

DIARY

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NOV 18 1942

Billions Sought In Forced Loans On Taxpayers

**Ben Cohen to Help Draft
Such a Levy; George for
Rate Cut, Pay as You Go**

By Samuel W. Bell

WASHINGTON, Nov. 18. — The Treasury Department, it was learned today, has sought the aid of Benjamin F. Cohen, chief counsel for James F. Byrnes's Office of Economic Stabilization, in the drafting of a tax bill to be presented to the next Congress and based on a program of \$15,000,000,000 to \$18,000,000,000 in compulsory loans to be collected from the American taxpayers in 1943.

Mr. Cohen, who with Thomas G. Corcoran composed the New Deal legislation drafting team of Corcoran and Cohen, emerged as a "tax expert" as a result of the close cooperation now being maintained by the Treasury and the O. E. S. on the regulations covering the \$25,000 salary-limitation decree of the O. E. S. The Treasury has demanded \$5,000,000,000 or more new taxes in addition to the record imposts being imposed under the new revenue act of 1942.

Recognizing that taxation constitutes an important segment in the so-called anti-inflation policies of the O. E. S. to reach incomes not directly subject to its decrees now, Henry Morgenthau Jr., Secretary of the Treasury, recently asked Director Byrnes for tax suggestions. According to the information reaching Congressional quarters today, Mr. Byrnes informed Mr. Morgenthau that the O. E. S. would be glad to help in a tax program and turned the task over to his counsel, Mr. Cohen.

An indication of the view of the O. E. S. was given by Director Byrnes in his address last night at the New York Herald Tribune Forum on Current Problems in which he suggested that "an equitable plan of compulsory savings" would have to be devised to prevent the inflationary impact of a consumer purchasing power of, say, \$68,000,000,000 competing for \$70,000,000,000 in consumer goods.

Since his return from England, Secretary Morgenthau has been non-committal on the tax program to be submitted to Congress, but Senator Walter F. George, Democrat of Georgia, chairman of the Senate

Finance Committee, has indicated frequently that a forced loan plan would be inevitable in any new and effective tax measure.

It is because of this situation that Senator George has already informed the Treasury that the drastic tax rates imposed in the revenue act of 1942 will have to be "readjusted" if either the Treasury or Mr. Byrnes's office, or both, conclude that the 1943 tax liability will have to be increased to the burden contemplated in a \$15,000,000,000 compulsory loan program. Whether that full amount now projected will be acceptable to the Senate Finance and House Ways and Means Committees was open to question on the basis of first reactions at the capital today.

By "readjustment" of existing tax rates, Senator George, who said he expects some informal tax discussions at Thursday's reorganization meeting of the joint Congressional committee on internal revenue taxation, explained that he meant not only a lowering of the rates but a move to put the taxpayer on a "pay-as-you-go" basis.

Senator George pointed out that the stiff increases in the revenue act of 1942, combined with the drastic lowering of the tax base, made it imperative that means be found for putting collections on a current basis. This would be doubly true, he added, if compulsory loans in anything like the amount of \$15,000,000,000 were contemplated.

May Absorb Victory Tax

Although he did not mention the victory tax, to be collected at the source next year at the rate of 5 per cent on all income over \$12 a week, the interpretation drawn from his statements was that it would be necessarily absorbed in any compulsory loan program of the magnitude talked of at the Treasury or in Mr. Byrnes's office.

"In order to avoid tremendous hardships and many defaults in 1943 we are going to have to adopt some sort of pay-as-you-earn method of collecting income taxes," said Senator George. "To do that it may be necessary to postpone an entire year's tax liability for individuals until after the war, when it can be paid in installments or amortized."

His suggestion differs only in detail from the plan suggested to the Finance Committee several months ago by Beardsley Ruml, treasurer of J. P. Morgan & Co. and president of the New York Federal Reserve Bank, where Mr. Ruml would skip a year's taxes completely to achieve the "pay-as-you-go" method. Senator George would "postpone" it, thus removing the Treasury's objections to what it said would be "windfalls" likely to accrue to some taxpayers in case of death.

It is Senator George's belief also that a new tax program should be enacted before the next formal collection date, March 15, so that the "adjustments" can be made in time to prevent the "defaults" he thinks may result, particularly if compulsory loans are imposed.

Byrnes Outlines the Requirements of Economic Foundations for World Order

Stabilization Director Warns of More Sacrifices for Victory

Curbs Aim to Lessen Hardships of Nation, Experts Compulsory Savings Would Free Funds to Create Markets for Peace Products

Following is the complete text of the address last night by James H. Byrnes, Director of Economic Stabilization, entitled "Economic Foundations for World Order," at the New York Herald Tribune Forum on Our Problems:

Time of war we must deal with hard realities. We have no time to theorize and play with. Military men must discard technical talk about principles of logistics, get down to facts. They must discuss problems in the language of ordinary citizen, in terms of what is required to move troops and food and ammunition which must move to battle areas in order to enable the troops to fight. Now that we are getting down to organizing our home front for the prosecution of the war, I think we should avoid, as far as possible, can, theoretical talk like "inflation" and "stabilization" and consider the very real problems which we have at hand.

First and chief problem is to consider how we are going to run our civilian economy to win the war. We must consider that we shall have to take out of civilian life in order to have the means to fight; the food and materials we shall have to take out of the civilian economy to feed our soldiers and to help equip the soldiers of our army and the food and materials we shall have to take out of our civilian economy to provide maintenance for the civilian population in allied and occupied areas. In a real sense these are war requirements. No one who knows the conditions prevailing in war-torn countries can accuse us of trying to pamper other people. We impose unnecessary hardships on ourselves. No matter how hard we endure, it will remain the best-fed, clothed and best-sheltered nation on earth. Certainly, for

example, we are not taking on ourselves undue hardship when we limit ourselves to two and a half pounds of meat a person a week, while the average Englishman can buy but 23 cents worth of meat a week.

We cannot consider how we are to take the necessary men and food and materials out of our civilian economy without considering how those of us remaining in civilian life are going to be able to produce the food and materials required for our fighting forces, for our fighting Allies and for our own sustenance. In total war we are all war workers. We cannot tolerate the use of our man power for any activity which does not aid the war effort. We must see that within the limits of our resources we all have enough to do our part with maximum efficiency, but that none of us has more, because in total war there are neither men nor food nor materials to spare.

We should not be misled by the joy we feel with launching of our first major offensive. The road ahead is hard and may be long. And there is no question that to meet the requirements of the war plans of our military leaders we must draw in our belts just as far as we can draw them in without reducing the overall efficiency of our war effort.

Calls for Pride in Sacrifices

Of course the American people need direction and guidance from their government as to where is the greatest need for restraint in their normal living habits. But just as our soldiers, buck privates as well as generals, take pride in the initiative and enterprise they show on the field of battle, so it is up to us at home to take pride and satisfaction in the initiative and enterprise we can show in drawing in our belts before the government compels us to do so. We should not have to be constantly told we are in a total war for our own survival. When our soldiers face the anguish of death on the battlefield we should be willing to undergo the inconvenience of rationing at home. We

should take pride in showing how much we can get along without and how little we can get along with.

Our soldiers are trained to do their very best on the battlefield. They are taught to emulate the crack troops of the division. We civilians must emulate the example of those who are drawing in their belts and not the example of the slacker, the hoarder or the spender as usual. We should show our scorn for them, just as our soldiers show their scorn for the coward on the battlefield. In wartime we must seek to achieve the highest and not the lowest common denominator of patriotism.

Nothing has distressed me more than the suggestion that the great mass of American citizens will not follow a direction or an order or even a law of their government, unless it is enforced to the last slacker. I do not believe it. The great mass of American citizens are all-out to win this war. They are intelligent enough to know that they can win it even if a small minority of slackers fail to do their duty. They are not so stupid as to believe that they will win the war if they wait for slackers to turn patriots. There are few willful slackers in America. There are quite a number of thoughtless slackers, and the quickest way to bring them into line is not to put them in jail but by our example to put them to shame.

As I have said, our first and chief problem is to organize our civilian economy to win the war. Our second problem is to organize our civilian economy so that the burdens and restrictions of war are equitably and democratically shared. These restrictions are intended to help the average man and woman and child to obtain more rather than less than he would otherwise obtain, and to help him buy what he needs at a lower price than he would otherwise have to pay.

In war time, price controls, wage controls and rationing controls are not ingenious devices to punish people and to make the grim business of war grimmer than it need be. They are measures designed to help our war effort and to reduce the hardships of war, particularly on the family in modest circumstances. By and large, the average citizen, be he a farmer, a wage earner, a business or professional man, has less to fear from price, wage and rationing controls than he has from their absence. Or, since a person would be better off if he could get any price he wanted

for the goods, commodities or labor he had to sell, and the government saw to it that the price of the goods, commodities or labor that he had to buy did not rise. But no government can do that. The cost of living cannot be kept down or the greatly reduced supply of civilian goods fairly distributed by some one waving a magic wand. The burdens of war are equitably shared only if all of us, industrialist, farmer and worker alike, cooperate in sharing these burdens.

War-time controls, however carefully devised and administered, will bear more severely on some than on others. That is inevitable, just as it is inevitable that some of our soldiers will make the supreme sacrifice while others will return unharmed and wrapped in glory.

Stresses Need for Precautions

But in a war for survival we must not seek individual advantage. If we do most of us will be bound in the end to suffer from our own selfishness. If we are far-sighted, instead of seeking to escape the controls necessary for our own well-being, we should be alert that our burdens are not increased by too long delay in the imposition of necessary controls. I should be the last to favor unnecessary controls, but it is better that we draw in our belts a little tighter than hindsight may prove absolutely necessary than that we should later regret our inability to realize how serious was the need.

The task of keeping down the cost of living and insuring a fair distribution of food, clothing and other civilian supplies is doubly difficult in war time. Not only are the available civilian supplies enormously cut down, but the potential demand for those greatly reduced supplies is enormously increased. It is much easier for us to see and understand why there is less food, clothing and other supplies available for home consumption than it is for us to see and understand why there is such a greatly increased home demand for ordinary retail goods and services.

That is, I think, one of the major reasons why many people under estimate the need for further rationing and further drawing in of the belt when they are already buying fewer things and spending less than usual. This is particularly true of those of us whose taxes have increased but whose money income has not increased during the war. This, however, is not true of the nation as a whole. The income of the nation as a whole has enormously increased, even though some few of us may have less money.

In the boom year of 1929 our summer income was slightly over \$3,000,000,000. This year it will be to something over \$115,000,000,000. Next year it may exceed \$3,000,000,000. It is estimated that \$3,000,000,000 of this consumer income will be taken away by Federal, state and local taxes paid by individuals, including the new Federal taxes. If we save out of our income as much as we normally do, we will save not more than \$3,000,000,000. We will then have to spend for civilian goods and services \$85,000,000,000. But owing to curtailment of civilian production for home consumption, goods and services available to meet consumer demand will not exceed \$70,000,000,000.

That is only part of the picture, however, so what we may, some of the things we want and need most will be least available. If, therefore, we do not take measures to restrict our purchasing power and our purchasing habits, we will be forced to buy \$85,000,000,000 worth of goods and services when only \$70,000,000,000 of goods and services are to be had. And if we do not take precautions, but simply go to luck, we will destroy not only our present purchasing power, but our past savings by being to outbid one another for goods and services that a country engaged in total war cannot produce. And if we do try to outbid and outsmart one another, we will lose more than our fair share of the "available" limited civilian goods, the average man and woman is going to get less than in peace.

Must Ration Many More Items

But some people will ask why we should have this enormous increase in our national income? Others will ask why have there so much more to spend when our incomes have not gone up and our taxes have increased? The answer is that many more people are employed than ever before in our history. While some people after paying their taxes have less to spend than they used to have, most people after paying their taxes have more to spend than they used to have.

From what I have said, it is clear that we must ration many more commodities. But, before a commodity is rationed we must be careful to let the people know the facts upon which we base the decision that rationing is necessary. And we must be careful that there are no conflicting statements by responsible officials or government as to the necessity.

We must do more. We must siphon off the excess purchasing power. We can do it by taxation and by an equitably devised plan of compulsory savings. After the war these savings would be returned to the people over a period of years. They would then have the money to spend to create markets for peace products. Such a savings fund would provide employment. It might save us from a business depression. If, however, depression came, the savings would enable many to escape want and suffering. It would make unnecessary frantic efforts to provide relief programs. Above all else, it would help us to win the war more quickly. And that should be our objective, because the more quickly won the more of our boys will be saved.

It will be necessary also to simplify and standardize production and distribution in order to make the most effective use of the materials and man power that we can spare for civilians. We must concentrate our energies on the production of relatively few types of goods of standardized quality, design and price. This can be done without destroying the competitive spirit. Each industry must be consulted and encouraged to perfect its own plans.

But we must do away with bigger and better frills and we must reduce unnecessary delivery services. There are some people who readily see the need for the control of prices and wages, but do not see the advantages to the war effort of limiting profits on salaries and incomes in the higher brackets. Some honestly believe that such limitations are in the nature of social reforms imposed under the guise of war needs. I disagree. Peace is peace, and war is war, and the conditions which make for the success or failure of business are not necessarily the same in war time as in peace time. Individual enterprise can help and is helping to win the war, but the war has made and destroyed businesses without a nice regard in all cases to the enterprise of their owners. Enterprising men capable of earning the highest salaries have been drafted into the war, while fate, not judgment, has decreed that others remain at their civilian posts. When men of enterprise are fighting on the desert sands, men of enterprise at

home should not object to sharing the burdens of war.

The so-called \$25,000 salary limitation actually affects only those having a salary in excess of \$67,200. The tax on that salary will reduce the net income to \$25,000. That salary limitation in 1942 would affect only 3,000 persons. From the fury of the protests one would think it affected three million persons. Some of these persons assert that they object only because they fear this limitation will continue after the war. I, too, would object to its continuance. But the law upon which this action was based expires June 30, 1944. It can be continued only by affirmative action of the Congress. If a man fears the Congress, he fears the people.

Most Show Way to Lasting Peace

Many of the 3,000 persons affected by this limitation receive salaries from corporations having war contracts or corporations whose profits come from the inflated war incomes of the people. Such excessive salaries are responsible for the demands of many for increased wages and increased prices for commodities, which demands make it difficult to prevent inflation.

Twenty-four years ago we had another war. When our Army came home broke and jobless and learned how their neighbors had profited they angrily demanded that it should never happen again. Every man in public life, regardless of political affiliation, solemnly pledged that we would take the profits out of war. It has not been done. Some day another Army will come marching home. There will be some without an arm, some without a leg and many without a job. In that hour I pity the man who profited while these men suffered. If we would preserve private enterprise, if we would preserve the profit system, we must now take the profit out of war.

There is a third and very important problem that we must bear in mind in organizing our civilian economy in war time. That is the problem of the peace that follows war, the question of the effect of what we do during the war on our national well being after the war. I am misunderstanding me. In a war for survival we cannot trifle with victory just to promote some desirable post-war objective.

But if so happens, I think that the most effective way of organizing our civilian economy to win the war is not only the fairest way of organizing it to distribute equitably the burdens of war, but is also the best way of organizing it to enable us to return with the least hardship to the paths of peace. What is thus doubly desirable is doubly imperative.

But if we allow ourselves to outbid and outsmart each other to get goods and services that a country engaged in total war cannot produce, prices will rise, wages will rise, and profits will rise, but we will not have more food to eat or clothing to wear or better houses to live in. The money we earn will buy less and savings of past years will be dissipated in a mad effort to get our fair share of the things we need in competition with those who happen to have more money than we have.

If we allowed ourselves to indulge in any such folly, where would we be when the war comes to an end? With inflated prices for goods and services we could not successfully compete in the markets of the world. For a while we might keep busy making up some of the most urgent and acute war shortages. We might even have a short-lived post-war boom, but then prices would decline and wages would begin to fall; profits would begin to shrink and factories would begin to close. We would have unemployment and poverty.

If anything like that happened, our people would not be ready to take the part which we are pledged to take to organize the world for peace. There could be no greater tragedy. After a while by drastic national action and radical social planning we would recover, but there would have passed the time when our leadership must be asserted if peace and order are to be established in a prostrate world. We, the strongest and most powerful nation in the world, must keep our own house in order. We must be in a position when the war is over to turn our energies, our productive resources to the arts of peace. We must show the way to a world of expanding freedom. We must show the way to a lasting peace.

November 18, 1942
8:36 a.m.

HMJr: Hello.

Operator: Mr. Paul.

HMJr: Hello.

Randolph
Paul: Hello.

HMJr: Hello, Randolph.

P: Yes.

HMJr: I hope I didn't wake you up.

P: No.

HMJr: Did I?

P: No, you didn't.

HMJr: Have you read that Tribune story?

P: I just finished it, yes.

HMJr: Well, what do you make out of that?

P: Well, I don't - I don't know. What do you mean - in what respect?

HMJr: Well, let's clear one thing at a time. I haven't got Jimmy Byrnes' speech - that's another thing. I'm trying to get a copy of it. Hello?

P: Yeah.

HMJr: Did any - did you or anybody ask - let's clear - Ben Cohen to help us write a tax speech - tax bill?

P: No, I haven't even seen Ben Cohen since that - since that night that he was up at the house.

HMJr: Well, I mean can....

P: That's the only....

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HMJr: I mean if I wanted to, could I deny publicly that anybody in the Treasury asked him?

P: Why, certainly.

HMJr: What?

P: We didn't - we didn't ask him to help us, except in the sense that we discussed the tax bill with him that - that - about two weeks ago when he was up at my house for dinner.

HMJr: Yeah.

P: We didn't ask for his help....

HMJr: Yeah.

P:except in the sense that we said we wanted everybody to....

HMJr: Yeah, but nobody - any more than a dozen other people.

P: That's right.

HMJr: What?

P: That's right.

HMJr: Of course, I want to be careful on the Ben Cohen angle, because I know they're shooting at him.
Hello? Hello?

P: Well, we didn't ask him specifically.

HMJr: Yeah.

P: As a matter of fact, he sent us over some suggestions about a week or so ago....

HMJr: Yeah.

P:and I sent back a note to him criticizing one of his schemes.

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HMJr: Yeah. You see there are two things that upset me about that. Number one is, I was going to announce the twelve billion dollar financing tomorrow.

P: Yeah.

HMJr: And then this so-and-so makes a speech about forced savings.

P: It's a fine job.

HMJr: Now that - that just knocks the props out under my financing, and the other thing is the tax bill, and I just got to straighten it out today who's going to do the financing and who's going to write - prepare the tax bill for the President.

P: Yeah.

HMJr: Have you got any suggestions on to how to proceed on this?

P: Well, as far as the tax bill is concerned, I think I'd ignore this story. It's very general. It's very - it's just a shot in the dark by some reporter.

HMJr: Yes, but supposing I could get the President to say something today - that this thing is in the hands of the Treasury.

P: Well, that will be all right.

HMJr: What?

P: That'll be fine.

HMJr: God, you sound sick. Are you sick?

P: No, I'm not. No, I think I - I think it would be all right, but I don't think I'd force that issue at this time.

HMJr: Well, it'll never be a better time. It'll keep coming up every time - it - you might just as well kill it today or we'll never kill it. We'll never catch up with it.

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P: Well, of course - of course, if the President does it, that's fine.

HMJr: Well, no, it doesn't do any good unless - I can't - if I say it, it's just a row between Byrnes and me.

P: That's right.

HMJr: But if the President would say something today, it would settle it for once and all.

P: Well, that's true if he does it, but I think you're right that if you'd say something about it without him....

HMJr: Oh, I'm not going to do that. I'm going to be very careful. It's just a trap anyway. There're lots of people laying traps.

P: Yeah, well....

HMJr: Where are you going to be for the next hour or two, in case I want you.

P: I'll be - I'll be at this hotel right along.

HMJr: You will?

P: Until noon. I have a speech at noon....

HMJr: You will....

P:and I've got to learn it this morning.

HMJr: What?

P: I've got to learn it this morning.

HMJr: Well, you be where I can get at you.

P: Yeah.

HMJr: All right.

P: I'll be at this hotel and if I'm not - I'll be here all the morning.

HMJr: Right.

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P: And in the afternoon, I'll - I'll leave word
where I'll be.

HMJr: Right. Thank you.

P: Okay.

November 18, 1942
9:05 a.m.

TAXATION

Present: Mr. Gaston
Mr. White
Mr. Odegard
Mr. Blough
Mr. Schwarz
Mr. Kuhn
Mrs. Klotz

H.M.JR: Chick, do you know whether we were consulted about this speech of Byrnes? (Referring to speech given by Justice Byrnes on November 16, 1942.)

MR. SCHWARZ: Not in our shop. Whether somebody else in the Treasury--

H.M.JR: Who else in the Treasury?

MR. GASTON: I talked to Ferdie about this thing yesterday, and Ferdie was trying to get hold of the man over in OWI.

H.M.JR: Did he know about this?

MR. GASTON: Oh, yes, he knew about it. Randolph knew about it.

MR. ODEGARD: He talked to Jack Fleming afterwards.

H.M.JR: Who is Jack Fleming?

MR. GASTON: In OWI.

MR. ODEGARD: He clears the speeches.

H.M.JR: This speech was over here?

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MR. ODEGARD: Ferdie called Mr. Fleming and protested that this speech had not been sent to us and that it involved the Treasury. Fleming was very apologetic, as I understand it.

MR. GASTON: This speech was not delivered last night. It was given Monday night, and it was in the papers yesterday morning.

H.M.JR: Where is Ferdie? I sent for him. I wanted to get everybody who might know about it. Ferdie didn't tell me about it.

(The Secretary held a telephone conversation with Mr. Ben Cohen, as follows:)

November 18, 1942
9:04 a.m.

Ben
Cohen: Hello.

Operator: Mr. Morgenthau?

HMJr: Hello, yes.

C: Henry.

Operator: Go ahead, sir.

HMJr: Hello, Ben.

C: Yeah.

HMJr: Did you read that?

C: Yeah, it's just one of these mean things.

HMJr: Yeah. Well, as I say, the part as far as you and I - the Treasury and you are concerned - I mean I think the less said the better. That's the way I feel.

C: Yeah. That is, I'm greatly disturbed, other than that, only to wonder whether in view of it some of it is deliberate and other is not intended, whether I could be of service on balance in this job for that reason.

HMJr: ~~Whether~~ Whether you can what?

C: Whether I can be of service on balance in this job - I mean whether the handicap will outweigh the contribution I could possibly make.

HMJr: As far as you personally are concerned?

C: Yeah.

HMJr: Do you want me to answer that?

C: No, I mean - I....

HMJr: I'll answer....

C:I'm not fishing for a compliment.

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HMJr: Well, I'll answer that. I think on balance it's plus.

C: Well, I hope it is, but....

HMJr: No, I'm not....

C: ...it doesn't re.. - and it doesn't relate to this, Henry. I mean I felt it keenly on the Krook thing, and good friends in different places in the country have told me that under cover the - all the animus about the \$25,000 was levied at me, and it so happened that I didn't know about it before it was inserted in the Order.

HMJr: Yeah.

C: But that's neither here nor there.

HMJr: Well, where can I reach you this morning?

C: Well, it is - I'll be here at my apartment in the - when would you be likely to call?

HMJr: Well, it would be sometime between now and eleven.

C: Well, I think what I'd better do is I'll just stay here until you call.

HMJr: Now have I got your number?

C: Well, that is - I'm - at my private line here where you're calling is Eldorado 5-3470.

HMJr: Eldorado 5...

C:3470.

HMJr: Right. Well....

C: And if by chance I'm not here....

HMJr: Yes.

C:the hotel line is Wickersham....

HMJr: Yes.

C:2....

HMJr: Yes.

C:1400.

HMJr: I got that.

C: And if I happen to leave for any reason, I'll leave word there where I can be reached.

HMJr: I don't know what hotel it is. You see, I got it through the White House.

C: It's the - the Winthrop Hotel.

HMJr: Winthrop.

C: At 47th and Lexington.

HMJr: Right. Well, that's a respectable neighborhood.

C: (Laughs) Yes.

HMJr: Well....

C: And, that is, I know how you feel seeing that in the paper. Reading it over....

HMJr: Yes.

C:I think that you may think it more harmful than it will prove to be. After all, you can't stop it and I think you've talked a little bit about the probability of compulsory saving, and....

HMJr: Yes. Yeah, but that - but I feel....

C:and certainly we've got to make - you've got to make it clear that any plan for compulsory saving won't obviate the need for additional taxation.

HMJr: Yeah, but Ben....

C: Or additional bond sale.

HMJr:the point that I'd like to clear up between Byrnes and you and myself and anybody over there is that until the President says contrary, the

(cont.)

HMJr: responsibility of preparing a tax program is the
(cont.) Treasury's.

C: Well, I - I think that's true and the problem is
only what help Byrnes can arrange to give you.

HMJr: Well, we want help not only from Byrnes but we want
help from every - I told them at the meeting the
other day I wanted help from everybody who works
for the President.

C: Well, that's what I meant.

HMJr: And - but the ultimate responsibility....

C: That is, the job is to see what help....

HMJr: Yeah.

C:they can get for you.

HMJr: Yeah, and....

C: If you're to prepare the program, naturally if he
has some ideas you're the first one who wants to
get ideas from anyone who is intelligent and
sincerely eager to help.

HMJr: But the point is we - half a dozen people can't....

C: I know....

HMJr:can't be counted on.

C:and there's been efforts - I know, and there's
been efforts to tell us not - that we should help
you but (laughs)....

HMJr: Yeah.

C:you know how things go in Washington.

HMJr: Right. Well, if - you'll be available and I have
your numbers.

C: Yeah.

HMJr: Thank you very much.

C: All right.

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(Mr. Kuhn entered the conference.)

H.M.JR: The first thing I want to know is, on this speech of Byrnes, what is the story? Was it shown to us and where does OWI--

MR. KUHN: I went into that yesterday and I have something to report to you on that. That speech was never submitted to the Treasury.

H.M.JR: It was what?

MR. KUHN: It was never submitted to the Treasury but it was submitted by Byrnes to the OWI for clearance. As far as I can discover it was their fault that the thing was never shown to us. The speech was given to a man named Jimmie Allen, over there, who is not very friendly to us, although he is their man who is supposed to be the Treasury liaison man, and he just did not show it to us. I protested yesterday, to his boss, Mr. Fleming. I said that this kind of thing simply means that the clearance system of speeches breaks down, because they send us all kinds of minor speeches by secondraters to clear, and they expect us to send our speeches to be cleared, and we always do it; but then when they get a major speech like this they don't even do us the courtesy of sending the speech around.

I then asked whether Byrnes was part of this clearance arrangement, and they said, "Well, apparently so, because he submitted his speech to us for clearance and I think it was cleared at the OPA for the parts dealing with rationing."

H.M.JR: Let me just read this. (The Secretary read Mr. Byrnes' speech.)

Which was the part that you objected to?

MR. GASTON: Just that one sentence there, where it says--

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H.M.JR: I mean, what part did Kuhn object to?

MR. KUHN: I objected to the fact that here was a speech dealing in part with fiscal policies, with taxation, and compulsory savings, which certainly are the Treasury's concern, and the speech should certainly have been shown to us. Even if Byrnes had chosen not to follow our broad objections - even if we had objections to some things in there and pointed them out and he had said, "I am sorry, I cannot accept those," at least we would have had a chance to see the speech before it was delivered. I protested quite strongly to them about it.

H.M.JR: I wish you had spoken to me.

MR. KUHN: I spoke to Herbert yesterday about it. Was it yesterday morning, Herbert? Yesterday morning we tried to find out the truth of the matter - just before lunch.

MR. GASTON: Yes, it was twelve forty-five.

MR. WHITE: I think the nature of the remark is such that Byrnes would have raised no objection at all to your modification of that statement, had he known you would have objected, because it is only very incidental to the rest of his speech. It is not built up around it, so I do not think Byrnes is in any way to blame if he assumed that you would see it before he gave it.

H.M.JR: What I thought I would do - the reason I asked you is, I am mad, and I do not want to make a mistake. I thought I would start in with Elmer Davis, Herbert--

MR. GASTON: Yes.

H.M.JR: I think that is the place to start.

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MR. WHITE: Unless he gets the notion there is a quarrel between you and Byrnes. You might make it clear that Byrnes would have changed it had you spoken. I think he would have.

MR. ODEGARD: We do not know, because it was never submitted to the ordinary procedure.

MR. WHITE: That is the sole argument. Byrnes would have changed that.

H.M.JR: How did you see it?

MR. KUHN: I saw it in the papers yesterday morning, Mr. Secretary. You might want to tell Davis that Mr. Fleming and his office knows about this.

H.M.JR: Who had the speech, Jimmie Allen?

MR. KUHN: Mr. Fleming is in charge of those things. He knows about it and he admitted that the speech should have been--

H.M.JR: That happened once before.

MR. KUHN: It happened in the case of the Bard speech.

H.M.JR: What happened in that case?

MR. KUHN: In that case it was not submitted, and it was not as serious as this.

H.M.JR: What did he talk about?

MR. KUHN: He talked about our losing the war, but in that speech he took some cracks at War Bonds, and again I simply said that as a courtesy to us, that speech should have been shown to us. And you remember they sent you a letter of apology about it after the speech was made. They said they were particularly sorry that this happened.

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MR. SCHWARZ: The dereliction is over there, Mr. Secretary. They do call us on petty things.

MR. ODEGARD: Do they clear all speeches?

MR. KUHN: They clear all speeches by Cabinet officers, assistant secretaries, and heads of independent agencies.

MR. ODEGARD: Would they clear speeches made by General Marshall and Admiral King?

MR. KUHN: No, they do not clear Army speeches. They do not clear Marshall or King.

H.M.JR: That does not concern us.

MR. KUHN: Mr. Secretary, they send us all manner of petty speeches, which we go to a lot of trouble to check, by Altmeyer and by SEC and so on, and it got me very sore yesterday morning to think that here was a major speech which they had not even bothered to show us.

(The Secretary held a telephone conversation with Mr. Barnes, OWI, as follows:)

November 18, 1942
9:16 a.m.

HMJr: Hello.

Operator: Mr. Davis is out of the city until late this afternoon, and his secretary won't be there until noon. I have Mr. Barnes, his assistant.

HMJr: Who?

Operator: Mr. Barnes, Mr. Davis' assistant.

HMJr: Okay.

Operator: Right.

HMJr: Hello?

George A.
Barnes: Hello.

HMJr: Mr. Barnes?

B: Yes, sir.

HMJr: Mr. Barnes?

B: Yes, sir.

HMJr: This is Morgenthau, speaking.

B: Hello, Mr. Morgenthau.

HMJr: Good morning. Look I'm really terribly upset over a story by Samuel Bell on this - front page of this morning's Tribune. The headline is "Billions Sought in Forced Loans on Taxpayers." Now your office knows - I talked to Mr. Davis a week ago - that we are about ready to launch a twelve billion dollar financing, and this is all based on a speech made by Justice Byrnes, which I understand from Mr. Kuhn was submitted to your office, but my office never had a chance to see it.

B: Oh. Uh huh.

HMJr: Now this thing - this is the second time that this thing has happened. It happened in connection with the Ralph Bard speech where he referred

(cont.)

HMJr: to War Bonds, and I just can't function this
(cont.) way.

B: Well, now....

HMJr: I just can't function. I mean I can't - we're
supposed to announce tomorrow a twelve billion
dollar financing and just because your office
falls down over there, and doesn't give us a
chance to see this thing, the headlines today
are "Billions Sought in Forced Loans on Tax-
payers." Now who the hell is going to lend
the Treasury any money if they think they're
going to have to have forced loans on them?

B: I see. Our procedure should certainly provide
for giving you people a look at these speeches
which have anything to do with finance.

HMJr: Well, that's what - as I understand it, it's
one of the main purposes....

B: That's right.

HMJr:and this was - Kuhn ran this whole thing
down yesterday. He spoke to Fleming. This -
but Byrnes' speech was in the hands of a man
by the name of Jimmy Allen, and this thing
vitally affects us. This whole question of
preparing the public - I've got two or three
of your people working to help me on this thing....

B: That's right.

HMJr:and what's the name of the man from Des
Moines - Cowles....

B: Yes.

HMJr:and he's got a lot of people on this thing,
and I got all these publicity and Advertising
Council coming down today, and when I picked up
the paper at seven this morning, I'm torpedoed.

B: Well, I'm - beyond telling you that I'll bring
them to Mr. Davis' attention the minute that he
gets back, and meanwhile look into it and....

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HMJr: Yeah, but that doesn't help me any, Mr. Barnes.

B: All right, now....

HMJr: Now here - here - here's - I want - I mean it's one thing, as I say, that I....

B: We....

HMJr:I think you fellows fell down. There's no argument about that. But I can't towards the public have it appear as though Mr. Byrnes and I were in a row, because we're not. And I'm confident if I had a chance to see that speech, Mr. Byrnes would have lifted that one sentence out.

B: Yeah.

HMJr: Now I've got to go before the public tomorrow. Now what the hell am I going to do to make it seem that there's no row between Byrnes and me? Now what are you people going to do to - to get - to get the Government out of this hole?

B: Well, I'm - I'm - I'm sure I can't answer you offhand, Mr. Morgenthau, but I can find out and see if we can think of some way that would be helpful as long as we've....

HMJr: Well, the only thing that I - I - the only thing that I can think of is - is some kind of a statement which you people will prepare....

B: Uh huh.

HMJr:and - and let the White House issue.

B: All right, sir. We'll....

HMJr: I mean - here's the whole point. Now I don't - I know who you are and I - and you're there with Mr. Davis. I might as well talk plain. There're - there are a lot of people that are trying to build up as though there was a war on between Justice Byrnes and me.

B: Yes, I know that.

HMJr: Now there isn't any.

B: Yeah.

HMJr: Now the President the night he formed this committee, he said that the fiscal and monetary and taxation is the responsibility of the Secretary of the Treasury.

B: Yes.

HMJr: And this - the article also goes on about Ben Cohen writing a tax bill for us, which is another story. And we might just as well lay this ghost today, and have it settled once and for all that as long as I'm here the responsibility of preparing a tax bill to be submitted to the President for his approval is mine.

B: Right.

HMJr: I've told Justice Byrnes and every member on his committee and every person that's down town that I'm going to consult them before we show it to the President.

B: Right.

HMJr: We presented a 28-page memorandum which you may want to give out. I'd like to send it over to you....

B: Uh huh.

HMJr:giving four different proposals, but the pros and the cons were not giving any editorial opinion, do you see?

B: Yeah.

HMJr: I'll send that over to you right away.

B: All right.

HMJr: And then this ques.. - this - this question of - I think that the thing - the only way I can see is that this ghost be laid today and I haven't talked with Byrnes because I wanted to talk with you people first....

B: Yeah.

HMJr:and I did get a hold of Ben Cohen....

B: Uh huh.

HMJr:and his attitude is, "Well, if we'd known anything, why, hell, if anybody had of told us anything, we'd - we'd have cooperated with you."

B: Well, Mr. Morgenthau, will you let me look into this and see what we can do to be helpful today.

HMJr: Well, now here's my problem, at eleven o'clock I'm supposed to meet the Advertising Council, this committee of sales managers, and three advertising agencies to tell them about how I'm going to launch this campaign. Now do you think between now and eleven, you can give me something?

B: I think we can give you some ideas between now and then, yes.

HMJr: Well, that's what I want, some ideas.

B: Yeah.

HMJr: And - and it's on the front page of the Trib.

B: Uh huh.

HMJr: The story is by Sam Bell.

B: Yeah. All right, let me look into it and....

HMJr: You see, in my business twelve billion dollars is a hell of a lot of money and I can't fail, and I've got to rely on the public.

B: That's right.

HMJr: Now if they think - put yourself - if you think you're going to have a forced loan on you in January or February and I come around tomorrow and ask you to buy some kind of a Government bond, you're going to say, "What's the use of buying in December. They're going to make me do it in January."

B: Yeah.

HMJr: You can get that.

B: Oh, of course, certainly.

HMJr: And - and if somebody - a German agent wanted to design a thing which would torpedo me, he couldn't have done a better job than he did on this front-page story.

B: Yes, sir. I can see that perfectly.

HMJr: And I - and - and, on the other hand, the financial columns of the Tribune have been most friendly.

B: Yeah, yeah. All right, sir, I'll....

HMJr: Between now and eleven, will you?

B: I'll do my level best....

HMJr: Because I don't normally get excited, but - and

B: Well, I can - I can understand, Mr. Morgenthau.

HMJr:but I - I just - I can't launch this campaign for twelve billion dollars until I get this thing straightened out.

B: Yes, sir.

HMJr: And I really think it's up to your office to do something.

B: All right, sir. We'll - we'll get together here and see what we can do. I'll call you before eleven.

HMJr: I thank you.

B: All right.

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H.M.JR: Is Barnes a Tribune man?

MR. KUHN: That is not Joe Barnes, as far as I know. That is George Barnes.

MR. SCHWARZ: He is the son of our Assistant Treasurer. He used to be in Agriculture.

H.M.JR: What is he now?

MR. SCHWARZ: He is assistant to Elmer Davis.

H.M.JR: I didn't mince matters, did I?

MR. KUHN: You were right. It is either sloppy organization, or it is deliberately by-passing the Treasury; I do not know which.

H.M.JR: I do not think that it is deliberate by-passing; I think it is just typical bureaucracy. That is not the way to pronounce it, is it? (Laughter)

MR. ODEGARD: That is what the three dictionaries say - "bur - o - cracy." (Laughter)

MR. WHITE: I never heard of it.

H.M.JR: This is the one he pulled out in Kansas City and he got kidded about it.

MR. ODEGARD: Mr. Secretary, this OWI problem is a serious one, as you know. I do not know whether you know they made suggestions to Budget, upon the basis of which the Budget Bureau cut the War Savings estimates by two and a half million dollars.

MR. KUHN: I have a copy of it.

MR. ODEGARD: It is an illustration of the disorganization over there. When I talked to Mike Cowles about that he said he knew nothing about it. I talked to him yesterday morning about it, and he said that he had made verbal representations to the Director

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of the Bureau of the Budget, saying that these suggestions had been made by people in OWI without responsibility and without any authority. I asked him if he would not put that in writing in a letter to the Director of the Budget and send us a copy. But it is an illustration of the disorganization with which we have had to deal, time and again, for an extended period of time. This is merely another illustration of that.

H.M.JR: I spoke to Paul on the tax angle; he said that we did not ask Ben Cohen any more than anybody else. That is another thing, anyway.

MR. BLOUGH: There is another side to this whole thing that I would like to talk to you about. I had luncheon yesterday with Bud Stark, who is Byrnes' economist, and who was formerly in the Treasury, and there are some elements in there which you probably will be interested in.

H.M.JR: Go ahead.

MR. BLOUGH: I think Mr. Stark has in mind that Justice Byrnes will play a rather important role in the next fiscal legislation - if not in its formulation, certainly in dealing with members of the Congressional committees. Whether that reflects Mr. Byrnes or not, I do not know, but that seemed to be more or less an accepted assumption of Stark's. Moreover, Stark has not talked to Cohen about this whole fiscal problem. The two of them are, presumably, assistants of Byrnes. Stark was loaned to him by the Federal Reserve.

MR. WHITE: Who is the other one?

MR. BLOUGH: Ben Cohen.

H.M.JR: I think the next move is, while they are doing something for me, to call up Byrnes, and if he is in, walk across the street and have a heart to heart talk with him. What do you people think?

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MR. GASTON: Excellent.

(Letter from Mr. Fleming, dated September 25, 1942, read by the Secretary, copy attached.)

H.M.JR: We might as well have it out. Don't you think I should go to see him?

MR. SCHWARZ: He could issue a short statement that might help clear up the whole picture.

H.M.JR: I personally think it has to come from the President. We might just as well have it out with him.

MRS. KLOTZ: He didn't start this thing.

H.M.JR: Yes he did - in this speech. They will be calling him up, too, you see. Cohen will be calling him up. He knows I sent for the speech.

MR. WHITE: Supposing he said, "You are a hundred percent right, Henry. I submitted it and I assumed that that was the regular routine. If you had told me, I would have taken it right out."

H.M.JR: Then what I want to say is, "Let's have an understanding from now on, Jimmie, that preparing a tax bill for the President's approval is my responsibility; raising the money is mine. Will I consult people? Yes, but the ultimate responsibility is mine, and nobody should shoot off his mouth about it without talking to me."

MR. GASTON: Yes, I think it goes much deeper than the failure of the OWI.

H.M.JR: I think I might just as well have it out.

MR. KUHN: Because you would have--

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H.M.JR: He inched in on me on this other meeting, Friday.

MRS. KLOTZ: I hate to see you do it.

H.M.JR: I might as well have it out.

(The Secretary held a telephone conversation with Justice Byrnes' secretary.)

H.M.JR: I will walk over there.

I told Barnes I would send him over that statement which we prepared.

MR. WHITE: That was a letter from you to Byrnes. You do not want to ask anybody's permission?

H.M.JR: To show it to OWI?

MR. WHITE: It depends on what they are going to do with it. I think you mentioned that you did not mind if they gave it some publicity.

H.M.JR: No, no. You take it over, Chick, and say that he should look at it for background.

MR. SCHWARZ: Not to use?

H.M.JR: For background.

MR. SCHWARZ: I think he got the impression that he could use it.

H.M.JR: You take it over yourself and tell him it is for background, so he can see how I presented this thing last Friday.

MR. KUHN: You would have shown it to OPA if you were making a big speech.

MR. WHITE: It seems to me the basis of the discussion ought to be the first paragraph, rather than Byrnes' speech.

C O P Y

29

Office of War Information
Washington, D.C.

September 25, 1942.

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

My dear Mr. Secretary:

We owe you an apology.

