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November 20, 1942
8:52 a.m.

Vincent Callahan: Yes.

HMJr: But I've got the announcement out and set the prices, which is my job.

C: Yeah.

HMJr: Now I'm just groping my way, and I don't know which way this thing is going to go, see?

C: Uh huh.

HMJr: So everybody and that's - has got to be patient and in good spirits and good will....

C: Good.

HMJr: ...and everybody put their shoulder to the wheel so that I can raise this money.

C: Well, you can depend upon me.

HMJr: Well, I am, and they've just got to have confidence in me, and I'll do the best I can. I'll make mistakes....

C: Well, it's going to work out.

HMJr: ...but it's like selling a Cadillac car or a Chevrolet, there - there's a different sales job.

C: That's right.

HMJr: And I'm - I myself don't know what the technique is yet, but I'm groping.

C: Well, I don't think any of us do.

HMJr: And, in the meantime as I say, everybody - I want everybody to help.
C: Well, you can depend upon me, Mr. Secretary.
HMJr: Well, I was sure I could.
C: Yeah.
HMJr: Okay.
C: Thank you for calling me.
HMJr: All right.
C: Goodbye.
November 20, 1942

Miss Tully phoned me this morning and said the President had another note from the Secretary of State which he okayed and said to let the additional oil to Sweden go. He also said that the Secretary of State should get in touch with Patterson and me.

I asked Miss Tully whether I should let the oil go and she answered, "You will hear directly from the Secretary of State, but I urge you to get over your memorandum as promptly as you can."
Hello.

Dr. White.

Harry?

Yes, sir.

Miss Tully just telephoned me to say that the President last night okay'd a memorandum from the Secretary of State in which he approved that additional oil should go to Sweden, and he wrote the Secretary of State saying that he, the Secretary of State, should get in touch with Patterson and myself. So I said, "Well, does that mean we should let the oil go?" So she said, "Well, you'll hear from the Secretary of State, but I suggest you get your memorandum over as promptly as possible."

Well, did you sign it already?

I've signed it, yes.

Well, I'll see that - is it - it will come back here and be sent from here. I'll see that it be expedited.

That's what I want you to do.

Now do you want to inform Patterson of that?

Yeah, you do.

All right, sir.

Tell Neff or somebody.

Right. All right, sir.

We're licked again.

(Laughs) Well - not yet.

All right.

All right, sir.
My dear Mr. President:

In reply to your memorandum of November 7, the Under Secretary of War and myself have discussed the proposed economic arrangements between the United States and Sweden.

We recommend that for the immediate future you follow the proposal made by Admiral Leahy on behalf of the Joint U. S. Chiefs of Staff, in his letter of November 14, 1942, to Mr. Milo Perkins, Executive Director of the Board of Economic Warfare.

We also would like to recommend that, while these negotiations are being carried on, neither the SVEADROT, now lying at Port Arthur, Texas, nor any other ship, be permitted to load petroleum products for any Swedish destination.

This is in line with the Vice President's letter to you of November 16.

Sincerely yours,

The President,

The White House.
This is the incomplete letter which we asked Miss Tully to return.
November 20, 1942.

My dear Mr. President:

In reply to your memorandum of November 7, the Under Secretary of War and myself have discussed the proposed economic arrangements between the United States and Sweden.

We recommend that for the immediate future you follow the proposal made by Admiral Leahy on behalf of the Joint U. S. Chiefs of Staff, in his letter of November 14, 1942, to Mr. Milo Perkins, Executive Director of the Board of Economic Warfare.

We also would like to recommend that, while these negotiations are being carried on, neither the SVEADROTT, now lying at Fort Arthur, Texas, nor any other ship, be permitted to load petroleum products for any Swedish destination.

Faithfully,

The President,

The White House.

Secretary of the Treasury
Under Secretary of War
November 20, 1942.

My dear Mr. President:

In reply to your memorandum of November 7, the Under Secretary of War and myself have discussed the proposed economic arrangements between the United States and Sweden.

We recommend that for the immediate future you follow the proposal made by Admiral Leahy on behalf of the Joint U. S. Chiefs of Staff, in his letter of November 14, 1942, to Mr. Milo Perkins, Executive Director of the Board of Economic Warfare.

We also would like to recommend that, while these negotiations are being carried on, neither the SVEADROTT, now lying at Port Arthur, Texas, nor any other ship, be permitted to load petroleum products for any Swedish destination.

Faithfully,

[Signature]

Secretary of the Treasury

The President,

The White House.

[Signature]

Under Secretary of War

FILE COPY
DRAFT
(Dictated by Mr. Morgenthau)
November 20, 1942

My dear Mr. President:

In reply to your memorandum of November 7, the Under Secretary of War and myself have discussed the proposed economic arrangements between the United States and Sweden.

We recommend that for the immediate future you follow the proposal made to Mr. Milo Perkins, Executive Director of the Board of Economic Warfare, by Admiral Leahy, Chief of Staff to the Commander in Chief of the Army and Navy.

We also would like to recommend that, while these negotiations are being carried on, not only the SVEADROTT, which is now loading or ready to be loaded with petroleum products for Sweden, be held, but also that any other ship which would carry petroleum products for Sweden be held.

This is in line with the Vice President's letter to you of November 16.

Sincerely yours,

The President,
The White House.
THE WHITE HOUSE
WASHINGTON

November 17, 1942

SECRET

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

Will you and the Under Secretary of War talk this over and let me know where we go from here?

F. D.R.

Enclosures
The President,

The White House.

Dear Mr. President:

On October 15 you asked me to give you the judgment of the Board of Economic Warfare regarding our trade with Sweden. There are enclosed:

1. A resolution passed by the Board on November 12 based on the documents attached to it.

2. A dissent from the resolution signed by the Secretary of the Treasury and the Under Secretary of War on the grounds that our Board resolution was not tough enough.

3. A letter of November 14 from The Joint Chiefs of Staff which is in line with our Board resolution and with which I am in complete agreement.

Since our Board meeting, our Swedish friends have reversed themselves and refused to release two ships under British charter now ready to sail for England. As a price for their release, the Swedes want us to release at once a large Swedish tanker, the Sveadrott, now in our waters. We think this should be done after we get some of the concessions recommended by the Board and The Joint Chiefs of Staff, and not before. Even though the State Department disagrees with this procedure, my recommendation is that you authorize me to proceed in line with the resolution of the Board and the letter from Admiral Leahy. I would then ask the State Department to conduct these negotiations in collaboration with our people, one of whom spent a month in London on this matter.

If you approve, please initial this letter so that we shall not lose any time in getting on with these complicated negotiations.

Respectfully,

H. A. Wallace

Enclosures
THE JOINT CHIEFS OF STAFF
WASHINGTON
November 14, 1942

SECRET

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

Dear Mr. Perkins:

The Joint U. S. Chiefs of Staff have given careful consideration to your letter of November 5th with reference to the trade policy toward Sweden. They submit the following recommendations:

(1) That the economic policy of the United States toward Sweden be one of continuing trade relations with that nation, with the provision that immediate concessions be made by Sweden to meet the United States' objections to unsatisfactory features of the actual Swedish trade situation.

(2) That the United States and Great Britain conclude with Sweden a trade agreement paralleling the present Anglo-Swedish War Trade Agreement, with the following modified and added objectives:

(a) Reduce blockade quotas for Swedish overseas imports which are excessive and eliminate as far as practicable imports which enter into Swedish production for the enemy.

(b) An increase in the flow of strategic materials from Sweden to the United Nations, and cooperation by the Swedes in the matter of substantial purchases by the United Nations for preclusive purposes, as well as for supply.

(c) Assistance by the Swedes in effecting transport by sea and air for materials from Sweden to the United Nations.
(d) Satisfactory arrangements for the use by the United Nations not only of Swedish shipping at present outside the Baltic, but also for the vessels built or being built by Sweden.

(e) Reduction of Swedish Government credits, direct or indirect, to enemy countries.

(f) Access to full information on Swedish exports to and imports from enemy territory.

(g) The chartering by the War Shipping Administration of twenty-one Swedish vessels now in this hemisphere.

(h) That only Axis troops on leave status be permitted to travel through Sweden.

(i) That Axis military traffic or materials permitted through Sweden be curtailed.

(j) Satisfactory agreement concerning German military traffic in Swedish territorial waters, and of the use of Swedish convoys by the enemy.

(k) A reduction in the iron ore exports from Sweden to enemy territory to normal pre-war exports to Germany.

(3) That no immediate shipment of petroleum products to Sweden will be authorized until reasonable agreement on the items outlined in subparagraphs (a) to (k) above have been reached. Subsequent shipment will be predicated on continued compliance with these agreements.

(4) That the commission for the negotiation of the trade agreement with Sweden be composed of Combined U.S.-British members with equal standing, and that the Standing Commission be similarly composed.

Sincerely yours,

For the Joint U. S. Chiefs of Staff:

WILLIAM D. LEAHY
Admiral, U. S. Navy
Chief of Staff to the Commander in Chief of the Army and Navy
RESOLUTION ADOPTED BY THE BOARD OF ECONOMIC WARFARE
On November 12, 1942

(The Secretary of the Treasury and the Under Secretary of War dissenting)

RESOLVED, that the Board of Economic Warfare recommends
the continuance of trade with Sweden, including the
shipment of petroleum products in exchange for commit-
ments, secret or otherwise, of the type set forth in
sub-paragraphs (a) to (l) of the report and recommenda-
tions of the subcommittee on Sweden, and that this
policy be carried out in consultation with the interested
agencies by the Board of Economic Warfare in collaboration
with the Department of State.
MEMORANDUM FOR THE VICE PRESIDENT:

Re: Resolution on Swedish Trade

We are not in accord with the resolution on Swedish trade approved by the majority of the Board of Economic Warfare because in our judgment the action recommended therein constitutes aid to our enemy without adequate offsetting advantages.

As we understand the resolution, it contemplates large shipments of petroleum, in addition to other commodities, to Sweden. While the resolution recommends that an effort should be made to obtain concessions from Sweden, it is understood that such shipments probably will be continued, even if the concessions obtained are not significant.

It seems to us unreasonable to permit vital supplies to go to a nation when that nation is forced to send nearly all her exports to the enemy and to obey Germany’s command not to export to us, to permit trans-shipment across her territory of large numbers of enemy troops and large amounts of enemy war material, and to perform other types of action directly benefiting the enemy. To support the economy of a country so dominated by the enemy, by allowing trade to pass through the enemy’s blockade, is nothing less than to strengthen the enemy. In permitting Sweden to obtain from the Western Hemisphere substantial quantities of those essential commodities which are in shortest supply in Europe, we are, in effect, supplying Germany.

In our opinion, we should permit Sweden to receive no supplies which we control unless she stops all neutral action and unless it is assured that such supplies as she may receive will not significantly aid the enemy. It is also our view that trade should not continue during negotiations but that all shipments, including oil, should be held up until the negotiations have been concluded.

It is believed that the report of the "Essential Facts on Swedish Relations with the Enemy and with the Area outside the Blockade," prepared by the staff of the Board of Economic Warfare, copy of which is attached, fully supports our views. Also attached is a short memorandum summarizing the principal points upon which we rely.

[Signature]
Secretary of the Treasury

[Signature]
Under Secretary of War

Attachments
SWEDEN'S CONTRIBUTION TO THE ENEMY'S WAR EFFORT

The report prepared for the Board of Economic Warfare in connection with the proposed resolution on Swedish trade, reveals the following types of assistance being rendered by Sweden to our enemies:

1. About 90% of Sweden's current exports go to the enemy. This country receives none of Sweden's exports.

2. Exports to Germany of the commodities most urgently needed by the enemy far exceed normal pre-war shipments.

3. The principal economic contribution made by Sweden to the enemy is the export of 9.5 million tons of high-grade iron ore, enormous quantities of wood products, machinery, ball bearings, and other metal manufactures. Also Sweden has been exporting large quantities of food to Finland.

4. An excessive volume of exports of wool, oil seeds, hides, and skins - all militarily strategic commodities to the enemy - have been exported from the Western Hemisphere to Sweden.

5. Sweden imports goods from the Western Hemisphere which are components of manufactured goods exported to the enemy. In some cases these commodities are exported in their original form.

6. Sweden is granting substantial credits to Germany to enable Germany to import Swedish goods without giving up her own products. Sweden is extending credits to Finland to pay for Finland's purchases in Denmark.

7. Sweden permits the transit of large numbers of German troops and large amounts of enemy war materials across its territory. (Approximately 250,000 troops in 1941 and 250,000 tons of war material during the same period.)
8. Swedish territorial waters have been used for enemy military traffic in which Swedish naval vessels have acted as escorts.

9. Sweden is reported to be building a number of merchant ships for the enemy.

10. Sweden has acceded to the German demand that all her exports to the Western Hemisphere must be routed to Argentina and Chile. Thus, ships coming to the United States to take cargo back to Sweden, arrive here empty.

II

Some alleged advantages in the policy recommended in the resolution are as follows:

1. It is stated that about 22% of the Swedish national income is devoted to supporting her army and navy. It is contended that if the amount of supplies obtained through the blockade were reduced, Sweden would cease these activities and, accordingly, the enemy would obtain even greater benefits from Sweden. We contend that there are strong reasons for believing that Sweden would attempt to maintain her armed forces at any cost and that failure to receive supplies from us would necessitate a real reduction in her aid to the enemy.

2. It is claimed that Sweden is a source of useful information for us. The War Department says that this information is of little value.

3. The British get by air high-grade ball bearings, some machine tools, and some replacements of parts for Swedish machinery. Very little is coming now (only about three tons a month).

4. It is pointed out that a good many Swedish ships are engaged in trade which benefits the United Nations, thus affording some relief to the Allied shipping shortage. It is contended that the discontinuance of supplies to Sweden would prejudice our use of these vessels. Against this it is our view that regardless of our trade with Sweden, these vessels will necessarily continue to operate in our interests. Actually, if any real effort is made to control the activities of these vessels, we have a number of effective controls at our disposition.
5. It is argued that there are important political advantages in our maintaining the Swedish economy because this enables Sweden to take a stronger position against Germany. In fact, Sweden cannot be considered a free agent, unless it is believed that she voluntarily extends vast credits on current account to the Axis, voluntarily accepts Germany's prohibition of exports to the United States, voluntarily permits German troops to pass through her territory, and willingly violates her engagements under the War Trade Agreement. To strengthen the economy of a country so dominated by the enemy by allowing trade to pass through the enemy's blockade, is nothing less than to strengthen the enemy.
TRADE POLICY TOWARD SWEDEN

A REPORT AND RECOMMENDATIONS TO THE BOARD OF ECONOMIC WARFARE SUBMITTED BY THE STAFF OF THE BOARD AND APPROVED BY THE FOLLOWING REPRESENTATIVES FROM OTHER AGENCIES REPRESENTED ON THE SUB-COMMITTEE ON SWEDEN

November 5, 1942
TRADE POLICY TOWARD XXE SWEDEN

A Summary of the Essential Facts on Sweden's Relations with the Enemy and with the Area outside the Blockade
November 20, 1942
10:55 a.m.

FINANCING - WAR BONDS

Present: Mr. Bell
Mr. Buffington
Mr. Kuhn
Mr. Gamble
Mr. Odegard
Mr. Graves
Mr. Thomas

H.M.JR: Dan, I have five minutes. Is there anything you have in mind that I ought to say to this War Bond group and the Victory Fund people?

MR. BELL: I don't think so.

H.M.JR: Is there anything that you want to get over?

MR. BELL: I don't think so.

H.M.JR: Harold, what would you like me to say to this group upstairs?

MR. GRAVES: I don't know whether you want to go into the details of this thing or not, but we have had remarks or requests from our field people in response to the telegram notifying them about the F and G bond business for a security which can be sold by the War Savings organization to labor unions, clubs, societies, and others that - you see, there has been a substantial amount--

H.M.JR: Listen, I could not do that today, because Professor Bell would have to go into that thing at great length.
MR. BELL: I have heard of this and we have given it some consideration, but not enough to talk about it.

H.M.JR: I would not want to go into it today. What I would like to ask is this - somebody made the suggestion that we define the difference, that the War Bond people are supposed to sell to the masses out of their weekly earnings, and the Victory Fund people sell to the classes out of their savings.

MR. ODEGARD: I am glad you said it that way. (Laughter)

H.M.JR: How about it?

MR. BUFFINGTON: It is all right.

H.M.JR: You don't mind being referred to as the classes?

MR. BUFFINGTON: Not at all. Many of them are the same people.

H.M.JR: All right. Excuse me, Harold, but I just wanted--

MR. BELL: Who is this bunch you are talking to?

H.M.JR: This is Harold Graves' staff, plus some people that Buffington has brought in - twelve publicity men from the field.

MR. BUFFINGTON: I didn't know you were going to see those. I thought they were the two organizations. Harold said you didn't want to see the publicity, just my staff.

MR. GRAVES: I first suggested perhaps it would be all right for those people to come in; then I thought you would rather not have those publicity people present.

H.M.JR: You were shaking your head.

MR. THOMAS: I was just thinking.
H.M. JR: The idea is to go up there and tell them a little about this financing; a little bit about what I have been doing the last two and a half weeks; that we are all working for the Treasury; how I arrived at this; and that I am trying to do the best I can. Maybe I am wrong, maybe I am right, but I have to raise the money. In the meantime we are all working for the one end, and that is to raise the money.

Now, possibly somebody feels that something has been taken away from them that shouldn't have been. They may be right; I don't know; but I have taken lots and lots of time to think about it, and that is the best answer that I can give. If they didn't feel badly, it shows that their hearts weren't in their work. I expect them to feel badly. I mean, I will spell it out. I am full of it, and I will do the best I can.

Did you have something?

MR. ODEGARD: The only suggestion I had is one which, I am sure, you have in mind, from your statement, and this is the distinction between the functions.

H.M. JR: I am going to distinguish. I will say that we expect to use certain of the War Bond facilities for getting out the news, and so forth, and so on. We are not going to build duplicate organizations if we can help it; where one can help the other, I expect them to do it, just the way the Advertising Council advises us on the over-all, and we are trying to have them reach every one of the hundred and thirty million people.

To use an example, take the General Motors - they have a separate sales organization for every make of car, and the Chevrolet salesman would sell the Cadillac, or the Cadillac salesman would sell the Chevrolet. It is a different kind of a product. I mean, with more salesmen and two organizations I think we can sell more bonds than if we had one organization.
MR. ODEGARD: There is always a tendency on the part of the Packard car to put out a cheaper model for the masses.

H.M.JR: That is right, but let's say a lower-cost model for the mass production, and they get more for their money than in the higher-class market.

MR. ODEGARD: I think it might be important to point out that in the securities that are being offered they are in denominations which would probably not be available to the fifty million odd people.

MR. BELL: I didn't know we were going to talk financing; I thought we were through. (Laughter)

H.M.JR: I want that table with the balances at the top and the bottom - I think I have it. I expect to answer their questions. How about you?

MR. THOMAS: I don't know, Mr. Secretary. Of course I am an outsider here.

H.M.JR: No, you are not - excuse me, you are one of us now.

MR. THOMAS: I thought of some things last night. As a matter of fact, I jotted them down on an envelope just before I went to bed. I didn't know whether they have any bearing on this discussion or not.

It seems to me that deep underneath there may be some place in here - perhaps there is a question of a fundamental issue of a guaranteed versus a bearer bond. Maybe I am stepping into a puddle way over my head, but as an outsider it seems to me there is a fundamental issue there and it is perhaps a corollary to that question of what happens next March 15.

Then, of course, there is another element that is involved, whether this whole operation is solely for the
purpose of raising money or whether it is for the purpose of raising money and affecting the public attitude toward the war. The corollary of that is probably reflected in the cost of the sale to the Treasury Department.

I think a third point that may be involved is a question of whether you use, on the one hand, regular commercial organizations that are accustomed to selling bonds or whether you build up what you might term - it isn't volunteer because they are both that - or an amateur - I don't know the word to describe it, but the fundamental difference between the two groups. Perhaps some day there may be a question that comes out here of commission for the sale of this versus non-commission. That goes back again to your cost element.

A fourth point involved here, I think, is the competition between the two organizations. I don't think that should be minimized, and I don't think it should be overemphasized. I think it needs pretty definite clarification, delineation of markets, a full description of the difference between the classes versus the masses, and so on. I think it should be very well defined so that both organizations can feel a sense of security and a knowledge of where they are going and what they are doing, and that is primarily needed from a morale angle, in my opinion.

Also there is the effect on the customer, whether the customer is confused by these two organizations in their operations. I think that certain clarification should be made so that they would not be confused.

Those are the notes that I put down. I don't know the answers, but as an outsider I see the picture that way.

H.M.JR: That helps.

Ted?
MR. GAMBLE: Anything I have to say would be a repetition, I believe. I think our people are smart enough to understand you may have a field in the Cadillac market that you want covered by one organization and a Chevrolet field covered by another. But they are very much concerned with whether this Cadillac sales organization is going to try to get out a product to sell to the Chevrolet field and will be in their hair with it. I think their reaction is going to be, "How is this going to interfere with us;" and if it isn't going to interfere with them, I think you are going to find them pretty swell about the whole thing.

H.M.JR: After this, if it goes well, you people should think how can you get what I say over to your State administrators.

MR. GAMBLE: We will have no difficulty getting it over to them if you define that.

MR. KUHN: It all comes down to the question of marking out the specific fields, which is still needed. On that there is no doubt in your mind or in the minds of all of us who have been around here, but there is still some outside.

H.M.JR: Do you know why I am smiling? You have been associating with advertising and sales managers so long that you begin to look--

MR. KUHN: ... talk their lingo. (Laughter)

H.M.JR: I have got to look out or Ferdie is going to start using high pressure around here. From the editorial board of the New York Times to sales manager is quite an up - or down, whichever way you want to look at it. Anyway, it sounds good; I am all for you. Incidentally, I want to say on the record in front of Ferdie that he has done a swell job for me in keeping everybody informed, being moderator, entrepreneur, and so on.

MR. KUHN: I appreciate that. You are very kind.

H.M.JR: All right.
MEETING OF THE WAR SAVINGS AND VICTORY FUND COMMITTEE STAFFS

November 20, 1942 - 11:15 a.m.
Held in Room 394

MR. GRAVES: We have the pleasure and the honor to have the Secretary with us this morning. As you all know, a very important financing is being undertaken by the Treasury. It is a program of great importance and some difficulty. There are problems involved of organization, problems of relationship between the War Savings Staff and the Victory Fund Committee.

It seemed best to the Secretary that he, himself, should explain the policy of the Treasury with respect to this financing and with respect to subsequent, similar operations. He is with us for that purpose.

Mr. Secretary.

H.M.JR: I asked Mr. Graves if he would get me together with the Victory Fund people, as well as the War Savings people. I thought there were going to be more people. I guess these are just the heads.

MR. GRAVES: That is right.

H.M.JR: Ever since I came back from England two and a half weeks ago, I devoted all of my time to this question of raising - how we should go about raising sufficient funds for the November, December, and January needs of the Government. For over a period of a good many months there have been suggestions made that we should put on a drive to get the money that we need
from sources other than we were getting it through war bonds. Mr. Bell and I resisted that for some time. We were not sure whether it was the right way to do it or not. We had the example in Canada where they have done that very successfully, but using somewhat different methods than we have here.

But after very careful study - this has gone back over months - we came to the conclusion that instead of trying to raise the bulk of the money from the Treasury each month we would try to do it either bi-monthly or quarterly.

Now, to go back a little bit on the history, some of you were with me when we started selling our first savings bonds six or seven years ago.

MR. BELL: In 1935.

H.M.JR: The original conception on that was that there were too few people in the United States at that time that had any interest in the Federal Government. There were too many people on WPA and other Government projects who were receiving their livelihood through the Government, and the whole pressure was for spending money, and very few people were interested in the country. We felt at that time that if we could get five million people who would be stockholders in the United States Government that we would be building up a class in this country who would have a real interest in expenditures.

So we started out back in 1935 to do just that sort of thing, and did it with a certain amount of success. Then the time came along when it began to look as though we were going to have a war; and as you people know, there was a large group in this country who did not want to see us get in the war and who were not particularly interested in fighting Nazism and Fascism. I felt at that time there was no agency in the Government who was doing propaganda work, and the best medium to reach the
people would be through selling war bonds. In originally setting up this organization, I said that if sixty-six and two-thirds of the effort went on propaganda and one-third came in in cash, I would feel that the job was well done. I asked Mr. Graves to head this thing up for me, which he did, reluctantly, and we started to use regular Treasury personnel in each of the States. I particularly wanted Mr. Graves, because he knew the thing so well in the field.

Then gradually I brought people down like Professor Odegard, who knew mass psychology, and Mr. Graves brought in Mr. Gamble, and we gradually built up this organization. But the whole thing was directed toward building morale, to get the people interested in what this country is facing. I think War Bonds have broken the ground right straight along on radio, moving pictures, newspapers, and magazines in their efforts to bring to this country what this whole fight is about. I think they have done a grand job. I think they have contributed as much or more than any other organization of the Government.

That particular phase, in a sense, is passing, because there are at least ten other organizations - I don’t know how many - who are doing things along the same line. I don’t think they are all doing it as well, but at least we are no longer unique in the field. I have that to consider, and I have always got the fact to consider that the amount of money that the Treasury needs is way and above anything that Mr. Bell or I thought it would be, and the question is, how to raise the money.

Up to six months ago I used to know almost everything that went on in War Bonds.

MR. GRAVES: That is right.

H.M.JR: Then I told Mr. Graves that from then on I just could not watch the details; that he was doing a
good job, and to go ahead. Is that right?

MR. GRAVES: That is right.

H.M.JR: So lots of times I would pick up the papers and find that Ferdie Kuhn or Odegard, or somebody had written a letter and I would see my picture. I learned about it afterwards; it was very pleasant. It was nice, you know, to read about what you said. (Laughter) I was quite excited. I was sort of getting acquainted with Morgenthau through the press. (Laughter)

The job is here, and in this business we cannot do the way they do in some other agencies, sit around and argue for six months about have we enough rubber or haven't we, or do we have to ration gasoline or don't we.

Mr. Bell publishes, every night, a balance sheet; and so we know every night how much we have got in the Treasury, and we just cannot fail.

Furthermore, contrary to general belief, I do not think I bother the President - certainly not more than once a month, and when I do, the conversation is always limited to a minute or two, because he has always got something to tell me which he is more interested in. He does not like to talk about raising money, and he does not like to talk about taxes. (Laughter)

So the point is that this is one burden that he does not have to worry about, and that is the way I want to keep it. He has got plenty to worry about and he should be free to work with the Chiefs of Staffs and the other heads of the Governments of the United Nations, to plan this war.

Now, another phase that we have gone through, as far as I am concerned, in my own mind, has crystallized,
due to my trip to England. We are on the up-grade as far as victory is concerned. The worst stage is behind us, and we turned the corner sometime in October. I am just as confident of it as I have been of anything in my life, that we are going to win this war, and win it quicker than I had any idea that we would.

