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December 4 - 6, 1942

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December 4, 1942
3:18 p.m.

Operator: Go ahead.

HMJr: Hello.

Ted
Gamble: Hello, Mr. Secretary.

HMJr: Hello, Ted.

G: How are you, sir?

HMJr: I'm all right, thank you.

G: We have talked to Mr. Doughton.

HMJr: Yes.

G: He likes the idea of Winston-Salem.

HMJr: I see.

G: Now the reason for Winston-Salem, the biggest town in his nine counties is Statesville....

HMJr: Yes.

G:and it's not a very good place to do this job.

HMJr: Yeah.

G: In Winston-Salem we have a number of outstanding plants, that is, a number of large plants that are doing a good job, some of which we can bring along to completion before we have this program.

HMJr: Yeah.

G: There's the Haynes Hosiery Company, the Piedmont Tobacco Company, the Brown and Williamson, R. J. Reynolds, and the Chatham Mills all at Winston-Salem.

HMJr: Yeah.

G: And he seemed to feel from his point of view, that it would be just as well to hold it there as it would be in his county, because this - or any of his counties because it's on the edge of his district.

HMJr: Yes.

G: He likes the date of December 12.

HMJr: Now who talked to him?

G: Mr. Coyne.

HMJr: I see.

G: I had Mr. Coyne talk to him because he had gotten all of this information....

HMJr: Yes.

G:and had it on his desk there in Washington, and I talked to Coyne before he talked to Doughton

HMJr: Yes.

G:and told him what he should talk to Doughton about, that is, as to letting him know what you had in mind.

HMJr: Yeah.

G: He was very pleased, Doughton was, and said he'd be delighted to go down there, and then he went on to comment about the program and his interest in it.

HMJr: Well, now do you think you can line up some of those factories between - you've only got a week.

G: We've already talked to our administrator down there....

HMJr: Yes.

G:Colonel Robertson.

- 3 -

G: We can have them all lined up by then.

HMJr: You can?

G: Yes, sir.

HMJr: I - Peter Odegard just came in.

G: Yes.

HMJr: I - I've had him on this.

G: I know you have, and - well, I've talked to Callahan and also to Peter this morning....

HMJr: Yeah.

G:and there's no complications with regard to tying into our program.

HMJr: Yes.

G: And our idea would be to broadcast our whole hour's program for the people who were present in Winston-Salem so that they would hear what was going on in New York when you and Mr. Doughton were cut in down there.

HMJr: I see.

G: They'd get the whole picture, you see.

HMJr: Does the Blue Network have a station down there?

G: No, sir, the Blue Network has a station at High Point, but we can pipe it in from High Point and have that - we - that presents no difficulties.

HMJr: I see. Well, now the only thing that I don't know about is that I wonder what we have to do with the two Senators from North Carolina, if anything.

G: I shouldn't think you'd have to do anything. I think it would be nice to invite all of the Representatives from down there, both Senators and Congressmen.

HMJr: Invite all of them.

G: Invite them all to be present, because we....

HMJr: Well....

G:had in mind to invite people from all nine of Doughton's counties and have them present there.

HMJr: And then let the State Administrator or the State Chairman invite?...

G: The other people.

HMJr:the two Senators....

G: That's correct.

HMJr:and the other Congressmen.

G: That's right, so that you don't detract from the job you're trying to do with Doughton.

HMJr: But you will put Doughton on the program?

G: Yes, sir. I talked to Peter about that, and I think what we ought to do is to have you talk for about ten minutes and have Doughton talk for about three.

HMJr: No, I'd reverse it.

G: Well...(laughs)

HMJr: Well, what I told....

G:we - we have a job to do.

HMJr: Yeah, well, I would say this, I'd keep me down to the minimum, and I - what I told Peter was besides Doughton I'd have somebody representing labor talk from down there.

G: Well, we may be getting into a little bit of a complication on our program....

HMJr: Oh.

G:if we get too many people talking, but I think you can pay that tribute to management and labor....

HMJr: Yes.

G:in your talk.

HMJr: Yes.

G: But I would like for you to consider doing about ten minutes yourself, because if you do we can impress our people all around the country with this program.

HMJr: Well, I - I'm doing it to be helpful, but I....

G: I know you are.

HMJr:I was introducing this Doughton thing because I think it's good....

G: It's....

HMJr:public re..

G:good strategy.

HMJr:public relations as far as the Hill goes.

G: That's right, but I think three minutes of Doughton is ample for this program....

HMJr: All right.

G:and ten minutes of you. I - that's the way we'd like to have it, Mr. Secretary.

HMJr: Well, I'm not going to fight.

G: All right, sir, then we'll plan on Saturday, December the 12th, and we'll start moving forward.

HMJr: Now let me just see - you rushed me so. Now let me think a minute. Let me ask Peter...(talks aside: What are the - what, if anything, is there else?) Well, Peter says fifteen minutes, and that we can - whether it's thirteen minutes or fifteen minutes, that we can argue about.

G: That's right. That's unimportant.

HMJr: And I take it that between Peter and Ferdinand, you fellows will begin to go to work on something for me, what I'm going to say.

G: Well, sir, Odegard is already working on it.

HMJr: He is?

G: If he isn't you can tell him if he's there that he's negligent. (Laughs)

HMJr: Well, you're on the loud-speaker and there's he and Mrs. Klotz and his face is absolutely blank but smiling.

G: (Laughs) He's still worried about that determination of the sex of an egg.

HMJr: I see.

G: (Laughs)

HMJr: Well, he could tell - maybe they know something at Amherst Agricultural College about that.

G: (Laughs) I thought that was a girls' school.

HMJr: No, there's an agricultural college at Amherst.

G: Oh, at Amherst.

HMJr: Well, you thought Amherst was a girls' school?

G: (Laughs)

HMJr: Well, now - well, I don't know - no, I don't think it that.

G: (Laughs)

HMJr: Now you've got that and Smith mixed up.

G: Sir?

HMJr: You've got that and Smith College....

G: Oh, yes, that's - (laughs) - Smith College.

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HMJr: Now just a minute. Well, I don't know - if - if the old man is willing to do it and everything else - and he's willing to do it from what town?

G: From Winston-Salem.

HMJr: Marvelous. We might even have Johnny Hanes come down.

G: Well, that was the place - that's the place to do it, Mr. Secretary, because....

HMJr: Yes.

G:we can create the proper atmosphere there for this kind of a program....

HMJr: Good.

G:and we have all of the industry there.

HMJr: Well, that's the thing, you got to have industry.

G: Well, he even went so far as to say that he would just as soon go to Charlotte, but he likes Winston-Salem the best. He....

HMJr: Well....

G:appreciated our problem.

HMJr: And he likes that?

G: Yes, sir, and he....

HMJr: Well....

G:liked also very much the idea of your asking him to do it.

HMJr: Now I know what I was groping for, did Peter tell you about the little piece in the paper - about Doughton today after I'd seen him - about his being for the Volunteer Plan?

G: No.

HMJr: Oh, yes.

- 8 -

G: Well, I'm delighted to hear that.

HMJr: (Talks aside: Did you see this?) No, Peter - I don't know what he - he's in a daze. I don't know what - where he is. He - I gave him that to do. He hasn't done that either, to read this paper. But he's still smiling.

G: Well, we can do a good job down there, Mr. Secretary. I'll be back tomorrow morning, and while there's little to worry about I'll see that it's tied together.

HMJr: Yeah, you better come back and tie Peter together.

G: (Laughs) All right, sir.

HMJr: Okay.

G: All right, Mr. Secretary.

HMJr: All right. (Laughs) Thank you.

G: Goodbye.

December 4, 1942
3:29 p.m.

HMJr: Now I've agreed to go down Saturday a week -
down to North Carolina - hello?

Ferdinand
Kuhn: Yes.

HMJr: So it's up to you to do something on a speech.

K: What is it, a War Bonds speech?

HMJr: Yeah.

K: You bet.

HMJr: Yeah.

K: Who's handling it, Gamble?

HMJr: Yeah.

K: Fine, I'll get together with him.

