

BRITISH MOST SECRET
U.S. SECRET

COPY NO. 13

OPTEL No. 384

Information received up to 7 A.M. 7th
November 1942.

1. NAVAL

A number of enemy ships were sighted yesterday by our aircraft off the north coast of Spain and were attacked. One was seen to be damaged.

2. MILITARY

EGYPT. 5th
Our forward troops were in contact all day with the enemy rear guard on the Fuka escarpment. Some of our armour is now operating west of the remnants of the 15th and 21st Panzer divisions in this area. The clearance of the whole of the El Alamein battle field by part of our infantry is proceeding while others are well forward in pursuit.

MADAGASCAR. 5th. Hostilities ceased at 2 P.M. and an Armistice was signed shortly after midnight.

3. AIR OPERATIONS

WESTERN FRONT. 6th. Bombers attacked Wilhelmshaven Osnabruck, Emden, Caen Aerodrome and other objectives releasing 33 tons of bombs. Three Venturas (Lockheed-built light bomber) are missing. Spitfires demolished the gas works at Bergen on Zoom.

6th/7th. 141 aircraft were sent out - Genoa 72 Lancasters sea mining 65. Leaflets Paris area.

4. Preliminary reports state visibility good at Genoa, bombing concentrated and successful. Many large fires started. Two aircraft missing one crashed. Three aircraft missing and one crashed from sea-mining.

EGYPT. 5th. Escorted light and fighter bombers continued attacks against retreating enemy M.T. in the Fuka and Maaten Bagush areas. Enemy casualties 6..1..3, ours 4..nil..nil.

MEDITERRANEAN. 6th. 50 HE bombers and 40 ME. 110's were sighted 130 miles south of Crete on a southerly course.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
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FRENCH NORTH AFRICA. Operations began early 8th November to occupy FRENCH MOROCCO and ALGERIA in order to provide a base for an advance on TUNISIA by Combined British and United States Forces. Landings are taking place at ALGIERS and ORAN covered by strong British Naval Forces and at CASABLANCA by United States Naval Forces. Landings at ALGIERS reported as being successful but no reports so far received from ORAN and CASABLANCA. Early 7th a United States 7,000 ton transport was torpedoed 120 miles north west of ALGIERS and is in danger of sinking. Evening 7th one of H.M. Destroyers damaged by air attack off ALGIERS.

OPTAL No. 3861. NAVAL

2 ships independently routed from ICELAND (C) have arrived in NORTH RUSSIA.

Attacks on Shipping. During the 3 days 4th - 6th November, 20 ships were reported to have been torpedoed. 10 more ships were torpedoed in the homebound convoy northeast of NEWFOUNDLAND which makes a total of 16 ships (10 British, 1 U.S., 3 Greek and 2 Dutch), 1 U.S. ship off West Coast of AFRICA which is still afloat, 2 British ships south of CAPE OF GOOD HOPE, 6 ships (2 British, 2 Norwegian, 1 U.S. and 1 Panamanian) in a convoy northwest of TRINIDAD and 1 Soviet ship E.N.S. of BEAR ISLAND. A Norwegian tanker, which was reported torpedoed in homebound convoy in Northwestern Approaches, has arrived in Port. A U.S. ship was sunk by mine off NEW BRERIDES. One British ship was reported overdue.

2. MILITARY

EGYPT. Throughout the 5th/6th and 6th the pursuit of the enemy continued. An attempt to hold up our advance on the FUKA Escarpment led to a vigorous attack which drove the remnants of the Panzer Army still further west. Some of our Armoured Forces after carrying out a wide flanking movement to the South had established themselves on the general line of the Escarpment south of MATRUH by the evening of the 6th. Our reconnaissance units were then West of MATRUH. Owing to the speed of our advance accurate details are not yet available. Up to midnight 6th prisoners exceeded 20,000; other captures - 350 tanks, 400 guns and thousands of M.F.

3. AIR OPERATIONS

WESTERN FRONT. 6th/7th. GENOA. 109 tons of bombs were dropped, weather cloudy en route but clear over objective. Heavy and light A.A. although somewhat increased largely ineffective. Further reports confirm attack very successful. 7th. 34 U.S. bombers, escorted by 12 Squadrons of Spitfires attacked the docks and submarine pens at BREST. Visibility poor, results unobserved except one ship appeared to be on fire. Mosquitos attacked shipping in the GIRONDE where a ship was hit and other bombers attacked railways and minor objectives.

NORTHERN FRANCE. The Low Countries and GERMANY. Several locomotives were destroyed or damaged. Enemy casualties 6, 7, 7. Our 5, nil, nil. 7th/8th. All aircraft were sent out - GENOA 175 heavy, sea mining 36. 6 are missing, 2 crashed and 1 came down in the sea. Weather at GENOA perfect. Town and docks clearly seen, Germans reported fires greater and more concentrated than on previous raids. A.A. killed when first bombs were dropped.

EGYPT. 5th/6th. Our aircraft continuously attacked M.T. and troops retreating along the Coastal road. 6th. In spite of bad weather attacks were made on densely packed M.T. west of MATRUH. U.S. bombers attacked BANHAZI and TOBRUK. 6 hours, a 6,000 ton tanker was destroyed and a 5,000 ton ship set on fire.

Regraded Unclassified

November 9, 1942
9:35 a.m.

GROUP

Present: Mr. Bell
Mr. Gamble
Mr. Kuhn
Mr. Buffington
Mr. Odegard
Mr. Sullivan
Mr. Thompson
Mr. White
Mr. Gaston
Mr. Paul
Mr. Haas
Mrs. Klotz

H.M.JR: One of the things - I don't know how many of you this affects - between now and Thursday I have got to make up my mind whether we are going to have a drive on Treasury securities, and I am in the process now of making up my mind. I wish, Ted, that you could put on a sheet of paper for me and get it to me as fast as possible what you people have scheduled. I mean, I hear every time, another drive, but I don't know what you have got.

MR. GAMBLE: All right, sir.

H.M.JR: So have it, and I think I will see you myself. I mean, I just don't know what you have got scheduled, but if we are going to do this one - we are planning to start about the 23rd - and please look up your literature, because somebody told me you had literature on an all-out effort on F and G. I don't know - somebody said they saw it - saw the circular. We talked about it yesterday afternoon. Anyway, if you have any announcements or anything, get them together so I can see them, because we want to have everything

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dovetailed. We don't want it disproportionate, because we are out to raise thirteen billion dollars, and we don't want some one thing to be disproportioned. I mean what publicity programs and everything else that you have got.

MR. GAMBLE: I can give you this within the hour.

H.M.JR: You tell Stephens when you are ready, will you please?

MR. GAMBLE: All right, sir.

H.M.JR: But if we go into this thing, we just can't fail on it.

The other thing that is bothering me - I have to do these things semi-publicly, but I can't help it - James F. Byrnes writes me November 5th, "Our next Board meeting will be November 13 at eleven a.m. We shall discuss ways and means of controlling excessive purchasing power. In preparation for this meeting, I shall be grateful if you could have a memorandum prepared setting forth your suggestions in this regard. The memorandum would be circulated among the Board members in advance of the meeting as a basis of our discussion." Is that the memo?

MR. BELL: That can certainly form the basis of some part of this discussion, and that is in the mill. I understood that when Harry came back he went over it and has had some suggestions to make, and I think he has been together with the boys.

MR. WHITE: Yes.

MR. BELL: I don't know whether Paul has read the final draft or not.

MR. PAUL: Didn't that go over there?

MR. BELL: No, it was changed after you left. Only a draft went over to Byrnes, and I think he has left it--

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MR. PAUL: He talked with Cohen about it.

H.M.JR: Did he go over it?

MR. BELL: I sent over a draft. He wanted something to read over a week-end.

H.M.JR: Is that the draft you gave me?

MR. GASTON: The first letter, you mean?

MR. BELL: That is right, the first letter on forced savings.

MR. PAUL: Forced lending and spendings tax.

MR. BELL: Expenditure rationing, I think it was entitled. That is the one that is in the mill.

H.M.JR: Is that the one that went over there?

MR. BELL: No. It was a draft previous to that. I told him it was tentative, I would so consider, but I would like you to see it and sign it before it went over, and White and Paul, before it went. It has been cleared with everybody, including Stewart and Viner, up to the point that Harry and Randolph have got the final drafts.

MR. GASTON: Dan, I think that would need to be supplemented with something more direct and specific about taxation.

MR. PAUL: So do I, and I base that partly on what I have heard the last couple of days.

MR. BELL: There is another memorandum in the mill which he asked for at the first meeting. He said that he wanted to know from every Department what they had done and what they had under consideration to carry out or what they had done to control inflation, and what they had under consideration to effectuate the

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policies set out in the Executive order. He would like to have that in memorandum form. We also have that in draft, but it is not in as good shape as this one.

H.M.JR: Well, now look, gentlemen, there are too many loose ends around here.

MR. BELL: There isn't such a loose end on this one.

MR. WHITE: That particular memorandum is not loose; that will be completed today unless somebody else wants to make some changes. It is a good memorandum.

MR. GASTON: Except for the tax end, Harry, I don't think that this is fully covered.

MR. WHITE: There is no specific proposal, and there doesn't pretend to be in this particular memorandum. What you are going to do--

MR. PAUL: That is a reply to his earlier letter.

MR. BELL: I think the tax thing ought to come into the second thing, what you have under consideration.

MR. PAUL: We can do that.

H.M.JR: Well, who is carrying the ball on this?

MR. BELL: I have been carrying the ball on these particular memoranda.

H.M.JR: Because you were acting while I was gone?

MR. BELL: That is right.

H.M.JR: But who is going to carry it now that I am back?

MR. WHITE: I think you have got to get on top of it for at least this next meeting, because there are a lot of problems that I don't think you could pass on--

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H.M.JR: No, but he is asking here for a memorandum setting forth our suggestions in this regard - excessive purchasing power.

Now, when will it be ready for me? That is the point.

MR. BELL: I think the second memorandum can be the basis for a reply to this question. That has to be improved.

MR. PAUL: I haven't seen that one. Has it the specific tax proposals in it?

MR. GASTON: No, it has to be revised. I agree with Dan that that second memorandum can be what we want, but I think it needs to be completely revised, and we need to throw the axe into a tax program.

MR. WHITE: I think it has to be discussed at some length with you some time.

H.M.JR: I am ready. Is the memorandum? I am ready; is the memorandum ready?

MR. GASTON: Not if we are going to make the full outline of the tax program that I think we should.

MR. PAUL: Not a definite tax program - to put on paper - until we have discussed the tax program with four or five other agencies. I started last night with a long discussion with Ben Cohen, and I have been calling Leon Henderson. I want to get together with him tonight. I don't think we ought to stick our neck out until we find out definitely what is in the minds of all these other people.

H.M.JR: If you remember, over a month ago before I left I asked to have prepared a radio speech for the President on the next tax program, and I said, "Clear it with all agencies, anybody in town that is interested." Do you remember?

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MR. PAUL: Yes, and they have been working on that, but unfortunately most of these key people have had a vacation and the work has been somewhat suspended in the sense that the key people could not pass on it. Roy has been away.

H.M.JR: Well, you said you spent all night last evening with--

MR. PAUL: Ben Cohen.

H.M.JR: What has he got in his mind?

MR. PAUL: Well, he is very tepid on increased income taxes. I was trying to sell him that. He is for a spendings tax in a somewhat different form, and he is for a very high compulsory savings. He was saying that Byrnes is very loathe to have very much additional income tax.

H.M.JR: What is he for, compulsory savings?

MR. PAUL: Ben is for that, and he also is for a spendings tax in a different form, but he does not feel that we should increase it much, if any - increase the income tax.

H.M.JR: Let's come back to this particular letter. Are we ready to have me deliver a paper on the control of excess purchasing power?

MR. PAUL: Sure, but that is easy, but not a paper specifically giving a definite tax program.

H.M.JR: Wouldn't that necessarily have to include that?

MR. PAUL: No.

MR. BELL: Couldn't you say--

H.M.JR: One second--

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MR. PAUL: There are all kinds of degrees and specific treatment that you can have. You can go so far as to state your problem and state the main categories of answer to it, but I think it would be very foolish at this time to stick your neck out and say that there should be just so much income tax, just so much compulsory savings, and just so much expenditure tax. The first thing, if we do that we will be taking a position that does not line up with another position, and we will be all at cross purposes; and anything we have to do on the next tax bill must be in full agreement with every other agency, a solid front.

H.M.JR: Go ahead, Bell.

MR. BELL: I was wondering if we could put out an over-all amount, eight, nine, or ten billion dollars, whatever it is, and say that this should be raised, increase the income taxes, expenditure taxes.

MR. PAUL: We have got to talk about what the amount should be. I am for a good deal bigger amount than that. I think we have to have fifteen to twenty billion dollars.

H.M.JR: But let's be very frank. I come back here, and you fellows haven't talked this thing over amongst yourselves, and I have to do all the work. Nothing has been done while I have been gone.

MR. PAUL: I object to that. I have been working quite steadily on that, but I have not been able to confer with a lot of people who have been on vacation. I have a memorandum on it if you want it, but I wouldn't use it. We have a memorandum lining up nineteen billion dollars, just where it should come from.

H.M.JR: But in the room here, Randolph, who in the Treasury itself - you haven't gotten together with the people.

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MR. PAUL: Well, I haven't gotten together with Harry White. He has been away. Roy Blough has been away.

H.M.JR: Have you been together with Gaston?

MR. PAUL: Yes.

H.M.JR: With Bell?

MR. PAUL: I have not talked with Dan. We have been talking about the other thing.

MR. GASTON: I think that second memorandum on the role of the Treasury in the economic stabilization, with some slight modifications in discussion with the Secretary, will be what the Secretary will want for this meeting.

MR. WHITE: I wonder. The first memorandum, Mr. Secretary, which was prepared - I don't know if you have had a chance to read it or not - there is a draft there, which probably is not complete.

H.M.JR: That is not the one that went over?

MR. BELL: That is a later draft, an improved draft, but it has not been changed in substance.

MR. WHITE: I think that is an excellent statement of the Treasury's general position.

MR. BELL: A lot of work went into it, I want you to know. I never worked so hard on anything in my life as I did on that.

MR. WHITE: As I say, I think that is an excellent statement of the Treasury's position on its general recommendations. Now, in answer to the question about what specific recommendations the Treasury wishes to make, that does not purport to be a specific recommendation; and maybe you could

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use the second memorandum as a basis for that. But in order for it to be completed there would have to be substantial discussion here to agree on what that is to be.

MR. PAUL: There ought to be discussion with a lot of other agencies.

H.M.JR: Paul, to come back, you say you object. Do you think that this is the answer that I can send over?

MR. PAUL: No, not to this last letter that came in November fifth. This is in answer to his previous letter, and we worked for days on it. We must have had ten meetings on that letter. Then he sends another letter of November five asking for specific suggestions, no doubt following his reading of that. Now, that requires a considerable amount of discussion among ourselves.

I have a memorandum giving exactly the answer, if you want to take it, but I don't want to stick our respective necks out on that memorandum yet. It requires a great deal more discussion.

We have a complication in the political problem which has arisen, and it has become very acute in the last few days on account of Doughton's interview with the Journal of Commerce. I think that was the one about questioning whether he was going to consult the Treasury this year.

It is an awfully complicated problem. It is a mixture of economic and political considerations that requires all possible discussion on our part.

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H.M.JR: The question is whether he is going to consult us at all.

MR. PAUL: That is what Doughton indicated as far as he dared to go in this exclusive interview given to the Journal of Commerce. Of course, that follows up. I have reports from other sources that they are going to try to brush us off and invite us up to testify along with a lot of other people. They are not going to take recommendations in the usual sense.

H.M.JR: Well, the result of this discussion is it still leaves me completely muddled and befuddled, but I tell you what I will do. I will start in on this thing this morning and see if we can make any headway, and if we cannot make any headway, then I will have to ask Byrnes for a two-week's extension.

MR. PAUL: I do not think we need to ask him for an extension. We can get up something that is sufficiently specific for Thursday, but that should not be a definitive settlement of the problem, Thursday.

H.M.JR: What I am trying to get at - I am trying to plan a thirteen billion dollar financing, whether we should go ahead between now and Thursday - I just haven't got the time to spend between now and Thursday wrangling here in the Treasury, trying to get you fellows together. It is always that way.

MR. BELL: I think that they can get together here in the Treasury, Mr. Secretary, on a memorandum, but I think there are a good many matters of policy which you have got to decide before they can write that memorandum. It is the kind of taxes - how far you want to go, and the amount.

H.M.JR: Well, let's meet at eleven, anyway.

MR. WHITE: At this eleven o'clock meeting, Mr. Secretary, are you going to take up this general statement, or do you prefer to confine yourself to what

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specific proposals you propose to make? There are two separate problems.

H.M.JR: I will take up this statement first, and I want to take up this letter - this letter of November 5 - and I want to take up the question of how I am going - how the Treasury is going to work opposite Byrnes. I mean, it takes a lot of time and a lot of thought, and somebody has got to be the wheel horse. I do not want Bell to be the wheel horse because I want Bell to concentrate on this financing.

MR. BELL: It is going to be a tremendous burden for you, Mr. Secretary, but you are going to have to spend a lot of time on the Byrnes' problems in order to be able to discuss these matters.

H.M.JR: But it would be very much easier for me if the Treasury people will get together first; at least have it clear in their minds, themselves.

MR. BELL: That was the purpose of the memorandum you have before you.

H.M.JR: Yes, but this memorandum - well, don't let's--

MR. BELL: You can only do one thing at a time. You have got three or four things in the mill for Byrnes and this is about complete; the second is in process. You have got the subsidy matter which is a part of this letter, and we said we would cover that later, and you have got this letter. They are all in the mill. It is just humanly impossible to do them all in one day; they are too technical - too complicated.

H.M.JR: Can you sit in at eleven?

MR. BELL: I want to go to this meeting. I suppose I can hear a general discussion in an hour and then come up for a few minutes. Let George carry it on from there.

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H.M.JR: George who?

MR. BELL: Carry on the Executive Manager meeting.

H.M.JR: You see, there is the thing - you ought to be down there.

MR. BELL: That is right. Why don't you leave me out of this eleven o'clock meeting? Herbert has been in on all my meetings and he knows what we have gone through and what we have done here.

H.M.JR: Who else?

MR. BELL: George's people and some of Harry's people were in on it. Randolph was away last week, but Bernstein, and Oscar Gass, and Lindow, and Murphy were in on all of the meetings I had on the two memoranda, and Herbert.

MR. GASTON: Ecker-Racz, wasn't he?

MR. BELL: And Friedman was.

H.M.JR: Anyway, get them lined up. Don't get too many. I cannot work with too many.

MR. WHITE: I don't think you need any but your own staff for going over this.

H.M.JR: Then White and Haas and Paul and Gaston, supposing you come in. If you want to drop in to get the flavor of it, do so.

MR. BELL: If I can get this thing started, I may drop in.

MR. WHITE: And out of this discussion may crop some of your discussion on some of the specific points which will give us a little lead to start with, so then we all can attempt to work out and come to some agreement to present to you on a more specific program.

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But I think there has to be some preliminary discussion with you even on that score before we can work very fruitfully on some of those other matters, in addition to this particular one, but it may well grow out of the discussion of that particular statement that you have before you.

MR. GASTON: There are a couple of things - one is our relations to this group over here, and then there is our relations to Congress. And then there are the specific things that we want to propose. There are three major things.

MR. PAUL: That is a good summary of the problem.

H.M.JR: O.K. We will hit it at eleven o'clock. Has anybody got anything? I have five minutes left.

MR. PAUL: We were working last night. We blocked the accounts of the French diplomatic officers and the official accounts - the individual accounts; we cleared it with the State. We also declared Unoccupied France enemy territory for the purpose of the communications. We moved in Saturday night on the French line and put supervisors on the job both in New Orleans and New York. We put a man in on the French-American bank. The first two things were cleared with Acheson about eleven-thirty last night.

H.M.JR: Would you make a note for me? I would like to know how they let that two hundred and twenty thousand dollars worth of food go into Germany, which was never cleared here - that obligation which I agreed to pay for on Friday over Mr. Hull's letter.

MR. PAUL: We have a draft letter being sent in to you now, replying to Hull on that matter.

H.M.JR: Do you cover - I mean, how that got through?

MR. PAUL: One we paid for after - two hundred and twenty.

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H.M.JR: Has that money gone?

MR. PAUL: Has it gone?

H.M.JR: Will it be caught in this freezing, now, the two hundred and twenty?

MR. PAUL: No, we are instructed to pay that to the Red Cross. They have already paid it out.

H.M.JR: Yes, but the point I am getting at, how could they go ahead and do that without somebody's approval?

MR. PAUL: I will check that.

H.M.JR: I thought they had the approval under working arrangement - I do not know.

MR. PAUL: I think they did, but it was amusing last night. When I called Acheson about quarter of twelve, he said, "Is this radio business official?" He raised a demurrer about doing this. If there is anybody in the world that ought to know that, it was Dean Acheson, so he had to call up the State Department, then they called up Vichy. I waited until they called me back.

H.M.JR: What time was that?

MR. PAUL: That was about twelve-fifteen.

H.M.JR: They could call Vichy and back in that time?

MR. PAUL: Yes.

H.M.JR: You mean they called up Vichy and back in fifteen minutes?

MR. PAUL: He said they were on the wire. I do not know whether they had just started the call, but he wanted to wait until it was completed before he cleared it. The amusing thing was that at eleven-thirty or so last night he did not know what was going on. I should think they would have a bunch of problems over in the State at this time.

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H.M.JR: Well, Mr. Hull had a press conference and explained his attitude towards Vichy, France - what made this attack possible. (Laughter)

MR. BELL: There is one transaction that will have to go through which I cleared informally over the telephone, and that is that franc transaction with the War Department.

H.M.JR: Will it?

MR. BELL: It will have to go through if the francs are delivered - well, it has to go through anyhow, because they won't deliver the francs until they know that the credit is made in New York. I had to give the assurance to the Federal Reserve that they were authorized to go ahead.

H.M.JR: But it is the delivery--

MR. BELL: That is right. The Bank of France will get credit for the ninety thousand dollars additional.

MR. PAUL: You understand why we blocked the accounts at nine o'clock this morning - by three o'clock this afternoon there wouldn't have been any money left.

H.M.JR: There wouldn't be?

MR. PAUL: There wouldn't be if you didn't have them blocked at nine o'clock this morning.

H.M.JR: No, no, I compliment you on what you did. Is Pehle in on all that?

MR. PAUL: Luxford and Pehle and myself.

H.M.JR: Luxford - that is a new name.

MR. PAUL: He is sort of taking Bernstein's place.

MR. BELL: He is a good man.

H.M.JR: Bring him in some time.

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That is good work. It is the first time it has ever happened that I wasn't called up and had to do it myself.

MR. PAUL: You know what you said Saturday; I couldn't have called you up at twelve last night.

H.M.JR: That is all right. No, I mean, I told Paul, on things like this, I mean, you cannot make decisions like should we or shouldn't we go ahead with the thirteen billion dollar program, with certain groups using "Time" as a mouthpiece shooting at me, and if I decided to go ahead with it - it just cannot be a failure, it has got to go, and the decision is terrific; and these things with Byrnes, and these other matters, and things which are operational, like what you have just done. I am delighted that you go ahead and do it, and if you make a mistake, I am more than willing to share it.

MR. PAUL: I do not have any doubt about that.

H.M.JR: No, no, but you fellows - I mean, tell me afterwards, but go ahead and do it. I mean, I cannot any more do all these things - the decisions are so - I mean, just to show you that I was not loafing, I had Miss Chauncey yesterday morning to do my mail - I cleared all my mail yesterday morning - and then yesterday afternoon I had Bell and Eccles and Haas, and this fellow, and then after that I had a fellow, General Dean, secretary of the Joint Chiefs of Staff, who came out to the house; so I mean, I had a fairly active day. I am delighted, Randolph; that is the kind of thing that I like. I like to know about it afterwards.

MR. PAUL: We have got a memorandum that will be in now, this morning, that was written last night.

H.M.JR: George, you go on down to your meeting and when you get ready for me, let me know.

MR. BUFFINGTON: O.K. It will probably be after lunch.

(Mr. Buffington left the conference.)

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MR. THOMPSON: I would like to get your approval on putting out an order for working Wednesday, Armistice Day. Most of the departments are going to work that day.

H.M.JR: Armistice Day - that is all right. Anything else like that? Does anybody want anything else?

MR. WHITE: There are a couple of points on China that really need some decisions.

H.M.JR: What are they? What would happen if I told you to make up your own mind?

MR. WHITE: I will clear with Dan and everybody else. I do not think that the decision is so important that you need to, but we need somebody's agreement on it.

H.M.JR: You do it and then tell me about it afterwards.

MR. SULLIVAN: I might say--

H.M.JR: And incidentally, look around, Mrs. Klotz, and White; I want a copy of Madame Chiang Kai-shek's diary on the kidnapping of her husband. I promised it to somebody.

MR. WHITE: It is downstairs.

H.M.JR: There is one?

MR. WHITE: I borrowed it and returned it to you. You mean that incident that was published - special print?

H.M.JR: Yes.

MR. WHITE: It should be in your library.

H.M.JR: Where? Downstairs? I promised it to Lady Halifax.

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MRS. KLOTZ: Where?

H.M.JR: Evidently he means in the dining room.

MR. WHITE: Yes.

H.M.JR: If you can lay your hands on it, pick it up. It goes to Lady Halifax.

MR. WHITE: General Meyers' letter - did you have a chance to look at it or send it over?

H.M.JR: Yes, I read it. What should I do, Harry? It is an accounting problem, isn't it?

MR. WHITE: Yes, it is little more than an accounting problem. If you will let me have it back - let me talk with some of them in the Treasury and we will make a recommendation to you.

H.M.JR: It is a letter to General Meyers, War Department, Mrs. Klotz.

MR. WHITE: You know about it - the motion pictures - they gave forty-two million dollars.

H.M.JR: No, I didn't know it.

MR. WHITE: It has been announced; we received a cable to that effect. There are some other things that can wait.

H.M.JR: Now I think, Ted, it would be useful if you send one of your men as an observer down to sit with the Victory Fund Committee, and you know what is - we are moving very fast - I won't have time to tell you fellows everything we do, but if you have a fellow down there, and as this thing unfolds - it is the next three days - you will know, and if it is something you do not like, then holler. But I just cannot keep you posted every minute, so I would send somebody downstairs and let them sit there as observer. Then you know what has happened.

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MR. GAMBLE: All right, sir.

H.M.JR: Don't you think so, Peter?

MR. ODEGARD: I most assuredly do.

MR. KUHN: I spent an hour and a half with John Davenport on those lovely articles in "Time". Any time you are interested I will tell you about it.

H.M.JR: If you and Herbert will stay behind, I am interested right now.

November 9, 1942.
10:34 a.m.

HMJr: Hello.

Operator: Mr. Davis.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Elmer
Davis: Hello.

HMJr: Morgenthau.

D: Yes.

HMJr: How are you?

D: Oh, pretty fair.

HMJr: Good. Look, Davis, I am in the throes of trying to make up my mind between now and Thursday whether we should have a real drive to raise somewhere around ten to thirteen billion dollars. In other words, try to do in two or three weeks a three months' job.

D: Yeah.

HMJr: Now if we're going to go ahead and do that, I'd like to get full support from your organization and then have a sort of a right of way ahead of - well, anything other than what has to do with the war.

D: Uh huh.

HMJr: Because - I mean, I want to take it up with the Advertising Council, McClintock, and all the rest, to give us all the help they can to get down to beat the bushes and get every dollar we can out of the private citizens rather than the banks.

D: Yeah.

- 2 -

HMJr: Now who besides yourself can help me and let me know, if we do go ahead with this, that I can have the backing of your organization?

D: Well, I think it would have to be Mike Cowles and Jimmy Allen who would handle the thing.

HMJr: I see.

D: And, obviously, if it's decided to go ahead, we'll do the best we can for you.

HMJr: Well, don't you think that they might come in and see me?

D: Yes, I'll see whichever one would be most intimately concerned with it, and if he can make an appointment with you.

HMJr: Well, the main thing to say is if we're going to go ahead with this, we just want the right of way over any - so that if we say to McClintock, "Now we want this and that and help and so forth," that he'll know that this comes ahead of some other advertising campaign.

D: Uh huh.

HMJr: Because once I get into it, I just can't fail.

D: Yes.

HMJr: It's got to be a success.

D: You've got to put it over, certainly.

HMJr: Yeah, and it's - it's the biggest thing that's ever been undertaken.

D: Ten billion before Christmas, is that it?

HMJr: Thirteen billion before Christmas.

D: Thirteen billion before Christmas.

HMJr: And then we'll be out of the way and stay out of the way until the first of February, you see?

- 3 -

D: Yeah. All right, I'll talk to either Cowles or Allen, whichever one's going to handle it, and ask him to call you up and make an appointment just as soon as he can and you can, obviously.

HMJr: And he'll be able to - he's - they've got enough authority to....

D: Oh, yes, yes....

HMJr: I'd like....

D:either one of them.

HMJr: I'd like to see them today.

D: Today.

HMJr: Yeah.

D: All right, I'll talk to Cowles at once, and either he or Allen will arrange an appointment.

HMJr: And - well, I can tell him tentatively, one or the other, three o'clock, if that's....

D: Three o'clock.

HMJr:if that's all right. I know who Cowles is - I know - but I don't know who Allen is.

D: Well, Allen is Cowles' assistant and in charge of the whole Domestic Branch.

HMJr: I see.

D: And I'll have one or the other of them call you and see about getting over there at three o'clock if that be possible for them, and if not, at such other time as you can this afternoon.

HMJr: Thank you so much.

D: Right.

November 9, 1942
10:47 a.m.

Randolph
Paul:

....it covers that that I just sent in to you.

HMJr:

Well, I've - well, what - well, you've got this gold in Martinique in mind?

P:

Yeah, but we don't know what to do about Martinique. We were discussing that yesterday.

HMJr:

Well....

P:

Ah....

HMJr:

....who'd you give the memo to?

P:

I sent it in and I gave it to my secretary a few minutes ago.

HMJr:

Well, tell her to give it to Stephens so that I get it. I've got Sumner Welles for lunch. I could talk to him about it.

P:

All right.

HMJr:

Please.

November 9, 1942
10:48 a.m.

Miller
McClintock: Yes, Mr. Secretary.

HMJr: Can you hear me?

M: I can very well, thank you.

HMJr: I'm on the Federal Reserve wire to New York.
It's not too good.

M: Yes, I can hear you very clearly, sir.

HMJr: Now I want to take a couple of minutes to
tell you what I had in mind.

M: Yes.

HMJr: This is naturally pretty confidential, but -
I have to make up my mind between now and
Thursday whether we're going to have a real
drive to - to try to raise thirteen billion
dollars between now and Christmas.

M: Yes, sir.

HMJr: Now if we're going to do it, I'm going to need
the help of the Advertising Council and the
Advertising Fraternity the way I never have
before.

M: That's right, sir.

HMJr: And you'll be interested that as Sales Counsel
I asked Mr. Grant of General Motors....

M: Yes, sir.

HMJr:and for this week he's loaned me Mr. -
your friend, Mr. Bathrick....

M: A very fine man.

HMJr:and he's getting four or five other people
together....

M: Yes.

HMJr:to work with us on the sales end.

M: Yes, sir.

HMJr: Now I've also talked with O.W.I. - Davis, and told him that if we're going to do this I want the green light over everything else.

M: Yes, sir.

HMJr: And he's sending either Cowles or Allen over to see me. But I wanted you to be thinking about it so that you wouldn't come down cold.

M: I'm - I'm very happy to have that privilege....

HMJr: But....

M:and you may be certain that we will throw our weight behind you as we never have before.