I was given an opportunity to see things in England - secret map rooms and war rooms, and so forth and so on. So I had an opportunity to make up my mind. We are entering a new phase, and that phase is on the up-grade towards the day of victory.

Now, the War Bond people have been organized by States to reach - for want of a better name - the masses. The thing that we have been trying to do and are doing with increasing success each month, is to get the man and woman who is working for a livelihood, to deduct so much each week from his pay roll on the volunteer basis, and I think it is magnificent that you have reached the twenty-three million figure with eight percent deduction, but a lot of people do not agree with us.

We have constantly had people who, for one reason or another - some selfish, some not - want to see the Treasury collect the money in another manner. Compulsory savings, forced savings, sales taxes - anything but income taxes - but you people in War Bonds, as I say, have been built up step by step, stone by stone, to reach the masses; that is, the working man and woman.

At an early date we decided that we would not build this organization the way it was done during the last war. The Liberty Loan was done entirely through the banks and through using the banks. I did not feel they had the right social attitude on this. They certainly would not sit down with the Labor Union people the way we have, to make sure that when we go through a factory, we go through the laborer's own organization and not through the front door and have the boss tell them how much to buy.
We made a very careful study of all the things that were done in the Liberty Loan and we wanted to try to avoid the same mistakes that they had made.

In World War I, the thing was designed entirely differently, and they did no job during the World War at all comparable to what you people are doing here. As far as I can tell, nothing has been done in either England or Canada equal to it.

I want you people to keep on. I want you to keep on just as long as the Congress of the United States and the President will let us. I cannot give you any guarantee how long the Congress will let us continue. We will do all we can up to the point that they will let us do it. I cannot guarantee - you people can read the papers just as well as I can, and see the pressures from all directions. If they do put through some of these various forms - spendings tax, compulsory savings, forced savings, any one of these half a dozen things - what the effect would be on the pay-roll deduction - the volunteer plan, I do not know. I do not think anybody knows.

All I can ask you to do is to keep on working just as hard as you have in the past, doing exactly the same thing.

On the question of the Victory Fund Committee and what we expect them to do, they are an entirely different kind of people. (Laughter) I have picked them from different walks of life, with different background and a different training.

I do not expect them to sell to the working man or the working woman. I do not expect them to work with the Unions. I do expect them to go after the people who have more or less saved considerable sums of money.

Again, for a better term - they do not like it, but I cannot define it any better - I expect them to work with the classes, asking them to invest their
accumulated savings in our Treasury securities. That is as against what you people are doing who are going to working men and asking them to lend the Government money out of current earnings.

We cannot use the same kind of publicity for the Victory Fund. I do not think that Hedy Lamarr or Marlene Dietrich - although they might - could get a man to invest a million dollars. I don't know. (Laughter) But we might expose some of the bankers to Hedy Lamarr and Marlene Dietrich and see what happens. (Laughter) Mr. Buffington does not want that kind of thing. He does not think that that is what is called for.

In taking the F and G away from War Bonds and giving them to the Victory Fund, I only did it after very, very careful consideration. I think I made a wise decision. I do not expect you to agree with me; if you do, you ought not to be working for War Bonds. I mean, if you were happy over what I did, then it would show that you did not have the loyalty or the enthusiasm for War Bonds that you should. I would expect you to, up to the point that the decision was made; and then you men and women should realize that you are all working for the Treasury. You should all put your shoulders to the wheel. I made the decision for the better or worse. The decision is mine; the responsibility is mine. When there is a criticism, I get it, and take it. So the decision has been made, and it was made only after very, very careful consideration. It is water over the dam.

We do not expect to push the F and G Bonds very heavily because it is bad finance to have too many securities out that people can present at any time to be cashed. We have had that in mind for quite a considerable time. Some of our economic advisers, like Walter Stewart and Jacob Viner, have cautioned me for over two years not to have too many securities that can be presented at the counter at any time. I do not think the Victory Fund Committee expects to press them greatly.
From our standpoint, to be able to sell a two and a half percent bond, '63 or '68, is much more advantageous from our standpoint than it is to sell a twelve-year bond paying two and a half percent.

Is that right?

MR. BELL: That is right.

H.M. JR: On the two and a half percent bond we are not going to print any denomination smaller than five hundred dollars. That is an evidence of our good faith, that we do not expect to go into the man of moderate means in this program. You will just have to have that much confidence in me; for the time being, I have to be general manager of both groups and watch both of them, and make sure that the ideas that I have, as to how to raise the money, are carried out.

I do not expect the Victory Fund Committee to be approaching the same class of people that you approach. The responsibility is mine. Again, I am human, but I want you to know that I have - there are a hundred and thirty million people. We said we expect everybody to buy at least a ten-cent stamp, and we have been criticized that we have not begun to reach the hundred and thirty million people.

Therefore, I had to build another sales organization that will reach the more - I do not know whether it is any more difficult, but at least the people who have larger sums of money; and that is what the Victory Fund Committee is designed for.

They also are a volunteer organization; they have paid managers, who work under the twelve presidents of the Federal Reserve Banks. Again, the F and G situation had conflicts in it, and I just had to cut the knot.

Now, I hope in the not too distant future that I will be able to find somebody who can ride herd on both
of these organizations for me, because it takes too much of my time. It is too time-absorbing to give, as I have the last two and a half weeks, practically all of my time. As a result, I have not signed a letter since Monday - that is a slight exaggeration, but that is practically so.

That is the idea. I know that some of you fellows felt badly. I am glad you did. I would have been disappointed if you had not felt badly. If Peter Odegard had gone around smiling about the F and G decision, I would have been terribly disappointed. He didn't, but he is smiling now. The decision has been made, and he thinks I am wrong. I think I am right. But the decision has been made, and he is going to carry on, and that typifies what I hope everybody else will do.

Is that right, Peter?

MR. ODEGARD: That is right.

H.M.JR: I am here. I do not have a chance to meet you often the way I used to. We used to meet in our office. There are a lot of faces here I do not know.

If you have any questions on the Treasury financing, ask me. If I do not know the answer, the people around the room do. So if there is anything that is bothering you on your own job or the whole picture, you ask me and I will answer you.

MR. ANDERSON: Mr. Morgenthau, I am Mr. Anderson of the Educational Section. There are a number of institutions, such as alumnae organizations and professional organizations in education, who have established life memberships in their organizations, payable in F and G bonds. This does not cut that out?

H.M.JR: Oh, no, they can continue.

MR. BELL: No, it does not interfere with that at all.
MISS ELLIOTT: There is one thing not clear in my mind, Mr. Secretary, and that is that in all of our material that we have sent out to the women, encouraging them to sell F and G bonds, you see, they have worked on those as well as on the others. That will all have to be changed, now, because they won't be expected to encourage people, or to discuss F and G Bonds at all, will they?

H.M.JR: Well, after the first of December - I mean, I would not change your rules and regulations other than - after all, they are all working for the Treasury Department. I do not expect them to push F and G's after the first of December, but if they should happen to make a new sale, God bless them. It just all comes in to Mr. Bell. (Laughter)

MISS ELLIOTT: But they are going to be writing in. The word has gone out - this idea that the F and G Bonds are abolished; so we will be compelled to make some kind of more definite statement to them so they will understand the situation.

H.M.JR: If a woman working under you asks, "Am I expected to sell F and G Bonds after December 1?" the answer is no.

MR. ODEGARD: Just to clarify it, Mr. Secretary, is that the whole story? That is, suppose the situation is the case of a woman's club with which Miss Elliott's organization is in rather close contact; if they should inquire about the investment of their funds in F and G's, there is no reason, is there, why Miss Elliott should not say, "Sure, invest in F and G's." The difference is that she should not promote that sort of thing.

H.M.JR: Let me just illustrate. After all, I consider Miss Elliott is working for the Treasury. I suppose she does the same. When we had the problem of getting new employees for Internal Revenue, I asked Miss Elliott's help; and if somebody writes in from a
college to the Treasury and wants some help, I ask Miss Elliott to take care of it, but it has nothing to do with War Bonds. So everybody should remember they are working for the Treasury; that the F and G's are on the counter and they are still for sale; and everybody in this room is working for the United States Government. They are not in separate pockets, but we had to draw the line somewhere, and I drew the line at the first of December.

If that isn't entirely clear, Peter, to you or to Miss Elliott, I will do it once more.

MR. ODEGARD: I think it is clear. The problem has come up to us in a number of ways, because of the fact that we were prepared, as you know, to promote the F and G Bonds. We worked for several months to get the State Department, OWI, and Joe Davies to agree to a type of promotion among the foreign origin group to invest in F and G's. I was called by people having this in charge. Mr. Davies said, "That is a good thing." He gave all his help, and so on, to it. But the jurisdiction is no longer with us, and I have notified Mr. Hitchcock and our people that so far as they are concerned, they are to stop that operation.

H.M.JR: Are you familiar with the letter I wrote to George Harrison of Mutual?

MR. ODEGARD: No.

H.M.JR: Well, you (Graves) will have to help me out. As I understand it, these insurance agents have agreed to go out and sell F and G's.

MR. GRAVES: That is right.

H.M.JR: And so somebody wrote a letter for me to sign - Ted Gamble wrote a letter for me to sign, to this same group - "Thank you so much, but would you just as leave direct your energy under the Victory Fund Committee
on F and G's instead of doing it under War Bonds."
So I would say that that letter would be more or less
of a pattern, wouldn't it, Ted?

MR. GAMBLE: Yes, sir.

H.M.JR: That letter which I wrote to the insurance
salesmen.

MR. HOUGHTELING: This foreign origin group cam-
ampaign that Mr. Odegard was speaking about was primarily
to get individuals to buy E Bonds, but as a sort of a
patriotic come-along, they wanted to build up funds
for the rehabilitation of their ancestral countries
and put them into the hands of the branch organizations
in the form of F and G Bonds. I am interested in their
selling the E Bonds to the individuals, and this other
thing is a by-product. But I think it would be too bad
to discontinue it.

H.M.JR: Each one of those things can be settled.
The question of who the insurance salesman should work
for was settled between Gamble and Buffington, wasn't
it?

MR. BUFFINGTON: That is right.

H.M.JR: And they prepared a letter, jointly, for
me to sign, and that was clarified. Now there are some
other things - whether it is foreign groups, the women's
clubs, or similar things - we can sit down, and the
people involved can fix up a letter, and I will be glad
to sign it. The major thing is, we are all working for
the Treasury, and we have got to raise these huge sums
of money, and we want to do it as well as we know how.
We expect to use the War Bond facilities. If, for
instance, Mr. Thomas and the Advertising Council develop
an advertising plan for the Victory Fund Committee, it
is a question of getting it out to the newspapers and
the radio. I do not expect to go to separate organiza-
tions to do that; I expect to use Callahan and his
people to do that. We are not going to duplicate. If one has a special facility which is doing a good job, like Callahan is, we are going to use him, and certainly Buffington, if they have any groups, say the foreign group or something like that, he would clear through you (Houghteling). I mean, to give you some idea - Buffington, I think, has four or five rooms and four or five people; that is his whole organization. Now, if he expects to do anything, he is not going to build a new organization. You people under Graves, who have a smooth-running organization - they will use it. If it throws too much on you, we will just add a few more people and let the Federal Reserve pay for it. (Laughter) All of these things look difficult if a person does not want to do it, but if you once make up your mind - the decision has been made, and I am sitting at the top, doing the best that I can within the limits of my ability, trying to be fair to everybody, and still, at the same time, get the money.

Well, all right, the decision has been made. It happens to me every day, across the street. The decision is made; that is what the President wants; he is the Commander in Chief. All right, that is what he wants; I think he is wrong, but that is his decision. Something like that just happened to me this morning between the State Department and myself. I know the State Department is wrong. (Laughter) But the President has decided against me, so the fight is over. So that is that.

MR. BELL: Mr. Secretary, in an attempt to answer Miss Elliott's question a little more specifically, would you see any objection to the War Savings Staff operating on F and G's somewhat along the lines that the Victory Fund Committee did previously? In their attempt to sell Series E Bonds in their promotion and making talks before clubs, if they find some one in their vicinity or in their group that wants to buy F and G Savings Bonds, what is the objection to them taking the order? The other group has taken orders for E, F, and G Savings Bonds right along, without pushing them and there has been no conflict on this.
H.M.JR: Well now, listen, Dan--

MR. BELL: I am asking a question.

H.M.JR: The answer for the next week or two or three, is no. Even Ted Gamble, behind you, agrees.

MR. GAMBLE: That is right; there was considerable conflict.

H.M.JR: But for the time being - I have had my heartache over this, and I don't - do you agree with me?

MR. GAMBLE: Yes, I do - wholeheartedly.

H.M.JR: I think the answer is no.

MR. CALLAHAN: Are you planning to fight compulsory savings?

H.M.JR: I cannot answer that. You heard me at my press conference.

MR. CALLAHAN: Yes, sir. These people haven't heard you answer it.

H.M.JR: I do not know. We have got four or five plans. I said yesterday - you were there - that we are re-studying the whole thing, and I do not know. We are going right through the thing all over again, and I think I said yesterday that I did not know what the answer is, now.

MR. GAMBLE: Mr. Secretary, may I ask that question a little differently? If we arrive at this thirty million people the first of January at ten percent, would you say that our chances of holding this voluntary savings program are pretty good?

H.M.JR: I will answer it differently. I will say that your chances of holding it will be increased by whatever the ratio from twenty-three to thirty is. It will be increased by that much. The better you do, the
better the chances you have, because if you people can demonstrate that you are going to get five or six billion dollars out of pay-roll savings, some other plan that Congress suggests, or anybody else suggests, has got to be at least as good as that; and in my own office, when we were considering it, I said that any plan to get through forced or compulsory savings, I said right away, ought to bring in more money than the volunteer plan, because otherwise it is no good, because the volunteer plan has so many democratic principles that go with it that you cannot measure in dollars, which I believe in.

MR. GAMBLE: You would fight for that, wouldn't you?

H.M.JR: I do not want to make any commitments. I mean, the whole thing is being studied from top to bottom again, and I do not want to say anything here, today, other than the better that you do, the better argument I have to present - why it should be left on a volunteer basis. Does that satisfy you?

MR. GAMBLE: Yes.

H.M.JR: For the moment?

MR. GAMBLE: For the moment.

MISS ELLIOTT: Mr. Secretary, is there any available statement about the way they work this compulsory savings plan? The only things I have ever seen are general statements - not giving any idea about how they would put it into operation, or how much they would expect. Is there a simplified statement?

H.M.JR: I do not think so.

MR. ODEGARD: May I suggest that Miss Elliott would probably be better off not seeing it. (Laughter)
H.M. JR: From one educator to another, "ignorance is bliss." (Laughter)

MISS ELLIOTT: I think I understand. (Laughter)

H.M. JR: These college professors - in other words, "a little knowledge is a dangerous thing."

MR. HOUGHTELING: One thing more that I am not quite clear about. We have developed a very big drive in the Masonic Orders to sell E Bonds. The Shriners, and so forth, have gotten out a lot of literature about E Bonds for their members, and F and G Bonds for the groups. That is all out, and they want to know whether they ought to stop it. Now, they are doing it themselves - the Treasury is benefitting by it - I don't care how it is handled.

H.M. JR: On E Bonds - is it E Bonds?

MR. HOUGHTELING: E Bonds for the members and F and G Bonds for the various Lodges.

H.M. JR: Well, the same thing is true, only for the time being - that for the time being you would have to get out - I would either leave it alone, or get out some letter and simply say that if they want to subscribe to F and G Bonds, to do it through the Federal Reserve Bank. But if somebody does not raise the question, I would leave it alone. Is that all right with you?

MR. BUFFINGTON: Fine. I think if we had ten minutes with Lawrence we could straighten that out.

MR. HOUGHTELING: I am perfectly willing to do it with you.

H.M. JR: I mean, unless somebody raises the question - a thing like that, I wouldn't go looking for trouble.

MR. HOUGHTELING: That was my policy.
H.M.JR: Dan, do you want to say something?

MR. BELL: May I tell a story?

H.M.JR: Sure.

MR. BELL: The Secretary referring to the shift in responsibility on financing and taxes - some of it down to Harold Graves - reminds me of a story I read the other day. A high-priced, one-dollar-a-year man was asked to come to Washington and take one of the executive positions in a fast-growing organization here, and he was only on the job a few days until he had arranged his work in such fashion that he could come in at nine-thirty and leave at four-thirty. There was an envious gentleman over in the corner, and he wondered how he did it; so one day he got up nerve enough to ask him.

He replied, "I will tell you. When I came in here this thing was just so vast that I could not comprehend what was trying to be done. I came to the conclusion that there must be a Commander Smith in this organization; so I just said, 'Refer everything to Commander Smith.'"

The other gentleman said, "Well, that certainly is a nice arrangement, but I happen to be Commander Smith."

(Laughter)

I think, unfortunately, the Secretary cannot shift his responsibility. He cannot have Commander Smiths around every place to take all of this huge job off of his shoulders. He has got to assume the responsibility of raising an average of about six billion dollars a month to finance this war effort, and we need everybody's help.

I think, with the seven and a half years' background and experience of the War Savings Staff, that they can be of tremendous help, not only in the sale of Series E Bonds, but in the sale of every other kind of Government security, because it is experience that we need here, now, and it is going to be of great help to us. That is the way I would like the organization to feel.
H.M. JR: Harold, you close the meeting, will you?

MR. GRAVES: If there are any other questions anyone would like to ask, now is perhaps the last opportunity we will have for some time.

I would like you people in the War Savings to stay behind for a few minutes, if you don't mind, and we will go ahead with our regular weekly conference.
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WAR BONDS MEETING
November 20, 1942

SECRETARY MORGENTHAU: Ever since I came back from England two and a half weeks ago, I devoted all of my time to this question of raising – how we should go about raising sufficient funds for the November, December, and January needs of the Government. For over a period of a good many months there have been suggestions made that we should put on a drive to get the money that we need from sources other than we were getting it through war bonds. Mr. Bell and I resisted that for some time. We were not sure whether it was the right way to do it or not. We had the example in Canada, where they have done that very successfully, but using somewhat different methods than we have here.

But after very careful study – this has gone back over months – we came to the conclusion that instead of trying to raise the bulk of the money from the Treasury each month we would try to do it either bi-monthly or quarterly.
Now, to go back a little bit on the history, some of you were with me when we started selling our first savings bonds six or seven years ago, and the original conception on that was that there were too few people in the United States at that time that had any interest in the Federal Government. There were too many people on WPA and other Government projects who were receiving their livelihood through the Government, and the whole pressure was for spending money, and very few people were interested in the country. We felt at that time that if we could get five million people who would be stockholders in the United States Government that we would be building up a class in this country known in France as a class, who would have a real interest in expenditures.

So we started out back in 1935 to do just that sort of thing, and did it with a certain amount of success. Then the time came along when it began to look as though we were going to have a war; and as you people know, there is a large group in this country who did not want to see us get in the war and who were not particularly interested in fighting Nazism and Fascism. I felt at
that time there was no agency in the Government who was
doing propaganda work, and the best medium to reach the
people would be through selling war bonds. In originally
setting up this organization, I said that if sixty-six
and two-thirds of the effort went on propaganda
and one-third came in in cash, I would feel that the
job was well done. I asked Mr. Graves to head this
thing up for me, which he did reluctantly, and we
started to use regular Treasury personnel in each of
the States. I particularly wanted Mr. Graves, because
he knew the thing so well in the field.

Then gradually I brought people down like Professor
Odegard, who knew mass psychology, and Mr. Graves brought
in Mr. Gamble, and we gradually built up this organization.
But the whole thing was directed toward building morale,
to get the people interested in what this country is
facing. I think war bonds have broken the ground right
straight along on radio, moving pictures, newspapers,
and magazines in their efforts to bring to this country
what this whole fight is about. I think they have done
as a grand job. I think they have contributed much or more
than any other organization of the Government.
That particular phase, in a sense, is passing, because there are at least ten other organizations - I don't know how many - who are doing things along the same line. I don't think they are all doing it as well, but at least we are no longer unique in the field. I have that to consider, and I have always got the fact to consider that the amount of money that the Treasury needs is way and above anything that Mr. Bell or I thought it would be, and the question is, how to raise the money.
Up to six months ago I used to know almost everything that went on in War Bonds. Then I told Mr. Graves that from then on I just could not watch the details; that he was doing a good job and to go ahead. So lots of times I would pick up the papers and find that Ferdie Kuhn or Odegard, or somebody, had written a letter and I would see my picture. I learned about it afterwards; it is very pleasant. It was nice, you know, to read about what you said. (Laughter) I was quite excited. I was sort of getting acquainted with Morgenthau through the press. (Laughter)

The job is here, and in this business we cannot do the way they do in some other agencies, - sit around and argue for six months about have we enough rubber or haven't we, or do we have to ration gasoline or don't we.

Mr. Bell publishes, every night, a balance sheet and so we know every night how much I have got in the Treasury, and we just cannot fail.

Furthermore, contrary to general belief - I do not think I bother the President, certainly not more than once a month, and when I do the conversation is always limited to a minute or two, because he has always got
something to tell me which he is more interested in. He does not like to talk about raising money, and he does not like to talk about taxes. (Laughter) He has had twenty-five thousand dollars in the Hyde Park church for four years and I have not even been able to get one dollar of it. He says I paid too little interest. So the point is that this is one burden that he does not have to worry about, and that is the way I want to keep it. He has got plenty to worry about and he should be free to work with the Chiefs of Staffs and the other heads of the Governments of the United Nations, to plan this war.

Now, another phase that we have gone through, as far as I am concerned, in my own mind, is crystallized, due to my trip to England. We are on the up-grade as far as victory is concerned. The worst stage is behind us, and we turned the corner sometime in October. I am just as confident of it as I have been of anything in my life, that we are going to win this war, and win it quicker than I had any idea that we would.

I was given an opportunity to see things in England -
secret map rooms and war rooms, and so forth and so on. So I had an opportunity to make up my mind.

We are entering a new phase, and that phase is on the up-grade towards the day of victory.

Now, the War Bond people have been organized by States to reach - for want of a better name - the masses. The thing that we have been trying to do, and are doing with increasing success each month, is to get the man and woman who is working for a livelihood, to deduct so much each week from his pay roll on the volunteer basis; and I think it is magnificent that you have reached the twenty-three million figure with eight percent deduction. But a lot of people do not agree with us.

We have constantly had people who, for one reason or another - some selfish, some not - want to see the Treasury collect the money in another manner: Compulsory savings, forced savings, sales taxes - anything but income taxes - but you people in War Bonds, as I say, have been built up step by step, stone by stone, to reach the masses; that is, the working man and woman.
At an early date we decided that we would not build this organization the way it was done during the last war. The Liberty Loan was done entirely through the banks and through using the banks. I did not feel they had the right social attitude on this. They certainly would not sit down with the Labor Union people the way we have to make sure that when we go through a factory we go through the laborer's own organization and not through the front door and have the boss tell them how much to buy.

We made a very careful study of all the things that were done in the Liberty Loan and we wanted to try to avoid the same mistakes that they had made.

In World War I, the thing was designed entirely differently, and they did no job during the World War at all comparable to what you people are doing here.

As far as I can tell, nothing has been done in either England or Canada equal to it.

I want you people to keep on. I want you to keep on just as long as the Congress of the United States and the President will let us. I cannot give you
any guarantee how long the Congress will let us continue. We will do all we can up to the point that they will let us do it. I cannot guarantee - you people can read the papers just as well as I can, and see the pressures from all directions. If they do put through some of these various forms - spendings tax, compulsory savings, forced savings, any one of these half a dozen things - what the effect would be on payroll deduction - the volunteer plan, I don't know. I do not think anybody knows.

All I can ask you to do is to keep on working just as hard as you have in the past, doing exactly the same thing.
On the question of the Victory Fund Committee and what we expect them to do, they are an entirely different kind of people. (Laughter) I have picked them from different walks of life, with different background and a different training.

I do not expect them to sell to the working man or the working woman. I do not expect them to work with the unions. I do expect them to go after the people who have more or less saved considerable sums of money.

Again, for a better term — they do not like it, but I cannot define it any better — I expect them to work with the classes, asking them to invest their accumulated savings in our Treasury securities. That is as against what you people are doing who are going to working men and asking them to lend the Government money out of current earnings.

We cannot use the same kind of publicity for the Victory Fund. I do not think that Hedy
Lamarr or Marlene Dietrich — although they might — could get a man to invest a million dollars. I don't know. (Laughter) But we might expose some of the bankers to Hedy Lamarr and Marlene Dietrich and see what happens. (Laughter) Mr. Buffington does not want that kind of thing. He does not think that that is what is called for.

In taking the F ad G away from War Bonds and giving them to the Victory Fund, I only did it after very, very careful consideration. I think I made a wise decision. I do not expect you to agree with me; if you do, you ought not to be working for War Bonds. I mean if you were happy over what I did, then it would show that you did not have the loyalty or the enthusiasm for War Bonds that you should. I would expect you to up to the point that the decision was made; and then you men and women should realize that you are all working for the Treasury. You should all put your shoulders to the wheel. I made the decision for the better or worse. The decision is mine;
the responsibility is mine. When there is a criticism I get it, and take it. So the decision has been made, and it was made only after very, very careful consideration. It is water over the dam.

We don't expect to push the F and G Bonds very heavily because it is bad finance to have too many securities out that people can present at any time to be cashed. We have had that in mind for quite a considerable time. Some of our economic advisers, like Walter Stewart and Jacob Viner, have cautioned me for over two years not to have too many securities that can be presented at the counter at any time. I do not think the Victory Fund Committee expects to press them greatly.

From our standpoint, to be able to sell a two and a half percent bond, '63 or '68, is much more advantageous from our standpoint than it is to sell a twelve-year bond paying two and a half percent. On the two and a half percent bond we
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are not going to print any denomination smaller than five hundred dollars. That is an evidence of our good faith, that we do not expect to go into the man of moderate means in this program. You will just have to have that much confidence in me; for the time being I have to be general manager of both groups and watch both of them, and make sure that the ideas that I have as to how to raise the money are carried out.

I do not expect the Victory Fund Committee to be approaching the same class of people that you approach. The responsibility is mine. Again, I am human, but I want you to know that I have there are a hundred and thirty million people. We said we expect everybody to buy at least a ten-cent stamp, and we have been criticized that we have not begun to reach the hundred and thirty million people.

Therefore, I had to build another sales organization that will reach the more - I do not know whether it is any more difficult, but at
least the people who have larger sums of money; and that is what the Victory Fund Committee is designed for.

They also are a volunteer organization; they have paid managers, who work under the twelve presidents of the Federal Reserve Banks. Again, the F and G situation had conflicts in it, and I just had to cut the knot.

Now, I hope in the not too distant future that I will be able to find somebody who can ride herd on both of these organizations for me, because it takes too much of my time. It is too time-absorbing to give, as I have the last two and a half weeks, practically all of my time. As a result I have not signed a letter since Monday - that is a slight exaggeration, but that is practically so.

