of the Budget on June 25, 1942.

31. Bill to Authorize Transfer of Real and Personal Property. A proposed report to the Bureau of the Budget, relative to a draft of a proposed bill submitted by the Secretary of the Navy, "To authorize the transfer of property between the War and Navy Departments and other departments of the Government",

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was rewritten by Miss McDuff of this office. The report concluded that this Department would have no objections to the enactment of the proposed legislation, although the bill would curtail in some instances the Procurement Division's control over surplus personal property. The proposed legislation would expand the authority for interchanges of property without compensation between the Secretary of War or the Secretary of the Navy and the heads of other departments and establishments, notwithstanding any other provision of law.

32. Columbia Power Administration Bill. After a meeting with representatives of the Department of the Interior in Mr. Bell's office on June 4, 1942, Mr. Bernard and Mr. Shea prepared a report for the Chairman of the Rivers and Harbors Committee of the House of Representatives, reporting on H.R. 6890, to authorize the acquisition of utility systems and to coordinate the operation of the government's power facilities on the Columbia River. The report commented on specific provisions of the Act, and was generally favorable to the proposed legislation. Mr. Bernard and Mr. Shea also prepared a letter to the Director of the Budget in connection with S. 2430, the companion bill in the Senate, and enclosed a copy

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of the above-mentioned letter.

33. Bill to Suspend Holidays and Overtime Compensation for Work on Such Days. The Assistant Director of the Bureau of the Budget transmitted for an expression of the views of this Department a copy of S. 2425, "To provide for suspending the operation of provisions of law designating or recognizing any day to be a holiday, except in so far as such provisions apply to the day known and celebrated as Christmas Day, until the termination of the present wars in which the United States is engaged." Miss McDuff of this office prepared a report on the bill recommending enactment of the proposed legislation and pointed out therein that the Secretary of the Treasury has in effect carried out some of the provisions of the proposed legislation, as he had issued orders since December 31, 1941, before each holiday that regular hours of duty be required of employees of the Treasury Department in Washington and in the field.

34. Proposed Bill Relative to Acquisition of Property for War Purposes. In reply to a request from the Bureau of the Budget for our views on a bill proposed by the Department of Justice relative to proceedings to condemn land for war purposes and to

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accelerate the distribution of deposits in such cases, Mr. Ranta of this office prepared a letter suggesting certain changes in the accounting provisions of the bill which had been recommended by the Bureau of Accounts.

35. Recruitment of White House Police. A draft of a committee report on our proposed legislation (H.R. 7204), to permit appointment of White House police from sources outside the Metropolitan and United States Park Police Forces, was prepared by Mr. Ranta of this office for the use of the Committee on Public Buildings and Grounds.

36. Treasury Guard Force Pay Bill (see April 1942 report, item 27). Mr. Shea accompanied Chief Wilson to a hearing before the Senate Civil Service Committee on H.R. 6217, "To amend section 13 of the Classification Act of 1923, as amended." A portion of this bill provides for an increase in the base salary of custodial employees, and would thus raise the base salary of the Treasury Guard Force privates from \$1200 to \$1500 per year.

37. Federal Reports Bill. Mr. Shea appeared with representatives from the Bureau of Internal Revenue and the Office of the Comptroller of the Currency at an informal conference held by a Subcommittee of the

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Senate Committee on Education and Labor on S. 1666, "To coordinate Federal reporting services, to eliminate duplication and reduce the cost of such services, and to minimize the burdens of furnishing reports and information to governmental agencies". As this bill provides for a collection and distribution of information, it affects several divisions of the Treasury Department.

38. University of Chicago Courses for Older Lawyers. Mr. Bernard and Mr. Shea prepared a letter to Dean Katz of the University of Chicago, commenting favorably on the University's plan to give courses to lawyers who have been practicing ten years or more, in order to prepare them for service in Government agencies.

39. War Savings Campaign. The war bond campaign in the General Counsel's office was successfully concluded. At the close of the campaign, which was handled by Mr. Rupert of this office, the General Counsel's Office ranked third among the 22 offices and bureaus, scoring 12.1 percent as against the Department average of 10.6%, and against 10 percent as quota. Out of 174 persons in the office, 165 participated, making allotments totaling \$2,483.84 each payday (percentage of participation, 94.8).

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40. Immunity of Secret Service Agents from Arrest.

At the request of Assistant Chief Murphy of the Secret Service Division, there was prepared by Mr. Ranta of this office a memorandum discussing the immunity of Secret Service agents from arrest for violation of local laws while in the performance of their official duties. The problem arose due to the fact that a Secret Service agent had been arrested by a United States Park policeman for speeding while proceeding to the White House in answer to an air raid signal he had received in connection with plans for the protection of the Executive Mansion.

41. Dismissal of Indictments. Assistant Attorney General Berge was advised that in the opinion of the Treasury Department (1) the prosecution against William H. Hurd, who was suspected of forging an endorsement on a government check while a member of the Coast Guard, should proceed in the federal courts in the usual manner, and (2) the prosecution against Jesse Kennedy, who was involved in forging an endorsement on a Government check, should also proceed in the federal courts in the usual manner. The defendant in this case had enlisted in the Army after the commission of the offense. These letters were prepared by Mr. Ranta of this office.

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42. Maryland Casualty Co. v. B.A. Gardetto, Inc., Morgenthau, Julian and Stimson. The surety company brought suit claiming to be subrogated to the unpaid balance on a War Department construction contract. After issue was joined the surety and the contractor agreed that the checks were to be sent to the surety, who was given a power of attorney to endorse, and procured a dismissal. This office, having ascertained that there were tax claims of about \$2000 against the contractor, arranged with the War Department and Internal Revenue to have the payments made through the General Accounting Office in order to protect our tax claims. Mr. Rupert worked on this case.

43. Compromise Cases. We prepared letters to the Secretary of the Treasury, recommending acceptance of the following offers in compromise settlement of the claims of the United States against (1) C. C. Tate, Columbia, South Carolina, (2) Ethel Shamberger, Tonasket, Washington, (3) Lester Nye, Pittsfield, California. These offers were duly accepted by the Acting Secretary of the Treasury, and letters informing the agencies submitting them of their acceptance were prepared, and the Commissioner of Accounts was requested to have the amount of the offers covered into the

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Treasury of the United States. These letters were prepared by Miss McDuff of this office.

44. Congressional Action on Treasury-sponsored Legislation.

(a) Relief of the First National Bank, Huntsville, Texas. S. 2309, our bill for the relief of the First National Bank of Huntsville, Texas, was passed by the House on June 2, 1942, with amendments recommended by the House Committee on Claims. On June 15, 1942, the Senate concurred in the House amendments to this bill. The amendments provided relief for the Canton Exchange Bank, of Canton, Mississippi, and of the First National Bank of Canton, Mississippi. The Treasury Department had previously approved relief for the Mississippi banks. Therefore, it was recommended that the bill be vetoed. The bill was returned to Congress by the President without his approval on June 25, 1942.

(b) Appointments of White House Police. On June 4, 1942, the Vice President laid before the Senate a letter from the Acting Secretary of the Treasury, transmitting a draft of our proposed legislation to permit appointment of White House Police, in accordance with the Civil Service Law, from sources

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outside the Metropolitan and United States Park Police Forces, (with an accompanying paper). This letter was referred to the Senate Committee on Public Buildings and Grounds. This Bill was introduced in the House by Representative Lanham on June 8, 1942, as H.R. 7204. It was then referred to the House Committee on Public Buildings and Grounds. On the same day, the Bill was introduced in the Senate by Senator Maloney, as S. 2584, and was referred to the Senate Committee on Public Buildings and Grounds.

(c) Free importation privileges for members of United Nations. H.J. Res. 327 is our legislation "To accord privileges of free importation to members of the armed forces of other United Nations, to enemy prisoners of war and civilian internees and detainees, and for other purposes". On June 24, the resolution was introduced by Mr. Doughton, referred to Ways and Means Committee and favorably reported. The next day (June 25) it was passed by the House, referred to the Senate and favorably reported by the Senate Finance Committee. On June 26 it was passed by the Senate and was approved by the President on June 27 (Public No. 635).

The following work was done under the supervision of Assistant General Counsel Bernstein:

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45. Hawaiian "Scorched Earth Program" (for description see February 1942 report, item 30; March 1942 report, item 46; April 1942 report, item 62; May 1942 report, item 41). On June 25, 1942, the civil and military authorities in the Territory of Hawaii promulgated with minor changes the Department's program, described in previous reports, for replacing ordinary United States currency in Hawaii with United States currency overprinted for use only in Hawaii. Representatives of the Department are presently in Hawaii, completing administrative arrangements for the currency substitution and working out the details of the Department's program for dealing with securities in Hawaii. Messrs. Luxford and Murphy are working on this program.

46. Destruction of Currency in the Canal Zone. The Treasury Department has issued an order establishing a procedure for the destruction in the Canal Zone of currency unfit for further circulation. This measure curtails unnecessary use of available shipping facilities and relieves Canal Zone banks from high and unnecessary war risk insurance charges. Mr. Luxford handled this matter.

47. Currency Control (for description see March 1942 report, item 64). This office has advised missions

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in various of the Central and South American countries of measures which those countries might adopt to increase the effectiveness of the Treasury Department program for eliminating importation into the United States of United States currency in which blocked nationals have an interest. Information has been obtained and relayed to the public concerning the denominations and serial numbers of United States currency believed to have been imported into the Central and South American countries with the purpose of smuggling it into the United States. Messrs. DuBois, Luxford, and Rains handled these matters.

48. Conference with Foreign Exchange Committee.

At a conference in New York with representatives of the Foreign Exchange Committee and the Federal Reserve Bank of New York, Messrs. Pehle and Bernstein expressed themselves as in general agreement with the practices followed by the New York banks in utilizing General License No. 1. Certain liberalizations of General License No. 1 were discussed and further work is being done in connection with these proposals. The conference also canvassed the extent to which, in view of General Ruling No. 12, bankers should be given protection when they effect transactions under misapprehensions of fact or of the effect of Treasury Department

licenses. Messrs. Luxford, Golding, Daum worked on this matter.

49. Alien Property Custodian (for description see April 1942 report, item 57; May 1942 report, item 46). Further conferences were held with Judge Rosenman, representatives of the Office of the Alien Property Custodian, and representatives of the Bureau of the Budget, and representatives of the Department of Justice in respect to the proposed amendment of the Executive Order establishing the Office of Alien Property Custodian. Messrs. Luxford and DuBois are working on this matter.

50. Philippine Property and Obligations (for description see February 1942 report; item 24b; March 1942 report, item 47(a); April 1942 report; item 63). In conjunction with the Philippine Government, the Department of the Interior, and other interested Government agencies, the Treasury Department has considered the advisability of a moratorium upon Philippine obligations which will postpone defaults upon the obligations of persons having substantial portions of their assets in the Philippine Islands. Consideration has also been given to the advisability of voiding transfers of Philippine property effected with the acquiescence of the

Japanese. Messrs. Luxford and Cook are working on this problem.

51. Insurance Problems (for description see March 1942 report, item 54; May 1942 report; item 39).

We assisted in the preparation of an "Action Guide" covering policy in handling applications for licenses to pay premiums on life insurance policies where the insured is an enemy national. In general, enemy nationals will not be permitted to keep up their life insurance policies by payments from abroad. However, persons in the United States who have a beneficial interest in such policies will be permitted to pay the premiums in cases where hardship would otherwise result. Messrs. Aarons and Kehl worked on this.

52. Cartel Agreements. It was decided this month that we should cooperate with the Anti-Trust Division of the Department of Justice in working out a procedure for compulsory filing of all international business agreements of cartel type. Representatives of the Legal and Administrative Divisions and of Monetary Research held a conference with Corwin Edwards of the Anti-Trust Division to set this plan in motion. Study is now being given to the TFR-300 census reports with a view to obtaining

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background in this field. Anti-Trust Division is giving consideration to the manner of defining the type of agreements to which the requirement will apply. Further study will be given to this entire matter in the light of the recent requirement for filing patent agreements which was promulgated by the Alien Property Custodian on June 15, 1942. Mr. Aarons is handling this matter.

53. Trust Funds. Messrs. Aarons and Schwartz of this office prepared, for the guidance of the administrative people, a legal memorandum on the status of funds set up by an issuer of securities for sinking fund purposes or for debt servicing. In such cases the licensing policy depends to a considerable extent upon whether such funds are set up as trusts or as merely deposits. The memorandum gave advice as to how to distinguish between trusts and deposits in cases of this nature.

54. Tax Status of Enemy Firms. Mr. Aarons with representatives of Mr. Pehle's office attended a conference in the Office of the Chief Counsel of the Bureau of Internal Revenue relative to the tax status of enemy firms which are in liquidation. We are cooperating with the Bureau of Internal Revenue by furnishing the Bureau credit information as to firms in liquidation so that appropriate tax action may be taken. At

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this meeting there was also discussion as to the ways in which the Bureau could make greater use of the information contained in the TFR-300 census reports and other intelligence information which Foreign Funds Control has at its disposal.

55. Census Reports (for description see January 1942 report item 45; February 1942 report, item 39; March 1942 report, item 49; May 1942 report, item 43). Messrs. Reeves and Arnold of this office participated in conferences regarding reports of American-owned property abroad and in preparing agenda and questions and problems to be solved. In that connection members of this office and of the Monetary Research staff attended a conference at the Federal Reserve Bank of New York concerning a proposed report by banks, Federal Reserve Banks, and corporations on bearer bonds held abroad.

This office collaborated with the Division of Monetary Research and the Enforcement Division of Foreign Funds Control with respect to the consolidation of reports on Form TFR-300, including preparation of procedure for obtaining omitted reports. Messrs. Reeves and Arnold handled this.

Confidential Circular No. 154, which expresses the policy of the Department with respect to inspection of

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reports on TFR-300, was prepared by Mr. Arnold and issued, as well as Confidential Special Circular No. 27A concerning reports on TFR-300 for persons under General License No. 42 or blocked ad hoc, which was prepared by Messrs. Reeves and Arnold.