The Assistant Secretary of the Navy, Mr. Ralph Bard, submitted a speech to this office for clearance Wednesday afternoon. The speech has a passing reference to war bonds and to taxes. Through an oversight, in some part because of the necessity for speed in obtaining clearance, we neglected to refer it to the Treasury Department. It may well be that you would have preferred some modification of the references to bonds and taxes.

This sin of omission is wholly ours. We have had very few slips of this sort in speech clearance, and I can assure you I regret most keenly this particular one.

Sincerely,

(Signed) John R. Fleming
Chief
Bureau of Publications
and Graphics

November 18, 1942
10:30 a.m.

TAXATION - FINANCING

Present: Mr. Bell
Mr. Kuhn
Mr. Schwarz
Mrs. Klotz

H.M.JR: Chick, I got this note, but the main thing is that while I was talking to Byrnes his secretary handed a statement to him. He just read it and threw it down, and I left the room and he never let on that he had anything from OWI.

MR. SCHWARZ: Cowles was urging him, asking him - that was his message.

H.M.JR: I just left Byrnes. He didn't talk to Byrnes while I was there. He looked at it, glanced down and never told me he had it.

MRS. KLOTZ: Maybe it was just a message he was calling.

MR. SCHWARZ: It was dictated by Ben Cohen, in which he said, "The newspaper remarks gave the impression I was in favor only of forced savings. I did not intend to say that. It is, of course, implicit that we need voluntary savings, and there is no legislation pending for forced savings, and we now need voluntary savings."

H.M.JR: You haven't got a copy?

MR. SCHWARZ: No.

MR. KUHN: That wasn't the kind of statement you had wanted, was it?

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H.M.JR: Well, I wanted something from the President.

MR. KUHN: On where the authority lies for this thing.

H.M.JR: Yes.

MR. SCHWARZ: They are trying to make up for their error, and they asked Byrnes to make a statement through the White House.

MR. KUHN: I don't think that kind of statement is broad enough to meet this case. You are not just correcting a little Herald Tribune statement. You want a statement that will lay this ghost, and that won't do it. It will only keep the ghost more alive.

MR. SCHWARZ: I can ask him whether Byrnes has given it out and that you would like a White House statement.

H.M.JR: No, no. Who is handling this - Barnes or Cowles?

MR. SCHWARZ: Cowles is in charge.

H.M.JR: I talked with Barnes. I had better call Barnes back, hadn't I?

MR. SCHWARZ: They want to do whatever you want. Their attitude is good.

H.M.JR: I was sitting there and she brought it in. I will say this, he just glanced at it.

MRS. KLOTZ: It might be it said they were calling him and not have been the actual statement itself, which they may not have stopped to dictate.

H.M.JR: I will call up George Barnes.

MRS. KLOTZ: He wouldn't want to talk to him while you were there.

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H.M.JR: While I am waiting - is this crowd ready?

MR. KUHN: They are coming at eleven. Would you like me to tell you when they are all here? They are not here yet.

H.M.JR: I don't want to go in at eleven, they could start in on something else, couldn't they?

MR. KUHN: Yes, Dan could start them off, but I would like them to get the over-all picture first.

H.M.JR: They can wait a few minutes.

I had a pretty good talk with Byrnes. I went back through the whole business right from the beginning - how this thing was drafted and all that. He tried to tell me that in his talk with Judge Rosenman he said, "Of course, anybody who holds this position and has to present the whole thing on the cost of living has to include taxes." And he said he knew nothing about the verbal statement the President made the night before it was announced. He never heard it.

MR. KUHN: That is why it was verbal.

H.M.JR: I know pretty much how I stand. I will say this much for his position - he says you can't handle inflation by doing what Henderson has done. That is the small end of the stick. He says, "You don't claim that you are over me, do you?" I says, "No, and you don't claim you are over me?" He says, "No," I say, "Now, we are both here to lick inflation. We are both here to save the President a headache. Can't we work together?" He says, "Of course we can." I said, "That is what I want to do."

Then he went on to say the only person he had was one economist, and he was relying on the Treasury to prepare the programs, and so forth. He said if we had brought that to his attention he would have knocked it out.

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MR. SCHWARZ: The stories from the Hill are that our opposition - the reactionary people - is trying to plant some of this with Jimmie because they are old friends.

H.M.JR: Byrnes sort of thinks whenever the program is settled - he said this, "Of course we would take it up with a few people on the Hill." So I said, "You certainly don't say we should not keep up our contacts." So he is inching in. How long was I there?

MRS. KLOTZ: About an hour.

H.M.JR: An hour and a quarter. He knows where I stand. I know pretty well where he stands. He will have to be watched, that is all.

MRS. KLOTZ: At least he knows where you stand, now.

H.M.JR: No uncertainty. He told me this, which is interesting, that in twenty-five years' experience in Congress he had never written a letter to an editor criticizing him for what he said. He had a long letter there from Ben Cohen to Arthur Krock which he made Ben Cohen give to him. He says, "I will never mail it."

MR. KUHN: Because Arthur Krock had taken Ben for a ride.

H.M.JR: Then he had talked the whole thing over - Byrnes with Bernie Baruch - I mean, this is the crowd - you know they have no use for me.

(The Secretary held a telephone conversation with Mr. Sproul, as follows:)

November 18, 1942
10:52 a.m.

Operator: Go ahead.

HMJr: Hello.

Allan
Sproul: Good morning, Mr. Secretary.

HMJr: Good morning, Mr. Sproul.

S: We've thought over that draft of a tentative statement which you read to us last night....

HMJr: Yeah.

S:and I have an alternative draft which I'd like to have dictated to your office so that you could have it if you'd like to have it.

HMJr: How long is it?

S: It's less than one typewritten page.

HMJr: Well, if you put it on - there's my own sten.. - teletype it'll come in in a split second.

S: All right, we'll put it on teletype, and it's just one....

HMJr: Wait a minute. I - I got a special number here, and if you wait a minute (Aside: Do you know what it is?) Just a moment. Will you wait a minute?

S: Yes.

Operator: Operator.

HMJr: What is my teletype number that I have upstairs?

Operator: Just a minute.

HMJr: (Talks aside) Hello.

S: Hello.

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HMJr: Just a minute.

S: Yeah.

HMJr: Here - hold on a minute.

Operator: WA-168.

HMJr: WA-168.

Operator: That's right.

S: Right.

HMJr: If you put it on that, I'll get it immediately.

S: All right, I'll put it on that. Now there's one or two things I'd like to say about it.

HMJr: Yeah.

S: First, it - while it emphasizes the - raising the greater part of the funds outside the banks than from within the banks, it avoids the specification of a sixty per cent-forty per cent split which I think is a split no one can make and it's unnecessary to make in this drive.

HMJr: Oh.

S: But I think if it says the greater part will be raised outside the banks than within the banks, you've accomplished that purpose.

HMJr: Yeah.

S: The second main change it suggests is that the offering to the banks, the two billion of each, be split, not four billion at one time, so as to use the banks as a revolving fund, get two billion from them, have it taken in and spent by the Treasury, back into the banks, and then get two billion again.

HMJr: Yes.

S: And it does that by putting the one-and-three-quarter offering to the banks out immediately which would give the - give that security the

(cont.)

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S: impetus of an immediate success, because I think
(cont.) it's a security which is designed for banks
rather than for the public, and yet which can be
sold to the public if it's made to look successful
by an immediate sale - successful sale to the
banks.

HMJr: Well, somebody gave me that line yesterday.
Didn't you?

S: What?

HMJr: Somebody gave me that same argument yesterday.

S: Well, it wasn't I, but....

HMJr: Well, then it must....

S:it sounds good.

HMJr:it must have been Rouse.

S: Well, I'll - I'll put this on the teletype and
send it down to you, so that you'll have it as
an alternative suggestion.

HMJr: Is that in that suggestion - this idea that....

S: It's all spelled out here, and in the suggestion.
It all reads right along, I think, clearly and
simply.

HMJr: I don't like the idea of offering the one-and-
three-quarters first.

S: Well....

HMJr: Rouse gave me that yesterday.

S: I see. Well, I think it - it would not inter-
fere with your public sale. In fact, I think
it might help it by giving that particular
security the impetus of an immediate success.

HMJr: Yeah, well, he....

S: And it - it wouldn't remove any pressure for sale to others than banks, because it's so small a part of the job which you are announcing.

HMJr: Okay.

S: All right.

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MR. KUHN: Wanders is here and Dan is ready to get to work with him later.

H.M.JR: What I was thinking of doing with Wanders temporarily - until I get this thing straightened out - was to put him into Buffington's office, and have these twelve publicity men out in the twelve Federal Reserve districts responsible to Wanders. I do not like Vince Callahan's suggestion at all. I do not want a circus rider advising me how to do this thing. This man, he knows how to send elephants around the country--

MR. KUHN: Gilchrist?

H.M.JR: Yes.

MR. KUHN: Some of the suggestions were too ambitious.

H.M.JR: He has handled a lot of elephants and things like that, but when it comes to handling financial writers what does Gilchrist know? Nothing - he has had no experience.

(Mr. Bell entered the conference.)

H.M.JR: I saved you one headache on this business.

MR. BELL: What is the headache?

(The Secretary held a telephone conversation with Mr. Barnes, as follows:)

November 18, 1942
10:50 a.m.

Operator: Mr. Barnes is in a meeting and they are getting
a message to him to have him call you.

HMJr: Will you do that?

Operator: Yes.

November 18, 1942
10:57 a.m.

Operator: Go ahead.

HMJr: Hello, Mr. Barnes.

George A. Barnes: Yes, Mr. Morgenthau.

HMJr: I understand from Chic Schwarz you sent a statement over to Justice Byrnes?

B: Yes, while you were there we thought.

HMJr: I was there, and the secretary brought something in to him. He just glanced at it. He couldn't have read more than three words and dropped it and didn't discuss it with me.

B: Well, now we'll have to go after that right away.

HMJr: He - I - I don't know what's in it. He didn't show it to me. He just - evi.. - he couldn't have read more than the first line and dropped it on his desk, and I left and he never discussed it with me. I don't know....

B: I haven't got a copy of the statement here, but I can get one and call you back in just a moment or two. Chic was there when we read it to....

HMJr: Well, I tell you, if you could have your secretary call my phone....

B: Right.

HMJr:on District 2626....

B: Yeah.

HMJr:and ask for Miss Chauncey....

B: Yeah.

HMJr:and let them dictate it to her, see?

B: You bet.

HMJr: Then I'll have it. But I was sitting there with Byrnes for an hour and a quarter. His secretary came in with a slip of paper, and if that was it I'm none the wiser. (Laughs)

B: Well, we'll look into that right away.

HMJr: Now as I understand, Ben Cohen - was....

B: It was Ben Cohen's suggestion.

HMJr: Yes.

B: We got in touch with Ben. All - it was our idea that Byrnes ought to issue a statement.

HMJr: Yeah.

B: We checked with....

HMJr: Well...

B:with Ben on what kind of statement - oh, on our idea what the statement might be, and he verified it that it was a good idea, and we then transmitted it to Byrnes with the understanding that you were there.

HMJr: I was there, but I didn't benefit....

B: All right, we'll check again....

HMJr: I know - I mean he couldn't have read more than the first sentence, then he dropped it.

B: He may not have gotten the idea of what it was about.

HMJr: Yeah. Well, the next half hour I'll be with these publicity people, but I'll be out again in a half an hour if you want me.

B: All right. I'll - I'll have this read to Miss Chauncey and you can see what it is, and I'll also try to learn meanwhile what Justice Byrnes is going to do about it.

HMJr: Would you do that?
B: You bet.
HMJr: That would help a lot.
B: All right, sir.

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H.M.JR: I am just telling you what I had in mind on this business.

MR. KUHN: Wanders has not gotten the O.K. to come down here, you know, for a month. He is only here for two days to help on the drafting of this statement for tomorrow.

H.M.JR: Anyway, I am not going to put these twelve men in the field under Callahan at the start. I wanted to put them under Wanders, and have it run from Buffington, and Buffington would consult you and me. Didn't Gilchrist run this circus and all these things.

MR. KUHN: No, no.

H.M.JR: Who ran the circuses?

MR. KUHN: Duffus, Gilchrist is an entirely different kind of fellow.

H.M.JR: Is he a radio man? I will bet he doesn't know the difference between a registered and a bearer bond. (Laughter)

(The Secretary held a telephone conversation with Mr. Ben Cohen, as follows:)

November 18, 1942
11:01 a.m.

HMJr: Hello.

Ben
Cohen: Hello, Henry.

HMJr: Hello.

C: Hello.

HMJr: Oh, Ben.

C: Yes.

HMJr: I had an hour and a quarter with Jimmy Byrnes....

C: Yes.

HMJr:on the whole, satisfactory.

C: I'm awfully glad.

HMJr: While I was there his secretary brought in, evidently a statement that O.W.I. wanted him to give out, which I understood they had cleared with you.

C: Well, what they did - they phoned me first and asked whether I wouldn't give out the statement, and I told them that I thought it would be much more appropriate for Jimmy to do it.

HMJr: Yeah.

C: And, I suggested something that I thought he might do. It was a mere statement that erro.. - that - that - that apparently erroneous impressions had been got from some statements in the press about compulsory saving, and that the suggestions that had been made about compulsory saving would in - would not obviate the need for voluntary loans; that compulsory saving might be a supplement to voluntary financing, but would not replace it. And then Jimmy told me though - he just phoned back, apparently O.W.I. was in touch with him....

HMJr: Jimmy phoned you?

C: Yes....

HMJr: You....

C:that it wasn't his - he said he never made it a practice of taking note of those newspaper reports, and he said if you do that you have to make statements all the time, and he said he didn't want to make any statement.

HMJr: I see.

C: So I at once phoned Archie and suggested that possibly the way to handle it would be for you to make a statement that if....

HMJr: No.

C:if there's been - that erroneous impressions had....

HMJr: No.

C:got abroad, that of course a great number of people are thinking about compulsory savings....

HMJr: Yeah.

C:and the Treasury itself has given a great deal of time and thought to it.

HMJr: No, that would only add fuel to the fire that these people were trying - trying to make trouble between Jimmy and me.

C: Uh, well, that is, I....

HMJr: If I gave out a statement.

C: Well, that is, I didn't know I suggested it (he used a foreign phrase here).

HMJr: Pardon?

C: I say I suggested it when he said he didn't want to make a statement.

HMJr: Well....

C: If you have any better suggestion, I'll....

HMJr: Well, I - I....

C:be very glad....

HMJr: I haven't seen the statement that O.W.I. suggested and I've asked - they're dictating a copy of it over the phone for me now.

C: Well, that is, my thought was - in - that it - it was only, I mean, you might see - and you could say, "I'm sure on this point there's no difference between myself and Director Byrnes," and....

HMJr: Well....

C:see if he would approve that after you read it to him.

HMJr: Well, I'll wait....

C: I - I - I'm not urging this statement, Henry....

HMJr: No, no.

C:I'm only trying to - to find a way out.

HMJr: Well, let's....

C: You see, they phoned me that you said you had to have some statement to clarify the situation....

HMJr: That's right.

C:and they asked me would I issue it.

HMJr: No, what I want it for....

C: They evidently didn't understand my situation.

HMJr: What I had hoped was to get something that Steve Early would - would issue. That's what I had hoped for. But there was no use - Jimmy making - well, if Jimmy wanted to make one, that's all right, but evidently he doesn't, and for me to make it would look as though I was criticizing him, and I don't want to do that.

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C: No, and - and I wouldn't suggest that. I mean I....

HMJr: No, I think that if anybody was going to make one....

C:one was read to him first, and one would have to be sure that it wouldn't be susceptible to that construction.

HMJr: Well, let - let me wait until I see what this looks like, and I don't want to tie you up. You've got things to do. Hello?

C: Yes.

HMJr: That's why I'm calling you one minute to eleven. And as to your part of the story, that is very simple in my own mind. I see the press tomorrow, see?

C: Yeah.

HMJr: And if they ask me have we consulted you, the answer is "Yes, we've consulted a number of people who have ideas on how the tax bill should be written"....

C: Yes.

HMJr: And I have consulted you in the past, and I expect to consult you in the future.

C: Yes.

HMJr: Period.

C: That's all right.

HMJr: See?

C: And if there's anything I can do to be helpful, either affirmatively or negatively....

HMJr: Well, I appreciate it.

C:you won't hesitate to let me know.

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HMJr: But it's - I mean, there are a lot of people around town that are trying to make trouble, and they use you as the whipping boy - that's it.

C: I know.

HMJr: But don't worry, it's - your part of the story, as far as I'm concerned, is very easy to handle.

C: All right, but don't worry about that. I only wanted to be as helpful as I could.

HMJr: I appreciate that, but this other thing - Jimmy said if we'd asked him not to make the statement, he never would have made it.

C: I know. I don't think it ever occurred to him that the statement was specific enough to cause the difficulties in the money market.

HMJr: Well....

C: That may have been thoughtless.

HMJr: We'll see how it goes along, and you go on and do what you were going to do, and if I want to get you, I can get you through the White House, can't I?

C: Yes. I'll leave word when I leave the hotel....

HMJr: Will you do that?

C:where I'm going.

HMJr: Now don't worry about it on the personal angle, because that I'm not worrying about.

C: All right.

HMJr: See?

C: Thanks.

HMJr: Thank you.

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MR. SCHWARZ: When Cowles came back to our meeting he gave the impression you and Jimmie would be talking about the statement.

H.M.JR: The minute I left Jimmie got busy and decided he would not do it.

MRS. KLOTZ: I don't think you expected it of him, did you?

H.M.JR: No.

Now, let's go in and see if I can concentrate - I have got this big crowd in there, and I will just present the thing the best I can as to what the problem is. I have the figures here. I changed savings bonds for January to one, seven.

MR. BELL: Are you going to give them the figures?

H.M.JR: Yes, if they want them - not the balances.

MR. BELL: The securities?

H.M.JR: I will cut the balances off at the top and the bottom.

MR. SCHWARZ: Do you want us to prepare a statement?

H.M.JR: No, just sit tight. You can take my word nothing will happen.

11-18-42
... V

FROM: MR. SCHWARZ'S OFFICE

The Secretary

TO:

I talked with George Barnes and Gardner Cowles at OWI. They had assembled their people working on economic and financial matters and had concurred in a statement suggested by Ben Cohen to scotch the impression given by the quotes out of Byrnes' speech. By 10:05, Cowles had 'phoned the statement to Byrnes' office with word that OWI was asking him to make it public in order to compensate for their failure to submit the draft of the talk to us. They then agreed to have all their people who might handle such things study your letter of November 10 so they would be on the alert for any remarks that might clash with our program and also so that they could make positive strides for us.

Cowles and Barnes both asked me to repeat the apologies of OWI and promised to give immediate attention if you felt there was anything further they should do to help toward a successful financing.

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11/18

10:30 am

November 18, 1942

TO: The Secretary
FROM: Mr. Kuhn

Archie MacLeish phoned the text of this suggested statement, but said that Mr. Byrnes was unwilling to make any statement of the kind. He suggested that you might want to make a statement yourself. I told him, first, that you did not want to make a statement yourself and, second, that I doubted very much whether this was the sort of statement you had in mind. I said that I felt that the issue in your mind was a much broader one than the question of compulsory versus voluntary savings and that the statement you wanted was one which would "lay the ghost" of the story that there was conflict between the Treasury and Byrnes, or that Byrnes was about to take over your responsibilities in the fiscal field.

Archie said he would consider what alternative source might issue a statement.

I would suggest that you call Archie direct, or let me call him, to tell him what you think of this particular proposed statement.

(Mr. Kuhn said later that, at the Secretary's request, he phoned Mr. MacLeish "to forget it.")

November 18, 1942

SUGGESTED FORM OF STATEMENT

Newspaper accounts of Mr. Byrnes' remarks have been put in a form which might erroneously convey the impression that there was an intention to substitute compulsory savings for voluntary savings. At best, any compulsory scheme would only be supplementary to voluntary loans which would continue to be necessary even if a compulsory plan were adopted and which are certainly vitally necessary at the present time when no legislation authorizing a compulsory plan has been adopted by the Congress.

November 18, 1942
11:10 a.m.

FINANCING

Present: Mr. Bell
 Mr. Haas
 Mr. Burgess
 Mr. Kuhn

(The Secretary held a telephone conversation with
Mr. Rouse, as follows:)

November 18, 1942
4:40 p.m.

HMJr: Hello.

Robert
Rouse: Hello, sir.

HMJr: Bob?

R: Yes, sir.

HMJr: I'd like to know what the hell a five-and-a-half year bond has got to do with a twenty-eight year bond.

R: Well, it has this - in my judgment it has this to do with it....

HMJr: Yeah.

R:that the....

HMJr: I want to let you know....

R:offering of the....

HMJr:Bell and Eccles are in here with me.

R: I see. Well, it has this to do with it, that offering of a two-and-a-half of sixty-three-sixty-eight, of course, as we said yesterday, will bring down the prices and force a price readjustment in the longer category particularly

HMJr: Yeah.

R:and it's like throwing a stone into a pond, the ripples carry along.

HMJr: Getting poetic.

R: The ripples are very small when you get down to the five-year range.

HMJr: Who is your favorite poet?

R: (Laughs) They are small when you get down there. But, on the other hand, you'll have a reaction of a lowered market, and in

(cont.)

R: calculating the - the one-and-three-quarter on
(cont.) the basis of a - basis of a lower market in the
long-term securities, we feel that to have a
comparatively priced security in the one-and-three-
quarter, you should go back to March. We think
that the June calculated on the other was all
right, but calculated on the sixty-three and with
the market repercussions that there will be that
it's right on - just at par and it's not as
attractive as you indicated you wanted to make it.

HMJr: I think the word that I'm thinking of that you
people must be using down there instead of
ripples is a seismograph.

R: No, that's not right.

HMJr: That's not right?

R: No, this is more serious than that. (Laughs)

HMJr: What?

R: I think it's - I think it's very important.

HMJr: Do you know what a seismo.. - do you know what a
seismograph is?

R: Yes, sir.

HMJr: Okay. It registers a tremor ten thousand miles
away.

R: Yeah, I understand and I get your point, but I
take the liberty of disagreeing with it.

HMJr: (Laughs) All right. Can you hear....

R: I - I wouldn't ask you - I wouldn't raise a ques-
tion about this thing after you've practically
decided it....

HMJr: Yes.

R:unless I thought it important.

HMJr: Well, now just hold on a minute. I realize that.
Now I'm weak so I - I can't argue any more.

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R: (Laughs) Well, I'm in - almost in the same spot, I assure you. (Laughs)

HMJr: Mr. Eccles wants to talk to you.

R: All right.

Marriner
Eccles: Bob?

R: Yes, Marriner.

E: I - I can't follow you entirely on that and for this reason, that we're - we're going to have to support the twos and we've got a lot of twos out and we're going to put a lot more out, that's....

R: Yeah.

E:the bank range.

R: That's right.

E: The effect of the fifty-three-fifty-eights is going to - I agree with you, it may come right on down to the twos. At that point, we've got to stop it.

R: I quite agree with you.

E: All right.

R: We're going to have to support those at par.

E: All right. That's right. Now, therefore, this....

R: I don't - as I said yesterday though, it may mean that you'll have to do - the next two will have to be six months shorter.

E: Well, the - the next - I wouldn't - I wouldn't think so. I mean after all....

R: Well, I - I say there's a possibility of it. I'm talking about a market risk....

E: Well, I think that....

R:rather than actual damage.

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- E: Yeah, but I think the more - the greater likelihood of the next two being six months shorter is if you make this March instead of June, and that's - that's just one reason that I would figure that it's better to make this June than March, that it's more in line with the twos, and it seems to me that if you make this one-and-three-quarter any more favorable than a five-and-a-half year, you're going to put pressure on your twos. Now I think that's where your pressure comes, and - and - and I - I feel rather just the reverse to what you feel on the thing.
- R: I see.
- E:that - that after all we hold these twos at par - that - that's the point, and I'd forget anything above the - the market above the twos because that's in another category. We hold the twos at par. We got to.
- R: That's right, I....
- E: And you let your adjustment go in these premium bonds between the twos and the two-and-a-half. Now holding the twos at par, certainly the one-and-three-quarter at five-and-a-half years looks just as favorable as the two at seven and nine years, and what I'd be afraid of is making this two-and-three-quarters any more favorable would put more pressure on the twos than we need so that the next offering of twos is going to have to be six months shorter. I mean that's the way I look at it.
- R: Yes, oh, I understand.
- E: So - now I - I don't know. I just got this picture just now, and - and I just wanted to put that - that out.
- R: Both your people and both Lee Piser, independently, and we here have priced it in anticipation of what the prices will be tomorrow or the next day, whenever the announcement is made, and....
- E: Well, I don't see that....

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R:we feel it's right - right on the line.

E: I just - I don't feel so terribly strong about it. It isn't one of those things. But I can see by - by continuing the - the downward trend of this thing that it puts more and more pressure on the twos that we're - that we've established on the seven and nine year, and - and I - I just don't think at this point we want to begin to talk about reducing that time because I think we've got the - the road's too long.

R: Yeah, it's awful long.

E: It's too damn long to start any - any - showing any weakness on shortening these maturities. Now you - putting the sixty - the two-and-a-half out, of course, we - we lengthened that maturity a year. True, we put a coupon on but at least in effect we lengthened it....

R: On....

E:one year at least.

R: Which one?

E: The - the - the new two-and-a-half.

R: Oh. No, I wouldn't say that.

E: What is it?

R: No, you haven't done that.

E: Well, we lengthened it in years. I....

R: You've shortened it by three or four.

E: Well, you say the coupon tends to do that, and that may be....

R: If you were doing....

E:but....

R:if you were doing the same kind of an issue I'd agree with you.

E: Yeah, but....

R: But it....

E:but it does seem to me that this one-and-three-quarters has got to be looked upon as a bank security in a different range....

R: Well, that....

E:and that the two-and-a-half is entirely outside of it, that you have three - you have three - three anchors to your - to your pattern, and that's the proposed two-and-a-half of sixty-three-sixty-eight. That's - that's - that - that's the - you got to support that at par and things adjust themselves in that relationship. You come down to the twos and you've got to support that one, and then you come down....

R: I agree with you....

E:to the seven-eighths and....

R: Yeah, and we're supporting this same range and trying to get it right for the one-and-three-quarter.

E: Yeah, but my thought is if you drop - reduce the - the maturity of the one-and-three-quarter too much - that from the five-and-a-half to five-and-a-quarter the question in my mind is, what's that going to do to the twos and whether you won't have pressure for reducing the maturity on the twos next time.

R: Well, we will be buying securities in this range, and I'm not saying it won't go. I didn't mean to imply that. I think - and with the experience we had in October and....

E: Of course, I can see that the - that - that - that the more favorable you make each of these issues each time, the more likely the - the - of course, it does help the thing, but I think the road is so long and we've got to be - we've got to make 'em go without any special inducements - I mean....

R: No, of course....

E:because the road's too damn long to start making - reducing maturities.

R: Well, that was the only reason that Allan felt as - and I felt as we did on this - on....

E: Yes.

R:the - on the long bonds so that this type of thing wouldn't - we wouldn't have this type of reaction that I fear.

E: Well, why do you think that - you didn't favor - you figured if the long bond was put out to sixty-five-seventy, then - then the short bond that you're proposing could be five-and-a-half years.

R: Yeah.

E: Now my point is that the effect of the long bond is - is got to be stopped at the two. The two is the line where you can't let the effect of the long bond go beyond the twos, because the two is the....

R: Well, I assure you we'll do everything we can to stop it.

E: Well, but my point is the two is your pegging price. That - you might say that the long bond is going to affect the intermediate securities between the twos and the new two-and-a-half.

R: Yeah.

E: But you can't let the long bond influence the twos downward....

R: Uh huh.

E:and, therefore, if you don't then there's no reason why it should influence the proposed one-and-three-quarter.

R: Yeah.

E: You see?

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R: Well, it'll be a lot better, of course, with the - now that the Secretary has changed his - his plan -- at least I understand he has -- to make the offering of the one-and-three-quarters the first day.

E: Yeah, that ought to help.

R: That'll help a great deal, and - but, as I say, I feel that it'd be better to make it March.

E: Well, I just wanted to give you my opinion.

R: Yeah. Well, that's - that's the way I feel about it, and I think there is some - there's a good deal of merit in your - your point it's the same thing we did in the twos of extending them to fifty-fifty-two and they really like it now.

E: Say, Bob, the - we'll call you back in a few minutes.

R: All right, good.

E: Okay. Goodbye.

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H.M.JR: That is the only place there is any difference, isn't it?

MR. BELL: There may be a little difference on the one and three-quarters. I don't think that is serious. I don't know as this other is serious. There are two different views, the same as when we put out the '62-'67. We said we were afraid it would pull down the '67-'72.

H.M.JR: If I ask Chicago this question - who else - should I go to the west coast?

MR. BELL: I don't believe so.

MR. HAAS: Why not ask Chicago also about one and three-quarters.

H.M.JR: Ask them what?

MR. HAAS: About the yearage on that.

H.M.JR: Hasn't that all been settled?

MR. HAAS: We have got our ideas, but the other people have ideas, too.

MR. BELL: Everybody with whom we have discussed it has agreed that the one and three-quarters is the bond to put out.

H.M.JR: But not as to where it should fall?

MR. BELL: No. We had not discussed it except in our own group, the Federal, and the Federal of New York.

H.M.JR: Who besides Chicago should I ask? I mean, Chicago covers Detroit, but this thing might be different further west. How about Dallas?

MR. BELL: They are not very good.

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H.M.JR: Who down that way--

MR. BELL: Gilbert is the president. He could talk to some banks around there and give you a wire this evening. Chester Davis is very good on canvassing.

H.M.JR: How big a district is his?

MR. BELL: It isn't very big, not much bigger than Detroit, which is a branch of Chicago.

H.M.JR: But he covers the southwest.

MR. BELL: Part of Illinois, all of Missouri, and part of Kentucky, and Arkansas. It is all a very small--

H.M.JR: Yes, but it gives you--

MR. BELL: They are all small banks.

H.M.JR: That would be another good check.

MR. BELL: "Frisco" might give you an idea, because the Trans-America out there is one big bank, and you have one or two others.

H.M.JR: Their bank would not be open yet.

MR. BELL: That is right.

H.M.JR: Suppose you call "Frisco" for me and tell them to give me a wire tonight. I will call Chester Davis.

MR. BELL: I should think that might be near enough.

H.M.JR: Well now, George, when will you give me what you think? Will you give it to me by tomorrow morning?

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MR. HAAS: Yes, sir. We have got tentative--

H.M.JR: Put it on the line; don't get any more tentative business.

MR. HAAS: O.K.

(The Secretary held a telephone conversation with Mr. Young, ~~as follows:~~)

not recorded

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MR. BELL: Walter Cummings sent word over to Hap that he could have his public relations man and all of his department and all of their art department, if he wanted them, for this drive, and that he could keep them over there.

H.M.JR: Is that the fellow he said--

MR. BELL: I don't think so, because he said he is the best man on the street.

H.M.JR: He knows about Walter Cummings and his mix-up?

MR. BELL: Sure, he was to some extent a party to it.

H.M.JR: But you see how they like that four days.

MR. BELL: Yes.

H.M.JR: Now, George, you are going to come in and these fellows will come in.

MR. HAAS: You have got some important decisions to make between now and Wednesday. Is Stewart going to be down here?

H.M.JR: I asked him to come down.

MR. HAAS: This reserve thing is involved in this thing now, too.

H.M.JR: How is it involved?

MR. HAAS: It is involved whether you do all that four billion in one bite or whether you make two bites out of it. You can solve the mechanical problem by having the payments - but you don't solve the psychological problem. Maybe you can get over that hump by the

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bankers doing the educational part of it, which will take care of that angle of it.

(The Secretary held a telephone conversation with Mr. Chester Davis, ~~as follows:~~) not recorded

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(Discussion off the record.)

MR. HAAS: All war financing stories should clear through Dan.

H.M.JR: There are no stories going out.

MR. HAAS: They came out; they are well intended, but--

H.M.JR: What are you referring to?

MR. HAAS: War Savings Staff. I don't know if they get out - Odegard is supposed to do it. All the War Savings Staff stories clear through Odegard.

(Mr. Burgess and Mr. Kuhn entered the conference.)

H.M.JR: Let me, so you get it right from the horse's mouth, you see- this is the way my mind is working, is crystallizing. I had hoped to be ready by this Thursday - I don't think I can be ready before Thursday - to give a full announcement of what we propose to do for the month of December.

MR. BURGESS: We have been reading the draft of it.

H.M.JR: That is a little bit different from that draft, what I am telling you. You will have to see that between now and Thursday this does not get out. I don't know how you are going to do it.

MR. BURGESS: That is all right.

H.M.JR: But, I am telling you that between now and Thursday I don't want to read about it--

MR. BURGESS: Right.

H.M.JR: ... because I may change my mind. I have to consult a lot of people. What I was thinking is

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this, to say on Thursday that we propose to open our books on November 30 to the public, at which time we are going to offer the three securities, the certificates, a one-and-three-quarters short bond, and a two and a half percent coupon. It will stay open during the month of December - we don't know how long. I don't know if I want to limit it to three weeks or not. The first talk was that.

MR. BURGESS: I would not commit myself if I were you.

H.M.JR: That is what I thought. Then on December 7, the anniversary of Pearl Harbor--

MR. BURGESS: That is right; I wondered about that date.

H.M.JR: I am going to offer two billion dollars of one and three-quarters to the banks and two billion dollars of one-year certificates to the banks. This is all new, because this is all mine. This issue will stay open four days, but we expect the banks, who are going to do their job, to subscribe on the anniversary of December 7. The two billion one and three-quarters, let's say, would be payable on December 15; and the certificate, December 20. In other words, they would be payable about a week apart, to give the banks a chance. But my idea is that we would say on December 7 that we expect the good banks to have their subscriptions in the night of December 7, then it gives the ABA and the presidents of the twelve Federal Reserves three days to go to those fellows who only subscribed half or a quarter as much as we think they should.

Now, in this announcement, what does it do? To sum up, we are saying that we open the drive on November 30 for - did I say a minimum amount - it would be between four and five billion dollars.

MR. KUHN: Outside the banks?

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H.M.JR: Just a second. November 30, to be four or five billion dollars, a minimum figure, a figure which will carry us to February 1. Yes, the Victory Fund; it is outside the banks. Then we will say the four billion dollars is for the banks.

Now, this is a minimum figure which will total somewhere around nine to ten billion dollars. Now, where this is different - completely different from what Eccles wants - Eccles wanted me to give an over-all figure. The maximum we ought to raise is maybe thirteen billion dollars. What the public does not take, the banks will; and that is the way he wrote his statement. I want you to get the difference. Now, let's forget Eccles for a minute, if you will be willing to do that, and just think of this suggestion.

MR. BURGESS: The way I had been thinking - I talked with Danny a little bit this morning - was that this statement in giving a figure for the banks and not giving a figure for the rest, has a good deal to commend it.

H.M.JR: No, I am going to give a minimum figure that I want for the public.

MR. BURGESS: You want to give a figure?

H.M.JR: Yes, I want a minimum, how much we definitely need as a minimum to carry us to February 1.

MR. BURGESS: To include the tax notes?

H.M.JR: It includes the tax notes and the bills. Dan is working on it. He has not got it yet. If we pick up a billion two hundred million--

MR. BURGESS: So an over-all figure of four and five, making nine billion or thereabouts--

H.M.JR: And these fellows - Kuhn will bear me out - who are going to do the publicity want some idea

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of how much it is. They want to know a minimum and a maximum we are shooting for, but for themselves, not for the public.

MR. KUHN: I never heard them say that they wanted a public announcement of any goal.

H.M.JR: But this is quite different from what Marriner wants. I don't expect you to - this is my thought over the week-end. You see?

MR. BURGESS: Yes.

H.M.JR: I don't want to start a campaign with no figure at all, because we have to get a minimum amount.

MR. BURGESS: I don't know how elastic at the moment the public possibility is. I don't believe anybody knows. We know what the market for the long two and a half's is, but what the outside market for certificates and tax notes and a short bond is, nobody knows. That is, we now are getting outside of the banks a proportion of the national income which is just about equal to what we did in the last war. In addition, we are raising a hell of a lot more in taxes.

Now, how much that leaves as an available sum for the outside buying, I don't know; nobody knows. We are starting a campaign with a limited time to do it. One thing we must not have is anything that looks like a failure.

H.M.JR: No.

MR. BURGESS: I don't know what your minimum figure is. If it is nine billion, which means five billion outside the banks, you get close to a billion in the two and a half's. I think you will get close to a billion in the tax notes, because the corporations, some of them, have been waiting until they saw where they stood, and they will know more where they stand in

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December than before. That leaves, let's say, three billion. New money on bills - what is it?

H.M.JR: A billion two.

MR. BURGESS: As much as that?

H.M.JR: Yes.

MR. BURGESS: So it only leaves you really two billion.

MR. HAAS: Then you forgot the War Savings.

H.M.JR: I want to give Burgess my thoughts of this morning, also Kuhn, and let it ruminate through you.

MR. BURGESS: If your figure is one that you are absolutely sure of making, I am for it.

H.M.JR: Which figure?

MR. BURGESS: Your over-all figure, your nine billion. I think it would be a terrible thing if you gave out a figure and then fell short of it. I think that is what Marriner may have in mind.

H.M.JR: No, that is not what he has in mind.

MR. BELL: Marriner has in mind an over-all limit of eight or nine billion dollars, and then to say what we don't sell to the public we will sell to the banks.

It seems to me that what you don't sell to the public - the difference between the two would be just that much of a failure.

MR. BURGESS: Yes, it would look that way.

H.M.JR: When are you going to have those figures?

MR. BELL: As soon as I get back to my office.

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H.M.JR: By two o'clock.

MR. BELL: I have some here, rough, if you would like them. We will get from the banks during this period eight hundred million dollars in bills; two billion dollars from seven-eighths percent certificates; two billion dollars from the one and three-quarters percent bond, which will give you four billion eight hundred million from the banks. The difference between this and the one I gave you before is that the bills are beginning to run off. I figure that we can get five hundred million dollars from non-banking sources for the seven-eighths percent and the one and three-quarters.

MR. BURGESS: Probably better than that, but that is a minimum.

MR. BELL: Yes, that is a minimum. I have in here for the two months, two billion three. You won't get that all this month, but it will extend down to January so it will be in your picture. From savings bonds, we will get two and a half billion down to the end of January.

H.M.JR: You are high on that, Danny; I don't think you will get over two. You have been using that figure steadily.

MR. KUHN: That figure Dan used, was November and December. Now he is including January.

MR. BELL: One billion eight hundred in January on repeat orders, coming in for the limit.

H.M.JR: In which month?

MR. BELL: January. That is your repeat orders on the limit for series E, F, and G bonds. You will get a lot of that.

Now, I have put down two and a half billion for the two and a half percent tap bond.

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MR. BURGESS: For the two and a half percent?
Who are you going to sell them to?

MR. BELL: Oh, everybody.

MR. BURGESS: That is way high.

MR. BELL: Well, Bob Rouse thinks you can sell from
a billion and a half to a billion eight without any drive.

MR. BURGESS: I don't see how he gets that at all.

H.M.JR: Well, anyway, go ahead.

MR. BELL: That makes a total of five billion three
hundred million dollars of those securities outside of
the banking system, plus your savings bonds of two, five,
which makes seven, eight. That is just the difficulty
of putting a limit on outside of the banks, as Doc has
some doubt about. The Victory Fund Committee says they
will sell more than two and a half.

H.M.JR: How much is the figure outside the banks?

MR. BELL: These figures I have are seven billion
eight hundred million.

H.M.JR: Outside of the banks?

MR. BURGESS: Yes, sir.

H.M.JR: I tell you what you do--

MR. BELL: That is clear down through January, Mr.
Secretary.

H.M.JR: Can you have something pretty good for me
at two o'clock?

MR. BELL: Yes, sir.

H.M.JR: Maybe you and Randolph - I don't want
Randolph to whittle these until I see them. I want to

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be present, so you give me the Treasury figures and then leave a couple of other columns. We will have a Burgess column, and a Morgenthau column. George, you get in on this, too.

MR. HAAS: Yes, sir.

H.M.JR: The way the War Bond people did to me - they said thirty million people and ten percent, and before I went home they said, "We really didn't mean that; we thought we would get that in January."

MR. KUHN: The statement said, "with the aim of--"

H.M.JR: I said, "Will you get it?" They said, "Yes." Then that same night they said, "We really don't expect it - we mean through January." That was Gamble. I didn't like it.

MR. KUHN: I thought they wanted to get it by January.

H.M.JR: He said it right in the room here.

MR. BELL: The end of the year has always been the statement.

H.M.JR: Supposing you people come back at two and have some figures for me.

November 18, 1942
11:45 a.m.

FINANCING

Present: Mr. Bell
Mr. Haas
Mr. Murphy
Mr. Shields
Mr. Woodward
Mrs. Klotz

H.M.JR: Now I am at your service, what is left of me. (Laughter)

MR. BELL: I am still worried about two things.

H.M.JR: A lucky man! (Laughter)

MR. BELL: One is offering four billion dollars to the banks at one time.

H.M.JR: Who have you been talking to?

MR. BELL: I think we have somewhat the same problem here as we had before. Even Eccles is coming around to thinking the same way, now. He admits that banks have difficulty in subscribing for securities in the aggregate twice their excess reserves. I think we ought to think of that.

H.M.JR: What is your proposal?

MR. BELL: I would like to have the one and three-quarters percent, first.

H.M.JR: On November 30?

MR. BELL: Or not later than Thursday - you could still do that on the 7th and 8th, but I think it might

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be better to do it the first of the week. I know how you have been thinking.

H.M.JR: Did you get my note about the difference of the payment?

MR. BELL: That is what we agreed upon yesterday.