That is the idea. I know that some of you fellows felt badly. I am glad you did. I would have been disappointed if you had not felt badly. If Peter Odegard had gone around smiling about
the F and G decision I would have been terribly disappointed. He didn't, but he is smiling now. The decision has been made, and he thinks I am wrong. I think I am right. But the decision has been made, and he is going to carry on, and that typifies what I hope everybody else will do.

I am here. I do not have a chance to meet you often the way I used to. We used to meet in our office. There are a lot of faces here I do not know.

If you have any questions on Treasury financing, ask me. If I do not know the answer, the people around the room do. So if there is anything that is bothering you on your own job or the whole picture, you ask me and I will answer you.
November 20, 1942
12:03 p.m.

HMJr: Hello.
Operator: Mrs. Reid is expected within the hour.
HMJr: Oh.
Operator: Her secretary is on the wire.
HMJr: Well, let me talk to her secretary.
Operator: All right. Go ahead.
HMJr: Hello.
Mrs. Jessie Knoss: Hello. Yes, Mr. Morgenthau.
HMJr: Look, last Friday I wrote Mrs. Reid a letter about George Wanders.
K:
HMJr: I know she's been busy with this forum, but....
K: Mrs. Reid sent you an - an answer on that. Didn't you get it?
HMJr: No.
K: We sent it special delivery Tuesday night....
HMJr: Never....
K: ....Wednesday night.
HMJr: Never got it.
K: Wednesday night - you - would you like me to read it to you?
HMJr: I wish you would.
K: Just a moment.
Hello, Mr. Morgenthau. It reads: "Dear Mr. Secretary: Your letter came on Saturday at a moment when I had gone into seclusion for working on the final problems of the Herald-Tribune Forum, and I had to postpone writing you until there was an opportunity to talk with our managing editor. Our editorial staff has already been so heavily cut, with many of our most able men being taken by the draft that it is extremely difficult to spare Mr. Wanders. We do, however, want to cooperate in any way we can with your great emergency, and we shall try to make the arrangements necessary to let you have Mr. Wanders until the end of December. If by chance you find you can let him come back the last week in December, we shall be most grateful. Our managing editor will talk with Mr. Wanders, and the latter will then get in touch with you. With many apologies for this unavoidably delayed reply, I am - Sincerely yours." That went out on the eighteenth.

Yeah. Well, the mail....

It went special delivery addressed to you at the Treasury.

Well, the mail here is terrible.

Yes, so I've heard. We - we've had a lot of trouble about it.

It's awful.

But they are letting you have him. (Laughs)

Oh, well, that....

Mr. Wanders is - Mr. Cornish is in Washington today.

Yeah - Cornish?

Our managing editor.
HMJr: Well....
K: He's going to talk to Wanders and have Wanders get in touch with you.
HMJr: Well, do you think he could report here Monday morning?
K: Well, I should think so.
HMJr: Well, would - would you try to arrange that?
K: You want him to report Monday morning.
HMJr: Yes.
K: All right. I'll tell Mrs. Reid.
HMJr: And - and you might - if you wouldn't mind sending me a telegram on that.
K: No, I won't. I'll do that.
HMJr: And maybe a telegram will come through.
K: (Laughs) All right, Mr. Secretary.
HMJr: Thank - thank you and thank Mrs. Reid for me.
K: Goodbye.
W11 25

TU NEW YORK NOV 20 200P

THE HON HENRY MORGENTHAU, JR

THE TREASURY DEPARTMENT WASHN DC

DREADFULLY SORRY ABOUT DELAYED LETTER. HOPE IT WILL REACH YOU EVENTUALLY BUT MEANWHILE EVERYTHING IS ARRANGED WITH MR WANDERS TO REPORT TO YOU MONDAY MORNING.

HELEN REID

227P
Dear Mr. Secretary:

Your letter came on Saturday at a moment when I had gone into seclusion for working on the final problems of the Herald Tribune Forum and I had to postpone writing you until there was an opportunity to talk with our managing editor.

Our editorial staff has already been so heavily cut, with many of our most able men being taken by the draft, that it is extremely difficult to spare Mr. Wanders. We do, however, want to cooperate in any way we can with your great emergency and we shall try to make the arrangements necessary to let you have Mr. Wanders until the end of December. If by chance you find you can let him come back the last week in December we shall be most grateful. Our managing editor will talk with Mr. Wanders and the latter will then get in touch with you.

With many apologies for this unavoidably delayed reply, I am

Sincerely yours,

John Roger Reid

The Hon. Henry Morgenthau Jr.
November 20, 1942
12:12 p.m.

Harry White: Hello.
HMJr: Harry, I feel terrible that you had to send for that letter back from the White House again. How in heaven's name did they leave that last sentence off?
W: Well, in one of the copies it got off, and....
HMJr: Well, it - it....
W: ...in reading it over I didn't notice it, and....
HMJr: Well....
W: ....it went out....
HMJr: ....it's just - it's most unfortunate. I mean they're always so suspicious when you pull something back.
W: Yeah.
HMJr: And she said to get it over there before noon, you know, and everything.
W: Yeah. There's nothing I can do....
HMJr: Well - well....
W: ....about it. It's just one of those errors.
HMJr: Well....
W: We - it - the thing was the earlier drafts were read very carefully, and then when they were copied - yeah, they didn't - and it was a whole....
HMJr: Well, I wish....
W: ....a whole line....
HMJr: Miss Chauncey had done it herself.

W: Yeah.

HMJr: Well, anyway what I want to tell you now is — because I don’t want to carry this responsibility — I mean as soon as you get back to the Treasury any orders we’ve given on holding that ship, I want — I don’t want any orders — I want them canceled.

W: Yeah, I’ll do that right away.

HMJr: I want them canceled. I don’t want any orders out holding back any ship as long as....

W: Right. All right.

HMJr: Will you take care of that?

W: Yeah, I’ll take care of that.

HMJr: Right.
November 20, 1942

Conference Between Mr. White and Mr. Plumptre in Mr. White's Office
November 20, 1942
2:30 P.M.

Present: Mr. Plumptre
Mr. White
Miss Kistler

Mr. Plumptre called on Mr. White to raise informally a number of questions. The discussion was in progress when I entered.

Mr. Plumptre said that he had been asked to inquire informally, on behalf of a Canadian paper company, whether an inquiry it had received from Treasury Procurement for the specifications of certain paper products formerly exported to Australia was prompted by the desire of the Treasury to purchase such paper for its own use or whether it was prompted by a desire to learn the specifications used by Australia in order to have that paper produced in the United States on lend-lease contracts. Mr. White placed the question before Mr. Mack who said he would be happy to discuss it with Mr. Plumptre.

Mr. Plumptre then inquired on behalf of Mr. Robert Bryce of the Canadian Ministry of Finance, as to whom in the Treasury he should contact for information regarding Treasury regulation of the $25,000 ceiling on salaries. Mr. White replied that the policy was still in the process of crystallization but that the person to be contacted is Mr. Sullivan.

Mr. Plumptre left a document on "The Worseing of Canada's U.S. Dollar Position during the War and its Growing Dependence upon Foreign Borrowing and Hyde Park Exports." The document was submitted on Dr. Clark's request for the Secretary's information. Its preparation was prompted by the desire of Dr. Clark to destroy any false impressions that the Secretary may have with regard to Canada's foreign exchange position. Mr. Plumptre reported that Dr. Clark had heard rumors to the effect that the Secretary thinks the Canadian exchange position is now better than it has been in the past.

Under questioning by Mr. Plumptre, Mr. White spoke briefly on his trip to London, particularly on the exchange of ideas with British Treasury people regarding an international stabilization fund.

T. W. Kistler
November 20, 1942
5:15 p.m.

HMJr: Hello.

Samuel Rosenman: Henry?

HMJr: Yes.

R: I spoke with Jimmy....

HMJr: Yeah.

R: ....and he said that he - he has no - no ideas of issuing any directives or anything to the Treasury. The thing - the only thing he's doing is making up a program to recommend to the President.

HMJr: Yeah.

R: Well, he - I think - I'm sure he has the right to do that under the Order.

HMJr: Oh, yes.

R: But he says he has no intention of asking the Treasury to do anything.

HMJr: No, that isn't the point. The point that I was trying to make, and I guess we'd better drop it, was that he didn't - he didn't know anything about what the President said verbally or anything else.

R: Yes, he does.

HMJr: Did he?

R: Oh, sure.

HMJr: Well, he told me....

R: He - he - he confirmed it to me, that he did.

HMJr: Well, he told me he didn't. He said that he didn't know that that incident ever happened the night before the announcement.

R: The incident....
Well, I mean the night the President had all those people together, and Mr. Gaston was there....

Yeah.

....and then he said verbally - he said, "Now whoever Mr. X is, he's not going to have anything - the Treasury excluded..." - I don't know just how he put it.

Oh. Well, I - I didn't hear that. I wasn't there when that was said....

That's the point.

....that incident, no, but - but I explained it very carefully to Jimmy and - and he confirmed it to me as he will to you, that I explained to him that he can issue directives to Jesse Jones and to Leon and to Wickard and anybody else but not to the Treasury.

That's right.

Oh, he understands that, and he would tell you that I told him that. That incident in the Cabinet room, I was not there when that was said, but I was in and out so that....

Well....

....that - that I never told him about because I never heard it.

I see.

But the - the general idea that the Treasury is out of this, so far as any directives from him are concerned, he - he understands perfectly and will tell you that I told him that.

Okay.

And he said he has no idea of doing anything like that.
No, I didn't have any idea - I didn't say - I didn't say to you that I thought he was going to issue any directives. I - we said we could both make recommendations....

That's right.

....to the President, and - I understand that perfectly.

I - he - I'm sure he understands that.

I hope you didn't make it worse.

No, I'm sure I did not.

All right.

Okay.

Thank you.

All right.
November 20, 1942

My dear Mayor LaGuardia:

Following your visit with the Secretary the other day, I am pleased to send you the material in which you were interested.

Very truly yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Hon. Fiorello H. LaGuardia,
Mayor of New York,
New York, New York.
INDIVIDUAL INCOME TAX
UNITED STATES, UNITED KINGDOM AND CANADA
Effective Rates for Married Person without Dependents

UNITED KINGDOM
Present Law

U.S. Senate Bill
Including N.Y. State

Canada
Present Law

FOR U.K., CANADA
AND U.S. SENATE BILL

Office of the Secretary of the Treasury
Boston, Mass.
INDIVIDUAL INCOME TAX
Effective Rates for Married Person without Dependents
1918 and Selected Taxable Years

NET INCOME IN THOUSANDS OF DOLLARS

PER CENT
0 10 20 30 40 50 60 70 80 90

PER CENT

Gross Liability
Post-War Credit
Net Liability

U.S. Senate Bill

1918
1929
1930-'33
1936-'39
1940
1941

Office of the Secretary of the Treasury
Division of the Bureau.
FOR RELEASE, MORNING PAPERS, Friday, November 20, 1942

Secretary Morgenthau today made the following statement:

In order to finance the war effort, which now is moving into full stride, the United States Treasury will borrow during December the unprecedented sum of approximately $9,000,000,000 from all sources. This sum will be raised partly through the continuing sale of Savings Bonds and Tax Savings Notes, and partly through offerings of a number of new Treasury issues designed for every class and type of investor. Thus every American will have an opportunity to back the armed forces with bonds.

The Victory Fund Committees will launch an intensive sales campaign on November 30 on three series of offerings of new securities. These well organized and expanding groups of 44,000 volunteer workers, drawn largely from the securities and banking fields, will solicit subscriptions from individual investors, corporations, savings and commercial banks, insurance companies, institutions, trusts and estates. The President of the Federal Reserve Bank in each of the twelve districts is chairman of the Victory Fund Committee in his district.

At the same time the War Savings Staff, with its 300,000 volunteers in every community, will intensify its drive to add at least 7,000,000 more income-earners to the ranks of those already investing regularly in Series E War Savings Bonds through the payroll savings plan.

Almost every citizen has funds in the form of currency or bank deposits which can be enlisted in the war effort in one way or another through the purchase of Government securities.
The special offerings to be sold under the direction of the Victory Fund Committees will consist of:

1. Twenty-six year 2 1/2 per cent bonds due December 15, 1968, callable December 15, 1963, to be issued in coupon or registered form at the option of the buyers. Commercial banks, which are defined for this purpose as banks accepting demand deposits, will not be permitted to hold these bonds until ten years after the date of issue. There will be no limit to the amount of this issue, and no restrictions upon issuance excepting the temporary exclusion of commercial banks from ownership for their own account. Subscription books will be opened November 30, and will remain open several weeks. The bonds will be sold in denominations from $500 to $100,000.

2. Two series intended for banks as well as other investors: (a) 1 3/4 per cent bonds due June 15, 1948, and (b) 7/8 per cent certificates of indebtedness due one year after issuance. These securities will be open for subscription by banks, and also by all other classes of investors, whether private, corporate or institutional.

Sales to commercial banks will be limited to $2,000,000,000 or thereabouts of each series. Applications from commercial banks in amounts up to $100,000 will be allotted in full, and larger subscriptions on an equal percentage basis.
All applications from others than commercial banks will be allotted in full. The total of these securities to be issued thus will be the $4,000,000,000 from commercial banks, plus the full amount subscribed by others.

For all classes of subscribers other than commercial banks, subscription books will be opened November 30 for both series, and will remain open for several weeks. For commercial banks subscription books will be opened November 30 on the 1 3/4 per cent bonds and will remain open until the close of business December 2, while books will be opened December 16 on the 7/8 per cent certificates and will remain open until the close of business December 18. In the case of such bank subscriptions, payment for the bonds must be made on December 11, and for the certificates on December 28.

The 1 3/4 per cent bonds will be issued in coupon or registered forms, at the option of the buyers. The 7/8 per cent certificates will be issued in coupon form only. The bonds will be sold in denominations from $500 to $100,000, and the certificates from $1,000 to $100,000.
The 2 1/2 per cent bonds, 1 3/4 per cent bonds and 7/8 per cent certificates of indebtedness will be dated December 1, 1942 and will bear interest from that date. Accrued interest will be charged on all subscriptions for which payment at a Federal Reserve Bank or at an authorized depositary is received later than December 1.

Any bank or trust company qualified to hold War Loan deposits will be permitted to make payment by credit for securities subscribed for its own account or that of its customers up to any amount for which it shall be qualified in excess of existing deposits.

All elements of the banking and securities business will conduct a vigorous campaign to assure the widest possible public purchases of all issues of these securities. In conjunction with weekly sales of discount bills, these arrangements will make approximately half the $9,000,000,000 of Treasury borrowing in December available from non-banking investors, while the other half will be made available by commercial banks. The widest possible public participation is essential in the interest of sound financing out of current income and savings.

After completion of this borrowing the Treasury does not expect to do further major financing until February. For its new money needs in January the Treasury will rely upon further sales of Tax Savings Notes, Savings Bonds, and Treasury bills.
To Members of the American Bankers Association:

This, my first message to you as President of your Association, deals with what is the greatest single problem before us—that of financing the war.

As we all know, the money required to win the war must and will be raised, but it should be raised in a way which will put the least strain on the nation's economic structure and have the least inflationary effect. This means that as much as possible of the necessary revenue should be secured through taxation and through the sale of government securities outside of the banking system. If such a program is to be successful it must have the active support of the banks.

We have received many compliments on our splendid job in the selling of War Savings Bonds to the public. But it is not expected that War Savings Bonds alone will finance this war. A still larger volume of these and other government obligations must be taken by non-bank investors.

This has seemed so important to the officers of the Association that we offered our services to the Secretary of the Treasury and appointed a special committee to consider what we might do as an Association to cooperate with him to bring about the necessary distribution of government securities. This committee met in Washington last week at the invitation of the Secretary and held a series of conferences. Upon the recommendation of this committee, the officers of your Association have stated to the Secretary that we will undertake to give all-out aid and we urge our members to go the limit in supporting the work of the Victory Fund Committees in the sale of government securities to the public.

But after all when the public has taken all the bonds that it will take, then the Treasury must look to the banks. Therefore, we strongly recommend that you employ your surplus funds by investing in government securities and that you take your full share of future issues in some general relationship to your size.
In order to discuss with you in more detail the ways and means of accomplishing these objectives and to answer the numerous questions that will undoubtedly occur to many of you regarding this program, a booklet is being prepared on the subject. A copy will be mailed to every member of the Association shortly. When you receive it, I earnestly urge you to read it carefully and give the subject the consideration that it deserves. If you have any doubts, questions, or suggestions regarding any part of it, I will be glad to have you write me.

Of all the added responsibilities that our banks have assumed and have had placed upon them in recent months, I know of none of more far-reaching importance to our country and to our banks themselves than this job of seeing to it that the financing of the war is accomplished in the best possible manner.

Please give us your full cooperation.

Sincerely yours,

[Signature]

[Handwritten name]

Regraded Unclassified
I am pleased to announce that the following men have consented to serve with me on this special committee:

Edward E. Brown, President
The First National Bank of Chicago
Chicago, Illinois

W. Randolph Burgess, Vice Chairman of the Board
The National City Bank of New York
New York, N. Y.

Robert V. Fleming, President
Riggs National Bank
Washington, D. C.

William C. Potter, Chairman of the Executive Committee
Guaranty Trust Company of New York
New York, N. Y.

Thomas M. Steele, President
First National Bank & Trust Company of New Haven
New Haven, Connecticut

Robert Strickland, President
Trust Company of Georgia
Atlanta, Georgia

W. H. Wood, President
American Trust Company
Charlotte, North Carolina

A. L. M. Wiggins, President
Bank of Hartsville
Hartsville, South Carolina
Vice President, American Bankers Association

W. L. Hemingway, President
Mercantile-Commerce Bank and Trust Company
St. Louis, Missouri
President, American Bankers Association

Harold Stonier, Executive Manager
American Bankers Association, Secretary
November 20, 1942

My dear Mr. Horvitz,

The proposal from Maestro Toscanini and yourself that you present and broadcast with the NBC Symphony Orchestra on behalf of the United States Treasury a concert in Carnegie Hall on April twenty-fifth is greatly appreciated. I have given directions that the broadcasting company be informed that the Treasury Department accepts your offer.

With warm personal regards to Maestro Toscanini and yourself,

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Vladimir Horvitz
C/o Concert Direction
Annie Friedberg
251 West 57th Street
New York, New York

MGS
November 13, 1942

The Secretary of the Treasury
Washington, D.C.

Dear Mr. Morgenthau:

Out of a desire to serve the Government in the way that we know best, and in a manner certain to yield the highest possible profit, Mr. Toscanini and I have planned and decided to undertake a joint concert, together with the NBC orchestra at Carnegie Hall, to be broadcast over a Nation-wide hook-up.

The price of admission, for the concert hall audience, would be the purchase of War Bonds of the greatest denominations.

I have already held conversations with officials of Carnegie Hall and NBC, and have found both companies enthusiastic and willing to cooperate in the realization of our plan. NBC has proposed the afternoon of April 25th, from 4:30 to 6:00 P.M., and all other parties have found this date completely acceptable. All that NBC requires now to go ahead with definite arrangements for the concert is the endorsement and invitation of the Treasury Department, as sponsor for the program.

I believe very firmly that this concert would be an event of the most considerable value for the Nation at large, as well as for the Treasury Department; that it would be an important contribution to morale besides being a great source of revenue. And a word from you would be sufficient to set the whole project in motion.

With thanks for your kind consideration,

I am,

Respectfully,

VLADIMIR HOROWITZ

VH/1b
o/o Concert Direction
Annie Friedberg
251 West 57th Street
New York City

Regraded Unclassified
TO Secretary Morgenthau
FROM R. B. Welch

In a letter to me of November 13 Mr. Horowitz enclosed a copy of his letter to you. In order to avoid the hazard of losing the date which NBC had set, I informed William Rainey of the War Savings Staff in New York to hold this date for us until he heard either from you or from me. Unless I hear from you to the contrary, I will confirm the date.
Analysis of Exposure to Payroll Savings Plans  
November 14, 1942

<table>
<thead>
<tr>
<th></th>
<th>Number exposed to payroll savings plans</th>
<th>Total number in the country (estimated)</th>
<th>Percent of total exposed</th>
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</thead>
<tbody>
<tr>
<td><strong>Part A - Summary by Number of Organizations Exposed</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Business organizations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Firms with 5,000 employees or more</td>
<td>469</td>
<td>4,722</td>
<td>99</td>
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<tr>
<td>(2) Firms with 500 to 4,999 employees</td>
<td>5,582</td>
<td>5,772</td>
<td>97</td>
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<tr>
<td>(3) Firms with 100 to 499 employees</td>
<td>24,058</td>
<td>28,316</td>
<td>87</td>
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<tr>
<td>(4) Subtotal - large firms</td>
<td>30,709</td>
<td>34,560</td>
<td>89</td>
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<tr>
<td>(5) Firms with less than 100 employees</td>
<td>126,320</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>(6) Total business organizations</td>
<td>157,038</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>II. Governmental organizations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III. Grand total</td>
<td>157,038</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

| **Part B - Summary by Number of Employees Exposed** |                                        |                                        |                          |
| I. Business organizations             |                                        |                                        |                          |
| (1) Firms with 5,000 employees or more       | 8,659,444                             | *                                      | *                        |
| (2) Firms with 500 to 4,999 employees      | 7,350,325                             | *                                      | *                        |
| (3) Firms with 100 to 499 employees        | 5,624,474                             | *                                      | *                        |
| (4) Subtotal - large firms              | 21,564,243                            | *                                      | *                        |
| (5) Firms with less than 100 employees    | 3,111,823                             | *                                      | *                        |
| (6) Total business organizations      | 24,706,066                            | 32,800,000                             | 75                       |
| II. Governmental organizations         |                                        |                                        |                          |
| (1) Federal Government                 | 2,181,131                             | 2,700,000                              | 81                       |
| (2) State and local governments       | 1,395,423                             | 2,800,000                              | 50                       |
| (3) Total governmental organizations   | 3,576,554                             | 5,500,000                              | 65                       |
| III. Grand total                      | 28,282,620                            | 38,500,000                             | 74                       |

Treasury Department  
November 20, 1942

1/ Excludes agricultural employees, military personnel, employees on WPA or NWA or OEO projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.  
* Data not available.
## Firms Employing 500 Persons or More Participating in Payroll Savings Plans

(As reported by the War Savings Staff's State Administrators)

<table>
<thead>
<tr>
<th>State</th>
<th>Number of firms with payroll savings plans</th>
<th>Total number of firms (estimated)</th>
<th>Percent of total having payroll savings plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Apr. 18</td>
<td>Nov. 7</td>
<td>Nov. 14</td>
</tr>
<tr>
<td>Alabama</td>
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<td>Arkansas</td>
<td>18</td>
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<tr>
<td>Northern California</td>
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<td>Colorado</td>
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<td>Delaware</td>
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<td>Railroads</td>
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<tr>
<td><strong>Total</strong></td>
<td>4,864</td>
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</table>

Treasury Department

* Data are for November 7, inasmuch as no November 13 report was received.

November 20, 1942
### Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans

(As reported by the War Savings Staff's State Administrators)

<table>
<thead>
<tr>
<th>State</th>
<th>Number of firms with payroll savings plans</th>
<th>Total number of firms (estimated)</th>
<th>Percent of total having payroll savings plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Apr. 18</td>
<td>Nov. 7</td>
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<tr>
<td>Alabama</td>
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<td>296</td>
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<td>Delaware</td>
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<td>Alaska</td>
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<tr>
<td>Railroads</td>
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</tr>
<tr>
<td>Total</td>
<td>15,360</td>
<td>26,559</td>
<td>26,648</td>
</tr>
</tbody>
</table>

* Data are for November 7, inasmuch as no November 13 report was received.

Treasury Department

November 20, 1942

Regraded Unclassified
Memo for the files:
On 11/19/42 the Secretary handed to General J.R.
Kelley, U.S. Secretary to
the Combined Chiefs of
Staff, a memorandum
covering a secret poll
of police spending.
This information had
been handed to the
Secretary on November
12, 1942, from General
F.H. Osborn, director
Special Service Division,
War Department.

[Signature]
General Osborn called again at 11:30. He was leaving for New York.

The General is sending a memo on attitude of troops in England re: Sabrino which you requested I send Dahlgren etc. Front line from England.

Capt More who gathered the material will be available next week if you wish to see him. 10/2/42 From Mr. Fitzgerald
November 12, 1942

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

Dear Henry:

General Dalquist has told me of your interest in the problem of saving among American soldiers in England, and has asked me to send you a copy of the report on the subject which members of our Research staff recently prepared for General Eisenhower.

Captain Moore, who prepared the report, has just returned from England, and I would be glad to have him discuss it with you, if you care to have him do so.

With warm regards,

Yours sincerely,

F. H. Osborn
Brigadier General
Director.
We have been using the figure of $24 billion as an estimate of the amount of savings which will have taken place by the end of 1942.

The Securities and Exchange Commission has just issued a release which has been interpreted as forecasting a rate of savings of $36 billion for this year.

The appended memorandum explains why we think the estimate of $24 billion is more nearly correct and how the difference between the two estimates arises.

I am calling this to your attention because the figure may be raised by some member of the Board who has seen the SEC report and compares it with your statement in your letter to Byrnes.
TO Mr. White

FROM Mr. Gass

Subject: The S.E.C. and Treasury Estimates of Individual Savings in 1942

Summary

1. On November 15, 1942, the S.E.C. issued a release estimating the liquid savings of individuals during the third quarter of 1942 at $9.13 billion. Savings of $9.13 billion in a single quarter suggest at first glance an annual rate of individual saving of about $36 billion. This estimate has aroused a great deal of discussion. It is widely believed to have great significance for the further inflation controls now being considered.

2. We have estimated that voluntary savings by individuals during 1942 will aggregate about $24 billion. The Department of Commerce agrees with this estimate. The following are their latest figures:

<table>
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<tr>
<th>Individual Savings (Billions of dollars)</th>
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3. The S.E.C. figures differ from these for several reasons.

(a) The S.E.C. does not issue a seasonally adjusted estimate. The third quarter of the year is seasonally high on income payments and low on tax payments. The significance of this factor may be grasped from the fact that our own unadjusted figure for the third quarter is $7.0 billion but our annual rate only $25.3 — an annual difference of $2.7 billion. For the larger S.E.C. total, the seasonal adjustment might make a difference of nearly $4 billion.

(b) The S.E.C. includes compulsory saving in Government insurance and pension funds. We exclude such saving because our figure is one on voluntary saving from income which individuals are free to spend or save as they please. The significance of this difference is now about $3 billion a year.
(c) The S.E.C. estimates the cash holdings of individuals by subtracting an estimated increase in the cash holdings of business from the known total increase in currency and bank deposits. We believe that the procedure which they use results in a substantial underestimate of the cash holdings of business and therefore substantially overestimates (1) the cash savings of individuals and therefore (2) the total savings of individuals.