HMJr: Because - well, you see, if we're going to start we're going to start on the - about the twenty-third....

M: Yes, sir.

HMJr:which doesn't give us much time.

M: Well, happily, we are now very well organized. As you know, we have a permanent staff on the Treasury's projects....

HMJr: Yes.

M:and so we're entirely ready to go to work for you.

HMJr: Now the thought - one of the suggestions that was made was this, that instead of these various companies who are advertising each day - I mean, how they make guns or this or that for the Government, they might during this time switch over and show - well, the thing's got to be paid for.

M: I believe they'll do that gladly.

- 3 -

HMJr: You see?

M: You - you might like to know, Mr. Secretary, that....

HMJr: Yes.

M:Mr. Harold Thomas....

HMJr: Yes.

M:who is the head of our Treasury group, as you know,....

HMJr: Yes.

M:is in Washington today.

HMJr: No, I didn't know that.

M: Mr. Peter Odegard knows about it. In fact, there is to be a dinner meeting tonight, at which your staff people and some of the staff people of O.W.I. are to meet to discuss some of the budgetary and other policy problems, and I would suggest that you might like to talk to Mr. Thomas today, because he will be in a position to act very quickly for you.

HMJr: He - he would be?

M: Yes, sir. Mr. Odegard will know where he can be reached, I am sure.

HMJr: Harold Thomas.

M: Mr. Harold Thomas.

HMJr: What is his business?

M: Mr. Thomas is the head of the Centaur Company.

HMJr: Centaur.

M: A - a drug company.

HMJr: Oh, yes.

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M: You recall the whole arrangement....

HMJr: Oh, yes.

M:that it was that company that provided the funds for the permanent staff.

HMJr: Well, now - but you think I could save time by talking to him?

M: I do think you could, because I would have to refer it to him immediately anyway.

HMJr: I see.

M: And - and he is the man who has control of that whole operation, and if you talk to him today, I'm sure that he would be available there. Then we could have a whole day saved.

HMJr: Well, I - I'll do that. Well, that - that's good then that I called. Now when am I going to see you?

M: When would you like to see me, Mr. Secretary?

HMJr: Well, I understood that you're not coming in until Wednesday?

M: No, I'll be down on Wednesday morning - or I will be down actually about six o'clock tomorrow evening. I have to speak in Philadelphia tomorrow.

HMJr: Well, how about ten o'clock Wednesday?

M: Ten o'clock Wednesday would be very convenient, sir.

HMJr: And by that - and then I'll tell Harold Thomas to be in here too, eh?

M: If he can be there, it will be wonderful. But if you would talk to him today, sir, why, I'm - I'm sure that you would save time thereby.

HMJr: Right. Well, now - and you be - and will you be thinking about it, and I'll have him work - thinking about it.

M: I will....

HMJr: Well....

M:and thank you. It will be a privilege to have a bigger job to do.

HMJr: And you think - is there any other Government campaign in the way now?

M: No, not a one, sir.

HMJr: I mean, there's - there's nothing that's coming right off?

M: Not a one, sir.

HMJr: Well, that's grand.

M: Nothing that could in any way conflict.

HMJr: Thank you.

M: Yes, Mr. Secretary.

HMJr: Thank you.

M: Goodbye, sir.

HMJr: All right.

November 9, 1942
10:55 a.m.

FINANCING

Present: Mr. Kuhn
Mr. Odegard
Mr. Gamble

H.M.JR: I just talked to McClintock and told him what I had in mind, that I wanted the help of his Advertising Council. He told me that Harold Thomas was in town, meeting with you people tonight and some OWI people.

MR. ODEGARD: That is right.

H.M.JR: He said that if I could get a hold of Harold Thomas I could save a day by telling him what I want. I don't know what you people are talking to him about.

MR. ODEGARD: He is down for a meeting with OWI tonight.

MR. KUHN: He is trying to educate them on a lot of aspects about--

H.M.JR: He tells me that there is no Government advertising program scheduled so that there is nothing in the way of what I want to do. How can I get hold of Harold Thomas?

MR. ODEGARD: I can reach him. When do you want him?

H.M.JR: That is what I want to see. I have this economic group at eleven-fifteen. I will make it three-thirty.

MR. KUHN: Fine.

- 2 -

H.M.JR: Kuhn, you sit here with them and then you can liaison these other fellows. I mean, you have got to service War Bonds and the Victory Fund and the others and keep them posted. You service them.

MR. KUHN: On what happens in here and what they are doing.

H.M.JR: Well, I mean, you just have to service them, you see.

(Mr. Gamble entered the conference.)

H.M.JR: I called up McClintock and told him that between now and Thursday I was going to make up my mind and I wanted the help of the Advertising Council. He said that I would save a day if I got hold of Harold Thomas, who was coming to town. I have asked him to come in at three-thirty. Kuhn will be here and he can service you fellows and the Victory Fund Committee and tell them what we do. He says there is no Government advertising program scheduled between now and Christmas, so we are all right. I told him what I had in mind, couldn't a lot of these companies who are advertising about how they are making guns and this and that for the Government turn their advertising around into how it has to be paid for? He says, "Why not, I think we can do it."

Now, in this thing, the thirteen billion figure, we will tie everything in together. I mean, it will be all synchronized, but each thing will have to take its place. I mean, the two hundred fifty dollar program will have to be relatively important to one that might raise ten times that much. I talked, myself, with Elmer Davis and tentatively, again, so that you keep it - either Cowles or Allen, or both, are coming at three, and Elmer Davis saw no reason why we couldn't have it right away. So, of course, you can't do anything with magazines, but you could with newspapers.

- 3 -

MR. KUHN: I wanted to say something about Harold Thomas before he came in here, Mr. Secretary. That man has been perfectly swell in all our dealings with the Advertising Council. He has been the most helpful person. He came to Kansas City and stayed through the whole three days, listening. He has become a man that we turn to when we are in trouble, and he has got some of our friend Eddie's qualities in that respect. You can go to him and get a sincere opinion, a frank opinion, and he is very good. Do you agree with me, Peter?

MR. ODEGARD: Yes, I do.

MR. KUHN: I think that when he comes in, if you could kind of pat him on the back for the help he has already given, it would be nice.

MR. ODEGARD: As a matter of fact, though, you see, the newspaper advertising, as Ted will tell you, when you get this memorandum on the pay-roll savings drive which is scheduled to begin the middle of this month, we have planned and approved already a good deal of newspaper advertising. We have made arrangements with the Newspaper Advertising Executives Association, and they have a special committee to facilitate the insertion of these ads in newspapers all over the United States. So I assume that what Mr. Davis meant when he said there was no Government advertising was that there was nothing, no campaign under way which would conflict.

H.M.JR: No, he didn't say that. McClintock said there was no campaign that he knew of.

MR. GAMBLE: The War Savings Staff is your only competitor so far as we know.

H.M.JR: I am sales manager; we will take care of that. (Laughter) After all, if I am going to raise thirteen billion dollars, then everybody has got to get together and play ball; everything has to be proportional.

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MR. ODEGARD: That is thirteen billion up to the first of the year?

H.M.JR: That is right, and then the thought is if we do that then we will lay off anything other than war bonds - we wouldn't do anything then until after the first of February.

MR. ODEGARD: This doesn't mean, does it, Mr. Secretary, that this pay-roll savings drive is not to go ahead?

H.M.JR: I don't know. I don't see why we should stop anything.

MR. ODEGARD: I don't know, either.

H.M.JR: It is just a question of each one fitting. I don't see why anything should be stopped. But we have got to get in this thing, to get the message to the people who have the big money, that we want their money. That is the point. But if you have got this memo, give it to Kuhn; then when I get a minute again I will send it to Kuhn. Let him have it in his inside pocket. As I say, he will be my liaison between you fellows.

MR. ODEGARD: You want Mr. Thomas at three-thirty?

H.M.JR: Yes. Offhand I would say that I don't see why anything should stop. I think we want more of everything. But I have got to do something quite new in trying to get these people interested in these new kinds of securities.

MR. KUHN: You want that memo to go to the Victory Fund people?

H.M.JR: Which?

MR. KUHN: The one that you are getting from Ted.

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H.M.JR: Yes, sure.

MR. KUHN: Before you see it?

H.M.JR: I don't care. The main thing is to let me see it.

November 9, 1942
11:15 a.m.

ECONOMIC STABILIZATION

Present: Mr. Paul
Mr. White
Mr. Haas
Mr. Gaston
Mrs. Klotz

H.M.JR: I have read this thing very hastily. (Referring to Draft Number 7, addressed to Mr. Byrnes, dated October 24, 1942.) This simply, it seems to me, is a very good exposition of four different methods without going into it.

Now, what I thought I would do while you people were here is that I would call up either Jimmy Byrnes or Ben Cohen and ask them what they really want Friday - would this be enough or do they want more.

MR. PAUL: I am sure they want more.

MR. GASTON: This new document that they have been working on, of which they have a preliminary draft - in fact, there have been several drafts made - is "The Role of the Treasury Department in Economic Stabilization." I think that is a good deal nearer to what they would want.

MR. PAUL: So do I. That is a good deal more definite as to what we need to do, but it is not definite in the sense of so much money.

MR. GASTON: It states what we have done in the past.

MR. WHITE: I am inclined to believe that what they want is on page seven, not a history of what we have done. I mean, they may want it.

- 2 -

MR. GASTON: They asked us in a letter for what we have done and what the Treasury can do to contribute to economic stabilization, and that is included in this later document. It tells what we have done through taxation and what we have done through financing to control inflation, and then there is a second section which tells of what the Treasury could do, and again with taxation and then going into financing.

H.M.JR: Where is that document?

MR. GASTON: George has a copy here. Harry has a copy.

H.M.JR: Everybody but Henry has got one. (Laughter)

MR. WHITE: I have a copy; it is a carbon copy. (Memorandum dated October 31, 1942, handed to the Secretary, numbered draft 8.)

H.M.JR: I have never seen this.

MR. GASTON: No, it is not in final form. We have been working on it for two weeks.

MR. PAUL: The tax program is set fort on page eight, insofar as we have definiteness.

Let me tell you this. Last night Ben Cohen showed me a copy of his individual memorandum on what we ought to do in the tax field, and I asked him to give it to me. He said he would have to make a copy and he would send it over this morning. That was his only copy. I know his ideas pretty well now, and I know that what Byrnes wants is some defining, not only of how much we should get, but how we should get what we should get, because Byrnes is going to be very timid on the extension of the income tax. That is why I told Ben, and he was quite surprised about the distinction between our income tax and the Canadian tax. (Chart handed to the Secretary.) It says, "Senate bill" there.

*See Paul's
memo
copy of
11/16/42*

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H.M.JR: I have seen this thing.

MR. PAUL: Ben was entirely unaware of that. He thought we had pushed our income taxes up as high as they could go, particularly politically. He is for a spendings tax, but he wants the spendings tax not like ours - not the mechanics, not enforceable like ours, but rather a spendings tax where everybody registers and gets coupons, and the more he buys the more he has to pay for his coupons.

MR. GASTON: That is the thing that has been widely - the Kalecki plan - he has got that because he has read it in the newspapers and magazines.

MR. PAUL: His was a little different because Byrnes' was not only a plan which provided for an exemption, but one which also provided for graduated rates. Therefore, it was much more like our spendings tax. His was more like a sales tax.

MR. GASTON: This idea has been batted around a great deal. We discussed it down stairs at considerable length, this idea of giving a book of minimum subsistence coupons free and then selling other coupon books at progressively higher rates.

MR. PAUL: Ben is strongly inclined towards that.

MR. GASTON: The supervision looks good, so he has fallen for it.

MR. PAUL: I am telling this merely because I imagine that Ben has been talking with Byrnes, and this is the way we are going to find Byrnes when we talk with him.

H.M.JR: Well, I have done business with Cohen before. He is not an easy man to convince.

MR. PAUL: I agree with you. I worked on him a little last night.

- 4 -

H.M.JR: This is what I think I am going to do: In order to save myself on this thing, somebody has got to carry this ball. I mean one person. We will all work together, and I expect to give this thing a lot of time myself, but I am going to ask White to sort of be my economic advisor on this thing so that it heads up in one person, and we will all work together. But some one person has to carry it for me. I can't do it. I am going to hold him responsible for all these memoranda and see that he services all you people and everything else. But as soon as I get hold of Byrnes, I am going to ask him if White can't go over there and sit down with Ben and find out what they want for Friday. I mean, let's do one thing at a time. If it is a tax program that they want, that is one thing; if it is a history of what the Treasury has done, that is another thing. And if they wondered what we can do in the future, that is another thing, but I can't do it myself. I haven't got the time.

How much of a staff has Ben got?

MR. PAUL: Very small. He has got Pritchard over there.

H.M.JR: Who is Pritchard?

MR. WHITE: A very nice fellow.

H.M.JR: Where does he come from? What part of the Government?

MR. WHITE: He was with the WPB on Labor. Prior to that I don't know where he was, but he is a very nice fellow.

MR. PAUL: Russell is also over there as sort of assistant attorney.

MR. HAAS: Isn't Stark over there, too?

H.M.JR: Who is Stark?

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MR. HAAS: He used to be here - Bud Stark. He was over there with Goldenweiser in the Federal Reserve as assistant director, but the other day he came over and was talking to Dan, and Dan said he was working for Byrnes.

MR. GASTON: He had George's shop before George came in here - Research and Statistics, and Investment Counselor up in Boston.

H.M.JR: He is the fellow I eased out. What was his wife's name?

MR. HAAS: No, that was a different one.

H.M.JR: Stark was the fellow when I first came here, and he is now over there?

MR. HAAS: He was with Goldenweiser as assistant director, and evidently he is being loaned.

MR. PAUL: There is a story connected with that.

MR. GASTON: What was this investment house he was connected with up in Boston?

MR. HAAS: Loomis-Sayles & Company.

MR. PAUL: I told Cohen we ought to do a lot more getting together. I sent him a number of papers this morning that I thought he ought to be reading to bring himself up to date.

H.M.JR: Is he at all like Rosenman? If you give him these things he reads them very carefully.

MR. PAUL: Yes, he does.

MR. WHITE: He is very careful. I shouldn't think we would have any trouble cooperating wholly with them, finding out exactly what he wants and what the situation is.

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H.M.JR: Would you mind if I just glanced at this a minute? (Memorandum read by the Secretary.)

What does the victory tax do, Randolph?

MR. PAUL: It raises net a billion nine, and it imposes a gross tax of five percent - a gross income tax of five percent.

H.M.JR: You mean that if your income is ten thousand you pay five hundred dollars?

MR. PAUL: No, you pay five hundred dollars or you take a credit which reduces the tax to three hundred if you are married, and three and three-quarters percent or three seventy-five if you are unmarried. So the real tax for a married person with no dependents is three percent, and not five. It is collected at the source. The reason why it is reduced from five to three is because you apply against the tax the amount paid on debts and life insurance premiums.

MR. GASTON: This is an exemption of six hundred and twenty-four dollars a year, isn't it?

MR. PAUL: Yes, twelve dollars a week. It is a terrible tax.

H.M.JR: I think that all this stuff is very good, but I still think it gets down to - before I dig into it - finding out what they want first.

MR. PAUL: I agree with you, but there are a lot of things - this is an attempt to be as definite as we could without getting so definite that we took a position from which we had to retreat. I think there is apt to be confusion in the sense that when you talk about a spendings tax you may be talking in large part about compulsory savings or lending. I think we have to change this if we are going to use--

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MR. GASTON: If we are going to lay down a definite program--

MR. PAUL: I don't think we should lay down a definite program yet. I think we should have a lot of conversation.

H.M.JR: With a lot of people.

MR. PAUL: That is why I started with Cohen last night. I have tried to get in touch with Leon for tonight.

MR. GASTON: A question of tactics involved here is whether we are going to lay the whole thing before the advisory group and that group decide on the tax program, or just consult them and carry them along and then rely on getting approval in higher quarters for the taxation program and financing program that we want to adopt.

H.M.JR: Of course, you were there the night the President organized the thing.

MR. GASTON: Yes.

H.M.JR: They were not in any sense over the Treasury on fiscal and tax matters, but I take this viewpoint, that if we could get this group to be with us so that the thing would be one - I am not so worried about my authority as I am about getting something accomplished.

MR. GASTON: I think that is entirely right.

MR. PAUL: In fact, I would put it even more strongly - if you don't get that group with you, and if you don't have a solid administration front, they are just going to brush us off this year.

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H.M.JR: Who is "they"?

MR. PAUL: Congress - Doughton, and George.

MR. GASTON: There has been every indication in the letters they have sent over here that they expect to discuss the whole tax and financing program over there. I think they should. I think it is a necessary part of the picture.

H.M.JR: That is all right. I say that is all to the good, but it is a question of which comes first. That is the thing.

MR. PAUL: As Herbert said this morning, there are three problems, our relationship with Byrnes, our relationship with Congress, and the amount to be raised and its distribution.

MR. GASTON: Further than that it is the financing program in addition, and the taxation.

H.M.JR: Well, evidently I am going to have to sit here and wait for Byrnes. There isn't much use of all of us waiting. As soon as I get him, I think, Harry, it might be wise - what I am going to ask is whether we can't talk with Ben or with him, and send you and Paul over there together, possibly, if it is going to be taxes. See, Harry?

MR. WHITE: I think it would be very wise.

H.M.JR: And have a preliminary run, if possible, today.

MR. PAUL: We could do it right after lunch.

H.M.JR: And find out what he wants. Supposing I try to get an appointment and tell him just what I have in mind, and see what he has in mind, and just as soon as I hear, I will let you fellows know. What do you think, Herbert?

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MR. GASTON: I think that is very good.

MR. HAAS: I think that is good.

H.M.JR: Where does this thing come from, "The Role of the Treasury Department in Economic Stabilization" - where is the original on this?

MR. HAAS: Dan Bell has it.

H.M.JR: Would you mind--

MR. PAUL: On that memorandum, would you look at item five?

H.M.JR: Martinique?

MR. PAUL: That is one part of Martinique; then there is Martinique gold that you asked me about. Of course, that is not our problem.

(Miss Edelin entered the conference.)

MISS EDELIN: This is a book I fixed up for you. The only one I haven't here is this one, and this is draft eight. (File on Economic Stabilization handed to the Secretary.)

H.M.JR: We are looking for the original of the memorandum. You are ahead - and this was fixed up for me?

MISS EDELIN: Yes, Mr. Bell wanted you to have a duplicate book.

H.M.JR: Do you have the original of this?

MISS EDELIN: No, I can get you one.

H.M.JR: No, no, this is perfect; this is wonderful. I guess he forgot about giving it to me.

MISS EDELIN: I think he thought Miss Chauncey would show it to you or else he hadn't had a chance.

(Miss Edelin left the conference.)

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(Mrs. Klotz re-entered the conference.)

H.M.JR: She had the whole thing prepared for me, but they forgot to give it to me. Bell had the whole thing all ready. That is marvelous. Well, it is here. I will lend-lease it to anybody who wants to see it.

MRS. KLOTZ: I think that is his copy.

H.M.JR: She said not. She said he had it prepared for me. I wondered--

MRS. KLOTZ: Because he wanted our duplicates.

MR. PAUL: He may have been holding back.

H.M.JR: She said it was prepared for me.

MRS. KLOTZ: A smart girl. (Laughter)

MR. PAUL: There are two problems; the Martinique one is the gold problem which is primarily a problem of State and the Military, and then we have the licensing problem, which is printed in item five, there. We have not revoked the licenses to make purchases - of the French Government to make purchases to Martinique. That is something we have to do in cooperation with the State Department. That has not been done. We only treated the things yesterday that were most immediate.

H.M.JR: You put somebody in

MR. PAUL: Yes.

H.M.JR: Are there any other French houses in New York?

MR. PAUL: I do not think so. We put somebody in the French Bank - the French-American Bank, by special cooperation with Claflin - particularly on account of those two Indo China bank officials whom we suspected.

H.M.JR: All right. I will read that. Now, gentlemen, this is a mass of stuff. Do you want to glance at this, Harry?

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MR. WHITE: I think I have copies of most of them.

MR. GASTON: The report on the meetings themselves, he has there, too, hasn't he?

H.M.JR: Why don't you take a look and see if your record is complete? Make a note that at eleven-forty I loaned this to Mr. White, will you, please?

(File on Economic Stabilization handed to Mr. White.)

H.M.JR: These men were very badly trained in London. When I wanted any such thing as privacy, there was one room I could lock, with one door, but that was all, but they pounded on that when they wanted me - particularly this Lieutenant Colonel Brewster. When he wanted something he wanted it badly - fast.

Well, there we are. Just as soon as I hear, I will give you a ring.

October 24, 1942

DRAFT 7

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My dear Mr. Byrnes:

We in the Treasury have been investigating a great variety of measures intended to accomplish the objective mentioned in your letter of October 9, 1942, to control inflation through the restriction of civilian spending. We have been particularly interested in measures which combine effective inflation control with a substantial contribution to the financing of the war. We welcome the opportunity to give you some of our thoughts on these questions. We shall be glad to submit more extended studies at your request, and also to discuss them with you at your convenience. Such discussions should be helpful to cooperation in the related fields of economic stabilization and fiscal policy.

We have come to the conclusion, in the course of our own investigations, that an effective and equitable solution of the problem of inflation will require measures more fundamental than any yet adopted. We are convinced that wage and price ceilings alone cannot control inflation. Our estimates indicate that, at present price levels, next year will see a surplus of purchasing power of about \$40 billion over and above the supply of consumers' goods available during the year. It seems certain that unless all of this excess of \$40 billion of purchasing power is withdrawn, or is withheld from spending, price ceilings will be broken through on a broad front, causing empty shelves, large-scale black markets, widespread evasion and dealer favoritism, and illegitimate profits. In such a situation, distribution of the necessities of life will be inequitable and wasteful, and competition to buy the means of living will be reduced to a time-consuming and disorderly scramble. Severe hardships will be suffered, especially by families in the low income groups.

We find that on the basis of the most optimistic estimate possible, not more than \$70 billion, at present prices, of consumers' goods and services will be available for purchase in the calendar year 1943. Income received by consumers in the same period will be about \$125 billion. Not more than \$15 billion of this consumer income will be taken away by Federal, State and local taxes paid directly by individuals, including the new Federal taxes levied in the revenue act just passed. Therefore individuals will have left, to spend or to save, about \$110 billion. If we are to prevent irresistible pressure of excess demand for an insufficient supply of goods, consumers must be induced -- through additional taxation or otherwise -- to refrain from spending some \$40 billion, or $\frac{1}{3}$ out of every \$11 of the income they have remaining after present taxes.

It is true that voluntary savings are now being made at an unprecedented rate. It has been estimated that individual savings during the second quarter of this calendar year were at the annual rate of \$24 billion, which was approximately double the rate for the same quarter of the preceding year. This acceleration of savings is far greater than can be accounted for by the large increase in individual incomes. It is without doubt due in part to inability to buy automobiles and certain other durable consumer goods and to the promulgation of the general maximum price regulations. It has undoubtedly also been strongly influenced by the campaign for saving carried on in connection with the sale of war savings bonds, of which more than \$7 billion have been purchased by individuals so far in the present calendar year. It is doubtful, however, that this rate of voluntary saving can be substantially

increased or even maintained during the coming calendar year in the face of substantially increased taxes and somewhat higher living costs, unless strong incentives are provided by some new governmental action.

This governmental action must immobilize an additional \$16 billion of consumer income in 1943 over and above the current rate of saving, if we are to reduce consumer spendings to the value of supplies available at present prices. Moreover, after 1943, the level of supplies will shrink still more, involving a drastic reduction in our standard of living during the further course of the war. We must distribute this reduction in such a way as to protect a basic minimum standard necessary to maintain health and efficiency.

To induce consumers to make GROSS savings of \$40 billion out of their next year's incomes is not sufficient. These consumer savings must be net, i.e., after account has been taken of the fact that some people have eaten into their savings. If some individuals next year consume their capital to the extent of \$10 billion, other individuals will have to save \$50 billion to give us net individual saving, for the economy as a whole, of \$40 billion.

We have outstanding about \$13 billions of United States Savings Bonds, all of which could be presented for redemption in a short period. Individuals hold billions of dollars of other securities, which they might sell to other individuals, to business firms, and to banks. Individuals hold billions of dollars of bank deposits and currency in excess of any previous year's holdings. Billions of dollars could be borrowed on insurance policies. If price stability is to be maintained, we must see to it that these capital assets are not used to increase consumption expenditures to a level in excess of the available supply of goods at present prices. It will do us

no good merely to shift from a voluntary to an enforced status savings already being made, nor will it do us any good to require lending to the government that will come out of accumulated savings represented by liquid assets in the hands of individuals. If, with taxation on the basis provided by existing law, we fail to add at least \$40 billion to our accumulated individual savings next year, prices will rise -- in an open or a concealed way.

There are many reasons why our first recourse should be to additional taxation. The total tax liabilities of individuals to the Federal, State and local governments on the basis of present law will be about 12 percent of their aggregate individual incomes and less than a third of the increase in individual incomes in three years. In the light of these figures it would seem the very opposite of fiscal prudence to permit the public debt to accumulate at the rate it will accumulate in the absence of substantial tax additions.

The advantages of withdrawing as much excess purchasing power as possible through taxation are the following:

- (a) Each dollar of taxes avoids the accumulation of a dollar of public debt. Therefore increased taxation reduces the interest burden and gives the Government greater fiscal freedom to meet whatever conditions may arise in the post-war period.
- (b) Taxation minimizes the necessity for extensive and administratively costly war-time controls on what people may do with money that remains in their possession.
- (c) Taxation reduces the danger of post-war inflation as a result of the spending of war-time accumulations by individuals.

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Notwithstanding the advantages of taxation, it would be highly unrealistic to contemplate revenue taxation along traditional lines on the scale requisite to absorb enough purchasing power to bring the level of spending down to the level of goods available for purchase at current prices. Even a doubling of the present \$15 billion of personal taxes would not suffice, for the level of voluntary savings would certainly not remain at \$24 billion if anything like \$15 billion of new personal taxes were enacted. In fact, it is likely that any effort to do the whole job by absorbing purchasing power through taxation along traditional lines would involve the levying of new personal taxes well in excess of \$20 billion and reliance on voluntary personal savings of considerably less than this figure. The tax method may however be usefully employed not only to absorb excess purchasing power and to gain substantial additional revenue, but also to induce saving on the scale necessary to close the inflationary gap.

Specific commodity rationing and price control already help to enlarge the volume of individual saving, but they alone are insufficient. To extend specific rationing sufficiently to cover the bulk of consumer spending would be costly and irksome although extensive specific rationing may have to be adopted eventually. Therefore, we believe that other measures should be considered in order to limit spending to the necessary extent.

We have particularly examined four general measures, any of which could contribute substantially to price stability and to an equitable distribution of scarce supplies. Each would also give substantial direct or indirect assistance to financing the war. These four measures are Compulsory Lending, Compulsory Saving, Expenditure Rationing, and Expenditure Taxation. Two of these types of control are mentioned explicitly in your letter of October 9.

We have chosen to discuss the other two at the same time because they are such closely related methods of dealing with the same questions.

1. Compulsory Lending Compulsory lending is the legal obligation to lend to the Government an amount equal to a specified

fraction of income, expenditure or some other base.

Compulsory lending may have exemptions and gradations. It may therefore be quite progressive in its incidence. It would contribute to the control of inflation in the same general way as taxation, namely, by withdrawing money from the hands of consumers. If individuals had to lend some of their funds to the Government—and if they did not normally save anything, if they did not have capital, and if they could not obtain credits—they would be compelled to reduce their spending by an amount corresponding to their lending. In general it is the lowest income groups who save little, have few assets and little credit; therefore a dollar withdrawn by compulsory lending from a man in the lowest income groups might cause almost a dollar's reduction in spending. At the top of the income scale, a dollar withdrawn in compulsory lending might cause no reduction at all in spending; the compulsory lending obligation would be met out of savings out of current income which would have been done anyway or out of accumulated assets. The effect for most individuals would lie somewhere between these two extremes, so that for them part of the funds lent would come out of a reduction of consumption and part out of the accumulated savings or out of new savings which they would have made in any case.

To insure that individuals who have control over corporations did not avoid their liabilities for compulsory lending at nominal or zero rates of interest by keeping their money as undistributed profits rather than distributing it as dividends, it might be necessary to require compulsory lending by corporations as well as by individuals.

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The following advantages are claimed for compulsory lending:

- (a) It would permit a greater restriction of the consumption of the lower income groups than would be tolerable if this restriction were effected by outright taxation;
- (b) It would make larger levies on all income groups politically acceptable;
- (c) It would not reduce the incentive for individuals to undertake harder and longer work for additional pay as much as would additional taxes of corresponding amount;
- (d) It would create a reserve of individual purchasing power for the post-war period;
- (e) It would provide a means of raising money to finance Government expenditures with no war-time obligation to redeem or to pay interest.

However, any given amount of compulsory lending would be less effective in reducing spending than the same amount of taxes. Because the amount turned over to the Government would be a loan to be returned after the war, there would be less inducement to save in other forms, and individuals with accumulated assets would be more willing to sell assets or borrow on them to meet the lending requirement than to meet a tax obligation. Persons who were already saving as much as the current lending obligation or who had a large amount of accumulated wealth might find no need to reduce their spending at all. Therefore any compulsory lending schedule would in practice be less progressive in its incidence on consumption than it would appear to be on paper. The dollar yield of any system of compulsory lending would be much greater than the dollar value of the reduction in consumption which it would accomplish.

These considerations suggest that, if use is made of compulsory lending at all, it should be recognized that its anti-inflationary effect will be largely restricted to the lower income levels and supplementary devices would have to be adopted to restrict adequately spending in the higher levels of income.

2. Compulsory Saving In the forms in which it has been publicly discussed, there would be permitted, as offsets against compulsory lending to the Government, various forms of voluntary saving such as the payment of insurance premiums, the repayment of debt, and the voluntary purchase of war bonds. Such offsets are steps in the direction of converting compulsory lending into compulsory saving.

By compulsory saving is meant a legal requirement that every family or single individual save a specified fraction of income. Compulsory saving differs from compulsory lending. Compulsory saving necessarily contributes to the control of inflation, compulsory lending need not. An individual might lend to the Government and yet not save, simply by lending out of previously accumulated assets. An individual might save and yet lend nothing to the Government. What is primarily significant for inflation control is the reduction in spending.

In principle, compulsory saving could provide a completely effective solution to the inflation problem. The total amount allotted for expenditures on consumers' goods by all individuals and families could be fixed at the level of available supplies by requiring that the difference between total income and total available supplies be saved in one form or another.

A progressive system of compulsory saving would have exemptions and graduation, just as would a progressive system of compulsory lending. For instance, a married person with no dependents might not be required to make any saving at all out of the first \$1,000 of income. Out of the next \$500 of income he might be required to save 20 percent, out of the next \$500, 30 percent, and so on to a point where the spending of further increments of income for consumer goods and services would be prohibited.

If it were desired to make allowances for extraordinary expenses of various kinds, such expenses could be treated as credits against compulsory saving liabilities. Credits might be allowed also for personal taxes, rents, medical expenses, tuition and all forms of saving.

For instance, a single individual receiving income at the rate of \$2,500 during a given year might be required to save \$1,500 for that year. If he had to pay \$450 in personal taxes, \$400 for rent, \$50 for medical expenses, and \$100 for insurance premiums, these items would account for \$1,000 of his compulsory saving requirement, leaving \$500 that he would have to plan to save in other forms -- war bonds, cash, bank deposits, etc. It should be noted that the saving requirement would be for the same year as that in which he received the income and would not represent an amount he would be required to turn over to the Government in a subsequent year.