H.M.JR: No, I advanced the date a day in each case, didn't I?

MR. BELL: No, the 18th and the 26th is what the bankers recommended. I believe you did say the 17th when you were repeating it.

H.M.JR: What difference does it make if they pay on dates two weeks apart?

MR. BELL: They are subscribing for twice their excess reserves. If they subscribe on the first to one banking issue, you may get as much as two billion dollars in subscriptions, like you did the last certificate issue. That will make it look good. Then along at the end of the drive, have another banking issue of the seven-eighths, and you will get another two billion dollar subscription. If you open up the four you are going to just barely skin through, I am afraid, and that will make it look bad. In the meantime some of the money will have been spent, too. For a four billion dollar issue they have got to put up, if it all goes to deposit account, about eight hundred million dollars in reserves - twenty percent.

H.M.JR: Where do they get those?

MR. BELL: They take them out of their excess reserves, or if they don't have them they have to sell other securities.

H.M.JR: When did you get this brain storm?

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MR. BELL: I think I have had that feeling. That was in the first recommendation, that you open up one of the issues the first day.

H.M.JR: No--

MR. BELL: Yes, it was in the first one.

H.M.JR: Prove it.

(Mr. Haas and Mr. Murphy entered the conference.)

MR. BELL: When we were talking about the securities being opened up earlier in the month, my first recommendation was: November 9th to 11th, the one and three-quarter's percent bond offered to the banks for two billion dollars; November 9th to 21st, the same bond plus the two and a half's be offered to non-banks; and on December 7th and 8th, the certificate to be opened for banks for two billion dollars.

H.M.JR: Bell, you read Sproul's telegram.

(Mr. Bell read telegram dated November 18, 1942, from Mr. Sproul, copy attached.)

~~H.M.JR:~~ They get in the eight and they get in the twelve, but they don't put it in the way I would do it. It is backwards. It is a poor publicity statement.

MR. BELL: Was that intended to be used as a publicity statement?

H.M.JR: Yes.

MR. BELL: We might use it as a basis, but I don't think it is good, either.

H.M.JR: They want us to sell the one and three-quarter's beginning with November 30.

What this fellow, Bell, says, is that he is worried about this excess reserve situation; that if we do the four billion dollars on December 7th, it will not look so good.

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MR. HAAS: So are we.

MR. MURPHY: So are we.

MR. HAAS: And Shields feels the same way. Stewart does, too, by the way.

H.M.JR: Did you talk to him?

MR. HAAS: We talked to him when he was down here before. He thought one of the most important things to bring to your attention was the relation between the size of the existing reserves and the amount of each issue.

H.M.JR: Where is Shields?

MR. HAAS: Eccles feels that way, too.

H.M.JR: Since when?

MR. BELL: Since last night.

H.M.JR: Where is Shields?

MR. HAAS: He is in the building. Woodward is here and he feels strongly that way, too. It was quite interesting - Eccles taking that position last night.

H.M.JR: Sproul called me up this morning.

MR. BELL: On this very thing?

H.M.JR: Yes.

MR. BELL: Maybe Eccles talked to him last night.

H.M.JR: It spoils my sales campaign, but the reserve picture is more important.

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MR. MURPHY: Eccles' point of view, which was not clarified until our conversation, is that he is opposed to announcing that we will borrow four billion from the banks. We are all in favor of it. He says that if you are going to announce that you are borrowing four billion dollars from the banks, he still thinks it is very important that you do it in two pieces rather than one, so that in each case the money that you are asking to borrow at that time will be in due proportion to the then existing excess reserves.

H.M.JR: If you borrowed on November 30 when would you have that payable?

MR. BELL: Anywhere around the 10th or 12th.

H.M.JR: Before the 15th?

MR. BELL: Before the tax payments start, yes.

H.M.JR: Then the next one--

MR. BELL: The next one would be - you could make that the 17th and 18th, or the 18th and 19th.

H.M.JR: If you did that, when would you make it payable?

MR. BELL: I would make it on the 10th.

H.M.JR: If we borrowed again on Monday, when would you make it - or would you borrow after the tax date?

MR. BELL: I would borrow on the 17th or 18th.

H.M.JR: Why not Wednesday, and leave it open the rest of that week?

MR. BELL: Any time in there you can borrow, and you make your payment eight or ten days later.

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H.M.JR: If you did it on the 30th, would you leave it open four days?

MR. BELL: I do not think it is necessary with all this preliminary announcement and advertising.

H.M.JR: I would not leave it open two.

MR. BELL: Three would be better - Monday, Tuesday, and Wednesday.

H.M.JR: Payable on the 10th?

MR. BELL: Payable on the 10th.

H.M.JR: The 10th is Thursday.

MR. BELL: Either one is all right - the 11th is all right.

H.M.JR: That is a Friday.

MR. BELL: That is all right, too.

(Mr. Shields and Mr. Woodward entered the conference.)

H.M.JR: I would like to ask each of you gentlemen this: In offering - in making two offerings to the banks of two billion dollars each, would you do it on the same day, or on two different days?

MR. SHIELDS: Two different dates, sir.

H.M.JR: Why?

MR. SHIELDS: Because it is easier for the banks to subscribe it - two issues which are about equal to their excess reserves at the time of subscription.

H.M.JR: How do you feel?

MR. WOODWARD: I agree with Mr. Shields, exactly.

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H.M.JR: If you did it on the 30th it would be payable either on the 10th or 11th.

MR. BELL: Either one.

H.M.JR: And leave it open three days?

MR. BELL: That would be ample.

MR. SHIELDS: What day of the week would you close on?

H.M.JR: The 10th is Thursday - on a Wednesday.

MR. SHIELDS: You would close on a Wednesday? Fine.

H.M.JR: Leave it open Monday, Tuesday, and Wednesday.

MR. SHIELDS: Fine.

H.M.JR: And payable the following Thursday or Friday of the next week. There is no reason why it couldn't be the 11th?

MR. BELL: Friday would be all right, and the advantage of that would be, I think you would get the most of your subscriptions on the first because they would have to pay interest on the second, on that first one.

H.M.JR: Then you would make the second one, when?

MR. BELL: The 17th, 18th, and 19th, if you wanted to. You want that one three days.

H.M.JR: Would you count Saturday a day?

MR. BELL: We have before and allowed it to go up to--

H.M.JR: Wouldn't you rather open it on the 16th?

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MR. BELL: That is equally as good - make it the 16th, 17th, and 18th. That is Wednesday, Thursday, and Friday. Make them payable around--

H.M.JR: Monday, the 28th.

MR. MURPHY: Would you have different payment dates for bank subscriptions and individual subscriptions, then? Individual subscriptions are payable immediately and bear interest from the time; whereas bank subscriptions are not payable until later and pay accrued interest up to the date.

MR. BELL: That is because you have to make allotments. You probably could do it in less time; the 26th would probably be the earliest.

H.M.JR: The money from Christmas - a lot of these department stores do not put in their money until Monday. They are so busy they would not get around to depositing their money until Monday. Christmas comes on a Friday, and the department stores wouldn't get around much before Monday, would they?

MR. SHIELDS: They certainly wouldn't with Saturday afternoon and Saturday night's business, which is very large. What happens to the rest of it, frankly, I do not know.

H.M.JR: What harm is there in making it Monday, the 28th?

MR. SHIELDS: None at all as far as I can see.

H.M.JR: You would get the money in Friday and Saturday, and then Monday the banks ought to be in good shape.

MR. SHIELDS: That is a period when money is flowing out very rapidly into circulation; it would be highly advisable for the Federal to be very active in supplying banks with reserves at that time.

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H.M.JR: We hope! (Laughter)

MR. SHIELDS: I think it is essential, sir.

H.M.JR: You feel it is a mistake to offer these together?

MR. WOODWARD: Yes, sir, on account of reserves.

H.M.JR: On account of the reserve situation.

MR. SHIELDS: Banks have not been educated to where they can be expected to subscribe to amounts substantially in excess of their excess reserves - later on, maybe, yes; today, unfortunately, no.

H.M.JR: O.K. I will be seeing you again during the day.

(Mr. Woodward and Mr. Shields left the conference.)

MR. BELL: There is one more point, and that is, if you announce twelve billion dollars, as you said yesterday, and say you hope to get forty percent from the banks and sixty from the public, that sort of sets a pattern for future financing; and you are getting your high sixty percent base, I am afraid, on a seasonal trend in savings bonds. That is one thing. Of course you would be getting two, seven from savings bonds.

The other point is that you won't know whether or not you are successful when you get to the end of January, because your tax notes and savings bonds come in heavily at the end of the month in January.

H.M.JR: I can correct that by just announcing it for December.

MR. BELL: Then you won't know until the end of December about your money - whether you have gotten it.

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H.M.JR: Dan is worrying about sixty-forty - well, make it fifty-fifty.

MR. BELL: I am still worried about the over-all total.

H.M.JR: You cannot do it all. If you are working on me - I cannot face the press and tell them I do not know how much I want to raise. That is cock-eyed. I have got to tell them.

MR. BELL: Except we never have told them on tax notes and never have on taps.

H.M.JR: All right, I am going to tell them the whole thing. I am willing to do it for December and then tell them what the picture is for January, separately. You do not want me to give them the over-all. Is that it? I cannot go along with that.

MR. BELL: I am raising the question as to whether we should.

H.M.JR: No, I am willing to give them the figures. Let's do it for December and keep January in my vest pocket. If it falls short, I can increase the bills any time.

MR. HAAS: You should keep that open.

MR. BELL: I would leave the bills out of the picture, too.

(The Secretary held a telephone conversation with Mr. Eccles as follows:)

November 18, 1942
12:07 p.m.

HMJr: Hello.

Operator: Chairman Eccles.

HMJr: Hello.

Marriner
Eccles: Hello.

HMJr: Marriner?

E: Yes, Henry.

HMJr: Somebody's been doing some missionary work
around here and I'm getting it now.

E: What's that?

HMJr: I don't know - I'm not - I'm not making any
accusations yet. Bell's been talking to me
and he's backed up by Haas and Murphy, and you
know those fellows, they stick. Hello?

E: Yeah.

HMJr: They'd like me to offer the one-and-three-quarter
on November 30 and the seven-eighths certificates
on the fourteenth.

E: Well! Do you want me to say something on that?

HMJr: Well, I'm calling you up. I'd fall over dead
if you didn't. (Laughs)

E: Yeah, well (laughs) - I'm awfully - I was - I was
going to call you. I felt so strongly about it.
Of course, what my position has been, as you know -
I've been trying to avoid saying specifically
that we're going to get so much from the banks
as at first, but I've lost out on that. I've
given up on that front (laughs) so - but inasmuch
as everyone except some of the people at the Fed.
seem to feel that you should say in this
announcement what - the amount you're going to
get from the banks, being four billion, see?

HMJr: Yeah.

E: Then now - now I think it - that it would be a very great mistake to not split that in two bites, and I think - I think it for this reason. I would say now that you're going to ask for four billion, two billion of it on the seventh. As I understand it, you'll take subscriptions from the banks but - up....

HMJr: No, they've advanced me now to November 30.

E: Well, that's okay now. That's Sproul's attitude.

HMJr: Yeah.

E: Sproul thinks the minute you open it, let the banks take that because this - the - the - the - well, I mentioned that yesterday to them....

HMJr: Yeah.

E:the thirtieth, and that's okay. So open up the one-and-three-quarters as of the thirtieth for the banks....

HMJr: Yeah.

E:because the one-and-three-quarters are not going to sell very heavily to the public and it - in - and if in - and if it runs along a week and there's not many sold, it don't look so good.

HMJr: Yeah.

E: So sell the one-and-three-quarters and then announce that - that you will open up - take subscriptions for - from the banks for the certificates later in the month for two billion dollars.

HMJr: Yeah, well, we thought we might as well name the day and name it the fourteenth. Now wait a minute. I'm sorry....

E: I'll take it the twenty-first.

HMJr: It's - no, well, Bell said the sixteenth.

E: Well, I'd go - I'd go....

HMJr: No, the twenty-first is just before Christmas. I think that's bad.

E: Well, let's see, what day is the twenty-first?

HMJr: The twenty-first is Monday, and Christmas is on Friday.

E: Yeah, Monday isn't so good. Well....

HMJr: The sixteenth, you see, then we could - that would give us sixteenth, seventeenth, and eighteenth.

E: Yeah. Well, that isn't - I think that may be all right. The thought that - the thought that I've had on it is that you'll get much heavier subscriptions from the banks if they - if they get it in two bites than if you go out and you give them a choice, see, of the two or they'll split it between the two, you see, and you won't get nearly as heavy a subscription as you would if they take it in two bites.

HMJr: Yeah.

E: Ah....

HMJr: They're - they're beginning to wear me down on that, and....

E: Well, Sproul - Sproul and I feel - feel, I think, even stronger than Haas and Murphy, if that's possible.

HMJr: I don't know.

E: If that's possible, and I think we - we feel that way about it because from a pure money - money market operation....

HMJr: Yeah, well, that's all right.

E:that - that....

HMJr: Well then - well then, I'll - I'll - I'll make up my mind on this after lunch as long as you and Sproul and the rest of them feel so strongly.

(cont.)

HMJr: Now here's the thing, if we're going to do it
(cont.) in two bites, I think three days is enough.

E: Well, yes, I think three days may be - may be
all right. I - in fact, I do think three days
is all right because you're giving them so much
notice.

HMJr: Giving them ten days' notice.

E: You're giving them ten days' notice now, and in
the case of the - of the certificates they've
got - they've got four weeks - three weeks.

HMJr: That's right.

E: So that I think three days is - I think three
days is all right.

HMJr: Now we got another suggestion. Well, it's -
tentatively, what we're setting it for is the
one on November 30, you see?

E: Yeah.

HMJr: And the other one on the....

E: Sixteenth.

HMJr:sixteenth.

E: Well, I - I - what ~~I~~ was going to say was the
seventh and the twenty-first, but - but this
is better. This is better if you're willing to
move it up to the thirtieth.

HMJr: Yeah. Now the other thing is this. Bell's
given me some more talk - and not bad - and
that's just announce the figures for December,
not say anything about January. Now the
reasons are that we could - if we announce Janu-
ary we don't know whether the thing is a success
for two months, you see? It's - another thing Bell
is afraid of is the sixty-forty, sixty for the
public and forty for the banks. He doesn't think
we can do as well as that again, you see? If we
don't - and then that isn't so good. Now another
thing, by not saying anything about January,
which is just the

(cont.)

- 5 -

HMJr:
(cont.)

bills and the tax notes -- well, and the war bonds - it does give me a chance to turn around if the thing doesn't go entirely well in December, you see? I might want more bills.

E:

Well, I - I - I tell you I - that's right, but that was a suggestion that I had made so that you - you can leave it open with bills. But I think you're perfectly safe....

HMJr:

Yeah.

E:

....to say - and I think without saying January, then they say, "Well, what the hell does this mean?" I mean it's - it's this is just the same old sort of a thing.

HMJr:

Yeah.

E:

And - and it seems to me that - that you - that as soon as the public knows the size of this job and the Victory Fund knows, we can't admit any failure. We've just got to do the job and - and there can't be a failure on....

HMJr:

Well....

E:

....on this thing if you've got the time and the notice on it. Now....

HMJr:

Well, this December - if we announce December that's nine billion three.

E:

Yeah, but you don't - you don't need all that in December.

HMJr:

What's that?

E:

You don't need anywhere near that in December.

HMJr:

What's that?

E:

You don't need that in December. That isn't the amount of money you're going to spend in December.

HMJr:

Oh, no, but if we get it, it carries us through.

- 6 -

E: Well, you....

HMJr: Well, I tell you, think about it, see?

E: Well, let me just give you this.

HMJr: Can I do this? Can I do this?

E: Yeah.

HMJr: Let me have Bell call you up in the next five minutes because it's his idea and let him argue with you.

E: All right, I'll do that.

HMJr: He'll call you back in five minutes.

E: Yeah. Now let me mention one thing, not about the financing.

HMJr: Yeah.

E: Ed Starling, who's the head of all of the State Bank Commissioners....

HMJr: Yeah.

E:and, by the way, happens to be the Commissioner from Utah....

HMJr: Yeah.

E:but he's the head of this....

HMJr: Well, we won't hold that against him.

E: Well, I didn't know. I thought you'd better know in advance. (Laughs)

HMJr: Yeah.

E: But anyway, he is - John McKee brought him - had him come down from Philadelphia....

HMJr: Yes.

E:and he's here. They got an excellent resolution through in general terms with reference to helping the Treasury....

HMJr: What....

E:in their financing.

HMJr: Yeah, I saw that.

E: Now - however, there's no specific program worked out....

HMJr: Yeah.

E:and - and - and a resolution isn't any good unless you get down to brass tacks, and we could get them, I think, to accept the program that the three Federal agencies have agreed to.

HMJr: Yes.

E: But we feel that inasmuch as he's here and he's worked on that, that if you could - if I could bring him over for about - when I come this afternoon for two minutes, just enough to have you say to him, see....

HMJr: Yes.

E:that the Treasury appreciates the attitude of the state bankers and so forth and so on, see, that - that it - that it's just good public - it's just good psychology.

HMJr: Well, when were you coming over, Marriner?

E: Well, I was subject to your call. Yesterday you said whenever you got the - some of the statement you were going to work on it, and that later in the day that if I would make myself available, you'd let me know.

HMJr: You want me to shake hands with him?

E: That's about all. Just and - and tell him you've - you've - you noticed his resolution and that - that you're pleased and the Treasury is glad to know

(cont.)

- 8 -

E: that the state bankers appreciate the problem
(cont.) and so forth.

HMJr: What's his name? I know his middle name is Utah,
but what....

E: (Laughs) It's Starling.

HMJr: Starling.

E: He's the bank commissioner from the state.

HMJr: Okay.

E: And whether I bring him over, I'll send him over
to see Bell.

HMJr: No, no, you bring him over. It would be nice.
Three forty-five.

E: At three forty-five?

HMJr: Yeah, is that all right?

E: And then if you want to talk the rest of this....

HMJr: Then after that we're going in with that meeting,
and we'll be moving pretty fast.

E: And you want me to stay over?

HMJr: Yes, I'd like to stay - have you stay after that.

E: Okay, I'll - three forty-five.

HMJr: If you please.

E: Fine.

HMJr: Thank you.

E: Goodbye.

- 11 -

H.M.JR: One other thing, I do not know as between announcing the January and December - or just the December financing--

MR. BELL: We will cover that in our announcement to say that what you want is nine billion, if you want to give an over-all total.

H.M.JR: Nine, three.

MR. BELL: And then this sum, together with what we would get in January through tax notes and savings bonds, will run us through the month.

H.M.JR: Would you say nine, three in December, fifty percent to come from the public and fifty percent from the banks, and then in January we expect to raise another two billion eight?

MR. BELL: That is all right. I will tell you what you can do. Say that what we want is eight billion seven, which leaves out bills altogether and does not mention them in your press statement.

H.M.JR: No, I want it just like this--

MR. BELL: I would say nine billion three, of which four, six would come from the banks, and these two issues you will open to the banks for two billion dollars.

H.M.JR: Another reason why this is good - this is strictly in the room - if this talk keeps up on compulsory savings, I have two billion eight for January and I will never get it.

MR. BELL: I was going to ask you how serious this thing is. It might interfere with this whole program.

H.M.JR: I think we had better just confine this thing to December. If they say, "What are you going to do in January?" I will say that I will be selling Treasury bills and tax notes.

- 12 -

MR. HAAS: And savings bonds.

H.M.JR: Yes.

MR. BELL: I think we ought to cover that in our press statement.

H.M.JR: But no figures.

MR. BELL: Say that with this sum you are raising in December, together with the funds from these other three securities in January, you hope to go through until February before any further financing.

H.M.JR: Why not say Treasury bills and tax notes and bonds, then if we have to - if we run short, we can increase the bills.

(The Secretary held a telephone conversation with Mr. Sproul, as follows:)

November 18, 1942
12:18 p.m.

HMJr: Hello.

Operator: Mr. Sproul.

HMJr: Hello.

Allan Sproul: Hello, Mr. Secretary.

HMJr: Allan?

S: Yeah.

HMJr: I got your telegram promptly.

S: Yes.

HMJr: Now these boys around here -- you evidently made an impression on them and also they've been thinking about it independently -- and they're thinking of two separate issues now on account of the reserve situation.

S: Uh huh.

HMJr: Hello?

S: I think it works much better in two separate issues.

HMJr: You're - how - you feel pretty strong on this?

S: Yes, I think to use - the banks as a revolving fund, get two billion and then take it and spend it and may get it back and use it again, and it's much better if you don't have to go for four, which you don't have to in this case.

HMJr: Yes. Now what we were thinking about was this, to do the November 30, the first financing, payable on the eleventh, say....

S: Yeah.

HMJr:and leave it only open three days if it's only going to be two billion - hello?

S: I think that would be perfectly all right.

- 2 -

HMJr: And then....

S: I don't think you need four days on that.

HMJr: No, not if we're going to announce this Thursday or Friday.

S: No.

HMJr: And then the next one would come along on the seventeenth.

S: I think that would be fine.

HMJr: The sixteenth - sixteenth, I mean.

S: Sixteenth.

HMJr: Sixteenth, and have that open the sixteenth, seventeenth, and eighteenth.

S: I see.

HMJr: Payable on the twenty-eighth.

S: I think that would make a good program.

HMJr: You think it would? Now the other thing we're thinking about is only to announce the December financing, say that it will be nine billion three, roughly half - works out just half from the banks and half from the public.

S: Nine billion three?

HMJr: Yeah.

S: Yeah.

HMJr: And say that in January whatever financing we will do will be from bills and tax notes and war bonds.

S: Uh huh.

HMJr: See?

S: I think that's good too.

- 3 -

HMJr: Now the advantage is if anything should go wrong - if this drive for compulsory saving should increase, we may not get the war bonds that we think we will sell, then we could - and then I'd just increase my bills.

S: Yes.

HMJr: So that lets them know I won't be in for anything except bills and tax notes and war bonds.

S: In January?

HMJr: In January.

S: I think that's good.

HMJr: You think that's good?

S: Yes, I do.

HMJr: Well, supposing you people take another crack at drawing up the statement and see what you can do along these lines.

S: All right, fine.

HMJr: But this sounds pretty good, does it?

S: Yes, it does.

HMJr: Well, I'm beginning to like it.

S: Well, we....

HMJr: But I - I think if we leave it nine-three for December and then simply say, "Now whatever financing we do in January will be confined to bills, tax notes, and war bonds." So that would be - just let me ask - (talks aside) that would only be the E Bonds, wouldn't it?

S: Yeah, just leave it war bonds.

HMJr: (Talks aside) Would it be F and G too? Yeah, he said E, F and G.

- 4 -

S: Well, it would include them, but I think if you just say war bonds you don't have to specify E....

HMJr: Yes.

S:F, and G.

HMJr: War bonds, yes.

S: Yeah.

HMJr: And then if anything, as I say - and that gives us a safety valve and if we had to go to the market for more, we'd do it through bills.

S: Yeah.

HMJr: What do you think?

S: I think that makes a good program.

HMJr: You like it?

S: Yeah.

HMJr: It - of course, it spoils my Pearl Harbor day but....

S: Well, I think you can still have a Pearl Harbor day in connection with this big drive, whether you're putting on a special issue on that date or not.

HMJr: Yeah. Well, send me another telegram, the same number and the same place....

S: Right.

HMJr:and I'll be getting it, eh?

S: All right, we'll do that.

HMJr: Thank you.

- 13 -

H.M.JR: Do you (Bell) feel better?

MR. BELL: Yes, I feel better. I think it is better from your standpoint. I really do. I think it is much better from your standpoint.

H.M.JR: This last suggestion of mine - just doing the December, because this thing here - I did not show you another one - for instance, in the Journal of Commerce they go much further and say, "A new tax program, sixteen billion."

MR. BELL: That worried me a little on this whole program. It is a bad time for it to come out.

H.M.JR: I told them that.

MR. BELL: They always do something before a financing.

H.M.JR: It is entirely OWI's fault.

MR. BELL: They knew you were working on this, too.

H.M.JR: This is the second time it has happened. I said, "Don't tell me you didn't know," and so forth and so on.

MR. BELL: You called them over purposely to let them know about this campaign you are going into, and asked for their help; then they come out with all this.

SUGGESTED STATEMENT TO BE MADE BY ME FROM MR. SPROUL

FEDERAL RESERVE BANK SPECIAL MSG FOR MR. MORGENTHAU

1942 NOV 18 AM 11 25

NEW YORK NOV 18-42 - 1113A

Secretary Morgenthau

DURING THE MONTHS OF DECEMBER AND JANUARY THE TREASURY WILL RAISE \$12 BILLIONS TO FINANCE THE WAR. IT IS GOING TO THE PEOPLE AND TO INVESTING INSTITUTIONS OTHER THAN BANKS FOR THE GREATER PART OF THESE FUNDS. THE REMAINDER WILL BE SECURED FROM THE BANKS, AND THE SMALLER THAT REMAINDER THE MORE SUCCESSFUL THE FINANCING WILL BE.

TAX SAVINGS NOTES AND WAR SAVINGS BONDS WILL BE ON SALE THROUGHOUT THE TWO MONTHS, AND TREASURY BILLS WILL BE OFFERED WEEKLY AS IN THE PAST. THE REST OF THE OFFERINGS WILL BE INCLUDED IN A CONCENTRATED SALES DRIVE BEGINNING NOVEMBER 30, WHICH WILL HAVE AS ITS GOAL THE SALE OF A LARGER AMOUNT OF GOVERNMENT SECURITIES IN A SHORTER PERIOD OF TIME THAN EVER BEFORE, AT LEAST \$8 BILLIONS.

ON NOVEMBER 30 THE FOLLOWING SECURITIES WILL GO ON SALE AND REMAIN ON SALE TO INVESTORS OTHER THAN COMMERCIAL BANKS UNTIL THE BOOKS ARE CLOSED COLON

7/8 0/0 CERTIFICATE OF INDEBTEDNESS
1 3/4 0/0 BOND
2 1/2 0/0 BOND

- 2 -

BEGINNING ON THE SAME DATE AND FOR A PERIOD OF 4 DAYS, SUBSCRIPTIONS BY COMMERCIAL BANKS TO THE ISSUE OF 1 3/4 0/0 BONDS WILL BE RECEIVED IN AN AGGREGATE AMOUNT OF \$2 BILLIONS AND ALLOTTED ON A PERCENTAGE BASIS.

ON DECEMBER 14 THE BOOKS ON THE OFFERING OF 7/8 0/0 CERTIFICATES OF INDEBTEDNESS WILL BE OPEN FOR BANK SUBSCRIPTIONS, IN THE AGGREGATE AMOUNT OF \$2 BILLIONS, FOR A PERIOD OF 4 DAYS, WITH PERCENTAGE ALLOTMENTS.

THIS CONCENTRATED SELLING DRIVE WILL BE COMPLETED DURING DECEMBER. THERE WILL BE NO FURTHER MAJOR FINANCING UNTIL FEBRUARY 1943.

SPROUL



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

Copy to Mrs. Morgenthau
10/25/42

November 18, 1942.

MEMORANDUM TO THE SECRETARY:

As requested by you, I called Mr. Robert F. Pack in Philadelphia and told him that I understood he had some question that he wanted to ask you about F and G Savings Bonds and that you had asked me to call him as you were tied up on other matters.

Mr. Pack said that what he wanted to talk with you about had now been settled to his entire satisfaction. He merely wanted to bring to your attention a conflict between the War Savings Staff and the Victory Fund Committees in the sale of F and G Savings Bonds. Since he had requested an interview with you they had received your telegram putting the sale of these bonds under the jurisdiction of the Victory Fund Committees and this, in his opinion, was a very wise move on the part of the Treasury. He thinks now they will be pushed, and pushed by the proper people. He gave as an example a rich individual in his community who would resent very much having him (Mr. Pack) go to him as a member of the War Savings Staff trying to sell him F and G Savings Bonds. He thought that the investor would politely tell him it was none of his business what he bought, whereas the security salesman is a natural person to contact investors and the investor does not feel the resentment in their talking about investments as they would some volunteer in another organization.

siwb



FEDERAL RESERVE BANK SPECIAL MSG FOR MR MORGENTHAU

1942 NOV 18 AM 11 25

NEWYORK NOV 18-42-1113A

SECRETARY MORGENTHAU

DURING THE MONTHS OF DECEMBER AND JANUARY THE TREASURY
WILL RAISE \$12 BILLIONS TO FINANCE THE WAR. IT IS GOING TO THE
PUBLIC AND TO INVESTING INSTITUTIONS OTHER THAN BANKS FOR THE
LARGER PART OF THESE FUNDS. THE REMAINDER WILL BE SECURED
FROM THE BANKS, AND THE SMALLER THAT REMAINDER THE MORE SUCCESSFUL
THE FINANCING WILL BE.

TAX SAVINGS NOTES AND WAR SAVINGS BONDS WILL BE ON SALE
THROUGHOUT THE TWO MONTHS, AND TREASURY BILLS WILL BE OFFERED WEEKLY
AS IN THE PAST. THE REST OF THE OFFERINGS WILL BE INCLUDED IN A
CONCENTRATED SALES DRIVE BEGINNING NOVEMBER 30, WHICH WILL HAVE
AS ITS GOAL THE SALE OF A LARGER AMOUNT OF GOVERNMENT
SECURITIES IN A SHORTER PERIOD OF TIME THAN EVER BEFORE, AT LEAST
\$10 BILLIONS.

ON NOVEMBER 30 THE FOLLOWING SECURITIES WILL GO ON SALE AND
WILL REMAIN ON SALE TO INVESTORS OTHER THAN COMMERCIAL BANKS UNTIL THE
BOOKS ARE CLOSED COLON

7/8 0/0 CERTIFICATE OF INDEBTEDNESS
1 3/4 0/0 BOND
2 1/2 0/0 BOND.

BEGINNING ON THE SAME DATE AND FOR A PERIOD OF 4 DAYS, SUBSCRIPTIONS
FROM COMMERCIAL BANKS TO THE ISSUE OF 1 3/4 0/0 BONDS WILL BE RECEIVED
FOR AN AGGREGATE AMOUNT OF \$2 BILLIONS AND ALLOTTED ON A PERCENTAGE

BASIS.

ON DECEMBER 14 THE BOOKS ON THE OFFERING OF 7/8 0/0
CERTIFICATES OF INDEBTEDNESS WILL BE OPEN FOR BANK SUBSCRIPTIONS,
IN THE AGGREGATE AMOUNT OF \$2 BILLIONS, FOR A PERIOD OF 4 DAYS,
WITH PERCENTAGE ALLOTMENTS.

THIS CONCENTRATED SELLING DRIVE WILL BE COMPLETED DURING
DECEMBER. THERE WILL BE NO FURTHER MAJOR FINANCING UNTIL FEBRUARY 1943.

SPROUL

FEDERAL RESERVE BANK SPECIAL MSG FOR MR. MORGENTHAU

1942 NOV 18 AM 11 25

NEW YORK NOV 18-42 - 1113A

Secretary Morgenthau

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ON NOVEMBER 30 THE FOLLOWING SECURITIES WILL GO ON SALE AND REMAIN ON SALE TO INVESTORS OTHER THAN COMMERCIAL BANKS UNTIL THE BOOKS ARE CLOSED COLON

7/8 0/0 CERTIFICATE OF INDEBTEDNESS

1 3/4 0/0 BOND

2 1/2 0/0 BOND

BEGINNING ON THE SAME DATE AND FOR A PERIOD OF 4 DAYS, SUBSCRIPTIONS BY COMMERCIAL BANKS TO THE ISSUE OF 1 3/4 0/0 BONDS WILL BE RECEIVED IN AN AGGREGATE AMOUNT OF \$2 BILLIONS AND ALLOTTED ON A PERCENTAGE BASIS.

ON DECEMBER 14 THE BOOKS ON THE OFFERING OF 7/8 0/0 CERTIFICATES OF INDEBTEDNESS WILL BE OPEN FOR BANK SUBSCRIPTIONS, IN THE AGGREGATE AMOUNT OF \$2 BILLIONS, FOR A PERIOD OF 4 DAYS, WITH PERCENTAGE ALLOTMENTS.

THIS CONCENTRATED SELLING DRIVE WILL BE COMPLETED DURING DECEMBER. THERE WILL BE NO FURTHER MAJOR FINANCING UNTIL FEBRUARY 1943.

SPROUL

1942 NOV 18 PM 1 21

NEW YORK 11-18-42-113P

SECRETARY MORGENTHAU

DURING THE MONTHS OF DECEMBER AND JANUARY THE TREASURY WILL RAISE \$ 12 BILLION TO FINANCE THE WAR. IT IS GOING TO THE PEOPLE AND TO INVESTING INSTITUTIONS OTHER THAN BANKS FOR THE GREATER PART OF THESE FUNDS. THE REMAINDER WILL BE SECURED FROM THE BANKS, AND THE SMALLER THAT REMAINDER THE MORE SUCCESSFUL THE FINANCING WILL BE.

THE MAJOR PART OF THIS FINANCING WILL BE ACCOMPLISHED BY A CONCENTRATED SALES DRIVE BEGINNING NOVEMBER 30TH WHICH WILL HAVE AS ITS GOAL THE SALE OF \$9 BILLION OF GOVERNMENT SECURITIES DURING THE MONTH OF DECEMBER.

ON NOVEMBER 30TH THE FOLLOWING SECURITIES, IN ADDITION TO TAX SAVINGS NOTES, WAR SAVINGS BONDS AND TREASURY BILLS, WILL GO ON SALE AND REMAIN ON SALE TO INVESTORS OTHER THAN COMMERCIAL BANKS UNTIL THE BOOKS ARE CLOSED COLON

7/8 0/0 CERTIFICATE OF INDEBTEDNESS

1 3/4 0/0 BOND

2 1/2 0/0 BOND

-2-

BEGINNING ON THE SAME DATE AND FOR A PERIOD OF THREE DAYS, SUBSCRIPTIONS BY COMMERCIAL BANKS TO THE ISSUE OF 1 3/4 0/0 BONDS WILL BE RECEIVED FOR AN AGGREGATE AMOUNT OF \$2 BILLION, ALLOTTED ON A PERCENTAGE BASIS. PAYMENT FOR THIS BANK OFFERING WILL BE DUE DECEMBER 11TH.

ON DECEMBER 16TH THE BOOKS ON THE OFFERING OF 7/8 0/0 CERTIFICATES OF INDEBTEDNESS WILL BE OPENED TO BANK SUBSCRIPTIONS, FOR AN AGGREGATE AMOUNT OF \$2 BILLION, FOR A PERIOD OF THREE DAYS, WITH PERCENTAGE ALLOTMENTS AND PAYMENT DUE ON DECEMBER 28TH.

THE REMAINDER OF THE FINANCING TO BE COMPLETED DURING JANUARY WILL BE DONE WITH TREASURY BILLS, TAX SAVINGS NOTES AND WAR SAVINGS BONDS. THERE WILL BE NO FURTHER MAJOR FINANCING UNTIL FEBRUARY 1943.

SPROUL.

NEWYORK 11-18-42-113P

SECRETARY MORGENTHAU

1942 NOV 18 PM 7 21

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ON DECEMBER 16TH THE BOOKS ON THE OFFERING OF 7/8 0/0 CERTIFICATES OF INDEBTEDNESS WILL BE OPENED TO BANK SUBSCRIPTIONS, FOR AN AGGREGATE AMOUNT OF \$2 BILLION, FOR A PERIOD OF THREE DAYS, WITH PERCENTAGE ALLOTMENTS AND PAYMENT DUE ON DECEMBER 28TH.

THE REMAINDER OF THE FINANCING TO BE COMPLETED DURING JANUARY WILL BE DONE WITH TREASURY BILLS, TAX SAVINGS NOTES AND WAR SAVINGS BONDS. THERE WILL BE NO FURTHER MAJOR FINANCING UNTIL FEBRUARY 1943.

SPROUL.

Regraded Unclassified

November 18, 1942
2:35 p.m.

RE: LABOR PRESS CONFERENCE

Present: Mr. White
Mr. Kuhn
Mr. Blough
Mr. Wolf
Mr. Schwarz
Mrs. Klotz

H.M.JR: Chick, there is a labor press conference at three o'clock. We are getting ready for it. Somebody start this thing.

MR. KUHN: Mr. Secretary, these labor people have never been brought together in this kind of press conference before. They are very much flattered by the invitation, and, in fact, amazed that you would even have such a press conference. You remember this came from your own suggestion that we get into the labor press some understanding and support for the Treasury's financing policies.

H.M.JR: That is right.

MR. KUHN: It seems to me that you have a chance to do that today by explaining to them how the Treasury financing affects the working man over and beyond the war bond campaign, the sources to which you go for your money, and the interest rate that you pay. That is, it is important that a lot of this come from outside the banking system quite apart from war savings bonds; that they ought to understand that; and also they ought to understand the effect of the low interest rate in making it easier for the taxpayers.

The second thing is on taxes, and here you may want to go off the record completely, but labor is going to get - or is apt to get - harmful taxes unless labor itself takes a more active part in advocating sound and equitable tax policies. A case in point is the spendings

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tax. Say, "You don't head off a sales tax just by negative objection or by saying that we don't need any increase in taxation or we do need an increase in taxation. You make yourself felt if you give active, positive support to the kind of policies that labor wants." I think on that tax side of it you can appeal for support from them, but you ought to do it off the record.

H.M.JR: Isn't this an off-the-record?

MR. KUHN: Well, it is up to you, Mr. Secretary. I think they would probably like something, some little thing that they can quote as having come from you, that you did see the labor press.

MR. SCHWARZ: Give them something on war bonds.

MR. KUHN: On war bonds they will be interested to hear about the prospects of compulsory savings. You can't give them any definite indication, but I should think you could tell them that they themselves have it in their power to make a bigger success of this voluntary thing in the next few weeks if they can help to put the thirty million people over ten percent.

H.M.JR: It won't make a damned bit of difference.

MR. KUHN: No?

H.M.JR: No. We might as well call a spade a spade. I can't - all these people in and out of the White House, on the Hill, and Senator George - I can't do it. I am not going to give these fellows any "bull."

MR. WHITE: I think there is more to be gained by explaining along the earlier lines that Ferdie said, rather than urging them to do anything. Let them feel more that you are taking them into your confidence and explaining the problem rather than that you are getting them here to urge them to help sell more bonds or anything else. That might be all right a second time, when you call them again, but I think the first time you should let them feel that you are taking them behind

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the scenes, presenting the kind of problems that they ought to be aware of as well as what the sort of things you are trying to do are. Let them go away with the feeling that you have talked with them as man to man and are taking them into your confidence. That would be my feeling.

MR. KUHN: I have something written out on those first two points, not on the bonds.

(Paper entitled "Suggestions for Labor Press Conference," copy attached, handed to the Secretary.)

H.M.JR: What do you think of what he said?

MR. WOLF: I think, first, that the idea of giving them background off the record, taking them behind the scenes, is a good idea. I think that they will appreciate it and it will work to our benefit. I think, also, that they are expecting something on the record in regard to - however general it is - the fact that taxation is their problem and it is up to labor - that is, do not ask them to lobby, but ask them to keep their members informed of the terrific problem involved, and unless it is handled correctly prices will go up continually for the worker's family.

H.M.JR: I have something on the cost of living.

MR. WOLF: Cover the interest rate from the same angle, that that is a higher cost for the future. In regard to war bonds, I think that they would want something on the record in regard to the current six weeks' drive - again, however general it is - in regard to the fact that it is chiefly based on labor-management cooperation and industry drives wherever possible.

H.M.JR: Do you know of any questions they are going to ask me?

MR. WOLF: I think their questions will be on those two lines. That is, whether they would ask a question

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on the sales tax or not, I don't know.

H.M.JR: Have these people ever been together like this before?

MR. WOLF: The only time that they have been together for special conferences with a Government official that I know of was with Mr. Hillman last year. Some of them have been in other press conferences. At least one of them, I think, comes to your regular conferences, Miss Gardner.

MR. SCHWARZ: She has been to one or two.

MR. WOLF: A number of them go to White House press conferences, but to the general part.

MR. SCHWARZ: Not exclusive ones.

MR. WOLF: No.

H.M.JR: Would you say that their attitude towards the Treasury is friendly or unfriendly?

MR. WOLF: Their attitude is very friendly, highly so, especially the labor press. I mean, they have gotten more service.

H.M.JR: I am talking about the labor press.

MR. WOLF: That is right. They have gotten more service from us than any other Government agencies.

H.M.JR: Have they given us cooperation?

MR. WOLF: Yes, they have.

MR. KUHN: Not on tax matters or financing, but for war bonds. They have given us this cooperation on war bonds, but not on the other.

MR. WOLF: They are anxious to on taxes. They would like to give us - I mean, they would like to be

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able to explain to their members what the tax problems are. They would like information on new taxes, on income taxes, and so on.

H.M.JR: So would I. (Laughter) I think I have got enough here that I can start things off, and I think they will have some questions. Have you got any ideas, Chick?

MR. SCHWARZ: My hunch, without knowing all the background, Mr. Secretary, is that we can very readily thank them for what they have done with war bonds. Then with that as a springboard point out that some of them have asked for information on other phases of the Treasury's responsibilities, and, therefore, you thought it would be more convenient to have them come at one time; that you would welcome their questions, looking at it from the point of view that the other boys wouldn't criticize; and that you called them in to ask them for their help.

H.M.JR: Who is going to criticize?

MR. SCHWARZ: The general press, if there should be a line that the others would miss. I think we have a perfectly legitimate right to receive these people who have helped us.