4. Even if individuals were currently saving at an annual rate of $36 billion, rather than about $25 billion — which we believe to be the correct figure, our further problem of inflation control would be substantially the same. Consumers' expenditures are now at an annual rate of about $83 billion; next year we need to limit them to about $70 billion. We need to absorb through additional taxes and savings (a) the whole of any increase in income between now and next year and (b) the whole of the difference between $83 billion and $70 billion. That is our problem for the coming year — whether individuals are now saving $36 billion or $25 billion.
TO Mr. White

FROM Mr. Gass

Subject: The S.E.C. Estimates of Individual Savings in 1942

1. On November 15, 1942, the S.E.C. issued a release estimating individual liquid savings in the third quarter of 1942 at $9.13 billion. This total was accounted for by (a) $4.43 billion of accumulation of currency and bank deposits, (b) $2.80 billion of purchase of securities, (c) $1.34 billion of saving in insurance, (d) $0.21 billion of increase in home-owners equity in their homes and (e) $0.83 billion of liquidation of consumer debt.

2. This estimated individual saving of $9.13 billion in a single quarter suggests, at first glance, an annual rate of about $36 billion. The S.E.C. does not actually issue an estimate of the annual rate, taking into account seasonal factors, but it is easy to jump to the conclusion that an annual rate of about $36 billion is implicit in the third quarter figure which the S.E.C. did issue. Our thinking in the Treasury has been adjusted to the idea that individual saving was currently at an annual rate of about $24 billion or $25 billion. In the letter of November 10, 1942, to Mr. Byrnes, the Treasury forecasted the whole inflationary problem in terms of the divergence between the $24 billion of current individual saving and the $40 billion which would be needed to maintain constant prices in 1943.

Is the inflationary problem nearly solved? Ought we to be thinking in terms of increasing individual saving by $4 billion rather than $16 billion?

3. Assuming for the moment that $9.13 billion is a correct estimate of individual saving in the third quarter of 1942, should this high figure be interpreted as a favorable or an unfavorable sign? Does a high current rate of saving make our further problem easier or harder?

The S.E.C. chose to interpret its own figures pessimistically, rather than optimistically. Its release concentrates on the fact that about $4.0 billion of the saving done by individuals during this quarter went to increase individual holdings of currency and to swell individual checking accounts. The release emphasizes that such saving is "relatively unstable and may at any time be diverted into consumption or other channels". It speaks of this saving as "potentially quite dangerous in view of the inflationary pressures such funds may exert".
Furthermore we now know that consumers' expenditures during the third quarter of 1942 were at an annual rate of about $83 billion (Commerce estimate), by far the highest dollar value in our national history. It still seems to be true that if our war production program is accomplished, at the average price level of this quarter, supplies will not exceed $70 billion during the calendar year 1943. We need to cut consumers' expenditures by about $13 billion from the level of the third quarter of 1942 to the average for the calendar year 1943.

Much more severe measures will be required to reduce spending by any given amount if we are already saving $36 billion than would be required if we were saving only $24 billion. If individuals saved nothing (and were unable to go into debt or to sell their assets) every dollar of additional personal taxes or compulsory lending would cause a dollar's reduction in spending. Since individuals are now saving a great deal, they tend to meet a large part of any additional burden by cutting their saving rather than their spending. The higher the prevailing rate of saving the more severe the control which is necessary to bring about any given further reduction in spending. In the light of this consideration, the problem of inflation control would be greater if saving were now at an annual rate of $36 billion than if it were at an annual rate of $24 billion.

From another point of view however a substantial rise in individual saving to an annual rate of $36 billion would be very encouraging. The S.E.C. estimated liquid saving in the second quarter at $6,45 billion and in the third quarter at $9,13 billion, or a rise of $2,68 billion a quarter; this may be loosely interpreted to mean a rise of $10,7 billion in the annual rate of saving. Department of Commerce figures show a rise of only about $4 billion in the annual rate of income payments from the second to the third quarter. Bureau of Labor Statistics figures show a rise of less than 2 percent in the cost of living. Putting these figures together in this way therefore suggests that the U.S. achieved a $10,7 billion increase in saving with only a $4 billion increase in income and a 2 percent rise in prices. Therefore, even when allowance is made for the effect of the anticipation of increased taxes, the S.E.C. figures, interpreted as above, suggest that a $10,7 billion increase in saving was achieved with only moderate direct controls and a very small price rise; they suggest that a further $16 billion of saving might be achieved by further measures of the same kind and of only a little larger magnitude.

It is our purpose to show that these figures cannot be put together in this way and that they will not bear this interpretation.
4. The S.E.C.'s figures are inconsistent with those of the Department of Commerce and the two cannot be used together.

(a) Were we really to accept the S.E.C. figures as indicating an annual rate of saving of $36 billion, and add to that $83 billion of consumers' expenditures, we would have a total of $119 billion of individual income after personal taxes. Personal taxes this year will be about $7 billion. This addition would therefore indicate that, during the third quarter of 1942, individual income was about $126 billion. Actually Commerce figures show individual income (apart from accumulation in Government insurance funds) of only about $115 billion.

(b) The Commerce Department concept of saving, which we have followed substantially in the Treasury, is a concept of voluntary saving. It excludes accumulations in Government insurance funds, which individuals are not free to spend or save as they please. The exclusion of this item from the S.E.C. third quarter total would lower the figure from $9.13 billion to $8.41 billion.

(c) The Commerce Department has estimated savings in the third quarter of 1942 at $7.0 billion. This is a preliminary estimate given to us directly by the National Income Division. It is conceptually comparable with the S.E.C. estimate (as corrected above) of $8.4 billion. Both are seasonally unadjusted figures. But the Commerce figure is consistent with our other knowledge; the S.E.C. figure is not. The third quarter is seasonally high on income and low on personal tax payments; therefore it cannot be used directly to yield annual rates. However multiplying the Commerce quarterly returns by four we get income payments of somewhat over $115 billion, tax payments of over $4 billion, consumption of $83 billion and savings of $28 billion. This is a reasonable and consistent picture.

5. A possible explanation of the high S.E.C. estimate of individual saving in the third quarter of 1942 is the unreliable method used in estimating the change in individual holdings of currency and bank deposits.
The following are the steps made in deriving the S.E.C. estimate of
the net change in individual holdings of currency and bank deposits:
(a) get the total increase in currency and bank deposits from monetary
statistics, (b) add up the increases in currency and bank deposit holdings
of a sample of corporations who have such regular balance sheet data, (c)
inflate the figure attained under (b) to cover all businesses in accordance
with the base-period relation between the sample and all business, (d) sub-
tract (c) from the total found in (a) and thereby attain as a residual the
net change in individual holdings of currency and deposits.

The flaw in this method lies in the apparent assumption of a constant
relationship between the cash position of all business firms and the firms
whose cash position is in fact known. However balance sheet information
on cash position is available, with a short lag, only for large corporations,
predominantly engaged in manufacturing; we have no such current information
for small firms, engaged in retail trade, services, etc. The large manufac-
turing firms are not necessarily representative of all business.

At a time like the present the corporations included in the S.E.C.
sample may be fully employed in war production and consequently have little
cash. Other firms may have a strong cash position because they are not in
war production, are not able to replace their inventories, are not making
any new investments and have unusually large liquid business savings. If
this divergence is important, as seems quite probable, the S.E.C. estimate
of business holdings of cash would be low and its estimate of individual
holdings high. The unreliability of the sample might well account for one-
third of the supposed $4.0 billion increase in individual holdings of
currency and checking deposits in the third quarter of 1942. Reducing the
S.E.C. estimate of this one item by a third would bring the total S.E.C.
estimate to within about $100 million of the Commerce estimate.

It is possible that the same factors which tend to make the S.E.C.
estimates of individual savings too high at the present time also account
for their being too low in periods of less active business.1/ The S.E.C.
estimates were consistently below those made by Commerce until business
activity reached the high levels of early 1942. Now the S.E.C. estimates
are consistently higher than those of the Commerce Department, and there
is an increasing divergence.

Individual Saving 1940-1942
(Billions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First Quarter</td>
<td>Second Quarter</td>
<td>Third Quarter</td>
</tr>
<tr>
<td>Commerce</td>
<td>7.3</td>
<td>12.5</td>
<td>3.6</td>
</tr>
<tr>
<td>S.E.C. liquid saving minus Government insurance</td>
<td>3.5</td>
<td>9.1</td>
<td>3.8</td>
</tr>
</tbody>
</table>

1/ This hypothesis will be explored in another memorandum.
6. The Department of Commerce figures on savings are in close accord with the estimates which we have used in the Treasury. The following is the latest revision of the Commerce figures on individual saving, both on an unadjusted and on a seasonally adjusted basis.

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7. The above discussion of the S.E.C. estimates of individual savings is not offered in any polemical spirit. It is not our idea that we have "disposed" of the high S.E.C. estimates or of any conclusions with regard to fiscal policy which might be drawn from them. These estimates raise many questions which need further study. However it is our view that for the present there is no ground to revolutionize the picture of saving and spending in our economy which has been accepted in the Treasury or to discard views on fiscal policy based on that picture.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE Nov. 20, 1942

TO
Secretary Morgenthau

FROM
H. D. White

Mr. Gass, of this Division, has analyzed a confidential War Production Board report of their program of expansion of industrial facilities financed with public and private funds. It is a voluminous report and goes into great detail with respect to plants and equipment built and projected by name of firm, location, financing agency, type of production, etc.

The following facts distilled from the report may interest you:

1. The maximum military striking power is not being programmed for next year, but rather for a more distant future.

2. There are already built or projected plant and equipment facilities totaling almost $20 billion, which is one-half as much as the book value of all plant facilities and equipment in existence in the United States prior to the program. Almost one-half of the $20 billion program is completed.

3. The program has been concentrated in a relatively small number of firms, more than one-third is in 20 firms, each of which accounts for more than $100,000,000 of new facilities, as follows:

(In Thousands)

1. Du Pont $959,078
2. General Motors 758,098
3. U. S. Steel 611,117
4. Aluminum Corp. 576,905
5. Curtiss-Wright 563,648
6. Hercules Powder 399,546
7. Bethlehem Steel 340,168
8. Chrysler 282,162
9. U. S. Rubber 280,616
10. Ford 276,775
11. Dow Chemical 224,055
12. General Electric 233,086
13. Remington Arms 219,937
15. Republic Steel 171,150
16. Western Cartridge 160,993
17. United Aircraft 136,435
18. Douglas Aircraft 119,358
19. Westinghouse 108,003
20. Kaiser Co. 106,692

4. A large part of this $20 billion of plant and equipment will, at the end of the war, be owned by the Government.
A substantial part of this equipment can easily be converted for peacetime uses.

5. The existence of so large an amount of facilities, equipment and material -- much of which will probably be sold at bargain prices after the war -- will raise the following problems that sooner or later will call for a great deal of attention:

a. The possibility of favoritism, bribery and undue influence in the disposal and sale of these plants and equipment.

b. Increase in the concentration of production facilities and in concentration of economic power.

c. Extraordinary keen competition after a few years in the production of certain mass types of products, i.e., automobiles, iceless refrigerators, electrical appliances, passenger planes, machine tools, rubber, plastic products, aluminum products, etc.

d. The depressing effect on prices and on manufacturers producing similar or competing goods.
MEMORANDUM TO THE SECRETARY:

SUBJECT: Analysis of electric power plants for the District of Columbia

A study of the use of electric power by the Federal agencies within the District of Columbia is in its final stages, and we are now working with the Federal Power Commission to review the factual findings in order that the Procurement Division may undertake renegotiations with the Potomac Electric Power Company for a reduction in the rates.

When the matter is in shape to start renegotiations, I would like to have your thoughts as to the approach which should be made as you indicated sometime ago that you would be glad to give me your guidance in the matter, referring to a similar experience you had had with respect to the electric power situation within the New York City area. I feel that there is an opportunity to make some very real savings because of the greatly increased electric power consumption by the Federal agencies.

I will keep you informed.

CLINTON E. MACK
Director of Procurement
The President has addressed to the Secretary of War and the Secretary of the Navy identical letters, the text of which follows:

With respect to my memorandum of November seventeenth, regulating deferments of employees in the departments and agencies of the Federal Government, it was my intention to exclude such employment as the basis for deferment except in special instances. In other words, the other grounds for deferment, such as dependency, etc., remain untouched. My directive was intended to reach only those individuals who have been exempted from military service solely because of their employment by the Government.

Exceptions to this blanket order will be submitted to me in accordance with that memorandum and will be passed upon by my representative. In this way I hope to make sure that no one who is really irreplaceable shall be separated from an essential position.

However, this should be an orderly process, carried through in the regular way by the Selective Service System. It should not be done by the haphazard enlisting or commissioning of people now in the Government service.

Therefore, I wish you would see to it that present Government employees, who have been deferred, are not enlisted or commissioned in the Army (or in the Navy or Marine Corps) unless they can produce the approval of the head of their agency, or someone designated for that purpose. This should apply not only to the regular civilian employees of the Government but also to employees in Army arsenals and in Navy Yards and Navy shore establishments owned or operated by the United States.

This prohibition against enlistment or commissioning should apply also to any such employee who has resigned from Government service for the purpose of entering military service since November 16, 1942.

In the meantime, opportunity will be afforded to all the departments and agencies of the Government to present applications for exemptions to the blanket order.
MEMORANDUM FOR THE SECRETARY.

November 20, 1942.

Mail Report

It is probably due to news of military successes that our critical correspondence has so substantially decreased -- in fact, receipts of fan mail of all sorts are definitely down, indicating that Treasury matters are not particularly in the minds of our citizens just now.

Even the Economic Stabilization mail, which has been quite heavy, has remained constant this week, which may indicate that it has reached its peak and will go down. There have been a few letters and telegrams complaining that requests for information about the granting of Christmas bonuses have not been answered. Special efforts are being made to rush through all such requests that come in as the time is now getting short.

The tax mail is light and continues to include many individual requests for information regarding amounts to be owed under the provisions of the new Bill. A few writers offered suggestions for collections, the idea of tax stamps being most commonly proposed. There are criticisms of complicated forms and confusing provisions, and one writer asked why the Treasury did not furnish without cost the information given in a recently issued pamphlet that has been widely advertised at a dollar.

Bonds again accounted for a great part of the mail. There continue to be many replies from newspapers which had been requested to become issuing agents. Most of these delayed answers gave reduced or overworked staffs, or already adequate facilities, as a reason for refusing the responsibility. Newspaper reports of Treasury plans to hire super-salesmen brought a number of applications for the jobs. There were also a few letters from individuals in regard to lending money directly to the Treasury.
Memorandum for the Secretary.  

November 20, 1942.

There is less mention of December 7 as an opportune occasion for the sale of Bonds, but increasing mention of Christmas. It has frequently been suggested that the funds of Christmas Savings Clubs be made available in the form of Stamps and Bonds.

The question of the $5,000 purchase limit on the E Series is appearing more frequently in the mail. There have been quite a few requests for the removal of the limit - a number of cases reported were those in which it has been unintentionally exceeded. The questions of gifts and co-ownership seem to puzzle many in this respect. There is also increasing correspondence from small investors who need easily available facilities for safekeeping of their Bonds.

Of the 28 complaints about services connected with Bonds, half were from employees of the War and Navy Departments.

No new subjects were introduced in the general mail. One economy-minded correspondent was highly displeased by the Secretary's comment that it was all right with him if Clark lost 18 million dollars at sea. Otherwise, there were fewer comments than ever before on Governmental saving.
General Comments

L. C. Hall, Takoma Park, Md. In the morning paper today was a statement that the United States was going to borrow from others than banks. I am 48 years old, do not have $48.00 to my name, winter and I have no overcoat, but I do have $1.00 that is not working. Spose you put it to work licking the Japs and you don't have to pay it back. Army Lieutenant from World War #1.

Francisco Mur, President, Union Espanola de California, Inc., San Francisco, Calif. On behalf of the Union Espanola de California, Inc., and Circulo de Senoras, we have the honor to present to the United States the enclosed check for $400 as an earnest of our devotion to the country in which we live and for whose happiness and prosperity we pray. The gift is small in material value because our members have little wealth, but it expresses as fully as can be our sentiments of loyalty and appreciation, and our determination to protect the freedom and liberty that is the heritage of America and the hope of the World.

John W. Riehm, Peoria, Ill. * * * Having worked since the age of 15, I have had but one object in view -- to keep off the charity roll when old. * * * I had pretty well accomplished this when returns on investments were cut to a point where I will be unable to do this. Here I am at the age of 60 with my business destroyed through the war, unable to build up more reserves to offset the cut in investment return. * * * Like many others I have placed many thousands in War Bonds to do my bit. I cannot live on the return they bring. * * * I have been penalized for thrift and hard work and selfdenial, while 18-year old boys make my income sick by comparison. I will have to continue to watch every penny while they spend everything. Cannot the Government issue 4% Bonds or higher, and sell them only to the man who needs them for life income? Allow
but one member of the family to purchase them. Do not allow them to be sold or borrowed upon. At death of both, let them be willed to survivors to be converted into whatever lesser interest Bonds then available. **
In short, issue a type of Bond for income only as a reward to those who try to stand on their own and not become state or Government charges in old-age. The effect upon their selfrespect alone is not to be treated lightly. You would be greatly surprised how many millions would pour in for such Bonds. It would remove the medium class from the forgotten class.

J. Juodaitis, Custer, Mich. We herewith enclose you check for $78.23 from the following societies: St. Anthony's Society, Custer, Mich., Lithuanian Farmers' Benefit Society, Scottville, Mich., and Lithuanian Literature Society, made up of the Lithuanians of Mason County, Mich. We ask this money be used to further our war effort and war needs in our Country's fight for freedom and liberty.

C. H. Grayson, Manager, Grayson Lumber Co., Birmingham, Ala. Under date of November 3, 1942, we wrote you for definite advice and ruling for our guidance in paying bonuses to our employees at Christmas time, but up to this writing we have had no response. Since the time is very short and we must make our plans, we will appreciate your giving us an immediate reply. It is necessary that we know just what we are permitted to do without violating any law and without incurring any penalty upon our Company insofar as taxes are concerned. ** ** Kindly let us have a prompt reply in order that we may know without doubt just what we are permitted to do with reference to these bonus payments.
Favorable Comments on Bonds

Eli D. Miller, The South Bend Tribune, South Bend, Ind.

Sometime ago while passing the Postmaster's office in the Federal Building here, I noticed a large number of persons cashing War Bonds. A similar picture was presented to me in some of the banks. From data obtained from interviews with the War Bond cashiers I was able to write the enclosed story which appeared in The South Bend Tribune. The story had a tremendous effect. Repeater Bond cashers pledged they would cease the practice and Bond cashing deals in this city have dropped off noticeably. Similar stories throughout the nation's press may serve to aid the Bond selling program needs and make these so-called bogus patriots realize their mistakes. * * *

Mrs. Marion M. Grimes, Yukon, Fla. Just to let you know we are not defaulting on our promise to buy Bonds, but wish you to cross us off your mailing list as we are buying them at the Naval Air Base, Jacksonville, Fla. My husband is back on active duty for his third war, and it is a pleasure and our duty to give or lend all we can. We bought many $25, $50, $100 and $500 Bonds in Sebastopol, Calif., and since joining my husband here. We have bought four $25 ones for our grandchildren's Christmas gifts, and also one $500, and will still buy more each month to help our boys win this war for our country.

Godfrey B. Simonds, Co-Chairman, Victory Fund Committee, Providence, R.I. As President of Bodell & Company, Inc., and Co-Chairman of the Rhode Island Victory Fund Committee, I want to take this occasion to express to you my appreciation and encouragement by the increased responsibility that I understand the Treasury Department is now placing in the Victory Fund Committees to help solve the war finance problem. In our experience it seems that this is a wise move because we have felt that trained professional men can better handle this problem than those without this experience. As an example we have heard of numbers of cases where people plan to cash in their War Savings Bonds to pay taxes next year. These people should have purchased some Tax Anticipation Notes on a regular systematic basis and War Bonds with their excess funds. Situations like that will be corrected by a professional approach. * * *
Unfavorable Comments on Bonds

W. W. Putney, President, The Midwest Life Insurance Co., Lincoln, Neb. Within the last two days we have received letters from two policy holders stating that due to pressure to buy War Savings Bonds, they were going to have to surrender their insurance. In one case it is the only insurance which the individual has, and only for $2,000, and in the other case, he has two or three policies, but the amount involved is not large. Whether this is a forerunner of what is to come, I do not know. It does seem, however, that it would be unwise for these individuals to surrender the only protection which they have for their families. I suppose that in their cases, their incomes, like many others in this section, have not increased any appreciable amount. ** Inasmuch as the premium incomes of the insurance companies are being invested to a large extent in Government Bonds, might it not be wise for the Treasury Department to issue a statement suggesting that people continue to carry their protection in cases of this kind. **

B. C. Delatour, Chairman, Lewellen War Bond Committee, Lewellen, Neb. There is a movement on foot in Garden County, Neb., to establish War Bond quotas on the basis of the difference in the selling price of agricultural and livestock products at the present time over what it was selling for in 1941, which plan, as I understand it, is being put out by the State War Bond Administrator's Office at Omaha, Neb., and to be handled through the AAA office of each County within the State. I would like to know if this plan was formulated in Washington, or is it being worked up by some States. ** It is going to work contrary to a plan that we are using locally, whereby quotas have been established for each family or independent worker on the basis of their earning capacity and ability to subscribe. ** We are oversubscribing our quotas under our present setup, and I think it a mistake to require organizations who have been getting their quotas to change their plan of carrying on their sales, and I think that the Bond buying public would much prefer to buy as in the past, rather than through AAA offices.
Horace Brown, Chairman, Vermont Association for Billboard Restriction, Springfield, Vt. It is with real regret that I learn that the Treasury Department is using large billboards to advertise the sale of Bonds. This Association has for years tried to urge people not to buy anything so advertised. A great many people rigidly adhere to this rule, as I do myself. ** It is to be hoped that the Treasury Department may cease using an advertising device that with a great many people has just the opposite effect from that intended.

R. M. Lewis, Vice President, The First National Bank, Glasgow, Mont. The American Banker of the issue of Nov. 9 carries the story of the case of Deyo vs. Adams, et al., in the Supreme Court, Kings County, N. Y. We are somewhat concerned as numbers of purchasers of E Bonds have the Bonds issued payable to the purchaser and in case of death to a beneficiary, and in some instances might be resentful or possibly even alarmed by the thought that the agreement of the Government would not be carried out. We expect to issue E Bonds as usual and to make no comment to purchasers of the Bonds, but nevertheless we are deeply concerned.

John A. Kelley, President, Bancohio Corporation, Columbus, Ohio. (Telegram) Conscription of key men in the 31 offices of our 18 banks will most seriously curtail our proper assistance in furthering Bond program of Treasury Department. We lost 10 key people today. Conscription Boards seem to have no regard for necessary executives in banks. In Washington Court House, Ohio, we have only two officers, both of whom have been classified to go. In Tiffin, our president is now an invalid and the only remaining executive officer has been drafted. In London our president is 75 years old, and the only other executive officer has been drafted. There are other instances daily. Under present circumstances we will be lucky to keep the banks open, without regard to assistance in necessary Government financing program. In last war, bank executives and key men were exempted. Unless you can get restrictive action, believe you will find it necessary to set up Treasury offices in every city, town and hamlet to do job banks are now accomplishing.
During the past one and one-half years I have seen the sales of Series E Bonds held down, in part due to the following circumstances: Purchasers of Series E Bonds frequently find that they have gradually acquired $3,750 (purchase price) limit before the year has expired. We then suggest that they can continue to purchase additional War Savings Bonds of Series F or G up to a maximum of $100,000 per year. However, they smile at this suggestion and counter with the remark that they will be back again next year for their $3,750 limit of Series E. * * * Husband and wife, as joint owners, are limited to $3,750 purchase price per year. * * * Frequently such husband and wife, as joint owners of Series E Bonds, become co-owners through purchases of these Bonds by their unmarried children or other relatives. When they learn of their plight, there is some liquidation or redemption of Series E Bonds. * * * Investors having their $3,750 limit of Series E Bonds may receive as a gift an additional block of Series E Bonds. These investors then proceed to redeem for cash their excess holdings, and only occasionally do they invest such funds in Series F or G Bonds. * * * An officer or employee purchasing Series E Bonds on the payroll savings plan may inherit, receive gift, or otherwise acquire an additional block of Series E Bonds during the year. If he then has the limit, he must discontinue his purchases on the payroll savings plan for the balance of the year, unless someone induces him to shift his purchases to Series F or G Bonds. * * * If, in your opinion, Series E should still be limited as to amount, it would seem reasonable to make it $10,000 maturity value -- $7,500 purchase price.

Harriet Eagan, Buffalo, N.Y. I am sorry to be compelled to complain about buying Defense Bonds, but when the request was made for the people to buy them, I thought of no better way of saving than taking, as I thought, "One a Week", payment to be taken out of my salary each
week. I am an employee of the "Curtiss Wright Airplane Company" of Buffalo, N. Y. The money has been taken each week and up to this date, I have received one Bond - dated August 28, although payment was deducted for one on August 21. ** Six weeks ago, I was told I would get them in another week and whenever I ask about the Bonds, I am told they are "too busy". ** Another drive is being conducted at the present time, and they admit they are so overburdened that they cannot take care of the sales since last August. I would like to know to whom I shall turn in this matter, or what steps to take. I am now buying my Bonds from the Post Office where I can get them in about 5 minutes.

Frank Rioux, Newark, N. J. ** Everyone seems to be telling everyone else about buying War Bonds, which in my estimation everyone should buy, and keep on buying until it hurts, but here is what happened to me and a few others I know. I took $93.75 that I had saved to buy Bonds. My wife went to the bank and when she asked the clerk for five Bonds of $18.75 denomination, he told her that she should buy a Bond of a larger denomination and refused to sell her five Bonds. Another friend of mine wanted to buy sixteen Bonds at $18.75, he was refused. The reason a working man would rather have the smaller denomination Bond is that when the war is over, if he should need $10 or $15, as is often the case, he could cash a small Bond, but if he cashes a large Bond he will not only spend the money that he needs but will spend whatever he has, and that, to my way of thinking is practical in the life of a small wage earner. On the other hand, what right has any bank to refuse to sell War Bonds in the denomination that the people ask for? **
Unfavorable Comments on Taxation

C. J. Friedrich, Professor of Government, Harvard University, Cambridge, Mass. In the recent tax bill the exemption allowed for dependents was reduced from $400 to $300. ** This seems to me a very unfair method of increasing the tax revenue as it is manifestly a proposal to tax those least able to pay. I am sure you will agree with me that families with several children have already been disproportionately burdened as a result of the substantial increase in the cost of living, and in the light of these facts, it would seem even justified to increase the exemption allowed for dependents at this time. I hope that as Secretary of the Treasury you will not encourage any further attempts to reduce this exemption.