56. Liquidation Problems (for description see February 1942 report, item 28; March 1942 report, item 57; April 1942 report, item 67). We prepared a letter to the Alien Property Custodian inquiring whether or not the Alien Property Custodian wishes to take over the liquidation of insolvent business enterprises. It was pointed out that if the Alien Property Custodian did not assume jurisdiction, the Treasury Department would proceed to issue licenses authorizing the liquidation of such enterprises after notice to interested creditors to take such action as they might deem necessary to protect their rights. The Alien Property Custodian has replied that his office is disposed to take over these liquidations and has asked for summaries of all cases concerned, preparatory to his taking action. Messrs. Aarons and Kehl are working on this.

57. Patents (for description see February 1942 report, item 26(d); March 1942 report, item 53)

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April 1942 report, item 66; May 1942 report, item 38). Mr. Kehl of this office prepared a draft of an inter-office interpretation with respect to the denying of applications to pay patent maintenance fees and to file new patent applications in unoccupied France, on the ground that under the present Vichy arrangement, patent matters are still handled in Paris.

The disposition of pending applications relating to patent matters was considered in a number of conferences held by Mr. Kehl with a representative of the Department of Justice and the Alien Property Custodian. On the basis of recommendations made, action was taken on a number of applications.

58. General Ruling No. 12 - Validation of Past Transactions (for description see April report 1942, item 58). A study is being made of applications to validate unauthorized transactions. These applications were filed subsequent to the issuance of General Ruling No. 12, and represent all types of transactions. Appropriate documents are being considered which will set forth the policy to be followed by the Federal Reserve Banks in granting or denying certain types of these applications. Some of the problems which have arisen in connection with General Ruling No. 12 also

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involve General License No. 1 and the general licenses of the four neutral countries. Messrs. Luxford, Aarons, Golding, and Miss Klein, in conjunction with members of Mr. Pehle's staff are making this study.

59. Enforcement and Investigations. (a) Safe Deposit Boxes. Mr. Daum of this office considered the advisability of and mechanics for requiring reports concerning the contents of blocked safe deposit boxes and the payment of currency hoarded in such boxes into blocked accounts.

(b) Accounts Payable to Blocked Nationals. This office considered the advisability of, and the legal and practical problems involved in, using answers to item 14 of Form TFR-300 reports as the basis for directing persons holding accounts payable to blocked nationals to block such accounts or to pay such accounts into blocked accounts in domestic banks. Mr. Golding in conjunction with Mr. Hughes of Foreign Funds Control and Mr. Dickens of Monetary Research is working on this.

(c) Committee on Investigations. A Committee on Investigations has been established which consists of a representative from Mr. Pehle's office, Mr. May's office and of the Legal Division. The purpose of the

Committee is to review matters which have been referred to the Enforcement Section of Mr. Pehle's office as involving a possible Foreign Funds Control violation and as requiring a May investigation. The Committee reviews the cases and decides what should be done with them, i.e., whether an investigation should be made, whether they should be referred to other Governmental agencies, or whether recommendation for some form of disciplinary proceeding should be made. The work of the Committee has resulted in a speeding up of the enforcement procedure and in a substantial reduction in the number of May investigations. Messrs. Quint, Lesser, and Edelman worked on this matter.

(d) Cooperation with Board of Economic Warfare. A program of collaboration on investigation and enforcement of Proclaimed List cases where both Export Control and Foreign Funds Control violations exist has been worked out by the Legal Division in conjunction with members of Mr. Pehle's staff. Mr. Quint, Mr. Lesser and Mr. Edelman handled this program.

(e) Jean Monnet and George Murnane. In conjunction with members of Mr. Pehle's office, we are investigating the activities generally of Jean Monnet

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and George Murnane as partners of Monnet, Murnane & Company, New York, and as sole stockholders of Monnet, Murnane & Company, Ltd. We are investigating particularly Murnane's association with foreign-owned assets in the United States such as United Continental Corporation (Petschek family), Solvay American Corporation, York Commercial Corporation and the Fable Trust. A short field investigation was made in New York City early in June to look into the activities of the Petschek family and in particular the sale of the Petschek coal properties in Germany in 1938. A field investigation is now under way in New York City for the purpose of examining all records in the office of Monnet, Murnane & Company and to complete the investigation of the Petscheks.

We are also working with Bureau of Internal Revenue agents and members of Mr. Wenchel's office on a possible tax case against Monnet and Murnane. Messrs. Quint, Schwartz, and Luxford are working on this matter.

(f) Texas Herold (for description see May 1942 report, item 58). An investigation of the files and personnel of the Texas Herold, Taylor, Texas, a German language newspaper, was concluded this month by

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Treasury representatives in cooperation with the Federal Bureau of Investigation. The company is presently blocked as German due to the fact that ownership of a substantial portion of outstanding obligations is vested in certain German nationals who are now interned. The investigation disclosed that the paper followed a pro-Axis line before December 7 which it has only slightly modified since that date. The results of the investigation have been presented to the Department of Justice and determination will be made in the near future as to what further action should be taken with respect to this publication. Messrs. Clay, Proctor, and Fulda handled this.

(g) Rossiya (for description see May 1942 report, item 58). An investigation of Rossiya, New York City, a Russian language newspaper, was also concluded this month. The editor and publisher of Rossiya, Nicholas P. Rybakoff, a former colonel on the General Staff of the Russian Imperial Army, and the newspaper itself have ^{the} been/subject of recent attacks in the press, principally by two other Russian language newspapers and by P.M. It has been charged that Rybakoff is a paid agent of Japan and that he is closely associated with the Russian Fascists in Harbin, Manchuria, and with

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Anastase Vonsiatsky, of Thompson, Connecticut, a Russian Fascist, who recently pleaded guilty to charges of espionage. The investigation revealed that although Rybakoff was once associated with Vonsiatsky, this relationship was terminated as long ago as 1936. No direct connection with the Russian Fascist movement was disclosed. The report of this investigation will also be submitted to the Department of Justice for a determination of what further action with respect to this publication should be taken. Messrs. Clay, McMurray, and Moore worked on this matter.

(h) Compagnie Generale Transatlantique (French Line). The French Line, although its income is negligible, has been expending approximately \$150,000 per month. An investigation is now being conducted to determine where the funds for these expenditures are being derived and what use is being made of said funds. Some of these funds are being used to support unemployed French sailors who are located in this country and in Latin America. It is not known, however, what the rest of the funds are being used for or what the other activities of the French Line are at this time. Messrs. Clay and Marks are making this investigation.

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(i) Sterling Products (for description see February 1942 report, item 26(f); April 1942 report, item 60(c)). The investigation in New York of Sterling Products, Inc. was completed this month. The report of the investigation states that, subject to substantiation by investigation of purchasers and of executive personnel in the other American Republics, in general Sterling Products has apparently made a sincere effort to fulfill its obligations under the Representations which were made to the Foreign Funds Control Committee on August 15, 1941. Those Representations provided for a termination of all contractual relationships with I. G. Farben, the abandonment of trade marks with German connotation, the establishment of new trade marks, the reporting on all personnel with an agreement to dismiss those deemed undesirable by the Government, and an undertaking to compete actively with I. G. Farben and to report all sales and the use of advertising media. Messrs. Lawler, Parker, King, Marks, and McMurray worked on this case.

(j) Swiss Banks. An investigation is now being conducted with respect to the affairs of the Swiss Bank Corporation, Credit Suisse, and Swiss American

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Corporation. Messrs. Lesser, King, and Parker are making this investigation.

(k) West Coast Investigation (for description see May 1942 report, item 52). A member of this staff, Mr. Edelman, in conjunction with members of Mr. Pehle's staff completed the investigation of enemy business enterprises in liquidation on the West Coast. Besides study of the business enterprise picture, consultation was held with officials of the Federal Reserve Bank of San Francisco on problems relating to directive licensing and on investigations now in progress.

(l) General Aniline and Film Corporation (for description see January 1942 report, item 36(a)). On the basis of previous studies made, a memorandum has been prepared by Mr. Moore of this office describing in detail the organization and operations of the German Dye Trust in the United States during the last war, the disposition of its properties here and their subsequent recovery by I. G. Farben after the war. Particular emphasis was given to the various methods and devices employed by the German Dye Trust to disguise and conceal its interests here during the last war. These devices

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were discussed with representatives of the Office of the Alien Property Custodian and material was made available for their information and consideration.

60. Conference with Federal Reserve Bank Officers.

A representative of this office, Miss Hodel, accompanied the liaison officer of Foreign Funds Control to the Annual Convention of the American Institute of Banking at New Orleans. Numerous problems with respect to the administration of freezing control were discussed with representatives of the Federal Reserve Banks of Atlanta, Chicago, Dallas, Richmond and St. Louis.

61. Interpretations - Legal Review - Litigation Problems. Correspondence which involved questions of interpretation of the Executive Order, Regulations, rulings and licenses was handled by Miss Hodel, Miss Klein, Miss Goode and Mr. Brenner.

Examination was made by Messrs. Reeves and Wolf of applications for licenses involving litigation, including the preparation of rulings on the legal sufficiency of documents submitted and of memoranda of recommendations.

A proposed public circular or public interpretation was drafted by Mr. Reeves, expressing the position of the Department in regard to the licensing of

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judgments involving blocked funds. Study is also being given to a proposed ruling to be issued by the Alien Property Custodian on service of process from persons who reside in enemy territory.

62. Latin America (for description see January 1942 report, item 37; February 1942 report, item 55; March 1942 report, item 61; April 1942 report, item 74; May 1942 report, item 54). (a) School for State Department Representatives. Members of the Legal and Administrative staffs participated in the conduct of the training school for men who are being sent to South and Central America to act as advisers to the Missions and the local governments. The session from June 3 to June 13, 1942, was devoted to Foreign Funds Control, with lectures and discussion by the legal and administrative men on particular topics. A considerable amount of work was done in preparing material for this school and in conducting the school. Messrs. DuBois, Luxford, Sherbondy, Lawler, Clay, Klaus, Aarons, Mann and Rains handled the work in connection with this school.

(b) Inter-American Conference. Members of the Legal Staff, in conjunction with members of Mr. Pehle's and Mr. White's staffs, participated in the preparation

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of material for the Inter-American Conference on Systems of Economic and Financial Control, which convened in Washington on June 30, 1942.

This material consisted of:

(1) A handbook (which was translated into Spanish) setting forth in broad outline the major policies which this Government is following, through financial and property controls, to effectuate Resolution V adopted at the Third Meeting of the Ministers of Foreign Affairs of the American Republics at Rio de Janeiro in January 1942. Messrs. DuBois, Lawler, Aarons, Mann, Rains, Kehl and Miss Goode worked on this.

(2) A compilation of foreign funds control documents, together with summaries of each document in English and Spanish prepared by Mr. Luxford, Miss Hodel, Messrs. Brenner, Cook and Golding.

(3) Drafts of Resolutions and memoranda for use in discussion of various topics on the agenda. Messrs. DuBois, Luxford, Mann, Rains, Lawler and Kehl worked on these matters.

(Arrangements for the translation and printing of the handbook and compilation of documents were made by Mr. Daum, Mr. Wolf and Miss Goode.)

(c) Brazil. Representatives of the Brazilian Government have discussed with this Department the advisability and mechanics of decreeing the forced sale of certain firms owned by Proclaimed List nationals. The plan presently under discussion by representatives

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of the Brazilian Government, the Export-Import Bank, the State Department and this Department, envisages the installation of interventors in the Proclaimed List firms as a temporary measure pending the acquisition of adequate information concerning the value and operations of such firms, the enactment by Brazil of enabling legislation, and the liquidation of certain firms and the sale of other firms to desirable interests. The Export-Import Bank is considering aiding in financing this program. Messrs. Luxford, DuBois and Mann are working on this matter.

(d) Mexico. A member of this office, Mr. Sherbondy, went to Mexico City this month to advise Mexican officials on United States methods of control of Axis-owned or Axis-dominated business enterprises. This representative performed valuable services in advising the Mexican officials in connection with the adoption and administration of a comprehensive decree covering this matter.

(e) Reinsurance Program. In conjunction with members of Mr. Pehle's staff, we held a conference with representatives of the British Embassy and Canadian Legation to discuss the reinsurance program for South America. At this conference, the details

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of a plan for prohibiting United States insurance companies from reinsuring local Latin American insurance companies which have insurance relationships with Proclaimed List nationals or Axis companies were discussed. At the suggestion of the British, it was decided that the program should not be put into effect until the British had had an opportunity to make further efforts to establish a voluntary plan of cooperation by local insurance companies in Argentina. Messrs. Aarons and Kehl worked on this matter.

We were informed that Mr. Armando Hamel of the Caja Reinsurance Institute, the governmental reinsurance monopoly of Chile, is on his way to the United States to negotiate reinsurance treaties with United States insurance companies. In view of the pending instructions in the field of reinsurance, and after consultation with the State Department, it was decided to advise the United States insurance companies not to enter into reinsurance treaties with the Caja until the matter had first been discussed with the Treasury Department. Representatives of the principal insurance organizations which might be interested in the Caja business were so advised. Mr. Kehl handled this problem.

63. Neutral Countries. Comprehensive instructions were prepared by Mr. DuBois and sent to our Embassy in London concerning dealings by branches of United States firms in the neutral European countries with firms in enemy and enemy-occupied territory.

64. Memoranda. (a) Effect Given by Courts of the United States to Actions Taken in Territory Under Military Occupation by Friendly or Enemy Powers.

Messrs. Luxford and Zarky of this office are preparing a memorandum dealing with the above subject. Discussions of the subject have been held with the Board of Economic Warfare in connection with requisition by the latter of property belonging to foreign nationals.

(b) Power of the Treasury Department to Require Swiss Banks to Reveal Confidential Information. A memorandum was written by Mr. Daum of this office sustaining the power of this Department to require Swiss banks to reveal information concerning their stock ownership, notwithstanding the existence of a Swiss statute imposing penal sanctions upon corporate officers who reveal such information.

(c) Japanese Evacuation Program. This office studied the Tolson Committee's report on the Japanese evacuation program and the propriety of the Treasury

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Department's delegation of power to the Federal Reserve Bank of San Francisco to effect such program. Mr. Golding made this study.

65. Currency and Coins (for description see May 1942 report, item 67). This office drafted a press release announcing the proposed issuance of an old series of Federal Reserve notes and an old series of Federal Reserve Bank notes. The press release also announced a campaign to reduce the demand for new currency and for new coinage of all types of coins as part of the Government's effort to conserve vital materials. Miss Hodel and Mr. Brenner prepared this press release.