H.M.JR: The President - everybody receives - last week the editors of the business weeklies were in town. They spent a few days going around to see different people, didn't they? They didn't come to see me. Newspaper editors come to town--

MR. SCHWARZ: Most of them are usually off the record when they talk. If we say anything on the record--

H.M.JR: I thought that this was to be - don't you think this had better be what they call "background" rather than direct quotes?

MR. SCHWARZ: Everything should be, except what you say about war bonds, and thanking them, and repetition of anything you have said on finances and taxes.

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H.M.JR: If you want to avoid any trouble - the way to avoid trouble is to make the thing for background.

MR. WOLF: However innocuous or repetitive your statement, I think you should give them something on the record. It does not have to be anything new; but something that gives them a start, if it is only one item.

H.M.JR: Let me tell them I am talking for background. Then if they burst out and say, "Can't we have this on the record," I will see what it is. I may not say anything of sufficient importance.

MR. KUHN: One other--

H.M.JR: I thought this whole thing was for background. I didn't realize it was to be on the record.

MR. WHITE: There is one thought - if in your discussion of taxes - I presume that some care might have to be exercised in what you say so that people on the Hill might not feel that you are now beginning to take labor and farmers, and so on, to build a backfire against them.

H.M.JR: I did not know this was to be on the record. Nobody told me. I thought it was to have them get acquainted with me and me to get acquainted with them.

MR. WHITE: I still think that is the note; it should be to get acquainted with them, and they with you.

H.M.JR: I wouldn't have seen them otherwise.

MR. WHITE: That is all you want at this stage, a basis for later discussions.

H.M.JR: To see these people just before a financing - I think the working press would have every reason to be sore.

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MR. WOLF: Would there be any objection to a statement on bonds on the record?

H.M.JR: What am I going to say about bonds?

MR. WOLF: Nothing new.

MR. WHITE: What is the justification of calling them in to give them an innocuous statement? He is calling in a group of people; it is an important occasion to them; and to say something obviously innocuous to make that appear as the reason for being called together, it seems to me, would be an error.

MR. WOLF: There is another reason. It is so important to them that it is important to the editors of seven hundred labor papers. It is merely to give them an excuse to send a story out to those seven hundred papers. They can't send out a story unless you give them at least a sentence.

MR. WHITE: They couldn't say that they have been here and discussed--

MR. SCHWARZ: They would like to have some line--

H.M.JR: I think you are all wrong. I think I had better handle it the way I want to. If I were going to see the business weeklies, I would see them not for quotation. I don't know just how this thing was cooked up, but just before a financing, before taxing - I thought the thing was just to sort of let them see what I look like.

You didn't tell me it was a thing to give the war bonds a push.

MR. KUHN: The War Bonds happen to be in the throes of a six-week campaign to get labor up to ten percent.

H.M.JR: I am in the throes of a one-billion-dollar campaign.

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MR. KUHN: Both go together.

H.M.JR: I have to have the daily press, too. I can't just give an exclusive - I expect to have my press conference tomorrow. I just can't have these boys walk in here all sour on me and have my thing fall flat on its face. I am seeing the working press tomorrow. To have them come in and say, "What did you do this for--"

MR. SCHWARZ: It is very possible many of these people will ask for it on the record.

H.M.JR: I am going to follow my instinct on this thing. I think it is a mistake. Tomorrow morning I have got - I don't know how many daily papers there are - I have got to carry a story, and I can't give one group a special thing.

MR. WHITE: The mere fact that labor support is so important in this war effort--

H.M.JR: Leave it to me; I will do the best I can.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

November 17, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

The following will come to your labor press conference at 3 o'clock, Wednesday afternoon, November 18th:

Philip Pearl, Publicity Director of the A.F. of L.

Bernard Tassler, Editor of the A.F. of L. monthly magazine.

Len de Caux, Publicity Director of the C.I.O.

Hollace Ransdell,)
Henry Fleisher,) of the editorial staff
C. D. Fowler,) of the C. I. O.

Ruben Levin, of the Railroad Brotherhoods' paper "Labor"

Virginia Gardner, of the Federated Press.

Oliver Carruth, of the International Labor News Service.

Ruth Taylor, labor columnist.

Boris Shiskin,)
M. Estey,) economic researchers for the A.F. of L.

J. R. Walsh,)
Stanley Ruttenberg,) economic researchers for the C.I.O.

OLIVER HOYEN EDITOR- CHESTER WRIGHT LETTER
WEEKLY NEWS LETTER SENT - F.K.
OUT BY INTERNATIONAL LABOR
NEWS SERVICES

Labor Press Conference -

November 18, 1942 - 3:15 (scheduled for 3:00)

Philip Pearl

Len DeCoux

Hollace Ransdell

Henry Fleisher

C. D. Fowler

Ruben Levin

Virginia Gardner

Ruth Taylor

Boris Shiskin

M. S. Estey

J. R. Walsh

Stanley Ruttenberg

Oliver Hogen

Suggestions for Labor Press Conference

1. Financing:

The way we at the Treasury raise money for the war is a matter of vital interest to the working people of America. The labor press is familiar with the War Savings program and has given it excellent cooperation, but the War Savings program does not represent the whole of our financing problem -- not by any means. In the next few weeks, for example, we shall have to raise from banks and wealthy investors almost as much as the War Savings program can sell in an entire year. I know that these other government securities are not intended for the average working man, yet the working man has a definite stake in raising as much of this money as possible from outside the banks. The more we can raise from wealthy individuals, corporations, and institutional funds, the better we shall be able to control inflation. For inflation, as the labor press knows, means a rising cost of living and hardship to every working man in the country. Another matter that may seem technical to your readers but which affects them pretty directly, is the interest rate we fix for government securities. If interest rates are allowed to go too high, the future generation will have to pay just so much more in taxes to service the national debt. We at the Treasury have constantly tried, and have succeeded, in keeping the average interest rate on government borrowings under 2%, although we are under constant pressure to let the rate go higher.

2. Taxation:

Unless the labor press is alert and well-informed on tax matters, the American people may get the kind of taxes that will be most hurtful to labor. We cannot head off such taxes merely by objecting to further taxation of any kind, nor can we head it off by negative criticism. It seems to me that labor not

only has to recognize the need for greatly increased taxation, but should also help us by advocating tax measures that are equitable and sound. A case in point is the spendings tax we proposed last autumn. Here was a tax that gave an incentive to savings and put a penalty on spending. It was vastly more productive and more equitable than a sales tax. That is the kind of proposal that deserved active support from labor. We do not yet know what proposal we shall make for the coming fiscal year, but we do need the active support of the labor press if harmful taxes are to be avoided.

SECRETARY MORGENTHAU'S
LABOR PRESS CONFERENCE

November 18, 1942.

H.M.JR:

I am very glad to have a chance to get a little bit acquainted. Through war bonds we have been relying very heavily on organized labor to help us with the volunteer pay roll deduction plan, and so far it has gone very well. If I understand the arrangement of this meeting, which Mr. Wolf was kind enough to arrange, it is sort of what is called "for background". I really have no particular statement other than I would like to say this, that the Treasury normally looks to the financial community for backing, and I have always said that if I have any backing in the country it is from organized labor; and I am not saying that just because you people are here, or to be quoted. As I say, if I have any backing it is from organized labor, and by that I mean

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for the various things that we have been trying to do, particularly in the tax field.

As you people know, I did not come from the financial world, and I do not expect to go back to it. So I have no particular ax to grind, other than to try to do a job.

I have always felt very strongly, right from the beginning, that the working man and woman understood more what this World War was about than anybody else, and they did not have to be propagandized to let them know what we were fighting against. In my recent trip to England - certainly the working people there know what it is all about, and they have a deep-seated hatred against Hitler and what he stands for. A kind which I suppose we never can get here where we are three thousand miles away from the guns. So far we have been able to finance this war at around two percent. The average for the whole public debt is just a little above, about two and an eighth. The last war was financed around four and a half percent, with constantly increasing higher rates.

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Naturally, the people who own the money don't like it, and we have just taken on an additional fight to the many fights that we have when we announced that we were going to finance the thing on an average of around two percent. I think it is of interest to - well, to ninety-nine percent of the people of the country, because the amount of interest on the debt over the number of years, affects us, but more so our children and our grandchildren. And if we can keep up a really high rate of interest, it is perfectly possible, if the war does not last too long, and I don't think it will, now, that this thing could be paid off within twenty years.

MR. KUHN: You mean, if we keep a low rate of interest?

H.M.JR: Yes, I meant if we keep our tax rates up. In our taxation, where we fail, is on closing some of the more important loopholes. I mean, we have been unsuccessful on our fight on tax exempts - those issued by States and municipals. We have not been able to do

anything on this thing of depletion, where a company who owns an oil property can continue year after year to deduct twenty-seven and a half percent, long after it has paid for its property; and there are a number of these more important loopholes, who are not contributing and paying their share towards the war. Now, we here think that we should have a tax structure based on the ability to pay, and we are way behind Canada and England. Our tax income rates are about half, with the result that I have to borrow about three-quarters of what we spend, and the other quarter is paid out of revenue, which, over a long run, piles up a lot of securities in the bank, which is not wholesome. That is why we are trying so hard to get all we can from the public.

This is very much off the record. Along the idea of explaining what we are doing, I think what the President did last night in his statement on Admiral Darlan, particularly on the political prisoners and the Nuremberg decrees,

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ought to convince the people of this country that we are fighting for a pretty big stake. While we are willing to make use of whatever tools fall into our hands to save lives, in the long run, we don't expect to freeze them into the position of governing, once more, France or any other country. I, personally, was very much encouraged when he finally made that statement.

The whole thing, here, that we are trying to do, I sincerely believe, is in the interest of the great majority of the people, but it does not suit - we might as well be frank about it - the bulk of the owners of the newspapers, because it goes contrary to everything of their own personal interest. For that reason I have pretty generally gotten a bad press as far as what we are trying to do, and I suppose I will as long as I am here. But I realize it. For the coming year there is no change in what we are going to try to do as

far as taxes go, other than that we want the taxes to fall equitably on the people that can afford to pay them.

The best illustration is the sales tax. If they can get through a sales tax and raise three or four or five billion dollars, it means it does not have to be a tax on personal income. It is a very nice out. So far we have been able to win, but how long we can win I do not know. Unless we get some backing, we will lose, and we will have a sales tax. I am quite discouraged about it because we have had so little backing on it.

Beginning with November 30, we are going to have a very large financing; a very big drive. We are going to try to raise about half of the money, at least, from the public; and we have organized an entire new group of people to sell other than the War Bonds, because we feel the War Bonds have been designed to sell to the working man and woman, and this new group, called the Victory Fund group, will be

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designed to go after the people with larger sums of money, whom we have not begun to reach yet in many cases.

That, very briefly, is my story. I have, as I say, nothing particular. I have no rabbit to pull out of the hat. I have been here eight or nine years. We have been trying to do the same thing, with a certain amount of success.

I think you people may or may not know something about our record on law enforcement. When I first came in we said we would go after the fellows who controlled the racketeers, and not after the little moonshiner with the five-gallon still; people like Moe Annenberg, and people of great wealth, we were able to convict and put behind the bars.

I think we have done more to strengthen

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the belief in Democracy through going after the big offenders, as against in France, where nobody paid any taxes and nobody paid any attention to it.

Just as a matter of interest, almost seventy percent of the inhabitants of the Federal Penitentiary are Treasury cases. I think very few people realize it. It isn't the sort of thing we boast about, but it happens to be so.

Now, you can ask me anything you want to. I will either give you a straightforward answer or say I can't answer it.

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Q I wondered - you said some swell things about labor - whether any of those things are quotable, or is everything off the record?

A Well, this is a new experience for me. The things I said about labor - I could go over those once more, because I feel them very deeply. If you would like to quote them, I am willing to say them again.

Q Yes, I would particularly like to quote those remarks you made at the beginning about the fact that you relied upon labor pretty heavily for the purchase of War Bonds. You do not have to tell labor the stakes in the war; labor knows it more than any other group.

A Do you want me to do it once more?

Q Sure.

A I don't know if I can do it as well. (Laughter)

Q I thought perhaps we could get it from the transcript later.

A You can, but those things I said about labor, I feel I have said them to individual labor people. The little experience I had that

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time I went to Detroit - I went around with the shop stewards and attended their meetings. I have felt that I never had to worry about where labor stood as far as the war was concerned or as far as labor's understanding what the whole fight was about. What I said on that I am perfectly willing to be quoted on.

Q

Mr. Secretary, how is this new five-percent Victory tax going to affect your ten-percent pay-roll allotment plan for war bonds?

A

I don't know, quite frankly. I suppose it will have some bad effect. I don't suppose it can help but have some effect. We did not want it, but I suppose the answer is that it will bring us--

Q

We can see it developing, because they are going to take a fifteen-percent cut from a man's pay each week. He knows he cannot get any more money by wage increases, and it is tough.

A

We try to be practical here. I think the answer is that - the only possibility that

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it might not have an effect is that if they go forward in producing more and more war goods and less civilian goods, there will be less civilian goods to buy; and if a man or woman wants to help, then they might continue to lend that sum to the Government, because they are finding that they cannot spend it. That is the only out that I see.

Q

Mr. Secretary, I have two questions which are part of this same subject - fit into the question just asked. First, will any effort be made by the Treasury to have the five-percent Victory tax replaced by some other type of taxation; and, secondly, which fits right into that, will the pressures and attempts of the Treasury to continue a voluntary bond program continue, or will they be supplanted by something else?

A

I will answer you, but it certainly has to be off the record. Right now what we are trying to do is that Mr. Paul, who is in charge of developing our tax program, is working very

hard consulting the various people at what we call this end of the Avenue. That includes anybody and everybody who works for Mr. Roosevelt, or rather, who is on his pay roll - I had better put it that way - who thinks he has an idea on taxes. Then certainly before the end of the year - and that includes Mr. Byrnes and his people, anybody at this end of the Avenue - as I say, who is on his pay roll and thinks that he has any ideas - then when we can get a meeting of the minds and a minority report, I will ask for an opportunity to meet with the President and get his ideas, because, after all, I am just his hired man. Now, where we go from there, I don't know. There are all kinds of ideas; there always are. I think there are more people that have tax ideas outside of the Treasury than there are - I mean, our pasture seems to always look very green to everybody up to the time when it comes to going up and saying it openly before

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a committee. Then they are not around; they are on vacation. But when it comes to going out before the public and talking about taking the profit out of war and meaning it, and that people should be satisfied with six percent on their investment, and so forth, and so on, they leave it - I am the "fall guy," as they say. But I can't go on the record, because I don't know. We are in what we call a "study stage" right now; and heretofore on occasions where we were trying something, we have on different occasions consulted with labor and shown them what we were thinking about. We have done that on a number of occasions - practically always where ~~the~~ labor organizations have economists or tax experts, which a number of them have. We will follow the same program this time. That does not give you the answer, but it at least tells you what I am doing, anyway. To sum up, we are right in the study stage now, and I can't tell you what the result will be.

Q

That would also apply to the present voluntary

program of war stamps and bonds?

A

Yes. We had this program - we have twenty-three million people now who voluntarily are deducting an average of eight percent. The War Bond people tell me that with the help of labor and management they think that for the next month or two they ought to reach thirty million, and an average of ten percent. I think we have a very good chance, but statements like the one in this morning's paper just torpedo us. A man picks up this paper and sees there is going to be a forced loan, and it just worries him..

Now, on that subject, I don't know what the answer is. I think on this whole fight against price rises, inflation, or whatever you want to call it - which I think is on the home front - certainly it is the most important fight we have got. The thing is that we have been in right from the beginning, for over two years, and particularly where labor's wages have been more or less stabilized now it is terribly important for the working man and

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working woman. This whole question of the kind of taxes and how much taxes and where it hits the person, at what level it hits them, is very, very important. The question of how we borrow the money, whether it is to be voluntary, compulsory, or forced - all of those things, so to speak, are on the table. It cuts across so many agencies that we not only want to, but should consult many agencies in town who have different pieces of this responsibility, which summed up, is to keep the cost of living, if possible, where it is now, because it is much too high right now. It ought to go much lower. Many of the prices are wholly inexcusable.

Q One of the phases that we have been very much concerned with is the relationship between the Treasury borrowing from commercial banks as against savings banks, life insurance companies, and other institutions, where the borrowing from commercial banks is pretty pretty directly inflationary by creating new deposits automatically. What can be done to

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avoid that in this stabilized situation?

A

Well, if I can answer that, it is not necessarily inflationary. For instance, if we had a spending tax and you only gave people so much to spend, you could freeze the thing irrespective of how much you borrowed from the banks. You could isolate those deposits. But it would be another thing to get the legislation. To answer you on the broader thing, this campaign which we are about to enter into on November 30 - and that date has not been announced yet - is solely designed to get the very maximum from the public and a minimum from the banks. The banks, being far-seeing, are going to do everything they can to help us get it from the public. In other words, the American Bankers Association is turning in to help us get it from the public, because it is good common sense for them to do so. We hope to get at least half of the money from the public on the borrowing. Every effort is being made to do that without giving anything away that we should not, such as too high interest rates.

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Q Mr. Morgenthau, it is not clear to me what you mean by half - half of what figure?

A Let's say we were going to borrow a billion dollars and five hundred million would be from the banks and the other five hundred million would be from outside of the banks. There would be life insurance, mutual savings banks, trust funds, individuals.

Q Have you some rough bench mark to which you refer throughout all of this fiscal program by which you study what proportion you would like, from your own point of view, to have raised in the form of taxes, and what proportion in the form of borrowing of all kinds?

A Of course everybody laughed at me about a year ago when I said that I wanted to raise from taxes and revenue sixty-six and two-thirds. They got to figuring it out, and they thought it was silly. As to an idea, that is what I would like. As to a practical figure, I think if we could go through this war borrowing half, and raising the other

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half through taxes and excise taxes that that would be as good as we could hope for. England and Canada are doing about forty-five percent. I would say that if we did it on a fifty-fifty basis I would consider that sound financing.

Now, we are only doing it about seventy-five to twenty-five, and I don't like it at all. But it is not from lack of beating my head against the wall of Congress and trying to get it. But, I just have not been successful, and it all comes back - I mean, there is a break. It all ties up with this question of the cost of living. That is why we have been so interested in it, because it is a spiral. I am old enough to know what happened after the last war, and I certainly would do everything that is humanly possible to prevent anything like that from happening here. I don't see the danger right now, but it is a fight that you have to keep up day and night. There is one very prominent Congressman in Ways and Means - I was talking to him - one of the leading Democrats - very recently, about the

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cost of living - he comes from the south. He would if he was a prominent Democrat on Ways and Means. (Laughter) He said, "Henry, you don't understand." He said, "My people are just beginning to get a little more money and they like it." And he said, "You just don't know; you come from New York, and you don't know." We talked and talked and talked about the cost of living and inflation, and we just have not made a dent with him. But I had hoped that with this election behind us and the next presidential election two years off that maybe for a year they might practice sound economics; I don't know.

Q

Mr. Secretary, what about the possibility of making use of a series of war bonds for purchase by the lower income classes, which would not be convertible until after the war?

A

We have studied that. It has its good and bad points. The good points, as we see it, are that if you - I take it what you have in

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mind is a Government security of zero interest, payable maybe one, two, and three years after the war, something like that. It would be helpful to the man against losing his job. I suppose that is what you have in mind. On the other side of the ledger, if we could get the same amount out of taxes - like somebody who is the next President's Secretary of the Treasury - we won't have to borrow the money or tax the people when the war is over to meet those obligations when they fall due. I was thinking of wider application of it, but it seems to me there is going to be a critical stage in which the shifts in employment and conversion, and, so forth, would lead to a very substantial liquidation of the war bonds previously purchased.

A

If we were going to have it, what we would recommend is for the lower income group - people up to two thousand dollars - possibly five or ten percent of that, so that maybe there would be a hundred and fifty or two

- 21 -

hundred and fifty dollars per year per person - is that what you had in mind?

Q Yes.

A Well, that is part of the whole program. I think that would be all right as part of the whole program.

Q Could you tell us to what extent, Mr. Secretary, these war bonds are being redeemed at the expiration of sixty days? There is a lot of talk around that people working in a factory, who feel they are more or less compelled to go along and buy them, cash them in as soon as they can.

A The last figures I saw were for the last income tax month, which was September. During that month we thought surely people would cash a lot of their bonds in order to pay their taxes, but during the month of September there was no increase in amount of cashing in of bonds over any other month.

MR. KUHN: We can let you have a month-to-month figure on redemptions, but they are trivial.

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Q

That is what I wanted to know.

MR. KUHN:

They are going up slightly, but the bonds sold are going up very heavily. I would be glad to let you have that.

Q

If it is trivial, that is just the answer I wanted to get. A lot of people--

H.M.JR:

No, it is very small. Another thing - people who want the compulsory savings or the sales tax - they spread that rumor. But, we have the names of people here, and we can furnish you with exact figures, and we would be very glad to.

Q

Is there anything that you said about the sales tax that we could quote?

A

I am afraid not. I will be very frank. Every time I sound off, something worse comes off the Hill. (Laughter) So I think I had better be a good boy for a while. It only comes back like an echo, much louder, and keeps reverberating.

Q

Mr. Secretary, does the Department contemplate any educational program on the payment of income taxes? I am thinking of the fact that a number of industrial workers who have

- 23 -

not previously paid will be faced with the problem.

A Yes, we have a program. We have some literature. If you have not seen it, we will be glad to furnish it to you.

Q I think the labor press could help circulate it.

A Believe it or not, we have taken Donald Duck off and brushed him off and brought him up to date. I don't know if you people saw it last year. We finally persuaded the people to let us have twenty thousand dollars to modernize him, and now he is up to date. Maybe, Mr. Wolf, when the picture is ready - maybe they would like to come and see it - a preview of Donald Duck, and then there are other things which we would be more than pleased to furnish to you.

Q Do you expect much change in workers' income as a result of the fact that millions of men will be drafted into industry and women substituted - won't that lower the rate of increase in factory wages?

A I have not followed that very closely. I don't know whether the scale of wages for women is the same as for men. You know that better than I do.

Q It is supposed to be in many plants, but they will be starting as learners or beginners.

A I had one interesting experience: I talked to a girl working on a lathe in an airplane engine factory in England. She was living in one of these hostels, a very nice hostel - very comfortable. I would be glad to live in it myself. There was a reading room, game room, entertainment hall, showers. Each girl has her own individual room. When she got through with all of her deductions and paid for her board and lodging, and everything, she had five pounds a week left, which is twenty dollars in our money. That is very nice. After all deductions - board, lodging, war bonds - after everything was taken off, she had five pounds a week. (Laughter)

Q The girls working for the Government in

Washington would like to get that. (Laughter)

A That is what she had left.

Q What is the goal of the rate of purchase of war bonds in England, Mr. Secretary?
Do they aim for ten percent as we do?

A I do not know. Do you know?

MR. KUHN: They have a different system. I do not think they have the pay-roll plan as well developed as we have, but they have a system of savings certificates, and you are only allowed to own so many of those. I do not think they have such a goal.

H.M. JR: I have enjoyed this very much. I appreciate your coming over. If you would like to do it again, I would be glad to do it.

Q Can we say we were here?

A Yes, you can see the minutes when they are typed up, and what I said about labor is on the record.

Q The labor in England?

A Yes. It is just a new experience for me.

Q Thank you, Mr. Secretary.

W.H.

November 18, 1942
4:32 p.m.

HMJr: Hello.

Operator: Operator.

HMJr: Hello.

Operator: Mr. Acheson.

HMJr: Right.

Operator: Go ahead.

Dean Acheson: Hello.

HMJr: Yes, Dean.

A: Henry.

HMJr: Yes.

A: On that matter that you spoke with me about yesterday....

HMJr: Right.

A:I think that has been arranged.

HMJr: Oh, wonderful!

A: Now if you will get - I think Huntington Cairns has that letter....

HMJr: Oh, has he?

A:and whoever has it, if someone would just put it in an envelope and bring it over here to me....

HMJr: Yes.

A:I will - I think that the thing can be buried.

HMJr: Well, that'll be fine, and you mean the - the - somebody's going to pay them?

A: No, I think we'll just leave it alone....

- 2 -

HMJr: Well, now....

A:and let it stay the way you have it.

HMJr: What can I tell Mr. Stimson because he was quite worried about it?

A: Well, I - I - I

HMJr: Can I just tell him that the correspondence has been returned and the matter is closed?

A: The correspondence returned, the request withdrawn, the matter closed....

HMJr: Oh.

A:that it was not - there was some misunderstanding about it, and....

HMJr: Well, I'm delighted.

A:that nobody ever remotely intended to do anything that would cause him the slightest pain or anguish or criticism or anything....

HMJr: Yeah.

A:it - it was all - it's all over.

HMJr: Oh, I think that's wonderful. I'm very much pleased. I mean that - that's two good things. Yesterday the President's statement on Darlan, and this - this makes a good day.

A: (Laughs) Well, it's rare that I can do anything that pleases anybody.

HMJr: Well, this pleases me very much, because I am devoted to Mr. Stimson.

A: Well, so am I, and - and nobody - nobody really had had to kid anyone that this - this had any bearing on him at all.

HMJr: But you could see that?

A: Yeah, I see it, and I think it's now fixed up so that the whole - the whole....

- 3 -

HMJr: Well, I'm - I'm very much pleased, and I thank you.

A: The whole thing is over, and....

HMJr: I'll have....

A:you don't need to write me a letter about it. Just put it in an envelope and hand it to me, and....

HMJr: Right.

A:and that'll be the end of it.

HMJr: I'll tell Huntington -- you say he's got it -- to do it.

A: Yeah.

HMJr: Thank you.

A: All right, Henry.

HMJr: Thank you.

A: Goodbye.

Secretary permitted this excerpt to¹⁴⁹
be used for direct quotes and the
balance was to be "off the record"

SECRETARY MORGENTHAU'S
LABOR PRESS CONFERENCE

November 18, 1942

H.M.JR:

The Treasury normally looks to the financial community for backing, but I have always said that the most consistent and most helpful backing I get from the country comes from organized labor. I mean backing for the various things that we in the Treasury have been trying to do, particularly in the fields of taxes and War Bonds.

I have always felt very strongly, right from the beginning, that the working man and woman understood more what this World War was about than anybody else, and they did not have to be propagandized to let them know what we were fighting against. In my recent trip to England I found that the working people there also know what it is all about, and they, too, have a deep-seated hatred against Hitler and what he stands for.

- 2 -

I have always felt that I never had to worry about where labor stood as far as the war was concerned or as far as labor's understanding of what the whole fight was about.

November 18, 1942

Meeting in the Secretary's Office,
November 18, 1942, at 3:45 p.m.

Present: Secretary Morgenthau
The Chinese Ambassador
Major Hsiao
Mr. White

The new Chinese Ambassador and Major Hsiao, one of the Secretaries of the Chinese Embassy, made, at their request, an official call on the Secretary.

The Ambassador told the Secretary how deeply appreciative the Chinese were of everything that the Secretary had done, and that Dr. Kung and Mr. K. P. Chen had a number of times mentioned what a great friend the Secretary was to China. The Secretary stated he was sorry that he could not have done more.

The Ambassador said he had no special matters to take up but was merely paying a social call. The Secretary said that while they were talking there was one point he wanted to bring up — namely, that the Treasury was receiving complaints from the missionaries and from the military and other Americans in China that they were finding the high cost of living, combined with the official exchange rate, increasingly burdensome to them. The Secretary stated that it was not a very important matter but that it was a grain of sand in the gear of good relationships and if not taken care of might do some harm. The Secretary stated he was not pressing the point at all but he hoped that Dr. Kung, who is so able, would put his mind to it and possibly find some good way to correct the situation. He said that we had no solution to offer but that Dr. Kung might be able to think of something. He again stressed the fact that he was not pressing the matter and didn't regard it as very important, but it was one of those things that it would be wise to take care of if possible.

The Ambassador stated that he would communicate this message to Dr. Kung. The Ambassador also said that one of the important causes of the high cost of living in China was inadequate transportation; that in many cities the cost of living had not risen very high, but that in Chungking it was indeed very high.

H. D. White

November 18, 1942
5:17 p.m.

HMJr: Hello, Bob?

Robert
Patterson: Yeah.

HMJr: Want a good laugh?

P: Yes.

HMJr: What?

P: Yes.

HMJr: The President of the United States sent me a little note -- I haven't got it right before me -- on the -- he sent me all the correspondence on this Swedish business....

P: Yeah.

HMJr:and it said: "Dear Henry: Please talk this over with Bob Patterson. Where do we go from here?"

P: (Laughs) What did he mean by that?

HMJr: (Laughs) I don't know. So - it's the whole business: Wallace's letter to him, a letter from the Chief of Staff, our letter, the whole thing. I got it all back.

P: They....

HMJr: Now....

P:they told me....

HMJr: Yeah.

P:the - and Perkins told me, oh - Milo Perkins two or three days ago....

HMJr: Yeah.

P:that Dean Acheson and that fellow from the British, Noel Hall or....

HMJr: Yeah, Noel Hall, yeah.

P:came to him and said that they wanted a ship loaded with oil down in Texas there dispatched immediately....

HMJr: Yeah.

P:and if it were not dispatched immediately, they'd run to Churchill....

HMJr: (Laughs)

P:and he would phone our Boss....

HMJr: Yeah.

P:and what would we do then?

HMJr: Yeah.

P: And I said, "Well, I - that wouldn't alarm me any," and I said, "That can be done, of course." That's - I told Perkins - I said, "I suggest that you wait and see if that happens."

HMJr: Well, what I thought we could do if it was agreeable to you, I'm still doing my financing. Could we get together Friday morning?

P: All right.

HMJr: Would the first thing Friday morning be agreeable and....

P: Yes, sir.

HMJr: How about nine o'clock?

P: That's okay.

HMJr: Well....

P: Well, I'll come over to see you at nine o'clock.

HMJr: Supposing you come over - do you want to bring anybody with you? You...

P: I....

HMJr:can decide that.

- 3 -

P: Yeah, I may bring that fellow....

HMJr: All right.

P:Neff with me.

HMJr: Now the point that I want to know is this - because this - supposing you and I decided to tell the President to sit tight and do nothing.

P: (Laughs)

HMJr: See, would that mean that no oil can go?

P: I think it does, yeah. Well, they've been getting some. What they want now is more.

HMJr: Yeah, but supposing you and I just tell the President that - leave the stuff with us and do nothing. Then I gather no oil - no extra oil can go, is that right?

P: No extra oil will go, I think that's it. It's very hard to get any facts on this thing, Henry.

HMJr: Yeah.

P: For some reason or other, you just can't....

HMJr: Well, could Neff do a little....

P:put your grips on it.

HMJr: Could Neff do a little scouring around?

P: Yes, sir. I'll talk to him.

HMJr: Scullering I guess is the word.

P: Yeah, I'll talk to him. I suggest that you have Harry White there.

HMJr: I will.

P: All right.

HMJr: I will.

- 4 -

P: Say - say, did you have any hand in this business on deferment of Federal workers?

HMJr: No.

P: I - I - because....

HMJr: No.

P:no one - everyone - no one can find out where that came from, and I thought maybe you had something to do with it.

HMJr: No, no. It hit me just the same way. No.

P: But it's a very popular move.

HMJr: Is it?

P: Oh, I'm sure of it, throughout the country.

HMJr: No.

P: Oh, I'm sure of it.

HMJr: I take a little bit of the credit on the President's statement on Darlan though.

P: Yeah.

HMJr: Because I saw him yesterday and had a long talk with him on that.

P: That doesn't worry me as much as it does you. I'd take any tools available to - to - for the time being....

HMJr: Yeah.

P:and make use of 'em, prepared to discard them when I had a better choice of tools....

HMJr: Yeah.

P:but I'd take any. I never....

HMJr: Well....

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P:I don't look at this - (laughs) - really, what it - well, anyway....

HMJr: Well, anyway I'm very happy over the Darlan statement that the President made. I - I'm very happy over that.

P: Right.

HMJr: Well, anyway I'll see you Friday morning. I'll have White and you bring Neff....

P: Right.

HMJr:and my feeling is if we'll - if by just holding that whole business, no oil can go, that's what I would recommend to the President and let you and me be the whipping boy.

P: Yeah.

HMJr: And see what happens.

P: Yeah. Okay.

HMJr: This is strictly between us.

P: Yes.

HMJr: I'm not implying anything, but I just thought that you might like to know - did you know that Wallace had a younger sister who is married to a Swedish diplomat?

P: No.

HMJr: Yes.

P: No.

HMJr: I just - it's just another....

P: No, I thought he - I thought his sister was married to the Swiss fellow.

HMJr: That's another sister.

P: Is that so? I didn't know that.

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HMJr: Yes, there are two.

P: But he's been okay on this thing.

HMJr: I know it. Just in passing.

P: Yeah, well....

HMJr: I'm not implying anything.

P: No.

HMJr: But just a matter of information.

P: Yeah.

HMJr: So....

P: Is that - has the Swiss fellow been in to see you, this Bolerman?

HMJr: Swiss?

P: Swedish.

HMJr: No, I don't get invited to dinners by Swedes....

P: Oh, no, he comes - he's been ringing doorbells.

HMJr: Well, he doesn't....

P: He's been ringing doorbells around town.

HMJr: No, I haven't advertised. I'm holding this, you see? You're - you're the only person that knows this now.

P: Yeah, but I - he's - a week or two ago - he's been here for a little time ringing doorbells.

HMJr: No, he hasn't rung mine.

P: Yeah. (Laughs) All right.

HMJr: I'm not going to advertise that I've got - did. - I guess you know - I guess, because you had something to do with it, the Chief of Staff is with us on this.

- 7 -

P: I - I didn't see his final letter. Did - is it....

HMJr: I got the whole works.

P: I see.

HMJr: (Laughs) I got it all.

P: I didn't see his final letter.

HMJr: His final letter is okay.

P: Was it?

HMJr: Yeah.

P: All right. This letter I saw had a poor discussion, but the recommendations were good.

HMJr: Well, this letter is all right.

P: Okay.

HMJr: Right.

P: I'll see you Mon.. - Friday.

HMJr: Right.

P: All right. Thank you.

INTERNATIONAL BUSINESS MACHINES CORPORATION
390 MADISON AVENUE
NEW YORK

OFFICE OF
VICE PRESIDENT
IN CHARGE OF MANUFACTURING

ENDICOTT, N. Y.

November 18, 1942

My dear Mr. Secretary:

Regarding the rostrum which we are building at your suggestion, for the President of the United States, this is to report that we are working very closely with the Secret Service on the specifications.

They have added another feature which is delaying the completion of this rostrum. This feature is a bullet-proof arrangement which can be quickly raised for the protection of the President.

Further information can be obtained from agents of the Secret Service Department if you so desire.

We will notify you of the completion date as soon as possible.

Very truly yours,



Vice President

CAK:SLK

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

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE November 18, 1942

TO Secretary Morgenthau
FROM Mr. White *WPH*

You will remember when we were in Fisherman's Lake, Liberia, that the Pan Airways man said he was badly in need of small coins, and after some discussion, we agreed that the most practicable plan would be to send by airmail silver dimes. They would have liked pennies and 5-cent pieces, but such coins, they felt, would be too bulky to send by air. The Pan Airways man said he would get in touch with his Chief in New York at once and have him get in touch with us. We have not heard from him to date.

Do you think you ought to get in touch with the head of the Pan Airways and take the matter up to make certain that the next move is not ours?

2/10

BRITISH MOST SECRET
U.S. SECRET

OPTCL No. 403

Information received up to 7 A.M., 18th November, 1942.

1. NAVAL

One of H.M. Submarines torpedoed one of the escorts of the Italian Cruiser which was torpedoed off the northwest coast of SICILY on the 8th. 10th. One of H.M. Submarines claimed two torpedo hits in a salvo fired at three enemy cruisers and six destroyers south of the STRAIT OF MESSINA. Another of H.M. Submarines sank a tanker southwest of KHIOS ISLAND on 26th October and probably sank a southbound ship leaving the PIRAEUS on 31st.

2. MILITARY

LIBYA. Our armoured forces pushing forward along the coast road reported on the 16th that there were mines and road blocks east and west of DERNIA. The town itself and landing grounds were clear of the enemy. Two mobile columns each including an armoured car regiment have been advancing on MSUS and at last light on 16th were 30 miles east of it. The port of BARDIA is now in use and the first supply ship has arrived at TOBRUK.

FRENCH NORTH AFRICA. The enemy is continuing to reinforce the tip of TUNISIA. His attitude is defensive but he is patrolling to the west. The mobile column of the First Army which crossed the Tunisian border has reached TABARKA (and is?) advancing on MSUS but has not repeat not yet reported contact with the enemy. French forces have taken up defensive positions against the Germans in Northern TUNISIA. On the 16th British parachute troops were dropped successfully in the SOUTH EL ARBA Area. The move forward of armoured and other units is continuing.

FRANCE. The following Axis forces are believed to have moved into Unoccupied FRANCE: German - two Armoured Divisions, one S.S. Motorised Division, three and possibly six infantry or training divisions. Italian - probably 3 divisions including one Motorised. The Germans have occupied the MEDITERRANEAN Coast from PERPIGNAN to just west of TOULON. The Italians hold the RIVIERA Coast from a point east of TOULON.

3. AIR OPERATIONS

WESTERN FRONT. 17th. 35 U.S. heavy bombers attacked the submarine pens at ST. NAZAIRE in moderate visibility. About 83 tons of H.E. were dropped and preliminary reports indicate good results. Our fighters made two harassing attacks on coastal districts in the Low Countries. 17th/18th. 75 aircraft despatched: sea mining 43, leaflets 14, Intruders 18. One Halifax missing.

FRENCH NORTH AFRICA. 16th. Bisleys made two attacks on TUNIS and U.S. Fortresses bombed BIZERTA. Enemy aircraft attacked BONE damaging some aircraft on the ground. Enemy casualties 6, nil, nil, including four by A.A. Guns, 3, nil, nil, two pilots safe.

Regraded Unclassified

11-18-42

INTELLIGENCE REPORT

VOLUNTARY PARTICIPATION IN THE WAR EFFORT

CONFIDENTIAL

This document contains information relating to the national defense of the United States within the meaning of the Espionage Act, as amended, U. S. Code 50, Sections 31 and 32. Its transmission or communication in any manner to any unauthorized person is prohibited by law.

OFFICE OF
WAR INFORMATION

BUREAU OF
INTELLIGENCE

COPY No. 7

Henry Morgenthau, Jr.

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THE REPORT IN BRIEF

Civilian mobilization is one of the imperatives of total war. It is valuable not simply because of what it accomplishes, but equally because it tends to strengthen participants' support of the national cause.

Participation

Less than a fourth of a small sample of people interviewed by the Bureau of Intelligence in late September were rated as regular and active participants in volunteer war work. Much of the work mentioned by the remainder requires little time or effort and is being done on an individual, rather than a group, basis.

Participation in the protective aspects of OCD's program is relatively satisfactory. In contrast, few have thus far been enlisted in the recently organized Service Corps, which is concerned with such things as nutrition, consumer education, recreation, child care and salvage.

Active participants in civilian defense work are disproportionately drawn from the ranks of those who strongly support the war and are well situated socially and economically. But by no means all of these people have been recruited into the program. As many as a fourth of those interviewed were interested in participating actively and well able to do so, and yet were doing little or nothing.

Acceptance

There is relatively little disapproval of the civilian defense operation. The prevailing attitude, however, is one of passive acceptance rather than of strong and informed approval. Most people have no more than a sketchy knowledge of the civilian defense program. Comparatively few realize that it embraces service, as well as protective, activities.

Only a small minority criticized the program. "Upper crust" control and political meddling were among the most frequent causes of complaint. Programs also aroused criticism when they either were, or appeared to be, unsuitable to the needs of a particular community. Occasional criticisms were also voiced about the administration of civilian defense work.

"Civilian Defense to the average person has a connotation of defense against military attack on the civilian population. Actually, what the people should be made to realize is that it is Civilian Mobilization for aggressive action.

"It is a civilian attack on the problems of malnutrition...community health, family security, recreation... The most important part of Civilian Defense -- the Service Corps -- is actually not a defensive organization. It is attacking... problems on the home front."

— Hayse Tucker
OCD Director, Alabama

VOLUNTARY PARTICIPATION IN THE WAR EFFORT

Civilian mobilization is one of the imperatives of total war. Total war means all-out war. It means attacks on civilians as well as on soldiers. It means psychological and economic, as well as military, offensives. A nation cannot hope for victory in such a struggle unless all its people brace themselves against the attacks of the enemy and direct their energies toward the attainment of victory.

Civilian mobilization is valuable, furthermore, not simply because of what it accomplishes but, equally, because of its effect on those who take part in it. A number of studies conducted by the Bureau of Intelligence have shown that participation is highly valuable in strengthening people's identification with the national cause. While it is true that those who vigorously support the war seek opportunities to participate, it is equally

true that participation tends to arouse, sustain and heighten enthusiasm. Informational efforts designed to increase either identification or participation will serve also to increase the other.

The American people have already been asked to become participants in the war effort in numerous ways. Their Government has requested them to buy bonds, to conserve many materials, to collect scrap. It has been necessary to develop a huge organization against the eventuality of air attack. In cities, towns and rural areas innumerable war-born problems have arisen which demand prompt and effective community action.

To discover the ways in which the civilian population has recognized and responded to these challenges, the Bureau of Intelligence conducted an exploratory study in late September. Interviews were conducted with a small national sample selected as carefully as possible to be representative. A number of active workers in OCD, USO and Red Cross programs were among those who were questioned. The data obtained were supplemented by interviewer reports on respondents and on conditions in the areas studied. In addition, OWI field offices in 27 states submitted material on the participation of civilians in volunteer war activities.