Jesse H. Dildine, Pharmacist, Geneva, N.Y. I will have to cancel my pledge to put 10% of my income into War Savings Bonds. Mr. J. E. Whalen, Chief of the Audit Section of the Internal Revenue Office at Buffalo, N.Y., has ruled that I cannot claim a deduction for my daughter who is a patient at Willard State Hospital, even though I am paying at the rate of $15 monthly since March 9, 1939, and the balance of a rate of $2 per day is being charged against me and will be collected from my estate, if any. I also pay 10% of my income in tithe, besides the donations to Red Cross, Community Chest, etc. **

L. V. Burton, N.Y.C. I am good and sore. Enclosed is a letter I have written to C. R. Krigbaum, Internal Revenue Agent in Charge, Second New York Division. ** The reason for my displeasure is that while I am perfectly willing to pay the amount of the deficiency, I fail to see any reason whatsoever for charging interest. If I had made out the return correctly in the first place, I would still have until December 15 to make the fourth payment. The Public Relations attitude of the Treasury Department leaves a great deal to be desired. (The following is quoted from letter addressed by Mr. Burton)
to the Revenue Agent in Charge.) * * * Before I pay
this tax, I wish to have an explanation of the interest
charge, which it seems to me is entirely in error. The
file which was sent to me by your office regarding the
report dated August 19, 1942, shows a correct tax lia-
bility of $761.57. Three-quarters of this would be
$571.17. But I have already paid $630.78. I therefore
do not understand why I am charged interest. * * *
I would appreciate an explanation and preferably a cor-
rected statement of the amount of deficiency tax which
is now payable, minus any interest charges. Under the
law, I believe that I am entitled until December 15 to
pay the amount due.
November 20, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended November 10, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which those expenditures were financed.

(Signed) C. M. I. B.
Federal Reserve Bank
of New York

November 19, 1942

CONFIDENTIAL

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

I am enclosing our compilation for the week ended
November 10, 1942, showing dollar disbursements out of the
British Empire and French accounts at this bank and the
means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy: imc: 11/23/42

Regarded Unclassified
<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DEBIT</th>
<th>CREDIT</th>
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<td></td>
<td>Total</td>
<td>Gov't</td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td>Debits</td>
<td>Expenditures(a)</td>
<td>Notes</td>
</tr>
<tr>
<td>First year of war</td>
<td>1,793.2</td>
<td>601.61</td>
<td>1,187.6</td>
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<tr>
<td>Dec. 3 - Dec. 30</td>
<td>56.1</td>
<td>37.1</td>
<td>19.0</td>
</tr>
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**Average Weekly Expenditures Since Outbreak of War**
- France (through June 19, 1940) $319.6 million
- England (through June 19, 1940) $27.6 million
- England (since June 19, 1940) $33.9 million

**Transfers from British Purchasing Commission to Bank of Canada for French Account**
- Week ended January 16, 1942
- Cumulation from July 6, 1940
- Million

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Regarded Unclassified
(a) Includes payments for account of British Ministry of Supply, Air Ministry, War Office, Supply, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently included in addition to the proceeds of official British sales of American securities, including those effected through direct negotiations, a substantial liquidation of securities for private British accounts during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, representing the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.

(d) Reflects changes in all dollar holdings payable on demand or maturing in one year.

(e) Includes payments for account of French Air Commission and French Purchasing Commission.

(f) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(g) Includes: 28.2 million deposited by British Ministry of Supply; $20 million held for credit of U.S. armed forces abroad.
<table>
<thead>
<tr>
<th>PERIOD</th>
<th>Total Debits</th>
<th>Total Credits</th>
<th>Proceeds of Gold Sales</th>
<th>Transfers from Official British A/C</th>
<th>Other Credits</th>
<th>Net Incr. (+) or Decrease (-) in $ Millions</th>
<th>Other Debits</th>
<th>Total Debits</th>
<th>Total Credits</th>
<th>Other Debits</th>
<th>Total Credits</th>
<th>Total Debits</th>
<th>Total Credits</th>
<th>Total Debits</th>
<th>Total Credits</th>
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Information received up to 7 A.M., 20th November, 1942.

1. **NAVAL** Early 19th a coastal convoy was attacked by 6 U-boats off The Eddystone. One of H.M. trawlers and 3 ships were sunk. A heavily escorted convoy of 4 ships from ALEXANDRIA arrived at MALTA last night. One of H.M. Cruisers, returning damaged to ALEXANDRIA, was unsuccessfully attacked by aircraft yesterday morning.

2. **MILITARY**

   **LIBYA.** 18th. Our forward elements reached MARAURA. Further south, our mobile columns passed through MSUS and came up against an enemy position between SGLANDIMA and ANTILAT. One of our patrols, however, reached the coastal road about 45 miles south of BENGHAZI.

   **FRANC NORTH AFRICA.** In TUNISIA, a small British force operating about 45 miles southwest of BIZERTA was attacked on the 18th by a strong German column, including 30 medium tanks. The attack was beaten off with slight loss while the enemy suffered heavy casualties and lost 11 tanks. Further south around BAJA, our patrols have been in contact with enemy patrols, some of which are starting to dig in. French troops are showing fight, and their cavalry have taken a few German prisoners near GABES.

3. **AIR OPERATIONS.**

   **WESTERN FRONT.** 18th/19th. TURIN. About 90 tons of high explosives and over 30 tons of incendiaries were dropped. Weather cloudless, bright moonlight, but slight ground haze. Numerous bursts in the town and many fires, including 3 large ones. 25 of the Lancasters attacked and claimed to have straddled the Fiat Works and left them covered with smoke. Defences ineffective.

   19th. Fighters operating over BELGIUM and FRANCE destroyed or damaged 8 locomotives and shot down 2 enemy aircraft. Two Spitfires were lost. 19th/20th. 11 aircraft were sent sea mining. One is missing.

   **FRANC NORTH AFRICA.** 18th. Enemy aircraft continuously attacked the BONE and TABARKA areas. Several vehicles in road convoys were destroyed. Enemy casualties - 4, 2, nil.

   **LIBYA.** 18th. Our fighters destroyed 3 Junkers 52 on the ground and damaged a further 24 aircraft, mainly transports. Enemy casualties in the air - 7, 2, 1. Ours 6, nil, nil. Two pilots safe.

   **TUNISIA.** 18th/19th. Wellingstons dropped 23 tons of high explosive in two attacks on EL AOUINA airfield. Buildings and hangars were hit and set on fire.

   **MALTA.** 19th. Our fighters maintained continuous patrol over the MALTA convoy and drove off attempted enemy air attacks.

   **BURMA.** 18th/19th. Eight Wellingtons bombed MEIKTILA.
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VICTORIES

News of the great sea battle around the Solomons added to the rejoicing over North Africa. The commentators strove for restraint. They echoed Secretary Knox's warning that the American naval success was not decisive and that the Japanese would reform their battered fleet and try again. They pointed out that the enemy is still strong and resolute.

To all of them, however, it seemed a great victory — the more satisfying because it was won in characteristically American fashion. Most editorial interpretations stressed the daring of Admiral Halsey's strategy. They treated it as a magnificent vindication of the Navy and its commanders. They were pleased, too, that the fleet's big battlewagons at last had their day.

Some analysts foresaw complete American dominance of the southwest Pacific as a result of the engagement. They are now hopeful that our positions in the Solomons can be consolidated, that General MacArthur will succeed in driving the Japanese from New Guinea and that his bombers will destroy the enemy base at Rabaul.

Despite these hopes, press and radio still express misgivings about the over-all conduct of the Pacific campaign. The critical statement delivered in Congress by Representative Maas stirred their uneasiness and strengthened
their insistence on the need for a unified command. The outcome of the week-end naval battle satisfied them that the Army and Navy chiefs in the southwest Pacific are cooperating — but not that they are united.

There was general approval of the Navy's refusal to release information about the battle while it was in progress. Distrust of the Navy as a source of information was reflected, however, in a few comments on the communiqué announcing the victory and detailing the losses on both sides. Not all the commentators are convinced that the Navy has yet told the whole story.

DIPLOMACY

The diplomatic phases of the North African campaign have evoked almost as much enthusiasm as the military achievements. The swift subsidence of French resistance was ascribed to shrewd political planning. There was particular gratification, besides, over Josef Stalin's letter to an Associated Press correspondent acknowledging that the allied undertaking would be of help to the Red army.

At the turn of the week, however, press and radio commentators revealed perplexity and, in some cases, dismay over political maneuvers in North Africa. For the most part, General Giraud was accepted as an appropriate leader of the Free French. But the position of Admiral Darlan was widely questioned.

Leading newspapers counseled patience concerning political decisions which might be made by General Eisenhower and pointed out that collaboration with Darlan might save lives and time. Most of them, however, urged that General de Gaulle be taken into the confidence of allied leaders and that his record of devotion to freedom should not be disregarded in favor of mere expediency. "From 1940 on," the Chicago Sun pointed out, "General DeGaulle has been organizing resistance to Hitler... It is tremendously important that French enemies of Hitler march together... It is essential that the Fighting French National Committee... have the power to delegate its authority."

The distaste which American commentators had for association with Admiral Darlan was evidenced most clearly by the relief which they expressed over the President's press conference assurance that the Army's political arrangements in Africa were purely temporary. The New York Times observed that it "ought to put an end to doubt about the course our Government is pursuing."

Success in North Africa has given rise to some rather high hopes about the diplomatic future. "If Lady Luck stays with us," said Raymond Glaner, "we might have Italy reeling in chaos and virtually out of the war by Christmas." Ernest Lindley noted that "The entire Balkan Peninsula and Hungary, as well as France and Italy, are ripe for the political campaign to which the Anglo-American forces can give real substance by their presence on the southern shore of the Mediterranean."

THE HOME FRONT

In spite of the excitement over military affairs, a good deal of editorial
attention continued to be devoted to the domestic problem of manpower. The
chief focus of comment was the report of the War Manpower Commission's
Labor Policy Committee. The criticism of the report most frequently cited
was that it made no mention of the 40-hour week as a barrier to maximum
utilization of available manpower. "The report is hardly complete," said
the Hartford Courant, "in that it fails to discuss the effect of the short
working week on the manpower situation."

Few critics of the Wage and Hour law took the trouble to point out, as did
the St. Louis Post-Dispatch that "There is no restriction in the law on
the number of hours that may be worked." Most of them treated it exclusive-
ly as a ceiling upon hours, rather than as a floor under wages.

Editors seemed inclined to shy away from considering the question of com-
pulsion in regard to manpower allocation. Like the Birmingham Age Herald,
they felt that "We don't want to resort in wartime to any greater compulsion
than is necessary," but, in general, they avoided commitment as to the need
for compulsory methods.

As usual, there was an overwhelming insistence that the manpower shortage
is serious and that the Administration must do something. The deepest
concern was expressed over the scarcity of farm labor. The feeling is
now widespread that we may encounter serious difficulties in agricultural
production. The Butte Standard, for example, remarked that "No matter how
patriotic the farmers are... they know better than anyone else how futile
it is to plant crops and then not have sufficient help to harvest them.
The present outlook is for curtailment in the face of greater war needs."

A few newspapers have already taken up Senator Harry Byrd's charges that
Government agencies are grossly overstaffed. They point to Washington sar-
castically as a fertile source of surplus manpower.

DEVELOPING SITUATIONS

GOVERNMENT AND THE FOURTH ESTATE

A panel of 20 newspaper editors — regular correspondents of the Bureau of
Intelligence — reports vehement dissatisfaction with the Government's in-
formation policy. In letters received during the first week in November,
they charged that there is unwarranted delay, censorship and coloring in
the treatment of military news; that needless confusion persists in state-
ments about the home front; that the Administration, particularly the
President, treats the press with hostility.

Elmer Davis was largely exempted from this criticism. The prevailing opin-
ion was that he has done as good a job as possible under existing conditions,
but has been handicapped by lack of authority in determining what news
should be released.

The editors were almost unanimous in condemning Government handling of mili-
tary news. They believe that the public is resentful when a belated re-
lease gives people the impression that they have been deliberately deceived
about military developments — either by misinformation or misleading in-
interpretations. The Doolittle episode, the editors report, has seriously impaired confidence in the Government's war communiques. Some of them believe that people are listening to enemy broadcasts and giving them credence in unprecedented numbers.

According to the editors, there is a widespread conviction that censorship is rigid beyond any requirements of security; many people, in and out of the newspaper business, feel that news is being used to manipulate American opinion, not simply to deceive the enemy. They charge, for example, that news of reverses is withheld until there are offsetting successes. One editor wrote bitterly:

"Not one single person I interviewed believes the few governmental explanations about keeping such information from an enemy that was right there at the time and seems to have the faculty of learning things and announcing them weeks before they are told by our own Government."

Interviewing conducted by the Bureau of Intelligence gives some support to the contention of the editors that a growing number of people are dissatisfied with the amount of war news released. In July and again in November, a national sample was asked this question: "Do you think the Government is giving the public as much information as it should about the fighting in this war?" Replies divided as follows:

<table>
<thead>
<tr>
<th></th>
<th>July</th>
<th>November</th>
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<tbody>
<tr>
<td>Yes</td>
<td>70</td>
<td>62</td>
</tr>
<tr>
<td>No</td>
<td>23</td>
<td>31</td>
</tr>
<tr>
<td>Don't know</td>
<td>7</td>
<td>7</td>
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</table>

Criticism of the Government's handling of home front war news was also severe. One editor observed, "The public will always give the Government the benefit of the doubt in military questions, but not in affairs at home." All the correspondents complained that the statements of Government officials about such issues as the manpower situation and the draft status of married men are still hopelessly confusing and contradictory. General Hersey was perhaps the most frequently criticized individual. A number of editors made the point that confusing statements make people distrust not only informational releases but also the competence of their Government.

In addition to these complaints which the editors believe to be shared by the public, the press has a number of grievances of its own. Many newspapermen feel that the Administration is deeply antagonistic toward the press; some think that a deliberate attempt is being made to discredit newspapers in the eyes of the public. The hostility of the Administration is manifest, these critics say, in its dealings with newspapermen as individuals as well as in its attitude toward the press as an institution. Many reporters seem to feel that they are being treated as irresponsible school boys. The President's reference to "typewriter strategists" occasioned especial ire.

Some newspapermen feel that the Administration is partial to other media. For example, a Cleveland editor protested that magazines and radio are sometimes permitted to "jump the gun" in his section of the country with choice items of news. He feels that newspapers are cooperating more closely than other media with the Office of Censorship, and are being penalized in consequence. But the editors themselves appear to recognize that such
difficulties as these could be readily dealt with once the corroding antagonism between the Administration and the press was cleared up.

It seems significant that the Government's suits against the Chicago Tribune and the Associated Press were cited as evidence of hostility by none of these correspondents.

The editors appear to be genuinely eager for better relations with the Administration. One offered what he believed to be a simple formula:

"If it were officially recognized that newspapers, perforce, are an integral part of the war effort; if newspapermen were treated as members of an honored and valued profession; if the impression were created that their efforts are appreciated, understood and desired — I think there quickly would be a great change for the better in all respects."

The editors also made a number of suggestions for bolstering public confidence in the Government's handling of military news. Although they feel that the Army and Navy can be franker and faster than they are at present in releasing news, they are well aware that there is frequently a need for delay and secrecy. But they do not feel that this need has been convincingly explained to the public. They suggest that the press, radio and motion pictures all be employed to show people specifically how a delay in releasing some one piece of information aided our armed forces. One editor wrote:

"If only could take the Wasp case, for instance, show clearly that the enemy did not know of this loss for weeks, and publicize the story freely, it might go a long way toward mollifying public opinion."

Along the same lines, it was suggested that whenever important news is released belatedly, it should be accompanied by an authoritative statement telling why it was delayed. Neither press nor public, according to the editors, wants information which might jeopardize the security of our armed forces, but they do want to feel that the Government is taking them into its confidence as fully as possible.

**FUEL OIL RATIONING**

Recent interviews with a small sample of people in the areas marked for fuel rationing suggest that immense difficulty may be experienced in securing acceptance of the program. Three-fourths of those interviewed had heard or read something about the tight fuel situation and knew that fuel oil rationing was imminent. But the opinions and attitudes of many of the people in the sample indicate that they are ill-prepared for the discomforts which fuel rationing will probably entail.

One-third of the group thought that fuel rationing was unnecessary. Another third did not know whether it was necessary or not. The opponents of rationing argue somewhat like the people who balked at gasoline rationing. Ignoring the transportation shortage, they take the position that there is no reason for people to suffer from cold when there is no shortage of fuel. There was only slight awareness of the present difficulty of getting fuel where it is needed. People in the midwest were particularly resistant to rationing.

Many people have not even faced the fact that they are going to find it difficult to get as much fuel as they used last winter. Only a few of those who use coal or gas were aware that shortages of these fuels may be experienced. And only half of the oil users recognized that they would have trouble in getting their usual supplies.
Over half of the people in this small sample were thinking in terms of using just as much fuel as last winter, rather than in terms of cutting down. Even among those who use fuel oil, a substantial minority have not faced the necessity of economizing.

The one-third cut in fuel oil allowance was opposed by a majority of those interviewed. The individuals who feel that they have already done everything possible to heatproof their homes and to economize on the use of fuel were particularly prone to feel that such a cut would mean a real hardship.

The suggestion that the one-third saving be achieved by keeping home temperature at a maximum of 65° clashes with the notion that a temperature of 70° or thereabouts is essential for good health. Less than a third of those interviewed felt that they could keep the heat to 65° or less without jeopardizing their health. There was no great fear that the fuel situation will actually lead to a wave of illness. But this lack of apprehension was due to a refusal to admit that there is a shortage rather than to confidence in people's ability to withstand colder temperatures.

People with young children, aged persons or invalids in their homes were most inclined to fear that fuel shortages would endanger health. They were evidently unfamiliar with the special dispensations to which they may be entitled.

The Government's efforts to get people to heatproof their houses have met with a markedly different response among homeowners and renters. Generally speaking, owner-occupied houses were in much better condition than rented ones to begin with, and many owners have taken steps to improve the heating efficiency of their own homes. In contrast, few rented houses have been improved, although they offer the greatest possibilities for fuel conservation. The fact that responsibility for improving these houses is divided appears to be at the root of the difficulty.

Intensified informational efforts appear to be needed, if the fuel situation is not to be a source of tension and widespread complaint once cold weather sets in. It is essential to give people a better understanding of the reasons for rationing. They are not likely to accept discomfort with good grace so long as they are skeptical about the need for it.

People also need to be given more facts about the nature of the program. The special provisions for those with children, old people or invalids in their homes need to be widely publicized. The fear that the 65° maximum endangers health needs to be vigorously combatted. Information must take account of the special situation and objections of all groups affected by rationing.

In connection with efforts to induce people to improve the heating efficiency of their houses, different approaches appear indicated for homeowners and non-owners. Perhaps the starting point is to find a formula under which renters and landlords can cooperate to make necessary improvements.

**PRESSURE**

An organized campaign has developed in Midwestern states to bring about a three-month postponement of the nationwide mileage rationing program scheduled to go into effect December 1. This campaign has resulted in a large volume
of mail directed to the Rubber Administrator, protesting against nationwide gasoline rationing at this time. A formal proposal to postpone the rationing program has been introduced in the House of Representatives.

The effort to mobilize public opinion in support of postponement had its inception and was prosecuted most vigorously in the city of Indianapolis. Handbills and petitions were distributed in that community under the sponsorship of a "Midwest Rubber Conservation Committee," composed of "the executive officers of a number of the state associations representing various industries." The appeal for postponement was given practically no publicity through Indianapolis newspapers and radio stations; it was disseminated by hand and by mail.

In Detroit, on the other hand, while literature in support of the plan was distributed to workers at automobile plants, the publicity was disseminated largely through newspapers and radio broadcasts.

In both cities the principal argument advanced was that a 35-mile speed limit would suffice for the conservation of tires.

In order to test the effectiveness of this campaign, the Bureau of Intelligence conducted interviews with people in Indianapolis and Detroit and compared them with interviews undertaken simultaneously in the cities of St. Louis and Cleveland, which had not yet been subjected to the propaganda efforts. In each of the four cities the Bureau asked:

HAVE YOU HEARD OR READ ANYTHING ABOUT A PLAN TO PUT OFF GASOLINE RATIONING AROUND HERE UNTIL THREE MONTHS FROM NOW?

The results show a striking contrast between the two pairs of cities.

<table>
<thead>
<tr>
<th></th>
<th>Indianapolis</th>
<th>Detroit</th>
<th>St. Louis</th>
<th>Cleveland</th>
<th>National</th>
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<tbody>
<tr>
<td>Yes</td>
<td>65%</td>
<td>56%</td>
<td>19%</td>
<td>10%</td>
<td>55%</td>
</tr>
<tr>
<td>No</td>
<td>55</td>
<td>44</td>
<td>81</td>
<td>90</td>
<td>45</td>
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</table>

That those who had knowledge of this proposal to postpone gasoline rationing were significantly affected in their attitudes toward the gasoline and tire problems is shown clearly in the answers given to two other questions asked in the four communities. For purposes of comparison, there is shown below the distribution of opinion in each of the four cities and in a national sample interviewed at the same time.

DO YOU THINK THAT GASOLINE RATIONING THROUGHOUT THE NATION IS NECESSARY?

<table>
<thead>
<tr>
<th></th>
<th>Indianapolis</th>
<th>Detroit</th>
<th>St. Louis</th>
<th>Cleveland</th>
<th>National</th>
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</thead>
<tbody>
<tr>
<td>Yes</td>
<td>31%</td>
<td>38%</td>
<td>56%</td>
<td>66%</td>
<td>55%</td>
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<tr>
<td>No</td>
<td>62</td>
<td>50</td>
<td>35</td>
<td>29</td>
<td>36</td>
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<tr>
<td>Don't know</td>
<td>7</td>
<td>4</td>
<td>9</td>
<td>7</td>
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DO YOU THINK GASOLINE RATIONING IS THE BEST WAY TO SAVE TIRES?

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<th>Indianapolis</th>
<th>Detroit</th>
<th>St. Louis</th>
<th>Cleveland</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>51%</td>
<td>63%</td>
<td>80%</td>
<td>89%</td>
<td>79%</td>
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<tr>
<td>No</td>
<td>41</td>
<td>37</td>
<td>13</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Don't know</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>6</td>
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</table>

Not asked nationally, the following question was designed to test the acceptance of the basic argument used in both Indianapolis and Detroit.

DO YOU THINK THE 35-MILE SPEED LIMIT WILL DO ENOUGH TO SAVE TIRES WITHOUT RATIONING GASOLINE AROUND HERE?
Those people in Indianapolis and Detroit who considered nationwide gasoline rationing unnecessary were much more prone than those who shared this view in St. Louis and Cleveland to advance the additional arguments used in the campaign that plenty of gasoline is available and that tires are already being conserved by voluntary limitation of mileage.

The Detroit and Indianapolis campaigns differed in one respect, and this difference was reflected in people's other reasons for opposing gas rationing. In Detroit, a great many of those opposed to gasoline rationing explained their opposition on the grounds that it would cause serious inconvenience to war workers. This argument was rare in Indianapolis, where one of the most common objections to rationing was that it would put small dealers out of business.

VOLUNTARY PARTICIPATION IN THE WAR EFFORT

Civilian mobilization is one of the imperatives of total war. It is valuable not simply because of the war work achieved through voluntary cooperation, but equally because it strengthens among those who participate the sense that the war is their war.

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.

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.

(These findings summarize a Special Report of the Bureau of Intelligence, Voluntary Participation in the War Effort, issued November 18 and available to authorized individuals upon request to the Bureau.)
ENEMY PROPAGANDA

SHORT-WAVE COUNTEROFFENSIVE

Reactions to America's North African offensive continued to dominate German and Italian propaganda this past week. Both domestic and short-wave broadcasts from Berlin and Rome skillfully diverted attention to the importance of Axis counter-measures. It was claimed that United Nations' shipping losses in connection with the occupation were enormous. The strength of the Axis was repeatedly stressed.

The occupation of France and Corsica was treated as one of a developing series of energetic counter-measures to nullify the American offensive. The American offensive "forced" Hitler to occupy all of France, and the French fully approved the move, according to Axis radio. The occupation made the "South Wall" as impregnable as the "East and West Walls," closing "the last gap in the Fortress of Europe."

Axis submarines and planes wreaked such havoc among United Nations' war and merchant ships that the occupation of Africa was turned into a "Pyrrhic victory," according to Berlin and Rome. The concentration of ships, they claimed, afforded then a "happy hunting ground." The way in which this propaganda line was used to produce anxiety in the United Nations is well illustrated by a comment of the renegade, Robert Best: "As soon as the American public learns about the extent of the losses of the landing fleet, a wave of horror is sure to sweep the country."

The Germans claimed that Tunisia and Sicily control the "Mediterranean narrows," while the Axis-dominated islands serve as "giant, unsinkable aircraft carriers." From vantage points in their possession the Nazis argued that they can control Mediterranean shipping and bomb American bases in Africa. They boasted that Axis troops in Tunisia would "spoil Eisenhower's sightseeing trip."

Despite these confident claims, a significant shift was apparent in Radio Berlin's treatment of the United States. Since the claim that America is weak is scarcely compatible with the admitted facts about the African offensive, America is now being presented, not as a handicapped walking, but rather as a hypocritical, scheming aggressor. The inevitable "documentary proof" of America's predatory intentions toward France was produced by the Nazis and broadcast over Axis and French radios. The "proof" consisted of papers left in the U. S. Embassy in Vichy, showing that America had no intention of ever returning France's colonies to her.

Both Germany and Italy engaged in a little muscle flexing for the benefit of their own populations and the world at large. The increased emphasis on German strength came at a time when the Nazis found it best to devote less attention to actual military operations. The gap was filled with exorbitant claims about the excellence of German morale and German leadership — notably Hitler's. To Americans, the Nazis portrayed a Germany with plenty of food, high per capita income and a rich cultural life.

The Italians, who had to deal with the fear of invasion and, possibly, with a shaken internal morale, adopted a somewhat different approach. They explicitly denied that morale was low. Nevertheless, they found it necessary to exhort the people to calm and fortitude, warning them against the
evil effects of wagging tongues, defeatism and rumors. Italian unity and ability to withstand adversity were both stressed.

The Italians also adopted the propaganda methods used by the Nazis when a second front in the West seemed imminent. They asserted that Italy would deal harshly with invaders. And they warned their own people, a la Goebbels, that they would be destroyed if they were defeated, losing "even their eyes to cry with."

**UNITED NATIONS DISUNITY**

In the reactions to the understanding between General Eisenhower and Darlan, the Axis found material connected with the African offensive that could be used in efforts to foment United Nations disunity. Goebbels and Co. claimed that "serious divergences...are known to exist between the United States and England concerning the U. S. understanding with Darlan.

Earlier the Axis tried to link Giraud with Roosevelt and de Gaulle with Churchill, predicting "certain rivalry between the two major traitors." Both English and Americans were pictured as being dissatisfied with de Gaulle and "thinking of a substitute for him."