HMJr: Okay.

K: All right, Saturday a week.

HMJr: Yeah.

K: All right, fine.

HMJr: Good?

K: I'm very glad.

December 4, 1942
4:44 p.m.

Peter
Odegard:

Hello.

HMJr:

If you haven't already done so, will you tell
Coyne to consult with Miss Elliott about this
North Carolina meeting?

O:

I will indeed.

HMJr:

Will you do it now?

O:

Yes, I asked him to do that, but I'll remind
him.

HMJr:

Would you please?

O:

I will.

HMJr:

I thank you.

MR. GRAVES' OFFICE TO

11

December 4, 1942.

MRS. McHUGH:

Forwarded in Mr. Graves's
absence.

Mr. Graves turned over this
assignment to Mr. Coyne, the Field
Director of the War Savings Staff,
before he left for Cleveland last
evening.

MFF

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 4, 1942.

TO Mr. Graves
FROM Robert W. Coyne *W.C.*

I called Congressman Gathings to find out the particulars of his requirements for the December 15 meeting.

Mr. Gathings said that he would be greatly pleased if we could send a field representative, so I have assigned Mr. Robert Fowler to speak at the meeting in Jonesboro, Ark., on December 15. I have also wired our State Administrator, Mr. Paschal, to be present and participate in the meeting.

Congressman Gathings was very pleased with the arrangements, and wanted to thank the Secretary for his courtesy.

-COPY-

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December 3, 1942.

TO Harold Graves
FROM Secretary Morgenthau

Please get on this right away, and let me know tomorrow what you can do to help this community so that we can let the Congressman know without fail.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 4, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Herman Wolf of the War Savings Staff says that your labor press conference has had excellent results in the labor papers. It has stimulated an interest in financing problems, and has also resulted in a great increase in War Bond publicity. I attach a few sample clippings and shall send you others when Mr. Wolf has assembled them.

F. K.

Clippings are
in recap
perapbook.

December 4, 1942.

Dear Mr. Head:

Your letter of November 30 has given me much pleasure, and I appreciate it very much. I am especially glad to know that you now agree with me about the wisdom of an average interest rate of about two percent.

My brief visit to St. Louis was helpful and encouraging to me in every way. I only wish that it were possible for me to leave Washington more often so that I could get acquainted personally with those in the field who are working so hard to make the Treasury's financing program a success.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Walter W. Head,
President, General American
Life Insurance Company,
St. Louis, Missouri.

FK:eg

Photo file in Diary

Orig. file to Thompson

DEC 3 1942

GENERAL AMERICAN LIFE INSURANCE COMPANY

HOME OFFICE

SAINT LOUIS

OFFICE OF
THE PRESIDENT

November 30, 1942

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

Dear Mr. Secretary:

It was a rare privilege and a pleasure to meet with you and obtain the benefit of your viewpoint this morning with respect to many matters affecting the Victory Fund Campaign. The opportunity of discussing the situation with you personally was, I am sure, deeply appreciated by all those present.

It may interest you to know that, for some time past, there has been some reservation in my mind as to the adequacy of the coupon rate of current issues. The sincere and cogent manner in which you outlined the relationship of present day interest rates as they apply particularly to government financing and the post-war economic issues which this and coming generations will be called upon to solve has convinced me that your position is sound and that this war should and must be financed at an average interest rate of approximately 2%.

It affords me pleasure to assure you that the members of the Regional Victory Fund Committee in St. Louis will exert themselves to the limit of their capacities in order to assure the success of the program of the Treasury of the United States so ably articulated by you this morning.

Yours very truly



Walter W. Head

WWE/uc

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HON HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY

I HAVE OBSERVED WITH INTENSE INTEREST THE TREASURY'S OFFERING OF NINE BILLION IN VICTORY BONDS. TO MY MIND THE OFFERING IS PARTICULARLY WELL TIMED. IT SERVES THE TWO FOLD PURPOSE OF MAKING AVAILABLE TO MILLIONS OF AMERICANS AN EXTREMELY ATTRACTIVE INVESTMENT UNDER ABNORMAL ECONOMIC CONDITIONS IN ADDITION TO PRESENTING A PROGRAM OF SOUND FEDERAL FINANCING. EVERY BANKER AND BANKING HOUSE IN THE NATION SHOULD URGE CUSTOMERS TO BUY LIBERALLY OF THE NEW VICTORY BONDS FROM THE STANDPOINT OF SAFE INVESTMENT AS WELL AS PATRIOTIC DUTY

JNO N GARNER.

1226P.

*copy to Mr. Hamilton
12/7/42.*

NEW YORK
Herald Tribune

December 4, 1942

Dear Mr. Morgenthau:

It was very good of you to write about the Herald Tribune's work in behalf of the Victory Loan and War Savings campaigns and our editors greatly appreciated reading your friendly comments. Feeling as we do that their success is of primary importance to the country we are only anxious to help in any way that we can.

I am glad to know that Mr. Wanders is proving a comfort to you.

With many thanks for your letter, I am

Sincerely yours,

John Rogers Reid

The Hon. Henry Morgenthau Jr.

December 4, 1942

Dear Pat:

I think you will enjoy hearing this record of a song that was written for us by two Army boys who were detailed to the Treasury for a time in connection with the War Bond campaign.

The song is called "Everybody Every Payday"; the authors, Sergeant Richard Uhl and Corporal Tom Adair, have now gone back to military duty. As a tribute to the Army, the "March for the New Infantry" is on the other side of the record.

I feel that the Bond song will be a great help to us in our drive to get thirty million Americans to set aside at least ten percent of their pay in War Bonds every pay day.

Sincerely yours,

(Signed) Henry

Major General Edwin M. Watson,
The White House,
Washington, D. C.

FK/ogk

Copies in Diary

Sent by Mess. Sturgis
4:16 12/7/42

December 4, 1942

Dear General Marshall:

I think you will enjoy hearing this record of a song that was written for us by two Army boys who were detailed to the Treasury for a time in connection with the War Bond campaign.

The song is called "Everybody Every Payday"; the authors, Sergeant Richard Uhl and Corporal Tom Adair, have now gone back to military duty. As a tribute to the Army, the "March for the New Infantry" is on the other side of the record.

I feel that the Bond song will be a great help to us in our drive to get thirty million Americans to set aside at least ten percent of their pay in War Bonds every pay day.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

General George C. Marshall,
Chief of Staff,
Washington, D. C.

FK/cgk

Copies in Diary

Sent by Mess. Sturgis
4:16 12/7/42

December 4, 1942

Dear Bob:

I think you will enjoy hearing this record of a song that was written for us by two Army boys who were detailed to the Treasury for a time in connection with the War Bond campaign.

The song is called "Everybody Every Payday"; the authors, Sergeant Richard Uhl and Corporal Tom Adair, have now gone back to military duty. As a tribute to the Army, the "March for the New Infantry" is on the other side of the record.

I feel that the Bond song will be a great help to us in our drive to get thirty million Americans to set aside at least ten percent of their pay in War Bonds every pay day.

Sincerely yours,

(Signed) Henry

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

FK/cgk

Copies in Diary

Sent by Mess. Sturgis
4:16 12/7/42

December 4, 1942

Dear Jack:

I think you will enjoy hearing this record of a song that was written for us by two Army boys who were detailed to the Treasury for a time in connection with the War Bond campaign.

The song is called "Everybody Every Payday"; the authors, Sergeant Richard Uhl and Corporal Tom Adair, have now gone back to military duty. As a tribute to the Army, the "March for the New Infantry" is on the other side of the record.

I feel that the Bond song will be a great help to us in our drive to get thirty million Americans to set aside at least ten percent of their pay in War Bonds every pay day.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Hon. John J. McCloy,
Assistant Secretary of War,
Washington, D. C.

FK/cgk

Copies in Diary

Sent by Mess. Sturgis
4:16 12/7/42

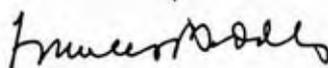
THE ATTORNEY GENERAL
WASHINGTON

December 4, 1942

Dear Henry:

Thank you very much for the record
of the song written by the two Army boys in
connection with the War Bond campaign.