66. Silver Legislation (for description see February 1942 report; item 57; March 1942 report, item 70; April 1942 report, item 78; May 1942 report, item 59). In accordance with an agreement between the Treasury Department, the War Production Board, the Reconstruction Finance Corporation, and the Special Silver Committee of the Senate, this office prepared a draft of a bill which would permit the use in war industries of silver now maintained as security for outstanding silver certificates. The bill would also permit suspending redemption of silver certificates

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and the melting of most of the Treasury's stock of standard silver dollars. We also participated in conferences with the Senate Special Silver Committee on the current silver problems and on the legislation. Miss Hodel and Mr. Brenner worked on this.

67. Five-Cent Coin (for description see January 1942 report, items 31 and 48). This office considered problems which might arise in connection with the new five-cent coin due to the increased demand for silver for industrial use. Memoranda were written with respect to criminal penalties for melting such coins and whether there is authority to reduce the amount of silver in such coins to the extent necessary to prevent melting. Mr. Brenner worked on these problems.

68. Chinese Stabilization Agreements. We participated in discussions and preparation of documents relative to the extension of the 1937 and the 1941 Stabilization Agreements with China.

69. United Nations Financial Aid. We participated in the drafting and discussion of legislation originally drafted in the State Department authorizing the granting of not more than \$100,000,000 to Governments of United Nations countries that are operating outside of their territories.

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70. Proposed Settlement of Belgian-French Gold Law Suit. Counsel for the Belgians took up with us the proposed settlement of this suit involving \$228,000,000 in gold. He submitted a form of settlement. The matter was taken up with the State Department and with the Federal Reserve Bank of New York and it was decided that the Government should not take any position on the matter at this time but should leave the problem open pending further clarification of the facts and the ascertainment of the view of the Belgian authorities in London. Counsel for the Belgians was advised that the Government was still considering the matter and that he should obtain the views of the French and Belgian Government authorities and also discuss the technical problems of handling the gold with the Federal Reserve Bank of New York.



OFFICE OF THE DIRECTOR

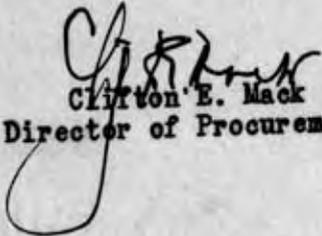
TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

August 25, 1942

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended August 22, 1942.

A Section has been established in our Lend-Lease organization to investigate matters involving damage or loss of Lend-Lease goods in transit so that necessary action may be taken promptly. We also have had a few instances recently of ships being returned to our ports with damaged Lend-Lease cargo purchased by this Division. In such cases, we collaborate very closely with the Office of Lend-Lease Administration and representatives of foreign governments concerned.


Clifton E. Mack
Director of Procurement



TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF AUGUST 22, 1942
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Undistributed & Miscellaneous</u>
Allocations	\$1772.9 (1771.8)	\$1049.8 (1034.9)	\$511.3 (461.9)	\$56.8 (57.8)	\$3.7 (3.7)	\$151.3 (213.5)
Purchase Authorizations (Requisitions)	\$1468.9 (1441.0)	\$ 927.1 (904.8)	\$487.8 (480.0)	\$40.5 (42.9)	- -	\$ 13.5 (13.3)
Requisitions Cleared for Purchase	\$1392.7 (1364.1)	\$ 885.4 (881.5)	\$453.9 (427.0)	\$40.3 (42.7)	- -	\$ 13.1 (12.9)
Obligations (Purchases)	\$1305.9 (1285.4)	\$ 874.1 (868.6)	\$380.5 (366.7)	\$40.3 (40.3)	\$2.0 (1.9)	\$ 9.0 (7.9)
*Deliveries to Foreign Governments at U. S. Ports	\$ 530.9 (517.0)	\$ 423.4 (411.5)	\$ 85.3 (83.5)	\$20.1 (20.0)	- -	\$ 2.1 (2.0)

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

Note: Figures in Parentheses are those shown on report of August 15, 1942.

EXPLANATION OF DECREASES

The decrease of \$1,000,000 in Allocations for China was due to the cancellation of eight requisitions totaling this amount for that country.

The reduction of \$2,400,000 in Purchase Authorizations and in Requisitions Cleared for Purchase, for China, was effected by an adjustment of the estimated value of requisitions for this country.

Treasury Department
Division of Monetary Research

Date 8/26/42 19

To: Miss Chauncey

Mr. White received a letter identical to this. He said no reply is necessary.

L. Shanahan

MR. WHITE
Branch 2058 - Room 214½

BOARD OF ECONOMIC WARFARE
WASHINGTON, D. C.

Office of the Executive Director

AUG 25 1942

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

We thought you might be interested in the attached release to our employees which indicates the realignment of the functions of the Office of Economic Warfare Analysis. We think it will strengthen considerably our effectiveness in dealing with the problems which must be thrown to this group to work out.

(pp. 3 & 4 missing)
not sent

Sincerely yours,

W. Perkins
Executive Director

RECEIVED
AUG 28 1942
DIVISION OF RESEARCH
TREASURY DEPARTMENT

RECEIVED
Treasury Department
AUG 28 1942
Division of Research

BOARD OF ECONOMIC WARFARE
Washington, D. C.

August 7, 1942

OFFICE OF THE EXECUTIVE DIRECTOR

Order No. 32

Realignment of Functions of
Office of Economic Warfare
Analysis

Effective: August 1, 1942

DISTRIBUTION: AE

I. The functions within the Office of Economic Warfare Analysis are hereby realigned to constitute the following functional organization for that Office:

A. The Staff of the Assistant Director in Charge of the Office of Economic Warfare Analysis includes the Assistant Director, the Chief of Office, an Executive Assistant; ~~two~~ special assistants, the engineering staff, and the cartographic staff,

1. The Engineering Staff

- a. gives technical assistance to the Economic Intelligence Division in gathering information about enemy industry and transportation;
- b. aids the American Hemisphere and United Nations Divisions in organizing technical missions to friendly nations, for improvement of production and transportation facilities;
- c. assists other United Nations in placing technical personnel in American industry for training;
- d. encourages private industry, research foundations and governmental agencies, here and abroad, to develop substitute products in foreign countries to replace critical materials in those countries.

2. Cartographic Staff procures maps, and arranges to have maps drafted for all Divisions in the Office of Economic Warfare Analysis. This staff does not do complete cartographic work itself, except under exceptional circumstances. Its main job is to farm out rough drafts of maps to the Office of Strategic Services, and to supervise the completion of the finished maps by this agency.

B. Enemy Branch: collects and analyzes information concerning economic developments in enemy and enemy occupied territory, in order to make estimates, evaluations and recommendations concerning (i) industrial objectives, (ii) the economic potential of the enemy, and (iii) other economic questions on which reports on data are requested by the Joint Chiefs of Staff, the War Department, or the Navy Department.

The Enemy Branch is composed of three Divisions:

1. The Economic Intelligence Division: collects current intelligence data concerning economic developments in foreign countries, especially enemy and enemy occupied territory.

The specific functions of the Economic Intelligence Division are:

- a. the compiling, classifying, and routing of information obtained from censorship, intercepts, foreign radio broadcasts, foreign publications, British MEN, American business firms with foreign interests, refugees, returned travelers, foreign representatives of other government agencies and all sources other than espionage;
- b. the answering of specific requests for economic intelligence information from other Divisions of the BEW, the armed forces, and the Ministry of Economic Warfare;
- c. the continual search for new sources of economic intelligence;
- d. the indexing, routing and safeguarding of all restricted, confidential, and secret documents which originate in the Board or come to the Board from other sources.

2. The Industrial Objectives Division: makes recommendations to the intelligence services of the Army and Navy for the destruction of specific industries, factories, shipyards, transportation facilities and other economic installations in enemy and enemy occupied territory.

- a. These recommendations are based on detailed analysis of the structure and inter-relations of specific industries, (including the flow of raw materials, components, fuel and power supplies, and finished products) for the purpose of discovering the bottle-necks whose destruction would result

3. The United Nations Division: makes recommendations primarily to the Office of Imports and the Quartermaster Corps, on measures to increase the supplies of strategic materials from Great Britain, Canada, Russia, the Near and Middle East, the African continent (exclusive of Spanish Morocco and the Vichy French Colonies), and Far Eastern areas not occupied by the enemy (India, China, Australia, and New Zealand);

b. initiates missions, in cooperation with the State Department, to advise and consult with governments in the areas listed on the improvement of their industrial and transportation techniques in order to increase local production and ease the burden on shipping;

c. upon request, it assists the Office of Exports in analysis of export projects, requirement problems, shipping priorities, etc.

Its recommendations are based upon analysis of productive capacity, transport, manpower, and other economic facts obtained from the Economic Intelligence Division or from research sources.

4. The Reoccupation and Reconstruction Division: initiates and directs economic analysis related to:

- a. economic problems of reoccupation;
- b. problems of post-occupation and post-war relief in foreign areas;
- c. problems of post-war reconstruction in foreign areas.

D. The Technical Branch: supervises and coordinates analysis of technical nature in the fields of petroleum and air transport.

1. The International Air Transport Division: all matters relating to international air transportation which fall within the responsibilities of the Board of Economic Warfare will be centralized in the International Air Transport Division. It will act in an advisory capacity to the Board on all matters of this nature. It will be responsible for assembling and analyzing data on programs pertaining to the movement of critical materials by air to and from the United States. It will maintain close contact with the State Department, the air services of the War and Navy Departments,

the aviation agencies of the Department of Commerce, the War Production Board and any other agencies of the Government having an interest directly or indirectly in international air transportation. It will maintain contact with representatives of air transportation and aircraft manufacturing concerns on problems relating to the work of the Division. It will be responsible for the formulation of plans for the development of international air transport and will make reports and recommendations to the Board on all such matters. Through close liaison with the Office of Imports, the Division will be responsible for all arrangements and handling of cargoes imported for the Office of Imports by air transport. It will make reports and recommendations to the Office of Imports on the purchase of strategic cargoes to be imported by transport. The Division will advise the Office of Exports with respect to problems arising from the transportation of export cargoes by air. It will furnish, either upon its own initiative or upon request to the Office of Economic Warfare Analysis, all the strategic studies or other information relating to all matters of air transport nature that relate to all phases of economic warfare, including re-occupation and reconstruction together with such reports and recommendations as would fall within this category.

2. Petroleum Division: All matters relating to petroleum and petroleum products that come within the responsibility of the Board of Economic Warfare will be centralized in the Petroleum Division. It will act in an advisory capacity to the Board in all such matters and will represent the Board on Inter-Agency Committees and with other agencies of Government. It will maintain pertinent data on the oil situation in neutral countries and represent the Board on all matters affecting the neutral oil position. The Petroleum Division will act in an advisory capacity to the Office of Imports on all matters relating to the purchase of petroleum by the United States Commercial Corporation for trading purposes and all matters relating to the importation of materials in which questions of oil supplies or development would play a part. The Division will act in an advisory capacity to the Office of Exports on all matters relating to the licensing of petroleum, petroleum products and oil equipment. It will maintain the necessary records and information requisite to the performance of this function. The Division will be responsible for furnishing the Office of Economic Warfare Analysis with statistics or other information on foreign oil resources, refining, transportation, consumption, substitute and synthetic fuels; economic studies on all matters pertaining to petroleum;

and detailed estimates of enemy war potential, (an Interdepartmental Committee on enemy oil position has been established under the chairmanship of the Petroleum Division), particularly strategic studies on all petroleum matters instituted on its own initiative or made upon the request of various agencies of the armed forces.

- II. The British Empire Division, Far Eastern Division, and European-African Division are hereby abolished.

MILO PERKINS
Executive Director

BOARD OF ECONOMIC WARFARE
Washington, D. C.

August 7, 1942

OFFICE OF ECONOMIC WARFARE ANALYSIS

Economic Warfare Analysis
Personnel

Memorandum No. 7

DISTRIBUTION: AE

In accordance with Order No. 12 of the Executive Director, the following Branch and Division Chiefs are hereby designated:

- A. Staff of the Assistant Director in Charge, Office of Economic Warfare Analysis:
1. Chief of Office - John Fischer
 2. Executive Assistant - Wayne Chambers
 3. Special Assistants - Dwayne Kraeger, Harlan Cleveland, and Ruth Schill
 4. Editor - Philip Dunaway
 5. Engineering Staff - Alex Taub, Chief
 6. Cartographic Staff - Shannon McCune, Acting Chief
- B. Enemy Branch - Fowler Hamilton, Acting Chief
1. Economic Intelligence Division - Chester R. Vail, Acting Chief
 2. Industrial Objectives Division - Robert H. Montgomery, Acting Chief; Lewis M. Lind, Assistant Chief
 3. Economic Potential Division - James Shoemaker, Acting Chief
- C. Blockade and Supply Branch - Cass Canfield, Acting Chief
1. Blockade Division - Melvin Fagen, Acting Chief
 2. American Hemisphere Division - Deway Anderson, Chief
 3. United Nations Division - Paul Ellsworth, Acting Chief
 4. Reoccupation and Reconstruction Division - Max Lowenthal, Acting Chief
- D. Technical Branch - Charles Rayner, Chief
1. International Air Transport Division - Philip Amran, Acting Chief
 2. Petroleum Division - Charles Rayner, Acting Chief

WILLIAM T. STONE
Assistant Director

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 25, 1942.

TO Secretary Morgenthau

FROM Mr. Hoflich

Subject: Shipment of Planes to British Forces.

1. One hundred and one planes of all types, including 90 combat planes, were sent from the United States to British forces during the week ending August 18, 1942.
2. Thirty-eight planes were sent to the Middle East, and 26 went to the British Isles.
3. Forty Northrop Vengeance dive bombers were shipped to British forces during the week, recording an all-time high for such planes. Twenty-six of these went to India (an all-time high of U.S. plane shipments to India) and 14 to the United Kingdom. Dive bombers should prove most useful in a British-American invasion of the European continent, or in defending India against the Japanese. The British have very few dive bombers, and have tended to discount their usefulness in the past.