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- - * * * * * - -
November 21, 1942
12:30 pm

(Telephoned by the Secretary from the Farm)

I just talked to Judge Rosermen and he has the letter which I wrote the President about the eleven deferments. He thought it would be wonderful public relations if I announced that I cancelled all eleven of them. I said I disagreed with him entirely, but I would be more than willing to make the eleven names public, but we needed those men and I just disagreed with him 100%. So he said, well, if he had to pass on the list, the only one he would allow was the chemist. So I asked him, "Are you passing on it?". He said, "No, I am holding it until the President finds someone to handle it."

He argued with me. I said, "The trouble with you, Sam, is you don't understand the problem. You don't know anything about it."
Secretary would like to have Mr. Kuhn read and initial carbon if he approves.
Dear Mr. Codel:

As the Treasury Department moves into full stride in its payroll savings campaign to TOP THAT TEN PERCENT BY NEW YEAR'S, we at the Treasury Department are impressed, once again, with the fine cooperation of the entire broadcasting industry. Without exception, all four of the major networks, every affiliate of CBS, NBC, MBS, every local station, has given freely of broadcasting time, talent and promotional ideas to reach the public with our War Bond messages.

The cooperation of the radio industry with the Treasury Department not only has been unselfish and complete but it has been and is productive of magnificent results. Merely one example of what you have helped to accomplish may be seen in this fact: In October, 1942, there were 23,300,000 American men and women putting $287,000,000 of their pay into War Bonds every month through payroll savings.

Now we are banking on the radio industry -- with confidence -- to help the Treasury Department sign up 30,000,000 working men and women in payroll savings for Bonds equal to at least ten per cent of their gross pay.

There is no need to tell you how important the success of this drive is to the successful financing of our war effort, and to the checking of inflation.

The radio industry has proved its understanding of our War Savings Campaign through its generous cooperation. On behalf of the Treasury Department, I should like to extend my thanks and congratulations.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Martin Codel, Publisher
The Broadcasting Magazine
National Press Building
Washington, D.C.

Extra copies to Thompson
By Messenger Simmons 1 PM
TELEGRAM
OFFICIAL BUSINESS—GOVERNMENT RATES

George L. Harrison,
Chairman, Life Insurance Coordinating Committee,
c/o New York Life Insurance Company,
New York, N.Y.

No objection to your sending copy of Secretary's letter November seventeen to companies concerned. Regards.

HAROLD N. GRAVES
Assistant to the Secretary.
THANK YOU FOR YOUR LETTER OF NOVEMBER 17. I FEEL SURE THAT INSURANCE AGENTS CAN BE HELPFUL IN PROGRAM OF VICTORY FUND COMMITTEES AND THAT IF YOU SO DESIRE SELECTIVE GROUPS MAY BE MADE AVAILABLE TO THOSE COMMITTEES ON SUBSTANTIALLY THE SAME BASIS AS WAS PLANNED FOR THE WAR SAVINGS COMMITTEES. IN VIEW OF CONTEMPLATED SHIFT IT WILL BE HELPFUL BY WAY OF EXPLANATION IF I MAY SEND COPY OF YOUR LETTER TO THE VARIOUS COMPANIES CONCERNED AND I WOULD APPRECIATE YOUR PERMISSION TO DO SO. PLEASE BE SURE OF OUR CONTINUED DESIRE TO COOPERATE.

GEORGE L HARRISON.

737 AM NOV 20.
Dear Mr. Harrison:

As the Chairman of the Life Insurance Coordinating Committee, you recently made available to the Treasury a carefully selected group of agents to assist the War Savings Staff in the sale of F and G Bonds. This very generous offer of cooperation was accepted and we had completed plans for a program whereby we would be able to take full advantage of this talent.

As you know now, however, it has been decided in the light of our overall task not to pursue this particular activity.

I wish to express my appreciation to you and to the members of your committee, as well as to the Insurance Agents who had volunteered their services for this undertaking.

I would like to suggest further that their services not be lost to us as a result of this decision affecting F and G Bond promotion. You are somewhat familiar with our whole program, and if you feel that this new group of Insurance Men could give assistance to the program of the Victory Fund Committees, I would appreciate your so advising me.

I am informed by Mr. Graves that a few of these men who have recently been made available to us have already taken up new duties in the promotion of the sale of E Bonds. This request should in no way involve the men who are working under the Life Underwriters Association on Payroll Savings nor any others who are currently engaged in various "E" Bond activities.

In closing, may I thank you and the members of your committee for your continuing support.

Sincerely yours,

/s/ Henry Morgenthau, Jr.

Mr. George L. Harrison
Chairman, Life Insurance Coordinating Committee
c/o New York Life Insurance Company
New York, New York

TRG;irc
I understand there are only 3000 banks in the country that have war loan accounts. How about putting on a drive to quadruple that number. Please speak to me about it Monday morning.

How about sending a notice of the November 30th financing to all the banks who are members of FDIC direct from my office and over my signature. If you don’t think well of this certainly the ABA & should do it. Copy to Mrs Klotz.

Henry Morgenthau Jr
THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

November 24, 1942.

MRS. McHUGH:

The Secretary on November 21, while at the farm, sent me a telegram, copy of which went to Mrs. Klotz, the first paragraph of which I answered at yesterday morning's staff meeting. He suggested in the second paragraph that a copy of the notice of the November 30 financing, which was released to the press last Thursday, be sent to all banks which are members of the Federal Deposit Insurance Corporation with a covering letter for his signature; that if I didn't think well of this suggestion, it might go through the American Bankers Association. I told him at the staff meeting I did not think he ought to send it out over his signature. Possibly it had already gone from the Federal Reserve Banks. He then asked me to send one thousand post cards to one thousand banks scattered throughout the forty-eight states asking them whether or not they had received the financing press release.

I talked again with the Secretary this afternoon about the matter and told him that apparently the Federal Reserve Banks had not sent out the statement and that it would be useless to send the one thousand post cards. I thought he would be sending out a number of letters in the next week over his signature and my recommendation is that he not do any of the things suggested in his telegram of November 21. He agreed with this recommendation.
<table>
<thead>
<tr>
<th>Date</th>
<th>Last Week</th>
<th>This Week</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Holiday</td>
<td>+20.2</td>
<td>-18.8</td>
<td></td>
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<tr>
<td>Market purchases</td>
<td>-67.8</td>
<td>+51.3</td>
<td>-13.5</td>
</tr>
<tr>
<td>Market sales</td>
<td>+51.3</td>
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</tr>
<tr>
<td>Direct purchases from Treasury</td>
<td>+10.1</td>
<td>-4.0</td>
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<tr>
<td>Net increase or decrease</td>
<td>-13.8</td>
<td>+40.3</td>
<td>-26.1</td>
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**II. Bank Loans**

<table>
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<tr>
<th>Date</th>
<th>Last Week</th>
<th>This Week</th>
<th>Notes</th>
</tr>
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<tbody>
<tr>
<td>Bills - all issues combined</td>
<td>+8.2</td>
<td>+5.4</td>
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<tr>
<td>Market purchases</td>
<td>+51.3</td>
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<td>-0.0</td>
</tr>
<tr>
<td>Market sales</td>
<td>+51.3</td>
<td>-4.0</td>
<td>-0.0</td>
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<tr>
<td>Net increase or decrease</td>
<td>-42.1</td>
<td>+5.4</td>
<td>+3.2</td>
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<td>Certifications</td>
<td>-6.4</td>
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<tr>
<td>Treasury notes</td>
<td>-4.2</td>
<td>-1.0</td>
<td>-0.0</td>
</tr>
<tr>
<td>Treasury bonds</td>
<td>+3.4</td>
<td>+1.0</td>
<td>-1.0</td>
</tr>
<tr>
<td>Guaranteed securities</td>
<td>-4.2</td>
<td>-1.0</td>
<td>-0.0</td>
</tr>
<tr>
<td>All taxable securities</td>
<td>+3.4</td>
<td>+1.0</td>
<td>-1.0</td>
</tr>
<tr>
<td>Index</td>
<td>Description</td>
<td>Monday</td>
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<td>III.</td>
<td>Top-exempt securities</td>
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<td>Treasury notes</td>
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Through The Bureau of the Budget  
Attorney General  
Division of the  
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My dear Mr. President:

There is transmitted herewith for your signature, if you approve, a proposed Executive Order authorizing the Secretary of the Treasury to exercise, through such officials of the Department of the Treasury and its bureaus and divisions as he may designate, the authority contained in Title II of the Second War Powers Act, 1942, approved March 27, 1942 (Public Law 507, 77th Congress), to acquire, use, and dispose of any real property, temporary use thereof, or other interest therein, together with any personal property located thereon, or used therewith, that shall be deemed necessary for war purposes.

The administration of the Revenue Act of 1942, approved October 21, 1942 (Public Law 753, 77th Congress) and the additional duties imposed upon the Commissioner of Internal Revenue under "An Act to amend the Emergency

1 copy to Miss Cullen  
Remainder to Mr. Shey's Office  
for transmittal 11/21/42
Price Control Act of 1942, to aid in preventing inflation, and for other purposes", approved October 2, 1942 (Public Law No. 729, 77th Congress), pursuant to Executive Order No. 8250 of October 3, 1942, and Order of the Director of the Office of Economic Stabilization, approved by the President on October 27, 1942, will necessitate the employment of a considerable number of people and will require the use of additional space in commercial buildings. Moreover, additional space may be needed for the War Savings Bond Staff and the Bureau of the Public Debt which issues War Bonds; in the Procurement Division of the Treasury Department, due to its activities under the Lend-Lease program and other procurement operations; and in the Division of Disbursement, due to the issuance of pay checks and payment of bills for expanding war agencies and bureaus, as well as the handling of all payroll allotments for the purchase of war bonds made by employees of the Federal Government to whom this division issues pay checks.

I have been advised that because of the abnormal demands for space on account of the war activities, it
will be difficult, if not impossible in many instances, to obtain necessary space to accommodate our prospective needs without resorting to the powers granted in Title II of the Second War Powers Act, 1942. In view of this situation I find it necessary, therefore, to request that the Secretary of the Treasury be vested by executive order with the power to acquire, use and dispose of real property pursuant to that Act.

Similar authority has been conferred by Executive Orders on the United States Maritime Commission; the Federal Public Housing Commissioner of the National Housing Agency, or any officer of the National Public Housing Authority acting in the absence or disability of the Commissioner; the Federal Works Administrator, or any officer of the Federal Works Agency acting in the absence or disability of the Administrator; the Division of Central Administrative Services in the Office for Emergency Management, Executive Office of the President; Reconstruction Finance Corporation; Office of Scientific Research and Development in the Office for Emergency Management; and the Secretary of
Agriculture, or any officials of the Department of Agriculture or its agencies as he may designate.

The action recommended is within the authority conferred upon you by Title II of the Second War Powers Act, 1942.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

KMcB:mj
11/10/42
EXECUTIVE ORDER

AUTHORIZING THE TREASURY DEPARTMENT
TO ACQUIRE AND DISPOSE OF PROPERTY

By virtue of and pursuant to the authority vested in me by Title II of the Second War Powers Act, 1942, approved March 27, 1942 (Public Law 507, 77th Congress), the Secretary of the Treasury is hereby authorized to exercise, through such officials of the Department of the Treasury and its bureaus and divisions as he may designate, the authority contained in said Title II of the Second War Powers Act, 1942, to acquire, use, and dispose of any real property, temporary use thereof, or other interest therein, together with any personal property located therein, or used therewith, that shall be deemed necessary for war purposes.

THE WHITE HOUSE,
November  , 1942.
Mr. Laster  
Room 3032  
IR BLDG

Letter transmitted to above to add nec. copies and transmit thru Budget to the White House. (Per Miss Cullen’s suggestion)

By Messenger 12 noon (Colbert)
SUMMARY OF ATTACHED MATERIAL

The documents herewith are responsive to the request of the Special Committee on Un-American activities for the issuance of an Executive Order permitting inspection of income, excess profits and capital stock tax returns. The request is based on House Resolution 430, adopted March 11, 1942, authorizing the Committee to continue its activities. The documents include, in addition to the Executive Order requested, a Treasury decision regulating the inspection, and a detailed explanation from the Secretary of the Treasury. The Executive Order and Treasury decision are substantially the same as others previously issued for the same purpose under earlier Resolutions, except that the new Order and Treasury decision relate to returns, including excess profits tax returns, required under statutes enacted since issuance of the prior Orders and Treasury decisions, as well as to the returns covered by the prior Executive Orders and Treasury decisions.
Through the Bureau of the Budget
Attorney General
Division of the
Federal Register

My dear Mr. President:

I herewith submit to you for your consideration with
the recommendation that it be approved, a proposed Executive
Order permitting the Special Committee on Un-American Activi-
ties of the House of Representatives to inspect income,
excess profits, declared value excess profits, and capital
stock tax returns made under the Internal Revenue Code and
prior revenue acts, beginning with the Revenue Act of 1932.
This inspection is to be made in accordance with regulations
prescribed by me and approved by you. The Special Committee on
Un-American Activities was appointed under authority of House
Resolution 282 (Seventy-fifth Congress, third session), passed
May 26, 1938. Pursuant to the Committee's request, an Execu-
tive Order signed by you on July 14, 1938, permitted the ins-
pection of returns. Treasury Decision 4849, prescribed by
me and approved by you on the same date, regulated such
inspection. The Committee reported on January 3, 1939. On
the same date House Resolution 26 (Seventy-sixth Congress, first session) was introduced authorizing the committee to continue its investigation with the same power and authority as were conferred by House Resolution 282 of the Seventy-fifth Congress. House Resolution 26 was passed by the House on February 3, 1939. The Committee, under date of February 23, 1939, requested that an Executive Order be issued permitting it to inspect returns made under the various revenue acts from the Revenue Act of 1932 to and including the Revenue Act of 1938. Pursuant to such request, an Executive Order signed by you on May 11, 1939, permitted the inspection of returns. Treasury Decision 4900 prescribed by me and approved by you on the same date regulated such inspection. On March 11, 1942, the House agreed to House Resolution 420 which authorized the Committee to continue the investigation begun under authority of House Resolution 282 of the Seventy-fifth Congress. The Committee under date of September 30, 1942, has requested that an Executive Order be issued permitting it to inspect returns made under the various revenue acts from the Revenue Act of 1932 to and including the Revenue Act of 1941. The act last mentioned is amendatory of the Internal Revenue Code. Accordingly, this proposed Executive Order now submitted for your
consideration is the same in scope as the one signed by you on July 14, 1938, except that it includes returns made under the Internal Revenue Code, as amended. Similarly, the proposed Treasury decision has the same scope as Treasury Decision 4900, except that it includes returns made under the Internal Revenue Code. Except with respect to the returns made under the Internal Revenue Code, there is no change in the authority now proposed to be granted to the Committee.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The White House
TITLE 26 -- INTERNAL REVENUE
CHAPTER I
SUBCHAPTER B -- PART 458, SUBPART I
INCOME, EXCESS-PROFITS, DECLARED VALUE EXCESS-PROFITS, AND CAPITAL STOCK TAXES

Regulations governing the inspection of income, excess-profit, declared value excess-profit, and capital stock tax returns by the Special Committee on Un-American Activities, House of Representa-
tives.

TREASURY DEPARTMENT,
Washington, D. C.

TO COLLECTORS OF INTERNAL REVENUE
AND OTHERS CONCERNED:

Sec. 458.201. Examination of returns by
House Committee on Un-American Activities. Pursuant
to the provisions of section 257 (a) of the
Revenue Act of 1926; section 55 of the Revenue Act
of 1932, as amended by section 218 (h) of the
National Industrial Recovery Act; sections 216 (e)
and 216 (b) of the National Industrial Recovery
Act; sections 55 (a), 701 (e), and 702 (b) of the
Revenue Act of 1934; sections 105 (e) and 106 (c)
of the Revenue Act of 1935; sections 55 (a),
351 (c), and 503 (a) of the Revenue Act of 1936;
sections 55 (a), 409, 601 (e) and 602 (c) of the
Revenue Act of 1938; and sections 55 (a), 508,
603, 729 (a), and 1204, of the Internal Revenue
Code, income tax returns made under the Revenue
Act of 1932, the Revenue Act of 1932, as amended by
the National Industrial Recovery Act, the Revenue Act of 1934, the Revenue Act of 1936, the Revenue Act of 1936, as amended by the Revenue Act of 1937, the Revenue Act of 1938, and the Internal Revenue Code, capital stock and declared value excess-profits tax returns made under the National Industrial Recovery Act, the Revenue Act of 1934, the Revenue Act of 1935, as amended by the Revenue Act of 1936, the Revenue Act of 1936, the Revenue Act of 1938, and the Internal Revenue Code, for the year 1932 and subsequent years, and excess-profits tax returns made under the Internal Revenue Code for the year 1940 and subsequent years, shall be open to inspection by the Special Committee on Un-American Activities, House of Representatives, or any duly authorized subcommittee thereof, for the purpose of carrying out the provisions of House Resolution 420 (Seventy-seventh Congress, second session), passed March 11, 1942. The inspection of returns herein authorized may be by the Committee or a duly authorized subcommittee thereof, acting directly as a committee or a subcommittee, or by or through such examiners or agents as the committee or subcommittee may designate or appoint. Upon written notice by the chairman of the committee or of the authorized subcommittee to the
the National Industrial Recovery Act, the Revenue Act of 1934, the Revenue Act of 1936, the Revenue Act of 1936, as amended by the Revenue Act of 1937, the Revenue Act of 1938, and the Internal Revenue Code, capital stock and declared value excess-profits tax returns made under the National Industrial Recovery Act, the Revenue Act of 1934, the Revenue Act of 1935, as amended by the Revenue Act of 1936, the Revenue Act of 1936, the Revenue Act of 1938, and the Internal Revenue Code, for the year 1932 and subsequent years, and excess-profits tax returns made under the Internal Revenue Code for the year 1940 and subsequent years, shall be open to inspection by the Special Committee on Un-American Activities, House of Representatives, or any duly authorized subcommittee thereof, for the purpose of carrying out the provisions of House Resolution 420 (Seventy-seventh Congress, second session), passed March 11, 1942. The inspection of returns herein authorized may be by the Committee or a duly authorized subcommittee thereof, acting directly as a committee or a subcommittee, or by or through such examiners or agents as the committee or subcommittee may designate or appoint. Upon written notice by the chairman of the committee or of the authorized subcommittee to the
Secretary of the Treasury, giving the names and addresses of the taxpayers whose returns it is necessary to inspect and the taxable periods covered by the returns, the Secretary and any officer or employee of the Treasury Department shall furnish such committee or subcommittee with any data relating to or contained in any such return, or shall make such return available for inspection by the committee or subcommittee or by such examiners or agents as the committee or subcommittee may designate or appoint, in the office of the Commissioner of Internal Revenue. Any information thus obtained by the committee or the subcommittee thereof, which is relevant or pertinent to the purpose of the investigation, may be submitted by the committee to the House.

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Approved:

The White House.
EXECUTIVE ORDER

INSPECTION OF INCOME, EXCESS-PROFITS, DECLARED VALUE EXCESS-PROFITS, AND CAPITAL STOCK TAX RETURNS BY THE SPECIAL COMMITTEE ON UN-AMERICAN ACTIVITIES, HOUSE OF REPRESENTATIVES

By virtue of the authority vested in me by section 257 (a) of the Revenue Act of 1926 (44 Stat. 9, 51); section 55 of the Revenue Act of 1932 (47 Stat. 169, 189) as amended by section 218 (b) of the National Industrial Recovery Act (48 Stat. 195, 209); sections 215 (a) and 216 (b) of the National Industrial Recovery Act (48 Stat. 195, 208); sections 55 (a), 701 (e), and 702 (b) of the Revenue Act of 1934 (48 Stat. 680, 698, 770); sections 105 (e) and 106 (c) of the Revenue Act of 1935 (49 Stat. 1014, 1018, 1019); sections 55 (a), 351 (c), and 503 (a) of the Revenue Act of 1936 (49 Stat. 1648, 1671, 1733, 1738); sections 55 (a), 409, 601 (e), and 602 (c) of the Revenue Act of 1938 (52 Stat. 447, 478, 564, 566, 568); and sections 55 (a), 508, 603, 1204, and 729 (a) of the Internal Revenue Code (53 Stat. 1, 29, 111, 171; 54 Stat. 974, 989), it is hereby ordered that income, excess-profits, declared value excess-profits, and capital stock tax returns
made under the Revenue Act of 1932, the Revenue Act of 1932, as amended by the National Industrial Recovery Act, the National Industrial Recovery Act, the Revenue Act of 1934, the Revenue Act of 1935, as amended by the Revenue Act of 1936, the Revenue Act of 1936, the Revenue Act of 1936, as amended by the Revenue Act of 1937, the Revenue Act of 1938, and the Internal Revenue Code, for the year 1932 and subsequent years, shall be open to inspection by the Special Committee on Un-American Activities, House of Representatives, or any duly authorized subcommittee thereof, for the purpose of carrying out the provisions of House Resolution 420, passed March 11, 1942 (Seventy-seventh Congress, second session); such inspection to be in accordance and upon compliance with the rules and regulations prescribed by the Secretary of the Treasury in the Treasury decision relating to the inspection of returns by that committee, approved by me this date.

This order shall be published in the Federal Register.

The White House

November 1942.
MR. SECRETARY:

There is herewith transmitted for your consideration with the recommendation that it be approved, a proposed Executive Order for the signature of the President permitting the Special Committee on Un-American Activities of the House to inspect income, excess-profits, declared value excess profits, and capital stock tax returns made under the Revenue Act of 1932 and under subsequent revenue acts up to and including the Internal Revenue Code, as amended. With it there is also transmitted a proposed Treasury decision regulating such inspection.

Under date of July 14, 1938, an Executive Order was signed authorizing the Special Committee on Un-American Activities to inspect certain returns. On the same date there was approved a Treasury decision (T. D. 4849) regulating such inspection. By the terms of House resolution 282, Seventy-sixth Congress, First Session, passed February 3, 1939, this committee was authorized to continue its investigation with the same power and authority as were conferred by House Resolution 282, Seventy-fifth Congress, Third Session. Pursuant to the committee's request, under date of February 23, 1939, an Executive Order was issued on May 11, 1939, permitting it to inspect returns. On the same date Treasury Decision 4900 regulating such inspection was issued.

On March 11, 1942, House Resolution 420 was agreed to authorizing the committee to continue the investigation with the same power and authority as were conferred by House Resolution 282, Seventy-fifth Congress, Third Session. The committee, under date of September 30, 1942, requested that an Executive Order be issued permitting it to inspect returns. The proposed Executive Order and Treasury decision
are the same in scope as the last previous Executive Order and Treasury decision referred to above, except that the proposed Executive Order and Treasury decision cover returns required under the Internal Revenue Code, including excess profits tax returns required under Subchapter E, chapter 2, of the Internal Revenue Code.

(signed) Norman D. Camp
Acting Commissioner.

PAV/NEW 10-20-42
My dear Mr. Attorney General:

I have your letter of November 17, 1942, with respect to the Inter-Departmental Security Service Committee.

It is noted that it has been proposed to expand the existing committee into a general committee to advise not only with regard to insurance matters but also as to shipping documents and other matters in the field of the security of information.

John S. Pehle, Assistant to the Secretary, is now representing the Treasury Department on the Inter-Departmental Security Service Committee and he is hereby designated to represent this Department on the committee dealing with the over-all problems of security of information.

It is anticipated that certain phases of the matters under consideration will involve problems with which specific divisions of the Treasury Department are directly concerned. In such cases the Department would like to have the privilege of also sending to meetings involving such matters a representative of the division of the Treasury directly concerned.

Very truly yours,
(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,
The Attorney General of the United States.

Per Mess (Dixon) 12:10 11/21/42
Photostat file in Diary; orig. file ret'd to Mr. Pehle's office 11/23/42

JWPehle:1OW 11-20-42
Office of the Attorney General  
Washington, D.C.  
November 17, 1943

The Honorable  
The Secretary of the Treasury

My dear Mr. Secretary:

For some time, this Department has been cooperating with other departments and agencies in regard to the protection of information in connection with the shipment of war materials. This problem first arose in connection with the matter of information contained in insurance documents. This phase of the problem is receiving special attention at the moment, and a Committee, known as the Inter-departmental Security Service Committee, was organized to serve in an advisory capacity in connection with that particular work. The Solicitor General, Mr. Charles Pahy, is serving as Chairman of that Committee. Your department is represented on that Committee by Mr. John Fehle.

There are, however, other important phases of the general problem which require attention, particularly with reference to information contained in shipping documents. It has been found that several departments and agencies have been working independently upon these other phases, and that to a considerable extent their work overlaps. For instance, several different government agencies are directly interested in a shipping document at some time during the course of its use, which fact illustrates the common interest that various agencies have in the same problem. The work in this general field, therefore, calls for coordination and a certain amount of over-all direction.

A number of affected agencies have indicated a desire that this Department assume the initiative in bringing together the various interested agencies, to coordinate the work which they are doing, and to fill in any gaps that still exist. Accordingly, this Department was requested to expand the existing insurance committee into a general committee to advise not only with regard to insurance matters, but also as to shipping documents, and, if the Committee seems appropriate, other matters in the
field of security of information. It is not intended that the proposed general Committee shall assume any jurisdiction which rests in the various agencies or departments in connection with the problems which concern them directly, but will merely seek to coordinate the total effort of these various agencies.

It would be appreciated, therefore, if your Department would designate someone to serve on the general Committee, as suggested above, and who would be authorized to represent your department. It may be that you will wish to have your representative, who is now serving on the special Committee on insurance matters, serve also on the Committee which will deal with the over-all problem.

Mr. Charles Fahy, Director of the War Division, is calling a first meeting of this group in his office, Room 5609, Department of Justice Building, on Wednesday, November 25th, at 2:15 P.M. I should appreciate it if you would send a representative to attend this meeting.

Sincerely,

[Signature]
Attorney General
My dear Mr. Myer:

Reference is made to your letter of November 12, 1942, requesting that I authorize you, in accordance with provisions of subdivision (b) of section 5 of the Trading with the enemy Act of October 6, 1917 (40 Stat. 111), as amended by the First War Powers Act, 1941 (Public Law No. 354, 77th Congress), to freeze property and transactions therein, to enable you to exercise effectively your authority under Executive Order No. 9066, and Executive Order No. 9102, to assist in the management and disposal of the property of persons removed under the provisions of those Orders.

Enclosed is a memorandum delegating the authority you request for the purpose of enabling the War Relocation Authority to carry out effectively its program and to prevent inequitable practices upon the part of creditors of evacuees.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. D. B. Myer,
Director of War Relocation Authority,
Washington, D. C.