This plan would solve one of the difficulties of simple compulsory lending plans, that is, the substitution by individuals of the new compulsory saving for voluntary saving which they would otherwise have made. It would also make it impossible for individuals to show fictitious "saving" merely through changing the form of previously accumulated capital. This plan would fix total individual savings: it would be irrelevant whether the individual

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saved in one form or another, so long as he did not divert into current consumption funds he was required to save. The Government might borrow his funds directly, indirectly, or not at all (if he hoarded them). In any case, his dollars would not be on the market for goods. The Government might spend an amount equal to his saving without fear that its expenditures would exercise any inflationary pressure.

Compulsory saving would simplify the problem of raising funds for financing the war since individuals who were compelled to save would probably invest a large part of their saving in war bonds. To secure the fiscal advantages of compulsory lending discussed above, it could be required that a stated proportion of amounts saved be lent to the Government for the period of the war -- perhaps at zero interest. If such a compulsory lending requirement were added to compulsory saving, the requirement could be implemented through collection at the source.

It is absolutely crucial to this plan that a complete report be secured of the net change in any individual's capital position during the period in which he was obligated to save. In calculating the residual savings requirement of any individual, any purchase of assets or any savings credits would have to be offset against sales of assets, declines in deposits, etc. Only in this way could the compulsory saving plan be protected against being vitiated by the use of existing balances and credit.

Compulsory saving involves serious administrative difficulties. To help individuals keep their saving up to the level required by the law, it would probably be necessary to have quarterly returns. Whether an individual had complied with his compulsory saving requirement could not, however, be

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finally determined until the end of the period to which the requirement related, since neither his income nor his savings would be known accurately until then. An individual might unwittingly spend more than his allotment because of unanticipated fluctuations in income or expenditure needs, and in any case he could not know that he had complied with the saving requirement until after the event.

The required amount of saving could be insured by issuing licenses to purchase to all consumers only to the extent of the expenditures to which they were entitled; in this case compulsory saving would become Expenditure Rationing. Alternatively consumers might be required to pay a regular schedule of penalties for spendings above their exempt minimum; in this case compulsory saving would become a type of Expenditure Taxation. Further alternative sanctions for excess spending are criminal penalties, fines adjusted to the individual circumstances, or punitive compulsory lending requirements. None of these last three sanctions could be administered without considerable costs and hardships.

3. Expenditure Rationing Expenditure Rationing is the limitation of total consumer expenditures by fixing the maximum amount that every family or single individual is allowed to spend on rationed goods. In principle, rationed goods should include all consumers' goods that have any current cost in labor, materials, or facilities. The following classes of consumption goods and services, however, might well be excluded from Expenditure Rationing, each for separate reasons: rents, tuition, medical care, and possibly several other classes. Under expenditure rationing consumers' goods other than these could be bought only with one's ration

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allowance, but the consumer would be free to spend his ration allowance on any commodities or services that he pleased. Furthermore, no limitation would be imposed on the use of income in non-consumption transactions, such as making gifts, paying taxes, paying insurance, buying real estate or securities, or saving in other ways. Business expenditures would, of course, be excluded from expenditure rationing.

Under expenditure rationing, the total amount allowed to be spent on rationed goods for the whole economy during any period would be set at a level equal to the estimated value of the supply of rationed goods to be available during that period. In making this computation, supplies would be valued at the price level which it was desired to maintain. Changes in the total expenditure ration would be made as the expected supply position changed. Since total purchasing power would be fixed at a level equal to the value of supplies available for purchase, average prices would remain relatively stable.

Expenditure rationing would yield no revenue directly. However, by limiting consumers' expenditures, it would force them to save in one form or another. Therefore, individuals would be likely to buy larger amounts of Government securities directly or to place their savings with institutions who could in turn buy larger amounts of Government securities. In any event, the Government would be free to borrow from individuals or banks an amount equal to individual saving without fear that such borrowing would be inflationary.

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The impact of any expenditure rationing program upon the various income groups would depend upon the bases adopted for allocating expenditures. If variations of income as well as size of family were factors in determining the permissible amount of expending allowed each individual, there would be inequality in permissible expenditures as between income groups. However, the expenditure rationing system could greatly reduce the inequalities in spending that prevail now. For example, a family of four with an income of \$1,500 might be allowed to spend the entire \$1,500 while a family with an income of \$50,000 might be permitted to spend no more than (say) \$10,000. It would be easier to reduce inequalities by limiting spending directly than by limiting it through taking away a part of income. On the other hand, remaining inequalities might be resented more deeply, because of their having direct government sanction.

Expenditure rationing would attack the problem of excessive consumer purchasing power directly, and would determine the ration allowance from an item (current income) that is in most cases readily ascertainable. For both of these reasons, the distribution of expenditure among individuals or income classes would be subject to more effective control than under a program of taxation or compulsory lending.

It would still be necessary to have specific rationing for some basic necessities that were disproportionately scarce. However, in the measure that people with large incomes would be able to spend less on scarce commodities under expenditure rationing, the need for specific rationing would be reduced. The administrative costs and the inconveniences of specific rationing would be kept at a minimum.

For consumers, such a system would have an internal self-endorsing element, since the exaggeration of income would lead to additional tax liabilities, while the under-statement of income would diminish the size of the ration allowance.

The above description of expenditure rationing touches only on its most salient features. We have gone into expenditure rationing in the Treasury's great detail and shall be glad to give you a more extended study of this subject, should you be interested in exploring it further.

4. Expenditure Taxation. Expenditure taxation has already been the subject of some public discussion in connection

with the recent proposal for a spendings tax submitted by the Treasury to the Senate Finance Committee during consideration of the Revenue Act of 1942. We are not concerned in this letter with the details of that proposal but rather with the general question of the way in which a progressive spendings tax would bring about the limitation of consumer expenditure necessary to avoid inflation.

The spendings tax would be a tax on consumption rather than on income. It would provide for exemptions and for graduated rates. It would impose a penalty on all spending above the minimum subsistence level, a penalty that would become increasingly severe and even prohibitive as spending increased. Through graduation, it would be made to bear primarily on comforts and luxuries rather than on necessities.

For example, under a spendings tax a married person with no dependents might be allowed an exemption of \$1,000 a year. If he spent less than \$1,000 on goods and services he would pay no tax. A 10 percent tax might be levied on the first \$500 of consumption expenditure in excess of \$1,000, a 20 percent tax on the next \$500 and successively steeper taxes on additional

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An effective rationing system would require the use of a license to purchase, in coupon or other form. It might be possible to solve this problem without the use of both money and a coupon in every purchase. Such a solution has been explored in the Treasury, and we should be pleased to discuss it with you if you wish to go further into the administration of Expenditure Rationing.

The distribution of ration coupons or allowances could be integrated very closely with the present system of payment of incomes:

- (a) Persons employed for wages or salaries would file statements with their employers showing their marital and dependency status. On the basis of these returns, the employers would distribute to them the correct amount of ration allowances;
- (b) Persons receiving income other than wages or salaries would report the amount of their income as well as their marital and dependency status to a bank, post office, or local rationing board. The institution to which this information was reported would be authorized to provide individuals with ration allowances in accordance with the expenditure rationing schedule;
- (c) Persons with irregular incomes, seasonal incomes, or living by depleting capital, would require special consideration in the determination of their ration allowances.

A partial check on the accuracy of ration allowances would be obtained by requiring individuals to reconcile the income declared for the purpose of obtaining ration allowances with the income declared for income tax purposes.

increments of spending. The tax might ultimately reach rates of 100 percent or more. This would mean that an individual spending large sums on luxuries might be required to pay the Government as much as \$1.00 or more for every additional dollar he spent on consumers' goods.

All forms of savings would be exempt from the spendings tax. The more important non-taxable uses of income would be as savings for the purchase of war bonds and other capital assets, repayment of debt, life insurance premiums, as gifts and contributions, and as tax payments. In addition, it might be desirable to exempt from the spendings tax certain special types of expenditure, such as tuition fees, extraordinary expenses for medical care and perhaps rent and other items.

The spendings tax would reduce spending on consumers' goods and services in two ways: first, the amount paid in tax would be withdrawn from income and could not be used to purchase goods and services; second, by penalizing spending the tax would provide a powerful incentive to save rather than to spend. Although the savings induced by the spendings tax would not necessarily be paid over to the Treasury, they nonetheless would be removed from the spending stream and be added to the pool of savings available, directly or indirectly, for financing the war.

A sufficiently severe spendings tax could reduce total consumer expenditures by any desired amount, and at the same time contribute to a more equitable distribution of the scarce supply of consumers' goods than would prevail without the tax. The exemption provision would enable persons with small incomes to obtain basic subsistence needs free of tax, while the steeply graduated tax rates would operate to bring about a greater proportionate reduction in spending by those persons whose large expenditures

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would subject them to the higher penalty rates. Individuals would be given a reward for saving in a way which is not possible with a conventional income tax. By reducing their spending individuals and families would reduce their tax liability and thereby increase the funds available to them for expenditure without penalty after the war or when economic conditions become such as to permit abandonment of the tax.

In addition to controlling the total volume of expenditure and its distribution among individuals the spendings tax would provide some revenue to the Treasury to finance the war end, by reducing expenditures for consumption, it would undoubtedly increase the voluntary purchase of war bonds. It would also encourage the repayment of debt and other forms of savings, since these too would be free of tax.

The successful administration of a spendings tax would not require that individuals keep a detailed record of all their expenditures. All that would be necessary in addition to the information already required for the income tax would be information to determine changes in capital position of the same kind as would be needed under compulsory saving. The total taxable expenditures of an individual are equivalent to his net income, minus or plus the net change in his assets during the year. His taxable spendings could be determined, therefore, from his net income and from the assets he held at the beginning of the year and the assets he held at the end of the year.

The final determination of liability under the spendings tax would be made when the income tax return for the corresponding year was filed. A combined form could be used for the two taxes. However, collection of the tax would not have to be delayed until the tax liability was finally determined.

Two methods could be used:

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- (1) The first bracket of the spendings tax could be collected at the source from all income paid in the form of wages and salaries, bond interest and dividends. Collection at source based on income instead of spending would involve no great hardship. The only persons who pay too much would be those who save part of their income and hence do not need for current consumption--although they may need for outstanding savings commitments--the extra amount withheld. Final adjustment of tax liability would be made with the filing of the return after the close of the year.
- (2) Individuals with expenditures subject to tax rates above the first bracket would be required at short intervals, say quarterly, to pay a tentative tax based on the approximate amount of their spending. A final adjustment of their tax liability would be made with the filing of a return after the close of the year.

This statement of the spendings tax is intended to be only a general exposition of its principal features. To bring out more fully its effect in restricting expenditure on consumption at every income level, it would be necessary to present a longer memorandum including a detailed schedule of tax rates, their probable yield, and their effect in inducing savings. We shall be glad to present such a study at a later time should you be interested in going into the possibilities of the spendings tax in greater detail.

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Each of the four general types of control over consumers' expenditures that are discussed above has some merit, but their merit is by no means equal. Compulsory lending might be the easiest to enact and administer, but it is uncertain in its effects on expenditure and dubious in its incidence. Any plan which makes possible substantial Treasury borrowing at zero interest, even for a few years, has a strong argument in its favor. Compulsory saving could in principle be both effective and equitable, but it has great administrative difficulties. Expenditure rationing could be effective, equitable, and administratively practical but (a) it would involve considerable administrative costs and (b) though it is capable of controlling expenditures and diminishing inequalities of consumption in a precise way, it might arouse considerable opposition by giving precisely defined inequality a legal sanction. Expenditure taxation is less certain in its results than expenditure rationing, but (a) it is easier to administer, (b) it yields some direct tax revenue, and (c) it permits greater freedom of choice to the individual both as to savings and spending.

For these reasons it is the Treasury's position that expenditure taxation should be first on the agenda for immediate consideration.

In September, the Treasury urged that a spendings tax be enacted. This does not mean that the Treasury regards the choice from among the methods discussed above as a closed issue, nor does the Treasury feel that we must necessarily adopt one of them to the complete exclusion of the others. Indeed, the spendings tax proposal submitted by the Treasury to the Senate Finance Committee also incorporated compulsory lending at zero interest. The Treasury

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has also given considerable study to expenditure rationing and submitted a memorandum embodying the results of its studies to the President through Judge Rosenman on July 30, 1942.

We would be glad to discuss these questions with you further at your convenience, and a more extended analysis of each of the alternatives may be considered at that time.

We are restricting this letter to the discussion of the control of consumer expenditures. We shall submit our views on the use of subsidies at a later time.

MEMORANDUM

The Role of the Treasury Department
in Economic Stabilization

In response to your request at the meeting of the Economic Stabilization Board on October 16, 1942, I am submitting this statement of what the Treasury Department has done in the stabilization program and of the further measures to which it is giving consideration.

During the course of the present war, our Government has sought economic stabilization through the use of two general types of measures: first, fiscal measures to keep income off the market for consumers' goods and, second, measures to fix prices and wages directly and to ration specific commodities. It is of course with regard to the first type of measure that the Treasury has its major responsibility.

Soon after the initiation of the defense program of the fiscal year 1941, it became clear that the United States would need during the present war much more drastic fiscal (as well as other) measures for withdrawing income and inducing savings than ever before in our national history. In the past 18 months much has been done; but much more remains to be done. The Treasury has been urging and will continue to urge the enactment of taxes substantially higher than those provided by present law. The Treasury has pushed and will continue to push a program to stimulate voluntary saving. Taxes withdraw income; savings take income off the market. Both reduce the pressure of purchasing power on the price structure.

However, the Treasury believes that the necessary withdrawal of income or inducement of savings cannot be accomplished entirely by further action

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along traditional fiscal lines. In the calendar year 1943 consumer incomes will be about \$125 billion before personal taxes and \$110 billion after such taxes. Supplies of consumer goods available for purchase will not exceed \$70 billion at present prices. The disparity between incomes and available supplies must be expected to become greater during the further course of the war. To prevent this disparity from producing a serious inflation we need to supplement the traditional types of taxes and savings campaigns by new measures to withdraw income through taxes and to induce or compel saving.

The fiscal program to date

Taxation

Since the beginning of the armament program the Treasury has constantly pressed for increased taxes. In the fiscal year 1940, total Federal tax collections were approximately \$5.5 billion. Under the 1942 Revenue Act, total collections for a full year of operation at the 1942 level of income would be nearly \$25 billion, or more than four times as much as in the fiscal year 1940. Some of this increase is attributable to the higher level of national income. The greater part, however, is attributable to changes and additions which have been made in the tax structure. The principal new taxes are the excess profits tax in the Second Revenue Act of 1940 and the Victory tax in the Revenue Act of 1942. Taxes have been increased on corporate and individual incomes, on estates and gifts, and on commodities subject to excises.

The number of persons subject to the income tax has been greatly increased. Exemptions under the individual income tax have been lowered three times. In 1940 four million taxpayers paid tax on their 1939 incomes.

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Under the Revenue Act of 1942 approximately 43 million taxpayers will pay the Victory tax, of whom some 27 million will also pay the regular income tax. The income tax now reaches all net incomes in excess of \$500 for single persons, \$1,200 for married couples, and an additional \$350 for each dependent. The Victory tax is levied on gross incomes in excess of \$624 per income recipient.

The Revenue Act of 1942 increases tax revenues by approximately the amount initially requested by the Treasury Department on March 3, 1942. Since that time, however, increases in expected Federal expenditures and the growing seriousness of the inflation problem led the Treasury to revise upward its revenue requests on two different occasions, once on May 6 and again on September 3, 1942. These revisions raised the total amount of additional revenue requested from \$7.6 billion to \$15 billion including post-war refunds. The Revenue Act therefore increases receipts by only about half the amount finally recommended by the Treasury. While the full estimated annual yield under the Revenue Act of 1942 is \$25 billion, actual tax collections under this Act during the fiscal year 1943 will be approximately \$21 billion. Large as this amount is, compared to tax receipts in earlier years it is only about one-fourth of expected expenditures of \$85 billion.

As a war revenue act, the Revenue Act of 1942 has the following major shortcomings:

1. It provides an inadequate amount of revenue.
2. It fails to include any substantial direct penalty on spendings or inducement to additional savings.

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3. It fails to provide collection at source under the individual income tax. It does provide for collection at source of the 5 percent Victory tax but only from wages and salaries.
4. It fails to eliminate a number of special privileges and loopholes such as the tax exemption of interest on state and local securities, the special treatment of married persons in community property estates and of married couples with separate incomes, and the special depletion allowances for oil wells and mines.

Borrowing

The Government is now borrowing by far the larger part of the funds which it is spending. How these funds are borrowed has an important influence on inflationary pressure. The Treasury borrowing program has two major anti-inflationary objectives:

1. To encourage additional saving. Additional saving that reduces consumer demand lessens inflationary pressure on prices and releases resources for Government use. For this reason, when defense expenditures began to grow rapidly in 1941, the Treasury began a campaign to increase individual saving. This campaign was intensified after the outbreak of the war.
2. To encourage the holding of savings in the form of Government securities rather than in the form of deposits and currency. Consumers are less likely to use past savings for current expenditures if they are invested in government bonds than if they are held in the form of deposits and currency. The Treasury has offered

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a variety of securities particularly suitable to individuals and to savings institutions and not available to commercial banks.

The Treasury's War Savings program has the dual objective of encouraging additional saving by individuals and their investment in war bonds. This program has contributed to the record-breaking volume of savings during the current year. Both in absolute amount and as a percentage of income, savings are higher than ever before.

The bond selling program has particularly emphasized Series E bonds. These bonds are intended primarily for persons of small and moderate means and have the attractive yield of 2.9 percent per annum if held to maturity. The Treasury War Savings Staff has obtained the voluntary assistance of a very large number of people in helping to push the campaign for new savings and investment in Series E bonds.

A special effort has been made to sell Series E bonds by means of the payroll savings plan, which is an arrangement whereby employers are authorized by their employees to make regular deductions from pay envelopes for the purchase of these bonds. Already more than 20 million workers are setting aside an average of 8 percent of their pay every payday for War bonds. So far during the present calendar year, sales of Series E bonds have aggregated about \$4.5 billion, and the monthly rate is expected to continue to rise. A very large part of these purchases is coming out of additional savings, as shown by the steady growth in the proportion of receipts derived from the sale of \$25 and \$50 bonds -- from 17 percent of total sales in August 1941 to 50 percent in August of this year.

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Purchases of Series E bonds by any one individual are limited to \$3,750 issue price per year in view of the high interest rate paid. The savings bond program offers two other series, Series F and G, yielding a somewhat lower interest return with annual purchases by any one investor limited to \$100,000 issue price. Sales of Series F and G bonds have aggregated about \$2.5 billion so far this calendar year, making a total of \$7 billion of sales of the three series of war savings bonds this year. Commercial banks are prohibited from purchasing any of these bonds.

The tax savings note, issued as part of a campaign to induce taxpayers to set up reserves for future taxes, has also contributed to the holding of savings in the form of Government securities. Tax savings notes are now outstanding in the amount of more than \$4 billion, and substantial increases in the amount outstanding are being shown each month.

The Treasury has also offered long-term bonds not eligible for purchase by commercial banks. In selling these and other securities directly to investors, the Treasury has received aid from volunteer local sales organizations, known as Victory Fund Committees.

The borrowing program described above is designed to finance requirements as much as possible by borrowing directly from investors other than commercial banks. Borrowing from commercial banks has more serious inflationary possibilities than borrowing directly from other investors, although it must be recognized that borrowing from commercial banks is not inflationary to the extent that it is offset by a reduction in the other assets of the banks or by the accumulation of real savings in the form of bank deposits. Borrowing from banks is being confined to securities of not

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longer than 10 years maturity in order to keep the banks as liquid as possible and to keep government interest payments to a minimum.

In the fiscal year ending June 30, 1942, the deficit was financed approximately 30 percent by savings bonds, 20 percent by tax notes, 10 percent by Government trust funds, 10 percent by marketable securities sold to insurance companies, and 30 percent by marketable securities sold to other classes of investors, largely commercial banks. With the growth in war spending since the end of the fiscal year, the proportion of borrowing from commercial banks has increased substantially, notwithstanding the fact that the Treasury has intensified its efforts to increase its borrowing from outside the banks. A great deal more remains to be done, but it is doubtful whether much can be achieved without recourse to more drastic means of control involving direct restrictions of consumer spending.

The fiscal program

It is clear that our current measures for the control of inflation are inadequate in the light of the economic prospects for the coming year. In the calendar year 1943 consumer incomes will be about \$125 billion before personal taxes and \$110 billion after such taxes. Supplies of consumer goods available for purchases will not exceed \$70 billion at present prices. The disparity between incomes and available supplies must be expected to become greater during the further course of the war. To prevent this disparity from producing a serious inflation we need to supplement the traditional types of taxes and savings campaigns by new and drastic measures. The Treasury is prepared to make further recommendations in the field of taxation and borrowing along the following lines:

Taxation

1. Substantial increase in taxation, primarily in two areas:

(a) Extension of the individual net income tax. This tax is and should remain the primary instrument for tapping the incomes of individuals. It is the fairest tax we have yet developed.

(b) Enactment of a graduated tax on consumers' spendings. This tax is an excellent supplement to the individual income tax in time of war. By exempting savings, it permits extension of taxation beyond the point to which the individual income tax can be pushed without undue hardship on persons with substantial fixed commitments to pay insurance premiums, repay debt, or make other forms of regular savings. Whereas the income tax reduces inflationary pressure solely by taking peoples money away, the spendings tax reduces inflationary pressure also by inducing additional saving.

2. The elimination of special privileges and loopholes. The closing of these loopholes will yield a substantial amount of revenue. Even more important, however, it will eliminate the anomaly of continuing special tax privileges to favored groups while asking the great bulk of people to bear the burden of heavy wartime taxation.

3. The placing of the individual income tax on a substantially current basis by collecting the larger part of the tax at source. Under present methods of collection taxes on this year's income are not payable until next year. This means that changes in tax rates and changes in national income

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affect tax collections only after a considerable lag, and that the implementation of a decision to fight inflation through increases in taxes is not effective for a long time. Current collection will eliminate this lag, and will hasten the adjustment of the taxpayer's spending to his tax liability. It will serve the convenience of the taxpayer by collecting the tax in small installments as income is received, and by providing safeguards against the accumulation of tax liabilities that he will not be able to meet. It will increase revenue by reducing loss through default and by reducing the possibility of evasion through non-reporting and understatement.

Borrowing

The Treasury intends to push its War Savings program, particularly through the extension of the payroll savings plan. The goal is to increase the number of persons covered in this program from the present 20 million workers to 30 million by the end of this calendar year, and, at the same time, to increase the average deductions under the program from the present 8 percent of payrolls to 10 percent. During 1943, we hope to surpass these figures considerably.

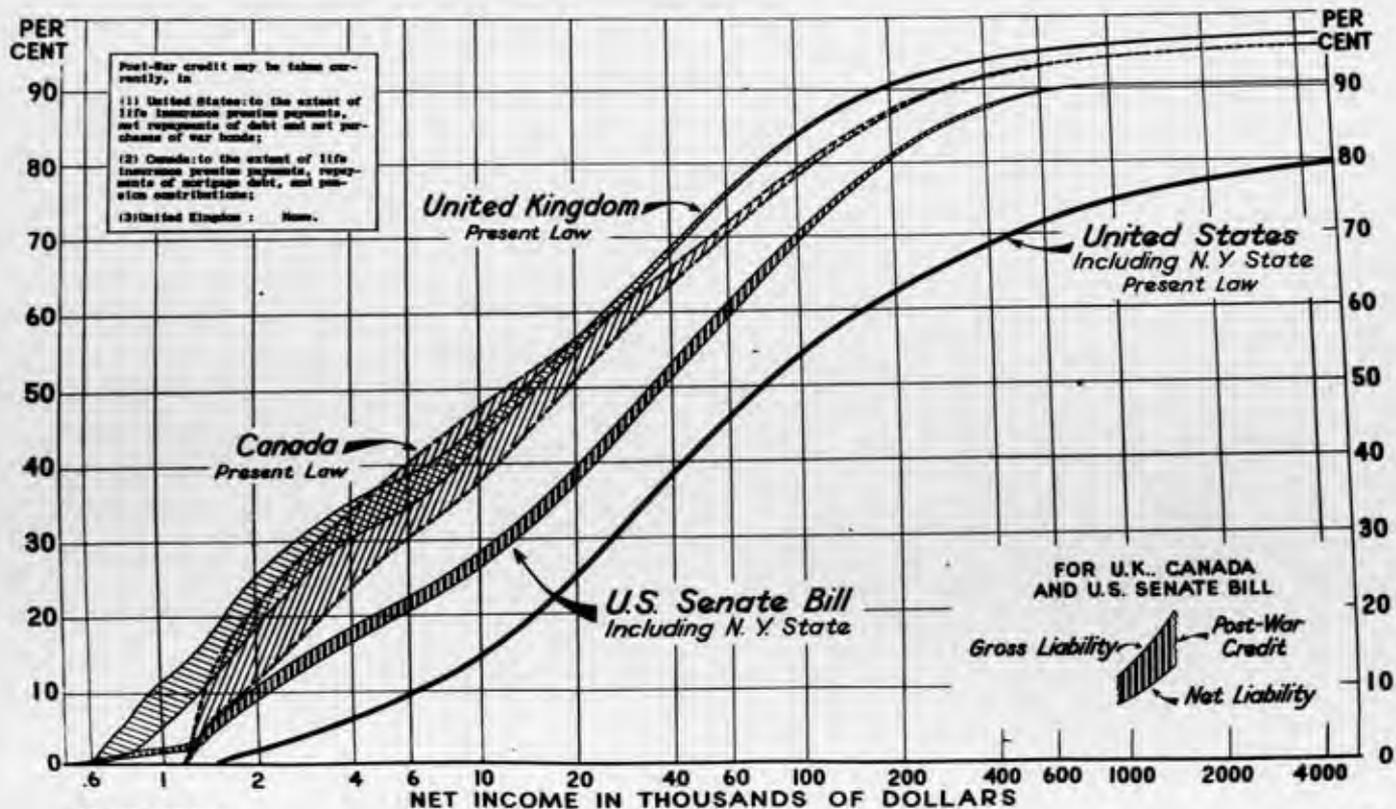
The rapid increase in Government expenditures requires a fundamental change in the character of borrowing policy. The Treasury believes that much more drastic measures than heretofore taken will be necessary to insure an adequate volume of savings and to increase the amount of financing done outside of commercial banks. The extension of specific rationing and further price controls will contribute somewhat to the necessary increase in saving. However, to assure the effectiveness of control measures, excess spending power must be prevented from coming on the market for consumer goods.

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As stated above, the spendings tax is particularly designed to restrict spending and to induce the necessary amount of individual saving. If sufficiently severe spendings or other taxes are not enacted, it will be necessary to resort to Compulsory Lending, Compulsory Saving or Expenditure Rationing. Measures of these types are discussed in our reply of _____ to your letter of October 9, 1942.

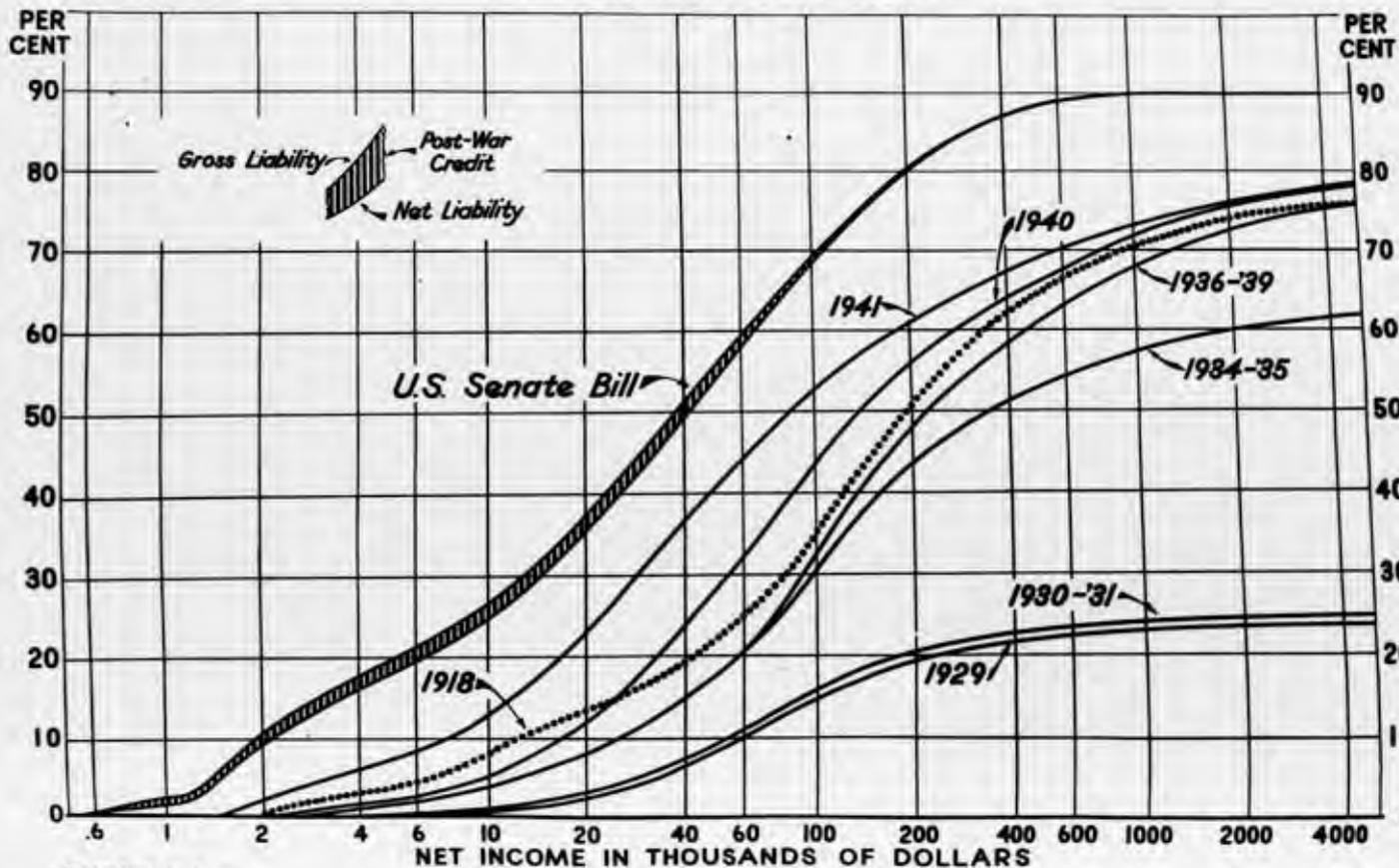
INDIVIDUAL INCOME TAX UNITED STATES, UNITED KINGDOM AND CANADA

Effective Rates for Married Person without Dependents



INDIVIDUAL INCOME TAX

Effective Rates for Married Person without Dependents 1918 and Selected Taxable Years



Office of the Secretary of the Treasury
Division of Tax Research

B-355

November 9, 1942
11:38 a.m.

HMJr: Hello.

Gardner
Cowles: Hello, Mr. Morgenthau?

HMJr: Speaking.

C: This is Gardner Cowles at O.W.I.

HMJr: Right.

C: Elmer Davis just talked with me about your call to him.

HMJr: Yes.

C: Now I'd be delighted to come over and talk with you the latter part of the afternoon, if you have any time free.

HMJr: I suggested three. Is that all right with you?

C: I - it would be a little more convenient for me if we could make it later than that, or are you tied up?

HMJr: I got a kind of a tough afternoon. You couldn't
.....

C: All right, I'll shift mine around. I'll be in your office at three o'clock.

HMJr: Now you know what it's about?

C: Yes.

HMJr: So if there are any other programs scheduled, why, you'd know about them.