Sincerely yours,



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

THE POSTMASTER GENERAL

December 4, 1942.

Dear Henry:

Many thanks to you for your letter of November 30 and for the record which you sent on to me. I appreciate your thought.

Sincerely yours,

Troen

Hon. Henry Morgenthau, Jr.

The Secretary of the Treasury.

TREASURY DEPARTMENT

25

INTER OFFICE COMMUNICATION

DATE 12-4-42

TO Secretary Morgenthau
FROM Mr. Schwarz (cc)

Through Gen. Surles and Gen. Osborn, I have arranged for coverage of all Treasury activities, with special emphasis on War Bonds and taxes, in STARS AND STRIPES and all of the other expeditionary force and camp papers supervised by the Special Service Division of the Army.

Colonel Munson of Gen. Osborn's office has issued orders to their New York editorial office to use as much as they can of our material in the daily wire service sent to London, as well as in the weekly clip sheet sent out for all Army publications.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 4, 1942.

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

I thought you'd like to see the way John Sullivan's recent speech to the Herald Tribune Forum was reprinted in full as part of an editorial in the American Banker. This newspaper is being consistently helpful to us, and I think the use of the speech as an editorial is effective for our purposes.

F.K.

American Banker

Established 1826
The Only Daily Banking Newspaper
Published daily except Sundays and holidays by the AMERICAN BANKER, Inc.

1400 Broadway, New York, N. Y.
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Subscriptions:
United States and Canada, per year: \$25
Foreign \$35.00
Single Copies 5 Cents
Washington Bureau—D. W. Wilson
1414 D Street, N. W.
This: Circular 5742, Michigan 5182
Entered as second class mail at Post Office at New York, N. Y. under the act of March 3, 1879

A man that both friends must show himself friendly; and there is a friend that is closer than a brother.—Cicero VIII:24.

"I PLEAD WITH YOU FOR THRIFT"

The gospel of thrift was so much honored in the breach, and so misunderstood by certain voices in the New Deal of a decade ago, that it seemed for a while that this old American virtue was in danger of being proscribed from our national life.

But things have changed and today there are no more outspoken and insistent champions for thrift than the men of the Administration. One of those champions is John L. Sullivan—a good name in any fight—who is Assistant Secretary of the Treasury. A New Hampshire New Englander, Mr. Sullivan comes by his apostleship of savings quite naturally. He was a speaker in New York Tuesday at the "Herald Tribune" Forum on Current Problems, at the Waldorf-Astoria Hotel in New York, and there preached a message which echoes that which bankers have been preaching on the Treasury's behalf since before Pearl Harbor and which bankers, in fact as the custodians of the nation's savings motive, have never ceased to preach.

After noting that the U. S. spending budget for fiscal 1943—the current year—was \$54 billions and the U. S. income budget was \$51 billions, leaving \$3 billion to be raised by borrowing and declaring the Treasury's knowledge that the fight on inflation requires borrowing so much as possible of this \$3 billion from investors and savers to stymie the inflationary effects of our huge spending, pointed out that the American people would have \$36 billions greater personal income in the year than in 1940, even after paying our increased taxes, and went on to say:

At the same time there is this great increase in the net income of the people we are experiencing drastic reductions of civilian goods. These two factors contribute to the threat of a paralyzing inflation that could disrupt our entire economy, bankrupt untold thousands of citizens, and destroy the morale of the nation. Only nationwide saving on a tremendous scale, only saving by everybody, can safely avert us against inflation.

So today, I plead with you for thrift. I plead for savings. I plead with the American people to lend every possible dollar out of their incomes to their Government. We are not asking you to give that money—but to lend it.

I am not asking you to do an easy job or a part-time job. Savings—actual like business-as-usual will not satisfy the needs of the time.

We must stop spending as usual on the great and important things of life. We must spend much less of our incomes on the present and invest much more of our incomes in our own future. Freedom is what we are buying when we invest our money in War Bonds,

and there is no better thing for America to buy than Freedom.

I ask you to show your friends and your neighbors in your own community that it really is smart and patriotic to be thrifty. Warn them of the danger of unnecessary spending and show them by your own conduct and by the management of your own homes that you practice what you preach.

The investment of every possible dollar in War Bonds is the finest insurance you can purchase for the future—not only for your country but for yourself and for your family.

Whether the armistice brings with it good times or bad, the man or woman who holds War Savings Bonds is in a better position than the neighbor who holds none. These War Bonds will become the next gift with which some families will purchase new homes, or educate their children.

They will enable people temporarily out of work to support their families. They will enable others to buy the washing machines, vacuum cleaners and automobiles they have foregone during the war. In short, they are a custom-made security, tailored to suit not only the current financing demands of the Government and the need to control inflation, but also to fit the future saving, investment and purchasing problems of the American people in the post-war era.

I beg you to join the Treasury today in its effort to finance the war, to combat inflation, and to provide for post-war personal security. If you belong to a Christmas Club you will be getting a check from your bank within the next few weeks. Take at least half of that money and invest it in War Savings Bonds. Take at least half of your dividend checks, your interest on bonds, or your Christmas bonus and buy War Savings Bonds. Buy at least a few War Savings Stamps out of every \$1 of income that passes through your hands. Above all, this Christmas give War Savings Bonds as presents. For your children especially there is no finer gift. Such a gift is literally a present with a future. In this way you will not only give them money but security for the kind of world you hope they will be able to grow up in.

Here is a job every man and woman in America can do to help win this war. Let's all get into this fight and stay in it until victory.

We'd suggest that you clip this editorial and send it to your local editor with the suggestion that he reprint Mr. Sullivan's words in some form or other.

Increase Capital

HOWELL, Mich.—The McPherson State Bank of Howell has increased its capital from \$150,000 common to \$200,000 common.

BIRTHDAYS AHEAD

Our Congratulations and "Many Happy Returns of the Day"

- EDWARD B. SWITCH, Executive Vice-President, Marine Bank of Norfolk, Norfolk, Va., November 22
JACK McCLAGHRETT, Asst. Cashier, Commercial Bank, Norfolk, Va., November 22
ROBERT W. MATHIAS, President, Waco State Bank & Trust Co., Waco, Texas, November 22
HARRY O. HICKSON, President, Southern Bank of Norfolk, Norfolk, Va., November 22
EMARE H. PARKER, President, Third National Bank, Norfolk, Va., November 22
OPHA JAY PLEASER, Executive Vice-President, Capital and Planning Bank, Department, First National Bank, Norfolk, Va., November 22
JAMES S. PATTERY, President, The National Bank of Norfolk, Va., November 22
SAMUEL STOVENS ALDRICH, Asst. Cashier, Waco State Bank, Waco, Va., November 22
JERRY TAYLOR, Vice-President, Farmers Bank of the State of Oklahoma, Oklahoma City, Oklahoma, November 22
CHARLES EDWARD CALDWELL, President, First National Bank & Trust Co., Edinburg, Va., November 22
ST-OLG DUNLAP (DANBURY) ELKAP, Chairman of Board, City Bank of Edinburg, Edinburg, Va., November 22
ALLAN McVILLIUS POPE, President, The First National Bank, New York City, November 22
WILLIAM H. TAYMOUTH, Director, The National Bank, Norfolk, Va., November 22

IN NEW POSTS

Promotions, Appointments and Elections

KIRKED ELECTED PRESIDENT FARMERS & DEALERS BANK

LAKE BUTLER, Fla., Farmers & Dealers Bank: T. M. Kirked, vice-president and cashier, elected president in fill the vacancy caused by the retirement of J. W. Townsend who disposed of all his stock in the bank. Mrs. Kirked was named vice-president, and Miss Vida Debit, cashier; Col. D. E. Knight and F. L. Spivey elected directors filling the vacancies created by the withdrawal of Mr. and Mrs. Townsend.

HEMPST ELECTED DIRECTOR LEMOYNE TRUST, PA.