Since the study was exploratory in character, its findings must be accepted cautiously. Apart from the smallness of the sample and the lack of field reports from some states, the problem of participation is a difficult one with which to deal. The word itself has not exact and universal meaning. It was found, for example, that many respondents did not look upon their contributions to war and relief organizations as a form of participation. Another recent Bureau of Intelligence study revealed that bond buying also

fails in many cases to give people a sense of contributing importantly to the war effort.

The variations in conditions among the states, and in different communities within a single state, also make it difficult to generalize about participation with complete accuracy. Despite these difficulties, it is believed that the main findings of the study are valid and significant.

The emphasis of the study was on voluntary participation in the war effort, particularly through organized and systematic activities. No attention was paid to participation through one's job. The value of work in fostering identification with the war effort has been amply demonstrated in previous Bureau of Intelligence investigations. The aim of this study was to secure information on other forms of participation.

EXTENT OF PARTICIPATION

"In spite of the enthusiasm and devotion of a limited group within the community, the majority of people aren't doing anything," says a Philadelphia Air Raid Warden. And from the other side of the continent, in suburban San Francisco, an interviewer describes the situation in similar fashion: "I am impressed with the small number of people who are doing anything."

The people interviewed were rated on the extent of their participation in the war effort through other means than their work. The amount of time an individual gave to volunteer activities, the degree of responsibility he assumed, and the regularity with which he participated were all considered. More than half of the people in the sample were rated as participating

little or not at all. An additional fourth of the group participated only moderately or sporadically. These ratings may be modified by the effects of the OCD "block plan" since September.

Most of the war work mentioned requires little time or effort. And much of it is being done on an individual, rather than a group, basis. The commonest ways of participating in the war effort are through contributing money, buying bonds and saving scrap.

OWI field representatives report that participation in the protective aspects of OCD's work -- blackout preparations, decontamination, rescue, evacuation, demolition, repair, first aid, auxiliary firemen and police -- is relatively satisfactory. Participation is light, in contrast, in OCD service programs, which are concerned with such things as nutrition, consumer education, recreation, child care and salvage. Judged by the degree of interest shown in both protective and non-protective activities, participation was regarded as good in only six of the 27 states from which reports were received.

The failure of many people to engage in volunteer work is not peculiar to wartime. In peacetime, too, some Americans tend to join a number of organizations and to participate actively in community life, while others do not engage in any group activity. But in the kind of war in which America is involved it is urgently necessary to utilize the energies of the entire population.

In the fever-pitch excitement which attended the outbreak of war that goal seemed easy to attain. Right after Pearl Harbor volunteers filled the headquarters of civilian mobilization agencies. There were not jobs enough for everyone who wanted to do something.

While it was not to be expected that recruiting would continue at the same pace — if only because there was a group of diminishing size to draw upon as more and more people became enrolled — it is clear that a dangerous diminution of interest has occurred. It is not confined to those who have never been enlisted for war work. Many of the early volunteers have dropped out of activities.

In some places civilian defense leaders report difficulty in finding enough workers for projected programs. As one person describes the situation: "The glamour has worn off for many who got into civilian defense work at first because of the excitement and because they thought it was the thing to do."

FACTORS INFLUENCING PARTICIPATION

To ascertain the factors which accompany or account for active participation in war work, respondents were analyzed from a number of points of view. Some of the most important factors are shown in the chart on the following page.

Support of the war, as might be expected, was one of the most important determinants of participation. As the chart shows, those who are rated as high in their participation in civilian mobilization are disproportionately drawn from the enthusiastic supporters of the war effort.

Deep intellectual interest in the progress of the war was also found to be closely related to participation. On the other hand, a tendency to fret and worry about the war did not seem to affect participation significantly.

The expectation of bombing or invasion appears to exert some influence.

Another recent Bureau of Intelligence survey indicates that there has been a pronounced decline in the expectation of air raids in recent months. Only a

SOME FACTORS RELATED TO PARTICIPATION

SUPPORT OF THE WAR



INTEREST IN THE PROGRESS OF THE WAR



EXPECTATION OF BOMBING OR INVASION



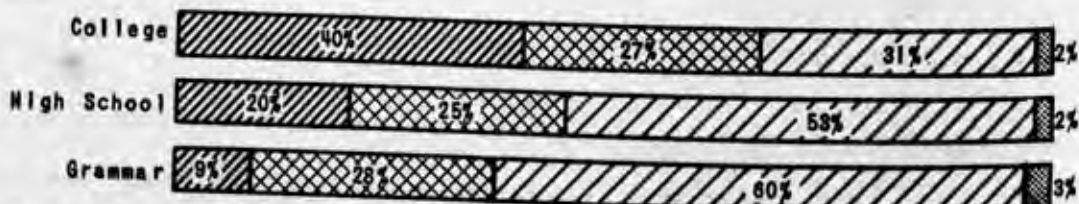
CAR OWNERSHIP



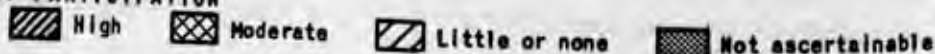
PROPERTY OWNERSHIP



EDUCATION



DEGREE OF PARTICIPATION



minority of Americans now expect raids on either the Atlantic or the Pacific coast. This may make it more difficult for the OCD to recruit additional workers for its protective activities from now on.

In extreme cases the belief that America is secure against air attack is likely to make people skeptical about the value of all protective activities.

A Philadelphia housewife angrily declared:

"I think this: all these air raids is all a farce, because I don't think they'll ever have the strength to come over here and to do any real damage. I mean damage on a large scale. There might be a token bombing of New York, but it would be a suicide squad that would do it. And I don't think they could come in sufficient force to do any real damage."

Another woman respondent, in San Mateo, California, exhibited a point of view far more likely to encourage participation:

"Yes, they will try to bomb us, especially if they begin to lose, get desperate, and want to save face. We are pitifully lacking in coast defenses; they might invade. If they could, they would."

EDUCATION AND ECONOMIC STATUS

Economic status, as measured by property ownership, social position, as measured by membership in organizations, and education all strongly affect participation in war work. The active participants are disproportionately drawn from the upper socio-economic level.

The chart shows the close relationship between property ownership and participation. Home owners are more likely to be active than those who do not own their homes; car owners are more active than non-owners. As is perhaps natural, property owners are particularly prone to display a serious interest in protective activities.

The chart also shows the close relationship between education and participation. Those with a high school education are more likely to be active in war work than those who have not gone beyond grammar school; college graduates show a still greater sense of responsibility.

While education and economic status each exercises some influence on participation, independently of each other, there is a great deal of over-lapping; the highest participation comes from those who are well educated and well situated economically.

These same people are also most active in already existing organizations. It was found that 90 per cent of the most active participants in voluntary war work are members of at least one organized group.

Not only are the less active and affluent people often neglected in efforts to recruit workers for civilian defense, but in one way or another they be given to understand that they are not wanted. An interviewer reported from Oklahoma:

"Business men are the leaders in most civilian efforts. It is doubtful if the lower half of the population feel as free to participate as they should. Even in the Red Cross it is the women in the upper income groups who participate most."

Leadership and control of civilian defense work is particularly likely to fall into the hands of people who are favorably situated socially and economically. The situation in Knoxville, Iowa, is typical:

"The leadership of the civilian mobilization activities is the same as the leadership in all other civic enterprises. The Chamber of Commerce, the Legion, the business men, the Women's Club... In a town like Knoxville leadership in community activities always goes hand in hand with socio-economic position. It is one of the signs one has succeeded. He can take time off from the grind of making ends meet to give to civic enterprise."

OTHER FACTORS

As one might expect, length of residence in a given community also affects participation. Established residents are far more likely to participate than newcomers. This fact has dangerous implications at the present time because of unprecedented internal migration. A community whose population has swollen rapidly may experience extreme difficulty in organizing adequate civilian defense programs. In a sense, manpower mobilization is impeding civilian mobilization.

Proportionately, people of foreign and native origin are about equally represented among the participants in civilian war work. There is a pronounced difference in extent of participation, however, between whites and Negroes.

In part Negroes rank low in participation because they are less closely identified than whites with the war effort; their enthusiasm has been dampened by continued discrimination. But it was found that participation is low even among those Negroes who support the war effort and manifest an interest in volunteer work. In the opinion of a number of reporters, these individuals are inactive primarily because little or no effort has been made to recruit them into civilian defense programs.

THE "UNTAPPED POTENTIAL"

It has been emphasized that the participants in civilian defense activities are disproportionately drawn from the ranks of those who strongly support the war and are relatively well situated socially and economically.

But by no means all the people in this group have been recruited into

volunteer work. It was found that there is a large "untapped potential" of civilian defense workers. As many as a fourth of the people in the entire sample were interested in participating actively in war work and were well able to participate, but were nonetheless doing little or nothing.

These people did not differ from active participants in educational or economic status or in the extent of their support of the war effort. They did differ significantly from active participants, however, in two important respects. They were far less likely to be members of other groups and organizations. And they had relatively little contact with the people in their communities who were active in civilian defense work. The active people in a community, the "joiners," are evidently the first people to become interested in civilian defense work. And they tend to confine their recruitment efforts to their own particular circle.

THE APPEAL OF THE ACTIVITY

Participation in volunteer war work is influenced not only by the type of personal factors which have been discussed, but also by the attractiveness of the activities themselves and the effectiveness with which they are publicized. People can be mobilized with comparative ease for work which is demonstrably useful and valuable.

The state of Washington has been exceptionally successful in developing a program which has captured the imagination of its residents. Its program is extremely broad, including a wide variety of service, as well as the basic protective, activities. Among other things, the state's Defense

Council has:

Participated in the organization of 135 local War Price and Rationing Boards.

Helped organize and finance a state Salvage Committee and 133 local committees.

Arranged a dozen "retailers' clinics" at key points to help OPA explain and interpret price regulations.

Coordinated the efforts of Federal, State and local agencies to solve the farm labor supply problem; sponsored "Farm Labor Week," during which more than 15,000 city people registered for spare-time harvest work.

Sponsored the Victory Garden program.

Assisted communities in arranging "Town Meetings for War."

Directed the creation of mutual-aid medical areas, to insure maximum mobility of emergency medical services in the event of disaster.

Directed and financed an exhaustive survey of idle machine tools and helped to get them where they were needed (in co-operation with the Manufacturers' Association of the state).

The same imagination has been displayed in publicizing Washington's program. The Defense Council has solicited the help of the state's writers, illustrators, actors, radio experts and advertising men. Newspapers have donated space to special State Defense Council displays. A special weekly bulletin is issued. The facilities of the state's 26 radio stations have been combined into a "Victory Network," which presents a regular weekly program and special programs from time to time. Billboards, window displays, and speakers are also used to inform people of civilian defense activities.

The special campaigns Washington has launched from time to time have been

unusually successful. Last summer a special effort was made to get homes prepared for blackouts and the danger of incendiary bombs. A check made in early September in 15 of the state's 39 counties indicated that 85 per cent of the homes had taken all of the precautions which were recommended and were displaying "We Are Prepared" cards.

EXTENT OF APPROVAL

Throughout the country there is relatively little disapproval of the present civilian defense program. And public satisfaction with its operation has increased markedly since the beginning of the year.

The prevailing attitude, however, is one of passive acceptance rather than of strong and informed approval. Many people have simply not been reached by the program. They accept it, feel satisfied that it is being well run, but know very little about it.

Relatively few people think of the program in broad terms, as embracing all the war-related activities of the civilian population. Most people are unfamiliar with OCD's service responsibilities in such fields as health, education and recreation. They tend to think of it as being exclusively concerned with protective activities.

The overwhelming majority of those interviewed felt that a civilian mobilization program is necessary. But few people felt that it was essential in order to marshal the entire strength of the civilian population in support of the nation's armed forces. Most people favored the program because they recognized the necessity of making preparations against the danger of air

attack. Some people felt that the program's value lies chiefly in its effect on people's "morale." A few regarded civilian mobilization as a frill with little relationship to the winning of the war.

CRITICISMS

Only a small minority of those interviewed were critical of the present civilian defense program. But many of the critics are well informed, and reports from interviewers suggest that their complaints are often well-founded. Leaving criticisms of particular programs out of consideration, "upper crust" control of civilian war work is one of the most frequent causes of complaint. From numerous places comes the cry that the "wealthy class" or the "country club crowd" has a firm monopoly on the civilian defense program. But this complaint is diminishing as more and more communities recognize the importance of attracting people from all walks of life into civilian defense work.

The meddling of politicians, wherever it is in evidence, is also resented. People feel strongly that politics has no place in a wartime program, such as civilian defense. Whenever the leadership of OCD is so flagrantly top-heavy with partisanship that it is identified as a Republican or Democratic organization, public support is difficult to obtain.

In some places people are cool to the civilian mobilization program because it appears to have little relation to any real problem or danger. Many people in the middle west, for example, refuse to believe in the possibility of air raids. Evidently, little effort has been made to acquaint them with the fact that many midwestern points are more accessible to air

attack than coastal cities. Nor has enough been done in some communities to supplement the protective aspects of OCD's work with other types of activity, the value and need of which would be immediately apparent.

A number of respondents, many of whom are or were active participants in OCD, grumble about the administration of the program. Here and there complaints are made about slow delivery of equipment and poor coordination between Federal and State agencies. There are frequent charges of lack of direction and able leadership. Many workers complain that they have not been given enough to do and that no effort has been made to sustain their interest. It is significant that spirit is best where volunteers are given opportunities to be active. In New York State, for example, it is reported that the best spirit exists among auxiliary firemen, because they are usually permitted to participate in the regular activities of the fire departments.

Many critics feel that the administrative weaknesses of OCD are inevitable in view of the organization's almost complete dependence on volunteer workers. They argue that there simply aren't enough volunteers available with the time and ability to direct so vast an operation as civilian mobilization. There is a widespread belief that more paid workers are needed, especially at the county level.

The OCD program in some states has been handicapped by lack of funds. The Wisconsin legislature not only failed to make an appropriation for the program, but neglected to adopt legislation which would have permitted the state's subdivisions to do so. In Missouri also, civilian mobilization has

been retarded by the lack of enabling legislation. Even the distribution of equipment furnished by the national office of the OCD, such as gas masks, helmets and stretchers, has been delayed for several months.

CONCLUSIONS

To the extent that the criticisms of the civilian mobilization program are justified, they, of course, demand administrative correction. But there are many ways in which informational efforts can contribute to the success of the steps which are taken to broaden, democratize and strengthen the civilian mobilization program. Information can play a significant part in developing understanding of the program and in enlisting wider participation in it.

1. Participation in civilian defense work is closely related to support of the war and intellectual interest in it. Participation may be expected to increase automatically as Americans gain a clearer understanding of war issues, objectives and developments. In an important sense, every effort to improve people's understanding of the war may be expected to generate increased interest in what civilians can do to help win it.

2. There is a pressing need to broaden people's conception of the civilian mobilization program. At present most people are simply unaware of many of the problems which can be — and in many places are being — dealt with through the cooperative efforts of civilians. Once they develop this awareness, they may be expected to assume more responsibility and to demand a broad and well-rounded program.

3. The importance of wide participation in volunteer war work also

requires stress. Information on the breadth of the OCD program can also be utilized to bring out the need for large numbers of volunteer workers. Particular efforts should be made to enlist the participation of the groups who are now under-represented in OCD programs -- the economically and educationally underprivileged, the people who are not members of existing organizations, and newcomers to the community.

4. Information also has an important and continuous task in explaining the what, why, when and where of civilian mobilization. The value of the program as a whole and of each specific activity needs to be carefully explained. People need to be informed on such matter-of-fact subjects as what to do, where to take things, when and where various assemblies will be held. Information of this sort is needed not only at the beginning of an undertaking to enlist public interest, but continuingly to sustain it.

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November 19, 1942
10:00 a.m.

TAXATION

Present: Mr. Paul
Mr. Sullivan
Mr. Blough
Mrs. Klotz

H.M.JR: I want to get a little advice and have a little dress rehearsal. This is all in the room here.

I had an hour and a quarter's talk with Jimmy Byrnes, yesterday. To show you how tricky he is, while I was there his secretary brought him a piece of paper. He just looked at it and dropped it down. The piece of paper was what that OWI man had dictated to his secretary, a statement which they had asked him to discuss while I was there which they wanted him to give out. He never mentioned it to me.

When I came back OWI says, "Didn't Mr. Byrnes discuss it with you? We sent it in particularly so he would discuss it while you were there." So as soon as I left he called up Ben Cohen and told him he would not think of giving out a statement on it. The note was there to discuss it with me.

I am just giving you a little background.

MR. SULLIVAN: That surprises me very much. I always thought he was a pretty frank fellow.

H.M.JR: It does not surprise me. I just go back to Farm Credit days. What I was thinking of doing - we had a long talk, and everything was frank and aboveboard. While he did not at any time say that the President told him to take it up, he said he was going to discuss the bill with the leaders.

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He did not even say the leaders, but some of the people on the Hill. So in the conversation, so you get it, he says, "You don't think you are going to give me orders on the taxes, do you?" He put emphasis on it.

MR. PAUL: Byrnes said that to you?

H.M.JR: Yes. I said, "No." Then I said, "Are you going to tell me what to do?" He says, "No." I said, "But I take it you know what the President said the night before he announced it." He says, "No. What did he say?" He said, "Mr. X will have nothing to do with fiscal and tax matters." He says, "It can't be so. The President would not write me one thing and say another thing like that." I said, "He did. There were twenty people there who heard him say it." He says, "That is not what Judge Rosenman told me."

I am giving you the stuff. I went back through the whole history of this. Everything was very lovely; everything was swell. I said, "Let's leave it this way, Jimmy. You are working for the President; so am I. I have just seen the President and told him that when we got this tax bill ready and had consulted you and the members of your committee and anybody else in town who was interested, we would then bring it to his attention, or should we talk with the leaders first and should we talk with him first."

He says, "If I have some ideas I want to take them to him." I said, "Don't you think if it is a tax bill and affects the tax bill it would be much better if we went to see him together rather than separately?" Well, everything I said he agreed to - but by his silence.

Of course what I am saying here is very much in the room. But I had an hour, and this is not the first time, you see. I go back to the early days of experience that I had with him in Farm Credit, which I shall never forget. You remember the whole thing - most unpleasant. I mean he is a smart operator.

- 3 -

So the only thing I can sum up is that I said we would go on discussing this thing with people and that when we got ready we would bring it to the President's attention.

Now, he let one thing slip. He is very close to Bernie Baruch. Of course Baruch has always been more or less opposed to - well, pretty much controlled Jimmy Byrnes.

This is not the first time I have had situations like this, and after twenty-four hours I am much less disturbed than I ever have been before. It gets down to the brains that we have and the technique.

As I say, I can't be more frank. To sum up, this is what I was thinking of saying to the press, on the record - simply say, "Gentlemen, right from the date Mr. Byrnes was put in there different people who are unfriendly to the administration have been trying to drive a wedge between Mr. Byrnes and myself. Nobody can do that. Mr. Byrnes and I both work for Mr. Roosevelt. As long as we work for the same man and not for two different countries - we are at war - you cannot make any trouble between Mr. Byrnes and myself, or Mr. Cohen, who works for Mr. Byrnes. As far as the story of Mr. Cohen, of course we consulted him. He is a very able and patriotic citizen, and he has ideas, the way a lot of other people in town have. Mr. Paul is going to consult them and anybody else who works for Mr. Roosevelt who has ideas."

MR. PAUL: There is nothing new about that.

H.M.JR: I know. This is what I thought out during the night. "As late as Tuesday I went over this whole situation with the President and told him just what we were doing in developing a tax bill, up to the point of bringing it to him; and the President was very much pleased and approved everything that we are doing in the way of preparing the ground for him, up to the point

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of bringing it to his attention. That was as late as Tuesday."

MR. SULLIVAN: This week?

H.M.JR: This week. You see, the President has not said anything to Byrnes. I talked to the President on the phone yesterday, and I had a long talk with him Tuesday. I had a long talk yesterday and he said, "What is going on up on the Hill, Henry?" I said, "They are calling the committees together. They are just organizing." I think I am right on that, am I not? He says, "Are you going up on the Hill?" I said, "No, they are just getting organized." I think I am right, am I not?

MR. SULLIVAN: I don't think they can organize until after the first of the year.

H.M.JR: They are not going to do taxes today. There is something in the paper.

MR. PAUL: They had a meeting on this other subject.

H.M.JR: Yes, and they turned the President down. But my thought was this, that the whole gist of the thing is that they can't make trouble between Byrnes and myself. I saw the President Tuesday, told him about the tax bill, told him what we were doing. He was entirely pleased and approved everything that I have done. Now, let Jimmy Byrnes come out and say something, or the President. They can't.

I thought I might go a step further. This is where I want you to listen closely. I don't know whom I would be hitting. To show you that it needs highly-specialized technicians to prepare this kind of thing is demonstrated by what happened in the twenty-five-thousand-dollar bill. I am groping, you see, because if they had done what the Treasury wanted them to, we

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would not be in this mess now. Now, the trouble with that is it goes right back on the President, doesn't it? It goes right back on the President.

MR. PAUL: Yes, and we were involved in that. We went over that with him.

H.M.JR: But he did not take what we wanted. It goes right back on the President. I mean, supposing they had taken the thing the way you had written it.

MR. PAUL: The first way we wrote it, of course Rosenman changed that that night. That balled it all up. But that is a small thing. I don't think I would try to make too much of a point of it. There were several things they did not take that we suggested, but, after all, we considered Byrnes the man who was doing that and we implemented what he wanted to do.

H.M.JR: I know, but the country is wild over this twenty-five thousand dollars, and I am thinking, if I could kind of throw it, to follow the technicians--

MR. SULLIVAN: No, you are stepping entirely out of character when you do that. As you recall, I was against any kind of a twenty-five-thousand-dollar ceiling in the tax bill.

H.M.JR: So was Paul.

MR. PAUL: I was against that kind of ceiling. I was for having higher rates.

H.M.JR: You wanted to do it through the rate structure.

MR. SULLIVAN: Here is why I say you are stepping out of character. There is going to be a very serious attack on that when the next Congress opens up; and if we have indicated that there was a difference of opinion between Byrnes' outfit and the Treasury, or between

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anybody and the Treasury, we are going to just give plenty of ammunition to the fellows who try to get this repealed.

H.M.JR: I said I didn't know my facts and I was groping. I have not taken time to have you fellows tell me the story.

MR. SULLIVAN: That is playing on the other fellow's team, which you never do.

H.M.JR: I am just having a rehearsal here.

Well anyway, you think I had better not talk about the twenty-five thousand?

MR. PAUL: No, decidedly.

H.M.JR: I think it is good to tell them everything I did as of Tuesday, and as of Tuesday the President was entirely satisfied with the way we are doing the job here.

MR. SULLIVAN: I don't see any harm in that at all.

H.M.JR: The President is not going to come out and disown me. Knowing Jimmy Byrnes - Byrnes thinks if he says often enough he is going to carry the ball on the Hill that he gets it. There is a letter right along the same line which the Attorney General wrote me, I think, when Jimmy Byrnes thought he was going to handle all legislative matters on the Hill. This goes in cycles. This was about six months ago. Everybody got excited, particularly the General Counsel's office. I says, "To hell with it", and I wouldn't even answer it.

MR. SULLIVAN: Byrnes was not in on it at that time.

H.M.JR: Yes, he was.

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MR. PAUL: He was still on the Court.

H.M.JR: He was in on it. I never answered it, and the thing just died out. In that letter Biddle said, "The President ordered me to handle all Treasury legislation on the Hill." I will show the letter to you.

MR. PAUL: That will be wonderful when Biddle handles tax legislation. (Laughter)

H.M.JR: I thought I might say, "God bless him, Byrnes or anybody else, if he wants to help Paul testify before the committee. Paul will welcome any assistance he can get." The only danger with that is Byrnes might say, "You wanted help so I will go up on the Hill." I guess I had better not.

MR. BLOUGH: His office has already been talking to members of Congress.

MR. PAUL: You mean that, plus the other way around.

MR. BLOUGH: Yes, that plus the other way around. I know that one man I had lunch with--

MR. PAUL: Who was that?

MR. BLOUGH: Bud Stark.

H.M.JR: The man who is playing it absolutely straight across the table and on the level on this thing is Ben Cohen.

MR. PAUL: I have got a letter on my desk from Ben.

H.M.JR: He was so upset about this yesterday that he wanted to resign. He wanted to quit. But he is very sincere. I don't know Prichard, but from the little I know of him I think I can count on him.

MR. PAUL: He is not in the same category with Ben.

H.M.JR: All right, I will lay off the twenty-five thousand, as of today.

MR. SULLIVAN: I think you had better.

H.M.JR: And after I understand it better we will see.

MR. PAUL: It will take six months for anybody to understand it. (Laughter)

H.M.JR: I think I will just say on the record that the President of the United States saw me Tuesday and went over the whole thing. I told him what I was doing and he gave me his blessing, said to go ahead and develop the thing up to the point when he would go over it with us.

MR. SULLIVAN: That is a statement to the press?

H.M.JR: Yes, at ten-thirty, and then let Jimmy Byrnes come out and say that the President told him something else.

MRS. KLOTZ: The President could say something else himself.

H.M.JR: But he has got to do it publicly.

MR. SULLIVAN: Then you have the answer.

H.M.JR: Then I have got the answer. I just told Byrnes that all I wanted was solid ground under me.

MR. PAUL: Those fellows are very funny, really, because there is not a place on all the premises that is equipped to do the job.

H.M.JR: Byrnes said that.

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MR. PAUL: The only place that is equipped is here.

H.M.JR: This is what I sympathized with him on. He said, "Look, what Henderson has to do with inflation you can put in a tin can", or something to that effect. He says, "The whole control of inflation is what the Treasury does."

MR. PAUL: That is what he told me.

H.M.JR: He has gone much further and is worried, and I don't blame him. He is out to make good for Jimmy Byrnes. I am out to make good for the country; and that is why they never can catch me, because I am always thinking of the country first. That is why, one after another, I get the best of these boys, because I am never thinking of myself. You know that, don't you?

MR. SULLIVAN: Sure.

H.M.JR: What is best for the country and my boss, and therefore they never can catch me. These other fellows - sooner or later they get caught.

Now, I will say nothing about the twenty-five thousand for the present. I will follow your advice.

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OFFICE OF WAR INFORMATION

WASHINGTON

OFFICE OF THE DIRECTOR

November 19, 1942

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

Dear Mr. Secretary:

I deeply regret the error made by our Office in clearance of Mr. Byrnes' speech without checking the question as to whether it trespassed on the province of the Treasury.

From the fact that the speech came to us in mimeographed form, our clearance division seems to have thought that Mr. Byrnes had already taken care of such clearance himself.

Confusion and contradiction are the sort of things we are supposed to stop and I am sorry that in this instance our mechanism failed. I must say, however, that this is one of our very rare lapses, and regret that you happened to be the victim of it.

Cordially,

Elmer Davis

Elmer Davis
Director



11/23/42

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The Secretary had an appointment with
Mr. Davis at 9 am this morning at which he
planned to hand this reply to him. However,
the appointment was cancelled as HM, Jr saw
Mr. Davis the previous evening and talked to
him. Decided not to send the letter.



THE SECRETARY OF THE TREASURY
WASHINGTON

November 23, 1942

Dear Mr. Davis:

Thank you for your letter of November 19th. You realize, I know, that this particular error was a serious matter for us at the Treasury, even though it may have been a routine slip on the part of your office.

This is not the first time that it has happened, and I feel it all the more keenly because we have always tried to be cooperative in the matter of speech clearances. Anyway, I appreciate your expression of regret and your personal interest in this matter.

Sincerely,

Mr. Elmer Davis,
Director, Office of War Information,
Washington, D. C.



November 19, 1942
10:09 a.m.

Operator: There you are, sir.

Frank
Knox: Hello, Henry.

HMJr: Yes, Frank.

K: I couldn't talk before because I had a whole roomful of people.

HMJr: Yeah.

K: I take it that - because I've heard you talk about it so often - that you knew about this order of the President's about deferments of people employed in - in Government departments and agencies.

HMJr: Did I know about it before?

K: Yeah.

HMJr: No, I belong to the gang that didn't.

K: Well, all right then. I - I thought you might have talked to the President about it, but here....

HMJr: No....

K:here's what we're up against....

HMJr:may I laugh a little bit? Everybody's been trying to check up to find out who knew about it....

K: Yeah.

HMJr:and I belong to the masses who don't. Is this....

K: Well, all right, now I want to elicit your support anyway.

HMJr: Yeah.

K: Here's what we're up against. It's so broad in its terms....

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HMJr: Yeah.

K:that it includes men employed in torpedo-making plants, in all of our gun factories, in all of our navy yards where we're building combatant ships....

HMJr: Yeah.

K:and in all of our ordnance plants where we're making shells and all kinds of lethal weapons.

HMJr: Yeah.

K: It ought not to include those. I know what the President is after. He's after these various departments of civilian employees where there ought not to be any deferment. We completely sympathize with that.

HMJr: Yeah.

K: But we must have a change so that it will not deplete all of our manufacturing plants which are making articles of war.

HMJr: Yeah.

K: And I thought perhaps you might be willing to go to him with me, because you've been preeminent in the....

HMJr: Yeah.

K:effort to stop this deferment business among these white collar people, and say that you agree with me that these people that are making torpedos and shells and guns should not be - should not be interfered with, because the whole Civil Service picture is terribly confused now and all of our manufacturing plants and yards are just upset terribly.

HMJr: Well, Frank, it's - I don't think - I'm always willing to go with you anywhere, see?

K: Yeah.

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HMJr:up - but I don't think it's quite as easy as that. I - I'm going to talk very frank. I think the President's got to make up his mind what he's going to do about Man Power, see?

K: Yeah....

HMJr: Is this....

K:well, I - I agree with that, but this is a -

HMJr: That's just a small piece of it.

K: I know but it's a horribly important one. Christ, we're short of torpedos right now, and every torpedo plant we've got is - is shot full of disruption right now....

HMJr: Well....

K:because they think they're going to be drafted.

HMJr: Well, now let's - if you can arrange a meeting, I'll tell you who is vitally interested and was trying to find out whether I knew anything about it, and I told him that I did - and that's the Director of the Budget.

K: Well, Harry - Harry Smith?

HMJr: Harold Smith.

K: Uh huh.

HMJr: He's terribly upset over this.

K: Well, then I'll try to get a hold of Harold - Harry then.

HMJr: And he said that McReynolds knew nothing about it.

K: Uh huh.

HMJr: Over with the President.

- 4 -

K: I'll see if I can get a hold of Harold.

HMJr: You mean to talk with him?

K: Yeah.

HMJr: I - I think he's more your man than I am on this.

K: Well, all right, I'll....

HMJr: But if - but look, so there's no misunderstanding, on second thought - I mean if - I mean I - I think he's got the whole picture and I haven't.

K: Well, I know but you've got the point of view that I just expressed, and I think you sympathized with it, and if a couple or three of us should go and see the President....

HMJr: Oh yes, you can count on me.

K: I thought so. All right, Henry, I'll let you know later.

HMJr: When do you want to come over and have a - some lunch?

K: Ah....

HMJr: How about before Cabinet tomorrow?

K: Just let me look at my book, Henry. Just a minute. Yeah, I've got to go to the White House at twelve o'clock, but I don't think that will take me over fifteen or twenty minutes, and I think I can get over there about half-past twelve.

HMJr: About half-past twelve?

K: Is that too early for you?

HMJr: Well, if it is we could play a little pinoche.

K: Well, say one then.

HMJr: Well, if I was going to - well, either - I usually eat at one. What....

- 5 -

K: One's all right.

HMJr: One o'clock.

K: Yeah. Uh huh.

HMJr: Good.

K: Then we can go right from there to the Cabinet meeting.

HMJr: That - that's the idea.

K: All right, Henry.

HMJr: Right.

K: Goodbye.

HMJr: But if you want anything else, you can always count on me.

K: I know I could, and I'll call you after I've talked to Harry - Harry Smith.

HMJr: Right. Goodbye.

November 19, 1942
11:18 a.m.

Samuel
Rosenman: Henry?

HMJr: In person.

R: How are you?

HMJr: I'm all right.

R: I - would like to have you buy me lunch today....

HMJr: Well....

R:over there, unless you're - got a date.

HMJr: I'm talking to the Overseas Writers today.

R: Okay.

HMJr: So I'm sorry.

R: All right.

HMJr: I would love to see you.

R: I wanted - I want to talk to you about Zionism.
We - we....

HMJr: Oh.

R:want to do something in the American Jewish
Committee, and I'm so hazy in my own thinking
I thought that you could help me. I....

HMJr: Well, are you going to - and tomorrow I have
Frank Knox.

R: Oh.

HMJr: Are you going to be down next week?

R: Ah....

HMJr: I'm in bad shape this week.

R: Yes, but that will be too late because we - we
want to get out some statement, do you see,
next week and I - I'm - I frankly don't know
what we ought to say.

HMJr: Are you going to be here all of Friday?

R: I'll be here all of Friday, and....

HMJr: Well, why don't I see you after Cabinet Friday?

R: All right.

HMJr: What?

R: Okay. That would be fine.

HMJr: Supposing when I get through Cabinet, I come and see you, and....

R: All right.

HMJr:if you're busy....

R: Okay. That's fine.

HMJr: How will that be?

R: That - that's fine. I got a little room upstairs and we can talk about it, and....

HMJr: Now....

R:I'd like to get your views on....

HMJr: Well, one thing while I have you on the wire - I mean that after Cabinet is subject to change. I - I had - I might go up in the country, I don't know, but I'll keep you posted.

R: All right.

HMJr: In my talk yesterday that I had with Jimmy Byrnes about this whole relationship of the Treasury as to what he was doing and everything else....

R: Yes.

HMJr:I was amazed that he said that he didn't know what the President said verbally on the eve before he announced the thing. You know, when he said about Mr. X and he explained what the Treasury's position was and everything else.

R: Yes.

- 3 -

HMJr: And then he quoted you at great length, and he didn't seem to have the relationship correct at all.

R: Well, what did he quote me as saying?

HMJr: Well, I mean he - to sum up, he seemed to think that he more or less had the full authority. At least that's the impression he gave me.

R: Well, did he - did he quote me to that?

HMJr: Well, in going through the history - no, but it was all - it's awfully hard to quote but I can simply give you the impression that he left with me when he got through that - I'll put it, that you had told him nothing which would make him think to the contrary.

R: Well, as I....

HMJr: You see?

R: Yeah. I think he's wrong. I'm sure I did.

HMJr: Well - and he never knew what the President - I can't - Gaston was there that evening. You were there too, I think - the night before the President announced it all.

R: Well, Gaston was there during the whole conference. I was not.

HMJr: ~~Ok.~~

R: But the President made it very clear to me what he thought the position of the Treasury would be.

HMJr: Yes.

R: And I - I....

HMJr: Well....

R:I certainly would have no hesitancy in telling it to Jimmy.

- 4 -

HMJr: You wouldn't?

R: Not a bit.

HMJr: Well, I think it would be good because certainly as of yesterday he didn't understand it, and it....

R: There - there's - I'm very clear in it, and - and I certainly would tell him.

HMJr: I mean I don't think there's going to be any trouble, but he is inching in a little bit and the story - yesterday the story in the Tribune and the follow-up today didn't help any.

R: No.

HMJr: So - if you're down....

R: I - I can tell Jimmy. I'm going to see him this afternoon.

HMJr: Yes.

R: I - I'd have to preface it by saying that - that you spoke to me or somebody spoke to me about it.

HMJr: No, you can say I did and....

R: Yes.

HMJr:that - that I - you can say - I don't - I was impressing you that I didn't feel that from what he told me that you had told him that he had the full story.

R: Yeah.

HMJr: How's that?

R: That's all right.

HMJr: That's straight to the point, isn't it?

R: Yeah, and I'm - I'm sure that I explained that to him, that....

HMJr: Well, he didn't act - I....

R:that Treasury was out. As a matter of fact, he saw the orders with the - he saw that draft of the order which had that language in.

HMJr: No, you can say I talked to you.

R: Okay.

HMJr: And I - I'll make every effort to get together with you tomorrow.

R: All right. Fine.

HMJr: Thank you.

R: Okay. Thanks.

November 19, 1942
12:10 p.m.

FINANCE

Present: Mr. Bell
Mr. Buffington
Mr. Kuhn
Mr. Haas
Mr. Murphy
Mr. Baker
Mr. Shields
Mr. Woodward
Mr. Thomas
Mrs. Klotz

(The Secretary held a telephone conversation with
Mr. Rouse as follows:)

November 19, 1942
12:12 p.m.

HMJr: Hello.

Operator: Mr. Sproul is tied up in a meeting. I have Mr. Rouse.

HMJr: Okay. Hello, Bob?

Robert Rouse: Hello.

HMJr: You're on the loud-speaker. That's just so you know it.

R: All right, sir.

HMJr: Now listen, you've had all last night and nothing to do but sleep and think about this.

R: No, not a thing. Just the same way you are.

HMJr: Yeah. Well, where do you stand now?

R: I....

HMJr: On this short bond.

R: My recommendation would still be for a March 15, 1948.

HMJr: Now have you talked around the market on this?

R: No, I - well, I - yes, I have prior to yesterday afternoon.

HMJr: Yeah.

R: And I've talked to those same four dealers that I discussed the matter with bonds.

HMJr: Yeah. Now what did they say?

R: Well, they said that the maturity, whether it was a - a - well, Repp - Repp and - and Pope took the position that it should be March.

HMJr: Yes.

- 2 -

R: Devine and Levy felt June was all right.

HMJr: Yeah.

R: This is on the basis of a sixty-five-seventy for the two-and-a-half.

HMJr: Yeah, but it's not going to be sixty....

R: Yeah, but this was what - they had recommended the - not shorter than sixty-five.

HMJr: Yeah, but - but - but....

R: But their recommendation on this - you have to think of in terms of that.

HMJr: Well, have you talked to them since we've changed the date to sixty-three?

R: No, because I haven't let them know of such a change because it would affect the market and I didn't want them to - them to know about that.

HMJr: But you're still leaning towards March.

R: Yes, sir, and Devine even on that basis took the position that if it were a small - relatively small issue that June was all right, but if it were to be between two and three billion that it should be March.

HMJr: And....

R: So that three of the four believed it should be March.

HMJr: Now how important do you think this is?

R: I don't think it's vital. I think that you'll go at June. I think from the at.. - from the standpoint of the atmosphere of your deal, it is - it does have some importance.

HMJr: Well, now can you just sit there a minute, please? I want to - we....

R: Yes, sir.

- 3 -

HMJr: Just - just relax a minute, please.

R: Yes, sir.

HMJr: Hello.

R: Yes, sir.

HMJr: Well, this - if I do March, will it make it more difficult for me to sell another two per cent issue?

R: I don't believe that.

HMJr: You don't believe it.

R: No, sir.

HMJr: Well, my boys here think it will affect that June - that two per cent structure.

R: No, we didn't think so here. I know that Marriner felt that it might when he was talking with me yesterday afternoon.

HMJr: Yeah.

R: And I recanvassed that, and we didn't feel that it would.

HMJr: But supposing - if I - supposing I'd have said, "Well, it's going to be June."

R: Yeah.

HMJr: Can I make a success of it?

R: We'll make it a success.

HMJr: You will?

R: Yes, sir.

HMJr: Well, I'll call you back again in the next five minutes.

R: Right.

- 4 -

HMJr: I got to settle it now.

R: Good.

HMJr: Thank you.

- 2 -

H.M.JR: George, have you and Murphy had a chance to think this over?

MR. HAAS: Yes, we did a lot of work. Our final conclusion is June '48 because we are very apprehensive that it will affect our rate pattern if it is March. Shields called up his bondmen, too, Irving Trust, and it is a close thing. I think that if it is on March it will have to adjust the two's down, and then you run into the outstanding, and I am afraid it will run into the one-and-a-half notes, and pretty soon they will want one percent on the certificate.

H.M.JR: Do you think that is what they are after?

MR. HAAS: I don't know. I think you should make sure you don't get yourself in the position that that is the next step.

(The Secretary continued his telephone conversation with Mr. Rouse, ~~as follows:~~) not recorded

- 3 -

H.M.JR: I have got to settle it, because you fellows have to go to work. You have to grind this stuff out. How do you feel, Dan?

MR. BELL: I would like to see a June, but I am not so sure it is a very important decision.

H.M.JR: If it isn't very important, I would rather side with these boys. I have to throw them a bone. (Laughter) I mean, if this is a thing to undermine my two percent--

MR. HAAS: It is your rate structure that we are worrying about.

MR. BELL: It can be over three thirty-seconds either way in the price.

H.M.JR: What are these two men's names?

MR. HAAS: Woodward and Shields.

(The Secretary held a telephone conversation with Mr. Eccles, as follows:)

November 19, 1942
12:18 p.m.

HMJr: You're on the loud-speaker, just so you know it. I got to settle now this question of whether it should be March or June on that note.

Marriner
Eccles: Yeah.

HMJr: Or rather, short bond. And - and I wanted to know what - what - where you stood once more.

E: Well, I stand just where I did yesterday. I don't think you need to go to March.

HMJr: Yeah.

E: I think that June is pricing it all right, and I think that if you price it on the basis of March that it will put pressure on the two per cent bonds.

HMJr: Well, I don't want to do that.

E: Well, I think it will do it for this reason, that I - I think that they would sell twos to buy this - this issue; that they're more likely to than if it's priced at June; that this issue at par -- and they could be able to get all they want of this at par when we open it....

HMJr: Yeah.

E:and it would be a better buy than the June....

HMJr: Yeah.

E:and that - that this at par may tend to push the June down to where there was a - there was a lot of pressure on the two per cent bonds.

HMJr: But you don't think if we do it in June we'll have any trouble?

E: I don't think you'll have a particle of trouble. Now let me tell you that - that I talked to Allan Sproul on that this morning....

HMJr: Yeah.

E:and Allan says he doesn't feel strongly on it

(cont.)