C: Yes, sir, I will. I'll bring along all the information.

HMJr: Thank you so much.

C: Thank you.

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Dr. White and Mr. Paul read this.

November 9, 1942
12:10 p.m.

HMJr: Hello.

Operator: Mr. Byrnes.

HMJr: Hello.

Justice
James Byrnes: Hello.

HMJr: Henry talking.

B: Hello, Henry. How are you?

HMJr: Fine. Jimmy, I think we could help each other a little bit if you would enlighten me. I've had a note from you about - that you want us to prepare something for next Friday, and - hello?

B: Yes.

HMJr: And then several things, of course, happened while I was gone. Now, would you care to see, or would you have - like to have Ben Cohen see Randolph Paul and Harry White, who could - and so they could get a little bit in mind what you want first, you see. I'm a little confused.

B: I'll - I'll talk to them, because the - I - what I - here's what I had in mind.

HMJr: Yes.

B: The members of the - while you were away....

HMJr: Yeah.

B:some members of that Board said they would like to discuss the fiscal situation generally in - in as we're - insofar as it affected this price control....

HMJr: Yeah.

B:and we had this - in this last meeting....

HMJr: Yeah.

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B:I purposely avoided it because I - I wanted to wait until you got back.

HMJr: That was very nice.

B: I told those - I told one of the labor representatives, it was Murray, I think....

HMJr: Yeah.

B:who talked about it, that I didn't think it was wise to do that. I talked to Dan Bell, who gave me a memorandum of what you had been - your crowd had been thinking about....

HMJr: Right.

B:and it was a very good memorandum, but I - I just kept it, and I told those fellows we'd discuss it this week. I don't know that they could do much, except as long as they're interested in it, that it wouldn't do any harm if you did prepare a statement as to your thoughts....

HMJr: Yeah.

B:along the line of taxing, compulsory saving, spending - just what Dan gave me in that memorandum.

HMJr: Well, now....

B: The several - the several proposals....

HMJr: Yeah.

B:so when they let them appreciate what the magnitude of the task is in - it would - it wouldn't - you wouldn't have to bind yourself down to any proposition.

HMJr: Well, I have that memo here before me, and I - I didn't know whether that's what you wanted, and then I got this other letter which said "should discuss ways and means of controlling excess of purchasing power."

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B: Well, that's the only way - that's the whole argument that these fellows had at the Board, that they only - what they're - what they're working - the way they think about it, you know, is they were going after Henderson really, that his - his rationing and other schemes wouldn't be as essential or wouldn't be as extensive if the purchasing power could be controlled....

HMJr: Yeah.

B:that's the language of this Order here - if it could be controlled by additional taxation or spending taxes or anything of that kind. That's....

HMJr: Well, could - could you see Paul and White sometime this after....

B: Any time.

HMJr: Well, you fix the time this afternoon, and I'll....

B: Well, you tell them to come over at three o'clock.

HMJr: Three o'clock?

B: Yeah.

HMJr: And....

B: Say, three-thirty.

HMJr: Three-thirty?

B: Right.

HMJr: And I'm going to have - use White quite largely on this where it isn't taxes. Do you know Harry White?

B: No, I've met him, but I think that....

HMJr: Well - well, Ben Cohen knows him.

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B: I - I know Paul well. He and I have been fussing around here about these damned....

HMJr: Yes.

B:salary business, and he - he and John Sullivan....

HMJr: Yes.

B:we've - we've been regular conferees. (Laughs)

HMJr: Good. Well....

B: Nice fellows too.

HMJr: Well, they enjoy working with you.

B: They're damn nice fellows.

HMJr: Well, I'll have the two of them over there at three-thirty.

B: Fine.

HMJr: Thank you so much.

B: All right. Goodbye. See you Wednesday.

HMJr: That's right.

November 9, 1942
3:40 p.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Gamble
Mr. Kuhn
Mrs. Klotz

H.M.JR: I hear that you sat in at this meeting yourself this morning.

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

H.M.JR: What about this F and G business?

MR. GAMBLE: Well, I recommended to Mr. Bell that they call off our F and G canvass in December. In the State of New York we would have some difficulties, but outside of New York we would call off the F and G canvass - for the rest of the country.

H.M.JR: What is your thought - you listened this morning - about whether we should start on the 23rd or whether we should start on the 1st? Of course, Thanksgiving is the 26th.

MR. BELL: They brought that in and want to start after the holiday rather than before it.

H.M.JR: Couldn't we sell one of these straight bank issues before that?

MR. BELL: Yes, we could, but I think that probably would-be bad. If you could announce it beforehand that you are going to have a drive--

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H.M.JR: Then it would be all right?

MR. BELL: Then it would be all right, and I think you could run an overdraft for that. We just got through discussing the quota, and there is a question about giving to the public the complete requirements for December, January, and possibly February, and letting them know the magnitude of the problem, and then saying that we are going out for a drive to get as much money as we can outside of the banking system. What we don't get outside of the banking system, we will have to get through a banking issue, such as Treasury bills and certificates of indebtedness.

H.M.JR: I wish you would make a note that I might want to borrow during this drive this fellow George Wanders.

MR. KUHN: He is very good.

H.M.JR: Get him down here as a financial writer.

MR. KUHN: He is very good - the best financial writer.

H.M.JR: Ask if we couldn't borrow him from now until the first.

MR. KUHN: He won't be writing as good pieces in the Tribune while we have him.

MR. BELL: He has done very well on the Tribune.

H.M.JR: But we need somebody - I mean, do that, because I will have to have somebody to do this writing for these financial papers. You might find out. I would do it on the basis of borrowing.

MR. KUHN: I will call up.

H.M.JR: Call Wanders direct and then ask him. If necessary I will write a letter to the publisher. But I have had him on my mind. Do you think he is the best?

- 3 -

MR. KUHN: He is outstanding.

H.M.JR: If we had a man like that in the shop, we could very well use somebody, but he is first-class, isn't he?

MR. KUHN: His writing is first-class. I don't know anything about him otherwise.

H.M.JR: I still don't know what to say to those fellows. I am free; it isn't that I am stalling or that I haven't got the time. I am free from now until four o'clock, but I don't know what to say.

MR. BELL: You can say to them, "I understand you went over our problem of how much money we need and that you have agreed on certain things, that there should be a drive, that you think we can have a drive, and there are certain questions which you raise such as the F and G savings bonds and whether or not it can be put off to December 1st. We will be glad to consider that in the next two days."

H.M.JR: Look, if I go down, it will be to make a good impression. If I go down, I will be fussing because I have got a press conference at four o'clock. I will be free at four forty-five. What time are these boys taking the train?

MR. BUFFINGTON: Five-thirty and five forty-five.

H.M.JR: I think I had better go down now.

MR. BUFFINGTON: I am sure you will have no question about it. I think it would be fine.

H.M.JR: What floor are they on?

MR. BUFFINGTON: Right here in two eighteen.

MR. BELL: They are in my old office.

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MR. BUFFINGTON: Ten minutes would be fine.

MR. KUHN: I think if you outlined, as you did to those three men sitting here before, the kind of operation that this has got to be, the rifle shooting, the use of shoe leather - that was another thing, you made it perfectly plain to these three OWI people what kind of drive this was going to be.

H.M.JR: They responded nicely, didn't they?

MR. KUHN: Very well. They are good people. Cowles and Dyke were excellent, and Lewis didn't even come into the picture.

H.M.JR: He has got forty programs. He says, "You ought to be able to help yourself out of your own Treasury program."

O.K., when are you going to decide? Well, we don't have to decide.

MR. BUFFINGTON: No.

H.M.JR: Was Marriner there?

MR. BUFFINGTON: He certainly has been there like--

H.M.JR: Is he still there?

MR. BELL: He is arguing for his quota.

H.M.JR: You mean he is still there?

MR. BUFFINGTON: He has been there since eleven o'clock this morning and at it all the time.

MR. BELL: I told them that these figures we gave them were confidential, that everything we were discussing was confidential, and no decision had been made. I said that all we wanted was to get their views on these

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various questions, and you would try to make a decision before Thursday; and if you did make a decision before Thursday, we could give them as much of the information Thursday night as possible so they could start on the program, expanding their organization, and so forth.

H.M.JR: Dan, if we decide Thursday, that is the 12th, that gives them until the 23rd; that is a week and a half. Of course, we will know these answers - when a fellow like this man Thomas - is that his name - whether we can get some of these people to give us the paid space.

MR. BELL: They raised a question there about advertising, too.

H.M.JR: You take, for instance, these weekly magazines - if you can get into those in time--

MR. KUHN: These people told us before that there was no difficulty about getting advertising into "Life," "Time," "News Week," and so on.

H.M.JR: We skip the Luce papers.

MR. KUHN: The Saturday Evening Post we cannot get into.

H.M.JR: We skip the Luce papers.

MR. KUHN: You can get into Gardner Cowles' paper, but that isn't a class paper.

MR. BELL: Don't we want these papers that are daily and weekly, read throughout the country?

MR. KUHN: Those are the papers. There is no problem about that.

H.M.JR: We will keep out the Luce papers and let the advertising manager of Luce's come in and call on me for the page. He will

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

MEETING WITH THE EXECUTIVE MANAGERS OF
THE VICTORY FUND COMMITTEES ON MONDAY
MORNING, NOVEMBER 9, 1942

1. It seemed to be the concensus of the group that the Secretary proceed with the drive as contemplated. The group feels that they will do a reasonably good job but they could do a much better job if they had had more time to prepare. They asked whether or not it would be possible to postpone the drive, say until December 1. They also asked the question of whether the War Savings Staff drive on F and G bonds can be postponed as there will be conflicting and overlapping interests in these two groups. It would be much better from their standpoint if the War Savings Staff could concentrate on Series E bonds and particularly pay roll savings plans during the month of December. They feel that they would do a much better job if F and G bonds were concentrated in the Victory Fund Committees rather than in the two organizations.
2. They feel that they can expand their organizations considerably by November 24th, but they probably will not be able to expand them as far as they would like to to put on a really big and concentrated drive for the Secretary. They have agreed to send the Treasury a report by Thursday morning as to the kind of organization that can be made and the cities involved. It is contemplated that if we announce Thursday that there will be a drive, we can send instructions to the Executive Managers on Thursday evening.
3. As to publicity, it is felt that a radio talk by the President and the Secretary of the Treasury would be very helpful. They also feel that they should be furnished some information which they can use in their instructions for local publicity purposes. They thought it would be very helpful if we could have paid advertising of all the issues on sale and it was thought this might help get better publicity out of those papers which received the paid advertising.



DWB

November 9, 1942
5:18 p.m.

Operator: Go ahead.

Randolph
Paul: Hello.

HMJr: Randolph?

P: Yeah.

HMJr: How did it go?

P: Oh, very nicely. We left it that - that we'd get over a copy of that long letter which - which has to be in a couple of minor respects revised. We'd get sufficient number of copies of that over either late tomorrow or Wednesday morning so that it could be sent out to the members and furnish the basis for the discussion Friday morning....

HMJr: Yes.

P:and the general policy was - the general idea was that he'd try to draw out the ideas of everybody at the Friday meeting.

HMJr: Yeah.

P: Then we had some discussion of - of the income tax, sales tax. He doesn't think there ought to be any new income taxes. He thinks there ought to be an attack on a so-called second front, meaning compulsory saving and the spendings tax.

HMJr: I see.

P: It's obvious he - and it's also obvious that he, at the present moment at least, doesn't mind a sales tax as much as we do.

HMJr: I see.

P: He said that he wanted to get together with us at length, because although he seems to quite appreciate the fact that we - that all his other work is going for nothing unless he does something on this front.

- 2 -

HMJr: Good. Was he all right?

P: He was very pleasant. I'm - but I think we've got to do a lot of selling to him, and he also - it was a valuable conference in the fact that whatever else may happen we know that we'll have to put much less emphasis on the income tax than we had perhaps intended.

HMJr: How long were you with him?

P: Oh, about half an hour.

HMJr: I see. Does he keep you waiting when you go over there?

P: No, no, he's always very prompt.

HMJr: I see.

P: I've been over there quite a number of times.

HMJr: Good.

P: I - I have a - rather, I was trying to see you today.

HMJr: Yeah.

P: It seems to me it's quite important that - it's - it's an attempt of the State Department to frame the record on you, I think, in connection with the Argentine Foreign Funds situation and ad hoc freezing, and so on, and we've got this reply to Hull and I - I - I don't know whether it's necessary to talk with you about it, but Pehle and I would be glad to do it. I think the letter ought to go pretty soon.

HMJr: Well, could - would - couldn't it go tomorrow?

P: Yeah, but I - I just sent it in to you with a note that we might have to talk with you about it. I don't know whether we do or not. I think the letter speaks pretty well for itself.

HMJr: Where is the letter?

P: It's on its way in to you. I was going to bring it in.

HMJr: Oh.

P: I tried to get hold of you, and I couldn't.

HMJr: Well, you were away when - you were - when I was free, you were over across the street.

P: Oh, I see. I didn't know that.

HMJr: Incidentally, I got your man into my press conference because I understood you were out.

P: You got who into the press....

HMJr: Luxford.

P: Oh, yeah.

HMJr: He did a good job.

P: Yeah, well, I was just back, as a matter of fact.

HMJr: I didn't know that.

P: Well - he's a good man.

HMJr: Well, I'll look at the letter and we'll see.

P: If you want to talk with us, I think both Pehle and I should talk with you about it. I don't - really, sir, I think you'll find when you read it that....

HMJr: Yes.

P:you won't want to talk with us.

HMJr: All right. They're trying to frame me? What's the idea?

P: Oh, they're trying to build up a record. They come back with a lot of suggestions that we've made to them....

HMJr: Yes.

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P:sometime ago, and then they propose a certain type of ad hoc freezing that - directed to particular accounts which doesn't have sufficient safeguards to make it worth anything, and so a good deal of time was spent on this letter that - a five, six-page letter answering Hull.

HMJr: Yes, I know. Well, I'm going home now. How are you otherwise?

P: Oh, fine. I've got a - if you're going home I think I'll shoot over to the hospital and see my brother. He's had a heart attack and....

HMJr: Oh, I'm sorry.

P:I'll take the chance to run over there.

HMJr: Yeah, I'm going home. This letter to go over to - to Byrnes, I'll see it before it goes.

P: Well, if you want to but the changes are going to be practically - very minor, you know.

HMJr: Well, then let it go.

P: Well, I think we might as well let it go.

HMJr: Yeah, mustn't it go over my signature?

P: Oh, well, that's right. We'll have to get you to sign it.

HMJr: Yeah.

P: Well, we could - what we're going to do is to mimeograph it.

HMJr: That's all right.

P: So we'll just go ahead and mimeograph it with your signature, and the original can be taken care of in due course.

HMJr: Okay.

P: All right.

HMJr: Thank you.

TREASURY DEPARTMENT

263

INTER OFFICE COMMUNICATION

DATE

November 9, 1942

TO Secretary Morgenthau

FROM Ferdinand Kuhn, Jr.

The O.W.I. is immediately undertaking a telegraphic poll on this question: "Do you think the Government should pay the banks 2%, 2 $\frac{1}{2}$ %, or more, for the money the banks lend to the Government during the war?". The O.W.I. hopes to have an answer by the end of this week, but warns us that there probably will be a very large proportion of "don't know" answers.

F. K.

November 9, 1942

Dear Frank:

I am having a photostat made of Commander Eubank's letter and am sending it to Henry Stimson suggesting that I wish the Army could do as well.

Yours sincerely,

(Signed) Henry

Honorable Frank Knox,
Secretary of the Navy.

File in Diary

October 26, 1942.

My dear Mr. Secretary:

This is to let you know that the report on the Navy Payroll Savings Plan has reached the Secretary's desk, and to tell you that it will be one of the first things called to his attention when he returns.

Sincerely yours,

H. S. Elts,
Private Secretary.

Honorable Frank Knox,
Secretary of the Navy,
Washington, D. C.

EP/dbs

OFFICE OF THE SECRETARY OF THE NAVY

Memo for Sec. of Treas.

Dear Henry - Here is something
to make you feel good on
your return from abroad.

Frank

NAVY DEPARTMENT
WASHINGTONOWSB:L12-2(5)
GAE:md

October 20, 1942

From: Coordinator for War Savings Bonds
To: Secretary of the Navy
Subject: War Savings Bonds, report on operations for first year.

1. The sale of War Savings Bonds to Naval personnel was inaugurated on October 1, 1941. Under the direction of a Coordinator for War Savings Bonds, Supply Corps officers were designated as Issuing Agents and assigned to twenty-eight major shore activities. The first three months of operation were devoted principally to details of organization.

2. In January, 1942, the Navy Payroll Savings Plan became effective and, in the six months following, more than \$27,000,000 of War Bonds were sold to employees of the Navy in Naval Districts and Yards. On June 30, the campaign to enroll over 90% of all civilian employees for at least 10% of the total payroll was well under way and bonds are now being purchased at a rate in excess of \$125,000,000 per year. As soon as the "90-10" objective is attained the campaign will be extended to naval personnel, afloat and ashore.

3. At the outset of the Navy's War Savings Bond Campaign it was predicted sales for the first year would be \$40,000,000. Actual sales for the first year, ending September 30, were \$61,000,000, or over 50% in excess of the estimate.

4. A report in detail will be submitted after the close of the calendar year.

Gerald W. Eubank
G. A. EUBANK



November 9, 1942

Dear Henry:

I am enclosing herewith, a photostat of a memorandum, forwarded to me by Frank Knox, from Commander Eubank.

What can the Army report for itself in regard to the sale of War Savings Bonds?

Yours sincerely,

(Signed) Henry

Honorable Henry L. Stimson,
Secretary of War.

Sent by Mess. Givens 4:27 11/10
File in Diary

TREASURY DEPARTMENT

269

INTER OFFICE COMMUNICATION

DATE 11/9/42

TO Mr. Odegard

FROM Mr. Lane

Following is the status of our large city newspaper promotion; the following firms have agreed to put up approximately \$250,000 each for this purpose

General Electric
Aluminum Company of America
International Business Machines

In the case of Aluminum Co., their commitment is contingent upon our obtaining five other sponsors by this Wednesday.

Companies also approached who turned down the idea are

Ford
Chrysler
Burroughs Adding Machine

Companies who have been approached and who have yet to make a decision are -

American Tel. & Tel.
Metropolitan Life Insurance Co.
United States Rubber
General Motors

In addition in the next few days we propose to contact the following -

United States Steel
Socony Vacuum
du Pont
General Foods.

As you know, this plan was evolved as part of the Payroll Savings promotion drive because we felt our coverage was very weak in the case of big city newspapers. Consequently we drew up this plan, which, if half-way successful, will give us the most intensive campaign in the history of newspaper advertising.

The amounts of money involved came about this way: we made up a sample media schedule which embodied 120 newspapers in the 50 largest cities. The total cost of a full-page in each one of these papers would be approximately \$108,000. We were

Memo to Mr. Odegard

- 2 -

November 9, 1942

careful to tell each advertiser, however, that this list is intended to show the sort of coverage we have in mind — leaving each advertiser free to make up his own specific list.

As for schedule dates, we are handling this on a first come, first served basis. General Electric has requested that their first insertion be in the evening papers of November 16 and in the morning papers of November 17, with their second insertion around December 1st.

Aluminum Company plans their first insertion for November 18 evening papers and November 19 mornings papers, with their second insertion also around December 1st.

I.B.M. has told us that they do not care — that they are willing to take whatever dates are open when the rest of the crowd comes in.

Some weeks ago a letter was sent to national advertisers and agencies, telling them of the intensification of the War Bond drive and inviting their support of the War Bond campaign in their own product and institutional advertising. The following are excerpts from some of their replies.

"You can count on our continuing this cooperation"

George W. Hill, President
The American Tobacco Company

"Wherever we use printed advertising we shall incorporate ... the sincere effort to stimulate the sale of War Bonds"

R. G. Rettig
The Anacin Company

"We will continue to support the War Bond campaign whenever we can."

J. E. Weber, Advertising Director
Armour and Company

"We are cooperating in every respect."

Harry M. Manss, President
The Bayer Company, Inc.

"This we shall certainly do -- wherever physically possible."

Milton H. Biow
The Biow Company, Inc.

"We hope to get under way soon with an ambitious program of cooperation."

Lee H. Bristol, Vice President
Bristol-Myers Company

"I have asked our advertising people to include in all future advertisements a War Bond message."

T. V. Hartnett, President
Brown & Williamson Tobacco Co.

"Please be assured that we are only too willing to cooperate with the Treasury Department's program for War Bonds publicity."

T. C. Butcher, Advertising Mgr.
Colgate-Palmolive-Peet Company

"You may be assured that we will continue to feature the War Bond Minute Man and we will cooperate to the best of our ability."

Wm. F. Mueller, Advertising Mgr.
Corn Products Sales Company

"As further ads sponsored by General Electric promoting the sale of War Bonds (and they all will) are published, we will be glad to forward them to your attention."

F. Chandler
General Electric

"We shall be more than glad to cooperate with you in this program."

F. T. Tucker, Director of Advertising
B. F. Goodrich Company

"It is our expectation to continue to promote the sale of War Bonds in such ways as we believe possible."

W. R. Huber, Mgr. of Advertising
Gulf Oil Corporation

"I have instructed our advertising department to use the Minute Man insignia wherever they can."

H. F. Johnson, Jr., President
S. C. Johnson & Son, Inc.

"We shall be glad to cooperate with you in the promotion of War Bonds."

W. D. Carmichael, Vice President
Liggett & Meyers Tobacco Company

"You will note that the back page of this insert is devoted entirely to War Bonds."

Pitt F. Carl, Jr., Vice Pres.
New York Telephone Company

"We shall be very glad to cooperate wherever possible."

R. M. Gray
Standard Oil Co. of New Jersey

"As you know, we have contributed considerable advertising time and space to the Bond drive, and will continue to do so."

S. M. Birch, Advertising Manager
The Texas Company

"We appreciate your suggestions very much indeed."

H. L. Webster, Advertising Manager
Wm. Wrigley Jr. Company

"In accordance with a request from Vincent F. Callanan, I am sending you several proofs ..."

Roy S. Durstine,
Roy S. Durstine, Inc.

"We are attaching herewith proofs of current advertisements prepared for Philco."

Albert E. Langley
Sayre M. Ramsdell Assoc., Inc.

"We are routing your suggestions to our various plan men and copy writers. We are glad to cooperate in every way."

H. M. Dancer, President
Blackett-Sample-Hummert

"We are sending you two proofs of a forthcoming Cadillac magazine advertisement incorporating a message on War Bonds and Stamps."

Hovey Hagerman
MacManus, John & Adams, Inc.

"Here is a \$10,000 ad to further the sale of War Savings Bonds ... on the back page of every Detroit Telephone Directory."

Lawrence J. Michelson
Simons-Michelson Co.

"Thank you for your nice letter ... I assure that we will continue to make mention of War Savings Bonds and Stamps in national advertising wherever it is possible to do so."

G. A. Phillips, Advertising Manager
Cluett, Peabody & Co., Inc.

"We appreciate your cordial note ... We are glad to cooperate."

James L. Madden, Third Vice President
Metropolitan Life Insurance Company

"We have asked our brand groups to seek chances to slip in Minute Man logos or a sentence advertising War Bonds."

H. M. Clark, Advertising Manager
Lever Brothers Company

"It is our intention to promote the sale of War Bonds and Stamps throughout the war."

Wesley I. Nunn, Advertising Manager
Standard Oil Company of Indiana

"We are sending proofs of these advertisements."

V. C. Havens, Advertising Director
Oldsmobile

"It is a pleasure and privilege to cooperate with the United States Treasury Department."

V. D. Beatty, Advertising Manager
Swift & Company

"We are prepared to cooperate in every way."

Robert L. Lund, Vice President
Lambert Pharmacal Company

"We are very happy to give you our utmost cooperation."

F. S. Cannan
Sun Oil Company

"As proof of our cooperation we are attaching herewith thirteen facsimile advertisements ..."

C. P. Finken,
Chevrolet

"We are deeply appreciative ... under separate cover we are sending a few ads."

T. H. Young, Advertising Director
United States Rubber

"You may rest assured that it is our intention to include mention of War Bonds in our radio and magazine advertising."

Karl I. Silvey
The Studebaker Corporation

"We are referring your letter to our advertising agency, who will be glad to cooperate."

M. V. Cowan
The Great Atlantic & Pacific Tea Co.

DRIVE TO MARK PEARL HARBOR ATTACK

Theatres to Launch New Campaign on Dec. 7

To commemorate the first anniversary of the attack on Pearl Harbor, 16,000 motion picture theatres throughout the country will participate in an intensive drive to sell War Bonds and Stamps in the week of Dec. 7, it was announced yesterday by the Theatres Division of the motion picture industry's War Activities Committee. "Avenge Dec. 7—On to Victory" is the slogan for the drive, which will be made with the cooperation of the Treasury Department War Savings

in the War Bond drive in September the motion picture industry participated and rolled up bond totaling \$838,250,000, representing a gain of 8.2 per cent over quota set by the Treasury Department.

The new drive will be launched nationally on the night of Dec. 7 as a patriotic celebration will place on the stage of every

film theatre in the country. Preceding the celebration, audiences will observe "a moment of silent prayer, in remembrance of the Pearl Harbor dead, and then three cheers will be given for the armed forces in their march 'On to Victory,'" according to the official program.

Of the 16,000 theatres pledged to cooperate in the drive, 4,600 have previously been designated by the Treasury Department as official bond-issuing agents. In the other theatres pledges will be taken for the purchase of bonds and stamps will be sold.

The new campaign "is in line with industry policy to put on frequent special activities to promote the sale of bonds and stamps."

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11-9-42
From
Mr Gamble

1. TOP THAT 10% BY NEW YEAR'S - - Nov. 15 - Dec. 31
 - a. 150,000 FIRMS BEING CANVASSED
 - b. GROUP APPROACH
 - c. INDUSTRY DRIVES
 - d. LOCAL LABOR-MANAGEMENT DRIVES
 - e. RAILROAD DRIVE
 - f. CITY & COMMUNITY-WIDE DRIVES

2. WOMEN AT WAR WEEK - Nov. 22 - 28
(See Detailed Campaign)

3. RETAIL PROGRAM
 - Nov. 22-28 - - Women-At-War-Week
 - Dec. 7 - - Inventory Day
 - Dec. 20-25 - - Promote "The Present With a Future"
Xmas Program
 - January Clearance - "They'll Buy You Out of Stamps".

4. CURRENT SPECIAL ACTIVITIES
 - a. JAP SUBMARINE TOUR
 - b. TWELVE PERSONALITY APPEARANCES - WOMEN-AT-WAR WEEK
 - c. DISTRIBUTION FILM "BONDS AT WAR"
 - d. MINUTE MEN AND MINUTE WOMEN NEWSREEL COVERAGE

5. AGRICULTURE

A carefully worked out plan to reach the farmers will be in full force and effect during the November 15 - December 31, period. Literature and instructions have already gone forth to our State Administrators, Field Representatives and volunteers.

6. SCHOOLS AT WAR PROGRAM -

The Schools at War Program is currently being promoted in every school in the country.

WAR SAVINGS ACTIVITIES

November 15 - December 31

WAR SAVINGS ACTIVITIES

November 15 - December 31

PAYROLL SAVINGS

"TOP THAT 10% BY NEW YEARS" DRIVE

At Kansas City the following steps of procedure for Payroll Savings were given to all State Administrators and Payroll Savings Chairmen:

1. 150,000 FIRMS BEING CANVASSED - Over 150,000 registered firms will be solicited to install 10% drives between November 15 and December 31. (This figure includes 35,000 firms with over 100 employees.
2. GROUP APPROACH - They shall be approached by calling groups of firms together rather than one at a time.
3. INDUSTRY DRIVES - Industry nation-wide drives will be stimulated in large industries such as steel, trucking, etc. A number of these drives have already been started.
4. UNIONS - The unions are being contacted to insure cooperation and teamwork with management through the entire field. Special literature has been prepared for some 35,000 firms and international and local unions.
5. LOCAL LABOR-MANAGEMENT MEETINGS - Meetings are being held in all States and counties of labor and management to insure full support right down the line.

6. RAILROADS - All railroads are being encouraged to start a 10% drive during this period.
7. CITY DRIVES - City-wide Payroll Savings drives to include all firms within a specific area will be inaugurated. A number of such drives are already in progress, notably Hartford and Bridgeport, Connecticut. Many others have been planned during the November 15-December 31 period.
8. CONSTRUCTION - A special developed plan to attack the construction field on the 10% basis is in progress. Our Field Representatives are now visiting their respective States and installing this plan. There are 270,000 volunteers enlisted to assist the State Administrators in this operation.
9. INSTRUCTION FILM - The War Savings Staff has developed a special instruction film entitled "Top That 10% By New Years" to assist State Administrators and County Chairmen in presenting the "How to Put on 10% Drives". These films are already in the hands of 975 distributors throughout the country and are already in use in the various States.
10. STATE DRIVES - Several States have planned simultaneous drives within the State during the first week of December.
11. REPORTING SYSTEM - Special reporting system for every firm that reaches the 10% goal and congratulatory messages, wires and letters, have already been prepared.

12. SCOREBOARDS - Scoreboards have been developed for each State Administrator and each county.
13. FOLLOW-UP MATERIAL - A series of printed follow-up material are on the press. This material goes to the State Administrators to stimulate their interest from week to week.
14. TRADE ASSOCIATION - All the leading trade associations have been contacted and their support enlisted in the "Top That 10% by New Years" drive.

WAR SAVINGS ACTIVITIES
November 15 - December 31

MISCELLANEOUS

1. AGRICULTURE - A carefully worked out plan to reach the farmers will be in full force and effect during the November 15-December 31 period. Literature and instructions have already gone forth to our State Administrators, Field Representatives and volunteers.
2. SCHOOLS AT WAR PROGRAM - The Schools at War Program is being promoted in every school in the country.
3. PROFESSIONAL GROUPS - Leading professional associations have been contacted and special plans are underway to have 10% drives put on among the doctors, lawyers, accountants and other professional groups simultaneously with the Payroll Savings operation so as to get the full effect of the impact of all publicity - radio, press releases - during the November 15-December 31 period.
4. INTERDEPARTMENTAL COMMITTEE - Special emphasis is being made by the Interdepartmental Committee to tie their activities into those of the War Savings Staff during this period.

WOMEN AT WAR WEEK PROMOTION

(Nov. 15 - Nov. 28)

RADIO**I. TREASURY STAR PARADE**

Three recordings specifically designed for use during Women At War Week, November 22 to November 28 are entitled:

- * (a) "Claudia", with a special message from Mrs. Morgenthau.
- * (b) "A Letter To Hitler", starring Helen Hayes
- * (c) "Everybody Has To Win This War", with a special message from Mrs. Roosevelt.

- ✓ II. Forty special one-minute transcribed announcements have been recorded for use by all radio stations.
- ✓ III. Twenty specially written live announcements have been released to home economics directors accompanied by a letter from Mrs. Morgenthau.
- ✓ IV. Ten specially written live announcements for farm programs have been released to Farm Program Directors. They also have been sent to the Department of Agriculture for inclusion on their five times daily farm report broadcasts.
- ✓ V. The Women At War Week radio kit has been mailed to State Administrators, State Chairmen, local Women's Division Representatives and radio stations. This kit includes: interviews for civic leaders, radio speeches, a radio roundtable and announcements for localization.
- VI. A Office of War Information Fact Sheet on Women At War Week has been released to all sponsors and agencies who have War Bond allocation assigned to them between November 22 and 28.
- VII. Saturday Night Bond Wagon broadcast for November 21, based on Women At War Week.
- * VIII. A half hour coast-to-coast CBS broadcast November 22 from 7 to 7:30 P.M., EWT, will launch Women At War Week.
- * IX. A half-hour coast-to-coast MBS broadcast from 3:30 - 4 P.M. EWT from Philadelphia for Women At War Week.
- ✓ X. Other Treasury Department network programs to promote Women At War Week;

Nov. 21 - "Salute To The States" - MBS - 12:45 - 1:15 P.M.
 Nov. 22 - "Horace Heidt" - Blue - 1 - 2 P.M.
 Nov. 23 - "Little Jack Little" - Blue - 11:15 - 12 NOON
 Nov. 24 - " " " " " " "
 Nov. 25 - " " " " " " "
 Nov. 26 - " " " " " " "
 Nov. 27 - " " " " " " "

Nov. 25 - "Guy Lombardo" - Red - 11 - 11:30 P.M.
Nov. 27 - " " - Blue - 12 M - 12:30 A.M.