Enclosure

JLLawler;JWPehle;cwh 11-16-42
MEMORANDUM FOR THE DIRECTOR OF THE WAR RELOCATION AUTHORITY:

For the purpose of enabling the Director of the War Relocation Authority to exercise effectually the authority conferred upon him to assist in the management and disposal of the property of persons removed under the provisions of Executive Order No. 9066, of February 19, 1942, and Executive Order No. 9102, of March 18, 1942, there is hereby delegated to and conferred upon the Director of the War Relocation Authority full authority to exercise any and all powers delegated to the Secretary of the Treasury under section 5(b) of the Trading with the enemy Act, as amended by Title III of the First War Powers Act, 1941, with the power to redelegate these powers to such persons or agencies in the War Relocation Authority as the Director of the War Relocation Authority may from time to time designate. For the purpose indicated herein this delegation shall include the authority to prohibit transactions which would otherwise be effected under general licenses issued by the Treasury Department. This delegation shall not be construed as a limitation upon my authority to exercise such power and authority at any time.

(Signed) R. Morgenthau, Jr.

JLawler:JWpehle:wh 11-16-42
You will recall that in connection with the program of evacuating Japanese from the West Coast areas you delegated to the Federal Reserve Bank of San Francisco and to the Department of Agriculture your authority under section 5(b) of the Trading with the enemy Act to the extent necessary for them to carry out their respective duties in connection with the evacuation.

The War Relocation Authority has now requested that similar authority be granted to it. There is attached a letter and memorandum to the Director of the War Relocation Authority delegating such powers.

Also attached are documents revoking the authority delegated to the Department of Agriculture and the Federal Reserve Bank of San Francisco. The duties of these two agencies in this matter have been completed and it is agreeable to them that the authority be terminated at this time.
The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

When the West Coast evacuation program was begun, General John L. DeWitt requested and authorized the Federal Reserve Bank of San Francisco to assist the evacuees in the management and disposal of their urban properties. A similar request and authorization was made to the Farm Security Administration with respect to the farm properties of the evacuees. Shortly afterward, the War Relocation Authority was created and authorized to perform these functions. In order to prevent confusion, Mr. W. S. Eisenhower, the Director of the War Relocation Authority at that time, by letter dated March 25, 1942, delegated to the Treasury Department the authority vested in him to assist in the management and disposal of the evacuee property. This authority was exercised through the Federal Reserve Bank of San Francisco with respect to urban properties. The Farm Security Administration continued to assist in the management of rural properties.

Both the Federal Reserve Bank of San Francisco and the Farm Security Administration indicated some time ago that, since the evacuation program had virtually been completed and the immediate emergency requiring their services had passed, and since the War Relocation Authority was in a position to take over the whole evacuation property program, they would like to be relieved of that responsibility. An informal understanding to that effect was reached between both of those agencies, the Wartime Civil Control Administration and the Regional Director of the War Relocation Authority in San Francisco.

In accordance with this informal understanding, the War Relocation Authority has taken over the responsibility for the management of properties belonging to evacuees involved in the mass evacuation from the West Coast. I should appreciate your confirmation of this action.
I am informed that the power to freeze transactions in property has been very advantageous to both the Federal Reserve Bank of San Francisco and the Farm Security Administration in connection with the management of evacuee property, particularly with respect to the prevention of inequitable practices upon the part of creditors of the evacuees. I believe that such power would be equally advantageous to the War Relocation Authority, and I should like to have a delegation from you of that authority for use in connection with the evacuee property program. A draft memorandum for that purpose is enclosed for your convenience. It is in substantially the same form as the memorandum from you dated April 6, 1942, delegating the same authority to the Farm Security Administration.

Copies of this letter are being sent to the Secretary of Agriculture and to General John L. DeWitt for their information. A copy of my letter to the Secretary of Agriculture on the same subject is enclosed.

Sincerely,

[Signature]

Director

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

Memorandum For The Director Of The War Relocation Authority

For the purpose of enabling the Director of the War Relocation Authority to exercise effectually the authority conferred upon him to assist in the management and disposal of the property of persons removed under the provisions of Executive Order No. 9102 of March 18, 1942, or Executive Order No. 9066 of February 19, 1942, there is hereby delegated to and conferred upon the Director of the War Relocation Authority full authority to exercise any and all powers delegated to the Secretary of the Treasury under section 5 (a) of the Trading with the Enemy Act, as amended by Title III of the First War Powers Act of 1941, with the power to redelegate these powers to such persons or agencies in the War Relocation Authority as the Director of the War Relocation Authority may from time to time designate. This delegation includes the authority to block transactions in property, otherwise authorized under general license from the Treasury Department. This delegation shall not be construed as a limitation upon my authority to exercise such power and authority at any time or as a limitation upon the authority of the Federal Reserve Bank of San Francisco to exercise the power and authority conferred on it as Fiscal Agent of the United States.

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

Dear Mr. Secretary:

The Farm Security Administration representatives on the West Coast, the Federal Reserve Bank of San Francisco, the Warime Civil Control Administration and the Regional Director of the War Relocation Authority in San Francisco reached an informal understanding some time ago to the effect that the Farm Security Administration and Federal Reserve Bank will be released from further responsibility in connection with the West Coast evacuee property program, and that responsibility will be assumed by the War Relocation Authority.

These two agencies, as you know, have been assisting in the management and disposal of evacuee property under an authorization from General John L. DeWitt, Commanding General of the Western Defense Command and Fourth Army. Both of these agencies handled the evacuee property program on a temporary basis and were anxious to have the War Relocation Authority, which was originally authorized to perform this function, assume complete responsibility for the program as soon as possible.

Pursuant to this informal understanding, the War Relocation Authority has assumed responsibility for the evacuee property program undertaken by the Farm Security Administration, except responsibility for servicing and collecting loans by the Maritime Farm Administration. I should appreciate your confirmation of this action.

Copies of this letter are being sent to the Secretary of the Treasury and to General John L. DeWitt for their information. A copy of my letter to the Secretary of the Treasury on the same subject is enclosed.

Sincerely yours,

[Signature]

Enclosure

Director
My dear Mr. Secretary:

Reference is made to your letter of April 3, 1942, requesting that I authorize you, in accordance with the provisions of subdivision (b) of section 5 of the Trading with the enemy Act of October 6, 1917 (as amended by the First War Powers Act, 1941), to freeze property and transactions therein, and to vest, manage, operate and dispose of property when the property or any interest therein is held by an evacuee engaged in farming operations who has evacuated, or is about to evacuate, a farm located in a military area within the Western Defense Command, and to my letter and memorandum of April 6, 1942, delegating such authority to you.

I have been informed that an informal understanding has been reached between the Farm Security Administration, the Wartime Civil Control Administration, and the War Relocation Authority under which the War Relocation Authority has agreed to assume all of the property aspects of the evacuation program. At the request of the Director of the War Relocation Authority, I have today delegated to him authority including the powers which were delegated to you to carry out this program. Enclosed is a memorandum revoking my previous delegation of power to you and a copy of my memorandum to the Director of the War Relocation Authority delegating the power to him.

In order to complete the records of this Department it would be appreciated if we could be furnished with a summary report of the action taken by the Department of Agriculture or any agency thereof under the authority delegated to you as above indicated.

Very truly yours,
(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,
The Secretary of Agriculture.
MEMORANDUM FOR THE SECRETARY OF AGRICULTURE:

The memorandum from the Secretary of the Treasury to the Secretary of Agriculture, bearing date of April 6, 1942, delegating to and conferring upon the Secretary of Agriculture full authority to exercise any and all powers delegated to the Secretary of the Treasury under section 5(b) of the Trading with the enemy Act of October 6, 1917, as amended by Title III of the First War Powers Act of 1941, is hereby revoked. This revocation shall be effective as of this date.

(Signed) H. Morgenthau, Jr.

JLlawler:JWPEHLE:CHWH 11-16-42
The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

At the request of the Commanding General of the Western Defense Command and Fourth Army, the Farm Security Administration of this Department has been assisting in the evacuation from certain military areas of certain persons, among whom are enemy aliens and persons of Japanese descent who operate farms either as landowners or as tenants. The functions of the Farm Security Administration in this respect have largely related to assistance in the making of arrangements with respect to farms which are to be evacuated so that the property interests of the evacuees in the farms, in the crops, and in the livestock and equipment on the farms may be protected, and so that the farms may be continued in cultivation in the interests of continued agricultural production. As you know, some of the farms involved are extremely productive and their continuation in production is essential to the success of the Food for Freedom program of this Department which has been formulated with a view to meeting the increased food needs of our armed forces, our civilian population, and our Allies.

The work of the Farm Security Administration has involved attempts to secure substitute operators for the evacuated farms and the provision for such operators of the necessary credit for continued production.

A number of situations has developed which forcefully indicate that the powers of this Department are not adequate to make it possible effectively to accomplish these objectives. This lack of authority has been brought to my attention not only by field representatives of this Department but also by the Director of the War Relocation Authority, who has specifically requested me, pursuant to the responsibility placed upon him by the President, to obtain and exercise additional powers under the Trading With The Enemy Act.
It is my understanding that the representatives of the Commanding General also feel that the Farm Security Administration is handicapped by its present lack of authority.

The lack of the necessary power has been made evident by a number of different types of cases arising in the actual administration of the program. In many cases, landlords or other creditors of the affected evacuees have refused to cooperate in the program because of their feeling that when the farms are evacuated, defaults will have occurred under the terms of their leases or mortgages as a result of which they will be in a position to cancel the leases or foreclose the mortgages and thus secure the property interests of the Japanese without adequate compensation. The only effective method for meeting situations of this character is to exercise the freezing power. Of course, the mere existence of that power in the agencies attempting to assist in the necessary arrangements will, in most cases, result in a satisfactory agreement without the actual use of the power.

More serious are the cases where production is threatened by acts on the part of the prospective evacuees caused either by their desire to sabotage production or by fear. Cases have come to our attention where the evacuees are failing to proceed with production for a variety of reasons. We also know of cases where the evacuees, in order to realize upon their equipment, are making ill-advised attempts to sell their equipment to persons other than prospective operators of their farms. This, of course, makes it impossible to transfer the farms to prospective operators as operating units. There are also cases in which the evacuees cannot be found or are under some legal disability which prevents them from transferring their property in orderly fashion.

Accordingly, I am now requesting you to authorize me, in accordance with the provisions of subdivision (b) of section 5 of the Trading With The Enemy Act of October 6, 1917 (40 Stat. 411), as amended by the First War Powers Act, 1941 (Public Law 554, 77th Congress), to freeze property and transactions therein, and to vest, manage, operate and dispose of property when the property or any interest therein is held by an evacuee engaged in farming operations who has evacuated or is about to evacuate a farm located in a military area within the Western Defense Command. If this authority is granted,
I should be empowered to delegate the responsibility and powers to such field and other agencies of this Department as I may from time to time designate.

It is, of course, recognized that, in the absence of time limitations, all these situations could be taken care of either through the ordinary processes of law or by requesting the agencies which now have the necessary powers to exercise them in cases which come to our attention. However, there are two limitations of time which, in my opinion, make it impossible either to use the ordinary processes of law or to request other agencies to take the necessary action. The first limitation of time results from the determination of the Commanding General that it is necessary from a military standpoint to evacuate many of the affected areas immediately. The second limitation results from the extremely perishable nature of many of the crops which are involved. A few hours' neglect will frequently destroy an entire crop of this type.

I would appreciate your early consideration of these problems.

Sincerely yours,

Claude R. Wickard
Secretary
Dear Mr. Hale:

Reference is made to my telegram of March 7 and 11, 1942, delegating to the Federal Reserve Bank of San Francisco powers under subdivision (b) of section 5 of the Trading with the enemy Act of October 6, 1917, as amended by the First War Powers Act of 1941, to enable the Bank to discharge its obligations in connection with the protection of evacuees' property interests.

I have been informed that an informal understanding has been reached between the Farm Security Administration, the Wartime Civil Control Administration, and the War Relocation Authority under which the War Relocation Authority has agreed to assume all of the property aspects of the evacuation program. At the request of the Director of the War Relocation Authority, I have today delegated to him authority, including the powers which were delegated to you to carry out this program. Enclosed for your information is a copy of the memorandum delegating powers to the Director of the War Relocation Authority and the letter which accompanied it. I would appreciate it if you would make copies of these documents available to Colonel Bendetson.

In view of this action the authority delegated by the Secretary of the Treasury to the Federal Reserve Bank of San Francisco by my telegrams of March 7 and 11, 1942, is hereby revoked as of this date.

Air Mail to B. F. Station 11/21
file - Diary
Original " - Thompson
In order to complete the records of this Department, it would be appreciated if we could be furnished with a report of the action taken by the Federal Reserve Bank of San Francisco in carrying out this program.

Very truly yours,
(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. E. W. Hale,
Vice President,
Federal Reserve Bank of
San Francisco,
San Francisco, California.

Enclosure

JLawler:JWPehle:chw 11-16-42
MR. WILLIAM DAY, PRESIDENT
FEDERAL RESERVE BANK OF SAN FRANCISCO
SAN FRANCISCO, CALIFORNIA

YOU HAVE BEEN FURNISHED WITH COPIES OF THE PROGRAM TO DEAL WITH
PROPERTY OF EVACUEES FROM THE PACIFIC COAST MILITARY AREAS.

THERE IS HEREBY DELEGATED TO AND CONFERRED UPON YOU, AS FISCAL
AGENT OF THE UNITED STATES, FULL AUTHORITY TO EXERCISE ANY AND ALL
THE POWERS DELEGATED TO THE SECRETARY OF THE TREASURY UNDER SECTION 5(b)
OF THE TRADING WITH THE ENEMY ACT, AS AMENDED BY TITLE III OF THE
FIRST WAR POWERS ACT, 1941, TOGETHER WITH ALL OTHER POWERS VESTED IN
ME, FOR THE PURPOSE OF CARRYING OUT THIS GENERAL PROGRAM. YOU ARE
HEREBY AUTHORIZED AND DIRECTED TO PERFORM ANY AND ALL ACTS INCIDENT
TO THE ACCOMPLISHMENT OR FURTHERANCE OF THIS PROGRAM, AND WE WILL
SEE THAT YOU ARE REIMBURSED FOR ALL EXPENSES IN CONNECTION THEREWITH.

THIS PROGRAM IS BEING PUT INTO EFFECT AT THE REQUEST OF THE SECRETARY
OF WAR AND THE PROGRAM SHOULD BE CARRIED OUT UNDER THE GENERAL
DIRECTION OF THE LOCAL MILITARY AUTHORITIES.

(Signed) H. MORGENTHAU, JR.
SECRETARY OF THE TREASURY.
WIRE FROM TREASURY
TO
FEDERAL RESERVE BANK

March 11, 1942

Reference is made to my telegram of March 7, 1942, conferring upon you, as fiscal agent of the United States, full authority to exercise any and all powers delegated to the Secretary of the Treasury under section 5(b) of the Trading with the Enemy Act, as amended, together with all other powers vested in me, for the purpose of carrying out the program for dealing with the property of evacuees from the Pacific Coast military areas.

As stated in such telegram, you will be reimbursed for all expenses incurred in connection with the carrying out of this program. Furthermore, you are directed to perform any and all acts incident to the accomplishment or furtherance of this program as fiscal agent of the United States, and as such you are of course entitled to be reimbursed for all expenses and obligations arising out of such agency, for which under law such an agent would be entitled to reimbursement.

Your attention is also directed to the acquaintance provisions of subdivision (2) of section 5(b) of the Trading with the enemy Act, as amended. In addition, to the extent that I have authority to obligate the Treasury Department, the Treasury Department will hold you harmless from any liability incurred by you without negligence in connection with the carrying out of this program.

(signed) H. Morgenthau, Jr.
Secretary of the Treasury.
Dear Dr. Kung:

I wish to express my appreciation for the way in which China met its obligations under the 1937 arrangement, despite the many difficulties resulting from war and invasion.

Now that your Government has completely liquidated the debt owed by the Central Bank of China to the United States Stabilization Fund under the 1937 arrangement, the question arises as to whether you would prefer to have this arrangement continue in effect or whether you would prefer to have it terminated. Of course, if the Government of China does not request its renewal, the 1937 arrangement will automatically terminate on December 31, 1942. The Treasury would be glad to receive your views on this matter.

I trust this message finds you in the best of health.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. H. H. Kung,
Minister of Finance,
Chungking, China.

Transmitted via Dip. Pouch thru State Dept - per Mess Dixon 12:
Extra copies to White direct

ISF/ere
11/19/42
TO: Adler, Chungking, China.
FROM: Secretary of the Treasury.

Please transmit to Dr. Kung the following message from Secretary Morgenthau. The original letter is being sent by mail.

Dear Dr. Kung:

I wish to express my appreciation for the way in which China met its obligations under the 1937 arrangement, despite the many difficulties resulting from war and invasion.

Now that your Government has completely liquidated the debt owed by the Central Bank of China to the United States Stabilization Fund under the 1937 arrangement, the question arises as to whether you would prefer to have this arrangement continue in effect or whether you would prefer to have it terminated. Of course, if the Government of China does not request its removal, the 1937 arrangement will automatically terminate on December 31, 1943. The Treasury would be glad to receive your views on this matter.

I trust this message finds you in the best of health.

Sincerely yours,

H. Morgenthau, Jr.,
Secretary of the Treasury.
With the compliments of British Air Commission

who enclose Statement No. 60 - Aircraft Despatched

- for week ended November 17, 1942.

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

November 21, 1942.
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TOTAL: 77 58 4
**Statement No. 60**

**Aircraft Dispatched from the United States**

**Week Ended November 17th, 1942**

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**Total**

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British Air Commission, 20th November, 1942.
AGENDA

FOR THE BOARD OF ECONOMIC WARFARE MEETING
TO BE HELD NOVEMBER 27, 1942 AT 10:00 A.M.
IN THE CAPITOL

1. Discussion of report on South American Food. Report attached, "Food Supply Program."

2. Discussion of report on progress on wooden vessel program. Report attached, "Progress Report by the Coordinator of Inter-American Affairs on Acquisition, Construction and Operation of Small Vessels in the Inter-American Trade."
In the early months of 1942, it became apparent that many of the other American Republics were facing serious food supply problems. Shipping shortages, gasoline and tire shortages, the movement of rubber workers and others to relatively undeveloped areas, and the diversion of agricultural workers to other activities all tended to create food shortages in certain areas. It was recognized that such shortages would interfere not only with civilian life in the other American Republics, but also with military operations and the production of critical and strategic materials. In anticipation of the fact that United States assistance in the solution of these problems would be required and welcomed and would effectively demonstrate our concern for the peoples of the other American Republics, the Board of Economic Warfare on June 25, 1942, adopted a resolution of endorsement that the Coordinator of Inter-American Affairs would establish field parties, where required, to cooperate with the governments of the other American Republics in gathering information and in organizing the production and distribution of food supplies. Operations were, of course, to be undertaken under agreements with the governments concerned.

In accordance with this resolution, agreements providing for cooperative action on food supply problems have been concluded with Brazil, Peru, and Costa Rica, and are currently being negotiated with Paraguay, Panama, and Venezuela. A field party is now in Peru developing a program to meet food shortages there, and an accord for cooperative action is expected to result shortly. Preliminary discussions looking toward agreements are shortly to be initiated in the Dominican Republic, El Salvador, Nicaragua, and Guatemala. In Honduras, projects for the relief of unemployment, undertaken by recent agreement with the Honduran Government, will probably include irrigation development and foodstuff production.

The agreement with Brazil, signed on the third of September at Rio de Janeiro, is directed primarily toward relief of the serious food shortage in the Amazon Basin and the northeast coastal area of Brazil. It establishes a joint commission to develop increased production and improved distribution of foodstuffs, especially in the Amazon Basin and northeast Brazil south to the State of Bahia. Under the agreement, which covers a two-year period, the United States Government will contribute $2,000,000 and the Brazilian Government approximately an equal amount to carry on the work of the Commission. The Commission is given wide powers and is authorized to provide technical assistance, seed, tools, equipment, and insecticides to producers, to undertake colonization, drainage, irrigation and soil conservation works, to develop food handling, storage, and distribution facilities, and to undertake other activities designed to increase food supplies in the regions designated.
Personnel assigned by the Coordinator's Office in cooperation with Brazilian members of the staff of the Commission are currently developing detailed plans for specific operations and arranging for the procurement of necessary materials. Orders have been placed for 100,000 hoes to be obtained in Brazil, and for 6,000 pounds of seed to be shipped from the United States. In cooperation with the Rubber Reserve Company and the Board of Economic Warfare, they are developing plans for immediate increases in the production of corn, mandioas, rice, and other staples in the district of the people of the Amazon Basin, in order that the labor force engaged in the collection of wild rubber may be stepped up in accordance with the plans of these two agencies. In the bulge area they are developing plans for increased production of staple foodstuffs to augment supplies for both the local population and Brazilian and American military forces in the vicinity of Natal. These supplies are intended to curtail the amount of shipping which would normally be required to move foodstuffs into the area.

The agreement with Costa Rica was in direct response to the desire of the United States Army to obtain food supplies for the Canal Zone in Central America. Proceeding on prior agreement by the Quartermaster at the Canal Zone to purchase available supplies, an agreement was consummated with the Government of Costa Rica, and a similar agreement with the Government of Panama is now being negotiated. The Coordinator of Inter-American Affairs is furnishing technical assistance, will supply credit, seed and necessary equipment, and will establish producing depots where foodstuffs will be collected for shipment. Shipping on regular schedule will be provided by the Army. The Coordinator's Office will guarantee and contract for the purchase of all foodstuffs not required for local consumption at prices established by the Army and under specifications set by the Army. Technical assistance in and improved facilities for handling will be provided in order that the simple specifications established will readily be met. Personnel of the Coordinator's Office are now in Costa Rica, examining areas suitable for expanded production, negotiating with individual producers, obtaining seed and equipment requirements, and otherwise proceeding as rapidly as possible in the execution of the agreement. Some 400 pounds of vegetable seed have been purchased in the United States and shipped to Costa Rica, and other seeds have been ordered.

The Quartermaster Department at the Canal Zone has conducted preliminary investigations looking toward the procurement of surplus foodstuffs elsewhere in Central America and it is contemplated, accordingly, that similar agreements will be concluded with El Salvador, Nicaragua, Guatemala, and Honduras, as well as with Panama.

At the present time under agreement with the Government of Honduras, the Rehabilitation Division of the Coordinator's Office is operating a road construction project designed primarily to relieve unemployment in north coast area. It is expected that irrigation

and other agricultural development projects will be undertaken which will serve the dual purpose of relieving unemployment and producing food for local and possibly Canal Zone consumption.

In July, in response to a request by the Government of Paraguay, a special mission was sent there which shortly developed a well-rounded program of food production which received the approval of the Paraguayan Government. An agreement providing for the joint prosecution of this program is now being negotiated and is expected to be approved shortly. The proposed program contemplates improved credit system, technical education and assistance, the development of dairy and other production.

In October, the Government of Peru, faced with a serious shortage of rice and wheat requested assistance by the United States Government. In response to their request, a special mission is now in Peru developing a rounded program for the solution of the emergency food problem and for the correction of the chronic deficiency in food production in Peru. On the basis of the program being developed, an agreement will probably be concluded within a short time.

Venezuela has for some time been recognized as one of the critical spots where a shortage of shipping would result and has resulted in serious shortages of a number of basic food commodities as well as a host of less widely used food items. Consequently, an agreement providing for a cooperative effort to increase the domestic production of foodstuffs is now being negotiated.

The Dominican Republic now produces a small surplus of certain food commodities urgently needed in Puerto Rico. It presents an opportunity for rapid increase in the production of these commodities. Consequently, discussions will shortly be had in the Dominican Republic looking toward an agreement under which the Office of the Coordinator will lend assistance to the Dominican Republic in an effort to increase food production.

A mission of dairy experts, organized by the Department of Agriculture and operating under the auspices of the Office of the Coordinator of Inter-American Affairs, has recently been in El Salvador. This mission has been developing programs and methods for the improvement of dairying and the increased production of dairy products in those countries.

It is intended that, as soon as the need is clearly evident, food production projects will be undertaken to supply rubber workers in southern Mexico and at other points where foodstuff production is limited and transportation facilities are inadequate.

It is now too early to point to results in the form of locally-produced food supplies for rubber workers or reduction in the draft on shipping space. It is expected that within a few months, however, supplies will begin to flow from Central America to the Canal Zone

Regraded Unclassified
and will steadily increase in volume, saving an appreciable amount of shipping space, and that within a year an increase in the locally-produced supply of foodstuffs will be evident in the Amazon Basin and northeast Brazil, and possibly in Paraguay, Peru, and Venezuela. It is hoped also, that the volume of foodstuffs moving by small boat from the Dominican Republic to Puerto Rico will be sufficiently increased noticeably to relieve the acute situation existing on that Island.

Increased food production cannot be achieved overnight. Considerable advance planning and procurement of materials is required. Difficulties in obtaining personnel and in getting them into the field must be overcome. As the Office of the Coordinator proceeds with its efforts, gains experience with the particular circumstances and conditions to be faced, and as the assistance this Government stands ready to give, is made known to the other American Republics, the time between the recognition of need and the appearance of concrete results will become shorter. Every effort is being exerted to that end.

Since June 15, 1942, when the last report was submitted to the members of the Board of Economic Warfare, Inter-American Navigation Corporation has been incorporated under the laws of the State of Delaware for the purpose of giving effect to the program endorsed by the members of the Board of Economic Warfare on June 25, 1942. Progress has not been as rapid as was originally expected for two reasons: first, due to the difficulties experienced by reasons of changes in the basic plan caused by the intensification of submarine warfare in the Caribbean; secondly, because of the time required to prepare complete plans and specifications to conform with these changes.

An over-all scheme of operation has been worked out with the War Shipping Administration to the end that there would be no duplication of service, and with the Navy Department regarding the security of the proposed routes. In line with this plan the activities of the Corporation have been concentrated along three lines,

(a) To acquire and put in operation small tonnage that was not being otherwise economically employed,

(b) To the coordination of small vessels operating in the Caribbean, and

(c) The construction of new vessels in the other American Republics.
OPERATIONS

It was the original plan of the Corporation to acquire by purchase or charter a number of small vessels that were not being economically used. However the Army, Navy, Coast Guard and certain other branches of the Government came to the same conclusion more or less at the same time with the result that some 2,400 small vessels were acquired by the above mentioned agencies, leaving little or nothing available to this Corporation. All of this type of tonnage operating in the United States comes under the jurisdiction of the Office of Defense Transportation and that authority is reluctant to release any more of this tonnage by reason of the fact that it is required in order to serve our domestic economy. The Corporation made a thorough search throughout the United States and, in the first requisition for twenty small vessels submitted to the War Shipping Administration, all but two had been taken over by other Government agencies. Our efforts have continued and the Corporation has acquired, through the War Shipping Administration, nine vessels by requisition and two by purchase. The latter two are now in operation, one being time-chartered to the War Shipping Administration for a short term as a replacement for one of their vessels under repair. The other has been assigned to the trade between Cuba, Jamaica and Puerto Rico in accordance with the policy formulated by the Corporation and the War Shipping Administration. Necessary repairs are being rapidly completed on the other requisitioned vessels, one of which will be ready to load cargo at Baltimore for the West Indies within the next few days. Four more vessels will be ready for operation within three weeks and the other four, the early part of January.
The Corporation is continuing its search for additional vessels not presently being economically used in this country, Canada and the other American republics, and it is expected that the present fleet will be gradually increased. Furthermore, the Corporation is arranging charters with owners of vessels employed in seasonable operations for the use of such vessels in the Caribbean area during the off season.