Table A -- Shipments by Area

	Week Ending Aug. 18, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
	0	548	1,705
Light and medium bombers	16 2	558	1,719
Heavy bombers	3	142	246
Naval patrol bombers	7	27	129
Pursuit	0	876	1,187
Army Cooperation	0	107	138
Trainers	0	0	24
Total to the United Kingdom	26 12	1,710 1,696	3,443 3,429
<u>To the Middle East</u>			
Light and medium bombers	18	475	805
Heavy bombers	0	0	5
Naval patrol bombers	0	6	6
Pursuit	20	434	1,282
Army Cooperation	0	30	30
Trainers	0	8	150
Total to the Middle East	38	953	2,279
<u>To the Canadian Forces</u>			
Light and medium bombers	0	59	227
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	11	588	1,829
Total to Canadian Forces	11	701	2,160
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	145	245
Naval patrol bombers	0	0	27
Pursuit	0	200	363
Trainers	0	0	105
Total to Pacific Forces	0	345	740
<u>To the British Indian Forces</u>			
Light and medium bombers	40	93	93
Pursuit	26	95	96
Total to Indian Forces	40	119	119
	40	133	133
<u>Totals</u>			
Light and medium bombers	60	1,316	3,075
Heavy bombers	3	143	252
Naval patrol bombers	7	56	193
Pursuit	20	1,580	2,944
Army Cooperation	0	137	168
Trainers	11	596	2,108
Grand Total	101	3,828	8,740

Table B -- Shipments by Types

	Week Ending Aug. 18, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	0	315	469
Boeing B-17	0	42	62
Boston III	0	15	39
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	0	97	97
T-50	0	86	700
Consolidated Catalina PBY-5B	7	56	193
Liberator	3	101	190
Curtiss Kittyhawk	20	665	1,047
Tomahawk	0	0	544
Douglas Boston I, II and III	0	1	493
Fairchild 24 R-9	0	100	122
PT-26 Cornell	11	62	62
Glenn Martin B-26A (Marauder)	4	36	36
Baltimore	0	276	344
Maryland	0	0	150
Grumman Martlet II	0	57	98
Lockheed A-29A (AC-151)	0	1	1
Hudson	10	487	1,457
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	5	282	282
North American B-25	1	110	110
Harvard II	0	54	951
Mustang	0	535	615
Northrop Vengeance	40	61	61
Pitcairn Autogiro	0	0	5
Stearman PT-27	0	297	298
Vought-Sikorsky Chesapeake	0	0	50
OS2U	0	27	27
Vultee Stinson O-49	0	10	14
Vultee-Vengeance	0	40	40
Grand Total - All Types	101	3,828	8,740

Table C -- Plane Shipments to the British by Weeks

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy Bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
Weekly average of shipments in 1941	35	2	3	27	1	29	97
Weekly average of shipments in first 6 months of 1942	36	4	1	55	3	18	117
July 7, 1942	77	17	0	17	0	30	141
July 14, 1942	42	11	3	24	0	1	81
July 21, 1942	66	8	3	0	2	4	83
July 28, 1942	39	0	2	0	6	46	93
Aug. 4, 1942	32	0	4	27	38	8	109
Aug. 11, 1942	59	9	6	70	8	19	171
Aug. 18, 1942	<u>60</u>	<u>3</u>	<u>7</u>	<u>20</u>	<u>0</u>	<u>11</u>	<u>101</u>
Total shipments since January 1, 1941 to date*	3,075	252	193	2,944	168	2,108	8,740

* Total includes planes shipped in 1942 prior to March 17 which are not included in the weekly totals up to that date.

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRET
U.S. SECRETCOPY NO. 13OPTAL No. 290

Information received up to 7 A.M., 25th August, 1942.

1. NAVAL

23rd to 24th. Our light forces in the Channel engaged enemy mine-layers covered by E-boats, one of which was set on fire and others damaged. Two motor gun boats were damaged and a motor launch was sunk by mine. E-boats were reported mine-laying off LOWESTOFT early this morning.

2. MILITARY

RUSSIA. Despite strong Russian resistance the Germans have gained ground in their attack towards STALINGRAD from the Southwest and are now less than 25 miles from the town. In Western Caucasia the German attacks towards TUAPSE and NOVOROSSISK have made further progress.

3. AIR OPERATIONS

WESTERN FRONT. 24th. 12 U.S. Fortresses with fighter escort bombed the shipbuilding yards at LE TRAIT from 23,000 feet. Fighters, two of which are missing, destroyed 2 F.W. 190's, probably destroyed 2 and damaged 4. One F.W.190 was shot down near WORTHING.

24th to 25th. 245 aircraft were sent out - FRANKFURT 225, (122 heavy) objectives near FRANKFURT 3, Intruders 11, Sea mining 6. Preliminary reports state much thick cloud making identification very difficult. Some crews went below cloud. Bombing reported scattered and fires dispersed over wide area, much searchlight and night fighter activity, heavy anti-aircraft fire over objective. 16 bombers are missing. Intruders attacked 13 railway trains.

EGYPT. 22nd to 23rd. MERSA MATRUH was bombed and enemy convoy north of TOBRUK was attacked with torpedoes and bombs and hits were estimated on a merchant vessel and a destroyer.

23rd. TOBRUK twice bombed. Two enemy aircraft destroyed.

SICILY. 23rd. Three Hurricane bombers with Spitfire escort attacked the GELA DISTRICT.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 25, 1942.

TO Secretary Morgenthau

FROM Mr. Hoflich

Subject: Summary of Intelligence Reports.

Turkish Neutrality

The government of Turkey has announced the appointment of Numan Bey as Foreign Minister, succeeding the Prime Minister who has been holding both portfolios. The new Foreign Minister is considered to be particularly friendly toward the United States.

According to a report from Bern, the German government is now encouraging Turkish neutrality. This suggests that the primary Axis interest in Turkey, at the moment, is in keeping the Dardanelles closed to the Russian Black Sea fleet. It is reported that the Turks are increasing their mine and shore defenses in that area.

Anglo-French Relations in Syria

Reports from the Near East indicate that Anglo-French relations in Syria have become seriously strained, according to the Office of Strategic Services. The issue at stake concerns the elections which, it had been agreed, were to be held this fall. The British representatives, supported by Churchill, feel that the elections should be carried through. The Fighting French, led by De Gaulle, oppose the elections at this time, and accuse the British of attempting to dislodge the French from their dominant position in Syria. De Gaulle insists that any change in Syrian status can be brought about only by a properly constituted French government after the war.

(Office of Strategic Services, "The War this Week,"
August 13-20, 1942.)

August 26, 1942.
8:55 a. m.

DEFERMENTS

Present:

General Hershey
Mr. McReynolds
Mr. Patterson
Mr. Stevenson
Mr. Gaston
Mr. Thompson

H.M.JR: I said men over forty should be deferred, and what I also said was only people in key positions. That does not mean every able-bodied man, but only people in key positions. During the night I had an idea, if you couldn't fix it at a minimum salary, say, anybody getting seven thousand or more, or six thousand or more, and that would sort of make it much easier to define a key position.

MR. GASTON: I don't know. Some men are very important, it seems to me, who are unfit for combat duty, whether because of being more than forty years old or for physical reasons - their work is very important to us.

H.M.JR: What do you mean by "physical reasons"?

MR. GASTON: I mean a man who is not fit for combat duty, who has flat feet, or some other defect, a man who would be classified in the B classification, who wouldn't be used for combat work.

H.M.JR: But you are not going to defer a man, I mean, unless he occupies a key position.

MR. GASTON: No, no, unless he occupies some position that is quite important. But I should think,

- 2 -

where we might have a shortage of certain kinds of investigators, it might not be a high-salaried position, but it might be very hard to get that sort of man; and if the man is over forty, or if he has got bad eyesight, or some other physical incapacity and is not fit for combat duty, we ought to be able to hold that man.

MR. McREYNOLDS: It would be a little difficult to administer, of course. I am entirely sympathetic with Herbert's viewpoint, there, but I am thinking of the ways to get around it, and I think if they are in a key position, and if they are over forty years old--

MR. GASTON: Or if they are physically unfit for combat duty.

H.M.JR: No, I would say over forty.

MR. GASTON: Take a man like Ullmann; he is certainly under forty, but he is unfit for combat duty.

H.M.JR: But you would not want to keep a man who is over forty and fit for combat service.

MR. McREYNOLDS: They don't take them for combat service.

MR. GASTON: Not over forty, unless they have some special training, military training, or special qualifications for military duty.

H.M.JR: Well, let's see - I think, as usual - who is here? It is nine o'clock.

(General Hershey and Mr. Patterson entered the conference.)

H.M.JR: We are trying to do our homework. It is a question of trying to be able to keep men in key Government positions who are not physically fit for combat service.

- 3 -

We are just talking among ourselves. The question I wanted to raise is how can we keep key men, over forty, in the Treasury who are not fit for combat service and have a physical defect?

We have got cases here - there is one man, particularly, with flat feet. This one man had flat feet, and he had sinus trouble, and something else, and I asked for a deferment. He happened to be under forty, and a very important man. It was rejected. Now he is going to sit at some desk somewhere as a clerk.

You see, with us it is a question of getting some kind of rule or we will have to ask the Army and Navy to reassign these fellows to us in a uniform. I don't want to do that even if the Army and Navy would.

MR. PATTERSON: It is against their policy.

H.M.JR: I had a few minutes with the President yesterday, and I told him what I was going to do and he said O.K. He interrupted me three times to say that that did not interest him half as much as the young men sitting at desks in uniform, and, "Why the hell didn't the Army and the Navy do something else," he said, "Stimson and Knox, notwithstanding." He interrupted me three times on that, so I just pass that on for what it is worth. I had the darnedest time getting my problem over to him. It is not only mine; it is the whole Government's.

MR. GASTON: I think, Mr. Secretary, it is a little broader than that. We have a couple of men in the Bureau of Internal Revenue. They are very key men, not physically incapacitated, Norman Cann and Tim Mooney, Assistant Commissioner and Deputy Commissioner in charge of taxation, and they are forty-three years old.

(Mr. Stevenson entered the conference.)

H.M.JR: The question is what can we do about key men in the Government service. I started off by saying

- 4 -

those who are physically unfit for combat service and over forty, and Gaston was just making the statement I have not gone far enough.

MR. GASTON: I would make it all men physically unfit, by reason of physical handicaps, for combat duty, if they occupy important, essential, or key positions in the Treasury Department, even if they are only twenty-five or twenty-nine, or thirty-five, if they are unfit for combat duty. Then I would take everybody in a key position over forty years old on the theory that unless they have special military training, they are not fit for combat duty. They cannot be drawn for combat duty in view of their ages.

MR. PATTERSON: Of course, you state it a little narrowly because the Army has a great many men that are not fit for combat duty. I don't know what the proportion is of people in supply and staff positions to actual combat troops, but it is very high - more than half, certainly.

MR. GASTON: My notion was that in certain key places in the Treasury Department, in Internal Revenue, and some of the general work here, that for office work those men are going to be just as valuable to the Government here as they would be if they were occupying the desk positions in the Army.

MR. PATTERSON: The thing is that so far as ability to do the work is concerned, the thing is not clear-cut. It is not clear-cut between Army and civilian. You have grades and shades all along the line. You have men who are fit only for infantry. I mean, they can't - that is a mis-statement. I mean you have men who are fit for infantry and you have a great number of men who are not fit for infantry in the Army. We could not limit ourselves in the Army to men who are fit only for infantry service. You would not get enough men - anything like enough men - and your standard would be unnecessarily high.

- 5 -

H.M.JR: Bob, let me - supposing we take a man who has had no previous military training and he is over forty.

MR. PATTERSON: Most of them have had no previous military training.

GENERAL HERSHEY: Some of those over forty would have been in the World War, especially between forty-one and forty-five.

H.M.JR: I was saying, even men like that in the World War, but who didn't keep up their reserve - let's say a man is over forty, has no military training, and now, for the moment, let's say, he is physically fit. I mean, let's start there. Let's say he is physically fit.

MR. GASTON: But Assistant to the Commissioner of Internal Revenue, for instance--

H.M.JR: Or the man we have - another case - who is Collector of Internal Revenue for the State of New Jersey and is in charge of the war bonds for the State of New Jersey. He is forty-five. He occupies both positions.

MR. PATTERSON: Why are we taking men over forty?

H.M.JR: That is a hell of a way to answer my question, but it is O.K. (Laughter) I love that.

GENERAL HERSHEY: It was opened up from twenty to forty-five. There are twenty-seven million men between those ages. At the present time the Army is asking me to place at the induction station somewhat over half a million every month. At the present time, by mid-October, I have the choice of men with either secondary dependency - there will be a few of those left by early October or November - men with wives; 1-B's, who are men who have been already rejected for general service, but under the lowering standards, some of them are being accepted; illiterates, and a limited supply of venereals.

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Now that is about where I have got to make my call in November and December if I continue to be asked for a million men every three months - net, not gross. That means that I must put at least thirty percent more of that number at the stations now.

H.M.JR: Would you mind just going over that list once more?

GENERAL HERSHEY: By mid-October, or around November first, depending to what extent my 1-B's are accepted because they are a very large group - I have nearly a million men, and the Army now, for the first time, is dropping down into that. I don't know yet how many I will be able to accept, but my single men, except those who are deferred for occupational reasons, will be gone in October, with very few exceptions.

H.M.JR: Single men up to how old?

GENERAL HERSHEY: Single men without dependents between twenty and forty-five.

Now, there are a million people in 2-A and 2-B, and I hear many, many rumors, and I think they are well founded, that we are permitting far too many airplane factories and shipyards, especially, to keep men when they could be spared, and that is one of the things that we have got to hit pretty hard during the next two or three months. But there is going to be a great deal of shouting. The Navy is going to, and Johnnie Green, and the Federal Shipyards, and the New York Shipyards - all those will say, "Now if you take those fellows we are going to shut down business." They won't have to, but that is what they are going to say. They don't want to hire women, Negroes, old men - they don't like to hire those, and that is what they are going to have to do if we take them.

So we can get probably ten percent, perhaps, a month, out of that million, but that only gives me a hundred thousand. So that is one of the reasons why we are changing over. I am not opposed to setting an upper

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age limit, because if that is the thing that is wise, we can do it; but having done it, you just make the situation more intense. You are going to have part of that reflected in this way, that they will take men who are occupationally deferred, because I think most human beings, the way we are constituted, will tend to give more sympathy to the man with a wife and child than they will to a twenty-year old, or twenty-two-year, or twenty-three, or twenty-four-year old in industry. They will take him first. It is going to be hard to makethem believe he is occupationally necessary, and the chances are he isn't. That is the truth.