✓ I. A Press Clip Book released to 10,000 daily and weekly newspapers, State Administrators, State Chairmen, regional and state women directors and in bulk to State Adminstrators in sufficient number for redistribution to all county chairmen. It includes;

Swipe for all these

- ✓ (a) Articles by:
- Mrs. Roosevelt
 - Mrs. Morgenthau
 - Miss Elliott
 - Helen Hayes
 - Kate Smith
 - Oveta Culp Hobby (WAACS)
 - Mildred McAfee (WAVES)
 - Pearl Buck
 - Mrs. Dwight Davis
 - Nannie Burroughs
 - Mrs. John Bulkeley
 - Judge Florence Allen
 - Regional War Savings Staff Women Directors.

Swipe for these

- ✓ (b) Four special Women At War Week cartoons drawn by Helen Hokinson.
- ✓ (c) Approximately 15 special Women At War Week pictures for general use which will be sent to the newspapers in mat form.
- ✓ (d) Pictures of Women At War Week features such as the arm band and the three posters. These also will be sent to newspapers in mat form.
- ✓ (e) Feature stories for general use regarding Women at War Week.
- ✓ (f) Special features to be localized in various sections.
- ✓ (g) Three Victor Keppler Women At War Week photographs which will be released in mat form.
- ✓ (h) Suggestions for securing maximum publicity. These suggestions will be included in the press books which are sent to State Administrators, County Chairmen, etc. They will not be included in the press books sent directly to newspapers.

✓ II. A quarter page plate release has been sent to 9,000 weekly newspapers.

✓ III. Three special Victor Keppler Women At War Week photographs to be released to each of the wire services, for opening of Women At War Week, November 22.

✓ IV. A general news story to be released to wire services for opening of Women At War Week, November 22.

RETAILERS' ACTIVITIES

The following are plans that are set by retailers in cooperation with the War Savings Staff for the period

November 22-28

Women-At-War-Week

Retailers are to celebrate these special days:

- Monday., 23rd - Minute Women Assembly Day.
- Tuesday., 24th - Housewives for Victory Day
- Wednesday, 25th- Women War Workers and Service Mothers' Day
- Thursday, 26th- Thanksgiving
- Friday., 27th - Farm Women for Victory Day or alternate Children for Victory Day.
- Saturday, 28th- American Family Day

December 7

Inventory Day

"Make Your Own Declaration Of War" Day Can Crowd Your Store With War Bond and Stamp Purchasers.

1. Get Out The Bands!
2. Fly the United Nations Flag!
3. Display Enlarged Photos of the Pearl Harbor Attack!
4. Get Up The "Make Your Own Declaration of War" Poster throughout the Store.
5. Broadcast the "Declaration of War"
6. Turn on Radios in every Department During the Broadcast or Pipe It in Through Your Public Address System.
7. Have Customers Repeat the Pledge of Allegiance in Unison with the Announcer.
8. Hand Every Customer-Immediately-an Order Form for a Bond Purchase-and Sign 'Em up!

Christmas

Promote "The Present With a Future" this Christmas.

Make War Stamp Decorated Christmas Trees.

RETAILERS' ACTIVITIES
(Cont.)

Christmas

Display the Christmas Poster.
Provide Special Gift Wrappings
for Bonds as Christmas Gifts.
Gift Envelopes for Bonds.
Redecorate your Bond Booths for
Christmas.
Give Santa Claus a "Minute Man"
Partner this year.
Feature War Stamps in your Xmas
Tree Ornament Department.
Feature Boutonnieres and Corsages
in Every Gift Department.

January Clearance

"They'll Buy You Out
of Stamps".

January Stamp Album Clearance Month.
"A half-filled Album is like a half-
equipped soldier."
Fill Your War Stamp Album and Get
A War Bond Today!

And be sure to use:

- (1) Newspaper advertising
- (2) Publicity
- (3) Radio Advertising
- (4) Stunts
- (5) Stamp Booths
- (6) Window Displays
- (7) Store Decoration
- (8) Sales Training
- (9) And More Sales Training
- (10) And For Employees

PAYROLL SAVINGS DRIVE PROMOTION
November 15 - January 1.

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RADIO

I. The following Treasury Department sponsored programs will promote the "Top That Ten Per Cent By New Years' campaign between November 15th and December 31st. (The Women At War Week programs from November 22 to 28 are not included in the following):

- A. 18 TREASURY STAR PARADE programs, released to 820 stations.
- B. 7 SATURDAY NIGHT BOND WAGON broadcasts.
- C. 7 TOMMY DORSEY programs on the Blue Network.
- D. 5 GUY LOMBARDO programs on the Red Network.
- E. 29 LITTLE JACK LITTLE broadcasts on the Blue Network.
- F. 7 HORACE HEIDT broadcasts on the Blue Network.
- G. 7 SALUTE TO THE STATES" programs on the Mutual Broadcasting System.
- H. 5 NEW TREASURY HOUR broadcasts on the Blue Network.
- I. 24 TREASURY SONG PARADE programs released to all stations.

II. EVERY EVERY PAY DAY

- A. Victor recordings with Barry Wood have been released to all radio stations, and to approximately 16,000 dealers for commercial sale beginning November 13th.
- B. Offering recording to approximately 375,000 juke box owners for use beginning November 13th.
- C. Approximately 1,250 complete orchestrations have been mailed to all band leaders of networks and local radio stations.
- D. 25,000 copies of sheet music being sent to schools, clubs, vocalists, etc.
- E. Full page ad contributed by Wurlitzer promoting EVERYBODY, EVERY PAY DAY will be carried on the back cover of "BILLBOARD" November 7th issue (see attachment.)

III. NETWORK PROGRAMS

- A. Secretary Morgenthau has agreed to release a statement and has been invited to broadcast on the opening day of the campaign.
- B. The Army and Navy have both agreed to include "Top That Ten Percent by New Year's" copy in all of their own network programs between November 15 and December 31, except those otherwise allocated by the Office of War Information. They will include such programs as "Meet Your Navy", "The First Line", "The Army Hour", etc. The Army has also agreed to include "Top That Ten Percent" copy in some six hundred (600) locally broadcast Army Camp programs. They will send our copy to all of their Public Relations Offices throughout the country.
- C. The OWI, NBC, CBS AND MBS, in addition to the Army and Navy, have all agreed to use Army-Navy-War Bond announcements between the halves and quarters of the Army-Navy football game, November 28, except on those stations along the eastern seaboard, which will carry Esso commercials. Standard Oil Company of New Jersey is sponsoring this three network broadcast but since their market is only the eastern seaboard they could not utilize the commercial cut-in time throughout the rest of the country and therefore offered it to the Treasury for War Bond announcements. We, in turn offered cooperation with the Army and Navy to use their copy in addition to our own "Top That Ten Percent" copy on these spots. It is impossible at this time to ascertain how many stations will be concerned in this coverage but it is estimated some three hundred will probably carry the combined Army-Navy Bond messages.
- D. News commentators will be contacted before November 15th with material for their programs.
- E. Special dance band copy is being released to all network band leaders along with the EVERYBODY EVERY PAY DAY orchestrations on November 6th.

IV. LOCAL STATIONS

- A. Forty (40) VOICES OF THE PEOPLE and dramatized announcements have been prepared and approved for period from November 15 through November 30. Copy for November 29 through December 8 has been approved and will be recorded on Monday, December 8 to December 31 copy now in preparation.

- B. Eight special announcements for use by all radio stations on opening day of 10% campaign have been released.
- D. Twenty (20) women's announcements for use from November 29 to December 31 to be released to Home Economics Directors.
- E. Special dance band copy has been released to local station orchestras along with the orchestration of EVERYBODY EVERY PAYDAY on November 6th.
- F. Special farm announcements have been released to Department of Agriculture and farm program directors for use November 15 to December 31.

IV. LOCAL STATIONS AND STATE AND COUNTY CHAIRMEN

- A. Special Radio Kit, containing the following, will be sent to all local stations, State and County Administrators:
 - (a) Governor's Proclamation
 - (b) Mayor's Proclamation
 - (c) Opening day radio speech for Governors
 - (d) Opening day radio speech for Mayors
 - (e) Series of 10 minute talks for clubs
 - (f) Special announcements having blank spaces for name and telephone number of local Payroll Savings Chairman, asking listeners to call him for further information on Payroll Savings.
 - (g) Special announcements for business management
 - (h) Special announcements for labor representatives
 - (i) Interviews for city officials and civic leaders
 - (j) Suggested congratulatory letter for State Administrators to send to companies for use on locally sponsored radio programs.

V.I. SPECIAL SPOTS BY COMMERCIAL SPONSORS

- A. Esso News, Buleva Watch Company, B-C Headache Powders, RCA, and Pall Mall Cigarettes have agreed to give the Treasury Department 10% Campaign a total of approximately 17,100 spot announcements on stations throughout the country, during the first two weeks, November 15 - December 1.

ADVERTISING

I. GENERAL MAGAZINES - "This Week" and "American Weekly" have been added to the list of magazines which are carrying our Christmas insertion. This, while stressing the gift theme, does bear on Payroll Savings. Total circulation will be about 40,000,000.

II. - NEWSPAPERS -

A. Today we have in production a complete portfolio of ads, etc. prepared by The Advertising Council. This will go out this week to all newspapers on our list, and will be distributed in addition by Western Newspaper Union, the Meyer-Both Service and Metro service.

B. - General Electric, Aluminum Company of America and I.B.M. have agreed to contribute a total of \$750,000 for paid ads in large city newspapers. Other companies may follow suit.

III. - BUSINESS PAPERS - Special Payroll Savings ad has gone out, and will appear in approximately 550 business papers.

IV. - BILLBOARDS -

A. A "Top 10%" 24 sheet has gone out and will appear in approximately 16,000 panels.

B. Special imprint strips will be carried on approximately 30,000 additional panels.

V. POSTERS - A revise of the 10% flag poster has been completed and an additional Payroll Savings poster has been approved by the Poster Committee and is now in production.

VI. CAR CARDS - Through the national efforts of Transportation Advertising Service we have secured approximately 30,000 car cards for the Payroll Savings Drive.

VII. HITCH-HIKES - In response to a letter written to all 10% firms and to national advertisers, hundreds of firms have assured us that they will carry the Payroll Savings theme in their own advertising.

VIII. ENVELOPE STUFFERS - Five million of these are in production. In addition to being distributed through our Field Staff, we wrote to all 17 operating telephone companies in the United States asking them to send it out in their December 1st bills. Replies would indicate that approximately 4,000,000 will be distributed in this fashion.

MAGAZINES - EDITORIAL COPY
(Not Advertising)

1. Readers Digest gives us the back cover of the January issue, -- which will go on the newsstands December 20.
2. The magazine PIC has promised us the two column center page editorial space mid-December.
3. The magazine LOOK is planning a special December 15 feature consisting of a series of statements by the wives and widows of ex-Presidents of the United States.
4. Walter Davenport plans to do a COLLIER'S story.
5. Saturday Evening Post doing special story.
6. An article and a small box have been planted with MADEMOISELLE. The article is general War Bond stuff, women's angle. The box is directly tied in with the Payroll Savings Drive.
7. A special Payroll Savings box has been planted with COSMOPOLITAN.

PRESS SECTION

1. Statement by the Secretary. This is in the first Payroll Savings clip sheet (mailed Monday, November 9th, to 1700 daily and 9000 weekly newspapers).
2. New drawing of 10% insignia, and editorial cars, fillers, etc. Three New Year's designs are carried in the above-mentioned clip sheet and have been sent out in mat form to 1700 daily and 9000 weekly newspapers.
3. Publicity Kit. (Suggested speeches for officials, releases for newspapers, ideas for localizing campaign, etc.) Was mailed Saturday, November 7th, to all County Chairman and State Administrators.
4. First clip sheet mailed Monday, November 9th, to 1700 daily and 9000 weekly newspapers.
5. Four page broadside for local publicity directors. This was condensed and mailed to all County Chairmen and State Administrators as part of publicity kit (No. 3).
6. Exclusive pictures for AP, UP and INS. Victor Keppler has taken the pictures and these are now in production.
7. Western Newspaper Union has contacted the weekly newspapers for us.
8. Payroll Savings material for 1,000 foreign language and 225 Negro papers is being put in the mail this week.
9. Letters to foreign language lodges and letters to Negro lodges are now in preparation.
10. Special articles and fillers for 998 religious publications are to be mailed November 13th.
11. Second, third and fourth clip sheets will be mailed November 28, December 5, and December 12.
12. Articles on labor management cooperation have been completed and are to be included in the clip sheets described above.

COMPANY PUBLICATIONS

A complete set of promotional material for the campaign, including cartoons, suggested features, and an article on the 10% by New Year's theme accompanied by a letter to all industrial editors covering the basic points of the Payroll Savings Plan was mailed over the week-end to 2500 industrial publications.

BUSINESS PUBLICATIONS

1. An article urging all business firms of 100 employees or over to become issuing agents is being mailed Wednesday, November 11th, to 850 business publications.
2. A Payroll Savings ad - "Ten Per Cent Drives Swehl Treasury Honor Roll" - has been mailed to 850 business publications.
3. Suggested editorial will be mailed Wednesday, November 11th, to 850 business publications.

MOTION PICTURES AND SPECIAL EVENTS

1. The Jap Submarine will tour California and Arizona.
2. Assistance will be given the Women's Division in obtaining talent for "Women at War" week.
3. We are distributing the new picture "Bonds at War".
4. Minute Men newsreel subjects will be released through the five newsreels during this time .
5. We are working with the War Activities Committee of the motion picture industry enlisting their cooperation for "Women's War Week" for December 7th and making plans for the month of January.

November 9, 1942

Dear Mr. Bacher:

The Treasury Star Parade book has given me a great deal of pleasure. The scripts are so good that they deserved being put into book form, and I am delighted that you have had the initiative and enthusiasm to do the editing job.

You have been more than generous in your acknowledgments to me, although the credit rightfully belongs to you and to Bill Murray, and to all those who had a direct part in the making of the program. As I wrote in the introduction, I am genuinely proud to think that the Treasury prompted this wonderful series.

Thank you for a fine piece of editing, and also for the inscription on the copy which you so kindly sent me. I congratulate you most heartily on the work that you have done.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William A. Bacher,
c/o William Morris Agency,
1270 Sixth Avenue,
New York, N. Y.

FK/cgk

CC in Diary

Copies to Thompson

November 9, 1942

My dear Mr. Douglas:

Mrs. Roosevelt sent me a memorandum from you, dated May 16, in regard to a number of people, such as Allen Grover, Cornelius Du Bois and Wm. B. Lewis.

Frankly, I don't know what it's all about, but I am sure you do and if you would let me know or drop in to see me, maybe we can do something about it even though the memorandum is months old.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Melvyn Douglas,
Office of Civilian Defense,
Room 919, Dupont Circle Building,
Washington, D. C.

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**THE WHITE HOUSE
WASHINGTON**

October 19, 1942

Mrs. Morgenthau

To give to the Secretary on his
return.

E.R.

300

THE WHITE HOUSE
WASHINGTON

May 20, 1942.

MEMORANDUM FOR MRS. ROOSEVELT:

I suggest you speak to Henry
Morgenthau about this.

F.D.R.

May 16, 1942

TO: Miss Malvina Thompson

FROM: Melvyn Douglas

The following list indicates the type of background of some of the people in key positions:

Allen Grover	Vice President, Time, Inc.
Cornelius Du Bois	Research Director, Time, Inc.
Wm. B. Lewis (In charge of operations)	Vice President CBS, previously advertising copy writer
Douglas Meservy	Ass't to Vice President, NBC, Previously Account Executive various ad agencies
Vaughn Flannery	Vice President, Young & Rubicam Previously N. W. Ayer
Clyde Vandeburg	Publicity Director Packard Motor Co.
Alvin Josephy	Mutual Broadcasting.

The following is the personnel of the Art Council set up by Vaughn Flannery to buy poster art illustrations, etc.:

Chester LaRoche	Head of Advertising Council Vice President, Young and Rubicam
Garrit Lydecker	Young & Rubicam
Ernest Button	Young & Rubicam
Fred A. Zaghi	Young & Rubicam

It is my understanding that Young and Rubicam wrote much of the copy for the American First crowd.

The Art Council works very closely with the Art Directors Guild in New York, which is a tightly closed organization composed of big shot advertising agency illustrators who have little use for anyone outside their ranks, and judging from the tenor of remarks at the poster meeting which I attended the other day, there exists on the part of the graphics coordinators an ill-concealed contempt for people in general. The summation of their advice to those of us who came to listen to the government poster policy was to the effect that everything must be reduced to the lowest possible common denominator.

I am also enclosing an OFF Radio Schedule. You will note the way in which the government message is being sandwiched in between Wheatena ads and Carter's Little Liver Pills. I have grave doubts of this procedure.

O.F.P. 302

Radio Schedule

346-M

PURPOSE OF THIS FOLIO

On the four following pages appear all of the network sponsored and sustaining shows on which Government messages will be delivered during the week April 27 through May 3. Each network's shows are on a separate page.

Next to the name of each show appears the specific Government message which will be carried on that show.

We are sending this folder to all local stations carrying network programs in order that you will know what type of Government message those programs will be delivering during this week. (A new folder will be issued to you every week.)

SUGGESTED PROCEDURE

Turn to the page listing the programs on the network with which you are affiliated.

Note the times of network programs each day which are scheduled to carry Government messages.

Set this schedule alongside your own schedule for these same days and space Government messages on your own programs so as to provide an even distribution of messages throughout the day and to avoid an undue repetition of the same message.

IMPORTANT NOTE

Do not conclude that the types of message being delivered on the Allocation Plan necessarily indicate the types of message you are to deliver locally. This is not the case. The Radio War Guide is the chart you should refer to for the relative importance of the various types of message. We are sending you this network data only to guide you in SPACING your messages.

MESSAGES ASSIGNED ON NETWORK ALLOCATION PLAN

BLUE NETWORK

(All times are EWT)

MONDAY APRIL 27

	<u>PROGRAM</u>	<u>MESSAGE</u>
8:15 am	Pagos of Melody	Automobile Pooling
10:45 am	Chaplain Jim	Salvage
3:00 pm	Sustaining Fill	War Bonds
5:45 pm	Secret City	Automobile Pooling
8:00 pm	I Love a Mystery	War Bonds
10:00 pm	Sustaining Fill	Salvage

TUESDAY APRIL 28

7:00 pm	Easy Aces	Automobile Pooling
9:00 pm	Jury Trials	War Bonds

WEDNESDAY APRIL 29

11:00 am	Second Husband	War Bonds
4:00 pm	Street Singer	Salvage
8:00 pm	Quiz Kids	Automobile Pooling
9:30 pm	Calloway Quiz	War Bonds

THURSDAY APRIL 30

11:45 am	Just Plain Bill	Automobile Pooling
6:45 pm	Lowell Thomas	War Bonds
7:15 pm	Mr. Keene	Salvage

FRIDAY MAY 1

9:45 am	Breakfast Club	Automobile Pooling
11:15 am	Amanda of Honocmoon Hill	War Bonds
8:00 pm	Sustaining Fill	Automobile Pooling
10:00 pm	Elsa Maxwell	War Bonds

SATURDAY MAY 2

2:00 pm	Sustaining Fill	Automobile Pooling
8:00 pm	Green Hornet	Salvage
9:30 pm	Rochester Orch.	Automobile Pooling

SUNDAY MAY 3

10:00 am	Musical Millwheel	Salvage
4:30 pm	Behind the Mike	Automobile Pooling
5:00 pm	Moylan Sisters	War Bonds
8:30 pm	Inner Sanctum-Those Good Old Days	Salvage
9:45 pm	Sustaining Fill	Automobile Pooling

MESSAGES ASSIGNED ON NETWORK ALLOCATION PLAN

COLUMBIA BROADCASTING SYSTEM

(All times are EWT)

MONDAY APRIL 27

	<u>PROGRAM</u>	<u>MESSAGE</u>
11:15 am	Sustaining Fill	Automobile Pooling
12:30 pm	Helen Trent	War Bonds
3:30 pm	Sustaining Fill	Salvage
7:30 pm	Blondie	Salvage

TUESDAY APRIL 28

	<u>PROGRAM</u>	<u>MESSAGE</u>
10:30 am	Stepmother	War Bonds
1:00 pm	Life Can Be Beautiful	Automobile Pooling
3:00 pm	David Harum	Salvage
6:30 pm	Sustaining Fill	Salvage
8:00 pm	Missing Heirs	War Bonds
10:00 pm	Sustaining Fill	Automobile Pooling

WEDNESDAY APRIL 29

	<u>PROGRAM</u>	<u>MESSAGE</u>
12:15 pm	Big Sister	Salvage
5:45 pm	Scattergood Baines	Automobile Pooling
6:15 pm	Hedda Hopper	War Bonds
9:30 pm	Ranson Sherman	Salvage

THURSDAY APRIL 30

	<u>PROGRAM</u>	<u>MESSAGE</u>
12:45 pm	Our Gal Sunday	War Bonds
1:30 pm	Vic and Sade	Automobile Pooling
4:45 pm	Sing Along	Salvage
7:30 pm	Maudie's Diary	War Bonds
10:15 pm	First Line	Automobile Pooling

FRIDAY MAY 1

	<u>PROGRAM</u>	<u>MESSAGE</u>
9:15 am	American School	War Bonds
11:30 am	Bright Horizon	Salvage
2:15 pm	Joyce Jordan	Automobile Pooling
5:30 pm	Sustaining Fill	Salvage
6:45 pm	The World Today	Automobile Pooling
7:30 pm	How'm I Doing	War Bonds
10:00 pm	Glenn Miller	Salvage

SATURDAY MAY 2

	<u>PROGRAM</u>	<u>MESSAGE</u>
9:30 am	Garden Gate	Automobile Pooling
1:00 pm	Buffalo Presents	Salvage
4:00 pm	Meadowbrook Cnty Club	War Bonds
6:00 pm	Frazier Hunt	War Bonds
8:30 pm	Hobby Lobby	Salvage

SUNDAY MAY 3

	<u>PROGRAM</u>	<u>MESSAGE</u>
2:00 pm	Sustaining Fill	Automobile Pooling
8:30 pm	Crime Doctor	Automobile Pooling

MESSAGES ASSIGNED ON NETWORK ALLOCATION PLAN

MUTUAL BROADCASTING SYSTEM

(All times are EWT)

MONDAY APRIL 27

	<u>PROGRAM</u>	<u>MESSAGE</u>
10:30 pm	Music That Endures	Automobile Pooling

TUESDAY APRIL 28

12:30 pm	Marine Band	War Bonds
5:45 pm	Captain Midnight	Salvage

WEDNESDAY APRIL 29

10:30 am	Singing Strings	Salvage
1:15 pm	I'll Find My Way	War Bonds
8:30 pm	Boy, Girl & Band	Salvage

THURSDAY APRIL 30

5:30 pm	Jack Armstrong	Salvage
7:30 pm	Confidentially Yours	War Bonds
10:00 pm	Raymond Gram Swing	Salvage

FRIDAY MAY 1

10:45 am	Cheer Up Gang	Salvage
2:30 pm	Phila. Orchestra	War Bonds

SATURDAY MAY 2

11:30 am	Army Band	War Bonds
2:30 pm	Art Jarrott	Salvage
6:00 pm	Anchors Aweigh	Automobile Pooling
9:30 pm	Spotlight Bands	War Bonds

SUNDAY MAY 3

1:15 pm	Sustaining Fill	Salvage
2:30 pm	Fort Dix	War Bonds
5:00 pm	America Singing	Automobile Pooling
7:30 pm	Nobody's Children	Salvage

MESSAGES ASSIGNED ON NETWORK ALLOCATION PLAN

NATIONAL BROADCASTING COMPANY

(All times are E.W.T.)

MONDAY APRIL 27

	<u>PROGRAM</u>	<u>MESSAGE</u>
10:00 am	Boss Johnson	War Bonds
12:15 pm	Words & Music	Salvage
2:00 pm	Light of the World	Automobile Pooling
4:00 pm	Backstage Wife	Salvage
6:00 pm	Music by Shrodnik	War Bonds
8:30 pm	Firestone	Automobile Pooling

TUESDAY APRIL 28

8:30 am	Do You Remember	War Bonds
11:45 am	David Harum	Salvage
1:30 pm	Music for Everybody	Automobile Pooling
2:30 pm	Guiding Light	War Bonds
7:30 pm	Burns and Allen	Salvage
7:45 pm	H. V Kaltenborn	Salvage

WEDNESDAY APRIL 29

9:00 am	Happy Jack	War Bonds
10:45 am	Mary Marlin	Automobile Pooling
2:45 pm	Hymns of All Churches	Salvage
4:45 pm	Young Widder Brown	War Bonds
7:30 pm	Caribbean Nights	Automobile Pooling
8:30 pm	Dog House	War Bonds

THURSDAY APRIL 30

9:15 am	Hank Lawson	Automobile Pooling
11:15 am	Vic and Sade	Salvage
2:15 pm	A.Grimm's Daughter	War Bonds
6:00 pm	Indiana Indigo	War Bonds
8:30 pm	Aldrich Family	Automobile Pooling

FRIDAY MAY 1

12:30 pm	Deep River Boys	War Bonds
4:15 pm	Stella Dallas	War Bonds
6:00 pm	Strictly From Dixie	War Bonds
7:00 pm	Fred Waring	Salvage
9:00 pm	Waltz Time	War Bonds
10:30 pm	Night of (date)	Automobile Pooling

SATURDAY MAY 2

8:30 am	Dick Liebort	Salvage
10:30 am	Wife Saver	War Bonds
12:30 pm	Ilka Chase	Automobile Pooling
3:30 pm	Campus Capers	War Bonds
4:45 pm	Air Youth of America	Salvage
8:00 pm	Abie's Irish Rose	War Bonds
10:00 pm	Bill Stern	Automobile Pooling

SUNDAY MAY 3

8:00 am	Charles Courbon	War Bonds
11:00 am	Rhapsody of Rockies	Automobile Pooling

546-M
NATIONAL BROADCASTING COMPANY, (Continued)SUNDAY MAY 3

12:30 pm	Emma Oturo	War Bonds
5:30 pm	Sustaining Fill	Salvage
7:00 pm	Jack Benny	War Bonds
9:00 pm	Merry Go Round	Salvage
10:00 pm	Hour of Charm	Automobile Pooling

30

RETURN TO MRS. ROOSEVELT
(THE PRESIDENT HAS SEEN)

May 19, 1942

30

FOR THE PRESIDENT

✓

C
O
P
Y

5-19-42

310

About six of our member schools have asked me, should I see you, to see if there is any way by means of which certain fatal policies of Germany during World Debaacle No. 1 can be brought with their significance before some of our Army heads. About August, in 1924, I was cycling around the Rhine country and met the assistant to the head of a German private school in Heidelberg. He told me how German youth had been almost, if not quite, incurably ruined by the almost complete drafting of almost all men from the teaching and leadership, and care, of German youth in schools.

They went completely wild, he said, in everything from manners to morals! That may have been one of the contributing causes behind some of the worst manifestations in present-day Germany. And now we are doing the same thing. Wherever I go it is the same story - the essential teachers are being taken from our schools in ghastly numbers, from our best independent schools - our Exeters, Andovers, Pomfrets and so on, to the great mass of our public schools.

Who can take their place? Incompetent and semi-invalid men, inexperienced women and worse. We need good men in the armed forces of course - and I am filled with regret that I can not go again! But there is no need to committee a kind of national suicide! Perhaps even these men can be taken into the army, and sent back on National Service to their duties in the schools!

While we must not let ourselves be overwhelmed by the Present, we must not allow ourselves to degrade our Future. Germany may be very helpful in showing us many things that it is well to avoid!

Hoping to have the pleasure of seeing you again, I am,

Yours truly,

Mrs. Franklin D. Roosevelt
Washington, D. C.

/s/ Charles K. Taylor
Citizenship & Public Service Training
Vocational Research Bureau
Carmel, New York

COPIED AS WRITTEN

HY

Nov. 9, 1942.

Commander Stephens:

311

The attached table really doesn't reflect all the sales which have been made during this month for this reason: Recently we asked all issuing agents, thru the Federal Reserve banks, to report all their sales, not previously reported, on the final day of the month so the books could be closed at the end of the month. A good many of these issuing agents haven't made another report yet this month, but reports should be coming in within the next week and by the time you receive next week's report of sales most of them will have reported and we will have a truer picture of the sales. (The issuing agents aren't required to report to the Fed. banks daily, but report once a week or so.)

E. Kailey

312
Sales of United States savings bonds
November 1 through November 7, 1942
Compared with sales quota for same period
(At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total			
	Actual sales		Quota	Sales	Actual sales		Quota	Sales	Actual sales		Quota	Sales
	Daily	Nov. 1 to date	Nov. 1 to date	to date as % of quota	Daily	Nov. 1 to date	Nov. 1 to date	to date as % of quota	Daily	Nov. 1 to date	Nov. 1 to date	to date as % of quota
Nov. 2	\$ 5.2	\$ 5.2			\$.3	\$.3			\$ 5.5	\$ 5.5		
3	4.1	9.3			.8	1.1			4.9	10.4		
4	11.2	20.5			6.7	7.8			17.9	28.3		
5	10.8	31.3			6.9	14.7			17.7	46.0		
6	21.8	53.1	\$ 57.0	93.2%	16.7	31.4	\$ 25.2	124.6%	38.5	84.5	\$ 82.2	102.8%
7	9.3	62.3	80.7	77.2	2.6	34.0	31.4	108.3	11.9	96.4	112.1	86.0
9			121.1				43.6				164.7	
10			141.9				50.1				192.0	
11			159.4				59.2				218.6	
12			188.5				68.2				256.7	
13			212.6				75.8				288.4	
14			226.4				78.6				305.0	
16			262.4				87.5				349.9	
17			276.0				90.6				366.6	
18			293.8				98.3				392.1	
19			324.4				106.9				431.3	
20			350.7				114.9				465.6	
21			365.9				118.1				484.0	
23			406.5				129.8				536.3	
24			421.8				134.3				556.1	
25			441.9				146.1				588.0	
26			476.8				160.0				636.8	
27			507.9				174.0				681.9	
28			541.0				189.0				730.0	
30			595.0				205.0				800.0	

November 9, 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.