LEMOYNE, Pa., Lemoyne Trust Co.: J. Forrest Hempst, elected a director succeeding his brother, the late George L. Hempst.

PERSONAL AND PERTINENT

ELLERY L. VOGEL, president of the Springfield Five Cents Savings Bank, will take over the presidency of the Chamber of Commerce, Springfield, Mass. Mr. Vogel, who was elected by unanimous vote of the board, has been president of the Five Cents Savings Bank seven years, coming to Springfield in 1935 from Northampton, where he had been president of the Northampton National Bank. Mr. Vogel is well known also for his avocation of modeling and woodworking, enjoying many hours in his well-equipped home workshop turning out authentic models of ships and sailing vessels. These reflect his pleasure and enthusiasm from boyhood for sailing.

LIEUT. COL. J. WARREN ANDREWS, former vice-president of the First National Bank of Montgomery, Ala., was recently elevated to the rank of colonel. This news was received by him while at his home on leave. Col. Andrews entered active military duty on leave of absence from his position at the bank.

FRANK B. VINCENT, executive vice-president of the Citizens & Southern National Bank, Spartanburg, S. C., has been named vice-president of the Spartanburg Civic Music Association.

Randolph Paul To Speak On Taxation At N. Y. U.

Randolph E. Paul, general counsel to the United States Treasury Department, will discuss "Administrative Aspects of Wartime Taxation" at the Institute on Federal Taxation being conducted by New York University at Washington Square from November 30 to December 11.

Mr. Paul will speak at the session Tuesday afternoon (1:00 p. m.), December 1, at which time the Institute will also be addressed by Stanley S. Surrey, associate tax legislative counsel of the Treasury Department, on "Highlights of the Revenue Act of 1942," and by Thomas Farolan, until recently legislative counsel to the Treasury Department and now associated with Willkie, Owen, Otis, Farr & Gallagher.

The Institute is designed to meet the needs of attorneys, accountants, corporate officials and trust officers whose work is largely concerned with tax matters, according to Paul A. McGhee, executive director of the University's Division of General Education. More than 80 tax experts from 18 States have already enrolled for the Institute.

Increase Capital

RED LAKE FALLS, Minn.—The Red Lake County State Bank has increased its capital from \$40,000 to \$50,000.

WHAT IS YOUR ANSWER?

1. NEGOTIABILITY: A note containing this provision: "Hereby made of any installment for more than 30 days after maturity renders remaining installments due." Is this note negotiable?

2. NATIONAL BANK STOCK: HOLDER: Jones was a stockholder in the X National Bank which failed. Jones paid part of his statutory liability as a stockholder and gave a note and mortgage to secure the remainder due. After the depositors and creditors of X Bank had been paid in full, Robbins, a statutory agent elected for the stockholders, brought suit against Jones on the note and mortgage. Can Robbins recover?

ANSWER

1. Yes. The N. L. L. provides that an instrument calls for a sum certain within the meaning of the act, though it is to be paid "by stated installments," with a provision that on default in payment of any installment or of interest the whole shall become due. (Harrison vs. Hunter, 148 S. W. 1035; N. L. L. Sec. 2.)

2. No. The note and mortgage made by Jones were not assets of X Bank but were assets of the depositors and creditors. Since both depositors and creditors had been paid in full, the note and mortgage could not be enforced against Jones. (Robbins vs. Mitchell, U. S. C. C. A. 197 Fed. (2nd) 361.)

New York Reserve Bank Announces Election Of Two Directors

The Federal Reserve Bank of New York has officially announced the election of a Class A director and a Class B director. The official announcement reads:

"The election of directors to succeed Neil H. Derrance, Class A director, and Carl C. Conway, Class B director, whose terms expire Dec. 31, 1942, has been held in accordance with the requirements of Section 4 of the Federal Reserve Act, as amended, and the provisions of Circular No. 2513, dated Oct. 3, 1942.

The results of the election are as follows:

Warren W. Glutz, Jr., president, Glen National Bank of Watkins Glen, Watkins Glen, N. Y., was elected by member banks in Group 3 as a Class A director of this bank; and Carl C. Conway, chairman of the board, Continental Can Co., Inc., New York, N. Y., was re-elected by member banks in Group 3 as a Class B director of this bank. Each was chosen for a term of three years beginning Jan. 1, 1943."

Hoffman Director of Chicago Federal

WASHINGTON, Nov. 18.—The Federal Reserve Board has appointed Paul G. Hoffman, president of the Studebaker Corp., South Bend, Ind., as a Class C director of the Federal Reserve Bank of Chicago for a term ending on Dec. 31, 1942.

Harrisburg Bank Serves as Collection Station for Power

HARRISBURG, Pa.—Banks in Harrisburg and Dauphin County have been designated as collection stations for power in the current campaign of the county savings committee, it was announced by F. B. Rite, vice-chairman in charge.

Mr. Rite urged express work centers, however small a place, to take in the stored bank collection station after learning or breaking the article so that its re-use except for salvage is impossible.

Analysis of Exposure to Payroll Savings Plans
November 28, 1942

	Number exposed to payroll savings plans	Total number in the country (estimated)	Percent of total exposed
Part A - Summary by Number of Organizations Exposed			
I. Business organizations			
(1) Firms with 5,000 employees or more.....	469	472	99
(2) Firms with 500 to 4,999 employees.....	5,621	5,789	97
(3) Firms with 100 to 499 employees.....	<u>24,971</u>	<u>29,096</u>	<u>86</u>
(4) Subtotal - large firms.....	31,061	35,357	88
(5) Firms with less than 100 employees.....	<u>128,952</u>	*	*
(6) Total business organizations.....	160,013	*	*
II. Governmental organizations.....	*	*	*
III. Grand total.....	<u>160,013</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed

I. Business organizations			
(1) Firms with 5,000 employees or more.....	8,639,444	*	*
(2) Firms with 500 to 4,999 employees.....	7,396,579	*	*
(3) Firms with 100 to 499 employees.....	<u>5,666,237</u>	*	*
(4) Subtotal - large firms.....	21,702,260	*	*
(5) Firms with less than 100 employees.....	<u>3,165,458</u>	*	*
(6) Total business organizations.....	24,867,718	32,800,000 1/	76
II. Governmental organizations			
(1) Federal Government.....	2,181,131	2,700,000 1/	81
(2) State and local governments.....	<u>1,401,112</u>	<u>2,800,000</u>	<u>50</u>
(3) Total governmental organizations.....	<u>3,582,243</u>	<u>5,500,000</u>	<u>65</u>
III. Grand total.....	<u>28,449,961</u>	<u>38,300,000 1/</u>	<u>74</u>

Treasury Department

December 4, 1942.

1/ Excludes agricultural employees, military personnel, employees on WPA or NYA or CCC projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.

* Data not available.