Of course, here is one thing, gentlemen, that the United States has stuck to, and I don't think any other nation has. Remember, England approaches this question by putting on a separation allowance and then just washing their hands of dependents.

MR. PATTERSON: No other country pays any attention to it.

GENERAL HERSHEY: If we did do that we would be in pretty good shape.

I have got around seventeen million deferred because of dependency, but six hundred thousand of them are what we call "grandmother" cases, or secondary dependency. About twelve million of them at the present time are in 3-A and the other six million in 3-B, that is, presumably working at something that is in the war effort, and our effort, of course, has been to drive men from nonessential into essential if they have families. That is why we set up a third classification, to try to give them preferred status, and we have gotten seven million transferred over in the last two or three months - they are going over all the time.

MR. PATTERSON: Seven million transferred - for how long?

GENERAL HERSHEY: Men who are at least - maybe they were working in war industries, but when we set up the class they had not been classified. But we have had

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quite a number of men who have worked, say, in stores, selling automobiles, or doing that sort of thing, and they have gone into war industries, because we tried to make them believe that they would be deferred longer even though they had a wife and two or three children, if they were working in a war industry than if they were over here in a so-called less essential industry.

At the present time it looks as though we had about a third of our married men, at least, and, of course, there is a little lag in my figures on the transfers, because the men have to go and convince the whole Board that they are working in a war industry. But we have got around seventeen million, but they are between twenty and forty-five now. Of course, if we had set up an upper age we could then draw more heavily--

MR. PATTERSON: So far as the Army is concerned, itself, I should think it would be better if they delved more deeply into the lower ages and disregarded dependency than taking men over forty. Almost none of those men over forty are fit for combat duty. I cannot imagine very many of them that are. They have to be held back in the rear areas or in headquarters, or something like that, some work of that kind.

As I understand it, we have never indicated in the Army - never indicated to the Selective Service people any difference between the man of twenty and the man of forty-five?

GENERAL HERSHEY: No. That is right. Our initial bill only went up to thirty-six, when we first faced the problem, but last December 20, when the bill--

MR. PATTERSON: I am speaking only of the fitness of the men taken in to be soldiers.

GENERAL HERSHEY: There were first entirely general service calls. Starting last month we attempted to take--

H.M.JR: On my trip last week with the Army, five days, I don't believe a man over thirty-five - certainly a man, if he is over thirty-five in the ranks, I don't think he can do what you expect him to do.

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MR. PATTERSON: Not in the more active combat units.

H.M.JR: I know he can't. I saw them there day after day and they just could not do it. You know it, certainly better than I do. Am I right?

MR. PATTERSON: Yes, that is true, in the combat units.

H.M.JR: In the combat units they cannot take it.

Could I, just a second--

MR. PATTERSON: The age of the men in the Army is, I think, getting rather high. On the acquisition of these new units this year--

GENERAL HERSHEY: I heard of two places; for instance, in the 77th Division, General Eisenhower's, they had an average age of thirty-three or thirty-four. I only saw him after he had them about six weeks and necessarily that is not a very good proof. They were doing all right, but they had not had what was going to probably be some of the tougher times.

H.M.JR: Just take about three minutes and let Norman Thompson state what our problem is. Norman, go ahead.

MR. THOMPSON: We have a number of men in key positions, particularly in Internal Revenue and the Public Debt Service, who are over forty years of age who are liable to be called. Unquestionably they are men who would be assigned only to desk work, so we feel that the duties that they have in the Department are so important in the collection of taxes and the sale of bonds that it is essential war work, and probably they would be much more valuable in the whole picture in the Treasury than in any position in the War and Navy, which I did not--

MR. PATTERSON: I submit to you, it is more a matter of age and fitness to be a soldier than it is

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on the essentiality of work, because, in my opinion, they have to plow more deeply into the men in the twenties and early thirties than they have so far.

MR. THOMPSON: These men are all over forty.

MR. PATTERSON: To the minimization of calls on men over this age, and it is largely a matter of age.

H.M.JR: What we are talking is age.

MR. THOMPSON: They are all men over forty.

MR. PATTERSON: Yes.

H.M.JR: Well, there is no--

MR. PATTERSON: I did not understand it was confined to that.

MR. THOMPSON: For the lower ages we had in mind that where a man was unfit for combat duty and he has more important work in the Treasury, it is better to leave him there.

MR. PATTERSON: I think our standards on physical grounds have been quite too high. They are not now, but they were for a long time, and they have got to have men, after all, in the Army for these places, even though the men are not physically perfect.

MR. THOMPSON: This is the case of Thomas Ullmann; he is thirty-four years old, but he was put in 1-B and then he applied for a commission in the Air Corps. He went to Walter Reed for his examination, and the doctors there said that he was not even fit for limited service. Notwithstanding that, the draft board ordered him for induction on August 8.

GENERAL HERSHEY: Was he inducted?

MR. THOMPSON: The Secretary asked for a three months' deferment, and they denied the deferment. The

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War Department asked for a sixty-day deferment to give the Air Corps time to get him in, and it was turned down. He went out and talked to the chairman of the board. The board chairman told him he could report or not as he saw fit, but that he was to report on the next induction.

GENERAL HERSHEY: If he is that bad, physically, he is going to be turned down on an induction examination. Our screening examination is no indication except that he isn't obviously unfit.

MR. GASTON: We couldn't understand it. Over in the Air Corps they wanted him on contract work, on specialized work, and they couldn't get him.

MR. PATTERSON: Maybe that is one of those cases.

MR. THOMPSON: We felt in a case of disability like that, the man should automatically be deferred if he is in a key position. But the age question is--

H.M.JR: Let's stick to the age question, first. I think we are on safer ground on the age question.

GENERAL HERSHEY: Of course, cases like that, if there are not going to be a hundred or a thousand we can do something about those.

H.M.JR: We are talking about a couple of dozen.

GENERAL HERSHEY: Well, I would like to have a chance on those. I can do something about those.

MR. PATTERSON: Well, it is not confined to the Treasury Department.

MR. McREYNOLDS: That is the point.

GENERAL HERSHEY: The trouble is it does not get confined to the two dozen.

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H.M.JR: And the thing is that I don't want to be out at the front - I mean, this last rule this committee got out was helpful. It was very helpful.

GENERAL HERSHEY: Yes.

H.M.JR: Wasn't it helpful?

MR. McREYNOLDS: Tremendously. There is no doubt about that.

H.M.JR: I thought if some other rule could be made as to men in key positions, I mean an assistant collector of Internal Revenue, or State collector, or something like that, a man in Public Debt, and then if we had a corresponding rule in other departments, we would not all have to run to you.

GENERAL HERSHEY: I think we will have to watch it. There is no system but what you will have to watch. That is, I mean the human element, and the only thing - and I think the Treasury Department has been particularly clean about it, but unfortunately, we had three million six people in Governmental service when last we met. They are up about four and a half, now, and--

H.M.JR: You mean outside the Army?

GENERAL HERSHEY: Yes, counting the Federal, the State, the counties, the cities. Four and a half million is a lot of people to be engaged in Government. In trying to save stragglers, at times we jeopardize the deferment of those who actually ought to be deferred. These air fields and around, they are some of the worst spots that our boys have. The Army has been riding herd, now, with these deferment committees, and I think they are getting somewhere.

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H.M.JR: Let's come back to the point for the whole Federal Government. Could we get some kind of a rule on people--

MR. PATTERSON: Henry, I think the rule that we formulated before is a fair rule.

MR. THOMPSON: The difficulty is that if the Secretary asks for a deferment under that rule, the local board ignores it, that is all.

GENERAL HERSHEY: No, no.

MR. THOMPSON: Unless he appeals to the President--

MR. McREYNOLDS: That appeal procedure is what it has got to depend on, I think.

GENERAL HERSHEY: Not only that, but even if the appeal breaks down, I have got three or four people doing nothing every day but considering cases that people want to appeal to the President. It is a little unfortunate; but rather than make a rule that will let a hundred thousand people get deferments, I would rather do anything, even take - I don't know how many, a hundred or two - I could handle a good many more times two hundred than I could something that would touch four million and a half.

MR. THOMPSON: Perhaps a rule of that kind where we take up special cases with General Hershey--

H.M.JR: But, I would like a little advice. For instance, if I have a man forty-one or forty-two years old, and let's say I ask him - let's say he is physically fit, he is over forty and he is doing an important Treasury job - when I say important I mean assistant to the Commissioner of Internal Revenue, or, say, this New Jersey case--

MR. McREYNOLDS: Old man Mooney down there--

MR. THOMPSON: And Norman Cann.

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MR. McREYNOLDS: Cann and Mooney. No two men in the world know as much about revenue and the operation of revenue as those two boys.

H.M.JR: One is forty-three.

MR. PATTERSON: Don't call them "boys;" you weaken your case. (Laughter)

H.M.JR: Now, anyway, should I, gentlemen, in these two cases - one is forty-three, his draft status is 3-A, he is married, has a wife and daughter, age fourteen, not qualified for combat duty. He is the Assistant Commissioner of Internal Revenue, eighty-five hundred. Now, supposing he is called?

GENERAL HERSHEY: He won't be for six months, at least. That is, he won't even have to go under the gun for six months.

H.M.JR: The way it is going--

GENERAL HERSHEY: He has a wife and child; he is in category three, and I have got five million with wives only, and I have got six hundred thousand with secondary dependents in the dependency before that man's turn. I have got a million people that are deferred because they are supposedly doing something for the war effort.

H.M.JR: Let's just take for a minute - let's say Norman Cann was single and forty-three, and Assistant to the Commissioner of Internal Revenue, and perfectly healthy, what about him?

GENERAL HERSHEY: If you say that this fellow is necessary for the running of that, you ought to file a 42-A on him. When the local board turns that down, if they do, they should send you a Form 57, which says, "We put this man in 1-A, notifying you if you sign this card this will constitute an appeal." You should sign it.

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H.M.JR: Then let me ask these men from the Army and Navy if they think ethically and morally I would be doing the right thing or if I would in some way be hampering the War and Navy effort?

MR. STEVENSON: We feel very emphatic about it, that it is very foolish to move people of that classification of competence from a civilian desk to a uniform desk, and then just have to replace them on the civilian desk. It doesn't seem to be very efficient or very economical to move a man from one desk to another.

MR. PATTERSON: Of course the Navy is on the sidelines on this entirely. They really have no interest. They don't take any Selective Service men here. They took forty thousand last month. After I had notified them that they were supposed to be inducted, they got them.

They steal them, but they are officially not interested in the Selective Service.

H.M.JR: Let me put my question--

MR. PATTERSON: Their interest is rather in keeping them in civilian capacity when they are working in the Navy Department.

MR. STEVENSON: We have a lot of civilian employees who are subject to the draft.

MR. PATTERSON: I say, your interest is in the line of keeping your civilian employees in the Navy, rather than have them drafted.

MR. STEVENSON: Rather than having to commission them or something else, leave them where they are.

H.M.JR: Let me direct my question to you. An able-bodied man over forty years old, who is in a position of relative importance, Assistant Commissioner of Internal Revenue - if I said I need him, how would you feel?

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MR. PATTERSON: I will answer that off the record.

(Discussion off the record.)

MR. PATTERSON: Has the Army the right to designate the ages they want men selected from?

GENERAL HERSHEY: They don't even have to do that. They can do it indirectly, saying they will not accept a man over a certain age.

MR. PATTERSON: I don't suppose we could do that.

GENERAL HERSHEY: Yes, you could. However; you are in a little weak position, because you are enlisting them up to fifty. It is a little inconsistent position. I think Mr. Morgenthau, if he feels that way about these men, should file a 42-A, appeal it if he doesn't get what he asks for; and I think that he should give us a chance to appeal it to the President if the appeal board turns it down. It is a nasty business we are in.

MR. McREYNOLDS: That is the system that is provided for, so you do not have to make a rule to let anybody through.

H.M.JR: I wanted to find out how you felt. I drew a line at forty.

MR. PATTERSON: I think if this man were twenty-five I would feel quite differently about it.

H.M.JR: But at forty?

MR. GASTON: If this man had gone to West Point and had been in the last war and continued in the National Guard or some military pursuit, we would regard it quite differently. In other words, if he were a man who would be a logical candidate for a rank corresponding to his age, without much additional training, I think that would be a different case.

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MR. PATTERSON: My own view is that you can divide it with fair accuracy by age, men under a certain age, such as, if you want to put it low, thirty-two, even though they have physical defects. By and large they make good soldiers, if physically fit for it. I would say that men over forty, even though physically fit, so far as the physical examination reveals, do not make as good soldiers as the class I described first. Don't you think so, General?

GENERAL HERSHEY: Oh, yes, you have to find a place for that older man; the other fellow you don't, you can use him anywhere.

H.M.JR: You see the thing we are up against - I think what I will do after this conversation is, if you people think well of it - these people, they sort of feel the stigma, and if, on the other hand, I ask for this two-year deferment so that they feel they are all right, they can stop worrying. Then they would settle down and tend to their work. Otherwise they are restless; they are looking for commissions. They can get commissions, this kind of people. They can get commissions in the Army and Navy, and they go out and get commissions, and I am left flat.

MR. PATTERSON: Some of the people believed two years ago when they drafted the Selective Service Act that all up to sixty-five ought to be liable for military service. They never dreamed that men in the sixties would be taken under Selective Service at the same time as men in the twenties. It was more of an affirmation of their duty and their obligation that they wanted to emphasize. That was always my feeling about it. It never occurred to me that they would be taking men forty-five with the same facilities and at the same time they were taking men of twenty-one.

H.M.JR: I don't understand why it is.

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GENERAL HERSHEY: I think that is true. One thing you are up against, you have to make a choice. You only have an occasional man over forty - unfortunately I have some of the occasional ones over forty - that do not have dependency, or trade, or something else.

Now, I think that the trouble here has probably been that you have been a little more - quite a little more strict than some other Governmental agencies that we find around. We have not had very much trouble in having them ask for people, up, at least, to the appeal board.

H.M.JR: I haven't asked you for one. I haven't appealed.