UNITED STATES SAVINGS BONDS - SERIES E

Comparison of November sales to date with sales during the same number of business days in October and September 1942

(At issue price in thousands of dollars)

Date	November daily sales	Cumulative sales by business days				November as percent of October
		November	October	September	November as percent of October	
November 1942						
2	\$ 5,164	\$ 5,164	\$ 32,412	\$ 11,634		15.9%
3	4,108	9,272	64,438	26,381		14.4
4	11,188	20,460	82,038	44,687		24.9
5	10,849	31,309	119,278	62,491		26.2
6	21,767	53,076	129,977	81,657		40.8
7	9,250	62,326	150,912	131,057		41.3

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

November 9, 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 November sales to date with sales during the same number of business days in October and September 1942

(At issue price in thousands of dollars)

Date	November daily sales	Cumulative sales by business days				November as percent of October
		November	October	September	November as percent of October	
November 1942						
2	\$ 303	\$ 303	\$27,514	\$ 7,528	1.1%	
3	812	1,115	39,844	17,339	2.8	
4	6,731	7,846	45,870	26,735	17.1	
5	6,874	14,720	63,974	37,414	23.0	
6	16,705	31,425	67,978	48,127	46.2	
7	2,605	34,030	75,575	66,678	45.0	

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

November 9, 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 November sales to date with sales during the same number of business days in October and September 1942

(At issue price in thousands of dollars)

Date	November daily sales	Cumulative sales by business days			November as percent of October
		November	October	September	
November 1942					
2	\$ 5,467	\$ 5,467	\$ 59,926	\$ 19,162	9.14
3	4,920	10,387	104,282	43,720	10.0
4	17,919	28,306	127,909	71,422	22.1
5	17,723	46,029	183,252	99,904	25.1
6	38,472	84,501	197,955	129,784	42.7
7	11,855	96,356	226,487	197,734	42.5

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

November 9, 1942.

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

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE November 9, 1942

TO Secretary Morgenthau

FROM Mr. Thompson

Selective Service and Civil Service have recommended to the departments that draft boards be furnished with the names of 3-A (married men with dependents) employees occupying positions on the approved key lists, following which the draft boards presumably would place such men in class 3-B (married men with dependents and key position occupation). The order of call under the draft then would be 1-A, 3-A, 3-B. Thus, the effect of the proposed action would be to delay the call of married men occupying key positions.

I think it would be appropriate to advise the draft boards as recommended. Mr. Paul has recommended that such action be taken with respect to lawyers in his organization, but any such action, of course, should apply to the whole department.

Thompson



GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

Secretary of the Treasury
General Counsel

As you are aware, the Legal Division, as well as the other offices in the Department, submitted a list of key positions in accordance with the War Manpower Commission Directive No. XI of September 24, 1942, 7 Fed. Reg. 7649. Those key positions were certified to the Civil Service Commission as positions directly concerned with the war effort or essential supporting activities, the adequate performance of the duties of which requires special skills or abilities and long training or experience. The list of persons furnished from the Legal Division was approved by the Chairman of the War Manpower Commission.

In view of the regulations of the Selective Service Administration with respect to classification (particularly 622.31-1), it is clear that the fact that a man, who is classified as 3A, occupies one of such

- 2 -

certified key positions is a fact which his local board would necessarily have to consider in determining whether such a registrant should be reclassified as 3B. Very recently, the Selective Service Administrator has instructed the state selective service administrations to have the local draft boards immediately review the 3A registrations to determine which should be reclassified as 3B.

Accordingly, I call your attention to section 626.1(b) of the Selective Service Regulations, which provides:

"Each classified registrant shall, within 10 days after it occurs, and any other person should, within 10 days after knowledge thereof, report to the local board in writing any fact that might result in such registrant being placed in a different classification."

It is my opinion that those persons on my staff who are classified as 3A and who are aware that the positions which they occupy are certified key positions are mandatorily required to notify their local boards thereof. Failure so to do subjects them to severe criminal penalties of fine and imprisonment.

- 3 -

It is, therefore, my view that the Legal Division should comply with the expressed desire of the Selective Service Administration, as set forth in the above-quoted regulation, and should immediately notify the various local boards of those persons in the Legal Division who are classified as 3A and who occupy certified key positions. The notification would not, of course, be a request for deferment, but merely a statement of the fact that the registrant occupies a certified key position. Such procedure would be in accordance with the suggestion made to this Division by Mr. Barnett, Chairman, Committee on Occupational Deferment, Civil Service Commission.

If you have no objections to the procedure outlined above, will you indicate your approval below.

Handwritten signature
General Counsel.

Approved: *The Secretary told me today to use my own judgment on this matter and we will therefore proceed to carry out the*
Henry Morgenthau, Jr.
Secretary of the Treasury.

for W.S.

recommendation applying it to the whole department
for

11/11/42

TO:

The Secretary

320

Jack Gibba has written me asking for help in finding a job. I am wondering if we couldn't use him here to good advantage. He has been acting commissioner since Sept. 15, when Osborn took leave to go with Donovan's outfit.

gan

MSB

FROM: MR. GASTON

TO:

Miss Chauncey

11/9/42

0857

On presentation, Hngf. advised that Gaston take this up personally

1145

Mr. Gaston said he had cleared this with Hngf.

I.Q.

From: Mr. Fitzgerald

THE WHITE HOUSE
WASHINGTON

November 9, 1942

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

The President has adopted your suggestion with respect to the waiver by Charles H. Tompkins of certain fees payable to him under his contracts for the construction of the new East Wing of The White House.

General Fleming has been requested to take whatever steps are necessary to modify the contracts in order to effectuate this waiver and has been asked to clear with you before final action is taken.

Edumilwaton
Sec. to the President

THE WHITE HOUSE
WASHINGTON

322

November 5, 1942

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

This is the letter about which I have just spoken to you on the telephone. The President has indicated his approval of the proposed action, provided it is approved by the Treasury Department, and that he has the authority to do so.

With the return of Mr. Tompkins' letter, will you not be good enough to let General Watson have the draft of an appropriate reply, if, in the opinion of the Department, the action should be approved by the President.



RUDOLPH FORSTER
Executive Clerk

CHAS. H. TOMPKINS CO.
CONSTRUCTING ENGINEERS
807 SIXTEENTH STREET N. W.
WASHINGTON

November 3, 1942

My dear General:

I received your note telling me that the President will lay the cornerstone of the new East Wing of the White House on Thursday, November fifth, at two P.M. and that he hopes very much that my assistants, Mr. L. E. Berkey and Mr. William B. Clemmer, and I can be present. We will, of course, consider it an honor and a privilege to be present and I will appreciate your conveying to the President our acceptance of his invitation.

In connection with the part that my organization has had in all of the work performed at the White House since last December, I have thought from the first that with our country at war I would prefer to feel that on this job, which should contribute to the safety and welfare of our President, we were performing the work without fee or profit. The occasion of the laying of the cornerstone has crystallized that idea. I will, therefore, appreciate your conveying to the President my desire to waive the fixed fees that our two contracts call for in amount of \$42,500 plus other possible fees not yet determined for additional work which we have performed including that in the White House proper.

With the President's indication of his approval of this action, I will take steps to have effected this change in our contract with the Federal Works Agency.

Very sincerely yours,

Chas. H. Tompkins

Major General Edwin M. Watson,
Secretary to the President,
The White House.

NOV 6 - 1942

MEMORANDUM FOR GENERAL WATSON

Attached is a suggested reply to Mr. Tompkins who has expressed a desire to waive his contract fees in connection with the new East Wing of The White House.

I see no reason why waiver of the fees should not be accepted. The matter of modifying the contracts in order to give effect to the waiver has been informally cleared with the Director of Public Buildings and the General Counsel of the Federal Works Administration, and there should be no difficulty in this respect.

(Signed) H. Morgenthau, Jr.

NOT:t
11-5-42

Mr. Charles H. Tompkins
Chas. H. Tompkins Co.
907 Sixteenth Street N. W.
Washington, D. C.

Dear Mr. Tompkins:

General Watson has advised me of the desire expressed in your letter of November 3, 1942, to waive, for patriotic reasons, the fees called for in your contracts for the new East Wing of The White House in the amount of \$42,500 plus other possible fees not yet determined.

I want you to know that this patriotic desire on your part is deeply appreciated. Please accept my very sincere thanks.

The Federal Works Administrator has been directed to work out with you whatever details may be necessary to effectuate the waiver.

Very sincerely yours,

NOT:t
11-5-42

Dear General Fleming:

The President has requested us to forward to you the enclosed copies of correspondence with Mr. Charles H. Tompkins with reference to a waiver of certain fees called for in the contracts for the new East Wing of The White House.

Will you please take whatever steps are necessary to modify the contracts in order to give effect to the waiver. It might be well to clear the proposed changes in the contracts with the Secretary of the Treasury before they are finally made.

Very sincerely,

Edwin M. Watson
Secretary to the President

Brigadier General Philip B. Fleming
Federal Works Administrator
Washington, D. C.

NOT:t
11-5-42

11/9/42

327

The material, photostats of which are attached, were returned to Mr. Forrestal by with just a slip "From Secretary Clegg".

October 13, 1942

My dear Mr. Forrestal:

In the absence of the Secretary, I am acknowledging receipt of your memorandum to him, dated October 11th, and attached correspondence relating to the Newburgh project.

I shall bring this material to Mr. Morgenthau's attention just as soon as he returns to the office.

Yours sincerely,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable James F. Forrestal,
Under Secretary of the Navy,
Navy Department,
Washington, D. C.

NAVY DEPARTMENT
OFFICE OF THE UNDER SECRETARY

Date 11 OCT 1942

The Under Secretary

To:
The Secretary of the Navy.....
The Under Secretary of War.....
The Assistant Secretary of the Navy.....
The Assistant Secretary of the Navy for Air.....
Baker, Dr. J. W.....
Belcher, Mr. D.....
Bandy, W. H. P., Rear Admiral.....
Bimar, Mr. C. F.....
Berstadt, Mr. P.....
Bliss, Mr. P.....
Briegleb, J. E., Capt.....
Broedel, Mr. H. S.....
Brose, P. J., Vice Admiral.....
Brooks, R., Rear Admiral.....
Clegg, E. J., Admiral.....
Coffey, L. P., Captain.....
McCain, J. S., Rear Admiral.....
Covey, B., Rear Admiral.....
Crawford, F. D., Lt. Comdr., U. S. N. R.....
Crawford, Mr. J. W.....
Crawford, S. M., Vice Admiral.....
Crawford, Mr. A.....
Crawford, L., Comdr., U. S. N. R.....
Crawford, H. C., Rear Admiral.....
Crawford, A. H., Rear Admiral.....
Crawford, W. B., Rear Admiral.....
Crawford, C. H., Rear Admiral.....
Crawford, W. B., Rear Admiral.....
Morganthau

For information.....
For comment or recommendation.....
For preparation of reply.....
For appropriate action.....
Please send me data for reply.....
Please see me in regard to this.....
Please return.....
File.....

BUREAU OF YARDS AND DOCKS

MEMORANDUM
FROM CHIEF OF BUREAU

10 October 1942

To: MR. FORRESTAL.

Subject: Ltr. from Captain W. H. Smith,
New York City, dated 9 October -
attached.

This is re Mr. Cullen's complaint
about favoring Republicans.

Please return.

UNDER SECRETARY HAS SEEN

B. Moreell

IN REPLY ADDRESS
AS SUPERINTENDING CIVIL ENGINEER
AND REFER TO NO.

TEL. MURRAY HILL 3-7836

NAVY DEPARTMENT

BUREAU OF YARDS AND DOCKS

OFFICE OF SUPERINTENDING CIVIL ENGINEER

ROOM 2801-420 LEXINGTON AVENUE, NEW YORK, N. Y.

October 9, 1942.

Dear Chief:

I have investigated carefully the political situation at the Chicago Bridge & Iron Company's project for floating dry docks at Newburgh, N.Y., and feel absolutely satisfied that the company has not allowed the local political situation to influence employment on this project but that on the contrary a special effort has been made to avoid any complications of this nature.

The company itself appears to be completely disinterested and practically all its key personnel has been imported from other localities. The Office Manager, the Employment Manager, the Chief of the Guards, and the Superintendent are all nonresidents.

Congressman Fish visited the yard shortly after my previous visit to Newburgh to investigate Cullen's complaint that the Republicans were controlling employment but it was emphatically stated that he made no effort to secure favorable consideration for his followers and limited his inquiry only to the question of the extent to which residents of Newburgh were being considered for employment. He has written two or three letters requesting favorable consideration for specific individuals, - such applicants have been handled through the usual employment routine and accepted or rejected solely on merit.

Cullen has likewise requested consideration of certain individuals in whom he was interested, and they have likewise been passed through the standard employment procedure. One employment clerk was

#2.

October 9, 1942.

discharged shortly after the start of the project because he showed a tendency toward partiality based more on personal friendship and good fellowship than on political considerations. The action taken by the Resident Officer-in-Charge and by the contractors on communications from Congressman Fish or from other political leaders was reviewed in detail and appears to me to have been eminently correct in all respects.

Sincerely,

Bill

W.H. SMITH.

Admiral B. Moreell (CEC) USN,
Bureau of Yards and Docks,
Navy Department,
Washington, D.C.

Murray, James E.

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NOV 9 1942

My dear Senator:

Further reference is made to your letter of October 2, 1942, requesting detailed information on the relationship between the Treasury Department and the problems of small business created by the war, for use by your committee in connection with your study of these problems.

It would seem to me that within the province of the functions of this Department there are two matters affecting small business which are likely to be of interest to your committee. These matters are (1) the problems of small business as they relate to the formulation of recommendations for tax policy or to the administration of the revenue acts, and (2) the problems of small business as they relate to the formulation and administration of procurement policies.

The first of these matters -- the problems of small business as they relate to the formulation of recommendations for tax policy or to the administration of the revenue acts -- was the subject of a letter sent to you on October 26, 1942, by Mr. Randolph Paul, General Counsel of the Treasury Department.

The second matter mentioned above -- the problems of small business as they relate to the formulation and administration of procurement policies -- has been the subject of considerable attention in the Treasury. Some time ago I directed the Treasury's Procurement Division to "spread the business" as much as possible to help the war effort. In order to effectuate the policy set forth, the Division created a special section on January 24, 1942, headed by a special assistant to the Director of Procurement. No iron-clad formula of business spreading has been established, but all transactions are handled by procurement officers who are thoroughly familiar with the broad policy that has been set down.

LD notes

11-12-42 - M.E.

- 2 -

This policy, your committee will undoubtedly recall, was subsequently affirmed by the War Production Board in its Directive Number 2 issued March 7, 1942, covering the placing of supply contracts. The relevant portion of that directive is underlined in the quotation that is set forth below:

"(b) (1) In placing such contracts, particular regard shall be paid to the following considerations:

"(i) Primary emphasis shall be upon securing delivery in the time required by the war program.

"(ii) In so far as it will effectuate the policy set forth in subparagraph (i) above, such contracts shall be placed so as to conserve, for the more difficult war production problems, the facilities of concerns best able, by reason of engineering, managerial, and physical resources, to handle them. Accordingly, contracts for standard or other items which involve relatively simple production problems shall be placed with concerns, normally the smaller ones, which are less able to handle the more difficult war production problems."

There are a great many specific examples of awards in keeping with the spread-the-business policy which could be cited to your committee; but I shall confine the illustrations to a few instances which are typical.

The first example which I have in mind concerns the purchase of office desks and files. The contracts for 110,000 desks, simplified models of which were designed by the procurement Division to conserve materials and to serve for the duration of the war, have been let during the past 6 months. The contracts have been spread so that 25 small manufacturers have been enabled to participate in the order. During the same period contracts have been let for 60,000 wooden file cabinets. These orders have been spread over 11 manufacturers, none of whom were included in the groups that were awarded the desk contracts.

The situation with respect to the acquisition of motor vehicles, the purchase of which has been handled by Treasury Procurement since December 30, 1941, for all the Executive Departments and individual establishments of the Government, except the War Department, Navy Department and Maritime Commission, is also a case in point. Procurement officers have been instructed to make every attempt to place the contracts for the motor vehicles

- 3 -

that are purchased with automobile dealers in the very localities in which the vehicles are to be used. The business is thus spread around and falls primarily to small business firms.

Procurement problems vary, of course, from item to item. On a number of occasions, on various items to be procured, large requirements have been divided equally at uniform contract prices among all the sources of supply, both large and small, whose offering met the purchase specifications. Other awards of unequal quantities have been made after considering productive capacities of the various suppliers. Sometimes awards have been made on a zone basis in order to obtain production from within certain territorial limits.

In carrying out the procurement activities outlined above, the Procurement Division has relied primarily on Executive Orders of the President and Directives of the Chairman of the War Production Board for authority and guidance. It appears to me that these have been of sufficient scope and flexibility to enable the Procurement Division to take account wherever possible of the problems of small business.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable James E. Murray,
United States Senate,
Washington, D. C.

*- Ticket
H+L*

SGT:APLT/lrv

10/29/42

T. L. MURPHY

*1 copy to H. J. Cullen
(from Ticketing office)
to refer to Sec. of P. C.
7/11/42*

United States Senate

Special Committee to Study Problems of
American Small Business

40197

Oct. 2, 1942.

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

My dear Mr. Morgenthau:

The Special Committee on Small Business of the United States Senate is currently engaged in an extensive series of hearings on the small business problems created by the war, as well as those that will eventually arise in the post-war period. One of the purposes of these hearings is to determine how to avoid the infliction of undue or unnecessary hardships on smaller concerns. Another purpose is to provide constructive legislation that will guide Government agencies in their activities with regard to smaller concerns.

In order to achieve these purposes, the Committee needs detailed information on the relationship between your agency and the small business problem. This is especially necessary in view of the fact that this Committee has been receiving continuous and unabated complaints that small business does not have adequate representation in the administrative agencies and that many of these agencies, through lack of understanding or arbitrary action, seem to overlook the fact that the future of free enterprise in America is based upon the maintenance of small business enterprise. We have received even stronger complaints that some Federal agencies fail to realize that the resources, man-power and brain-power of small enterprise is essential to the effective prosecution of the war.

To provide the Committee with essential information and to help offset any unfounded criticisms leveled at the various agencies of the Government, we should therefore appreciate your sending the Committee within the next two weeks a full statement covering the following points:

1. What is your conception of your agency's responsibilities with regard to the problems of small enterprises during the war and in the post war period.
2. What special studies has your agency undertaken, or is planning to undertake, on the problems of small business?

- 2 -

3. Has any special division, section or unit been established in your agency to handle the problems of small business? If so, what are its achievements to date and what are its future plans? If not, is your agency contemplating the establishment of any special set-up to handle the problems of small business?
4. Do you regard new legislation or new delegation of executive power as necessary to the improvement or extension of your agency's activities with regard to small business?

This Committee realizes the desire of the various agencies to cooperate with us and with small business in general. Only by working together harmoniously will we be able fully to meet our responsibilities for mobilizing our resources for the war and protecting our American system from any disastrous consequences of the war.

Sincerely yours,


Chairman.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE **NOV 9 - 1942**

TO Secretary Morgenthau

FROM Randolph Paul

You will be interested in seeing the retraction by TIME of their erroneous account of the Treasury's proposal for collection of income tax at source which account was published in their issue of September 14, 1942.

RSP

Attachment

TIME, November 2, 1942

Less Trouble

Sirs:

The tax story entitled "Double Trouble," published in TIME, Sept. 14, contained serious misstatements regarding the Treasury's proposal for the collection of income tax at source.

Your statement that the Bureau of Internal Revenue will require 50,000 additional business machines to administer collection-at-source is

incorrect. Commissioner Helvering estimates that the Bureau would require less than 3,000 machines. The figure of 50,000 business machines included not only the estimated governmental requirements but also a liberal estimate of the machines which industry would require, based on what business men said they would need.

You say "The Government doesn't worry about what private employers will do." The truth is that before its plan for collection-at-source was finally formulated, the Treasury made an exhaustive survey by personal interview of more than 450 employers whose payrolls included almost 2½ million employes. . . . Only a negligible number expressed any serious concern about the problems that would be raised by the introduction of collection-at-source. Moreover, the Treasury put forth its revised plan only after it had the assurances of WPB that the machines necessary to both Government and business would be available.

Collection-at-source is of vital importance to many millions of taxpayers. I hope your misstatements will be corrected by a forthright retraction in the earliest possible issue of TIME.

RANDOLPH E. PAUL
General Counsel

Treasury Department
Washington, D.C.

► To the Treasury's Randolph Everghim Paul, TIME's thanks for a correction of a misstatement originating in faulty press reporting.—Ed.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE November 9, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending November 7, 1942.

Summary

(1) National income payments in September rose to a record high annual rate of \$116.2 billions as compared with \$115.3 billions (revised) in the previous month and \$92.1 billions in the calendar year 1941. In the first 9 months of 1942, payments for salaries and wages were 25 percent higher than in the corresponding period of 1941.

(2) Cash farm income from marketings showed a slightly greater than seasonal gain in September, and total income (including Government payments) ran 32 percent above September 1941. During the first 9 months of 1942, cash income from farm marketings totaled \$10.1 billions, or 36 percent more than in the same period a year ago. In addition Government payments rose to \$511 millions from \$391 millions in the earlier period.

(3) Department store sales continue to run well above year-earlier levels, although the gain narrowed to 14 percent in the week ended October 31 from 18 percent in the previous week. The FRB seasonally-adjusted index of department store sales for October rose to 129 from 123 in the previous month. An unusually early start in Christmas shopping this year has been a contributing factor in the recent strong sales showing.

(4) Prices for agricultural commodities, particularly cotton and grains, strengthened last week, and the BLS index of 28 basic commodities rose to a new war-time high. The rise in prices was apparently due in part to a bullish interpretation of the election returns, which indicated a strengthening of farm bloc influence.

(5) A substantial further rise in living costs is indicated by an increase of 2.4 percent in the BLS retail food price index in October.

(6) Industrial stock prices in London last week rose to a new high for the entire war period under the influence of favorable war news from North Africa. Toward the end of the week industrial stock prices at New York also advanced and reached the highest level since last November.

- - - -

National income payments at new peak

National income payments rose more than seasonally in September and attained a record annual rate of \$116.2 billions, as compared with \$115.3 billions (revised) in the previous month. (See Chart 1.) Income payments in September were 11 percent higher than in August, but the bulk of the rise was due to normal seasonal expansion in farm marketings and interest and dividend payments. The annual rate of \$116.2 billions attained in September contrasts sharply with \$92.1 billions in 1941 and only \$70.9 in 1939.

In the first 9 months of 1942, all kinds of income payments to individuals increased except interest and dividends. The most notable gain occurred in payments of salaries and wages, which were 25 percent larger than in the corresponding period of 1941. The increased importance of salaries and wages since the war started is evidenced by the fact that salaries and wages comprised 70 percent of total income payments in the first 9 months of 1942, as compared with only 65 percent in the same period in 1939. On the other hand, interest and dividend payments dropped from 12 percent of the total in 1939 to 8 percent in 1942.

In connection with the extended rise in payments of salaries and wages, it has been pointed out that the recent controls imposed by the Director of Economic Stabilization will slow down, but by no means halt further gains. The stabilization regulations are aimed primarily at basic wage and salary rates. However, an OPA study is reported to have found that only 26 percent of the rise in salary and wage payments during the period from January 1941 to May 1942 was due to higher basic wage and salary rates. In contrast, higher employment accounted for 33 percent of the rise, while longer hours worked and the shifting to higher paid brackets accounted for 22 percent and 19 percent, respectively.

The further gain in national income payments in September was partially offset by another moderate rise in living costs. However, living costs rose less rapidly than income so that the estimated purchasing power of income payments during the month also rose to new record high levels. (Refer to Chart 1.)

Farm income rose more than seasonally in September

Largely in reflection of greater than usual expansion in income from cotton, tobacco and wheat, cash farm income (including Government payments) showed a slightly greater than seasonal rise in September and ran 32 percent above year-earlier

- 3 -

levels. (See Chart 2.) Due to delays in marketing, the income from the wheat crop reached a peak in September this year instead of a month or two earlier. Cotton also has been moving later than usual, but income from this source expanded sharply as a result of the larger crop and higher prices.

During the first 9 months of 1942, cash income from farm marketings totaled over \$10.1 billions, or 36 percent above the same period in 1941. All groups of farm products participated in the rise, with the widest gain occurring in income from meat animals, which climbed 51 percent. Government payments totaling \$511 millions compare with \$391 millions in the same period of the previous year.

The upswing in farm income during September was accompanied by a greater than seasonal rise in rural sales of general merchandise. After falling 6 percent below 1941 levels in August, sales spurted sharply in September and rose 17 percent above the corresponding month of last year. (Refer to Chart 2.)

During October, sales of Sears, Roebuck and Company rose above year-earlier levels for the first time since last April. However, the company attributed the slight gain of 2 percent to the fact that October this year had 5 Saturdays as compared with 4 last year. Montgomery Ward and Company sales in October ran 12 percent above the 1941 level, as compared with a gain of only 3 percent in September.

Department store sales rose in October

Department store sales rose moderately in the week ended October 31, although the gain over the corresponding week in 1941 narrowed to 14 percent from 18 percent in the previous week. (See Chart 3.) Total sales volume for October reached the highest monthly total since last December, and the FRB adjusted index of department store sales rose to 129 from 123 in the previous month. The adjusted index, however, was still 1 point below August and 9 points below the record peak reached last January. In addition to scarce buying of items expected to be in short supply, retail trade also has been stimulated in recent weeks by an unusually early start in Christmas shopping. The deadline already has been passed for the shipment of Christmas packages overseas to men in the armed forces, and stores are now stressing early buying of other gifts to conserve delivery services. Consequently, the usual Christmas buying this year undoubtedly will extend over a longer period than in the past.

Commodity prices renew rise

Recent sagging trends in staple commodity markets were replaced by strong upturns last week as the elections were bullishly interpreted for agricultural prices, owing to indicated strengthening of farm bloc influence. Both the Dow-Jones commodity futures index and Moody's index of spot prices rose noticeably above their closing levels of the previous week. (See Chart 4.)

Prices of agricultural commodities last week advanced sharply, carrying the BLS index of 28 basic commodities to a new wartime high. (See Chart 5.) The index of 9 uncontrolled commodities moved up to its previous peak of October 2, the date of passage of the second price control act.

Substantial advances occurred in cotton prices, which were the highest since mid-July. In spite of the large crop, prices on the better grades have risen to wide premiums, as a considerable portion of the crop is low grade. Grain prices advanced strongly, particularly for corn. Prices for steers rose for the fifth consecutive week, and since September 18 have increased 12 percent. Of the commodities subject to control, prices for wool tops and cottonseed oil rose slightly.

In the last week of October the BLS wholesale price index of nearly 900 commodities stood unchanged from a week earlier.

Retail food prices gain 2.4 percent

The BLS index of retail food prices rose to 129.6 in October (1935-1939=100) from 126.6 in the previous month, a gain of 2.4 percent. This forecasts another substantial rise in the BLS cost-of-living index when it is computed later in the month. The Conference Board cost-of-living index for October shows a gain of 0.9 percent, with food prices up 2.5 percent. If the BLS index rises by the same percentage, it will indicate the largest monthly increase in living costs since last March.

New Congressional combination may effect changes in price control

Election results were interpreted by commodity markets as a portent of additional strength for the farm bloc, which may encourage an attempt by Congress to force changes in price-control policies. Press comment indicates the possibility that

- 5 -

measures may be taken to prevent the Administration from continuing its practice of deducting farm benefit payments from parity prices in fixing price ceilings. Such action may be taken by the reporting out of the Senate Committee on Agriculture of two resolutions recently introduced by Senators Reed and Gillette. These resolutions would authorize an investigation of the administration of the laws relating to maximum prices for agricultural commodities and CCC operations, and denouncing the payment deductions as a violation of the act of October 2.

Butter shortage threatened

At the beginning of the seasonal four-month period of lowest milk production, a shortage of butter and other dairy products is indicated. Milk production, while substantially greater than in 1941, is declining more than seasonally, and is not sufficient to provide for sharply increasing lend-lease, military, and civilian requirements. (See Chart 6, upper section.) Factory butter production in 1942 through September was 5.7 percent less than in the first nine months of 1941. Cold storage holdings have been running less than a year ago since July 1, and as of October 1 were 39 percent below the holdings a year earlier. (See Chart 6, lower section.) Storage holdings of cheese, although much larger than last year, declined in August and September.

Suggestions being offered for alleviating the situation include the following:

- a. Increased retail prices for fluid milk and other dairy products to cover higher costs of production and distribution.
- b. The "freezing" of labor on farms.
- c. Encouragement of greater milk production on small farms, which are less affected by migration of hired labor than large enterprises.
- d. A reduction in the butter-fat content of ice cream, fluid cream, and possibly milk.
- e. Consumer rationing of butter, cheese, and evaporated milk.

Stock prices higher in London and New York

Stimulated by the favorable war news from North Africa, industrial stock prices in London rose to a new high for the entire war period during the past week. (See Chart 7.) At the end of the week prices on the average stood about 21 percent higher than on the eve of the outbreak of war in Europe.

- 6 -

After moving up to a new high for the year shortly before mid-October, industrial stock prices in New York encountered difficulty in making further progress until near the end of last week. At that time a further show of strength carried the Dow-Jones industrial stock average up to a new high since last November. (Refer to Chart 7.) Although the decline in industrial stock prices which followed our entry into the war has now been retraced, prices are still 13 percent below the level prevailing just before the outbreak of war in Europe, in contrast with the 21 percent gain in London prices previously mentioned.

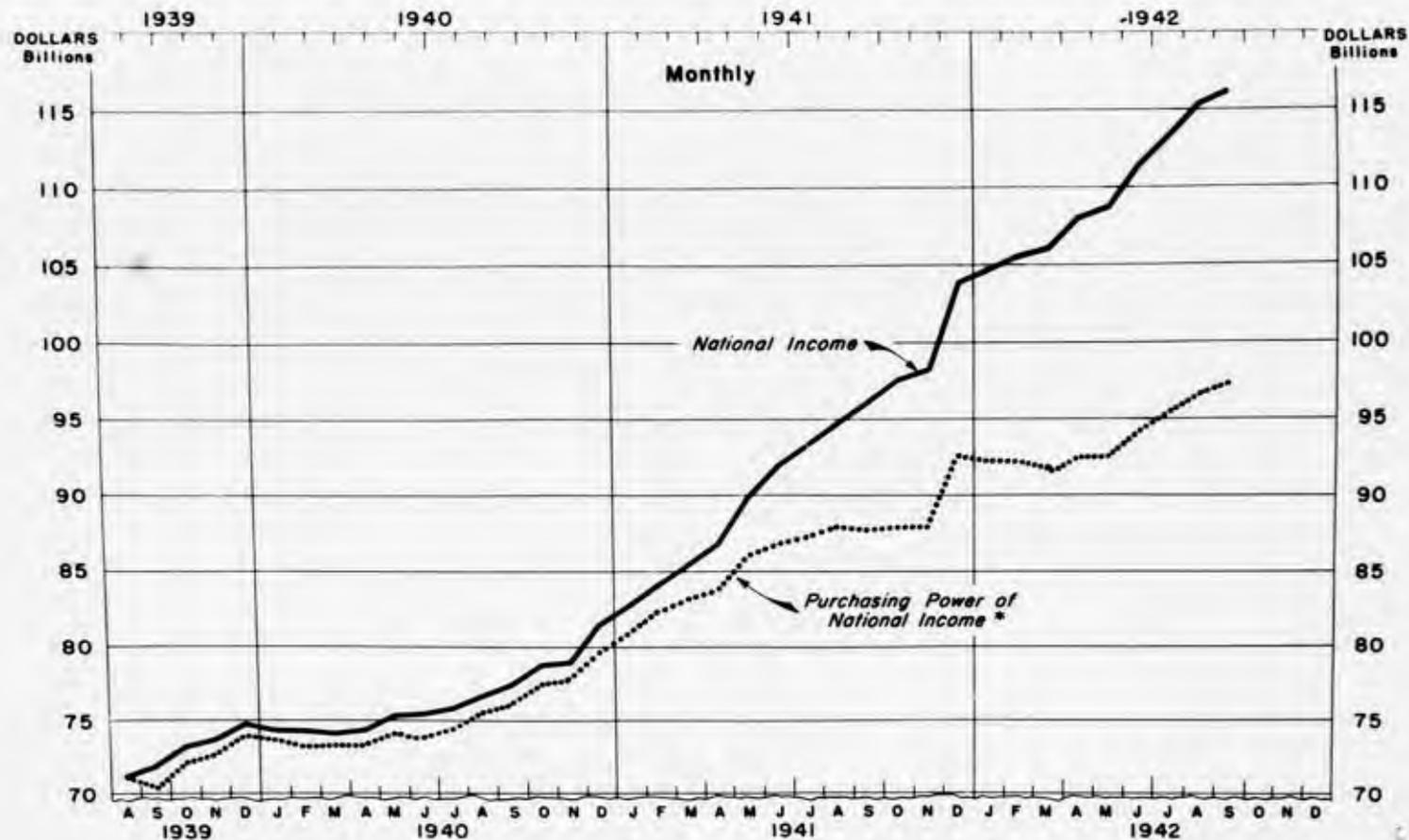
Trading volume on the New York Stock Exchange increased last week, although it was still somewhat below the levels attained in the early part of October. Last month's transactions of nearly 16 million shares constituted a new high for the year. Nevertheless, the volume of stock trading on the Exchange in the first 10 months of this year was the lowest for that period in 29 years.