- 2 -

E: at all, that Bob's the only one - that Bob
(cont.) seemed to feel strongly, but Allan says that it's -
that he - he'd - he'd vote for March.

HMJr: Oh.

E: But, he says, he - he's not going to be concerned
one way or the other because he does.. - he thinks
that it doesn't - that it makes very little difference.

HMJr: Yeah.

E: Now - and - and Piser....

HMJr: Yeah.

E:I told him I - I talked to him again this
morning, and I said, "I think - it seems to me
that - that you just haven't taken all the factors
into account and I wish you'd - would look at this
thing from -" and I - and I brought up these arguments
that I'm using now and that I used with Bob
Rouse yesterday....

HMJr: Yeah.

E:and I just get this memorandum. He says to
tell you that "I've studied this thing carefully
and the question of - of the effect on the twos
and I - it's my view that the June forty-eight
would be better."

HMJr: I see.

E: Now he favors June forty-eight.

HMJr: Okay. Now - well....

E: And I favor it. I vote for June forty-eight.

HMJr: Well, between - in the next ten minutes I'll make
up my mind and then shortly, I don't know just
when - we've got this press release pretty well
polished up and either Bell or Kuhn will get it
over to you.

E: Yeah.

- 3 -

HMJr: See?

E: And then you want me to call you back or come over?

HMJr: Well, one or the other, and then I'll be in touch - I got to go to this Overseas luncheon at one o'clock. That's what's bothering me.

E: Yeah.

HMJr: And it's when I get back from there I'll give you a ring.

E: Yes, and in the meantime I'll get this mem.. - this press release.

HMJr: Right.

E: Yes. Okay.

HMJr: Right.

E: All right.

HMJr: Thank you.

- 4 -

H.M.JR: Has anybody asked Baker?

MR. HAAS: I didn't.

MR. BELL: I asked Baker, but I haven't--

MR. HAAS: Henry talked to him.

MR. MURPHY: I haven't talked to him today.

(Mr. Woodward and Mr. Shields entered the conference.)

H.M.JR: I may have asked you this, but I have got to ask it over again. On this short bond should it be dated March or June, '48?

MR. SHIELDS: You haven't asked it, sir. It is a toss-up in one sense of the word. I think I would favor June a little bit over March.

H.M.JR: How about you?

MR. WOODWARD: I think I would favor June, but it does seem to make very little difference.

H.M.JR: Am I taking any risk on the success of this thing by putting it June?

MR. WOODWARD: I should not think so if the drive is organized.

H.M.JR: If I do it in March, would it affect my outstanding two's? Would they sell them?

MR. WOODWARD: They might.

H.M.JR: Is that important?

MR. WOODWARD: It is important, but the Federal Reserve purchases will have to be so considerable that it might not be significant.

- 5 -

H.M.JR: But you all lean towards June?

MR. SHIELDS: Yes, sir.

MR. WOODWARDS: Yes, sir.

H.M.JR: You didn't expect that question? I thought somebody said you had been in touch with your people in New York.

MR. SHIELDS: I did check. Our man preferred the March to the June, but thought that either one could be sold, especially if the Federal Reserve purchases were handled properly.

(Mr. Baker entered the conference.)

MR. MURPHY: Could I say, Mr. Secretary, that I would be more apprehensive of pressure on rates on this side of '48 than on the other if we put out a March. That is, I would be more afraid of the pressure on the one and a half and perhaps throw it on the certificate rate than on pressure outward toward the two. I think both will occur, but I would be more apprehensive of putting the existing one and a half out.

H.M.JR: So you end up where--

MR. MURPHY: I end up in June. (Laughter) I think that either of them place considerable pressure on the pattern of rates, but March of course, naturally, more.

H.M.JR: Baker, the question is March or June for the short bond, '48.

MR. BAKER: I prefer June.

H.M.JR: O.K. Save me the trouble and tell Rouse that.

MR. BELL: I will.

H.M.JR: Now, you don't need another thing from me, do you, until four o'clock?

- 6 -

MR. BELL: No, sir.

H.M.JR: When I come back sometime this afternoon, I want very much to sit down with you, you and Kuhn and Buffington. Are you going to have any of your advertising-men stay over?

MR. THOMAS: Yes, sir.

H.M.JR: There will be some of them here?

MR. THOMAS: Some of them will be here. Most of them have gone already.

H.M.JR: Some that can help?

MR. THOMAS: I think so, yes. We will have two.

H.M.JR: Then tell them to stick around until I am free, will you?

MR. THOMAS: Yes, sir.

H.M.JR: Maybe you will have some concrete suggestions to make for me. I am talking now for the Victory Fund Committee.

MR. THOMAS: On what?

H.M.JR: On publicity.

DECEMBER - JANUARY FINANCING

(In millions of dollars)

	DECEMBER	JANUARY	TOTAL
Balance at beginning of period	1,000	4,800	
Receipts from banks --			
Treasury bills	600	200 ✓	800
7/8% Certificate	2,000	-	2,000
1-3/4% Treasury bond	2,000	-	2,000
	4,600	200	4,800
Receipts from non-banking sources --			
4/8% C/I and 1-3/4% bond	750	=	750
Tax notes	1,200	800 ✓	2,000
2-1/2% "tap" bond	1,750	=	1,750
Savings Bonds (E, F and G) ..	1,000	1,700 1,800	2,700 2,800
	4,700	2,600	7,300
	9,300	2,800	12,100 11,000
Balance at end of period	4,800	1,000	



TREASURY DEPARTMENT

WASHINGTON

November 19, 1942.

Dear Mr. President:

Subject to your approval, I propose to offer for cash subscription, under authority of the Second Liberty Bond Act, as amended, an issue of 2-1/2 percent Treasury Bonds of 1963-68 and an issue of 1-3/4 percent Treasury Bonds of 1948 in amounts which will not be specifically limited. At the same time, I propose to offer for cash subscription one-year 7/8 percent Treasury Certificates of Indebtedness, also in an amount which will not be specifically limited.

I propose that all three issues be dated December 1, 1942, and that the subscription books be opened on November 30, and remain open for several weeks. It is my intention during the period to sell \$2,000,000,000, or thereabouts, of the 1-3/4 percent bonds and the same amount of the certificates of indebtedness to commercial banks which accept demand deposits. All subscriptions from others than commercial banks for any of the new issues will be allotted in full regardless of amount.

The 2-1/2 percent bonds may not be held by commercial banks during the next ten years, and in general their terms and conditions will be similar to the 2-1/2 percent Treasury Bonds of 1962-67 issued earlier this year.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issues will meet with your approval.

Faithfully yours,

H. M. W. H. H.
Secretary of the Treasury.

The President,

The White House.

APPROVED: November 19, 1942

Franklin D. Roosevelt



November 19, 1942
2:45 p.m.

HMJr: Did I ever get what?

Grace
Tully: Your appointment.

HMJr: Oh, sure.

T: Did you?

HMJr: You called up - you spoke to Elinor. I - I -
didn't you?

T: Yeah, but the next morning was the morning that -
that Mrs. R arrived.

HMJr: Yeah, then he said ten-twenty, and he saw me till -
from ten-twenty to eleven.

T: Oh, good. I didn't know that, because I knew
that on the ten o'clock he probably wouldn't be
back if - if what I heard was true about the hour.
But I'd left word with the usher that if they
found that they got a call early in the morning
to be sure and call you and tell you, you see,
that he wouldn't be there at ten o'clock.

HMJr: Who do suppose called me?

T: I don't know. I told

HMJr: General Watson himself.

T: Did he?

HMJr: Yeah.

T: Uh huh.

HMJr: And I went over at ten-twenty, he saw me. He
was sitting there waiting for me, and he - see,
I was there until eleven.

T: Good. Well, that's fine. I never did check up
to find out if you ever got in.

HMJr: Yeah.

T: Mr. Secretary, the other day we sent over to you something on that Swedish oil matter.

HMJr: Oh, oh.

T: To you and the Under Secretary of War....

HMJr: Yes.

T:asking you to talk about it and say where do we go from here.

HMJr: That's right.

T: Now we're being pressed by the State Department and a few people have been asking if anything's been done on it.

HMJr: Yeah.

T: I wonder if you've got - if there's any chance....

HMJr: Well....

T:we'll get it back so the President will know how to proceed.

HMJr: Well, here's the situation. I'm very glad you called up on it. Bob Patterson is coming over at nine o'clock tomorrow morning to see me....

T: I see.

HMJr:and I was proceeding a little slowly....

T: Yes.

HMJr:on purpose.

T: Uh huh.

HMJr: And there is a ship, what they're fussing about, which is going to sail - is loading somewhere down in Texas....

T: Yes.

HMJr:and that's what all the fighting's about.

- 3 -

T: I see. I didn't know what was behind it, but I know I've had several calls saying....

HMJr: Yeah.

T:has the President had a chance to take any action on it, and I....

HMJr: No.

T:of course, don't tell them what we do with things but I said, "No, he hadn't had."

HMJr: Now you - nobody but Bob Patterson knows I have this.

T: Yes.

HMJr: If you see the President you tell him I've gone on a slow-down strike....

T: Yeah.

HMJr:with this ship loading unless he wants me to speed up, you see?

T: Yeah.

HMJr: Now if he wants me to speed up, of course, I can.

T: Yeah.

HMJr: But I kind of thought when he sent it to me his idea was that I should kind of slow it down.

T: Yeah.

HMJr: But the schedule is that Patterson and I were going to talk about it tomorrow.

T: Right. Well, then after you've had your conference, you'll probably make some kind of a recommendation, won't you?

HMJr: Yeah, but - but - I want him to know that there is a ship loading and I've told Customs, so that he knows about it, to hold it.

T: Yeah.

HMJr: Not to let it go.

T: Yeah.

HMJr: This ship down in Texas.

T: Yeah.

HMJr: And if he has any other feelings about it, why, he can let me know.

T: Fine, I will.

HMJr: But I'm - I'll enjoy being the bad boy again.

T: (Laughs) All right, fine, I'll tell him that.

HMJr: Now I was going to send over to you with Secret Service in the next fifteen minutes a letter on my financing which the President has to okay.

T: Yeah.

HMJr: Would you get a chance to give it to him?

T: Fine, I will.

HMJr: And - now we understand each other on that oil business?

T: Yes, uh huh.

HMJr: But why....

T: Is the ship....

HMJr:why in....

T: The ship's loading but you're holding it, and you want to go on a slow-down strike unless you're told to do otherwise.

HMJr: You've got it.

T: Right.

- 5 -

HMJr: But just this - why in God's name we want to send lubricating oil and all this over and above what Sweden usually gets and England is short.

T: Yes.

HMJr: And do you know what these fellows said? If - if we don't do it, the President will hear from Churchill. Oh, I'd like to just see what Churchill does.

T: (Laughs)

HMJr: I'll tell you who - who said that, as I understand, this fellow in Economic Warfare - I - I think it was Noel Hall.

T: Hall?

HMJr: Noel Hall.

T: Uh huh.

HMJr: He's up at the British Embassy.

T: Yeah.

HMJr: And I'd just like to know how much Churchill is really interested in this.

T: In having it done, hmm?

HMJr: Yeah.

T: Hmm. When they're short, I wouldn't think he would. It doesn't make sense to me.

HMJr: It doesn't - the whole thing doesn't make sense.

T: Yeah. Fine.

HMJr: Anyway I'm on a slow-down strike unless I hear the contrary, then I can speed up.

T: Right.

HMJr: Thank you.

T: Goodbye, Mr. Secretary. Goodbye.

November 19, 1942
3:29 p.m.

HMJr: Hello.

Operator: Mr. Kuhn.

Ferdinand Kuhn: Mr. Secretary?

HMJr: Yes.

K: Sorry to bother you. Eccles raised a number of points with good suggestions, only one that Dan and I thought needed to be cleared with you.

HMJr: Yeah.

K: In the very last sentence here, we said, "For its new money needs in January the Treasury will rely upon further sales of tax savings notes, savings bonds, and Treasury bills."

HMJr: Yeah.

K: Eccles wants very much to put in an amount there so that people won't get the idea that we're going to try to raise unheard of amounts in January. He wanted to put in three billion dollars.

HMJr: No.

K: And....

HMJr: No.

K: ~~You~~ see?

HMJr: No, I - I - I very definitely don't.

K: You don't want to do it.

HMJr: No.

K: Okay.

HMJr: I'll - if that's raised I'll - I'll take care of it in my press conference. I'm very definite. That's just exactly what I don't want to do.

- 2 -

K: Okay.

HMJr: That's - I don't understand he raised that because that's so different from what he said before.

K: Well, he wanted to give people the idea that in the two months we would have - we would be raising about twelve billion dollars, see?

HMJr: No, I want to leave January open because if we have a flop in December, then I can do what I want.

K: Yeah, all right.

HMJr: No, I very definitely don't want to do that.

K: All right. Fine.

HMJr: Are you going to be ready, I hope, at four?

K: It will be ready. You bet.

HMJr: Can the boys read 'em before they come in?

K: Yes, sir.

HMJr: All right. Are you coming?

K: I'd like to.

HMJr: All right.

K: All right. Thank you.

November 19, 1942
3:42 p.m.

HMJr: Hello.

Operator: Mr. Patterson is out - is out of the building on an appointment, but they expect him back any minute.

HMJr: Well, leave word I called.

Operator: Right.

3:44 p.m.

Robert
Patterson: Hello.

HMJr: Bob.

P: Yeah.

HMJr: As co-conspirator with me....

P: Yeah.

HMJr:I thought I ought to tell you two things, one thing with - I told Customs to hold this boat which is bading down in Texas for Sweden, do you see?

P: Yeah.

HMJr: I've taken that on myself.

P: Yeah.

HMJr: Then - I mean not to let it sail until they heard from me. We can hold it through Customs.

P: Yeah.

HMJr: Then the other thing was that Miss Tully called me up and said that she'd had several calls, where was all that correspondence that the President had, you see?

P: Yeah.

HMJr: So she says, "Well, I didn't tell them that it was over with the Secretary of the Treasury," and I said, "Well, nobody knows that but Judge Patterson."

P: Yeah.

HMJr: So I says, "You tell the President..." - she says, "What are you doing?" So I said, "Well, I've gone on a slow-down strike," and I said, "You tell that to the President that I'm just going to sit on it unless he tells me he wants the thing to go ahead fast." Hello?

P: Yeah.

HMJr: She said, "All right, I'll go in and tell that to the President." So she said - I said, "Judge Patterson and I are meeting at nine o'clock tomorrow morning, and if we come to any conclusion we'll let you know, but in the meantime tell the President I have just gone on a slow-down strike." So she transmitted that to the President and I haven't heard anything since.

P: Okay. (Laughs)

HMJr: What?

P: Okay.

HMJr: So I just wanted to let you know what kind of a rowboat you're in, and if you want to climb out let me know.

P: What kind of a performer I'm in cahoots with.

HMJr: Yeah.

P: All right, Henry.

HMJr: Okay?

P: You bet.

HMJr: All right.

P: Good for you.

- 3 -

HMJr: Thank you.

P: Goodbye.

November 19, 1942
4:14 p.m.

HMJr:the first time.

W. N.
Thompson: Yes, sir.

HMJr: Well, does that mean we - on these three and six months' deferments, we've got to write everybody canceling it?

T: Well, I have a letter ready for your signature if you approve covering the situation.

HMJr: To whom?

T: To the President.

HMJr: Well, it'll mean....

T: We have only eleven such cases, and I thought perhaps you'd want to ask his confirmation of the action and that....

HMJr: Well, I'll be through here in a few minutes.

T: Yes, sir.

HMJr: I'll see you.

T: Fine.

HMJr: It'll be about the last letter I'll sign today.

T: Yeah. Well, I think we're in fine shape in the Treasury.

HMJr: Mrs. Klotz says it will be the first one I've signed today.

T: (Laughs) I know you're under terrible pressure.

HMJr: Okay.

T: All right, sir.

HMJr: All right.

November 19, 1942

My dear Mr. President:

With reference to your memorandum of November 17, 1942, on the subject of draft deferments, there are but eleven such deferments outstanding insofar as key personnel of the Treasury Department is concerned. Each of these cases received consideration and approval in my office before submission to the draft boards. The employees for whom these deferments were requested are qualified to occupy their positions only because of long years of experience in technical or specialized service, and their loss would seriously impair the effective functioning of the activities with which they are connected. Also, the men involved are over age for arduous service, all but one, who is 39, being above 40 years of age.

I attach hereto a statement giving full details in each of the eleven cases for whom deferment approval was given, and I now recommend your approval of the action taken. Pending your decision, I am withholding notification to the draft boards to cancel such deferments.

Faithfully yours,

(Signed) Henry Morgenthau, Jr.

The President,

The White House.

Enclosure.

WHT:aja
11-19-42

Haffelfinger, William	Executive Assistant to Under Secretary	Office of the Secretary	39	Single
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Mr. Haffelfinger occupies one of the most important positions in the Treasury Department. His duties are directly connected with the Treasury's whole financial policy and the program for financing the war, and his removal would cause a material loss in the effectiveness of such activities. He has served in this Department for twenty-five years in all phases of the Government's financial operations, and he can not be replaced satisfactorily.

Kaplan, Louis	Internal Revenue Agent, Upper New York Division, New York, New York	Bureau of Internal Revenue	43	Single
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Mr. Kaplan occupies a key position in the Upper New York Division and it would not be possible to easily replace him due to the fact that it takes several years of experience, in addition to basic training, to develop an agent to perform the duties required. His loss would materially reduce the efficiency of the operation of the Upper New York Division.

Potthoff, Herbert	Technical Advisor, Technical Staff, Houston, Texas	Bureau of Internal Revenue	43	Married
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Mr. Potthoff is an exceptionally competent conferee and by reason of his qualifications and experience in income and profits tax matters, including specialization in natural resource problems, he carries an important work load of the office. It would be extremely difficult to replace him and his loss would materially reduce the effectiveness of the operations of the office of the Southwestern Division, Technical Staff.

Nicholl, Richard

Chief Office Deputy,
Office of the Collector,
San Francisco, California

Bureau of Internal Revenue

43

Married

Mr. Richard Nicholl is the principal administrative officer and in the absence of the Collector acts in his place. This is one of the largest collection districts, comprising 658 employees. At the present time Mr. Nicholl is performing the duties of the Collector. The loss of Mr. Nicholl's services would materially reduce the effectiveness of the operation of the Office of the Collector.

Bailey, J. Lawrence

Chief National Bank
ExaminerComptroller of the
Currency

44

Single

Mr. Bailey has served as a National Bank Examiner and District Chief National Bank Examiner since September 20, 1926, previous to which he served as an Assistant National Bank Examiner for approximately six years. As District Chief National Bank Examiner at Richmond he is responsible for the examination of 352 national banks in that District and supervises the activities of 14 national bank examiners and 22 assistant national bank examiners. In view of his qualifications and experience it would be extremely difficult to replace him.

Curtes, Morris

Internal Revenue Agent,
Upper New York Division,
New York, New York

Bureau of Internal Revenue

1/2

Single

Mr. Curtes is exceptionally well qualified to assist in carrying the technical load of the Upper New York Division and since it takes several years of training to develop an agent to perform these duties, he cannot be readily replaced and his loss would materially reduce the efficiency of that division.

Romig, George W., Jr.

Chemist in Charge,
New York Laboratory

Bureau of Internal Revenue

1/2

Single

Mr. Romig is Chemist in Charge of the New York Laboratory which is the most important laboratory of the 14 branch laboratories maintained by the Alcohol Tax Unit because of the volume and nature of the work performed in the New York District. It would be extremely difficult to replace Mr. Romig at this time because the two next best qualified men of the New York Laboratory have left the service.

Fischer, John A.

Deputy Collector,
Office of Collector of
Internal Revenue,
Toledo, Ohio.

Bureau of Internal Revenue

1/4

Single

Mr. Fischer is Chief of the Miscellaneous Tax Division in the Collector's Office and it would not be possible to replace him due to the fact that it takes several years' experience, in addition to basic training, to perform the duties required.

Nelson, Emil J.

Technical Advisor in Charge, Bureau of Internal Revenue
Chicago Division,
Technical Staff

44

Married

Mr. Nelson has been employed with the Bureau over twenty years and is an exceptionally competent conferee and Technical Advisor in Charge. He is now carrying the entire technical work load of the Technical Staff office in Milwaukee, Wisconsin. There is no one to replace him and his loss would definitely and materially reduce the effectiveness of the operation of that office.

Perry, Walter D.

Assistant Technical Advisor, Bureau of Internal Revenue
Technical Staff,
Philadelphia, Pennsylvania

41

Married

Mr. Perry is an exceptionally competent conferee and by reason of his qualifications and experience in handling cases involving income and profits tax liabilities, he carries an important work load of the office. It would be very difficult to replace him, and his loss would materially reduce the effectiveness of the operations of the office.

Lasarus, Louis J.

Internal Revenue Agent,
Office of the Internal
Revenue Agent in Charge,
Cleveland, Ohio

Bureau of Internal Revenue

43

Single

Mr. Lasarus is a full time experienced reviewer having been assigned to review work for a period of approximately seven years. He is engaged upon the review of individual, partnership, fiduciary and trust cases, and is carrying an important work load in the Cleveland office, which has a personnel of approximately one hundred forty technical employees. His services are urgently needed, particularly at this time.

THE WHITE HOUSE
WASHINGTON

*Photostat to Mr.
Thompson 217
11/18/42*

November 17, 1942

MEMORANDUM TO ALL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT:

I am most anxious to make sure that no man should be deferred from military service by reason of his employment in any Federal department or agency either in Washington or in any other place.

If any such deferment has been given to anyone within your respective jurisdiction, would you please arrange for cancellation thereof as soon as possible and notify the Selective Service Board having jurisdiction? No further requests for deferment by reason of such employment should be made either by the agency or by the employee.

I am sure that in the overwhelming number of cases, this action will be welcomed by the young men themselves who are involved.

I know that in certain technical or highly scientific or specialized branches of the service there are a few employees who, by reason of unique experience, are really irreplaceable by women or older men. If there are any which in your opinion fall within this category, will you please write me the full details of them so that their cases may be passed on individually.


F. D. R.

Treasury Department 218
Division of Monetary Research

Date 11/19/42 19

To: Mrs. Klotz

This would seem to constitute
a vindication of the Secretary's
position.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

Treasur
on of M

Date

213
Text of Memorandum
Here is the text of the President's memorandum:

"I am anxious to make sure that no man should be deferred from military service by reason of his employment in any Federal department or agency either in Washington or in any other place.

"If any such deferment has been given to anyone within your respective jurisdiction, would you please arrange for cancellation thereof as soon as possible and notify the Selective Board having jurisdiction. No further requests for deferment by reason of such employment should be made either by the agency or by the employee.

"I am sure that in the overwhelming number of cases this action will be welcomed by the young men themselves who are involved.

"I know that in certain technical or highly scientific or specialized branches of the service there are a few employees who, by reason of unique experience, are really irreplaceable by women or older men. If there are any which in your opinion fall within this category, will you please write me the full details of them so that their cases may be passed on individually."

November 19, 1942
4:20 p.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Kuhn
Mr. Thomas
Mr. Graves
Mrs. Klotz

H.M.JR: Mr. Thomas, now that this thing is launched and the publicity gone - the press seems to be all right, thanks to a well-prepared statement - I am going to ask you something, and you will most likely come back and ask me something.

What is the Advertising Council prepared to do from now on to help us put over this drive?

MR. THOMAS: The Advertising Council is prepared to go to work on a general promotional program behind this drive. We have just been discussing with Mr. Buffington and Mr. Hobbs, and we have also discussed with Mr. Callahan, some of the thoughts that we have.

The first one is that, in our opinion, this thing needs a springboard. It needs something of general interest far beyond the news release or anything of that sort.

In searching around for something of that kind, we pitched upon the idea of having a country-wide dinner the Saturday night before this thing happens. It happens that the Treasury Department has a new hour on the air, a Blue Network - whether or not that would be available for this purpose is one thing we would have to explore. If it were available, it would fit in very nicely, because it happens to be eight-thirty to nine-thirty eastern time.

- 2 -

If it could be organized so that these dinners would take place in practically every city in which a committee is organized for the Victory Fund operation - that, I believe, is a hundred cities - and we would have a central dinner either in Washington or New York, with you present, because it is a dinner at which we could put on entertainment to get a public following and to get some audiences listening. Then at an appropriate time during the dinner we would have you present this picture to the Victory Fund Committee and offer their services to the public of the United States.

Probably we could have a two-way telephone or a radio hook-up with the Coast or Chicago or Atlanta so that after you have spoken these men could call you at the meeting to tell you what they hoped to do in a very few brief statements. If you had some other personalities that seem appropriate to put on at that time, that might be a thing we could consider. If we could get a war aspect to the thing, as Mr. Buffington suggested, it probably would be a good thing to do. Whether the time element involved would permit that, I do not know.

Then further than that we could prepare advertisements which could be sent out to the various--

H.M.JR: When are you thinking of doing this?

MR. THOMAS: Doing what?

H.M.JR: This show.

MR. THOMAS: It would be the Saturday night before your program started.

H.M.JR: When is that?

MR. KUHN: The 28th.

MRS. KLOTZ: Thanksgiving is Thursday; this would be the following Saturday, the 28th.

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MR. THOMAS: Then we could prepare a series of advertisements, say some six in number, of a thousand lines, or possibly six hundred lines, which could be sent out either directly to newspapers or through the ABA or through the National Newspaper Advertising Executives Association, or through the local committees, and endeavor to get local sponsorship for those advertisements during the course of the campaign.

In addition to that, Mr. Callahan prepared a pretty complete and comprehensive program which he submitted to you and which we were discussing downstairs. We are prepared to help him to implement and supplement that program in every way we can. I don't happen to have a copy of it in my pocket.

H.M.JR: Of course I wasn't too well impressed with it, because I thought it was too much on the jazz side for this kind of thing, but I may be wrong.

MR. THOMAS: Our feeling is this, Mr. Secretary, that in this instance we cannot use advertising as it is used commercially.

H.M.JR: That is right.

MR. THOMAS: We, therefore, have to use advertising for what I would call a notoriety purpose; in other words, to engender enthusiasm on the part of these forty-five thousand salesmen that are going out to do the work. To my mind, that is extremely important. That is why I think it is advisable to have a springboard and then to have a follow-up in all of these phases that Callahan has suggested, plus newspaper advertising if it is possible to get it. I think probably it is.

H.M.JR: Frankly, I had not thought of using Callahan other than for the mechanics of his organization. I had not thought of him as being in charge of the publicity at this end.

MR. THOMAS: We had thought of using Callahan's organization because of its facilities and physical abilities, and so on.

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H.M.JR: What I need very badly on the Victory Fund side is a man who is trained in financial advertising, and I have no such person.

MR. THOMAS: We have him right downstairs.

H.M.JR: Who?

MR. THOMAS: Mr. Corrigan of the Albert Frank agency.

MR. BUFFINGTON: He is an excellent man, and has a fine conception of financing.

MR. THOMAS: He is one of the best in the country.

H.M.JR: But is he willing to sit here from nine to six every day to see us through this thing?

MR. THOMAS: In the first place, I question whether it is necessary, Mr. Secretary, for him to sit here from nine to six every day; but I am sure that between him and the other people we could get, with the services of Mr. Lemmon and myself from time to time, we possibly could meet the requirements of the situation.

H.M.JR: But have you been thinking of using Corrigan?

MR. THOMAS: Very definitely.

H.M.JR: I had not heard that.

MR. KUHN: Do you mean as the publicity man at this end - in charge of publicity at this end? I think that is the impression that the Secretary gets.

MR. THOMAS: No, I don't mean to use him in charge of publicity.

H.M.JR: I mean, somebody should be working here side by side with Buffington to handle publicity.

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MR. BUFFINGTON: Why wouldn't Corrigan be the man to do that? He certainly has an excellent grasp of this. I don't know, frankly, whether he could devote the time to it. I have not asked him.

H.M.JR: Has he a business up there?

MR. THOMAS: Yes.

H.M.JR: What I want is this - you take, for instance, these twelve publicity men who are coming in tomorrow--

MR. THOMAS: We are going to meet with them tomorrow.

H.M.JR: Somebody should ride herd on them. In this memorandum Callahan said he thought they should be under him. I don't agree.

MR. THOMAS: That is, of course, a new angle to the situation that I had not explored at all because I didn't know that.

H.M.JR: What I was thinking of is that there should be a Mr. "X," who knows how to reach the people through the financial newswriters in the various papers, which is something quite different. If you wanted to have somebody who could reach the women editors to put over a food thing - I mean, they are a different group. If you wanted to put over food, there are women who write the food column, and you would have somebody who was trained in that who could do it.

MR. THOMAS: If you so desire, I would be very glad to discuss this thing with Mr. Corrigan.

H.M.JR: Let me do this thing once more. I have been thinking about it, but I have not been able to say anything about it. It was my suggestion in the first place - and I have got to talk frank with you - that we use Callahan. I was thinking of him in terms of getting out something after it had been decided. It is like I said I would not use Peter Odegard to direct the publicity on this because it is an entirely different approach. If

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I wanted to sell - what is this woman's name, June Rhodes? Have you ever heard of her?

MR. THOMAS: No.

H.M.JR: You remember this velvet ball they used to have. She did orchids and all that. She is that type. She got out this thing for the women's page, and she made it so good that they wrote it as though it were their own stuff. She did styles and everything, but in it she worked velvets. I wouldn't use Vince Callahan to put over a campaign to use velvets or orchids to put over a point. I mean, this June Rhodes in her field is the tops. She got Mrs. Roosevelt to wear a woolen dress - when she was doing woolens - to meet the Queen; and the Queen, by golly, came dressed in American woolen and Mrs. Roosevelt in English. In that particular field June Rhodes is brilliant.

My conception was, "This is what I want; get it out and use Callahan's organization to get it out."

MR. THOMAS: As the machinery of disseminating it.

H.M.JR: Yes, the machinery of dissemination.

MR. THOMAS: Would there be such a man in this group that is coming in tomorrow?

H.M.JR: I doubt it.

MR. THOMAS: How about this man from Chicago?

MR. BUFFINGTON: In the first place, he is not available to come here. He is loaned by the Continental Bank. I think the Secretary's suggestion about Mr. Corrigan - he has such a feel of--

H.M.JR: I didn't suggest it. I have never met him. I am suggesting a Mr. "X." I don't know whether Corrigan is the man, but I am suggesting somebody who - well, the Ivy Lee of today.

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MR. THOMAS: I can't give you that man's name now.

H.M.JR: But there most likely is such a man.

MR. THOMAS: There is such a man somewhere; without a doubt we can find him.

H.M.JR: I tell you who could tell us. He is friendly personally, although not friendly to the Treasury officially. He is the publisher of the Wall Street Journal.

MR. THOMAS: I feel quite sure that Mr. Corrigan could--

H.M.JR: Hogate has never given me a bum steer - Kenneth Hogate. I mean, he criticizes us editorially, but personally, on a thing like this - I have asked him different things. He has always been very friendly.

MR. THOMAS: I think Mr. Corrigan, if he were available, too, could be of material assistance to you in that respect.

H.M.JR: But while we are getting this going, a fellow would have, at the beginning - from now until the 30th he would pretty nearly have to be here continuously.

MR. THOMAS: That is right.

H.M.JR: Quite frankly, since I have been back until now - Bell and I are just getting up to the point where we are just shot, in making the terms and getting this thing ready, because the responsibility is terrific.

Now, the sort of thing that you are talking about, the kind of stuff that these twelve men should do - so that they don't get off on the wrong foot - they need a fellow who knows how to reach the financial writers of these various newspapers and make it attractive for them.

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MR. THOMAS: Of course Mr. Corrigan has spent a lifetime at it and made a living at it.

H.M.JR: He may be the answer, but just think a minute - Mr. Corrigan or Mr. Smith - don't you think that I am right that we need somebody?

MR. THOMAS: I do, yes, sir. I agree with you entirely.

H.M.JR: Then if you agree with me entirely - the men have told me about your interest and sympathy - I would like very much if you would think very hard on this tonight, and then tomorrow morning walk in here with a suggestion.

MR. THOMAS: If we can round up such a man, should we go ahead and get him, or would you like to know who he is first?

H.M.JR: I will tell you, on the basis that he would come to try this thing out. See what I mean? If the people in this room would agree with you that he is all right, you don't have to consult me, because I don't want to slow you down. Get somebody to see you through this first one and see how we like him and how he likes us. On that basis do you agree, Dan?

MR. BELL: That is right.

H.M.JR: If the people in this room agree, you don't have to consult me.

MR. THOMAS: All you want is to have this man down here full time from now until the 30th of the month, is that the idea?

MR. BELL: Beyond the 30th of this month.

H.M.JR: No, I would like to have him--

MR. BELL: Until the middle of the month.

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H.M.JR: The middle of December. By the 15th of December everything would be out, finished. I would say from now until the middle of December.

MR. THOMAS: It ought to be out before the 15th. If the drive is over the 20th, it ought to be out before the 15th.

MR. BELL: He probably could be released a week earlier, but he ought to come with the idea of staying until the 15th.

H.M.JR: I would like him to come long enough to see us through this thing, and on the basis that I don't have to be feeling that every minute I ask him to do something I am asking him to do me a favor.

MR. THOMAS: We will try and find such a man.

H.M.JR: He could ride herd on these twelve fellows; and such ideas as you or Mr. Lemmon had he could disseminate. Then what I would like to look to you for would be to make sure that both War Bonds and Victory Fund supplement each other.

MR. THOMAS: I wanted to speak on that point.

H.M.JR: And don't cross each other up.

MR. THOMAS: Let's take the dinner, for example. I think at these dinners there should be a representative of the War Savings Staff present. I think in your remarks that you would make that night you should make appropriate reference to the War Savings Staff and the E bonds. Perhaps we can throw out this idea, that the E bonds are essentially for the purpose of taking money out of incomes whereas the other bonds are for the purpose of taking money out of accumulated savings.

Now, that is the way I have gotten the story as I have listened to it around the Treasury Department.

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H.M.JR: It sounds all right, but I would have to ask some of the economists around whether that is correct. I don't know.

MR. THOMAS: I was not asking you to make a decision. I was merely trying to define a difference here.

H.M.JR: I define it a little bit differently, but I come out at the same end. The War Bond people are principally to work with the working man and woman on their pay-roll deduction plan. The Victory Fund people are to work with people who have - it is the same thing - accumulated spare funds. It comes out the same place. No, I think that my speech, if I make one - I think I should definitely give the War Bond people a plug on their campaign to get thirty million people. I think the thing should be fifty-fifty.

MR. THOMAS: I would doubt that, Mr. Secretary.

H.M.JR: Seventy-five - twenty-five.

MR. THOMAS: I would settle for that.

H.M.JR: Now, here is the thing. I will be in Kansas City on that night. So whatever I do--

MR. BUFFINGTON: He couldn't be in a better place in the country.

MR. THOMAS: That would be one of the things we would have to take into consideration in the mechanics of the operation. I think it could be handled.

MR. BUFFINGTON: That is a good spot to be in. They would eat it up right in that section; that is wonderful.

MR. KUHN: Mr. Secretary, there is just one thing that troubles me in all this, and I would like to mention it.

H.M.JR: You don't like it?

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MR. THOMAS: It is a good place. We were out there not long ago and had one of the finest meetings I ever attended.

H.M.JR: We are going out there to be with my oldest son for Thanksgiving. That is where I am going to be. War Bonds has got a swell fellow there, their State chairman, I understand--

MR. KUHN: In Kansas, that is Griffiths.

MR. GRAVES: Nee is in Kansas City, Missouri.

H.M.JR: Where would I be, Kansas City, Kansas, or Kansas City, Missouri?

MR. GRAVES: I suppose in Kansas City, Missouri.

MR. KUHN: That is Griffiths.

H.M.JR: Where is this hotel, the Muehlebach?

MR. GRAVES: Kansas City, Missouri.

MR. THOMAS: They are just across the river from each other.

H.M.JR: Anyway, that is where I am going to be.

~~MR.~~ MR. THOMAS: Then in the following through of this thing on the publicity and news releases, I think there again we should give appropriate mention - I think in the advertising and publicity releases and promotional stunts which may be put behind this that there should be appropriate reference to the War Savings Staff. I say that, Mr. Secretary, because I think in coming from you this is a Treasury statement; this is a Treasury attitude; it is a Treasury operation. You have within your Treasury operation two sales forces, and I think it is appropriate to recognize each one of them, for two reasons. I think each should know that they have a place in the picture and insofar as we can inveigle the public to look at some of this stuff, or listen to some of it, I think they should know it.

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H.M.JR: If you are going to have somebody go on I think the thing to do - we did it first when we had that lieutenant in the Navy talk with me. Remember that fellow?

MR. KUHN: Bulkeley?

H.M.JR: Somebody like that, yes.

MR. KUHN: He came here and broadcast with you.

H.M.JR: I am just thinking for a minute; those things are kind of tricky, but if you could get the general to speak - I don't know whether we could set it up in the Solomon Islands in charge of the Marines there or not - something like that - or the admiral in charge of the fleet, somebody outstanding like that.

MR. THOMAS: That would be just perfect. That is just the kind of things we have in mind to do - a promotional stunt.

H.M.JR: We might get General Eisenhower to go to a radio station in Morocco and talk.

MR. BUFFINGTON: That would be wonderful.

H.M.JR: Or would you rather have Admiral Darlan? (Laughter) A military man is the kind of person you want.

MR. THOMAS: That is right, but I think we also want some entertainment for general public amusement.

H.M.JR: I don't think you want more than two speeches. If you had a speech by some outstanding military person and myself, that would be enough. Personally, nothing bores me more than to be in a banquet and have a radio blasting a speech at me.

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MR. THOMAS: Those two speeches would be of great interest to the gatherings in these various communities. They could not help but be, and that is the primary purpose of the springboard operation. I think you want appropriate entertainment, however, along with it.

H.M.JR: If you want to bring somebody back who will really do this job well - he will do it for me - he is my friend from MGM.

MRS. KLOTZ: Howard Dietz.

H.M.JR: We could bring him back just to do this job. He would put some pep into it. I mean, I am just throwing this out, but we have got plenty of talent. I mean, if you Victory Fund fellows want something like that--

MR. BUFFINGTON: I think this is supremely important to get. As Mr. Thomas so properly put it, you haven't the time or the facilities to do a lot of advertising, but this certainly will put them on their toes to start it, if it is done without too much whoopee.

H.M.JR: You don't think a Saturday evening dinner after Thanksgiving is too much?

MR. BUFFINGTON: You have almost got to have it that night.

MR. THOMAS: I would not worry about that.

H.M.JR: I will throw out another suggestion. If I were going to do it I would have the kind of meal they used to have for the Armenian relief - they cut it way down.

MRS. KLOTZ: For a dollar they can't get very much today.

H.M.JR: I mean I am sick of these drives with these elaborate banquets and the rich food.

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MR. THOMAS: You don't want this a hundred-dollar-a-plate dinner? (Laughter)

H.M.JR: A dollar a plate. So that the difference in this thing is that we are starting by saving right here at this table.

MR. THOMAS: That is a good note.

H.M.JR: We are beginning to save right here - every person saves a dollar.

MRS. KLOTZ: Give them fish.

MR. KUHN: Stew - as much as they want. (Laughter)

MR. THOMAS: May I ask you this, Mr. Secretary? Would you feel that it would be appropriate to dub these two and a half's the Victory Fund bonds, the "Victory Fund 2 1/2s?"

H.M.JR: I have no objection to that.

MR. THOMAS: We think that it is highly important that we should have some sort of a name.

H.M.JR: They started with the Liberty Loan Drive, and they had five or six of them. Was it you who piped up in my press conference and said five or six?

MR. KUHN: Yes, five.

MR. GRAVES: Four plus the Victory.

H.M.JR: You wouldn't go back to the old Liberty?

MR. THOMAS: I don't know about that. You people here in the Treasury could answer that better than I.

H.M.JR: I would like somebody over in OWI to think about that. They are so helpful over there. (Laughter)

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MR. THOMAS: Just as quick as we can we want to explore the facilities over there.

H.M.JR: Elmer Davis promised me everything.

I think you are on the right track. If after sleeping over it you agree with me that we should get a Mr. "X," who would be in charge of the Victory Fund publicity on full time until this is over - a success - through the middle of December, and then we will use Callahan's organization to disseminate the information--

MR. THOMAS: I would not sleep over it. I would get on the telephone this afternoon and get that man down here tomorrow, if it is humanly possible to do so, because you have all these fellows here and time is pressing.

MR. KUHN: That is what I was going to mention.

H.M.JR: This is what I would like. I just did not want to force it on you. Are you all right?

MR. THOMAS: If I can find the man. Heavens, it is quarter of five now, and you can't get space on trains - there are all those problems.

H.M.JR: Do you mind if I call up Kenneth Hogate and ask him?

MR. THOMAS: Not in the least. We would be very happy to have his recommendation. I would also like to have Mr. Corrigan, too.

H.M.JR: All right. As soon as we can get him, you can get out and go to work.

MR. KUHN: When these twelve Victory Fund publicity people come down here tomorrow it seems to me that somebody ought to direct them who has built up a knowledge of this in the past week because whoever comes here new will have to go through the works.

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MR. THOMAS: Mr. Corrigan will be here, I can tell you that right now.

MR. KUHN: I was thinking of Vince, who not only has mechanical facilities but can write things, and I was also thinking of you, Harold.

MR. THOMAS: I will be here until the four o'clock train.

H.M.JR: I don't want them under Vince.

MR. KUHN: I am only thinking of tomorrow.

H.M.JR: Get them off to a good start - either Harold Thomas or Ferdinand Kuhn, one or the other.

MR. KUHN: I would like very much to have Harold give them--

H.M.JR: All right, settle it between you, but you can ride herd on them tomorrow. I do not want them to go to Vince.