COORDINATION OF SMALL TONNAGE

The chaotic conditions which exist in the small tonnage field, particularly in the West Indies trade whereby foreign flag operators have picked and chosen their cargoes with the eyes solely on the highest freight rate, has resulted in the fact that basic and low-paying commodities have not been transported. The Corporation proposed a plan to the War Shipping Administration to remedy this situation through the coordination of all small tonnage operating in the Caribbean area. The War Shipping Administration agreed to the plan and the Corporation is now carrying it forward. The Corporation has undertaken to secure by charter or contracts of affrayment some fifty odd vessels presently being operated in the Caribbean area. It is anticipated that the completion of this part of the program, and the use of these vessels in coordination with the larger vessels of the War Shipping Administration, will result in the handling of the essential cargoes as distinguished from the high-paying ones. The pending order extending the warrant powers of the War Shipping Administration...
to vessels of 50 gross tons and over will greatly assist in this coordination program.

**CONSTRUCTION**

It was found, after consultation with the Navy Department, Maritime Commission, War Shipping Administration, as well as other operating organizations and individuals, a more effective program than the one originally planned could be developed through the construction of small wooden coasters which would require less critical materials to build than the auxiliary sailing vessels.

The Navy's prohibition of navigating after dark, plus the fact that most of the routes were easterly and westerly, necessitating beating back against the prevailing westerly winds; the closing of Yucatan and Mona channels, and the desire of the War Shipping Administration to use these vessels in a feeder service, were prominent among the reasons for the change to a powered vessel.

Further, it was readily determined that the type of vessel which the Corporation is undertaking to build can be more economically operated and, by reason of the dependability of power, can handle approximately three times more cargo in a given period than could the auxiliary schooners of equal tonnage.

Early in August, Messrs. Cox and Stevens, Naval Architects, were requested to prepare plans and specifications for a wooden vessel believed to be ideally suited to the requirements of the prospective trades and cargoes. These plans and specifications were completed for a vessel of
the following approximate dimensions: 746 displacement tons; 500 dead-
weight tons; a bulk cubic of 24,000 feet. The vessel is 157 feet long,
30 foot beam, 14 foot depth and with a draft of 10 feet 6 inches. It is
powered with a 450 h.p. Diesel Engine, with a sea speed of 10 knots.

The design and size of this vessel has been very well received
by all interested parties, including those with whom we have discussed
the matter in both Mexico and Cuba. Furthermore, the shortage of ship-
ning in the Caribbean is so serious that the increased efficiency of a
powered vessel and the fact that such a vessel could be produced without
asking for additional critical materials, makes this ship highly desirable.

Plans and specifications were based on the greatest possible
use of materials and supplies obtainable in the foreign countries where
construction is to be carried out in order to minimize exports from this
country.

The Corporation has, for the past two months, had a representa-
tive investigating construction facilities in the other Central American
republics and we are in possession of reports indicating that, while the
conditions might be favorable, lack of necessary materials, such as fasten-
ings, etc., would make a building program there questionable except for
Honduras and perhaps Nicaragua.

Officers of the Corporation have been to Mexico and Cuba for the
purpose of negotiating contracts for immediate construction of twenty
vessels. In Mexico, it was found that they could supply a good grade of
timber and all of the fastenings, as well as other materials needed for
the completion of these vessels, with the exception of the main engines,
auxiliary equipment, cargo winches and gear and the ground tackle.
All of the negotiations in Mexico have been carried out in close cooperation with the American Ambassador and his staff and the representative of the Board of Economic Warfare. In Cuba, the officers of the Corporation availed themselves of the assistance of the American Embassy and representatives of the War Shipping Administration, which was very helpful. We found that there was a considerable amount of Cuban tonnage lying idle due to labor troubles, and it was agreed that we should take the position that we could not initiate a construction program until this condition was corrected. Recent news dispatches from Cuba indicate that Government authorities are now requisitioning this idle tonnage and that it will soon be used to good advantage in the war effort.

It was found in Cuba that, while they might furnish the fastenings and the hardwood for the frame and keel, it would be very difficult to obtain sufficient soft wood for the planking and the ceiling. It was hoped that the Corporation would be able to supply this deficiency by export from the other American republics, notably Mexico and Nicaragua.

On Mr. Rockefeller's recent trip to South America, the program for the construction of wooden vessels was discussed with various Government officials of Brazil, Chile, Peru, Ecuador and Colombia, all of whom were very enthusiastic over its application to their particular problem. Except for Brazil and Colombia, the shortage of wood and metal impose difficulties but it may be possible to secure such materials from the other South American countries.

As soon as final arrangements have been made in Mexico, the Corporation will conclude negotiations in Brazil and Colombia. In the
former country they include construction of river boats as well, for in
that country the biggest problem is inland water transportation.

In conclusion may I state that while the program has been slow
in getting under way, a very sound structure has been built and the de-
tails of our relations with the various interested Government agencies
(notably Navy, War Shipping, Army, State, Board of Economic Warfare)
have been harmoniously and satisfactorily worked out and the program is
moving forward on a cooperative basis with increasing momentum.

Respectfully submitted,

NELSON A. ROCKEFELLER

Nelson A. Rockefeller
Coordinator of Inter-American Affairs

November 23, 1942
NOT TO BE RE-TRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 406.

Information received up to 7 a.m. 21st November

1. NAVAL.

Tonnage of 4 ships which reached Malta night 19th was 27,345. One of H.M. Submarines sank a large tank landing craft depot ship loaded with petrol off Ras Ali near agheila yesterday, and another scored 2 hits on a 5,000 ton ship off Bizerta on 16th. Reference OPTEL 399. These 2 ships which failed to reach Malta are now reported in Bizerta.

2. MILITARY.

Libya 19th.

Our leading elements in coastal sector reached a point 20 miles east of Sarce in spite of delays by mines and craters. Sceledina is clear of the enemy and there was no sign of movement at Antelat.

French North Africa 19th.

German tanks and infantry supported by artillery and dive bombers made 4 attacks on the Bridge at Med Jez El Bab. French troops with some British field artillery support repulsed all attacks with light losses and inflicted heavy casualties on the enemy. French troops are co-operating well and are doing everything in their power to resist any enemy advance. Oran harbour is open and at Casablanca salvage operations continue.

3. AIR OPERATIONS.

Western Front 20th.

39 Coastal Command aircraft attacked a convoy off Texel. Torpedo hits on two ships 6,500 tons and 1,500 tons and on an escort vessel were seen. Fighters attacked locomotives and other objectives in occupied
territory. 5 of our aircraft are missing.

20th/21st.

255 aircraft were despatched, Turin 232, including 158 heavy, mine laying 3, leaflets 0, intruders 3, anti-shipping 8.

Turin.

Preliminary reports – weather good, no cloud, good visibility. 30 large fires including 2 probable oil fires with smoke up to 9,000 feet were started in the town. Bombs also fell in the Fiat factory area where observation was hampered by smoke; ground defences inaccurate and haphazard. Three bombers missing, one crashed.

Mediterranean 19th/20th.

Malta – based aircraft attacked airfields in Sicily. Catania was rendered unserviceable and Gerbini and Cibisco were cratered. Beaufighters bombed a 2,000 ton westbound ship off Tunisia and left it sinking. Enemy casualties 2, nil, nil; ours 1, nil, nil.

French North Africa 19th.

Allied aircraft successfully attacked El Aouina and Bizerta airfields. Escorted enemy bombers attacked Bone. Enemy casualties 7, nil, 4; ours 6, nil, nil.

Correction to OPEL 405.

In Section 1 Naval

For "6 U-boats"

Read "6 E-boats".
Lehman to Go on Job Dec. 3
As Director of Foreign Relief

Appointment Seen of Big Value in Allies’ Psychological Warfare

By BLAIR HOLMES.
In a move sure to make easier an Allied thrust at Europe after the conquest of North Africa, President Roosevelt yesterday named Gov. Herbert H. Lehman of New York to the new post of United States director of foreign relief and rehabilitation operations. He will resign from the governorship and assume the job, within the State Department, about December 3.

The appointment is regarded as a step of tremendous value to the Allies in the psychological warfare against the Axis. It is definite notice to the peoples—and to the Italians—that the entrance of United Nations soldiers into their countries also will mean the arrival of food from the United States.

The presence of Axis forces in these countries has always meant the withdrawal of foodstuffs. The Nazis are certain to have new difficulties in their control of the occupied countries of Europe now that the subject nations know that the Allies have a definite scheme for benefiting those countries. The slogan "Freedom From Want" is to be turned into reality.

Lehman Sees Long Job.

In an interview at his New York home last night, the 64-year-old Governor said that as he visualizes the problem of his new post it will extend away beyond the end of the war—this rebuilding of countries occupied and destroyed.

"The President’s program of relief and rehabilitation is another step which will make it possible for the United States, in association with the other United Nations, to render immediate and effective further contribution to the winning of the war and to the solution of post-war problems," he added.

The problems facing him “are all very new,” and his first job will be to set up an organization in Washington, Gov. Lehman said. Asked if his work would also be “in the field,” he replied, “I’ll gladly go to any part of the world where I am needed.”

Similar to Hoover’s Task.

Gov. Lehman’s task will be roughly similar to Herbert Hoover’s after the World War, but the governor will have to work quickly in close cooperation with forward-moving armies instead of waiting for an armistice to open the way for the American mercy consignments of food, medicine and clothing. The White House announcement said:

"Gov. Lehman will undertake the work of organizing American participation in the activities of the United Nations in furnishing relief and other assistance to the victims of war in areas re-occupied by the forces of the United Nations."

"This is a step in the President’s program of mobilizing the available resources of this country in food, clothing, medical supplies and other necessities so that it may make an immediate and effective contribution to joint efforts of the United Nations in the field of relief and rehabilitation."

"Gov. Lehman’s appointment as-

Regraded Unclassified
sures that this country will play its part in such efforts.

Allied Co-operation Stressed.

The announcement was phrased in a way that stressed the co-operative nature of the United Nations alliance, but in fact the principal burden of relief rests on the United States. This country already is a source of food for England. The resources of other American countries will be needed for the development of an adequate supply of commodities to send abroad.

The North African campaign already is providing the example for the peoples of Europe and Asia—where even in peace time the medical problem is as acute as the food problem—of what blessings accompany invasion by Allied troops. The White House announced a week ago that food, clothing, arms and ammunition would be supplied to the people of North Africa. No one territory occupied by American troops would be allowed to go hungry if it was humanly possible to get them food, it was declared.

The Lehman appointment indicates that the system for getting in the food will be worked out. The Governor is expected to work also on problems for the industrial and agricultural rehabilitation of the war-ravaged countries after the peace.

Gov. Lehman is expected to work closely with Undersecretary of State Cordell Hull, who said last week that this country's machinery for relief and rehabilitation overseas must be re-equipped to operate without a moment's delay to alleviate the suffering and misery of millions of homeless and starving human beings if civilization is to be saved from years of social and moral collapse.

Alfred E. Smith, in his address here of widespread tuberculosis in Europe, general malnutrition, and of increasing numbers of deaths from starvation. Clothing is rationed, and woolen clothing is rare.

Long-term schemes for improving nutrition in countries overseas are also in prospect in connection with Gov. Lehman's appointment. For the administration's attitude was set forth by Secretary of the Treasury Morgenthau a year ago:

"In order to build a better world—and that goes for our own country as well as for those abroad—we must recognize the citizen's right to have a minimum standard of food with which he can live the life of a free man."

Gov. Lehman's resignation will take him out of the governorship four weeks before Republicans assume control of President Roosevelt's home State for the first time in 36 years. Thomas E. Dewey, former Manhattan district attorney, was elected Governor November 3 and will be inaugurated January 1. For the interim, Gov. Lehman will be succeeded automatically by 38-year-old Democratic Lt. Gov. Charles Poletti, a protege of the present Governor and a former New York State Supreme Court justice. Mr. Poletti was defeated for re-election.
TO: Secretary Morgenthau

FROM: Mr. Haas

Subject: The Business Situation, Week ending November 21, 1942.

Summary

Price control: Tighter price ceilings, extension of rationing, and increased standardization of civilian goods forecast for 1943 by Price Administrator Henderson. Subsidy feature of price control program being reviewed.

Wholesale prices: All-commodity index rose 0.4 in week ended November 14 to new high of 100.1. Rise due to gains in agricultural prices and higher excise taxes on tobacco products and alcohol.

Food supplies: Problem of maintaining adequate food supplies becoming more urgent under recent war developments.

Retail sales: Stimulated by earlier-than-usual Christmas shopping. However, department store sales gain over year-earlier levels narrowed to 13 percent in week ended November 14 from 20 percent in previous week.

Business inventories: Aggregate stocks of manufacturers, wholesalers and retailers declined more than $300 millions in third quarter. Department store stocks in New York Reserve District showed a further decline in October.

Steel operations: Moderate decline in November. Operations last week scheduled at 98.7 percent of capacity, as compared with recent peak of 101.1 percent at the end of last month. However, steel supply situation reported to be showing improvement.

Construction: Total construction contract awards in October rose 8 percent above previous month, but contracts for manufacturing buildings dropped 36 percent. Peak in new war plant construction probably has been passed.
General situation

While our recent war successes in North Africa and the South Pacific have generated another upsurge of public confidence and an increase in talk of an early peace, a more realistic appraisal of the situation by Government officials has dictated further necessary steps for plugging up loopholes in our war economy. Extension of rationing and simplified civilian consumption have been forecast for 1943, while demands for more effective utilization of manpower and better handling of the problem of food supplies continue to be heard. War production on the whole continues to make progress, but the heavy consumer buying associated with expanding payrolls gives rise to concern over the effectiveness of anti-inflationary measures thus far taken.

New price control and rationing methods indicated

Last week the Administration gave further evidence of determination in carrying out the broad policies required to meet the increasingly critical problems of price control and of food supply and distribution.

Unofficial reports of impending comprehensive changes in methods of price control and distribution control in 1943 were confirmed by Price Administrator Henderson. The new OPA program which he outlined will contain the following objectives:

(1) When possible, price ceilings will be stated in dollars and cents, by grades and geographic zones at the manufacturing and processing levels. The OPA is apparently moving rapidly toward fixed margins for distributors, to be superimposed on this type of ceiling, in expectation that the effect will be to level out much of the confusing variation which has prevailed under the general order issued last April.

(2) An increase in standardization of civilian goods.

(3) Extension of rationing, coupled with the technique of the point system.

The Price Administrator reiterated that industry must absorb increased production costs wherever possible, but added that the Government would be forced at times to adopt one of four ways to eliminate disparities between costs and ceilings: (1) breaching price ceilings; (2) assisting the industry by simplification; (3) allowing the industry to go out of business;
or (4) providing subsidies. He stated that experience has shown that a carefully administered subsidy program is the cheapest and best way to solve the problem of increased costs under a system of rigid controls.

Complexities of the subsidy problem were recently indicated by the statement of Economic Stabilization Director Byrnes in announcing that he had asked for a review of all subsidies in his field. The Director apparently had in mind as alternatives the possibilities of lowering profit margins and of reducing costs by simplifying and standardizing production and distribution.

Food developments

Several recent developments have added greater urgency to the problem of maintaining adequate food supplies. The crystallization of plans for augmenting the numbers of our armed forces has indicated greater needs of food and other materials. The Russians have indicated that their food requirements have increased, and Secretary Wickard said last week that we have been asked for as much pork and lard as can be made available to them. He said, moreover, that the British also need large quantities. In addition, he stated that we must stand ready to supply food to Nazi-dominated countries as they become liberated by the United Nations. In a new appeal to farmers, he asked that they increase hog production to the limit of their ability.

The urgency of the food situation was expressed at the annual convention of the Grocery Manufacturers of America in session last week, when officials asked for coordination of the intricate operations of the food industry. The President, at his Friday press conference, recognized the problems involved when he said that steps would be taken soon to coordinate the work of the various Government departments and agencies dealing with food, probably through appointment of a food administrator.

Butter supplies allocated

Forty percent of all butter supplies in cold storage have been ordered earmarked for military and lend-lease needs by the WPB, effective from November 20 to March 6. This temporary expedient, it is understood, will be supplanted by an order applied to current production, the effect of which will be to reduce per capita civilian consumption from about 17 to 15 pounds a year. This order will be similar in type to that of November 3,
which required producers of spray-dried skimmed milk to reserve at least 90 percent of their output for military and lend-lease purposes. The new ruling on butter coincides with an increase in Government purchases.

Press reports state that Secretary Wickard, as Chairman of the Food Requirements Committee, has recommended a stringent program for the control and distribution of dairy products. This program would include the following provisions:

(1) Rationing of fluid milk in areas of critical shortages.
(2) Incorporation of cheese in the rationing program for meat expected to be initiated in January.
(3) Rationing of butter if other controls fail.
(4) Restriction of production of luxury dairy items.
(5) Modification of price ceilings to make certain dairy products more profitable.

Canadian living costs resume rise

After a two-month decline, Canadian living costs in September resumed their gradual rise begun last May. That rise, it will be recalled, followed a six-month period of stability which began in November 1941, at the time the Dominion's comprehensive anti-inflation measures became effective. The Canadian cost-of-living index as of October 1 advanced 0.3 percent from a month earlier. The Canadian index, however, shows a total rise of only 17 percent over the pre-war level, as compared with a rise of 21 percent in the United States index. (See Chart 1, upper section.)

The advance in Canadian living costs during the month was due mainly to sharply higher food prices, and the index of food costs rose 1.0 percent. (Lower section of chart.) An increase in fuel and light costs reflected a seasonal advance in coal prices permitted by the Wartime Prices and Trade Board. In the United States, also, the 2.4 percent increase in food prices was the chief cause of a 1.0 percent rise in the BLS cost-of-living index in the month ended October 15.

Wholesale prices at new wartime high

Despite Government controls, wholesale prices continue to rise. In the week ended November 14, the BLS all-commodity index advanced to 100.1 percent of the 1926 average, the highest in more than 16 years. The index has risen 33.5 percent since the pre-war month of August 1939.
The BLS price index of 26 basic commodities holds close to its wartime peak. (See Chart 2.) Last week, however, the index of 9 uncontrolled commodities declined moderately, as increased receipts of hogs affected the livestock market. Prices for steers, corn, and rosin also declined noticeably. Butter prices, which are under the sixty-day price ceiling, effective October 5, but are still carried in the BLS index as uncontrolled, continued unchanged at the ceiling level.

Of the 19 prices in the index of controlled commodities, cottonseed oil advanced sharply because of an increased ceiling (1/2 cent a pound) on oil for industrial uses. Wool tops were slightly lower, while the others held unchanged.

Retail sales swelled by early Christmas shopping

In addition to the stimulating effects of record income payments and scarce buying, last month's heavy volume of retail trade was augmented by earlier than usual Christmas shopping. The Census Bureau reported last week that on the basis of reports from independent retailers in 34 states, sales of gift-type merchandise in October showed unprecedented gains over 1941 levels. Jewelry stores, with a gain of 82 percent, showed by far the greatest increase, partly reflecting reduced buying in October last year, after the retail excise tax went into effect.

Although seasonally-adjusted department store sales in October ran 5 percent above the previous month, adjusted rural chain store and mail order sales showed a decline, while adjusted variety store sales were almost unchanged. However, reference to Chart 3 will disclose that sales in all three categories ran well above 1941 levels, with the gains ranging between 16 and 23 percent.

The dollar volume of department store sales in the week ended November 14 was unchanged from the previous week, but the gains over year-earlier levels narrowed to 13 percent from 20 percent a week earlier. (See Chart 4.) The Kansas City and San Francisco districts, with increases of 36 percent and 31 percent respectively, showed the widest gains, while the New York district with an increase of only 4 percent made the poorest showing. As an offsetting factor to these gains, it should be noted that retail prices of typical department store items on November 1 were about 6 percent higher than a year earlier.

Department store inventories decline

Apparently due in part to the WPB's evolving program of inventory limitation, inventories of department stores in the
New York Reserve District showed further reductions in October on both a seasonally-adjusted and unadjusted basis. By the end of the month stocks were only 22 percent above year-earlier levels, as compared with a gain of 40 percent at the end of September, 59 percent at the end of August and 82 percent at the end of July.

The October reduction in inventories represents the continuation of a trend which became fairly general in the third quarter of this year. During that period the combined inventories of manufacturers, wholesalers and retailers showed a net decline of more than $300 millions. This marked the first time since 1939 that aggregate business inventories were lower at the end of a quarter than at the beginning.

Steel supply situation improved

A conspicuous example of swollen industrial inventory was cited recently in a research report of the National Manufacturers Association, which alleged that possibly 20 million tons of steel were in stock throughout the country due to heavy accumulations in the hands of the Army, Navy and private contractors. While part of these stocks were admitted to be necessary for working purposes, definite overstocking is claimed to have occurred, thus contributing importantly to the war-time shortage of steel supplies. In comparison, the WPB is reported to have estimated steel accumulations at 16 million tons.

Despite contentions of overstocking, faulty production scheduling and other alleged shortcomings, trade sources indicate that the steel supply situation has improved recently, and most observers look for further progress when the Controlled Materials Plan becomes fully operative. The betterment in the supply situation has come in the face of a recent moderate decline in steel operations, which were scheduled at 98.7 percent of capacity last week as compared with a recent peak of 101.1 in the last week in October. (See Chart 5.)

Construction awards for manufacturing buildings decline

Some alleviation in the pressure for steel supplies should result from the anticipated tapering off in war-time construction activity. Although more than a third lower than the June peak, total construction contract awards in October, as reported by
the F. W. Dodge Corporation, were about 8 percent higher than in the previous month. (See Chart 6, upper section.)

Construction awards for manufacturing buildings, however, after reaching a record peak in September, dropped 36 percent last month to the lowest levels since last May. (Refer to Chart 6, lower section.) In this connection a WPB official last week stated that the tremendous rate of increase in construction of new war plants has passed its peak, and that WPB policy now is to convert existing buildings for war use wherever possible rather than construct new ones.
MOVEMENT OF BASIC COMmodity PRICES

PERCENTAGE CHANGE DEC. 6, 1941 TO NOV. 13 AND NOV. 20, 1942

PERCENT

19 Controlled Commodities

9 Uncontrolled Commodities

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

* 20 Controlled and 9 Uncontrolled previous to June 26

Regraded Unclassified
STEEL INGOT PRODUCTION

Per Cent of Capacity

PER CENT

100
90
80
70
60

Amer. I. and S. Inst.

JAN. MAR. MAY JULY SEPT. NOV.

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

Chart 5

Regraded Unclassified
Jr said we should not keep a copy of Grover Loening's report because it was extremely confidential.
November 23, 1942

My dear Donald:

In accordance with your request, I am returning herewith the copy of Grover Loening's report on his recent visit to the United Kingdom.

I have read this with a great deal of interest, and want to thank you very much for sending it to me.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Honorable Donald M. Nelson,
Chairman,
War Production Board,
Washington, D.C.
WAR PRODUCTION BOARD
WASHINGTON, D. C.

November 12, 1942

Dear Mr. Secretary:

In accordance with our conversation of last Saturday, I am attaching, for your information, a copy of Grover Loening's report on his recent visit to the United Kingdom on behalf of the War Production Board.

As this is a secret document, I shall appreciate your returning it as soon as you have finished with it.

Sincerely yours,

Donald M. Nelson

The Honorable
The Secretary of the Treasury

Dictated by Mr. Nelson but signed in his absence.

SECRET

Regraded Unclassified
Information received up to 7 A.M., 22nd November, 1942.

1. **NAVAL**

One of H.M. Destroyers arrived at BOUGIE yesterday. One of H.M. Cruisers arrived safely at ALEXANDRIA yesterday. One of H.M. Submarines claims to have torpedoes an enemy destroyer off NAPLES. One of H.M. Cruisers was damaged by a near miss in an air attack on ALGIERS on 20th but is sea-worthy. Two ships in a supply convoy to NORTH AFRICA were sunk west of GIBRALTAR on 20th.

**ATTACKS ON SHIPPING.** From 19th to 20th inclusive 17 ships were reported attacked by submarines, 3 of them belated reports. These figures exclude ships engaged in French North African operations. 2 British ships attacked in Western Atlantic; 2 British, 2 U.S., 1 Greek in convoy in North Atlantic, and 1 U.S. tanker in another North Atlantic convoy; in South Atlantic 1 British and 1 belated Norwegian; Capetown area 1 British, 1 belated report U.S. ship, 1 belated report U.S. ship attacked east of ICELAND (C); One British ship previously reported torpedoed Capetown area has arrived. Convoy attacked by E-boats in Western Channel. 2 British, 1 Norwegian ship damaged.

2. **MILITARY**

**LIBYA.** 20th. BENGHAZI was occupied by 11th Russians armoured cars. Patrons sent to BENINA. Further south movement was hampered by bad going due to rain but armoured cars moving on JEDARYA made occasional contact with enemy armoured car patrols south of ANTELAT. An armoured group reached the area just north of ANTELAT in the evening. Further north our forces took some prisoners at BARCE and pushed on to TOCRA and LA ABLAIA. The force which occupied SIWA 15th reported JARASUE vacated on 16th. Repairs to the railway were completed up to BELHAMED, 15 miles southeast of BENGHAZI, on 20th. Up to the 13th 21,236 prisoners of whom 7,972 were Germans, had reached the base.

**TUNISIA.** Correction OPTEL No. 406. For "British Field Artillery" read "C.S."

Axis reinforcements continue to arrive and the present strength is estimated at 70,000 Germans and over 3,000 Italians.

**RUSSIA.** The Russians have intensified their offensive on the KLETSKAYA area. In the ORDONIKIDZE sector they are still on the offensive. The extent of German losses in the recent Russian attacks in this sector is not reported not known.

Regraded Unclassified
3. AIR OPERATIONS

WESTERN FRONT. 20th/21st. TURIN and Fiat Works. Total bombs dropped 351 tons. On town H.E. 98, incendiary 113, on works 91 H.E., 49 incendiary. Bright moonlight and flares clearly showed up objective. Fires well concentrated in centre of town and near Fiat Works. Towards end of attack centre of city well ablaze and whole objective obscured by smoke. Several bombs seen falling in the factory area.

21st. A Liberator patrolling west of the Bay of Biscay destroyed 2 H.E. 210's and damaged another (Twin-engined two seater fighter).

21st/22nd. 30 aircraft were sent sea mining.

FRENCH NORTH AFRICA. 28th. ALGIERS. About 30 enemy aircraft bombed the harbour and Maison Blanche airfield. About 60 military casualties are reported.

20th/21st. Wellingtons bombed BIZERTA airfield and hit runways, hangars, barracks.