GENERAL HERSHEY: If you had, I think that the ones that you are up against - I think these cases that you have got here are push-overs; I won't have any trouble with these, but I have got some troubles when I get a second or third man in an agency, when he is twenty-nine or thirty years old.

MR. McREYNOLDS: That ought not to be.

GENERAL HERSHEY: Then the heat gets on you.

MR. PATTERSON: Who do you deal with, G-1, over there, on a thing like this?

GENERAL HERSHEY: On what?

MR. PATTERSON: Suppose you were going to put - supposing the Army asked you to give them younger men, who makes that request?

GENERAL HERSHEY: The Military Personnel Section - Military Personnel Division of SAS has been the one that has handled the requisition of men.

MR. PATTERSON: They never indicated preference for men of one age over another?

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GENERAL HERSHEY: Never any requisition except for general service men. The law lays down first where the liability is; secondly, it lays down certain rights that the Armed Services have, that is, the right to reject anyone they don't want; and the next thing is the President's right to defer by categories any or all types of people. They have never differentiated on age, and up to date the Navy has not asked directly for any men. They have found them indirectly and thus supplied the need up to date. (Laughter)

H.M.JR: I love that. I get the greatest kick out of seeing you ride the Navy. The Navy always comes out on top. They take the criticism and then come out on top. (Laughter)

MR. GASTON: What commissions does the Navy pay to the draft board officials for tipping them off on good men they ought to get? (Laughter)

GENERAL HERSHEY: We had a pretty good arrangement once, but some of the diplomatic relationships have fallen off, because they had tougher men. When they see ten of their men fail to report and then find out they have gone to the Navy - many of them like to make the quotas, and they can't. It is too late to fill them.

MR. PATTERSON: Lower the age to include eighteen and nineteen, relieve the--

GENERAL HERSHEY: There are only two million five hundred thousand, and you have got to take out twenty-five to thirty percent of those because they will be rejected physically. That leaves you around a million six. Now, the Navy - I don't know how many men they have got, but all of them are below twenty, because they told me repeatedly they were not bothering us much above twenty. So if you subtract the strength of the Navy and subtract all that have gone into the Air Corps from the million six, and all that have gone into other parts of the Army, the

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Coast Guard, the Marine Corps, and then you take out all the reserves, and the Signal Corps and Ordnance, and everything else, unfortunately that million six is not as large.

MR. STEVENSON: It is already partly depleted.

GENERAL HERSHEY: Unfortunately, as an example, if you heard of a fellow who had a quart of whiskey and heard he had given a half a dozen a drink or two apiece, you would not know whether he had any whiskey or just the bottle left.

MR. McREYNOLDS: You would know damn well he had no whiskey left. (Laughter)

GENERAL HERSHEY: We are up against that on the eighteen or nineteen year olds. They have been badly recruited. It already takes care of probably a couple of months, easily, of the Army's calls.

MR. PATTERSON: You have them coming along regularly.

GENERAL HERSHEY: Of course. Now the men who have become twenty since July 1st are already on the liability list because when we put them on the last time we registered them down to eighteen and arranged them by date, so the day he becomes liable he is sent a questionnaire.

H.M.JR: I would like to ask a question out of my line. This thing that Mr. Patterson asked two or three times, why shouldn't the younger men - why shouldn't those drafts be exhausted first, instead of at the same time taking men of forty-five and men of twenty-two? I don't understand that.

MR. PATTERSON: I think the General's position on that is pretty plain. They will take any that the Army asks for.

H.M.JR: But that is an important point.

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MR. PATTERSON: I think the Army has never differentiated on age.

H.M.JR: Hasn't that been made sort of clear here this morning?

MR. PATTERSON: I think so, yes.

H.M.JR: McReynolds, could I ask you something? If I, after this conference, decided that men over forty were really in important positions, irrespective of their dependents, and I decided to ask for two years - there is no use asking for six months, because I want them to settle down. I will ask for two years' deferment, you see - I mean, these men, say if they are irreplaceable, I was going to ask for a two years' deferment.

GENERAL HERSHEY: We would have to change our regulations.

H.M.JR: Would you?

GENERAL HERSHEY: In the Selective Service, because six months is the maximum - we use short-term paper in a world that we don't know much about.

H.M.JR: I thought I could ask, if I decided that they were necessary, for two years.

GENERAL HERSHEY: Yes, you can ask, but the best we can do is renew the note. We keep the money pretty much on short call.

H.M.JR: I can't ask for a two year deferment?

GENERAL HERSHEY: Yes, but we can't give you but six months. They do do it.

H.M.JR: There is no use asking. Then I will ask for a six months' deferment.

GENERAL HERSHEY: And you ought to make the argument for a two-year man; that is, the sales talk ought to be such that you aren't saying, "Now if you will give me six months, I will replace him," because--

MR. THOMPSON: The form usually covers that, indicates the time.

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MR. PATTERSON: We get these applications for commissions in the Service, and the first thing I always look at is the age of the man. If he is over forty, I am pre-disposed to grant him a commission, other qualifications being there. If he is a young man, though, you cannot do it. He has got to take his chances.

H.M. JR: The question I wanted to ask McReynolds--

MR. PATTERSON: It comes back again and again, the age question.

H.M. JR: If we decide to do that in the Treasury do you think you ought to get out any different directive, out to other departments?

MR. McREYNOLDS: No. Well, this question--

MR. PATTERSON: I would not.

MR. McREYNOLDS: I was very much interested about this meeting this morning because in the Man Power Commission, they have a subcommittee, of which Arthur Flemming is the chairman, on this occupational deferment matter.

GENERAL HERSHEY: I am on it.

MR. McREYNOLDS: You are a member of that committee. I think they are quite sympathetic. They are holding up the directive they worked out because it was not adequate with respect to that. Arthur has got that now. After I got the call from the Secretary, I called Arthur and talked to him about it, and he personally is tremendously interested in this question, this question of what the effect would be. Of course the Man Power Commission cannot give instructions to the draft boards.

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GENERAL HERSHEY: They give them to me on occupational matters. The only complication is you cannot know just where the line is, where the instructions on deferments stop and the instructions on induction start; and I think I am the slave of the Army and Navy on the induction side and of the Man Power Commission on the deferment side.

MR. McREYNOLDS: What I had in mind, and the reason I called Arthur is that I think that the General and Flemming and one or two other members of that subcommittee--

GENERAL HERSHEY: Nelson and Wickard.

MR. McREYNOLDS: I think they could probably work out something that would give you a background. The General will look after seeing that they do not open this door wide, I think, adequately. Arthur, with my help on the sidelines, will attempt to leave the way open so that you will not feel that you are doing something unfair or unethical in insisting that you be allowed to keep the men that everybody, if they knew all the facts, would be willing to admit should be kept.

Now, it can be done, I am sure, without any friction. The only point in my mind is whether we can make it effective through that procedure, if just the right kind of directive is issued from that Man Power Board.

MR. PATTERSON: I do not think anyone would criticize you in the cases you brought up, and I recur again to the age matter, which I think everybody sizes up.

MR. McREYNOLDS: Nobody but Henry Morgenthau would have thought that anybody would criticize him. He does not do things that way.

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H.M.JR: After all, we are talking about an all-out war effort, and I want to be in tune. That is the point.

MR. PATTERSON: The time may come when they will have to dip into that group of men, but I do not think the time has arrived yet.

GENERAL HERSHEY: No. I have eight hundred thousand like those, and I wish that I could feel this morning that even any proportion of them - that I could defend the first seven of them that I might meet out here on the street as easily as I could that one you read about.

MR. McREYNOLDS: Of course you have got a situation where you will be all right if you can get the machinery set up that will identify the men that ought to be deferred. From what Bob said, I do not think you will ever come to a point where you need to take these boys out of a place like they talk about down there and put him in military service, because, after all, you have got to get money. You cannot run this thing - you have got to pay your Army, you know.

GENERAL HERSHEY: You would be surprised who would ask for a twenty-four year old male stenographer - in fact, ask for two of them.

MR. McREYNOLDS: I don't care who asks for them.

H.M.JR: Are you telling?

GENERAL HERSHEY: No, I couldn't tell.

H.M.JR: He asked for two male stenographers?

GENERAL HERSHEY: Yes. One was twenty-three and the other twenty-four or twenty-five, and both of them were supposed to be carrying secret papers.

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H.M.JR: This young lady's husband was formerly my male stenographer, and he is in the Army.

GENERAL HERSHEY: They were going in the Army, but it was a rather embarrassing situation for the man who had to eventually rule, in the name of the President, on the 42-A he happened to have had. But that is neither here nor there. It is just one of those things.

H.M.JR: This was some civilian department here?

GENERAL HERSHEY: Yes - not yours. It isn't yours.

H.M.JR: I know, but--

GENERAL HERSHEY: It was not Treasury at all, and not anyone's department who is represented here.

Mr. McREYNOLDS: It couldn't possibly be.

H.M.JR: My other male stenographer was in here the other day. He is a sergeant with the Air Corps. I will tell you a funny story about this fellow, Bob McHugh. He is a sergeant down at Miami, and the colonel from the Inspector General's office came along and was going out on a case, evidently - I do not know what the case was - and he met the general and he said, "I am going up to Washington, and I want to take this young man with me." So he made this colonel raise his hand - the general down at Miami - and said, "You have got to swear that you will return within a week. Under those conditions you can take him." So Bob was up here for one day, and he said the colonel said, "I have got to send him back." The general made him swear solemnly that he would. In the Army a good male stenographer is very scarce.

So that is where my two male stenographers are.

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MR. STEVENSON: On that score do you conclude that it would not be safe to amend the regulations to permit deferment by department heads of men over forty so as to conserve those who are not replaceable?

GENERAL HERSHEY: Well, I think--

MR. STEVENSON: For permanent deferment, two years.

GENERAL HERSHEY: I think we would have to change the law. They can put in everything they can as evidence, and I think it ought to be given very great weight by the board. After all, you have got the appeal board, and then I think the President has got to make the decision, because human beings, being what they are, you have got - you would be surprised at the people who would put in 42-A's.

MR. McREYNOLDS: For twenty-four year old stenographers. (Laughter)

MR. PATTERSON: We have found that true even in the War Department where they will ask for deferment of civilian employees, and of all the departments in the Government that ought to be rigid on a thing like that it ought to be the War Department. It is the human frailty of the thing, where the man has a job to do and has some people around him who don't want to lose him.

GENERAL HERSHEY: He said, "I have gotten used to these two fellows."

MR. STEVENSON: They couldn't certainly be susceptible to much damage if the Secretary of the Treasury on his certification could state that an employee was indispensable who was over forty years, and then get him a two-year deferment rather than six months, and then have to renew it all the time, with all the paper work that is entailed.

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GENERAL HERSHEY: If you do it - I am on very dangerous ground, but remember I deal with a hundred and twenty-five thousand employees, and if I for the Secretary of the Treasury make a rule that anybody over forty will be deferred, then what about U. S. Steel and Lockheed?

MR. PATTERSON: That ought not to come from the Secretary of the Treasury. Any division above forty ought to come from the War Department in the form of a request to General Hershey to give them younger men rather than older men.

MR. STEVENSON: That is what I mean.

MR. PATTERSON: It is the thing that colored my views on that specific case.

MR. STEVENSON: I am raising the question as to whether the uncertainty in the minds of these fellows, such as the type the Secretary has indicated here, could not be allayed if instead of being able to insure them of only a six months' deferment he could in these indispensable cases assure them of a two-year deferment.

MR. PATTERSON: I think the six months is right. You cannot tell how the situation and the war will change, and so on, and what the need may be, say eight or nine months from now.

GENERAL HERSHEY: Unfortunately I can see, based on some fairly well-grounded rumors - I am looking at twenty-seven million registrants, and I can see where before January 1, 1944, one out of every two of those will be either in the Army, the Navy, or the Merchant Marine. And remember, thirty percent of them cannot pass physical examinations, which means, then, that I have got to get one out of every one and two-thirds.

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H.M.JR: I put my case to the President on the basis of forty.

GENERAL HERSHEY: Well, I think I can solve yours.

MR. STEVENSON: Make it forty. I know of men right in the Secretary of the Treasury's own family here who have problems of leases and they do not know what to do with their families, because of the uncertainty about these fellows over forty, the indispensables.

MR. PATTERSON: That is mild - that is a mild inconvenience. Think of the men going in the Army.

MR. STEVENSON: They are worrying all the time about whether or not they ought to get out of the Treasury and get into the Service. They do not know what tomorrow has in store for them.

MR. GASTON: I think we have got all the practical assurance we can expect.

H.M.JR: I am satisfied, as far as I am concerned.

GENERAL HERSHEY: I want to say a final word on the fellows under forty. From the standpoint of disruption, the fellow that is in the low-priced income bracket with a wife and two or three children, between twenty-seven and thirty-five, has more dependence besides money - that is, he does more things to keep this family together than those who have children nearer grown. That is one of the things you have to face when you go down into these.

Here are about ten million down here, and half of them are under thirty-five, but they have got multiple children in their families. Now, they can get along, of course, but there is a little problem there that is not quite as simple as it sounds.

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MR. PATTERSON: How do the other countries run it? They run pretty much by age?

GENERAL HERSHEY: They run it by age, and unfortunately, England is at the age fifty-one group now, and still going up; and in Germany, I don't think there is any age limit, any physical requirements, or anything else, and all you have to be is just alive.

MR. GASTON: In the last analysis, you have to get down to the men who can fight.

MR. PATTERSON: The men best fitted for it, that is true, and that is largely a matter of age.

H.M. JR: I am satisfied.

GENERAL HERSHEY: But you have to have millions all the way back in the echelons to keep that fellow fighting.

MR. PATTERSON: I keep thinking of back in 1918 in the infantry regiment I was in, and I do not think there was a single officer in our regiment who was over thirty-six who stuck it out. I don't think there was a single one. I am not speaking now of the company officers, the lieutenants and captains, and the young fellows. The young fellows almost all stood the life.

GENERAL HERSHEY: You are entirely right on that.

MR. PATTERSON: They would go without food and sleep, and as soon as they got food and sleep they would rebound and be as good as ever. The older ones cannot stand that.

GENERAL HERSHEY: Take the fellow that is running these ports in a hundred places over the globe, they have experience and knowledge, and when you say to move a cargo they know something about how much cargo you can move.

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(Mr. Patterson, General Hershey, and Mr. Stevenson left the conference.)