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans
(As reported by the War Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	Nov. 21	Nov. 28		Apr. 18	Nov. 21	Nov. 28
Alabama.....	149	256	256*	347	43	74	74
Arizona.....	43	71	71	71	61	100	100
Arkansas.....	44	48	48*	101	44	48	48
Northern California.....	512	718	720	792	65	91	91
Southern California.....	756	1,068	1,074	1,248	61	86	86
Colorado.....	113	136	136	141	80	96	96
Connecticut.....	277	561	570	697	40	80	82
Delaware.....	21	59	59	65	32	91	91
District of Columbia.....	52	164	166	210	25	78	79
Florida.....	147	213	213	213	69	100	100
Georgia.....	133	392	392	419	32	94	94
Idaho.....	31	33	33	33	94	100	100
Illinois.....	1,300	2,070	2,074	2,253	58	92	92
Indiana.....	415	684	686	855	49	80	80
Iowa.....	160	175	176	263	61	67	67
Kansas.....	276	288	288	299	92	96	96
Kentucky.....	136	226	226*	303	45	75	75
Louisiana.....	179	283	284	316	57	90	90
Maine.....	60	155	155*	171	35	91	91
Maryland.....	177	345	346	405	44	85	85
Massachusetts.....	639	1,133	1,143	1,547	41	73	74
Michigan.....	689	1,003	1,005	1,305	53	77	77
Minnesota.....	376	440	440*	446	84	99	99
Mississippi.....	59	92	95	111	53	83	86
Missouri.....	472	706	712	979	48	72	73
Montana.....	40	49	49	49	82	100	100
Nebraska.....	103	135	135	143	72	94	94
Nevada.....	14	20	21	27	52	74	78
New Hampshire.....	89	144	144	170	52	85	85
New Jersey.....	463	978	980	1,177	39	83	83
New Mexico.....	33	41	41	42	79	98	98
New York.....	2,060	3,897	3,921	4,257	48	91	92
North Carolina.....	282	481	483	564	50	85	86
North Dakota.....	14	20	20	20	70	100	100
Ohio.....	1,126	1,729	1,736	2,024	56	85	86
Oklahoma.....	166	301	301	323	51	93	93
Oregon.....	211	294	295	307	69	96	96
Pennsylvania.....	1,682	2,267	2,276	2,276	74	99	100
Rhode Island.....	154	283	289	361	43	78	80
South Carolina.....	71	156	158	173	41	90	91
South Dakota.....	21	26	26	26	81	100	100
Tennessee.....	199	408	410	526	38	78	78
Texas.....	326	711	712	1,010	32	70	70
Utah.....	36	44	44	44	82	100	100
Vermont.....	59	68	68	73	81	93	93
Virginia.....	281	359	363	388	72	93	94
Washington.....	234	357	357	455	51	78	78
West Virginia.....	134	220	220*	314	43	70	70
Wisconsin.....	278	480	482	680	41	71	71
Wyoming.....	17	23	23	23	74	100	100
Alaska.....	2	2	2*	2	100	100	100
Railroads.....	49	49	49	52	94	94	94
Total.....	<u>15,360</u>	<u>24,851</u>	<u>24,973</u>	<u>29,096</u>	<u>53</u>	<u>85</u>	<u>86</u>

Treasury Department

* Data are for November 21, inasmuch as no November 28 report was received.

December 4, 1942.

Firms Employing 500 Persons or More Participating in Payroll Savings Plans
(As reported by the War Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	Nov. 21	Nov. 28		Apr. 18	Nov. 21	Nov. 28
Alabama.....	41	67	67*	68	60	99	99
Arizona.....	9	14	14	14	64	100	100
Arkansas.....	16	17	17*	17	94	100	100
Northern California.....	122	130	130	131	93	99	99
Southern California.....	121	151	151	156	78	97	97
Colorado.....	25	31	31	31	81	100	100
Connecticut.....	114	153	153	165	69	93	93
Delaware.....	15	23	23	23	65	100	100
District of Columbia.....	32	50	50	51	63	98	98
Florida.....	28	44	44	48	58	92	92
Georgia.....	86	125	126	126	68	99	100
Idaho.....	11	11	11	11	100	100	100
Illinois.....	391	491	493	498	79	99	99
Indiana.....	88	146	147	165	53	88	89
Iowa.....	22	27	27	34	65	79	79
Kansas.....	23	25	25	25	92	100	100
Kentucky.....	38	49	49*	51	75	96	96
Louisiana.....	29	51	51	51	57	100	100
Maine.....	48	55	55*	55	87	100	100
Maryland.....	84	111	111	111	76	100	100
Massachusetts.....	237	316	318	328	72	96	97
Michigan.....	265	285	287	287	92	99	100
Minnesota.....	79	81	81*	81	98	100	100
Mississippi.....	26	34	34	34	76	100	100
Missouri.....	103	137	138	140	74	98	99
Montana.....	3	4	4	4	75	100	100
Nebraska.....	23	28	28	28	82	100	100
Nevada.....	4	4	5	5	80	80	100
New Hampshire.....	29	32	32	32	91	100	100
New Jersey.....	142	196	196	197	72	99	99
New Mexico.....	5	5	5	5	100	100	100
New York.....	759	903	907	932	81	97	97
North Carolina.....	103	137	137	140	74	98	98
North Dakota.....	0	0	0	0	-	-	-
Ohio.....	412	483	483	502	82	96	96
Oklahoma.....	31	52	52	52	60	100	100
Oregon.....	48	55	55	55	87	100	100
Pennsylvania.....	551	620	621	668	84	94	94
Rhode Island.....	61	77	77	84	73	92	92
South Carolina.....	84	98	98	98	86	100	100
South Dakota.....	5	5	5	5	100	100	100
Tennessee.....	50	88	88	92	54	96	96
Texas.....	63	119	120	121	52	98	99
Utah.....	8	10	10	10	80	100	100
Vermont.....	12	12	12	12	100	100	100
Virginia.....	93	102	102	102	91	100	100
Washington.....	49	73	73	73	67	100	100
West Virginia.....	36	77	77*	77	47	100	100
Wisconsin.....	127	154	154	154	82	100	100
Wyoming.....	1	4	4	4	25	100	100
Alaska.....	3	3	3*	3	100	100	100
Railroads.....	109	109	109	115	95	95	95
Total.....	<u>4,864</u>	<u>6,074</u>	<u>6,090</u>	<u>6,261</u>	<u>78</u>	<u>97</u>	<u>97</u>

Treasury Department

* Data are for November 21, inasmuch as no November 28 report was received.

December 4, 1942.

Bill
has

Copies to Mr. Bell and
Mr. Haas - 12/7/42
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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE
December 4, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Soon after the October financing you asked me to get the O.W.I. to take a nationwide poll on the subject of interest rates. The results are here, and they show a vast public ignorance of the subject.

1. 82% replied "no" to the question "Do you have any idea what percent interest the Government is now paying the banks for the money it borrows from them?" Even among college graduates only two out of five professed to know what the present rate is. The 18% who replied "yes" guessed the rates as follows:

<u>Interest rate</u>	<u>Percent</u>
Less than 1%	10
1--1-3/4%	27
2--2-3/4%	39
3--3-3/4%	13
4--4-3/4%	3
5% & over	8

2. Widespread ignorance was also shown in answer to the question, "Do you think the Government should pay 2% interest, 2 1/4% interest, or more?" Thirty-two percent of those queried were unable or unwilling to give a definite answer. The remainder distributed their answers as follows:

<u>Interest rate</u>	<u>Percent</u>
2%	37
2-1/4%	8
More than 2-1/4%	10
Less than 2% (spontaneous)	9
Don't know	32
Other and Depends	4

F. K.

Final Report

12/4/42
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REPORT ON SURVEY CONDUCTED FOR THE TREASURY DEPARTMENT BY
STANDARD & POOR

Number of Answers as of December 2 - 17 days after 1,000 cards were put in the mail to a sampling of their subscription list taking in all parts of the country - 507.

REPLIES -

No - 370
Yes - 137

A breakdown of the replies to the question "Which type of issue?" shows that:

5	- didn't remember
11 $\frac{1}{2}$	- said TAX NOTES
38	- didn't answer the question
30	- mentioned various government issues
28- $\frac{3}{4}$	- said E bonds
23- $\frac{3}{4}$	- said F or G bonds

*9:30 group furnished
with copies.*

REPORT ON SURVEY CONDUCTED FOR THE TREASURY DEPARTMENT BY

 MOODY'S

Number of Answers as of December 2 - 21 days after 1,000 cards were put in the mail to a sampling of their subscription list taking in all parts of the country - 433.

REPLIES

No - 307
Yes - 126

A breakdown of the replies to the question "Which type of issue?" shows that:

2 - didn't remember
 14 $\frac{1}{2}$ * - said TAX NOTES
 35 - didn't answer the question
 34 $\frac{1}{2}$ - mentioned various government issues
 18-3/4 - said E bonds
 21-1/4 - said F or G bonds

*Note: fractions indicate cases where more than one answer to the question was given. Thus in scoring "Tax Notes and E bonds" we gave 1/2 to each.

Note: In the "Yes" group were a number who said "By mail" or "Payroll Savings Plan". These were counted as "No".

OFFICE OF THE
DEPUTY MINISTER



Ottawa, November 18, 1942.