Record steel output in October

Steel ingot output of 7,585,000 net tons in October was the highest on record, exceeding the previous peak reached last March by nearly 200,000 tons. Operations for the month reached 100.1 percent of capacity. This was only the second time in the recent history of the steel industry that the monthly operating rate has risen above 100 percent of capacity. The previous occasion occurred in May 1929 when operations reached 101.7 percent of capacity. The tonnage produced at that time, however, was 21 percent less than last month due to the smaller capacity of the industry existing at that time.

After reaching a peak of 101.1 percent of capacity in the last week of October, steel operations last week fell back to 99.6 percent, due in part to the necessity of making repairs in the Pittsburgh district. Operations during the current week are continuing at 99.6 percent of capacity.

NATIONAL INCOME AND ITS EQUIVALENT PURCHASING POWER



*Based on cost of living index of B.L.S. Aug. 1939=100

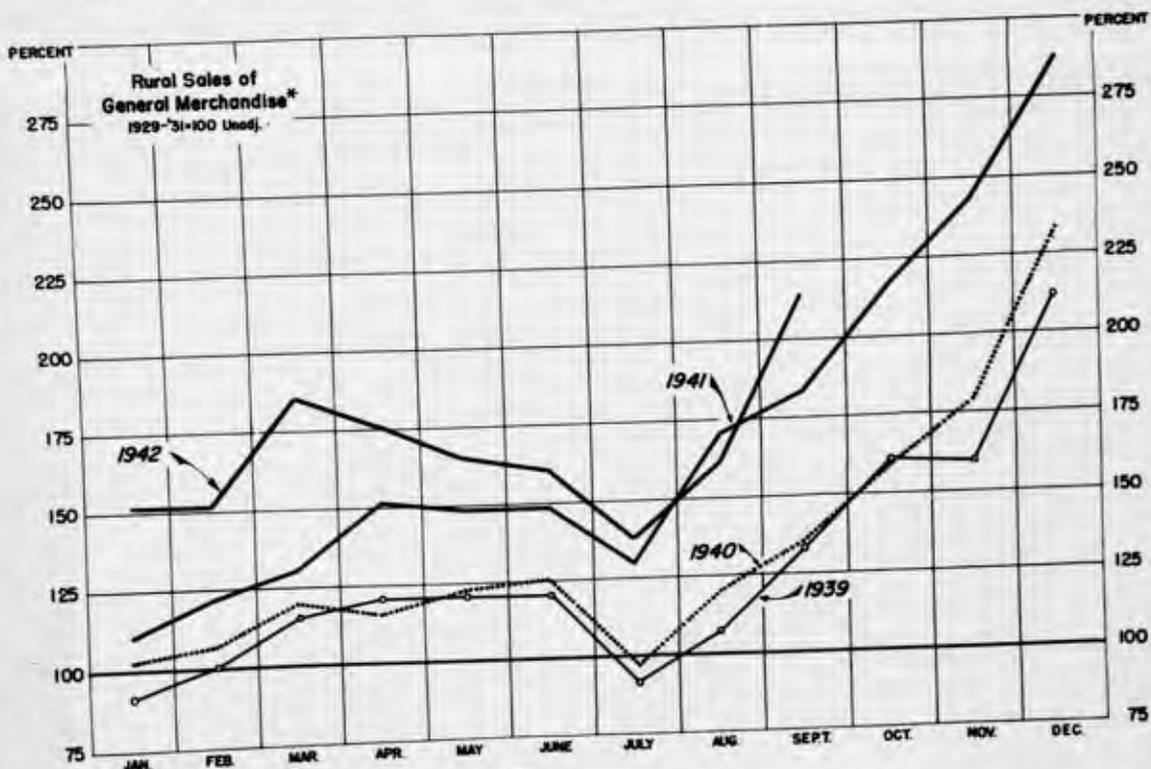
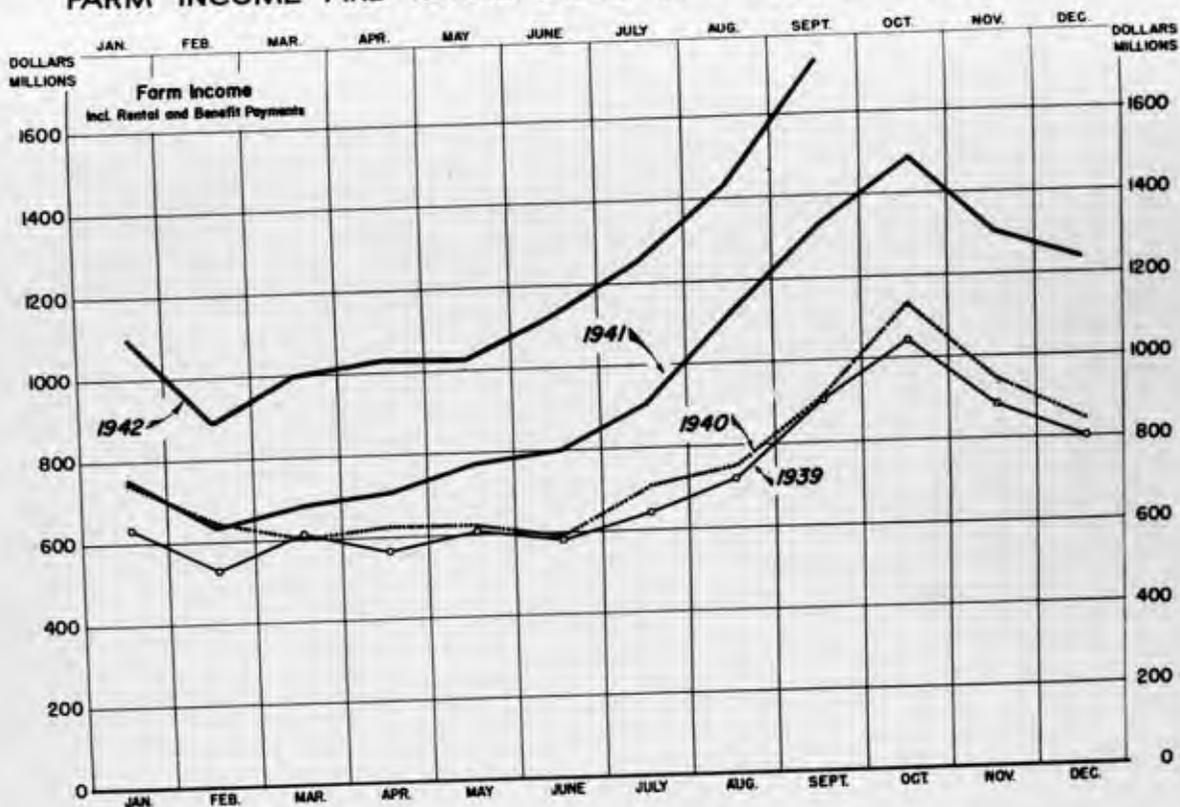
Office of the Secretary of the Treasury
Division of Research and Statistics

C-415-A

Chart 1

Regraded Unclassified

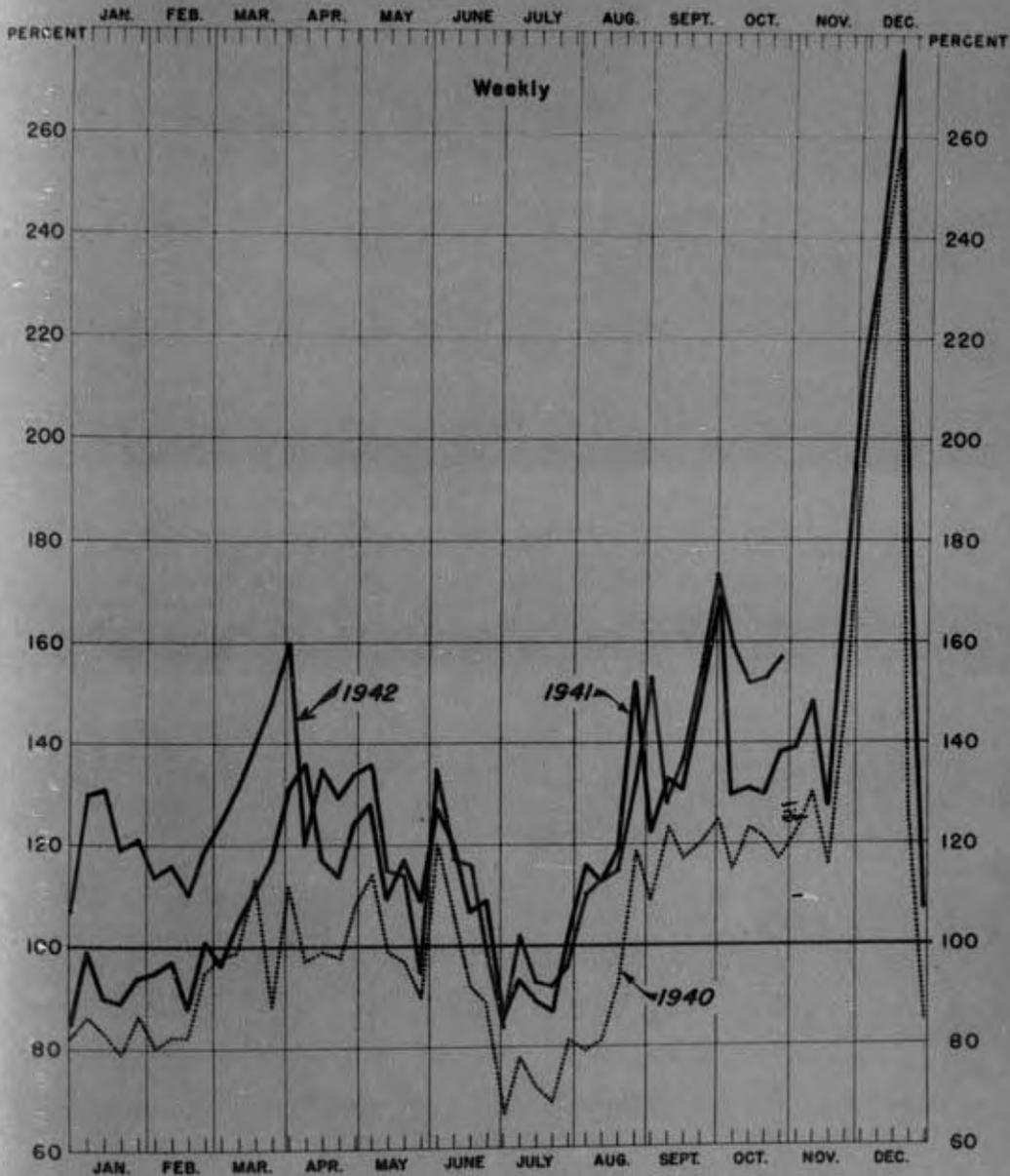
FARM INCOME AND RURAL SALES OF GENERAL MERCHANDISE



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

DEPARTMENT STORE SALES

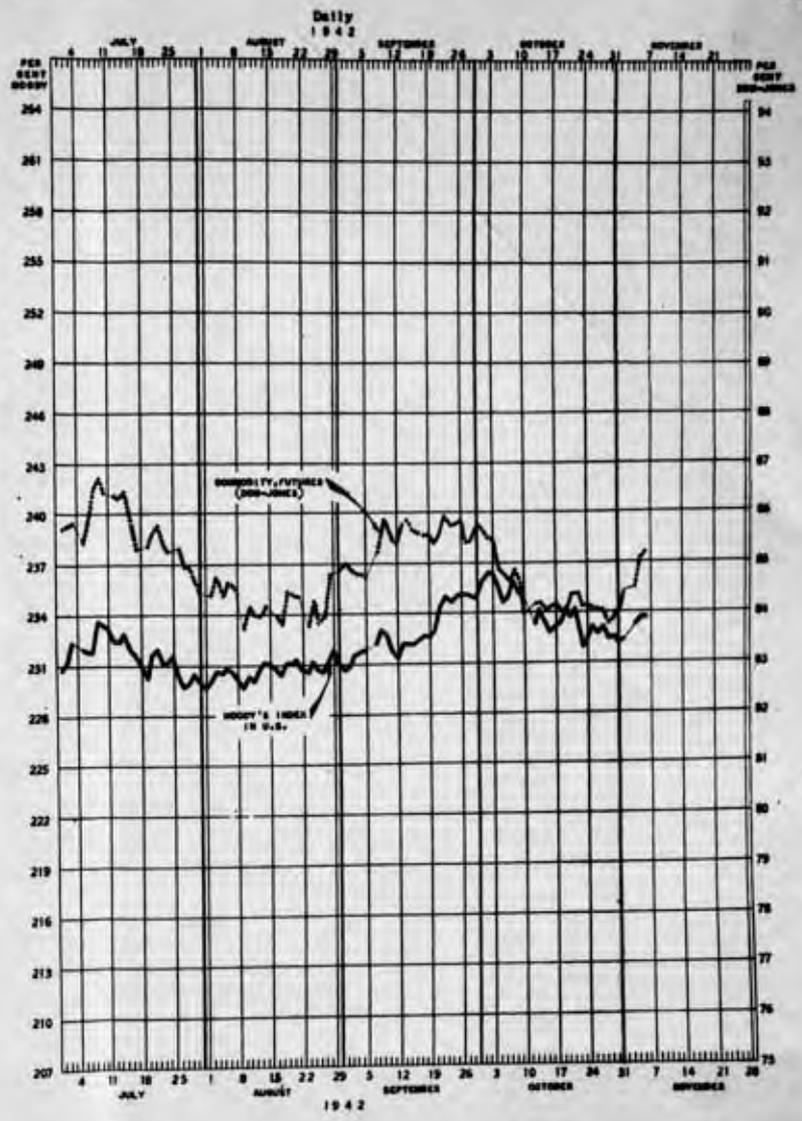
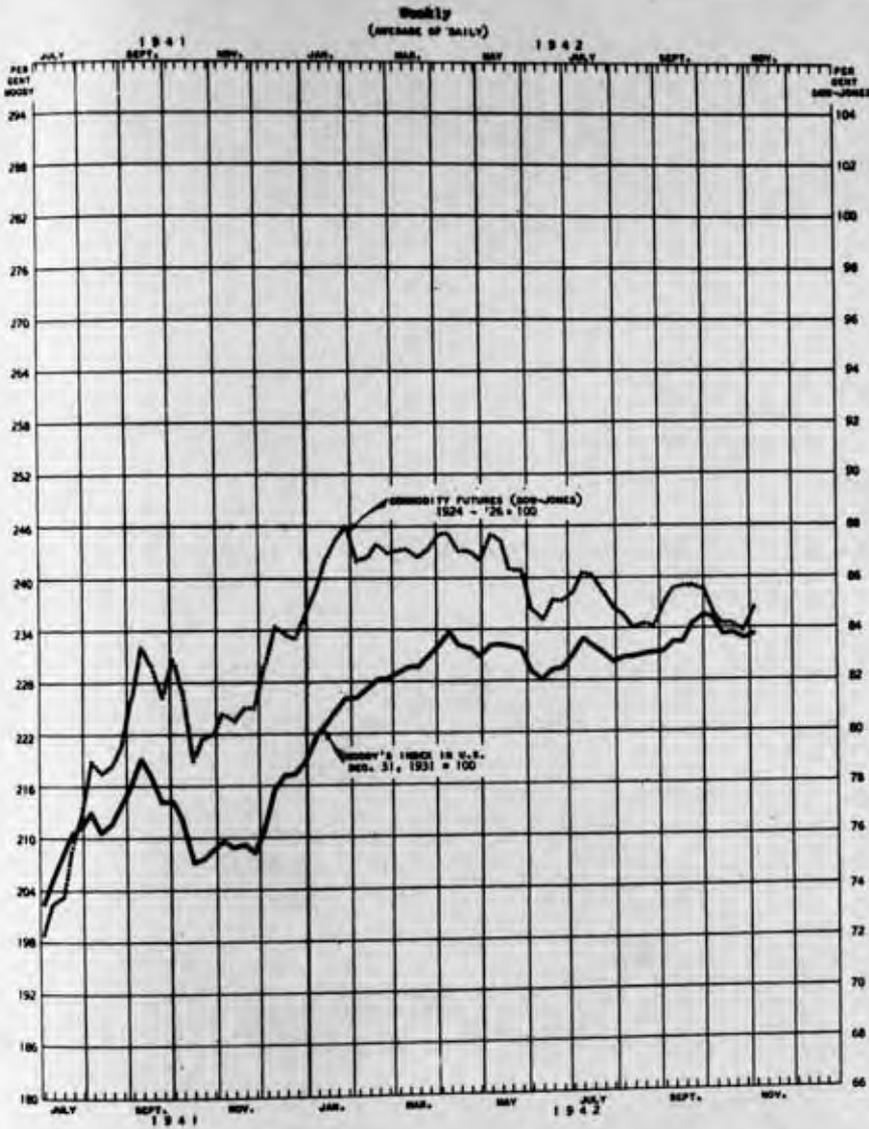
1935 - '39 = 100, Unadjusted



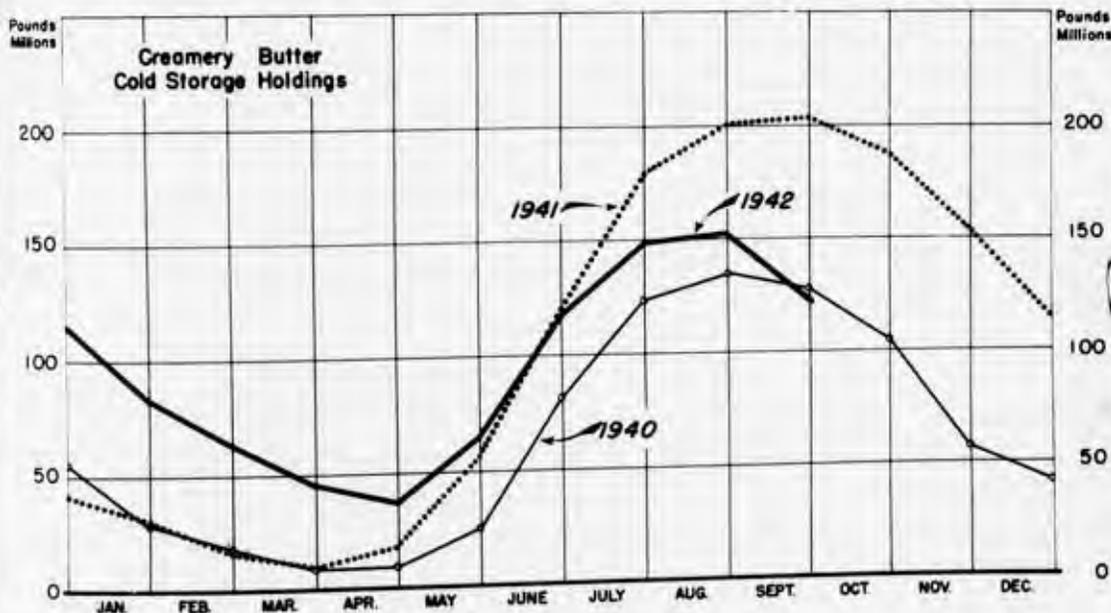
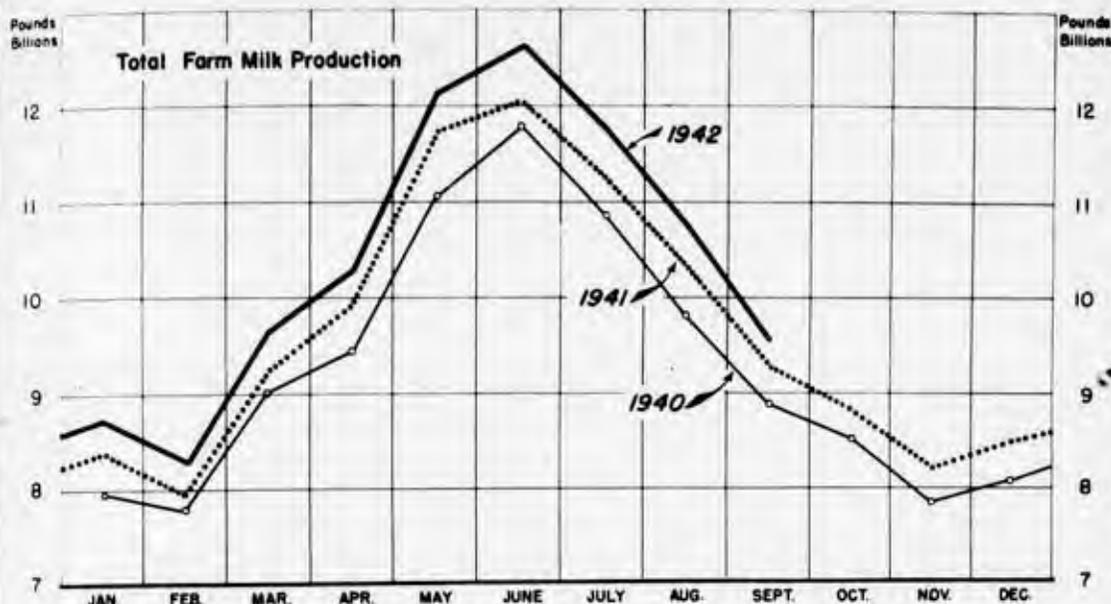
COMMODITY PRICE INDEXES IN U.S.

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Chart 4



MILK PRODUCTION AND BUTTER STOCKS

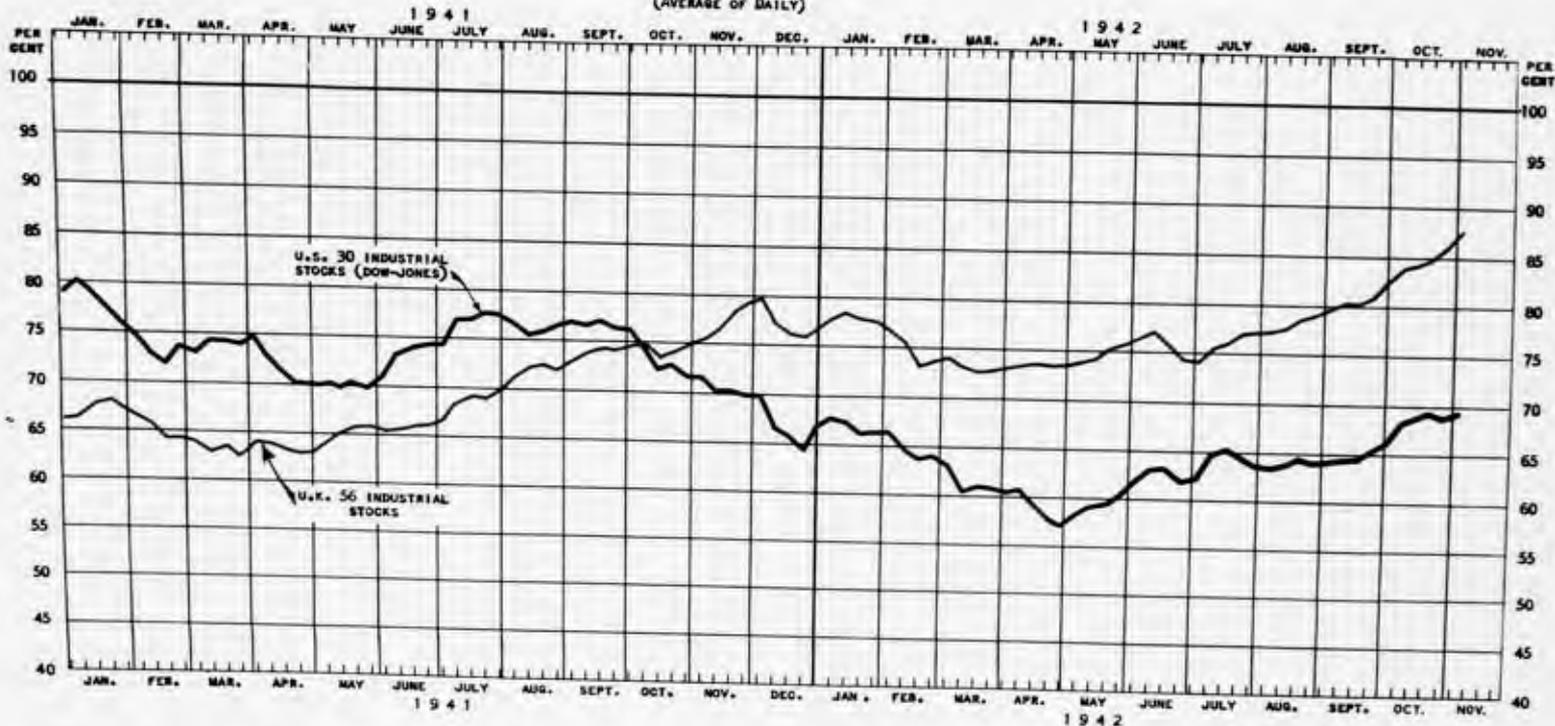


Source: U.S. Dept. of Agriculture

INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

AUGUST 1936 - 100

Weekly
(AVERAGE OF DAILY)



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

FD - 156

Chart 7

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Regraded Unclassified

BUREAU OF CAMPAIGNS
OFFICE OF WAR INFORMATION

LIST OF GOVERNMENT CAMPAIGNS AND PROGRAMS
OF INFORMATION

(As of October 28, 1942)

*Left with the
Secretary by Mr. Cow 353
of OWS on
11-9-42*

*Indicates long range campaign which can be used in slow-developing media, such as movies, magazine articles, etc.

A. TRANSPORTATION

1. Voluntary Tire Conservation*
Develops the 5 points outlined by Mr. Jeffers (WFB)
2. Idle Tire Purchase Plan
Buying every tire over 5 (OPA)
3. National Mileage Rationing*
Campaign on gasoline rationing (OPA)
4. Bus and Rail Travel*
Reducing train and bus travel (ODT)
5. Consumer Deliveries
Reducing store deliveries by carrying our packages (ODT)
6. U. S. Truck Conservation Program*
Increasing mileage of America's trucks (ODT)

B. SALVAGE

7. Scrap Metal*
Salvaging old iron, steel, lead, etc. (WFB)
8. Rubber*
Salvaging all old rubber articles (WFB)
9. Rags*
Salvaging rags, burlap bags, rope (WFB)
10. Fats and greases*
Saving household fats and greases (WFB)
11. Tin Cans*
How to prepare tin cans - in limited communities (WFB)

8-0577-BU-COS-WP

C. TREASURY

12. War Bonds and Stamps* (U. S. Treasury)

D. ANTI-INFLATION

13. Consumer Campaigns*
Explaining price control to public (OPA)

14. Trade Campaign*
Explaining price control to trade (OPA)

15. Hoarding*
Campaign to prevent hoarding (OPA)

E. RATIONING

16. Overall Education on Rationing* (OPA)

17. Fuel Oil
Campaign for rationed areas (OPA)

18. Gasoline
Nation-wide campaign, Eastern states (OPA)

19. Foods
Covers sugar, coffee (OPA)

20. Share the Meat*
(Food Requirements Committee). Voluntary
campaign limiting meat to 2½ lbs. weekly.

F. CONSERVATION

21. Household Equipment*
Maintaining electric appliances, etc. (OPA)

22. Foods
Using left-overs, saving fats, etc. (OPA)

23. Clothing*
Making clothes go further (OPA)

24. Home Maintenance
Repairs around the home (OPA)

G. MANPOWER

- 25. Local Campaigns*
Special kit to be prepared for shortage centers (WMC)
- 26. National Campaign, Step 1*
Urging people to plan ahead for war job (WMC)
- 27. National Campaign, Step 2*
Campaign to specialized groups (WMC)
- 28. National Campaign, Step 3*
Campaign to broad groups, women, etc. (WMC)

H. NUTRITION

- 29. National Nutrition Program* (D.H.&W.)
- 30. Health* (D.H.&W.)

I. SECURITY OF WAR INFORMATION

- 31. Campaign to safeguard military information (OWI)
- 32. Campaign to reduce rumors.

J. OFFICE OF CIVILIAN DEFENSE

- 33. Civilian Defense Corps* (OCD)
- 34. Civilian Service Corps* (OCD)
- 35. Victory Homes* (OCD)

K. RECRUITING

- 36. Army Special Services*
- 37. Army Air Force*
- 38. Navy*
- 39. Coast Guard*

K. RECRUITING (Cont'd.)

- 40. Marines*
- 41. Merchant Marines*
- 42. Nurses*
- 43. Nurses Aides*

L. CONSERVATION, SUBSTITUTION, SIMPLIFICATION

- 44. Conservation and Substitution of Critical Materials* (WPB)
- 45. Simplifying types, styles, colors of Manufactured Items* (WPB)

M. TYPEWRITER PROCUREMENT

- 46. Purchasing 600,000 Typewriters (WPB)

N. REDISTRIBUTION OF MATERIALS

- 47. Moving idle, frozen, or excess inventories (WPB)

O. INVENTORY CONTROLS

- 48. Campaign on Control of Inventory of Consumers' Goods (WPB)

P. HOUSEHOLD GAS

- 49. Conserving Manufactured and Natural Gas (WPB)
(Supplement to National Fuel Conservation Program) (WPB).

Q. FOOD FOR FREEDOM

- 50. Victory Food Specials*
Promotion of surplus or perishable crops (D. of Ag.)

Q. FOOD FOR FREEDOM (Cont'd.)

51. Harvest Festival
Increased Farm Production (D. of Ag.)
52. Early Marketing of Hogs (D. of Ag.)
53. Fighting Forest Fires* (D. of Ag.)
54. Wood for Fuel Campaign (D. of Ag.)
55. Production of Foods, Fibers and Forest Products* (D. of Ag.)

R. WAR PRODUCTION DRIVES

The War Production Drive*, started in February, now has operating Labor-Management Committees in 1600 war plants throughout the country, and is progressing satisfactorily under the coordination of Mr. Clyde Vandenburg, OWI.

In addition to this, there are several other production drives covering: 1. fabricated materials; 2. basic raw materials; 3. specialized industries. The first two are continuing campaigns under the jurisdiction of Mr. Vandenburg, and are divided as follows:

1. Finished materials, production and fabricating of:
 - A. Tanks*
 - B. Planes*
 - C. Guns*
 - D. Ships*
 - E. Mechanized Equipment*
2. Basic raw materials such as:
 - A. Steel*
 - B. Lumber*
 - C. Aluminum*
 - D. Petroleum*

E. Coal*

F. Vanadium*

G. Copper*

H. Lead*

I. Zinc*

J. Tin*

The campaigns directed at specialized industries operate under a Special Committee made up of representatives of OWI, Labor, Army, Navy, Maritime, Shipping and War Relocation Authority.