H.M.JR: Are there any special cases?

MR. THOMPSON: There are no pressing cases, but there are cases that will come along from time to time.

H.M.JR: Don't you think, for instance, that you ought to say - that you ought to send word to Norman Cann and to Mooney? Dwight Avis, he is forty; John L. Huntington, Assistant Deputy Commissioner, Basic Permit and Trade Practice Division - is that an important man?

MR. THOMPSON: That is in the Alcohol Tax Unit. It is fairly important. I would have my doubts about it, though. Deputy commissioners and assistant deputy commissioners can be trained.

H.M.JR: What about Avis?

MR. THOMPSON: I think Avis would be necessary.

MR. McREYNOLDS: It would be very hard to replace him.

H.M.JR: But you have a question about Huntington?

MR. McREYNOLDS: I don't think we have a good case there. I do not think it would stand up on review.

H.M.JR: But in Avis' case it would?

MR. THOMPSON: I think it definitely would.

MR. McREYNOLDS: Yes.

H.M.JR: What about this McNamara, Executive Assistant to the Commissioner?

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MR. THOMPSON: He and Cann are the two right and left arms of the Commissioner, so to speak. He is rather new here, but he was in the Revenue service in New York.

H.M.JR: Do I have to pass on these today?

MR. THOMPSON: No, you do not.

MR. GASTON: They are not up for induction. We have one or two cases that are up for induction.

MR. THOMPSON: I have two cases that are up for induction. One is this case in the Philadelphia Mint, a machinist who is forty-four years of age. (Joseph A. Petrone) He has been ordered to report on Saturday of this week. He telephoned down to me yesterday and said if we were not going to ask for a deferment for him he was going to enlist.

Mrs. Ross feels that it is very serious and that if she is going to lose her help of that kind it will seriously interfere.

H.M.JR: (Reading) "Machinists in the Mint service build and install new machinery and parts to machinery used in coining activities; repair and overhaul and rebuild all types of Mint machinery now in operation; repair and keep in good condition all the vault and safe doors and locks, and make repair parts for electrical motors and other electrical apparatus. It is impossible, in view of the present situation, to have new machinery made by firms outside the Government. Therefore, any new machinery that is made must be built in the Mint itself. Equally important is the fact that more care than ever must be exercised to keep machinery now in use in good shape. Machinists at the Philadelphia Mint make new machinery and parts there for use in other coinage Mints.

I request that consideration be given to Mr. Petrone's deferment from Military service because, in my opinion, the loss of even one machinist would jeopardize important functional operations in the Mint.

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He and other machinists are especially trained in Mint work and it appears, at present, there is no way in which he can be replaced. The superintendent of the Philadelphia Mint is earnestly pleading that the services of this man in the Machine Shop be spared to him."

Let me see, what is he? Is he single?

MR. THOMPSON: Single, forty-four years of age. Now, the difference in this case is that if he goes out of the Mint he will go as a machinist in the Army or Navy work, so perhaps he should go.

MR. GASTON: He is a specially-qualified man. They could use him to real advantage.

MR. McREYNOLDS: I don't think you have a good case. Of course it is unfortunate that you have to lose them, but it is unfortunate that you have to lose these fellows into the Army, anyway.

MR. THOMPSON: I don't think it is a case we should ask for deferment on.

H.M.JR: All right, we will turn it down.

MR. THOMPSON: Here is a case. Roy Blough has a man who has been called for on the twentieth. (J. Keith Butters) He is only twenty-seven years old, and he has been with us six months.

MR. GASTON: Physically fit?

MR. THOMPSON: He has a hernia and will probably have to have an operation.

MR. McREYNOLDS: They will fix that.

H.M.JR: How old is he?

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MR. THOMPSON: Twenty-seven.

H.M.JR: I am not interested.

This clears it up a little bit. I am always amused at the play between the Army and the Navy. And you can see - talk about my doing my homework - Bob Patterson, he didn't know who in the Army was contacting General Hershey, did he? He didn't know, and he didn't know who gave them the orders; and he learned here for the first time that they draw on men from twenty to forty-five equally.

MR. GASTON: And then try and adjust them when they get them.

H.M.JR: Not very good. He was doing his work right here.

MR. GASTON: This general that you told about - this general that had an average of thirty-three in his--

H.M.JR: It was Hershey who said that.

MR. McREYNOLDS: That was one of the divisions.

H.M.JR: He said that General Eisenhower, the 77th Division, had in his division an average age of thirty-three.

MR. GASTON: That is terrible.

H.M.JR: Herbert, on this trip which I made - when you see these fellows who are, say, thirty-five - that certainly is the limit, and when you see these obstacles that they put these fellows over and the slowness with which they move. When you see the moving pictures of them you see them moving over these barriers. I saw them, and out of ten men there was one man that could go over those

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barriers, and they tried, two, three, and four times, and then every one of these barriers had a notch in the board where they could have a toe hold. The fellow says, "You watch," and each fellow would stick his toe in this hole and go on over. When it came to lifting over, about one in ten could. This was a division which has been alert to go overseas, and one in ten could take those things. I could no more get over them.

MR. THOMPSON: I know that as a kid I used to go over them, and I have been wondering how all these supermen were being developed.

H.M.JR: The only supermen, I say, who can do this thing are the men in the parachute thing because they get this very, very special training, and the air-borne troops - I mean in those air-borne troops, those men have to be supermen. But you take the average run of fellow, the store clerk, and the other fellows, when they come to these barriers, these obstacles, they just cannot make it.

MR. McREYNOLDS: I had a boy in to see me the other day who worked for me, and who is in the Army now. He is in one of these training units that are working - they have the obstacle races and things of that kind. They go over the obstacles, through the trenches, and all that sort of thing. This kid is twenty-five, I guess, and he is just as hard as nails. He really has lost weight since he went in there, but he is just as hard as nails, and he had just made a perfect score in this obstacle thing. He is one of the boys who will be in parachute troops.

H.M.JR: He is twenty-five?

MR. McREYNOLDS: Yes, he is twenty-five years old, but he has been working for six months under intensive training and he says that not very many of them - he says they gradually - he says there is a lot of competitive attitude among the boys and they are trying very

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hard to qualify, but it takes an awful lot of training and they have to take it - they have got to have the heart.

H.M.JR: This fighting is tough work, anyway.

MR. GASTON: The Marines have been using voluntary enlistment almost altogether. They have undoubtedly gotten youngsters in the Marines.

H.M.JR: You heard him say the Army and the Navy gets all the boys under twenty - I mean the Navy and the Marines.

MR. GASTON: The Marines and the Coast Guard, they get all the youngsters. They are getting the cream. I know I have a friend in Minneapolis who has been a member of the draft board. The Navy grabbed him to be a Navy recruiting officer because he furnished the Navy so many.

H.M.JR: Well, it has cleared the atmosphere. I know which way to go.

The Evening Star

SEP 1 1942

State Draft Directors Asked To Call Single Men First

Hershey Says Policy's Aim Is to Level Out Induction Orders in Localities

Maj. Gen. Lewis B. Hershey, selective service director, today told State directors to apportion their calls so that single men would be inducted in all localities before married men.

The formal order followed word last week that uniformity would be sought in filling calls. The District is already operating on the system of apportioning calls by the number of 1-A men available in each local board.

In another step toward uniformity, the selective service chief set October 16 as the deadline for completing the initial classification

of all registrants, the first effort ever made to enumerate the Nation's total manpower of military age.

At the same time, Gen. Hershey gave the go-ahead signal to induction of single men with dependents and married men. Pointing out that boards can now take into consideration the payments made to dependents under the Servicemen's Dependents Allowance Act, Gen. Hershey told local boards to reconsider the classification of single men with dependents in Class 3-A and 3-B, men in the latter group being engaged in work essential to the war effort.

Family Men Excluded.

Men whose dependents can be taken care of through the Allowance Act, it was explained, would then be placed in 1-A.

As soon as boards have finished this job, he directed, they are to proceed immediately to go into the cases of men with wives only.

The selective service chief emphasized, however, that family men, men with wives and children or just children with whom they maintain a family relationship, should not be placed in Class 1-A until further notice.

Explaining the need for completing by October 16 the classification

of all registrants, Gen. Hershey said that previously local boards classified registrants in accordance with Army induction calls, but now the mounting needs for military manpower make it necessary to complete all classifications as soon as possible so that Army requisitions for men, no matter how large, may be met promptly.

Large Calls Expected.

The serious military situation, he said, requires that the Selective Service System be prepared to fill calls during the coming year "which will be equal to or in excess of the monthly calls made in August, September and October of this year." These are known to be large calls.

The procedure outlined, he said, will tend to level off inductions with the ultimate goal of calling men from the small town and from the city on an approximately uniform basis.

"Obviously," Gen. Hershey told State directors, "the distribution of registrants by types among local boards is not uniform, and for that reason efforts to speed up classification should be particularly concentrated and calls should be levied upon those boards within your State from which single men without dependents can be made available for induction. Calls should then be levied upon boards with substantial numbers of registrants having collateral dependents until a reasonable uniformity among local boards in your State has been accomplished."

He pointed out that as present needs for occupational deferments expire, these previously deferred men will also be called by local boards, as will the men reaching 20 years.

ADVANCE RELEASE

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X-5070

ADVANCE RELEASE: For TUESDAY AFTERNOON Papers, September 1, 1942

Lynn: Selective Service - 221

OFFICE OF WAR INFORMATION
SELECTIVE SERVICE SYSTEM

OWI-412
S.S.

Stressing the desirability of maintaining as much uniformity in inducting types of registrants as is possible under the autonomous provisions of the Selective Training and Service Act, Maj. Gen. Lewis B. Hershey, Director of Selective Service, today instructed all State Directors to apportion calls for inductees from their States among their local boards so that, in so far as is feasible, no board will be calling one type of registrant with dependents substantially in advance of the other boards.

State Directors should arrange calls on their local boards, General Hershey stated, so as to place the heaviest load right now on boards having the most single men, or men with collateral dependents only.

General Hershey's memorandum to State Directors, which is effective today, also directs all local boards to complete on or before October 16, 1942, the initial classification of all registrants liable for military service. This schedule must be met, the memorandum emphasizes, because the serious military situation requires that the Selective Service System prepare to fill calls during the coming year "which will be equal to or in excess of the monthly calls made in August, September and October of this year."

The procedure outlined by his memorandum, General Hershey said, will tend to level off inductions with the ultimate objective of calling men from the small town and from the city on an approximately uniform basis. He estimated that this leveling off process might require several months to accomplish because of the time required to process registrants and accord them full rights of appeal. Appeal procedure must be expedited, he declared, by eliminating wherever possible delays incident to assuring each registrant full rights under the law.

"Obviously," General Hershey told the State Directors, "the distribution of registrants by types among local boards is not uniform; and for that reason efforts to speed classification should be particularly concentrated and calls should be levied upon those boards within your State from which single men without dependents can be made available for induction. Calls should then be levied upon boards with substantial numbers of registrants having collateral dependents until a reasonable uniformity among local boards in your State has been accomplished."

Pointing out that they now may give immediate consideration to allowances payable under the Servicemen's Dependents Allowance Act of 1942, General Hershey also directs local boards to proceed at once with the reconsideration of the classification of Class III-A and Class III-B registrants who have collateral dependents. Class III-B registrants, in addition to having dependents, must be engaged in work essential to the war effort. Registrants with collateral dependents only are to be inducted ahead of men who maintain bona fide family homes.

(over)

Collateral dependents, as they are defined in a previous memorandum are: Wives or children (with whom the registrant does not maintain a bona fide family relationship in his home); parents, brothers, sisters, grandparents, grandchildren, divorced wives, persons under 18 years of age whose support has been assumed in good faith, or persons of any age physically or mentally handicapped whose support has been assumed in good faith.

As soon as local boards have reconsidered the classification of all registrants having collateral dependents, and have notified the State Director of that fact, the current memorandum instructs that they then should reopen and reconsider the classification of all registrants who have wives (but no children) with whom they maintain a bona fide family relationship in their homes. It is stressed, however, that the marriage must have taken place before December 8, 1941 or at a time when selection was not imminent.

Registrants having wives and children, or children, with whom they maintain a bonafide home, and who were married before December 8, 1941, and at a time when selection was not imminent, shall not be placed in Class I-A (available for induction) until such action is authorized by the National Headquarters, General Hershey emphasized.

Heretofore local boards, which are composed of uncompensated citizens volunteering their services, have classified registrants in accordance with Army induction calls, General Hershey said. Now, he declared, mounting needs for military manpower make it desirable to complete all classifications as soon as possible so that Army requisitions for men, no matter how large, may be met promptly.

A factor preventing quick change in the order of induction with relation to dependency, General Hershey asserted, is that the Army must make provision from 2 to 3 months in advance for the reception of inductees. Army Induction Stations and Reception Centers must be equipped and staffed considerably in advance of the arrival of recruits, he pointed out.

"Since calls for inductees are sent to the States from National Headquarters 60 days in advance," General Hershey said, "at least that period of time is required to conform to any change in policy or to carry out any revision of the order in which men may be inducted."

Citing that Selective Service Regulations, in accordance with the intent of Congress in the passage of the Servicemen's Dependents Allowance Act of 1942, recognize certain groups of dependency, General Hershey said:

"Our policy is to follow the order of dependency deferment set up in those Regulations to the fullest extent consistent with the local board's ability to furnish the number of men required by the military forces each month. It is our further policy to follow the order of deferments on a nation-wide basis as far as possible."

As present needs for certain occupational deferments expire, General Hershey also said, single men and others not conforming to the type currently being inducted will be called.

"And the same situation," he added, "will apply to men reaching the age of 21 and thereby becoming eligible for selection."

The classification drive now under way for completion by October 16 is the first effort ever made to enumerate our Nation's total manpower of military age, General Hershey stated. He said:

"We have reached a point where such a nation-wide survey is possible and also imperative.

"Registration of all men between the ages of 18 and 65 has been accomplished by the five nation-wide registrations held since the Selective Training and Service Act became law on September 16, 1940. The Fourth Registration, of course, listed men from the ages of 46 to 65 who, under present law, are not subject to military service. In the Fifth Registration, on June 30, 1942, that of men 18 to 20 years old, inclusive, only those who have actually reached their 20th birthday anniversary are subject to call until such time as Congress may modify the law".