Dear Mr. Morgenthau:

As you know, there is outstanding in the United States market a Dominion of Canada 5% issue which matures in 1952 but which has been callable since last May. The price at which the issue is selling indicates the market's expectation that it may be called at any time, and obviously it would be difficult for the Dominion, to justify leaving a 5% issue outstanding much longer than was necessary. The amendments to the United States Neutrality Law passed some months ago make it legally possible for us to refund the issue in the United States market and I suspect that these amendments were inspired by yourself and your colleagues primarily in order to make it possible for Canada to carry out a refunding operation and thus save an annual charge of around \$2,000,000 in U.S. funds.

Recently we have been giving some study to market conditions and it probably would be possible for us to arrange for a refunding issue to be offered, say, in January next. Naturally we would not wish to do anything to conflict with any financial operations which you may have in mind, or which for other reasons might be objectionable from your stand-point, even though I realize that the issue is small in relation to the vast operations you are carrying on, that as a refunding issue it will not take new cash out of your market and that indeed we will probably pay off some small proportion of it.

I had hoped to be able to get down to Washington and discuss the matter with you personally but I have so many other urgent matters on my desk that it seems impossible to do this at the present time. I have therefore asked Mr. Plumptre to

(Over)

2.

take the matter up with you and I would appreciate it if you could let him know your answer.

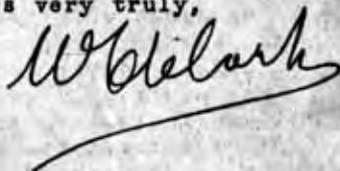
If the answer is favourable, we would begin at once to negotiate the necessary arrangements, prepare the registration statement, etc., and at the appropriate time take the matter up with the Securities Exchange Commission.

I have been following with the greatest interest the figures showing the colossal magnitude of your own war program and I have some appreciation of the problems which financing so vast an effort must mean for you and your officials. We are all trying to do things which would have appeared impossible two or three years ago, but we shall accomplish the impossible.

With kindest regards and best wishes,

I am,

Yours very truly,



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

TREASURY DEPARTMENT

NOV 27 AM 10 02

OFFICE
SECRETARY OF TREASURY

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 4,
1942

TO Secretary Morgenthau

FROM Mr. Murphy *M-21*

Subject: Recent Changes in Prices and Yields of Government Securities

During the week ended last night, prices of practically all Government securities either lost ground or showed no change from their levels of a week ago. A weak tone prevailed throughout the entire period, but was particularly noticeable on Friday and Saturday, the last two days before the commencement of the campaign. Declines were most pronounced among the long-term tax-exempt bonds, despite heavy purchases by the Federal Reserve Banks in this category.

The new 1-3/4's of June 1948 and the restricted 2-1/2's of 1967-68 were quoted for the first time yesterday. Opening nominal quotations on both issues were 100 bid, 100-2/32 asked.

The regular weekly offering of bills was awarded at an average rate of 0.368 percent, fractionally below the average rate of a week ago. Yields of the outstanding certificates showed no change during the week, except in the case of the May 1943 maturity which declined slightly. No trading is permissible, of course, in the new certificates until December 19.

In previous memoranda of this series, current market prices and yields of Government securities have been compared with prices and yields as of March 19. The March 19 benchmark has lost much of its significance, however, because of two developments which have altered the "pattern of rates" since that time. These developments were (1) the establishment at the end of April of a 3/8 percent rate for Treasury bills, and (2) the establishment in August of a 7/8 percent rate for one-year certificates of indebtedness.

Both of these changes were made with your approval, and each of them tended to raise the pattern of rates. The March 19 date appears obsolete, therefore, as a base from

Secretary Morgenthau - 2

which to measure changes in the market. Commencing with this memorandum, therefore, a new base line has been set at September 1. The two developments just discussed had exercised their full market effect by that time, and since then there has been no conscious change in the pattern of rates approved by the Treasury.

The accompanying chart and Table II have been adjusted to the new base date. Of the 50 securities (excluding certificates) which were outstanding on September 1, 25 have higher yields now than on that date, 3 have the same yields, and 22 have lower yields. Only 5, however, have higher prices now than on September 1.

The comparison of prices and yields of Government securities between September 1 and December 3 in Table II does not completely reveal the real change in the pattern of rates during this period, however. Three months have elapsed since September 1, and the yields of all outstanding securities would have declined somewhat by now if the pattern of rates which then existed had been maintained. These declines would have been scarcely noticeable in the case of the longer maturities, but would have been more pronounced in the case of the shorter maturities. The chart is adjusted graphically to allow for this and gives a true comparison of the change in the pattern of rates between the two dates. Table II, which is based upon actual prices and yields, naturally does not do so. As a result, the stories told by the chart and Table II, although approximately the same for the longer maturities, differ for the shorter maturities.

A new table (III) has been added, therefore. The purpose of this table is to indicate the changes in yields of Government securities relative to the September 1, 1942, pattern of rates. These are the changes that really count. They are shown in the last column of the table. A plus (+) sign in this column indicates that an issue is now selling at a higher yield than would be justified by the September 1 pattern of rates, while a minus (-) sign indicates the reverse. A preponderance of plus signs in this column would thus indicate that the market had lost ground pricewise since September 1, while a preponderance of minus signs would indicate that it had gained ground.

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Reference to Table III will show an overwhelming preponderance of plus signs in the last column. It is clear, therefore, that the pattern of rates, as a whole, has not been maintained since September 1 -- i.e., the market has been allowed to decline. The loss of ground, measured in yield, has been the greatest on long-term taxable notes where it has ranged up to .08 percent, and on partially tax-exempt bonds where it has ranged up to .09 percent.

Purchases by the Federal Reserve Banks for their individual investment accounts and for the System Account aggregated \$483 millions during the week. They consisted of \$188 millions of bills, \$61 millions of certificates, \$100 millions of taxable notes and bonds, and \$134 millions of partially tax-exempt issues. Sales, confined solely to bills, amounted to \$159 millions and bill maturities totaled \$4 millions, with the result that the net increase in the combined portfolios was \$320 millions. These figures do not include the special one-day certificates issued directly to the Federal Reserve System during the week. These certificates had been retired as of the close of business on Wednesday.