MR. THOMAS: You don't want Callahan in the meeting?

H.M.JR: Oh, yes, very much, but I do not want to have these twelve men feel that they are responsible to him at this time.

MR. THOMAS: Mr. Secretary, he put that recommendation in his communication to you. If I am not out of order I might suggest that it would be advisable if you told him your decision in the matter.

H.M.JR: Do you want to tell him for me?

MR. GRAVES: I will tell him.

H.M.JR: Will you do that for me?

MR. GRAVES: Yes, sir.

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H.M.JR: Now, Harold, do you want to put in your two bits anywhere?

MR. GRAVES: No.

H.M.JR: Are you all right?

MR. GRAVES: I am all right.

H.M.JR: And then I thought that tomorrow when I went before your group at eleven - everybody here can tell them as much as we know by that time, the purpose of it, but the main thing I want to do is a little explaining, myself.

MR. GRAVES: We have arranged for that meeting.

H.M.JR: Where is that going to be?

MR. BUFFINGTON: Room 394.

(The Secretary held a telephone conversation with Mr. Bernard Kilgore, as follows:

November 19, 1942
4:45 p.m.

HMJr: Hello.

Operator: Mr. Hogate is ill and can't be reached.

HMJr: Oh.

Operator: Mr. Bernard Kilgore is there if you'd care to speak to him.

HMJr: Sure.

Operator: All right, I'll get him on for you.

HMJr: Sure.

Operator: Right.

HMJr: Hello.

Operator: Mr. Kilgore.

HMJr: Hello. Hello.

Bernard
Kilgore: Hello. How are you, Mr. Secretary?

HMJr: How are you?

K: I'm very fine, sir.

HMJr: I haven't seen or heard of you in a long time.

K: It's been quite awhile. Well, I've been busy and I know you have.

HMJr: Is - is your boss seriously sick?

K: Why, Mr. Secretary, he has been sick for about eight or nine months.

HMJr: Oh, I didn't know that.

K: And he is - he's been out of the office all that time. He's been in one day....

HMJr: Oh.

- 2 -

K: He's been in two days....

HMJr: Oh. I'm sorry.

K:in the last month.

HMJr: What's he - is - what is it, heart trouble?

K: No, he had some kind of a high blood pressure....

HMJr: I see.

K:attack....

HMJr: I see.

K:and he was quite ill for a long time but he has recovered very nicely.

HMJr: Well, will you tell him I was asking for him?

K: I - I most certainly will, and I'm sorry that....

HMJr: Well....

K:we couldn't reach him for you.

HMJr: Now - well, I'm going to ask you what I was going to ask him, and I've asked him this sort of thing off-the-record before.

K: Sure.

HMJr: What we're looking for down here on this campaign that we're starting with the Victory Fund Committee - hello....

K: Yes.

HMJr:is to get the outstanding advertising man - publicity man that we can to come down here either on a volunteer or a paid basis from now until the middle of December....

K: Yeah.

HMJr:to guide us on this publicity. But we'd want somebody who'll be recognized throughout the

(cont.)

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HMJr: country as the outstanding man.
(cont.)

K: Uh huh.

HMJr: And I wondered who you - and if - who would come to your mind first.

K: It's beyond me. I wouldn't know what - I wouldn't know what to tell you.

HMJr: You wouldn't?

K: Ah....

HMJr: Who is the I. V. Lee today?

K: That - that's right. That's what I was just trying to think of. I really don't know. I just don't think of anybody off - off-hand that - you'd want somebody who would know his business and who would be recognized as a man who knows his business.

HMJr: That's right.

K: And, you see, the financial advertising business has been so thin in the last five or six years.

HMJr: Yeah.

K: I think there're some smart people in it, but they haven't made any public name for themselves.

HMJr: Yeah. Well, I don't care whether they got public names if they've got the brains, the ideas, the integrity.

K: Yes. Oh, goosh, I - (laughs) that's a tough one.

HMJr: It is?

K: That - that's a tough one. I mean if you could - if you could get a fellow like - if you could get a fellow like K. C. Hogate himself....

HMJr: Yes.

K:of course, it would be a swell thing.

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HMJr: Yeah.

K: But, of course, that just isn't....

HMJr: No.

K:that just isn't....

HMJr: No, this is a hard job. This....

K:possible at all.

HMJr:is a hard job.

K: You see, there's - and there's - there are no financial editors in New York that - that I have any great regard for, and - I don't know - do you suppose - would you - would you have - would you want me to talk to some of our people here in the shop on a private basis....

HMJr: Sure.

K:and....

HMJr: And then you can....

K:see if anything comes of it?

HMJr:and then you can - yeah, but we'd have to know soon.

K: Uh huh.

HMJr: Today preferred, and would you - would you let Kuhn know?

K: What's that?

HMJr: Let Ferdinand Kuhn know - K-u-h-n.

K: Let Kuhn know.

HMJr: What?

K: You say let him know.

HMJr: Yeah, here in my office if you - if you hear - if you think of anything today.

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K: All right, and if we can think of anything....

HMJr: Well, let me suggest one name that's been suggested to me.

K: All right.

HMJr: Corrigan of - head of Albert Frank.

K: I don't know him.

HMJr: Don't know him.

K: You see, that's one of my troubles. I don't know these advertising people at all, Mr. Secretary.

HMJr: I see.

K: We've - we've got some men here in our advertising department that I know I could talk to confidentially on it....

HMJr: Yeah.

K:and get something.

HMJr: Will you? Well, we're thinking more - really I would call it publicity than advertising.

K: Uh huh.

HMJr: It's publicity.

K: Yeah, but they would know - some of those people would know the....

HMJr: If....

K:publicity side too.

HMJr: Yes. If there's anybody around in the financial field who sort of stepped in the shoes of I. V. Lee, you see.

K: Yeah. I just - of course, there isn't really now.

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HMJr: Yeah.

K: That's the trouble.

HMJr: Well, would you - have you got time to call some of your men in and then call Kuhn back?

K: Yes, sure.

HMJr: Will you do that?

K: Sure.

HMJr: Because we've - thank you.

K: All right, I'll - I'll do that.

HMJr: Hope to see you soon.

K: Thank you very much. I hope - I hope we can be of some service to you.

HMJr: Right.

K: Goodbye.

HMJr: Goodbye.

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H.M.JR: I have done all I can do tonight, I think. Right?

MR. THOMAS: We will go to work.

H.M.JR: You are perfectly happy?

MR. GRAVES: Yes.

H.M.JR: You?

MR. BUFFINGTON: Yes, sir, I am happy.

MEMORANDUM

TO: Secretary Morgenthau

November 19, 1942

FROM: Mr. Sullivan

JHS

I present for your approval type proof of a folder entitled "Your New Income Tax". This is to serve the same purpose as the folder "Know Your Taxes", of which approximately forty-two million were distributed last year.

This folder was prepared in collaboration with Mr. Schwarz, The Bureau of Internal Revenue, and the Division of Tax Research. It has been read and approved by Mr. Cann for the Bureau of Internal Revenue, and by Messrs. Bell, Gaston, Kuhn and Buffington. If you approve, it is ready for immediate production.

The following distribution is suggested for this folder:

Employees of Private Industry	37,731,000
Federal Employees, including Army and Navy	9,203,000
State Employees	529,000
Municipal Employees, all cities of 5,000 population and over	942,000
County Employees, counties over 50,000 population	180,000
School Employees, cities over 5,000 population	1,300,000
Victory Fund Committee, for distribution through the 36 Federal Reserve Banks and Branches	1,500,000
Reserve Supply to fill direct requests from all sources	<u>500,000</u>
TOTAL	51,885,000

The Government Printing Office estimates the cost of paper and printing of the above quantity at approximately \$57,500. The cost of distribution from printers to points of distribution and of mailing will be in addition to the above figure.

Your New²⁴⁵ Income Tax

... and a convenient
"save-as-you-go"
way to meet it

OUR CONGRESS has levied our first war-time income tax. The increased rates are a necessary step toward fighting and winning our life-and-death war for freedom and for the very existence of our Nation.

Not all of us can bear arms and risk our blood and our lives in this high cause. But all of us can, and must, pay generously that our fighting men may have everything needed for victory. Every American should pay his or her share of these taxes gladly and proudly, as a personal contribution in this great battle for our liberties and for the freedom of our children and our children's children.

Henry Morgenthau Jr.
Secretary of the Treasury



UNITED STATES
TREASURY

An income tax return must be filed by single persons having a total income of \$500 or more, and married persons having a total income (separately or combined) of \$1,300 or more.

Members of the military or naval forces of the United States below the grade of commissioned officer on December 31, 1942, should not include in gross income the first \$250 if single, or the first \$300 if married or head of a family on that date, received as compensation for active service.

The return must be filed with the Collector of Internal Revenue for your district on or before March 15, 1943. The tax may be paid in a lump sum or in equal quarterly installments commencing March 15, 1943. If you can do so, help your Government by paying in a lump sum.

Pay the tax to the Collector; if by check or money order, make it payable to "Collector of Internal Revenue."

What Will YOUR Income Tax Be?

This folder has been prepared as a service to all taxpayers, old and new, to inform them about their income taxes.

Pick out the column (on the other side), which corresponds to your family status—single; or married, without dependents, or with one, two, or three dependents. Then in the tables below you can read at a glance approximately what your tax bill will be, and what your weekly savings must be to meet it.

Begin your weekly savings NOW so as to accumulate in time the taxes due quarterly on March 15, June 15, September 15, and December 15. These weekly savings are in addition to the 5 percent "Victory Tax" which will be currently deducted from your pay checks during 1943. The Victory Tax is in addition to and entirely apart from the regular income tax.

START SAVING NOW for Your Income Tax Payments

Income tax payments are an important part of the Nation's war financing program. Your country needs your income tax.

It is not only a moral and legal obligation of first importance, but it is also your most direct way of backing up our fighting men. Therefore, it is vital for you to provide for your income tax in your budget just as you provide for every other expense.

Ask yourself this question: "Will I have enough money on hand to make my income tax payments as they fall due?" For your own peace of mind, make arrangements now so that you most certainly will have that money on hand. Start today on some systematic program of saving for taxes; and from this day on, every time you receive any money, " earmark " a generous part of it for income tax—and put it away where you won't spend it.

TAX SAVINGS NOTES Let Your Tax Money Earn Interest for You

One good way of saving for taxes is to buy United States Tax Savings Notes on a regular schedule. These notes were created by the Treasury for the specific purpose of making it easier for you to plan ahead. They pay you interest on the money you set aside and use for payment of your income tax.

Like other United States Government securities, they are the safest investment in the world. Your name is written on each one, so if it is lost or stolen nobody else can sell it or use it. If for any reason you have to convert them back into cash, the United States Treasury guarantees you will get back every penny you paid for them.

Series A Tax Savings Notes increase in value 16 cents per \$100 each month, an interest rate of about 1.92 per cent a year. During and after the second calendar month after the month you buy them, your Collector of Internal Revenue will accept them, at their face value plus the interest, in payment of Federal income, gift, or estate taxes (up to a yearly limit per person of \$5,000 for each type of tax).

For larger taxpayers, Series C Tax Savings Notes are acceptable in unlimited amount in payment of the same taxes.

Ask Your Banker or Employer

Any banker, or your own employer, will help you start some program of regular savings to meet future tax payments. If you decide to save by purchase of Tax Savings Notes, go to any bank, trust company, securities dealer, savings and loan association. Or mail your application to the Federal Reserve Bank in your district with your personal check or money order; or to the Treasurer of the United States, Washington, D. C.

Save—And Save New

Whether you buy Tax Savings Notes, or put the money away in the bank, or work out some other plan—don't delay. For your country's good and for your own protection, start some regular income tax savings program on your next pay day. And then, keep it up.

**This is Your Country, Your
War, And YOUR TAX—
Let's Save for It Regularly
And Pay It Promptly**

TABLE OF TAXES PAYABLE ON 1942 INCOMES and Weekly Savings Needed to Meet Them

Tables below show how much tax you will have to pay based on your net or TAXABLE INCOME during 1942.

In these tables, TAXABLE INCOME means the amount (before deducting your personal exemption—i. e. \$500 if single; \$1,200 head of family; \$350 each dependent) received from wages, salary, bonuses, commissions, fees, annuities, dividends, interest, income from your farm, business, or profession, etc., LESS your charitable contributions, interest

paid out, bad debts, certain taxes, and other deductions authorized by law.

If your entire income was not over \$3,000 and consisted wholly of salaries, wages, dividends, interest, and annuities, you may report on the new simplified Form 1040-A. In this case your tax, and the weekly savings necessary, will be approximately the same as shown in the tables below.

if you are Single—Without Dependents (not head of family)		
If your Tax- able In- come for 1942 was..	..you will have to pay income tax of approxi- mately...	..and you will need to save each week ap- proximately
\$500	\$15	(1)
600	34	\$1
700	52	1
800	71	1
900	89	2
1,000	107	2
1,100	126	2
1,200	144	3
1,300	163	3
1,400	181	3
1,500	199	4
1,600	218	4
1,700	236	5
1,800	255	5
1,900	273	5
2,000	292	6
2,100	311	6
2,200	330	7
2,300	349	7
2,400	368	8
2,500	387	8
2,600	406	9
2,700	425	9
2,800	444	10
2,900	463	10
3,000	482	11
3,100	501	11
3,200	520	12
3,300	539	12
3,400	558	13
3,500	577	13
3,600	596	14
3,700	615	14
3,800	634	15
3,900	653	15
4,000	672	16
4,100	691	16
4,200	710	17
4,300	729	17
4,400	748	18
4,500	767	18
4,600	786	19
4,700	805	19
4,800	824	20
4,900	843	20
5,000	862	21
5,100	881	21
5,200	900	22
5,300	919	22
5,400	938	23
5,500	957	23
5,600	976	24
5,700	995	24
5,800	1,014	25
5,900	1,033	25
6,000	1,052	26
6,100	1,071	26
6,200	1,090	27
6,300	1,109	27
6,400	1,128	28
6,500	1,147	28
6,600	1,166	29
6,700	1,185	29
6,800	1,204	30
6,900	1,223	30
7,000	1,242	31
7,100	1,261	31
7,200	1,280	32
7,300	1,299	32
7,400	1,318	33
7,500	1,337	33
7,600	1,356	34
7,700	1,375	34
7,800	1,394	35
7,900	1,413	35
8,000	1,432	36
8,100	1,451	36
8,200	1,470	37
8,300	1,489	37
8,400	1,508	38
8,500	1,527	38
8,600	1,546	39
8,700	1,565	39
8,800	1,584	40
8,900	1,603	40
9,000	1,622	41
9,100	1,641	41
9,200	1,660	42
9,300	1,679	42
9,400	1,698	43
9,500	1,717	43
9,600	1,736	44
9,700	1,755	44
9,800	1,774	45
9,900	1,793	45
10,000	1,812	46
10,100	1,831	46
10,200	1,850	47
10,300	1,869	47
10,400	1,888	48
10,500	1,907	48
10,600	1,926	49
10,700	1,945	49
10,800	1,964	50
10,900	1,983	50
11,000	2,002	51
11,100	2,021	51
11,200	2,040	52
11,300	2,059	52
11,400	2,078	53
11,500	2,097	53
11,600	2,116	54
11,700	2,135	54
11,800	2,154	55
11,900	2,173	55
12,000	2,192	56
12,100	2,211	56
12,200	2,230	57
12,300	2,249	57
12,400	2,268	58
12,500	2,287	58
12,600	2,306	59
12,700	2,325	59
12,800	2,344	60
12,900	2,363	60
13,000	2,382	61
13,100	2,401	61
13,200	2,420	62
13,300	2,439	62
13,400	2,458	63
13,500	2,477	63
13,600	2,496	64
13,700	2,515	64
13,800	2,534	65
13,900	2,553	65
14,000	2,572	66
14,100	2,591	66
14,200	2,610	67
14,300	2,629	67
14,400	2,648	68
14,500	2,667	68
14,600	2,686	69
14,700	2,705	69
14,800	2,724	70
14,900	2,743	70
15,000	2,762	71
15,100	2,781	71
15,200	2,800	72
15,300	2,819	72
15,400	2,838	73
15,500	2,857	73
15,600	2,876	74
15,700	2,895	74
15,800	2,914	75
15,900	2,933	75
16,000	2,952	76
16,100	2,971	76
16,200	2,990	77
16,300	3,009	77
16,400	3,028	78
16,500	3,047	78
16,600	3,066	79
16,700	3,085	79
16,800	3,104	80
16,900	3,123	80
17,000	3,142	81
17,100	3,161	81
17,200	3,180	82
17,300	3,199	82
17,400	3,218	83
17,500	3,237	83
17,600	3,256	84
17,700	3,275	84
17,800	3,294	85
17,900	3,313	85
18,000	3,332	86
18,100	3,351	86
18,200	3,370	87
18,300	3,389	87
18,400	3,408	88
18,500	3,427	88
18,600	3,446	89
18,700	3,465	89
18,800	3,484	90
18,900	3,503	90
19,000	3,522	91
19,100	3,541	91
19,200	3,560	92
19,300	3,579	92
19,400	3,598	93
19,500	3,617	93
19,600	3,636	94
19,700	3,655	94
19,800	3,674	95
19,900	3,693	95
20,000	3,712	96
20,100	3,731	96
20,200	3,750	97
20,300	3,769	97
20,400	3,788	98
20,500	3,807	98
20,600	3,826	99
20,700	3,845	99
20,800	3,864	100
20,900	3,883	100
21,000	3,902	101
21,100	3,921	101
21,200	3,940	102
21,300	3,959	102
21,400	3,978	103
21,500	3,997	103
21,600	4,016	104
21,700	4,035	104
21,800	4,054	105
21,900	4,073	105
22,000	4,092	106
22,100	4,111	106
22,200	4,130	107
22,300	4,149	107
22,400	4,168	108
22,500	4,187	108
22,600	4,206	109
22,700	4,225	109
22,800	4,244	110
22,900	4,263	110
23,000	4,282	111
23,100	4,301	111
23,200	4,320	112
23,300	4,339	112
23,400	4,358	113
23,500	4,377	113
23,600	4,396	114
23,700	4,415	114
23,800	4,434	115
23,900	4,453	115
24,000	4,472	116
24,100	4,491	116
24,200	4,510	117
24,300	4,529	117
24,400	4,548	118
24,500	4,567	118
24,600	4,586	119
24,700	4,605	119
24,800	4,624	120
24,900	4,643	120
25,000	4,662	121

¹Less than 50 cents.

if you are (living with husband or wife) Married—No Dependents		
If your Tax- able In- come for 1942 was...	..you will have to pay income tax of approxi- mately...	..and you will need to save each week ap- proximately
\$1,000		
1,100		
1,200		
1,300	\$13	(1)
1,400	30	\$1
1,500	48	1
1,600	66	1
1,700	85	2
1,800	103	2
1,900	122	2
2,000	140	3
2,250	186	4
2,500	232	4
2,750	278	5
3,000	324	6
3,250	372	7
3,500	425	8
3,750	479	9
4,000*	532	10
4,500	639	12
5,000	746	14
5,500	865	17
6,000	992	19
6,500	1,119	22
7,000	1,246	24
7,500	1,383	27
8,000	1,532	29
8,500	1,679	32
9,000	1,826	35
9,500	1,985	38
10,000	2,152	41
12,000	2,852	55
15,000	4,052	78
20,000	6,452	124
25,000	9,220	177

* Less than 50 cents.

C O P YBOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

November 19, 1942

Honorable Preston Delano,
Comptroller of the Currency,
Treasury Department,
Washington, D. C.

Dear Mr. Delano:

For your further information, you will find enclosed copies of letters which the Board has today addressed to Mr. T. W. Smith, President of the First Trust and Savings Bank of Pasadena, California, and to Mr. George J. Knox, Superintendent of Banks for the State of California. A copy of Chairman Eccles' letter of November 13, 1942, to Mr. Giannini, to which the above letters refer, was forwarded to you in the Board's letter of November 14, 1942.

Very truly yours,

/s/ Chester Morrill
Chester Morrill,
Secretary.

Enclosures 2

COPY
of a copy

247

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM
Washington

NOV 19 1942

Mr. George J. Knox,
Superintendent of Banks,
San Francisco, California.

Dear Mr. Knox:

Reference is made to your telegram of October 21, 1942, and previous correspondence with regard to the action of the Board of Governors on July 10, 1942, in denying the application for the establishment of branches at Temple City and Alhambra, by the First Trust and Savings Bank of Pasadena, which is controlled by Transamerica Corporation through the ownership of a majority of the capital stock.

When your Chief Deputy, Mr. William J. Murphy, was in Washington on July 2, 1942, this matter was discussed with him at some length. He explained to us your position, and it has been our understanding that he conveyed to you the Board's position in this matter.

On August 17, 1942, Mr. A. P. Glavinini, Chairman of the Board of Directors of Transamerica Corporation, wrote a letter to the Board with respect to its action on the application. There is enclosed for your information a copy of the Board's reply stating the Board's position.

The Board greatly appreciates the policy which you have pursued of requiring banks to be insured, by membership in the Federal Reserve System or otherwise, before you issue licenses to begin operations, and the cooperation which we have always received from your office. We were also pleased to have the opportunity of discussing our mutual problems with Mr. Murphy and shall be glad to discuss them with you at any time.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

Enclosure

C O P Y

248

November 20, 1942

Mr. Chester Morrill, Secretary,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

Dear Mr. Morrill:

Permit me to acknowledge your letter of November 14, 1942 enclosing copy of correspondence exchanged between Chairman Eccles and Mr. A. P. Giannini, Chairman of Transamerica Corporation; also your letter of November 19, 1942 forwarding copy of two letters, one addressed by the Federal Reserve Board to Mr. T. W. Smith, President of the First Trust and Savings Bank of Pasadena, and the other to Mr. George J. Knox, Superintendent of Banks for the State of California, all above correspondence relating to an application by the Giannini interests to establish branch banks at Alhambra and Temple City, California.

Thank you indeed for keeping this office informed of developments in the matter.

Very sincerely yours,

Preston Delano

COPY
of a copy

249

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM
Washington

NOV 19 1942

Mr. T. W. Smith, President,
First Trust and Savings Bank of Pasadena,
Pasadena, California.

Dear Mr. Smith:

Reference is made to your letter of August 17, the Board's acknowledgement thereof on August 29, and your letter of November 12, 1942, with regard to the action of the Board of Governors on July 10, 1942, in denying the application for the establishment of branches at Temple City and Alhambra by the First Trust and Savings Bank of Pasadena, which is controlled by Transamerica Corporation through the ownership of a majority of the capital stock.

On August 17, 1942, also Mr. A. P. Giannini, Chairman of the Board of Directors of Transamerica Corporation, wrote a letter to the Board with respect to its action on the application. There is enclosed for your information a copy of the Board's reply to Mr. Giannini's letter. As you may know, Mr. George J. Knox, Superintendent of Banks for the State of California, also evidenced his interest in your bank's application for branches and communicated with the Board in regard thereto. There is enclosed also a copy of the Board's reply to Mr. Knox. It is felt that these replies adequately set forth the Board's position in the matter.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Enclosures 2

*Copies to: D.W. Bell
H. H. Thompson
250
Mr. Broughton*

EXERPT FROM LETTER FROM CHARLOTTE CARR, DIRECTOR,
HULL-HOUSE, CHICAGO

November 19, 1942

I am deeply grateful for your letter, and especially grateful to the Secretary of the Treasury for having given me an opportunity to meet Mr. William Broughton, from the Washington office.

I think now we have a very simple solution to the whole difficulty, and I believe Mr. Thompson thinks so. A second interview with him only cemented my confidence in his genuine desire to handle this problem to the fairest interests of the Negroes. I arranged for him to see Mr. Austin Scott, a Negro lawyer connected with Manpower. Mr. Scott has recommended as a Negro personnel assistant a young woman already classified under Civil Service as an administrative assistant, now in Washington and wishing to work in Chicago. I understand Mr. Thompson is to interview this woman when he is in Washington this week. I do not know her personally, but her record and reputation are of the highest, and I am certain once she is there as a person selected by Mr. Thompson, that slowly but steadily every matter relating to classification and, what to me is still the fundamental problem of the segregated units, can be ironed out.

* * * * *

*Original Letter addressed
to Mrs. Magenthan
returned to her 11/24/42-*

11/18/42

251

Mr. Broughton says that Charlotte Carre spent two hours going through the Treasury offices in Chicago and that he has given Mr. Bell a full report.

Does the Secretary want to wait until he hears from Miss Carre or should Bell submit a report to the Secretary?

forget Report?

HULL-HOUSE

800 SOUTH HALSTED STREET

CHICAGO, ILLINOIS

TELEPHONE MONROE 6808

CHARLOTTE CARR
Director

October 16, 1942

Dear Eleanor:

Earlier this year you told me to feel free to write you in confidence if any situation came up that I felt was making for a misinterpretation of the Washington administration.

A situation of Negro discrimination has developed in Chicago which concerns me, the more deeply that it is connected with the Treasury Department. I feel sure some of this story must have been brought to your attention previously.

You see, there are many things Chicago has that are wrong, but one thing that never has happened here is segregation of Negroes in Federal services. But when the Treasury Department came, it brought with it segregated and, in our South Side terminology, Jim Crow units of Negro workers. You may know that Philip Randolph has had a picket line of Negroes all summer and to the present in front of the Merchandise Mart, where the Treasury offices are established.

Yesterday I went with a delegation to talk with a Mr. Thompson, who seems to be in charge of this office. I was very favorably impressed with him; indeed, I had the impression he would like to do more about the situation than he felt he himself was empowered to do. He told me that these units could not be absorbed into the regular White units without authority from Washington. He also told me that without authority from Washington it would not be possible for him to employ a Negro in the personnel department to watch to see that the best qualified Negroes were selected and that Negroes had some real chance of advancement to some of the higher brackets.

I can believe that the matter of the entire elimination of the Negro units will have to be done fairly slowly, but I am positive that the basic problem is never going to be ironed out unless there is a Negro in the personnel department whose specific job is trying to meet that situation. The feeling of the officials here seems to be that if they appointed such a person now, it would be a sign of weakness, indicating that they had not done all that they could to see that Negroes were not discriminated against in employment. The experience that I had with a staff of 18,000 in New York proved to me conclusively that this racial problem could not be met in a personnel office unless there was one person of that race devoted full-time toward seeing that it was met.

I understand that Secretary Ickes is coming here fairly soon to make a speech on the South Side for the Senatorial campaign. I am a co-chairman of the Independent Voters Committee for McKeough and Adamowski. We are going to lick Brooks if we can do it. All of our Negroes love Ickes,

HULL-HOUSE

800 SOUTH HALSTED STREET

CHICAGO, ILLINOIS

TELEPHONE MONROE 6905

CHARLOTTE CARR
Director

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Mrs. Eleanor Morgenthau -- #2

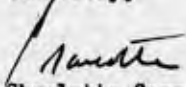
because of the very forthright policy that he has set in his department on equality of Negroes and Whites. What I fear is that at that meeting there may be some comment derogatory to the Treasury Department in a build-up for Secretary Ickes because of his policy; and what is hard for me to take is this criticism against the Treasury Department, which has done so much along interracial lines in its bond-selling campaign and which counts so much on Negroes in the selling of Bonds -- but more than all of these, the Treasury which has your fine, social-minded husband at its head.

I am aware that this problem may be exaggerated. I am inclined to believe that Phil Randolph's picket line is a serious mistake for his own group; but I keep remembering what old Governor Pinchot used to say, that "it isn't enough to be right, you've got to look right!" -- and this situation doesn't look right, and is definitely hurting us in our present campaign.

I hope you understand the spirit in which I have written this, also my awareness that the problem is not as simple as it appears to the Negroes whose feelings run so high concerning it. But I cannot bear to hear again, as I have at so many meetings that I hold on the South Side, the criticisms about your husband on a matter that I am morally sure in no sense represents his own position.

My very best wishes.

Sincerely,


Charlotte Carr

Mrs. Henry Morgenthau, Jr.
2434 Belmont Road
Washington, D. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

NOV 19 1942


TO Secretary Morgenthau
FROM Randolph Paul

Procurement Division officials, together with representatives of my office, have been holding a series of discussions with the companies owning the various processes involved in the Russian Oil Refinery deal, with a view to arriving at an equitable price to pay for their use.

The "asking" prices of the oil companies totaled about \$6,600,000. We are about to offer them a proposition which will involve the expenditure by us of slightly over \$1,000,000 for the use of the processes for the period of hostilities. Our counter offer was arrived at by a combination of scaling down the rates which the oil companies proposed to charge and considering it as procurement for the period of hostilities rather than forever. We contemplate relegating to the post-war period whatever arrangement seems then to be desirable for the post-war use of facilities and processes involved.

Inasmuch as we are doing some unprecedented things in these negotiations, we intend clearing the matter of our general approach to the problem with the Lend-Lease authorities before sending the offers out.

In any event, as you are aware, the negotiations on price have not been permitted to delay the Procurement program. Our engineers and the owners of the processes are going ahead on the assumption that an arrangement on prices will be worked out in the near future. Our engineers report that orders have been placed for over \$5,000,000 worth of equipment already, and that the program is being pushed as rapidly as possible.



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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

NOV 19 1942

TO Secretary Morgenthau

FROM Randolph Paul

As you know, the U. S. Commercial Company is engaged in large-scale purchases of strategic commodities in Spain and Portugal both for the purpose of obtaining certain commodities for our own use and for the purpose of preventing the Germans from obtaining certain commodities such as woolen goods, wolfram, and tin. There has been no difficulty in obtaining pesetas for the purchase of commodities for which Spanish export licenses can be obtained, but the company desires to purchase these commodities even though export licenses are not obtainable, and for such purchases the Spanish Exchange Control has not been willing to provide large quantities of pesetas against blocked dollars. The U. S. Commercial Company has been relying on the United Kingdom Commercial Company for pesetas for this purpose, but it appears that this channel is no longer open in view of the fact that the Spanish Exchange Control is no longer willing to accept blocked sterling in unlimited quantities.

Our Embassy in Madrid sent an urgent cable last week saying that the Spanish Institute was prepared to make available 50 million pesetas, a quantity sufficient to solve most of the problems of the U. S. Commercial Company, against blocked dollars, provided this Government would agree to the transfer of the equivalent of 8 million Argentine pesos to the Argentine. In effect, the Spanish offered to accept 4-1/2 million blocked dollars in exchange for 50 million pesetas if we would permit them to transfer about \$2 million to the Argentine. The 8 million Argentine pesos are to be used by the Spanish to pay transportation and incidental expenses arising out of Spanish imports from Argentina. The Embassy stated that the preclusive buying program in Spain had come to a standstill because of the lack of funds.

It is our understanding that Spanish pesetas would be obtained at the rate of \$0.0913 per peseta, which is the official rate of exchange.

- 2 -

This problem was raised with us late Saturday, November 14, by State, and at their request a meeting was held on Sunday, November 15, between representatives of State and Foreign Funds Control. The State Department people indicated that approval of the Spanish proposal was important not only from the economic warfare point of view, but also from the point of view of our relations with Spain. It was stated that the President had indicated that we should do nothing at this time which would tend to alienate the Spanish Government.

After an examination of the proposal, we approved a cable drafted by State advising our Mission in Madrid that this Government had accepted the Spanish proposal for the sale of pesetas and would permit the transfer of the equivalent of 8 million Argentine pesos to Argentina.

WJ

✓

~~1257~~

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
NOV 19 1942

TO Secretary Morgenthau
FROM Mr. Paul

**Re: Foreign interests in United States
patents, trademarks and copyrights.**

As you know under the Executive Order defining the respective jurisdictions of the Treasury and the Alien Property Custodian, complete control over United States patents, trademarks and copyrights having a foreign interest was vested in the Alien Property Custodian. However, until recently the Alien Property Custodian has not felt that he was prepared to take over active control and supervision of the field.

The Alien Property Custodian now has indicated a desire to assume responsibility in this field. Accordingly, on November 17, 1942 we amended General License No. 72 so as to relinquish jurisdiction over the field and simultaneously the Alien Property Custodian by a series of Orders assumed jurisdiction.

It should be noted that while we relinquished jurisdiction over United States patents, trademarks and copyrights, we still have jurisdiction over foreign patents, trademarks and copyrights in which there are blocked interests.

APG

THE UNDER SECRETARY OF STATE
WASHINGTON

November 19, 1942

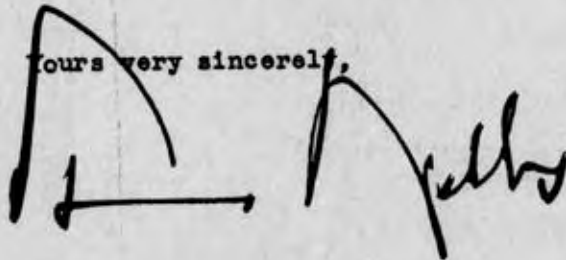
Personal and
Confidential

Dear Henry:

With reference to our talk of the other day and to your interest in the steel mill in Turkey, I am glad to let you know that the Lend-Lease Administration is now assisting the Turkish Embassy to obtain the export license permits required for the machinery needed, and, although it is possible that some of the materials needed are in such short supply that substitute materials would have to be suggested by the War Production Board, I am assured that satisfactory arrangements will be made.

Believe me

Yours very sincerely,

A large, stylized handwritten signature in dark ink, appearing to read 'H. Morgenthau', is written over the typed signature line.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 404

Information received up to 7 A.M., 19th November, 1942.

1. NAVAL

Another ship has arrived at KOLA INLET. She is the fifth ship to arrive. Another vessel which ran ashore on SPITZBERGEN has capsized and not been located since. A Norwegian corvette was sunk by U-bont in mid-Atlantic yesterday, 27 survivors rescued. One of H.M. Cruisers was torpedoed yesterday 80 miles north of BONGHAZI but is able to steam. One of H.M. Submarines sank an Italian 1,600 ton ship off East TUNISIA on the 14th. Of 1000 men on board, 780 were British prisoners and remainder Italian military and crew. The submarine picked up 62 persons, including 26 British, but had to leave 12 in the sea owing to approach of enemy aircraft. Another of H.M. Submarines torpedoed on 16th off North-West SICILY a medium sized tanker which was left listing. U.S. ship reported torpedoed in OPTEL No. 400 has arrived at GIBRALTAR. A German 2,800 ton tanker has been torpedoed in the BLACK SEA by a Russian submarine and has returned to ISTANBUL.

ATTACKS ON SHIPPING. From 14th to 17th inclusive, 6 ships were reported attacked by submarines. One British ship in the Western Atlantic, a British and Norwegian ship in the Trinidad area, 2 British ships in the Freetown area, and a British ship in the Indian Ocean. In addition, a British ship was mined and sunk in home waters and a Dutch tanker was hit in action with surface craft in the Indian Ocean. A Norwegian ship, torpedoed last month in homebound convey from West Africa has reached LISBON.

2. MILITARY

LIBYA. 17th. On the coastal road our light armoured forces are approaching CYRENE and further south mobile columns with heavier armour close behind have reached MSUS.

FRENCH NORTH AFRICA. Patrols from First Army mobile column in TUNISIA have now made contact with the Germans a few miles west of MATEUR. French forces have also encountered the enemy to the West of MADJER EL BAB. The French have arrested the Italian Armistice Commission in GABES and removed them to TEBESSA.

3. AIR OPERATIONS

WESTERN FRONT. 18th. 11 U.S. Fortresses attacked the submarine base at LA PALLICE; 19 others bombed ST. NAZAIRE port installations; 13 others attacked LORIENT obtaining hits on the submarine pens. About 105 tons of bombs were dropped altogether. One bomber is missing and another crashed. Enemy casualties 2, 5, 3. Our fighters attacked goods trains and other minor military objectives in Northern France. 3 Spitfires missing.

18th/19th. 82 aircraft despatched - TURIN 77, leaflets NANTES 5. Preliminary reports indicate successful attack and Fiat Works hit. All aircraft returned safely.

FRENCH NORTH AFRICA. 17th. German transport aircraft tried to land at GABES but were driven off by French A.A. fire and landed on the beach 30 miles further north.

17th/18th. Wellingtons dropped 17 tons of bombs on EL AOUINA airfield.

LIBYA. 16th. Our fighters destroyed or damaged about 60 vehicles between JALO and JEDABYA. 17th. 13 JU transports and Heinkel bombers were attacked by our fighters at BENINA; 6 were shot down in flames, 6 more destroyed on the ground and the 13th damaged. Heavy rain is postponing forward move and installation of some fighter squadrons.

MEDITERRANEAN. 17th/18th. An 8,000 ton tanker North-East of HOMAS (L) was illuminated by Wellingtons, torpedoed by Naval aircraft, and left burning furiously.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTTEL No. 410

Following is supplementary resume of operational events covering period 12th - 19th November, 1942.

1. NAVAL

GENERAL. U.S. Forces have inflicted serious casualties on Japanese Fleet off SOLOMONS. Some casualties from U-boats and aircraft to H.M. ships and transports off NORTH AFRICA. ALEXANDRIA convoy arrived MALTA. Several successful attacks on Axis shipping reported by our MEDITERRANEAN Submarines; our shipping losses moderate apart from those connected with operations in Western Mediterranean.

NORTHERN WATERS. 5 independently routed ships reached NORTH RUSSIA from ICELAND (C) and 3 out of 4 outward-bound from RUSSIA reached ICELAND (C). Large proportion of enemy aircraft in Northern NORWAY withdrawn since operations began in NORTH AFRICA.

MEDITERRANEAN. 13 transports and supply ships lost, 3 torpedoed and probably sunk and 5 damaged in operations off FRANCH NORTH AFRICA up to 18th. Almost all these losses after initial stages of operation completed. Of enemy submarines claimed sunk east and west of GIBRALTAR reported up to 18th, 2 by H.M. submarines, 7 by surface craft. Of the others, one torpedoed by naval aircraft. This is the first time an aircraft has torpedoed a submarine. An average of 22 aircraft per day employed on anti-submarine patrols in GIBRALTAR area. Fleet Air Arm aircraft are also now carrying out similar patrols from Algerian bases. 2 H.M. ships with food and personnel sailed independently and convoy of 4 ships reached MALTA during the week. BARDIA port reported working. No demolitions at TOBRUK where first supply ship arrived 16th.

U-Boat Warfare. Provisional figures for week ending 15th - 13 ships sunk by U-boat, 8 in Atlantic concentration of enemy submarines in Western Mediterranean, and West of GIBRALTAR. Rest of Atlantic quieter. 2 inward-bound ocean convoys arrived without loss.

FRANCE. No change in disposition of French warships at TOULON or DAKAR. Some 800,000 to 850,000 tons of shipping in ports of previously unoccupied FRANCE may now become available to the enemy. Between 250,000 and 300,000 tons of shipping is estimated to be in MEDITERRANEAN North African ports and 125,000 to 150,000 tons in FRANCH MOROCCO.

TRADE. Imports in convoy into UNITED KINGDOM week ending 14th - 682,000 tons, of which 253,000 tons oil.

2. MILITARY

LIBYA. Pursuit of enemy forces continued, our main armoured forces moving along coast road with light armoured forces to the southward striking through MGUS towards BENHAZI-AGEDARIA road, clearance battle area to line north-south through MATRUH completed.

ALGERIA-TUNISIA. Advanced Allied Headquarters established ALGIERS 9th. 1st Army began landing BOUGIE 10th. On 12th a small force landed at BONE and British columns occupied DJIDJELLI. BONE Force was reinforced and brought up to strength of approximately one Brigade Group by 15th. On 15th U.S. parachute battalion was dropped at MOUKE LES BAINS and occupied the airfield on 16th. The same day a British parachute battalion made successful drop at SOUK EL ARBA and a mobile road column arrived 20 miles east of TABARKA same evening. No contact made with enemy and mobile patrols reconnoitered forward along road to MATOUR. U.S. Infantry units are on way to relieve British troops at BOUGIE and DJIDJELLI, and other U.S. units, including some armour, are being sent to Tunisian Front. Further British units now moving up to battle area east of BONE. Axis forces sent to TUNISIA are concentrated in the BIZERTA and TUNIS areas. Enemy reinforcement by sea and air continued.

ITALY. Reports of considerable troop movements as a result of recent events and more expected in near future. In addition to 3 divisions moved into FRANCE, elements of one division have landed in CORSICA.

- 2 -

3. AIR OPERATIONS

WESTERN FRONT. Day. U.S. heavy bombers attacked U-boat bases BISCAY coast, dropping total 240 tons H.E. on 3 occasions. Fighters in low flying attacks over occupied territory disabled at least 20 locomotives. Night. 3 good raids by bomber command on ITALY. 2 on GENOA, third on TURIN. Excellent weather conditions over objective each time. No bombers lost by enemy action during these attacks. 211 anti-U-boat sorties and 50 BISCAY patrol sorties in addition to operations against enemy submarines in GIBRALTAR area.

LIBYA. In spite of bad weather, our aircraft continued to harass the enemy in his retreat. BENGAZI Harbour heavily bombed on 2 nights. Most successful attack by our fighters on BENINA airfield. Enemy air activity mainly defensive. Little opposition to our advance.

MALTA. Successful interceptions of enemy troop-carrying and transport aircraft by long range Spitfires and Beaufighters. At least 13 accounted for. Wellingtons, some operating twice nightly, bombed TUNIS aerodrome.

FRENCH NORTH AFRICA. Strength of R.A.F. and U.S. Air Forces being built up steadily. U.S. Douglas aircraft most useful in dropping British and U.S. parachute troops. Many Douglas and Bisleys flew direct from UNITED KINGDOM. The former carried troops to North African airfields. Enemy bombers from SICILY and SARDINIA bombed BOUGIE and BONE Harbours, causing losses and damage to shipping and among our aircraft on the ground. Enemy lost 46 aircraft in these attacks.