The Chairman of the Committee is in OWI. These campaigns cover:

1. Airplane Industry* -- material supplies, fabricating and sub-contracting.
2. Shipyards* -- morale campaign.
3. Army Ordnance Plants* -- morale campaign.

S. MORALE

56. The Issues - What We are Fighting For* (OWI)
57. Nature of the Enemy* (OWI)
58. The United Nations*
As a Special Campaign, The United Nations will be featured for three weeks in a pageant at Rockefeller Plaza, starting in January.
59. Work and Production*
60. Sacrifice*
61. The Fighting Forces*

NOV 9 - 1942

My dear Mr. Ambassador:

In connection with your recent inquiries concerning final settlement for the Spanish silver purchased by the United States in 1938, I beg to advise you that the melting and assaying of such silver have been completed and that the various charges have been determined as follows:

Cost value on assay		\$15,149,136.38
Less:		
Advance payments	\$13,990,800.00	
Assay Office charges	274,409.02	
Cartage charges	7,480.25	
Litigation costs and counsel fees	<u>72,728.57</u>	
		<u>\$14,345,417.84</u>
Balance		\$803,718.54

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency
Juan F. de Cardenas,
Ambassador of Spain.

File to Mr. Thompson

CC in Diary

By Mess. Sturgis 2:33 11/9/42

FH:ms 10/21/42

Nov. 9, 1942

357

Belles told HM Jr today he thinks this
will go through now.

PARAPHRASE OF TELEGRAM

FROM: American Minister, Lisbon
TO: Secretary of State, Washington
DATED: October 29, 1942

FROM SECRETARY MORGENTHAU FOR THE PRESIDENT.

You may be interested to know that this morning I talked with Salazar and I believe that the rapid and successful conclusion of the supply purchase negotiations with the Portuguese is very much in our national interest. Some 10,000 tons of ammonium sulphate and a like quantity of iron and steel products are the only things standing in the way at present. We have, up until now, offered 25,000 tons of iron and steel products and 20,000 tons of ammonium sulphate. Taking into account the moderate amounts concerned and the broader considerations involved, my feeling is that a commitment should be made forthwith on behalf of the combined raw materials board.

NOV 9 - 1942

My dear Mr. President:

I am enclosing report on our exports to some selected countries for the period ending October 20, 1942.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

Enclosure

By Mess. Sturgis 2:33 11/9/42

File in Diary

Extra copies to White's office

HDW:rl
10/31/42

FILE COPY

October 31, 1942

Exports to Russia, Free China and selected blocked countries as reported to the Treasury Department during the ten-day period ending October 20, 1942.

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending October 20, 1942 amounted to \$55,083,000 as compared with \$14,564,000 during the previous ten-day period. Among the military equipment exported were 74 tanks, 25 light bombers and 68 fighter planes.

2. Exports to Free China

Exports to Free China as reported during the period under review amounted to only \$30,000 of which all was military equipment.

3. Exports to selected blocked countries

Exports to selected blocked countries are given in Appendix A. Most important were exports to Switzerland and Sweden amounting to \$281,000 and \$117,000, respectively.

ISP:rl 10/31/42

APPENDIX A

Summary of United States Exports to Selected
Countries as Reported to the Treasury Department
from Export Declarations received
During the Period Indicated 1/

(In thousands of dollars)

	10-day Period ended Oct. 20, 1942	10-day Period ended Oct. 10, 1942	Total Domestic Exports Aug. 1, 1942 to Oct. 20, 1942	Total Domestic Exports July 26, 1941 to July 31, 1942
U.S.S.R.	\$ 55,083	\$ 14,564	\$320,154	\$742,941
Free China	30	1,885	6,933	97,720
in	2	3/	396	2,858
Switzerland	281	237	1,525	11,537
Sweden	117	3/	2,625	18,056
Portugal	22	2	585	9,743
French North Africa 2/	—	—	2,088	6,305

Treasury Department, Division of Monetary Research

October 30, 1942

1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period.

2/ Includes Morocco, Algeria and Tunisia.

3/ Less than \$500

APPENDIX B

Exports from the U. S. to Free China and U.S.S.R.
as reported to the Treasury Department
July 28, 1941 - October 20, 1942 1/
(Thousands of Dollars)

	Exports to Free China	Exports to U.S.S.R.
July 28, 1941 - Jan. 24, 1942	\$ 32,758	\$ 96,902
1942		
Jan. 26 - Jan. 31	6,938	9,608
Feb. 1 - Feb. 10 2/	4,889	13,315
Feb. 10 - Feb. 20	4,853	28,174
Feb. 20 - Feb. 28 3/	2,921	28,119
Mar. 1 - Mar. 10	2,879	32,509
Mar. 10 - Mar. 20	8,058	28,556
Mar. 20 - Mar. 31 4/	2	42,435
Apr. 1 - Apr. 10	4,836	51,698
Apr. 11 - Apr. 20	5,335	66,906
Apr. 21 - Apr. 30	2,827	50,958
May 1 - May 10 5/	296	28,652
May 11 - May 20	1,872	18,000
May 21 - May 31 4/	2,533	26,180
June 1 - June 10	3,399	12,764
June 11 - June 20	2,707	53,799
June 21 - June 30	1,664	49,919
July 1 - July 10	7,900	35,657
July 11 - July 20	590	35,940
July 21 - July 31 4/	3,066	35,669
Aug. 1 - Aug. 10	208	14,970
Aug. 11 - Aug. 20	192	23,325
Aug. 21 - Aug. 31 4/	2,850	112,492
Sept. 1 - Sept. 10	855	24,339
Sept. 11 - Sept. 20	11	44,454
Sept. 21 - Sept. 30	902	30,947
Oct. 1 - Oct. 10	1,885	14,564
Oct. 11 - Oct. 20	30	55,083
TOTAL	\$ 107,256	\$1,063,915

1/ These figures are in part taken from copies of shipping manifests.

2/ Beginning with February 1, figures are given for 10-day period instead of week, except where otherwise indicated.

3/ 8-day period.

4/ 11-day period.

5/ Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research

October 30, 1942

MSY/grs
10/30/42

APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the ten-day period ending
October 20, 1942.

	<u>Unit of Quantity</u>	<u>Quantity</u>	<u>Value (Thousands of Dollars)</u>
TOTAL EXPORTS			\$ 55,083
Principal Items:			
Aircraft			
Light bombers (2-engine A-20)	No.	25	
Fighters (1-engine P-39, P-40)	No.	68	
Ammunition			
.30 caliber balls	Round	21,422,300	8,468
.30 caliber tracers	Round	5,951,500	
.30 caliber armor	Round	4,731,460	
.30 caliber incendiary	Round	2,204,600	
.45 caliber balls	Round	12,998,000	
.50 caliber balls	Round	270,000	
.50 caliber tracers	Round	1,803,900	
.50 caliber armor piercing	Round	3,347,250	
.50 caliber explosive	Round	600,000	
.50 caliber incendiary	Round	1,665,490	
81 mm. mortar shells	No.	7,056	
81 mm. chemical shells	No.	7,056	
37 mm. tank and anti-tank armor piercing shells	No.	10,000	
37 mm. tank and anti-tank armor piercing shot	No.	146,950	
37 mm. tank and anti-tank high explosive shells	No.	84,506	
75 mm. gun armor piercing shot	No.	65,019	
75 mm. gun, high explosive shells	No.	65,220	
37 mm. gun, high explosive shells	Round	18,000	
90 mm. anti-aircraft gun, high explosive shells	No.	6,812	
20 mm. Hispano Swiss gun, tracers	Round	3,600	
37 mm. aircraft gun, armor piercing shells	Round	30,000	
37 mm. aircraft gun, high ex- plosive shells	Round	17,309	
20 mm. Oerlikon gun, tracers	Round	17,400	
20 mm. Oerlikon gun, high ex- plosive shells	Round	240,800	
Motor trucks, auto replacement parts, motorcycles	-	-	5,656

	<u>Unit of Quantity</u>	<u>Quantity</u>	<u>Value (Thousands of Dollars)</u>
Military tanks			\$ 5,259
Light	No.	12	
Medium (M-4)	No.	22	
Medium (M-4 A-2)	No.	20	
Medium n.e.s.	No.	20	
Iron and steel manufactures and semimanufactures	-	-	4,686
Meat products	lb.	10,309,060	3,349
Brass, bronze, nickel, zinc, copper manufactures and semimanufactures	-	-	3,226
Aircraft parts and accessories	-	-	3,066
Explosives	-	-	1,749
Ordnance Combat vehicles			1,467
Scout cars	No.	801	
Armored cars, light	No.	51	
Armored cars, medium	No.	20	
Ordnance combat vehicles, n.e.s.	No.	2	
Electrical and industrial machinery and apparatus			1,301
Leather and manufactures	-	-	942
145 caliber sub-machine guns (Thompson)	No.	7,846	785
Relief supplies	-	-	663
90 mm. anti aircraft guns	No.	8	571
20 mm. Oerlikon anti aircraft guns	No.	70	519
Parts and accessories for tanks	-	-	493
Cotton and wool manufactures	-	-	476
Petroleum and products	-	-	476
Aluminum and aluminum alloys	lb.	2,390,751	457

	<u>Unit of Quantity</u>	<u>Quantity</u>	<u>Value (Thousands of Dollars)</u>
Ordnance combat vehicles parts and accessories	-	-	\$ 397
Dried egg products	lb.	397,257	397
Rubber and manufactures	-	-	387
Links and belts for small arms ammunition	No.	15,151,000	293
Parts and accessories for automatic arms	-	-	275
.30 caliber aircraft machine guns	No.	202	66
Infantry support guns	No.	60	36
Military equipment n.e.s.	-	-	7

NOV 9 - 1942

My dear Mr. Secretary:

I am enclosing report on our exports to some selected countries for the period ending October 20, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Enclosure

By Mess. Sturgis 2:33 11/9/42

File in Diary

Extra copies to White's office

78A 282W
HDW:rl

10/31/42

FILE COPY

October 31, 1942

Exports to Russia, Free China and selected blocked countries as reported to the Treasury Department during the ten-day period ending October 20, 1942.

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending October 20, 1942 amounted to \$55,083,000 as compared with \$14,564,000 during the previous ten-day period. Military equipment accounted for \$32,602,000 of the total. (See Appendix C.)

2. Exports to Free China

Exports to Free China as reported during the period under review amounted to only \$30,000 of which all was military equipment.

3. Exports to selected blocked countries

Exports to selected blocked countries are given in Appendix A. Most important were exports to Switzerland and Sweden amounting to \$281,000 and \$117,000, respectively.

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from Export Declarations received
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(In thousands of dollars)

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Treasury Department, Division of Monetary Research

October 30, 1942

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MVF/grs
10/30/42

APPENDIX B

Exports from the U. S. to Free China and U.S.S.R.
as reported to the Treasury Department
July 28, 1941 - October 20, 1942 ^{1/}
(Thousands of Dollars)

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Apr. 11 - Apr. 20	5,335	66,906
Apr. 21 - Apr. 30	2,827	50,958
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Aug. 11 - Aug. 20	192	23,325
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TOTAL	\$ 107,256	\$1,063,915

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- 5/ Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research

October 30, 1942

TWF/grs
10/30/42

SECRET

370

Appendix C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the ten-day period ending
October 20, 1942

(Thousands of dollars)

TOTAL EXPORTS	\$55,083
Principal Items:	
Military equipment	32,602
Motor trucks, auto replacement parts, motorcycles	5,656
Iron and steel plates, bars, pipes, rods, etc.	4,686
Brass and bronze, sheets, plates, etc.	2,340
Canned sausage	1,665
Canned pork	1,286
Leather and manufactures	942
Electrical machinery and apparatus	801
Copper plates, wire	673
Relief supplies	663
Industrial machinery and parts	500
Petroleum products	476
Aluminum and aluminum alloys	457
Meat products, n.e.s.	398
Dried egg products	397
Rubber and manufactures	387
Cotton manufactures	350
Nickel, chrome wire, and sine	213
Wool manufactures	126
Railway cars, axles, rails	119
Molybdenum ore and concentrates	95
Beans, except seed	66
Industrial chemicals	64
Hand tools and parts	60

Treasury Department, Division of Monetary Research

Oct. 30, 1942.

EPM:MVF:rl 10/30/42

Regraded Unclassified

SECRET

371

Appendix D

**Principal Exports from U.S. to Free China
as reported to the Treasury Department during
the ten-day period ending October 20, 1942**

(Thousands of dollars)

TOTAL EXPORTS	\$ 30
Principal Items:	
Military equipment	30

Treasury Department, Division of Monetary Research

Oct. 30, 1942.

KFM:MVF:rl 10/30/42

Regraded Unclassified

NOV 9 - 1942

My dear Mr. President:

In accordance with your memorandum of October 2nd, there is attached the report of items purchased by the Treasury Procurement Division which will be available for the Soviet Government during November.

Due to the limited available shipping the recent indications are that the tonnage on hand at the end of November will be approximately 434,000 tons.

Yours sincerely,
(Signed) H. Morgenthau, Jr.

The President
The White House

CEM:ERG

File in Diary

By SSA 5:39 11/9/42
(Stamped "Strictly Conf.")

ERG

MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING MONTH OF NOVEMBER 1942

(SHORT TON DESIGNATIONS)

373

COMMODITY	PRIORITY CARGONS SPECIFIED FOR NOV. SHIPMENT	AVAILABLE			BALANCE
		STORAGE	IN TRANSIT TO STORAGE	PRODUCTION	
STEEL BARS	NONE	18,838	7,484	2,778	29,099
SHKETS, STRIP, PLATES SHEETS AND MISC.	"	88,818	22,344	10,238	88,481
HEAVY STEEL	"	1,898	6,122	18,378	25,398
TOOL AND DIE STEEL	"	42	878	1,021	1,441
RAILROAD RAILS AND ACCESSORIES	"	53,348	15,348	1,828	58,428
RAILROAD WHEEL SETS	"	5,488	8,088		11,588
BARRED WIRE	"			28	28
CABLE (OTHER THAN COPPER)	"			2,504	2,504
WIRE PRODUCTS	"	28,788	8,542	8,288	50,828
PIPE AND TUBING	"	88,388	21,222	28,288	137,988
TIN PLATE	"	4,822	2,772	5,222	12,816
COPPER AND COPPER PRODUCTS	"	2,228	18,888	4,822	17,824
ZINC	"			3,888	3,888
ALUMINUM INGOTS AND SHEETS	"		128	3,888	3,888
NICKEL AND NICKEL PRODUCTS	"			388	388
FERROCHROMIUM	"	128	482	472	1,082
FERROSILICON	"	588	672	788	1,948
POLYMERUM	"			388	388
MAGNESIUM	"				
COPPER	"			18	18
CHEMICALS	"	42	888	1,187	1,847
MERCURY	"			188	188
INDUSTRIAL AND CONSTRUCTION MACHINERY, ACCESSORIES AND PARTS	"	1,888	3,224	1,228	6,348
AUTOMOTIVE EQUIPMENT AND PARTS	"	42	84	188	224

374

COMMODITY	PRIORITY CARGOES SPECIFIED FOR NOV. SHIPMENT	AVAILABLE			BALANCE
		STORAGE	IN TRANSIT TO STORAGE	PRODUCTION	
TIRES AND TUBES	NONE	2,962	2,696	767	7,445
OIL FIELD MACHINERY	"			10	10
FIRE FIGHTING EQUIPMENT	"				
GRAPHITE & METAL ELECTRODES	"	168	966	3,079	5,083
LEATHER AND LEATHER PRODUCTS	"			7	7
FURNITURE AND OFFICE EQUIPMENT	"				
CLOTHING AND TEXTILES	"		169	17	186
RUBBER PRODUCTS	"			121	121
PLASTICS	"			8	173
RADIO EQUIPMENT	"	84	84	10	10
PRECISION INSTRUMENTS	"			1	1
PHOTOGRAPHIC EQUIPMENT	"			26	26
HAND AND MACHINE TOOLS	"		84	345	429
BALL AND ROLLER BEARINGS	"			389	389
PAPER AND PAPER PRODUCTS	"		504	544	1,048
MISC. SUPPLIES AND EQUIPMENT (GAS MASKS, DETONATION CORD, ETC.)	"	126	84		210
AIRCRAFT INSTRUMENTS	"				
MEDICAL SUPPLIES & EQUIPMENT	"		42		42
GREASES AND PARAFFIN	"		292	1,167	1,459
		<u>247,380</u>	<u>109,620</u>	<u>97,301</u>	<u>464,301</u>

CRITICAL LIST HAS NOT BEEN RECEIVED. HOWEVER, WE HAVE BEEN INFORMED THAT 20,000 TONS OF GENERAL CARGO WILL BE AUTHORIZED FOR NOVEMBER.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, November 9, 1942.

Press Service
No. 33-98

Secretary Morgenthau today announced that all of France within continental Europe was declared to be "enemy territory" under the restrictions against trade and communication with the enemy,

Under previous regulations "occupied" France was "enemy territory" but "unoccupied" France was not so designated. Today's action accords "unoccupied" France within Europe the same status as "occupied" France and the restrictions under the Trading with the Enemy Act now apply equally to both.

The Secretary's action was taken by the amendment of the definition of "enemy territory" appearing in General Ruling No. 11 issued under the freezing regulations and the Trading with the Enemy Act.

-oOo-

NOV 9 - 1942

In reply please
refer to: 26358

My dear Mr. Secretary:

Reference is made to your letter of November 6, 1942 (SD), and to our letter of October 13, 1942, concerning applications for licenses filed by the French American Banking Corporation to debit the account of the French Government to pay a total of \$2,200,000 to the American Red Cross to be used for the purchase of canned meat to be shipped to the International Red Cross Committee in Geneva for distribution to French prisoners of war.

You are advised that on November 6, 1942, by direction of the President, the Treasury Department authorized the issuance of a license to the French American Banking Corporation to debit the account of the French Government and pay to the American Red Cross \$220,000, which amount, according to your letter under reference, represented funds due to the American Red Cross arising out of the shipment of 248 tons of meat previously effected.

You are further advised that, by direction of the President, this Department withheld action on the remainder of the applications referred to in your letter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,
The Secretary of State.

File direct to Mr. Paul

Photo file in Diary

By Mess. Sturgis 2:33 11/9/42

MLHoffman:mgb:ops 11/8/42

DEPARTMENT OF STATE
WASHINGTON

November 6, 1942

In reply refer to
SD

My dear Mr. Secretary:

I refer to Mr. Paul's letter of October 13, 1942 in regard to two applications for license filed by the French American Banking Corporation to debit the account of the French Government to pay a total of \$2, 200,000 to the American Red Cross to be used for the purchase of canned meat to be shipped to the International Red Cross Committee in Geneva for distribution to French prisoners of war.

This matter has been accorded renewed consideration and the Department is of the opinion that for political reasons shipments of meat for French prisoners of war should be permitted to pass through the blockade for distribution by the International Red Cross Committee in amounts not to exceed 500 tons per month.

The American Red Cross has informed the Department that it has already shipped 248 tons of meat at a cost of \$220,000, for which reimbursement has not been made, and that the estimated cost of purchasing and shipping 1,500 tons of meat (500 tons each for the months of October, November, and December) is \$1,310,000. It would, therefore, be appreciated if \$1,530,000 of the total of \$2,200,000 requested in the above-mentioned applications filed by the French American Banking Corporation would be released to the American Red Cross in order that they might be reimbursed for expenditures already made and that they might proceed with the purchase and shipment of meat on a regular monthly basis.

I may add that even though the American Red Cross has requested an advance of funds for use in connection with the purchase and shipment of this meat, they have assured the Department that in the event of a change in policy the meat shipments can be halted on very short notice.

Sincerely yours

/s/ Cordell Hull

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury.

TREASURY DEPARTMENT

378

INTER OFFICE COMMUNICATION

DATE NOV 9 - 1942

TO Secretary Morgenthau
FROM Randolph Paul

In view of our invasion of French North Africa, we have reconvened our control over French assets. As you know, such assets have been frozen since the fall of France on June 17, 1940, and our existing problems are those arising under outstanding licenses. By now, the French business enterprises operating in the United States have been carefully checked and the ones still operating on the whole do not present serious problems. We will, however, of course carefully survey the activities of all of such French business enterprises.

The following action was taken over the week end:

(1) The French Line. During the night of November 7 - 8, a supervisor and guards were installed in the offices of the French Line in New York City. The cooperation of the Coast Guard was secured to guard the French Line pier. The supervisor and guards will remain on the premises pending a decision as to what action is to be taken with reference to the French Line. On Sunday, November 8, a supervisor was dispatched by plane to the French Line branch office in New Orleans. On Sunday we advised the Navy Department as to the action which we had taken with reference to the French Line and called to their attention the presence of French Line boats in American waters and the need for adequate guarding of these vessels.

(2) The French American Banking Corporation. This bank is half owned by French banking interests. The remaining interest is owned by the Guaranty Trust Company and the First National Bank of Boston. Its president is a Frenchman and it has been handling the bulk of the Vichy accounts in the United States. During the night of November 7 - 8 Mr. Kimball of the Federal Reserve Bank of New York, acting under our instructions, located Mr. Claflin, the top American officer of the bank, who immediately came to the bank premises. Mr. Claflin and a Treasury man remained on the premises during the night. Arrangements were made so that during non-banking hours no person may be admitted to such premises without a written pass from Mr. Claflin.

- 2 -

which will not be issued without Treasury approval. During banking hours a supervisor will be on the premises and will be consulted with regard to all unusual or dubious transactions. Mr. Claflin has been given instructions that the two officials of the Bank of Indochina who had office space in the Bank are not to be admitted to the premises without a license from the Treasury Department. These Indochina Bank officials, Mr. Morin and Mr. Soliva, are known to be Vichy agents.

(3) French Diplomatic and Consular Accounts.

Instructions were prepared on Sunday, November 8, revoking all the licenses over the diplomatic and consular accounts of the French Government, as well as the licenses over the individual accounts of French diplomatic and consular personnel in the United States. These instructions were cleared with State on Sunday, and arrangements were made for all the banks to be notified before the opening of business on Monday, November 9.

(4) North African Arrangement.

The licenses under which the French Government could pay out substantial sums for purchases of goods for ultimate shipment to North Africa were suspended on Sunday, November 8.

(5) Martinique.

There are licenses outstanding which permit the French Government to make certain purchases for shipment of goods to Martinique. These licenses have not been revoked, but we are watching the situation closely and consulting with State with respect thereto.

(6) French Banks Outside the United States.

Instructions have been issued revoking licenses over the accounts of two French banks with offices in Argentina, Ecuador, and Turkey. The American banks holding the accounts of such French banks are being advised that we will consider reinstating such licenses upon receiving a favorable recommendation from the local American Embassy.

(7) Designation of Unoccupied France as Enemy

Territory. We have prepared and issued an amendment to General Ruling No. 11 so as to designate unoccupied, as well as occupied, France as enemy territory for the purpose of regulating communications with such area. The issuance of this document was cleared with Dean Acheson at 11:45 p.m. Sunday night.

- 3 -

(8) Special Instructions to the Federal Reserve Banks. Special instructions have been sent to the Federal Reserve Banks directing them to withhold action pending further instructions on applications involving transactions with France or French North Africa.

(9) Special Telegram to United States Missions in Latin America. We have drafted and transmitted to State a proposed circular telegram to our missions in Latin America advising them that this Government is taking steps to deprive the Vichy Government and its agents in this country of access to the dollar funds held in the name of that government or its agencies and directing our missions to make immediate representations to the governments to which they are accredited asking that parallel action be taken.

(10) Lazard Freres. Arrangements have been made for the installation at the opening of business on Monday morning of a supervisor in the New York banking house of Lazard Freres, which is currently being investigated by the Foreign Funds Control.

RF

TREASURY DEPARTMENT

381

INTER-OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

November 9, 1942

Re: Martinique Gold

A substantial amount of French gold estimated to amount to about 350 tons has been held at Martinique since the fall of France on June 17, 1940. It has never been actually verified that the gold still remains at Martinique although representatives of this Government have examined the boxes said to contain this gold.

The action to be taken with respect to the gold at this time as well as with respect to the French naval vessels at Martinique is a military and diplomatic matter intimately connected with this Government's position with respect to the French Colonies in this hemisphere.

ASP

NOV 9 - 1942

Dear Mr. Welles:

This is in reply to your letter of November 2, 1942, in regard to cooperation with a subcommittee of the Inter-American Financial and Economic Advisory Committee which is designated to carry on the study of problems, projects, and recommendations preparatory to the calling of an Inter-American Technical Economic Conference.

The Treasury Department will be glad to cooperate in this undertaking, and I am designating Mr. John S. deBeers to consult with the subcommittee with reference to assembling information and material needed in its preliminary work.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Sumner Welles,

Under Secretary of State.

File to Thompson
Photo file in Diary

By Mess. Sturgis 2:33 11/9/42

JdB:ugh
11/7/42



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
TA

November 12, 1942

My dear Mr. Secretary:

At the Third Meeting of the Ministers of Foreign Affairs of the American Republics, held at Rio de Janeiro in January 1942, a resolution (XXV) was adopted providing for the calling of an Inter-American Technical Economic Conference and entrusting the Inter-American Financial and Economic Advisory Committee with the necessary preparatory work for such a conference, including study of projects presented by the Governments of the American republics and the formulation of specific recommendations for submission to the Governments. The Financial and Economic Advisory Committee subsequently appointed a subcommittee, on which this Government is represented, to deal with this subject.

In order that the work of the subcommittee might be directed in a specific and practical manner, a minute was adopted at a meeting held on October 23, 1942 to request each Government to submit by December 31 "a statement showing in as precise a manner as possible the economic problems affecting each country in the fields of trade, finance and production, the manner in which such problems have developed or are developing during the course of the present war, the extent to which such or related problems are expected to continue into the post-war period, and the measures being taken or projected by each country either alone or in cooperation with other countries, toward the solution of such problems." Pending the receipt of such statements, it was agreed that the members of the subcommittee would assemble

such

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.



such information as was immediately available on the foregoing subject, as a basis for proceeding with preliminary work.

I am therefore asking the heads of various agencies interested in the subject of current and post-war economic problems affecting the American republics to cooperate in this important undertaking. At this time, the object is to assemble available information as to work in progress or in prospect which will be pertinent to the work of the subcommittee. I have requested Mr. Harry C. Hawkins, Chief of the Division of Commercial Policy and Agreements, to represent the Department of State and I would appreciate it if you would let me know as soon as possible the name of the officer of the Treasury Department whom you may designate for purposes of consultation on this subject.

Your cooperation in this important matter will be greatly appreciated.

Sincerely yours,



Under Secretary

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statement No. 58 - Aircraft Despatched
- for week ended November 3, 1942.

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

November 9, 1942.

MOST SECRETSTATEMENT NO. 58.AIRCRAFT DESPATCHED FROM THE UNITED STATES
WEEK ENDED NOVEMBER 3RD, 1942.

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DEL'D FOR USE IN CAN.</u>
<u>CONSOLIDATED</u>					
Catalina IB	U.K.	Canada en route		4	
<u>BOEING</u>					
Fortress II	U.K.	Canada en route		4	
<u>DOUGLAS</u>					
Boston IIIA	U.K.	Canada en route		8	
<u>Curtiss</u>					
Kittyhawks	Middle East	Port Sudan	18		
	West Africa	Takoradi	15		
<u>BREWSTER</u>					
Bermuda	U.K.	U.K.	7		
<u>FAIRCHILD</u>					
Cornell PT 26	Canada	Canada			6
<u>LOCKHEED</u>					
Hudson VI	Canada	Canada			3
Ventura	South Africa	South Africa		5	
Hudson VI	Middle East	Middle East		1	
Hudson VI	West Africa	Freetown		3	
<u>NORTH AMERICA</u>					
Mustang	U.K.	U.K.	24		
Harvard II	South Africa	Capetown	38		
<u>VULTEE</u>					
Vengeance	India	Bombay	12		
<u>TOTAL</u>			114	25	9

British Air Commission,
7th November, 1942.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 387

FRENCH NORTH AFRICA. 8th. Allied landings were successfully carried out in the ALGIERS, ORAN and CASABLANCA area. There was only slight military opposition. At ALGIERS the direct assault on the harbour failed but the boom was breached by two of H.M. Destroyers, both of which were damaged. The airfield of MAISON BLANCHE is in our hands, and to the west of the town we have established a considerable foothold extending south to the airfield at ELIDA. By noon 35 Spitfires and 17 Hurricanes left GIBRALTAR to land on the airfield. The French ceased hostilities at 2000 hours unconditionally. Our forces were to occupy the city from that time and the harbour forts at dawn 9th. A U-boat was probably damaged by aircraft northwest of the port. At ORAN, naval opposition in the early stages necessitated one of H.M. Cruisers sinking a Vichy ALCYON Class Destroyer, and one of H.M. Destroyers sinking the escort vessel LA SURPRISE. Two of H.M. Cutters were reported on fire inside the harbour and are believed lost. One of H.M. Destroyers was damaged by shellfire. Airfields at LA SENIA (2 miles South of ORAN) and TAFARQUI were occupied by United States troops and during the afternoon 24 Spitfires left GIBRALTAR to land at the latter. In the CASABLANCA area successful assaults were made at PORT LYAUTEY and FEDALA to the North and SAFI to the South. At CASABLANCA, coastal batteries opened fire but were silenced. French ships from the port attacked the United States Naval Forces. One Vichy destroyer was sunk and the remainder of their ships returned damaged. There was no damage to United States ships. At SAFI the port was captured in the face of considerable Coastal Artillery fire.

OPTEL No. 388

1. NAVAL Information received up to 7 A.M., 9th November, 1942.

One of H.M. Submarines torpedoed and damaged an Italian six inch cruiser yesterday off North West SICILY.

2. MILITARY

EGYPT. During 6th/7th light rain greatly hampered movement off the main road. On the 7th enemy rearguards in position near MATRUH Station were attacked by our forward troops but held out until dark. During the day further large numbers of prisoners were rounded up. 8th MATRUH was captured and our advance continued. Unloading of petrol from tank landing craft had already started on beaches East of the town. Our forward troops are now in contact with enemy rearguards about 30 miles South East of SIDI BARRANI.

3. AIR OPERATIONS

WESTERN FRONT. 7th/8th. Amended casualties, 5 missing not 6. GENOA - 116 tons H.E. including 16 4,000 lb. bombs and 121 tons incendiaries released besides flares. Flares were dropped punctually and accurately. Objective easily identified although smoke screen operating in docks area. 18 exceptionally large fires besides several small ones centre of town and docks well ablaze. Ansaldo works attacked and hit. Photographs during attack indicate highly successful operation. 8th. 41 U.S. bombers escorted by 27 Squadrons of Spitfires attacked steel works at LILLE and MCVILLE airfield. R.A.F. Bombers attacked shipping at BORDEAUX. Enemy casualties (provisional) 11, 15, 20. Allied 9, nil, nil. 8th/9th. 100 aircraft sent out: remaining, 74 leaflets FRANCE 26. 4 missing from mining.

EGYPT. 7th. Bad weather hindered operations. Enemy casualties 11, nil, 2, including 5 transport aircraft and 3 dive bombers destroyed. Allied 3, nil, nil. 7th/8th. Our bombers scored many hits on closely packed M.T. in the HALFAYA area, about 30 fires some of them from petrol were started.

Regraded Unclassified

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET

U.S. SECRET

OPTEL No. 391

EGYPT. 9th. Ground drying up. South African armoured cars operated west of Frontier. At 3 P.M. One United Kingdom armoured brigade with United Kingdom lorried Infantry Brigade in support were approaching frontier in MADDALENA Area. Enemy rearguard was still in SIDI BARRANI Area with two New Zealand Divisions in touch. Our Fighter aircraft had moved up to airfields south of SIDI BARRANI.