Attachments

Price and Yield Changes of United States Securities
November 25, 1942 to December 3, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	Nov. 25, 1942	Dec. 3, 1942	Change	Nov. 25, 1942	Dec. 3, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
TAXABLE SECURITIES						
Bills						
Average rate last issue	-	-	-	.37	.37	.00
Certificates						
5/8 2/1/43	-	-	-	.36	.36	.00
.65 5/1/43	-	-	-	.54	.53	-.01
7/8 8/1/43	-	-	-	.68	.68	.00
7/8 11/1/43	-	-	-	.79	.79	.00
7/8 12/1/43	-	-	-	-	n.q.	-
Taxable Notes						
3/4 3/15/43	100.03	100.03	.00	.43	.41	-.02
3/4 9/15/44	99.23	99.21	-.02	.91	.95	+.04
1-1/4 3/15/45	100.02	100.02	.00	1.22	1.22	.00
3/4 12/15/45	99.01	99.01	.00	1.07	1.08	+.01
1 3/15/46	99.05	99.05	.00	1.26	1.26	.00
1-1/2 12/15/46	100.01	100.01	.00	1.49	1.49	.00
Taxable Bonds						
2 3/15/48-50	101.07	101.07	.00	1.76	1.76	.00
1-3/4 6/15/48	-	100.01*	-	-	1.74	-
2 6/15/49-51	100.13	100.13	.00	1.93	1.93	.00
2 9/15/49-51	100.10	100.10	.00	1.95	1.95	.00
2 12/15/49-51	100.07	100.07	.00	1.97	1.97	.00
2 3/15/50-52	100.04	100.04	.00	1.98	1.98	.00
2 12/15/51-55	100.02	100.01	-.01	1.99	2.00	+.01
2-1/2 3/15/52-54	103.15	103.13	-.02	2.09	2.09	.00
2-1/4 6/15/52-55	101.04	101.04	.00	2.12	2.12	.00
2-1/2 3/15/56-58	102.30	102.26	-.04	2.24	2.25	+.01
2-1/2 6/15/62-67	100.05	100.03	-.02	2.49	2.49	.00
2-1/2 12/15/63-68	-	100.01*	-	-	2.50	-
2-1/2 9/15/67-72	100.16	100.17	+.01	2.47	2.47	.00
TAX-EXEMPT SECURITIES						
Wholly Tax-exempt Notes						
1-3/4 12/15/42	100.02	100.01	-.01	.48	.70	+.22
1-1/8 6/15/43	100.14	100.13	-.01	.33	.36	+.03
1 9/15/43	100.17	100.17	.00	.53	.52	-.01
1-1/8 12/15/43	100.28	100.28	.00	.29	.27	-.02
1 3/15/44	100.24	100.24	.00	.42	.41	-.01
3/4 6/15/44	100.13	100.13	.00	.49	.48	-.01
1 9/15/44	100.30	100.30	.00	.46	.47	-.01
3/4 3/15/45	100.14	100.15	+.01	.56	.54	-.02
Partially Tax-exempt Bonds						
3-3/8 6/15/43-47	101.20	101.18	-.02	.41	.42	+.01
3-1/4 10/15/43-45	102.10	102.08	-.02	.62	.63	+.01
3-1/4 4/15/44-46	103.16	103.14	-.02	.70	.71	+.01
4 12/15/44-54	106.11	106.10	-.01	.87	.86	-.01
2-3/4 9/15/45-47	104.29	104.29	.00	.97	.96	-.01
2-1/2 12/15/45	104.17	104.15	-.02	.99	1.00	+.01
3-3/4 3/15/46-56	108.21	108.20	-.01	1.07	1.07	.00
3 6/15/46-68	106.21	106.21	.00	1.08	1.07	-.01
3-1/8 6/15/46-49	107.02	107.01	-.01	1.09	1.09	.00
4-1/4 10/15/47-52	114.08	114.06	-.02	1.23	1.23	.00
2 12/15/47	103.29	103.27	-.02	1.20	1.21	+.01
2-3/4 3/15/48-51	107.09	107.06	-.03	1.32	1.34	+.02
2-1/2 9/15/48	106.22	106.18	-.04	1.30	1.32	+.02
2 12/15/48-50	103.29	103.23	-.06	1.33	1.36	+.03
3-1/8 12/15/49-52	110.11	110.11	.00	1.57	1.57	.00
2-1/2 12/15/49-53	105.30	105.30	.00	1.61	1.60	-.01
2-1/2 9/15/50-52	106.10	106.10	.00	1.63	1.63	.00
2-3/4 6/15/51-54	107.30	107.30	.00	1.75	1.74	-.01
3 9/15/51-55	110.02	110.01	-.01	1.76	1.76	.00
2-1/4 12/15/51-53	104.18	104.17	-.01	1.70	1.71	+.01
2 6/15/53-55	103.06	103.03	-.03	1.67	1.68	+.01
2-1/4 6/15/54-56	104.29	104.23	-.06	1.78	1.80	+.02
2-7/8 3/15/55-60	109.06	109.02	-.04	2.03	2.04	+.01
2-3/4 9/15/56-59	108.16	108.09	-.07	2.04	2.06	+.02
2-3/4 6/15/58-63	108.20	108.12	-.08	2.10	2.11	+.01
2-3/4 12/15/60-65	109.06	108.31	-.07	2.13	2.15	+.02

Table II
Price and Yield Changes of United States Securities
September 1, 1942 to December 3, 1942
Issues outstanding on both dates only

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	Sept. 1, 1942	Dec. 3, 1942	Change	Sept. 1, 1942	Dec. 3, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
TAXABLE SECURITIES						
Bills						
Average rate last issue	-	-	-	.37	.37	.00
Certificates						
5/8% 2/1/43	-	-	-	.52	.36	-.16
7/8 8/1/43	-	-	-	.76	.68	-.08
Taxable Notes						
3/4 3/15/43	100.03	100.03	.00	.57	.41	-.16
3/4 9/15/44	99.17	99.21	+.04	.98	.95	-.03
3/4 12/15/45	99.01	99.01	.00	1.05	1.08	+.03
1 3/15/46	99.05	99.05	.00	1.24	1.26	+.02
1-1/2 12/15/46	100.05	100.01	-.04	1.46	1.49	+.03
Taxable Bonds						
2 3/15/48-50	101.05	101.07	+.02	1.78	1.76	-.02
2 6/15/49-51	100.11	100.13	+.02	1.95	1.93	-.02
2 9/15/49-51	100.08	100.10	+.02	1.96	1.95	-.01
2 12/15/49-51	100.06	100.07	+.01	1.97	1.97	.00
2 12/15/51-55	100.02	100.01	-.01	1.99	2.00	+.01
2-1/2 3/15/52-54	103.23	103.13	-.10	2.07	2.09	+.02
2-1/4 6/15/52-55	101.06	101.04	-.02	2.12	2.12	.00
2-1/2 3/15/56-58	103.03	102.86	-.09	2.23	2.25	+.02
2-1/2 6/15/62-67	100.13	100.03	-.10	2.47	2.49	+.02
2-1/2 9/15/67-72	101.06	100.17	-.21	2.44	2.47	+.03
TAX-EXEMPT SECURITIES						
Wholly Tax-exempt Notes						
1-3/4 12/15/42	100.14	100.01	-.13	.21	.70	+.49
1-1/8 6/15/43	100.20	100.13	-.07	.33	.36	+.03
1 9/15/43	100.22	100.17	-.05	.33	.32	-.01
1-1/8 12/15/43	100.30	100.28	-.02	.39	.27	-.12
1 3/15/44	100.25	100.24	-.01	.49	.41	-.08
3/4 6/15/44	100.14	100.13	-.01	.50	.48	-.02
1 9/15/44	101.01	100.30	-.03	.49	.47	-.02
3/4 3/15/45	100.16	100.15	-.01	.55	.54	-.01
Partially Tax-exempt Bonds						
3-3/8 6/15/43-47	102.08	101.18	-.22	.50	.42	-.08
3-1/4 10/15/43-45	102.28	102.08	-.20	.66	.63	-.03
3-1/4 4/15/44-46	103.28	103.14	-.14	.83	.71	-.12
4 12/15/44-54	106.29	106.10	-.19	.94	.86	-.08
2-3/4 9/15/45-47	105.08	104.29	-.11	.99	.96	-.03
2-1/2 12/15/45	104.31	104.15	-.16	.96	1.00	+.04
3-3/4 3/15/46-56	109.00	108.20	-.12	1.15	1.07	-.08
3 6/15/46-48	106.31	106.21	-.10	1.11	1.07	-.04
3-1/8 6/15/46-49	107.13	107.01	-.12	1.12	1.09	-.03
4-1/4 10/15/47-52	114.28	114.06	-.22	1.24	1.23	-.01
2 12/15/47	104.09	103.27	-.14	1.16	1.21	+.05
2-3/4 3/15/48-51	107.10	107.06	-.04	1.37	1.34	-.03
2-1/2 9/15/48	106.28	106.18	-.10	1.31	1.32	+.01
2 12/15/48-50	104.06	103.23	-.15	1.30	1.36	+.06
3-1/8 12/15/49-52	110.19	110.11	-.08	1.58	1.57	-.01
2-1/2 12/15/49-53	106.09	105.30	-.11	1.58	1.60	+.02
2-1/2 9/15/50-52	106.20	106.10	-.10	1.62	1.63	+.01
2-3/4 6/15/51-54	108.12	107.30	-.14	1.72	1.74	+.02
3 9/15/51-55	110.15	110.01	-.14	1.74	1.76	+.02
2-1/4 12/15/51-53	105.01	104.17	-.16	1.66	1.71	+.05
2 6/15/53-55	103.15	103.03	-.12	1.65	1.68	+.03
2-1/4 6/15/54-56	105.13	104.23	-.22	1.74	1.80	+.06
2-7/8 3/15/55-60	110.02	109.02	-.10	1.97	2.04	+.07
2-3/4 9/15/58-59	109.10	108.09	-.10	1.99	2.06	+.07
2-3/4 6/15/58-63	109.15	108.12	-.10	2.05	2.11	+.06
2-3/4 12/15/60-65	110.02	108.31	-.10	2.09	2.15	+.06