RUSSIA. Main German bombing effort on TUAPSE. Elsewhere attacks on communications and troop movements behind Russian lines.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE.

GENOA. In the first raid on 7th, about 7 acres in the Tirreno fitting-out yards were devastated. Further damage to these works and to the Ansaldo works occurred in the 2 subsequent attacks. Damage also to railway station, telegraph offices, barracks, warehouses and many blocks of flats, latter mainly from fire.

OSNABRUCK. October 6th/7th. Severe damage to railway property. 4 armament works, employing together about 3,000 men, badly damaged. One of the 2 main petrol depots completely burnt. Raid reported great success.

MUNICH. During last attack 2 tobacco stores burnt with 4,000,000 cigars.

NORTHERN FRANCE. 2 direct hits late in August on transformer at Comines Power Station, which is likely to be out of action for some time.

SEA MINING. Latest reports, chiefly concerning October, mention numerous small craft, tugs, ferries, fishing vessels, etc., sunk or damaged, mostly in the waters between DENMARK and SWEDEN. 3 of the largest vessels sunk totalled 14,500 tons.

5. OPERATIONAL AIRCRAFT BATTLE CASUALTIESMETROPOLITAN, FRANCE

<u>British and Allied</u>	<u>In the Air</u>		<u>Enemy</u>		
			<u>Dest.</u>	<u>Prob. Dest.</u>	<u>Damaged</u>
Bombers (incl. 2 U.S.)	10	Bombers	1	1	Nil
Fighters	5	Fighters	7	7	12
Miscellaneous	3	Miscellaneous	1 JU52	Nil	Nil
Total	18		9	8	12

All U.S. claims except JU 52.

- 3 -

MIDDLE EAST (Incl. MALTA)British and Allied

	<u>In the Air</u>
Bombers	13
Fighters (Incl. 1 U.S.)	19
Others	<u>2</u>
Total	34

Enemy

	<u>Dest.</u>	<u>Prob. Dest.</u>	<u>Damaged</u>
Bombers	20 (3)	4	1
Fighters	9 (2)	Nil	8
Miscellaneous	<u>29 (3)</u>	<u>6</u>	<u>2</u>
Total	58	10	11

5 crews are safe

U.S. claims in brackets.

NORTH WEST AFRICABritish and Allied

	<u>In the Air</u>
Bombers	2
Fighters	9
Miscellaneous	<u>1</u>
Total	12

Enemy

	<u>Dest.</u>	<u>Prob. Dest.</u>	<u>Damaged</u>
Bombers	9	1	1
Fighters	2	nil	nil
Unspecified	<u>38</u>	<u>nil</u>	<u>7</u>
Total	49	1	8

Note: No account is taken of enemy aircraft destroyed on the ground in any theatre or of British naval aircraft casualties.

6. HOME SECURITY

No bombs, no casualties.

NUMBER 58

263
SECRET

OFFICE OF STRATEGIC SERVICES

THE WAR THIS WEEK

November 12-19, 1942

Printed for the Board of Analysts

Copy No. 6

The Secretary of the Treasury

NOVEMBER 12-19, 1942

SECRET

Office of Strategic Services

THE WAR THIS WEEK

As Allied columns drove into Tunisia this week, the Axis countered by rushing air and ground forces into strategic Bizerte and Tunis. At the same time, General Montgomery's army was moving in rapid pursuit of Rommel's fleeing forces, already reported to have reached the vicinity of Benghazi. Observers consider it likely that Rommel will make a determined stand in the El Ageila region, but Axis North African resistance as a whole is probably conceived primarily as a delaying action to provide adequate opportunity for the massing of defenses in southern Europe. If Hitler intends to launch an offensive either in Spain or in Turkey, large-scale preparations for such a move are still in the future.

President Roosevelt has apparently made an important contribution to solving the Darlan imbroglio by referring to Allied acceptance of the Admiral as "only a temporary expedient." Nonetheless, the North African political situation continues to be studded with difficulties. At Vichy Marshal Pétain has given full powers to Laval, while the French fleet at Toulon still rides equivocally at anchor, studiously avoided by the nearby Germans.

On the Eastern Front the initiative has passed to the Soviets, but with the approach of frigid weather it is presumed that activity in Russia will soon lapse into a tempo somewhat similar to that of last winter.

American naval forces in the Solomons have won a striking victory, destroying one battleship and three heavy cruisers, among other units, and routing a large scale Japanese naval offensive which sought to retake Guadalcanal. Concurrent

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land drives by Australians and Americans in New Guinea are threatening the Japanese beachhead in the Buna-Gona area with early extinction—an accomplishment which would mark the end of the protracted and ambitious enemy effort to seize Port Moresby from the north.

Drive on Tunisia

After establishing bases in Morocco and Algeria, Allied forces this week drove eastward into Tunisia. German reconnaissance patrols have encountered Allied units, and a major clash is now imminent.

French sources and enemy communiqués report that the Allies, assisted by paratroops, are advancing east and southeast along the three principal routes into Tunisia. Forces consisting largely of the British First Army, supported by American mobile units, are striking toward Bizerte and Tunis along the coastal road and the Medjerda valley (see map at back). Another Allied column is reported to be moving southeast from Bougie and Bône in a drive to isolate Axis centers of resistance in the north. Elements of this force are believed already to have passed Tébessa on their way to Gafsa, and are apparently headed for the coastal city of Gabès along the communication lines indicated on the map.

Here they could take up positions along the dismantled Mareth line, thereby blocking the one route from Tripoli into southern Tunisia. The Allies can also move by road and rail from Tébessa to Sfax, Sousse, and other positions needed to dominate the vulnerable eastern coast of the Protectorate. The occupation of the Gabès area would make possible concerted action to reduce Axis forces in Tunis and to establish air bases for subsequent cooperation with the advancing British Eighth Army in a campaign for Tripolitania.

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The role of French forces remains obscure, although General Eisenhower has announced that small French units are cooperating with the east and central task forces. The French had only one division in Tunisia. Elements of these forces apparently withdrew from the coastal regions to Souk-el-Arba, presumably to join Allied forces there.

Elsewhere in French Northwest Africa, the Allies were consolidating their political and military position and opening up blocked ports for the use of our transports and supply ships. A military mission from Dakar was reported en route to North Africa, perhaps for the purpose of negotiating with the occupying forces.

Axis Countermeasures

To counter this Allied drive, the Axis has occupied the strategic centers of Bizerte and Tunis with forces estimated at approximately 10,000 men, equipped with light tanks and anti-tank guns. About 150-200 Axis planes, mostly German fighters, have been brought to airdromes at Tunis and Bizerte, in addition to the increase of Axis air strength in Sicily and southern Italy. Enemy air forces have persistently attacked Allied bases at Bône, Bougie, and Algiers, and enemy submarines operating in the Atlantic approaches to Gibraltar and the western Mediterranean are believed to number almost 50. Prime Minister Churchill announced that 13 enemy submarines had been sunk in the opening week. Allied raids have also inflicted heavy losses on Axis aircraft at the Tunis airdrome.

Axis Retreat in Libya

In Egypt, the retreating Axis forces avoided entrapment in the Sollum area and have for the present outdistanced the pursuing British Eighth Army (see map at back). The

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tempo of pursuit has been limited by the problem of establishing lines of supply, rather than by Axis resistance. The enemy has presumably been falling back on supply depots previously established, but his situation in motor transport and fuel may be critical. At latest report, the main Axis columns were still on the hump of Cyrenaica in the vicinity of Benghazi. Motor transport was seen withdrawing farther west in the Agedabia-El Ageila area.

The British apparently met little opposition in the Halfaya Pass-Sollum region, despite its strong natural defenses. A British armored column enveloped these positions from the south, and precipitated a rapid Axis withdrawal, primarily along the coastal road. Tobruk was entered by British land forces November 13, and by the British Navy on November 16. Many installations were found in good order. Quick occupation of abandoned landing grounds has enabled Allied air forces to maintain heavy attacks on the retreating Axis columns. On November 16 the British occupied Derna, on the coast, and Mekili, on the inland road across Cyrenaica. From these points they are now pushing on toward Benghazi.

The enemy is estimated to have about 27,000 combat troops, 9,000 of whom are Germans—the remnants of the Afrika Korps—together with about 325 guns and 30 available tanks. There are some indications that Rommel will shortly have increased air support. Military observers believe the Axis will make its stand in the Agedabia-El Ageila region, with a succession of delaying actions protected on the flank by the hitherto impassable sand and salt marshes of the Great Syrte Desert. From El Ageila west, the Libyan coastal highway, completed in 1937 offers the only practical means of communication, until the Tripolitanian road net is reached at Bouerat el Soun, over 200 miles to the west.

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German Mediterranean Strategy

Military observers are undecided on Hitler's strategy with regard to the Mediterranean. Indications are that Rommel will make a determined stand along the coast of the Gulf of Syrte, and some reports suggest that the Axis is planning to send two divisions across to Tunis. Far larger forces—both German and Italian—could be made available if Berlin decided on full-scale resistance in North Africa, but supply difficulties would probably limit critically any such operations. Those who believe that Berlin must make an all-out defense of North Africa—or adopt the alternative of a drive through Spain or Turkey—argue that Hitler can not afford to be put on the defensive on all fronts, or let us have use of the Mediterranean to accumulate supplies for a future offensive against the “belly” of Europe.

Fears persist that Hitler may use forces withdrawn from the Russian front for a drive through Spain or the Middle East, but Germany has as yet made no overt act indicating that it plans so to disperse its strength. The slow start of Axis counter measures would seem to indicate that resistance in North Africa may be intended primarily as a delaying action, to make the Allies pay a substantial price for their gains and give the Axis time to mass its defenses in southern Europe.

Spain Trims Her Sails

A moderate reorientation of Spanish policy is under way, according to various reports from Madrid. The Spanish Government has issued a decree authorizing the partial mobilization of army, navy, and air forces, and military leaders are reported determined to resist, if Hitler should begin to apply pressure. The Spanish Foreign Minister, Jordana, has indicated to the Portuguese Minister that Spain will resist any move by Berlin to embroil it in war, and that

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he intends to loosen ties with the Axis, moving Spain toward Iberian solidarity and an attitude of benevolent neutrality toward the United States. Franco and the military, over-riding the Falange, have given wide publicity to events in North Africa, and Jordana has directed that the Falange cease its activities in the Western Hemisphere.

Spain will probably be cautiously neutral for some time to come, but she apparently feels that the tide has turned. Although some quarters have apparently expressed the fear that a total Allied triumph would bring a "Red" regime in Spain, her people are in general elated over events in Africa.

North African Riddle

President Roosevelt's announcement that the political arrangement with Admiral Darlan in North Africa "is only a temporary expedient, justified solely by the stress of battle" will probably go far to allay the fears of those who saw in the American action an appeasing of appeasers. Observers have generally recognized that the move was a realistic method of terminating hostilities in Morocco and Algeria prior to the attack on Tunisia. Some such "formula" for salving the conscience of conservative French officers—reluctant to break their oath to Marshal Pétain—was in the Gallic tradition, and of prime importance in a region where the attitude of certain careerists was possibly more significant than public opinion.

Yet the problem remains political as well as military. Critics of the current arrangement have been quick to point out that a permanent set-up more in line with the presumed wishes of the French people would be a prerequisite for enthusiastic popular support of an Allied landing on the Continent. The arrival of the collaborationists Pucheu and Flandin in North Africa has further emphasized the necessity of a more clear-cut political solution.

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For this reason, prior to the President's announcement, BBC commentators had already taken the position that the American action was intended "primarily to secure peace and order". In sardonic vein, the Moscow radio had called Darlan "an old and experienced rat", who "upon seeing that the Vichy ship is sinking, . . . swam to safety and hastened to declare himself to be a prisoner of war".

De Gaullist Reactions

For similar reasons, the Fighting French originally adopted an attitude of reserve. The Brazzaville radio announced that if the Allied action was inspired by purely military considerations "then, however abnormal and displeasing this situation may be, we shall abstain, for the time being, from raising objections to it". In reply to General Giraud's appeal for unity ("We have but one enemy, the one who occupies our country. . . .") the National Committee in London refused to accept "arrangements that would in effect establish a Vichy regime in North Africa." Elaborating this statement, André Philip, Fighting French Commissioner for the Interior, declared: "We and we only have the right to speak for France and we know that France wants to have nothing more to do with the traitors of Bordeaux and Vichy who sold their country once and are now trying to sell it again to a higher bidder." It was "with gratification" that Fighting French circles in London learned of President Roosevelt's announcement.

In North Africa itself, a tug-of-war is still going on between Darlan and Noguès, on the one hand, and Giraud, on the other, according to an observer on the spot. The latter apparently represents the unofficial and strongly pro-American group, which resents Allied backing of men whom it regards as "trimmers". The legalistic position of Darlan and Noguès, however, seems to have the support of the important officials.

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Noguès also claims that Boisson, Governor of French West Africa, approves the new set-up, and that Pétain and Laval have sent a secret message expressing their approbation.

Laval Receives Full Powers

Official statements from Vichy, signed by Marshal Pétain, have declared Darlan an outlaw and given full powers to Laval. Simultaneously the Nazis have taken General Weygand into custody. With the Marshal more and more a cipher, it will doubtless be Laval's task to work out the new relation to the Reich that the occupation of Vichy France has necessitated. Although Laval's position may be little more than that of a *Gauleiter*, his past record would suggest that he will attempt to preserve some shred of bargaining power for future eventualities. At Toulon, the sole remnant of the unoccupied zone, the main French fleet still rides at anchor under the command of Admiral de Laborde, an elderly naval career officer, formerly military governor of Bizerte. According to Noguès, Laborde and his colleagues will resist all Axis pressure.

The Position of Italy

On Friday night the RAF struck at the Ansaldo arms plant at Genoa. Two days later they returned to the attack—for the sixth time since the beginning of the North African offensive—all planes returning safely to base. Preliminary reports suggest that this succession of raids has caused heavy damage, and that the liners *Roma* and *Augustus*, now in process of conversion into aircraft carriers, have both been hit. The Italian battle fleet itself evidently remains concentrated at Taranto—earlier reports of the appearance off Naples of a strong squadron, including three battleships, having proved unfounded.

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In general, Italy has apparently adopted a defensive attitude, restricting itself to cooperation with the Germans in the strengthening of Sicily and the reinforcement of Tunisia. Yet there is no indication that the disarray of public opinion is as great as the American press has suggested. According to a well-placed Spanish informant, morale among the armed forces is still fairly satisfactory, although the people fear an invasion of Sicily and Sardinia in the event of Allied success in Tunisia. High-ranking Italian military leaders, our informant continues, regard both Cyrenaica and Tripolitania as lost. Bern press despatches suggest, moreover, that Italian military commentators are interpreting the reinforcement of Tunisia as merely a delaying operation, preparatory to a withdrawal from both east and west on fortified positions in Tripolitania. In the absence of more definite information, one can conclude that, while many Italians are pessimistic about North Africa, they have greater confidence in their ability to defend Italy itself.

Turkish and Balkan Reactions

The Turkish press has vigorously expressed its approval of operations in North Africa. The semi-official *Ulus*, stressing the power of the Allied drives, concluded that "an exceptional period has begun for the Germans". Even the normally pro-Axis *Cumhuriyet* interpreted the news from Russia, Libya, and Algeria as indicating a dangerous situation for the Axis.

Reactions in the Balkans have been "extremely enthusiastic", especially in Yugoslavia and Greece. British sources have even expressed concern lest premature popular revolts take place in the latter countries.

Stalin Gives His Qualified Approval

After two days of silence, the first Russian commentary on the Anglo-American successes in North Africa appeared in

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the columns of *Pravda* on November 11. Colonel Kononenko, military commentator, stressed the deterioration of the Axis supply position which our action had entailed, and hinted at more far-reaching blows against the enemy. Stalin's letter to Mr. Cassidy was warmer in tone. Praising the organizing ability of the Anglo-Saxon military chiefs, the Russian leader predicted "that the effect will not be a small one and that a certain relief in pressure on the Soviet Union will result in the nearest future." Still more important, Stalin continued, was the fact "that the initiative has passed into the hands of our allies, . . . that that campaign undermines the prestige of Hitlerite Germany . . . provides a basis for building up an anti-Hitler French army . . . creates conditions for putting Italy out of commission and . . . finally . . . creates the prerequisite for establishment of a second front in Europe nearer to Germany's vital centers . . ." In the event of a large-scale Allied offensive from the west, Stalin concluded, ". . . the Red Army will fulfill its task with honor as it has been fulfilling it throughout the war."

The Initiative Passes to the Russians

With the inauguration of a large-scale counterattack in the Alagir sector—aiming to relieve German pressure on the Georgian Military Highway—the initiative on the Eastern Front has passed to the Red Army. Around Novorossiisk and Tuapse the Russians have likewise made gains, and in Stalingrad they have stopped a renewed Nazi assault in the northern industrial suburbs and counterattacked with some success. The freezing of the Volga River will enable the defenders to bring reinforcements across the ice in far greater security than over temporary pontoon bridges. On the other hand, the cessation of river traffic will probably reduce

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the volume of supplies arriving in the Stalingrad area from other parts of Russia.

On the northern and central fronts Soviet units have made small-scale attacks in the areas south of Leningrad, while the *Luftwaffe* has concentrated on Russian supply lines in the Kalinin sector. Thus far, there have been no indications of a concerted Soviet counteroffensive. Advices from Stockholm suggest, however, that the Russians are now preparing two major winter drives—the first to be launched from the Kalinin sector northwest of Moscow, the second from between Stalingrad and Voronezh, directed at the base of the long German salient into the Caucasus.

American military observers interpret current Axis troop withdrawals from advanced positions such as Stalingrad as merely a routine shift to winter quarters, a move which has come somewhat earlier and which has been somewhat better organized than in 1941. For the next six months, they anticipate less activity than during the corresponding period of last year on all sectors of the front except the Caucasus.

Naval Victory in the Solomons

In the Solomons, our naval forces on the night of November 12-13 won their first major surface engagement of the war. During the two-day air and sea battle which followed, the American forces destroyed at least 1 battleship, 3 heavy cruisers, 2 light cruisers, 5 destroyers, 8 transports, and 4 cargo ships, and damaged a second battleship and 6 destroyers. Our losses are reported to be 2 light cruisers and 6 destroyers.

As a result, the war of attrition in this area has turned definitely against the Japanese and our "offensive-defensive" operations continue to gain time without losing ground. The Japanese, however, are still committed to the reduction of our Solomons bastion, if only to consolidate the outer defenses of their base at Rabaul. The more deeply mired

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they become in the Solomons, the less likely they are to open major new fronts. Meanwhile, although action in this area gives the Japanese time to consolidate their conquests elsewhere, it also whittles down vulnerable Japanese air and shipping strength, and cuts into enemy fleet strength while our own is building more rapidly.

Japanese Naval Losses

Japan's fleet losses in fact may now be reckoned as serious. A press tabulation of sinkings announced since Pearl Harbor both by American and Allied headquarters in battle zones throughout the Far East lists total Japanese losses in battleships, carriers, and cruisers as 37. This tabulation is known to be incorrect in one or two respects, and a conservative estimate (taking into account the possibility of confusion, especially in cruiser losses) might place the minimum number of enemy ships actually sunk at as low a total as 20. Even this latter figure, however, represents one-third of the 60-odd ships of these types with which Japan began the war.

It is entirely possible that the major portion of Japan's available cruiser strength now is engaged in the battle for the Solomons. In carriers, the Japanese situation for the moment appears to be very difficult, with two out of a probable total of four large carriers under repair, and a fifth too old and small to be effective in offensive action (this statement takes no account of converted carriers).

The Japanese Withdrawal From Battle

The Japanese brought ample force to their latest attempt to reconquer Guadalcanal, but when the battle was over, much of it had not been committed to action. Four major groupings of Japanese naval units were apparently dispatched to participate in the attack. The first was a task force, led

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by two battleships, which intended to bombard our shore positions preliminary to landings. The second major group, a convoy of 12 transports and accompanying warships, was to move in after the bombardment. Meanwhile, a third group, consisting of a task force which included two aircraft carriers, evidently was to arrive and administer the *coup de grace* to Henderson Field, while the fourth group, another large convoy, discharged its troops for the final assault on our ground positions.

From fragmentary reports, it appears that the latter convoy and task force both arrived in the central Solomons November 14. But by this time damaged warships from the first task force already were returning northward, while the initial convoy of 12 troop ships was disintegrating under our air attacks. Only four of the latter reached the island on the night of November 14-15, the other eight having been sunk. These four were destroyed the following morning. The convoy and task force in the central Solomons withdrew, the latter without committing either its warships or aircraft to combat.

Japanese casualties, according to Admiral Nimitz, were 20,000 at a minimum. In late October, Japanese troops in the whole Middle Melanesia area were estimated to number 53,000 at a minimum, 70,000 at a maximum. Even if we assume the latter figure, losses in the two-day action cost the enemy nearly 30 percent of his troops immediately available for operations.

Approaching Climax on the Buna-Gona Front

Climaxing the drive over the Owen Stanley Range which began in late September, Allied troops have now pushed the Japanese back to their beachhead in the Buna-Gona area. Here, constantly harassed by intense low-level attacks of our aircraft and with American and Australian troops closing in

from the south and west, the enemy's position daily becomes more precarious. Although relatively small forces are involved, Japanese casualties have been heavy (nearly 1,200 verified enemy casualties in the Buna-Kokoda region were reported during the first two weeks of November).

The last serious natural obstacle protecting the approaches to the Japanese beachhead was captured November 13 when Australians, encountering little resistance, occupied the Wairopi crossing of the Kumusi River. The fighting now has descended into the open grassland country around Buna itself—an area which has many native settlements, and a considerable network of tracks other than the main Buna trail around which fighting previously has centered. The terrain at Buna is swampy, and the Buna trail here is built on earth and log embankments. By mining these, the Japanese might impede the Allied advance to some extent, but it is hardly likely that enemy forces can hold out for any length of time unless reinforcements are landed.

Revived Japanese Activity on Attu

In the Aleutians, where our air offensive has been handicapped by bad weather and muddy fields, the Japanese are making an effort again to entrench themselves on Attu Island, which they had once evacuated. Landing barges have been observed in Chichagoff Harbor. Attu is some 210 miles to the west of the main Japanese base on Kiska Island, which has been severely battered since our fighter planes have been able to provide an escort for bombers.

Anti-aircraft fire already has been encountered over Attu, and it is believed that a force of about 500 Japanese have been landed there. On Kiska, Japanese strength is estimated at about 9,500.

Anniversary in the Philippines

On November 15, the seventh anniversary of the establishment of the Philippines Commonwealth, American short-wave stations broadcast messages to the captive Philippines from President Roosevelt and President Manuel Quezon. In this connection, the Japanese had previously announced the execution of Filipinos for the crime of listening to American broadcasts. And for several days prior to the Commonwealth anniversary, Tokyo and Manila announcers had belittled the possibility that Americans might return to free the Philippines and expressed the hope that "no Filipino will be deceived by the specious promises of the Americans."

India: Negotiations Reach a Deadlock

The past week has seen an almost complete breakdown of negotiations among the four chief elements in the Indian crisis—the Congress, the Moslem League, the moderates, and the Government. After reviewing the whole problem of self-determination for the Indian Moslems, conversations between Rajagopalachariar, leading moderate, and Jinnah, head of the Moslem League, arrived only at the conclusion that self-determination was a good thing. Apparently the two leaders failed to agree on the method of taking a plebiscite in areas with a Moslem majority—Jinnah maintaining that only Moslems should vote, and Rajagopalachariar defending the right of the Hindu minority to participate in such a plebiscite. They concurred, however, in making a joint request to the Viceroy for an interview between Rajagopalachariar and the imprisoned Mahatma.

Even this initiative has proved sterile. Allying that such an interview would be possible only if Gandhi should alter his policy of non-cooperation, the Viceroy has refused Rajagopalachariar's request. At the same time, Jinnah has

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induced the Moslem League Council to withdraw a resolution directing him to begin negotiations with Gandhi himself.

The Indian press has generally expressed its disapproval of the Viceroy's decision. Of the British-controlled journals, the *Times of India* has backed the Government, while the *Statesman* has ventured the cautious criticism that "the refusal is likely to be regarded as a psychological mistake." In the opinion of the *Bombay Chronicle* (Congress): "The Viceroy has . . . sabotaged what little chance there was of an early political settlement," and the *Leader* (the organ of the liberal Sapru group) has regretted that the "Government continues to remain reactionary." Jinnah's *Dawn*, after branding the Government's policy as one of "double-distilled non-cooperation," has concluded that the Viceroy's refusal leaves the British "with a devastating question which they will find it hard to answer."

Future of the Falange in Latin America

The possibility that Allied incursions into North Africa may cause reorientation of Franco's foreign policies gained substance last week as a highly placed observer in Spain reported that Foreign Minister Jordana has ordered the Falange to cease operations in the Western Hemisphere. Confirmation of this extraordinary decree is still lacking, but there seems little doubt that violent inner dissension, at least, is likely to develop in the Falange and Falange-controlled groups in Latin America as Franco's predicament between two fires grows more acute. Observers point out that this situation may soon present an opportunity for neutralizing and perhaps breaking up such pro-Axis movements as the Mexican *Sinarquismo* which are under close tutelage of the Falange.

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APPENDIX I

BOMBING WEATHER IN WINTER OVER NORTH EUROPE

As RAF and United States bombers in increasing numbers prepare for a winter of operations over northwestern Germany, a survey of weather conditions by the Geography Division of the Office of Strategic Services¹ indicates certain limitations which will be placed on their activities by meteorological factors.

Weather Over England

Any consideration of the problem of bombing Germany must be focused not simply on the weather over the target area, but on that over British airdromes. If Allied pilots can not see well enough to take off safely from England, it matters very little how clear the atmosphere may be over Cologne or Hamburg. Again, even if weather conditions for the take-off and along the route are perfect, a raid may be cancelled when the ceiling is expected to drop to zero by the time the bombers return to land. An air force based on England is at a peculiar disadvantage to one based on the Continent in this respect: both sides must consider atmospheric conditions at their own airports when planning a raid, but the Nazis are able to disperse their fields over such a large territory that bad weather is unlikely to blanket all of them at once. In England, too, some airfields may be clear when others are overcast; but their concentration upon one rather small island greatly increases the chances that cyclonic storms will ground the bulk of the airforce simultaneously.

These storms, which bring with them most of the conditions unfavorable to bombing operations, are more frequent and severe in winter than at any other season. Yet even during the winter, bombing on a limited scale is possible on from one-half to two-thirds of the days and nights. The long duration of the nights in the winter months affords a larger margin for British night-flights over Germany; but this factor is probably more than offset by the lack of "good-weather sequences"—three or more successive days or nights of favorable flying conditions, which allow repetitive, follow-up smashes at a given target. Such sequences occur, on the average, about three times a month in April, July, and August, but only once a month in November, December, and January.

"Suitable" Bombing Weather

Estimates of the number of days and nights with weather suitable for bombing will differ, naturally, with the definition of "suitable." In the accompanying tables, which are based on seven years' meteorological observations, three sets of weather requirements have been specified. The tables assume a take-off from a centrally-located English station, Upper Heyford; a target in northwestern Germany in the Aachen-Hannover-Nürnberg area; and a return landing at whatever English airdrome happens to have favorable weather. Category A assumes a

¹ Based principally on material from the Office of the Joint Weather Central.

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ceiling above 2,000 feet and visibility of more than two and a half miles for both take-off and landing. Category B calls for a ceiling above 1,000 feet and visibility of more than two and a half miles for take-off and landing. And Category C, the lowest of the lot, assumes a ceiling above 500 feet and visibility of more than a half-mile for the take-off, and a ceiling of 1,000 feet and visibility of more than two and a half miles for the return landing. As for weather at the target, Table 1 is based on a ceiling above 3,000 feet, while Table 2 specifies no minimum.

TABLE 1.—Average number of nights and days with weather conditions suitable for bombing

CASE I. TARGET CEILING ABOVE 3,000 FEET

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
Night:													
A.....	6	8	12	14	18	18	21	19	15	14	4	6	155
B.....	10	12	17	19	23	24	26	22	18	20	7	10	208
C.....	16	15	20	21	24	25	28	23	20	23	12	15	242
Day:													
A.....	5	7	13	15	19	19	20	23	18	15	6	7	167
B.....	10	13	19	21	26	26	26	26	24	24	10	12	237
C.....	15	17	22	23	27	28	28	29	27	26	15	18	275

CASE II. NO RESTRICTIONS AT TARGET

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
Night:													
B.....	14	15	18	20	23	25	27	22	19	20	9	11	233
C.....	21	19	22	23	25	26	29	24	21	23	15	17	265
Day:													
B.....	13	17	23	25	28	27	28	28	25	25	14	14	267
C.....	20	22	27	28	30	29	30	30	28	28	20	20	312

TABLE 2.—Number of days and nights with bombing weather, abnormal years

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
Night:													
Worst year...	4	6	13	18	26	21	23	22	20	12	7	4	176
Best year...	19	16	19	22	26	27	28	19	27	18	13	11	245
Day:													
Worst year...	4	2	10	21	21	25	23	23	22	15	5	5	176
Best year...	14	12	21	20	25	28	21	29	20	19	12	13	234

Number of Suitable Days and Nights

From these tables it can be seen that there are, on the average, 155 nights and 167 days a year with A-1 bombing conditions, 208 nights and 237 days with B-1 conditions, and 242 nights and 276 days with C-1 conditions. In all categories,

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winter has fewer days and nights with suitable bombing weather than summer, and fall and spring are intermediate. November has the fewest nights suitable for bombing: only 4 of type A-1, 7 of type B-1, and 12 of type C-1, compared with 21, 26, and 28 nights, respectively, for July. For daylight bombing, January is as poor as November, with 5, 10, and 15 days of A-1, B-1, and C-1 conditions, respectively.

During any given year, of course, there may be more or fewer days with suitable bombing weather than are indicated by the averages given in Table 1. Table 2 shows, for the worst and best years of the seven-year record, the number of nights and days with B-1 weather. It will be observed that variations are greatest in winter and least in summer. In the worst year, there were only about half as many good flying days and nights in winter months as would be normally expected, whereas in summer the difference was only about 10 percent.

An interesting rough check upon the validity of the figures given in Table 1 is provided by a tabulation of the number of German raids carried out against England at the height of the attacks in 1940. This tabulation (Table 3) shows that from September through November the actual number of daylight raids of 50 or more planes was about equal to the average number of B-1-type days of Table 1, and the number of night raids was distinctly greater even than the number of C-1-days of Table 1.

TABLE 3.—Raids upon England involving 50 or more enemy planes, 1940-1941

	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Year
Number of night raids.....	5	24	29	26	16	14	10	18	19	19	8	1	189
Number of daylight raids.....	2	20	24	9	0	1	1	5	1	4	9	1	77

Icing and Wind as Factors

Icing occurs at fairly low levels in winter along the route between central England and northwestern Germany. The freezing height over Holland, for example, is usually about 1,000 feet in January and 1,500 feet in mid-December and mid-February; towards central Germany the freezing level declines. Yet not all winter days or nights, by any means, bring icing to planes on the route: even with freezing temperatures, severe icing is rare except on the longer flights and within cloud masses and rain-and sleet-storms. On the whole, since the storms that bring icing weather usually bring poor ceiling and visibility conditions as well, tables of suitable bombing weather will not be much changed by the addition of this icing factor.

Wind, though it does have some effect on the accuracy of navigation and high-level bombing, is mainly important for the limitations it sometimes puts on the use of small, auxiliary airfields. These fields, which may have to be utilized when large-scale raids are planned, often have room for a landing strip laid out on only one axis, so that cross-winds from the wrong quarter can make take-offs and landings hazardous.

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High-Level Bombing

For precision bombing from high levels, visibility over the target becomes of crucial importance. Accordingly, if the requirement is imposed of having less than 30 percent of the sky cloud-covered at the target, the number of days suitable for high-level operations drops to fewer than half as many as those fit for ordinary bombing, as defined in Table 1, C-1. The greatest number of days with suitable weather for high-altitude demolition would average 12 in March, May, and June, and only 6 in December and January.

Incendiary Bombing

Wind velocity at the target is of paramount importance for satisfactory incendiary bombing: only a strong wind can spread the flames rapidly over a wide area. Though winter, with its high winds, would be expected to offer the best weather for incendiary, that season also brings snow, frequent and heavy precipitation, and high relative humidity. Snow-cover on roofs, which greatly reduces the spread of fires by flying embers, is particularly important in neutralizing the effect of incendiary raids; and here the Nazis have the advantage of the British since northwestern Germany has twice as many days with snow-cover as central England.

For that portion of Germany west of a line connecting Essen, Hanover, and Hamburg, all months from March to October are classified as good for incendiary bombing. May is excellent, and November to February fair. Since most incendiary bombing is conducted from high altitudes, it is significant that weather suitable for high-level bombing has roughly the same seasonal distribution as that favoring the spread of fire.

Actually, the number of days per month with good weather for incendiary bombing changes but little with the seasons. According to calculations of averages for Hamburg, the least favorable months have four days suitable for such bombing, and the best months have six.

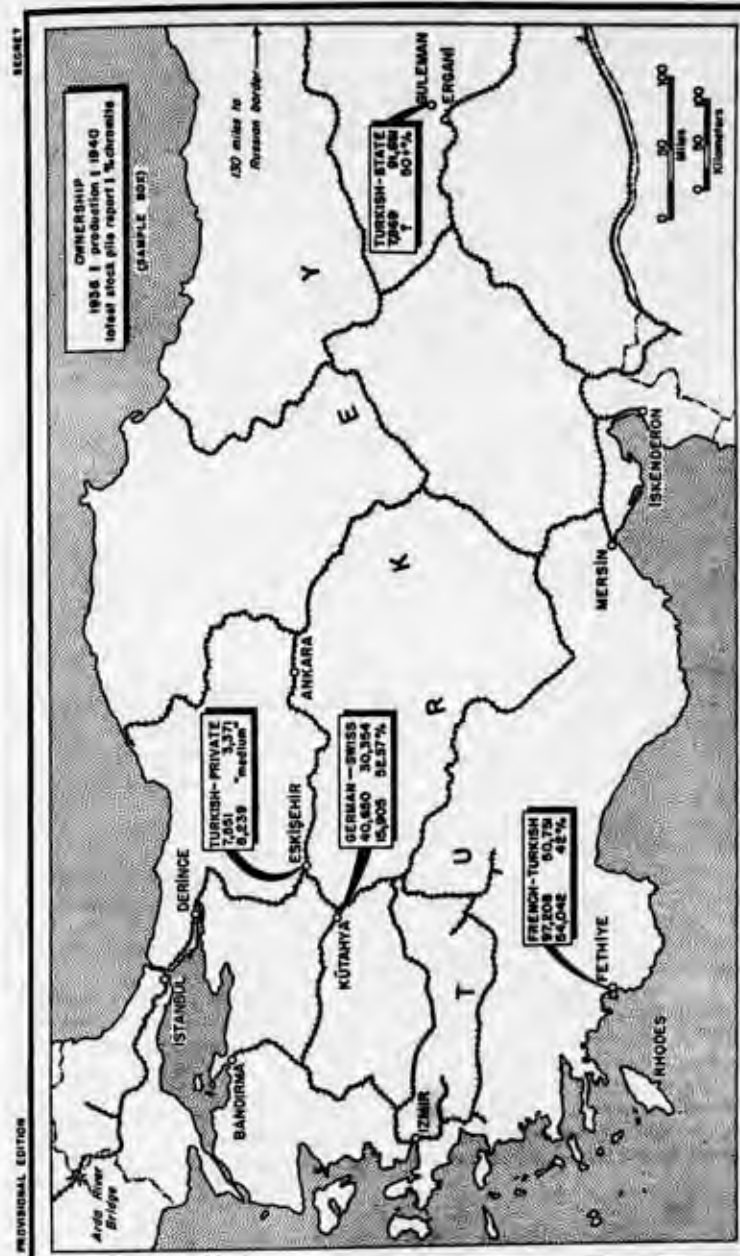
APPENDIX II

CHROME AND THE CLODIUS AGREEMENT¹

German stocks of chrome—essential to the production of alloy steel—have dwindled to such an extent that Germany is now critically dependent upon obtaining a large share of the future output of the Turkish mines. For the past three years, the United Nations have enjoyed a virtual monopoly of this source, which before the war furnished one-sixth of the world's annual production. But on January 8, 1943, this control terminates, and one week later the German-Turkish agreement negotiated in October, 1941, by Hitler's Dr. Clodius comes into effect. By the terms of the new contract Germany stands to gain enough chrome to meet her minimum immediate deficiency and enough "for the duration" if the desired 21-month extension of the contract is granted.

¹ Based on a memorandum prepared by the Near Eastern Section of the Office of Strategic Services.

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The Nazis' chromite reserves were, in 1939, estimated to have been adequate to cover the deficiency between European output and German requirements for two or three years. In addition, the Reich has probably received each year from the Balkans about 85,000 tons of high-grade ore and concentrates and 105,000 tons of low-grade ore. Yet, unless Germany can acquire from Turkey considerable additional shipments of high-grade ore, her supplies of alloy-steel will be seriously reduced.

Turkey's Output and Customers

As shown on the accompanying map, there are three primary areas of Turkish chrome ore deposits. Of these mines, the state-owned Guleman workings have been developed most rapidly. The output of all mines has risen from 33,063 tons in 1931 to 208,455 tons in 1938, and to a production rate of 250,000 tons a year during the first eight months of 1940 (actual production for the full year came only to 182,000).

Turkey exports her entire production. Sweden, Turkey's best customer up to 1939, secured only 1.39 percent of the 1940 exports. The United States has bought heavily but spasmodically, while England did not become an important purchaser until 1940, when American and British acquisitions totalled 79.6 percent of Turkey's output. In that same year, France took 15.4 percent—all of it before the June debacle. Germany's purchases, it should be noted, have risen steadily from 3.7 percent in 1932 to 54.6 percent in 1939, when the United States and Britain secured their monopoly.

The Clodius Agreement

Germany's anxiety to acquire Turkey's chrome was clearly manifested by attempted small-scale, round-about procurement deals. Under the Clodius Agreement, however, Germany should be relieved of the necessity for such indirect tactics. Though the agreement itself contains no specific allusion to chrome, its signing was accompanied by the exchange of one open and twelve confidential notes, one of which calls for exports in the first three months of 1943 of 45,000 (metric) tons of chrome ore.

In exchange, Turkey is to receive, nominally, only £T18,000,000 of war goods; but actually the Turks are expected to hold their ore against proportional deliveries on the specified total of £T55,000,000 of "essential" commodities. They have insisted, moreover, that (except for a 10 percent leeway) deliveries in Turkey must precede shipments to Germany.

So far, Germany has delivered £T12,000,000 of war goods, and a much smaller ratio of other commodities. How much of these deliveries was scheduled under the Clodius Agreement, and how much under previous commitments is still vague. Turkish authorities do not anticipate that the Germans can fulfill their obligations before March 31—the expiration date of the agreement—in which case, chrome exports will be correspondingly delayed. Moreover, Turkish output of chrome during the quarter-year covered by the agreement is expected to fall short of the stipulated 45,000 tons—and all output up to that period has been reserved for

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United Nations purchasers. In brief, it seems unlikely that Germany will receive as much chrome during the stated period of the agreement as its written terms might suggest.

Extension of the Agreement

Concern over the Clodius contract is focussed primarily on the possibility of its extension. A clause in it states that a 21-month extension may be negotiated within the three months prior to the expiration of the current agreement. According to one confidential note, exchanged at the time of the signing of the agreement, the extended contract would call for the exportation to Germany of 90,000 tons of chrome ore each year in 1943 and 1944, including the 45,000 tons asked for under the present pact.

The Turks have agreed that if any surplus above the 90,000 tons earmarked for Germany should appear, the United Nations would be entitled to purchase half of it. But since output has been declining to a level barely sufficient to meet the German orders, little or nothing may be left over for the Allies; and in any event, our "lifting" program at accessible ports is already so retarded that all of 1943 may be required to complete the moving of the chrome stocks we will have accumulated by January 8. However, since the objective of the United Nations is pre-emption rather than procurement, the acquisition of even small amounts, shipped or not, would mean that much less left for the Germans.

Diplomatic efforts by the Allies to prevent the extension appear to have failed, but at least the Turks have agreed to postpone parleys with Germany on the subject until the Nazis have completed deliveries of the promised £T55,000,000 in commodities—which may not occur before late 1943.

Other Obstacles

Even if the extension is negotiated, the Germans may never enjoy the full fruits of the new contract. Much depends upon the way in which the Turks see fit to "interpret" the extended agreement. They could, for instance, notify Germany that her chrome would be railed only to the nearest port, excluding her from use of the overland railroad route to Greece. This would fall within the "letter" of the agreement, at least.

The most powerful arguments the United Nations could present on this score, in the view of some observers, would be the delivery to Turkey of, say, 100,000 tons of wheat, and more manufactured goods and pharmaceuticals than she now expects from all other foreign sources. The Turkish Foreign Minister has already made references to wheat in such contexts as to indicate to American and British diplomats the weight such shipments would carry. If coupled with a show of power such as our North African offensive, and an evident readiness to come to Turkey's assistance in the event of invasion, these deliveries might well enable Turkey to resist German demands to the point of emasculating any extension of the agreement beyond March, 1943.

PROVISIONAL EDITION

CAMPAIGNS OF NORTH AFRICA

- ALLIED DRIVE
- RETRACTING AXIS FORCES
- MAIN ROAD
- SECONDARY ROAD
- STANDARD RAILROAD
- NARROW GAUGE RAILROAD
- SALT MARSH
- SHOTT



MAP NO 1271, NOVEMBER 12, 1942

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