Through frequent reports on available manpower of the various groups, National Selective Service Headquarters maintains up-to-date information on the status of all types of registrants--single men with dependents deferred for occupational reasons, various dependency classifications, etc., General Hershey declared. Future calls will be adjusted as frequently as necessary, he said, to draw from the same pools of men in all states on as nearly a uniform basis as possible.

August 26, 1942.
10:22 a.m.

HMJr: Hello.

Secretary
Stimson: Hello, Henry.

HMJr: How are you?

S: I'm first-rate, and I wanted to know if you could come and lunch with me at one-fifteen.

HMJr: Well, un....

S: I - I wanted to tell you how much - I wanted to learn from you what you've seen...of our men.

HMJr: Well, unfortunately Frank Knox and Admiral King are lunching with me today.

S: Oh.

HMJr: So - I can't but I'd be very glad to come over and see you this afternoon.

S: Well, all right, but I - I have for a long time wanted to see you (laughs) and I thought it was about time to get together over a table.

HMJr: Well, I can....

S: I want very much too.

HMJr: I can do it some other day.

S: Well, other days are....

HMJr: They're not good.

S: They never work.

HMJr: Well, I - I have....

S: I - I wanted to tell you, I wanted to hear, in the first place - I wanted to hear what you had to say.

HMJr: Yes.

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S: And express my own thanks to you for what you've done.

HMJr: Well, I don't....

S: Why, the main thing is I wanted to sit down and have time to do it....

HMJr: Yes.

S:right - and I wanted to get - get acquainted with you again.

HMJr: Well, I - I'd like to very much. I've missed it. Would you - well, as I say, I can come over this afternoon or do it some other day, but any way that you'd like.

S: Well, let's see. Tomorrow is out unfortunately, I'm afraid.

HMJr: Yes.

S: But I can see you this afternoon.

HMJr: Yes.

S: Any time you like, I'll be glad to, or I'll come to you.

HMJr: No, I'll come over to see you.

S: Pleasure to see you.

HMJr: Three o'clock?

S: Three o'clock is all right.

HMJr: I'll come to your office at three.

S: All right.

HMJr: And thank you for the lunch.

S: All right.

HMJr: I'll take a rain-check.

August 26, 1942.
10:26 a.m.

HMJr: How are you, Professor Welch?

Professor
Roy Welch: I'm glad to see you.

HMJr: Look, I got your letter....

W: Yes.

HMJr:and in order to save your time, I gave a copy
of it to Harold Graves....

W: Yes.

HMJr:and asked him to sit down with you....

W: Yes.

HMJr:and with Callahan....

W: Yes.

HMJr:and see if they couldn't work out a way to
make it sufficiently interesting and attractive
so that you would stay, and I very much wanted
you to stay.

W: Well, you are very kind, and I appreciate that.
After you - after that letter went to you, I had
seen Mr. Gamble about some things, and he
clarified a good deal in the situation.

HMJr: Well, I thought that Graves should - that after all
you, Graves, and Callahan and I - Callahan and I -
I thought had come to an understanding months ago.
Hello....

W: Hello - yes.

HMJr: And evidently they hadn't, so I told Graves - Graves
said he wanted to have a chance to talk with you first....

W: Yes.

HMJr:and after he's had that talk, then the three of
us will have a talk.

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W: Very good, very good.

HMJr: How's that?

W: That's fine, and I'm - I'm grateful to you.

HMJr: Okay.

W: I think you can assume I'll be here.

HMJr: All right (laughs).

W: Thank you, Mr. Secretary.

August 26, 1942.
11:11 a.m.

HMJr: Hello.

Ronald
Ransom: How are you today?

HMJr: Fine.

R: I was so greatly interested in what you outlined to us the other night and so hopeful that you could make progress on it that I took the liberty of calling to ask, first, if you felt that you were making progress, secondly, if there was anything at all anywhere along the line I might do to give help.

HMJr: Well, here's the situation, the President liked it and gave me a clearance....

R: Yes.

HMJr:and Walter George liked it and said he'd think it over....

R: Yes.

HMJr:and then he - we'd hear from him.

R: Yes.

HMJr: And that's where it rests.

R: Well, that's a pretty good place considering how recent the idea has been in public presentation....

HMJr: That's right.

R:or in governmental presentation.

HMJr: And he - I - I told him that we'd try to keep it a secret down here until we heard from him further.

R: Yes.

HMJr: So it - it rests with him, but he likes it.

R: Well, I'm delighted to know that, because I think, as I said to you that night, it's wholly a step in the right direction.

HMJr: Yeah.

R: And the best of luck, and if you feel that I could be of any help to you, although....

HMJr: I'll....

R:I'm quite sure the Board would go along. Even if they didn't, I'd be glad to be of help personally if I could.

HMJr: Right.

R: All right.

HMJr: Thank you for the offer.

R: Fine.

HMJr: Thank you so much.

August 26, 1942.
11:14 a.m.

Ferdinand
Kuhn: Hello.

Operator: Mr. Kuhn.

HMJr: Hello.

K: Hello, Mr. Secretary.

HMJr: Ferdie, I've heard of a thing called the
"Victory Center" in New York.

K: Victory Center, yes.

HMJr: Do you know about it?

K: No.

HMJr: Well, it's a non-profit organization, American
clearing house for war-winning ideas....

K: Yes.

HMJr:cooperating with civic, labor, and farm,
so forth and so on.

K: Uh huh.

HMJr: Mr. Jerry Crowley - C-r-o-w-l-e-y....

K: Yeah.

HMJr:Director, Victory Center, 745 Fifth Avenue.

K: Yes.

HMJr: See what you can find out about it.

K: All right. I never heard of it, and I - I'll
get right after it.

HMJr: Yeah, they - this write-up gives them a great
boost.

K: Where's the write-up?

- 2 -

HMJr: Well, it's a little - oh, it's a little paper
I got.

K: I see. 745 Sixth Avenue?

HMJr: Yeah, Fifth Avenue.

K: Fifth Avenue.

HMJr: Mr. Jerry Crowley, Director, Victory Center.

K: All right, fine. I'll get after it.

HMJr: Right.

K: Thank you.

August 26, 1942.
11:16 a.m.

HMJr: Hello.

Secretary
Stimson: Henry?

HMJr: Talking.

S: Yes, I'm a - I wondered whether you will change that appointment with me from today at three to lunch tomorrow?

HMJr: Yes, I'd be....

S: Will you do that? I - I feel so keenly the fact that it's got to be a rather important and nice talk that I'd rather have it over lunch.

HMJr: Well, now where would that be?

S: At my house.

HMJr: I see, and that's at....

S: At one o'clock - at one-fifteen.

HMJr: At one-fifteen?

S: Is that just as agreeable to you?

HMJr: More so.

S: Fine, it suits me.

HMJr: More so.

S: All right.

HMJr: At your house.

S: You know where that is.

HMJr: Yes, I do.

S: (Laughs)

HMJr: Well, I'd like to do that very much.

- 2 -

S: All right....

HMJr: Thank you.

S:better do that tomorrow. I found I can do it,
and I thought I'd call you up and change it.

HMJr: Thank you.

S: All right. Goodbye.

HMJr: Goodbye.

August 26, 1942.
11:19 a.m.

HMJr: Hello.

Dr. Jacob
Viner: Hello, Henry.

HMJr: How are you?

V: Fine.

HMJr: Did you have a good holiday?

V: Very good.

HMJr: I had called you because we had a very important decision to make on the tax matter, you see?

V: Yes.

HMJr: And I wanted to - we had a meeting here Monday night and then one with the President yesterday morning, and then - but it's - it's a question of an expenditure tax....

V: Yes.

HMJr:and we've recommended it to Walter George, and he's considering it now, and that's what I wanted to have you come down for.

V: Yes.

HMJr: But the - momentarily, the crisis has passed.

V: Yes.

HMJr: Now....

V: Well, I tell you, I'm - I'm going east to Princeton on Friday and Saturday. If you're - if you'd care to I'd be perfectly glad to come down Monday and Tuesday.

HMJr: I'd like it very much.

V: All right, I'll be there Monday and Tuesday.

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HMJr: Fine.

V: Well, will you ask Mrs. Klotz to reserve me a -
a room for Sunday night?

HMJr: Yes.

V: Sunday night.

HMJr: Yes.

V: All right.

HMJr: I'll take care of it.

V: All right, and I'll be there Monday and Tuesday.

HMJr: Thank you.

V: All right, thank you, Henry.

August 26, 1942.
11:29 a.m.

Operator: Go ahead.

HMJr: Hello.

Mrs. Eleanor Roosevelt: Hello, Henry.

HMJr: Good morning.

R: Good morning. I - I hate to bother you about something, but I have a letter from a young man who is Commercial Specialist and Economic Analyst for Foreign Funds Control.

HMJr: Yes.

R: His name is James William Collins. Do you know much about - you probably have never seen him.

HMJr: No.

R: But he is just leaving you to go back and be drafted in Texas.

HMJr: Yes.

R: And as I read over -- he - he's not asking me to - to speak to you in his letter and he's not asking me to have the draft board change -- but as I read his letter and what his work has been....

HMJr: Yes.

R:I wondered whether you people really were all - were content to have him, do you see, go, and I wondered if I ought to send you over the - the letter itself. How do you feel about that - if you....

HMJr: Well, I can tell you, because from nine to ten I met with General Hershey and Patterson and somebody from Knox....

R: Uh huh.

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- HMJr: ...and McReynolds on this thing. I told the President about it yesterday, as to what would happen, you see?
- R: Uh huh.
- HMJr: And at this meeting, it was agreed that if a man was over forty and was in a key position, really key position, we would now ask for a six months' exemption, irrespective of his dependents. But if he's under forty, we wouldn't.
- R: Well, I gather this man has no dependents, and I gather that he's spent ten years in college on certain definite things, do you see? So I imagine you can't ask - I imagine - well, it isn't a question - he doesn't ask me to do anything like that. I - I'll just read this to you over the telephone and you can see. I'll leave out the beginning, you see?
- HMJr: Yes.
- R: He tells me about having spent ten years - "At present I am doing one of the most fascinating pieces of work that I've ever done, even more fascinating than those three years of teaching that I did or the year of my M.A. LL.D. in the School of Law and Diplomacy at Harvard, for this job is an instrument that is destroying the Axis financial money market so deeply entrenched right in our own back yard, Latin America. As Commercial Specialist and Economic Analyst for Foreign Funds Control, I'm each day applying, adapting, and re-adapting all the great store of information and techniques that my ten years of college work has given me and that my three degrees have stored up, while at the same time I can feel I'm doing a job with the talents that God gave me. However, everyone does not see the thing as I see it, and I don't think that I'm the only individual case, but I regret that at this time I have to be taken from the best job that I've ever had, that I'll have to turn down the fellowship for a year's study in Argentine which the State Department offered me last week, that I can't accept a place on the Currency Commission going down to Brazil. It seems that just as I'm about

(cont.)

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R:
(cont.)

"to accomplish some of the things for which I have worked all these years, Fate intervenes and they are taken from me. But as I have said, I know that there must be hundreds like me in similar positions, so I write for us all. Those of you who are in the high places see that all these aims and these objectives so nobly set up by our leaders are accomplished and are not forgotten, see that the world is made a better place for the sacrifices that are being demanded and given...." And then - and then he just goes ahead and says that he hopes that out of this all, something will come which will keep us from going on with this....

HMJr: Eleanor, I'd be glad to have you send it over.

R: Well, I don't think it's worthwhile, because I gathered it's only ten years - that you made - he can't be forty and he quite evidently has no dependents because he doesn't mention them. The only thing that I was wondering was, since he doesn't ask me to do anything, was whether you knew whether he really was an important person or whether he wasn't, do you see?

HMJr: Well, on - on that level, that wouldn't come under the definition of key persons.

R: No, I shouldn't think it would.

HMJr: What we were talking about are people like, for instance, an assistant commissioner of Internal Revenue who is forty-three. Well, he happens to have three children. But it's those kind of people right up at the top who up to now I have not asked for a deferment, but after this meeting this morning, I'm going to.

R: Yes, well, I think the only thing - I think the thing to do is to accept this just as - as it is and say that all of us will try....

HMJr: That's right.

R:that we all of us feel it with - just as deeply as they do, that it is a fearful waste. So - but that's - I - the only reason for why I did that was that I wanted to be sure that it wasn't someone that you really felt ought to be asked for, do you see?

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HMJr: No, not at that level.

R: Are you and Elinor going up to the country this week-end?

HMJr: Yes, we are.

R: You are. Well, I may see you up there then.

HMJr: That would be nice.

R: Is Elinor in the office? I called the house and they didn't get an answer.

HMJr: She's - went to a staff meeting at eleven-thirty of War Bonds.

R: I see.

HMJr: Should I leave - tell her to call you?

R: Oh, well, I just was going to talk, that's all, so....

HMJr: Well, I know she'd love to talk.

R: (Laughs) It wasn't anything important. I was just going to find out what she was going to do.

HMJr: Well, I'll tell her when she comes out that....

R: Fine.

HMJr:that she should call you.

R: Fine.

HMJr: Thank you.

August 26, 1942
11:30 a.m.

HM Jr: Good morning - Morgenthau.

General
Marshall: Yes.

HM Jr: I had a chance to talk with the President yesterday.

M: Yes. I see.

HM Jr: And I repeated the conversation that we had raising the question of a certain gentleman

M: Yes.

HM Jr:and that didn't seem to change the President's ideas about my going.

M: Yes.

HM Jr: But he did say that he would change the announcement.

M: I see. He's not going to make any public announcement any way, is he?

HM Jr: I don't know. He seemed to think that he would, but I thought that I would talk it over with Mr. Welles.

M: I see. Well, you gave me the date of the 15th.

HM Jr: That's right.

M: And I will look into see how we can fit around that.

HM Jr: Well, now do I sort of leave it with you from now on?

M: If you'll leave it to me right now, I will get at the thing and then talk to you about it later when I find out what the possibilities are.

HM Jr: Right.

Now the other thing - inasmuch as the President said it might be financial, I asked him whether I could take my key financial economist with me, and he said, "Yes." That's Harry White.

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M: Well, that will be at least two.

HM Jr: At least two.

M: All right.

HM Jr: Thank you.

M: Thank you.