Table III 41
Yield Changes of Government Securities Relative to September 1, 1942 Pattern of Rates
September 1, 1942-December 3, 1942

Issues with 3 months or more to run outstanding on both dates

(Based on mean of closing bid and asked quotations)

Security	Actual yield as of Sept. 1	Actual yield as of Dec. 3	Actual change in yield	Estimated change in yield required to maintain Sept. 1 pattern of rates	Estimated change in yield relative to Sept. 1 pattern of rates
TAXABLE SECURITIES					
Bills					
Average rate last issue	.37	.37	.00	.00	.00
Certificates					
7/8% 8/1/43	.76	.68	-.08	-.10	+.02
Taxable Notes					
3/4% 3/15/43	.57	.41	-.16	-.15	-.01
3/4 9/15/44	.98	.95	-.03	-.06	+.03
3/4 12/15/45	1.05	1.08	+.03	-.05	+.08
1 3/15/46	1.24	1.26	+.02	-.05	+.07
1-1/2 12/15/46	1.46	1.49	+.03	-.04	+.07
Taxable Bonds					
2% 3/15/48-50	1.78	1.76	-.02	-.03	+.01
2 6/15/49-51	1.95	1.93	-.02	-.02	.00
2 9/15/49-51	1.96	1.95	-.01	-.02	+.01
2 12/15/49-51	1.97	1.97	.00	-.02	+.02
2 12/15/51-55	1.99	2.00	+.01	-.01	+.02
2-1/2 3/15/52-54	2.07	2.09	+.02	-.01	+.03
2-1/4 6/15/52-55	2.12	2.12	.00	-.01	+.01
2-1/2 3/15/56-58	2.23	2.25	+.02	-.01	+.03
2-1/2 6/15/62-67	2.47	2.49	+.02	.00	+.02
2-1/2 9/15/67-72	2.44	2.47	+.03	.00	+.03
TAX-EXEMPT SECURITIES					
Wholly Tax-exempt Notes					
1-1/8% 6/15/43	.33	.36	+.03	-.05	+.08
1 9/15/43	.33	.32	-.01	-.05	+.04
1-1/8 12/15/43	.39	.27	-.12	-.04	-.08
1 3/15/44	.49	.41	-.08	-.04	-.04
3/4 6/15/44	.50	.48	-.02	-.03	+.01
1 9/15/44	.49	.47	-.02	-.03	+.01
3/4 3/15/45	.55	.54	-.01	-.02	+.01
Partially Tax-exempt Bonds					
3-3/8% 6/15/43-47	.50	.42	-.08	-.07	-.01
3-1/4 10/15/43-45	.66	.63	-.03	-.06	+.03
3-1/4 4/15/44-46	.83	.71	-.12	-.05	-.07
4 12/15/44-54	.94	.86	-.08	-.05	-.03
2-3/4 9/15/45-47	.99	.96	-.03	-.04	+.01
2-1/2 12/15/45	.96	1.00	+.04	-.04	+.08
3-3/4 3/15/46-56	1.15	1.07	-.08	-.04	-.04
3 6/15/46-48	1.11	1.07	-.04	-.04	.00
3-1/8 6/15/46-49	1.12	1.09	-.03	-.04	+.01
4-1/4 10/15/47-52	1.24	1.23	-.01	-.03	+.02
2 12/15/47	1.16	1.21	+.05	-.03	+.08
2-3/4 3/15/48-51	1.37	1.34	-.03	-.03	.00
2-1/2 9/15/48	1.31	1.32	+.01	-.03	+.04
2 12/15/48-50	1.30	1.36	+.06	-.03	+.09
3-1/8 12/15/49-52	1.58	1.57	-.01	-.02	+.01
2-1/2 12/15/49-53	1.58	1.60	+.02	-.02	+.04
2-1/2 9/15/50-52	1.62	1.63	+.01	-.02	+.03
2-3/4 6/15/51-54	1.72	1.74	+.02	-.02	+.04
3 9/15/51-55	1.74	1.76	+.02	-.02	+.04
2-1/4 12/15/51-53	1.66	1.71	+.05	-.02	+.07
2 6/15/53-55	1.65	1.68	+.03	-.02	+.05
2-1/4 6/15/54-56	1.74	1.80	+.06	-.01	+.07
2-7/8 3/15/55-60	1.97	2.04	+.07	-.01	+.08
2-3/4 9/15/56-59	1.99	2.06	+.07	-.01	+.08
2-3/4 6/15/58-63	2.05	2.11	+.06	-.01	+.07
2-3/4 12/15/60-65	2.09	2.15	+.06	.00	+.06

TREASURY DEPARTMENT

42

INTER OFFICE COMMUNICATION

DATE 12-4-42

TO Secretary Morgenthau

FROM Mr. Schwarz *CS*

Attached is the script used by J. K. Lasser in his Blue Network broadcast last night. It's a sustaining feature in which Lasser is paid on a relatively lower scale in return for plugs for his book, which Simon and Shuster publish.

I talked at some length this summer with Mr. Kenneth Berkeley, local head of the Blue Network, about helping us on our tax educational program and he sent all of our material--statements to Congressional committees, speeches and memoranda from the Division of Tax Research--to his home office in New York. He telephoned me this fall to say they had engaged Lasser and would we endorse the program. I told him, after discussing it at one of Herbert Gaston's publicity meetings, that we were glad to have accurate information disseminated but that we could not endorse any program which the Treasury didn't control completely. At my suggestion, he then agreed to get into the program all possible reminders to save for taxes and to buy Tax Savings Notes. NBC, Columbia and Mutual also have promised us time for speeches, spot announcements, references in their own sustaining programs and any other help they can give us.

J. K. Lasser on WJZ,
New York City,
December 3, 1942

ANNOUNCER: "Your Income Tax."

The Blue Network presents the fourth in a series of tax programs by Mr. J. K. Lasser, a distinguished tax authority. Mr. Lasser is author of "Your Income Tax." His book is read each year by over a million Americans. On these broadcasts Mr. Lasser is interviewed by one or two persons whose questions reflect the tax queries of large sections of the public. Tonight he will be questioned by Miss Wilson who will enact the role of a teacher in the public school system. The problems presented are similar to those of many civil service workers. I now present Mr. J. K. Lasser.

LASSER: Good evening. ----- And how do you do, Miss Wilson?

WILSON: Good evening, Tonight is a pleasant relief for me, Mr. Lasser. I'll ask the questions instead of getting them from my pupils.

LASSER: I hope I can help you.

WILSON: A teacher at my school was retired on a pension last January. She insisted that the first question I ask be about her pension and I guess ladies do

J. K. Lasser on WJZ,
New York City,
December 3, 1942

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WILSON: Good evening, Tonight is a pleasant relief for me, Mr. Lasser. I'll ask the questions instead of getting them from my pupils.

LASSER: I hope I can help you.

WILSON: A teacher at my school was retired on a pension last January. She insisted that the first question I ask be about her pension and I guess ladies do

- 2. -

WILSON: come first. She wants to know if she has to pay
(Cont'd) a tax on her pension income.

LASSER: It all depends upon whether she contributed any of
her own money to the pension fund. Let me put it
this way. Anyone who contributes to a pension fund
is really making an investment of part of his
salary. The amount your friend paid into the fund
is the cost of her investment.

WILSON: And that amount is 6 percent of her salary for all
the years she paid it.

LASSER: I see. Well the pension she gets now includes
both a return of her investment and interest on
it. The Treasury considers the interest to be
3 percent of her total contribution to the fund.

WILSON: Like getting 3 percent interest on any other in-
vestment?

LASSER: Exactly. That's the income. Each year she is
taxed only on that part of her pension which is
interest. By the way how much is her pension?

WILSON: \$1,300 I believe.

LASSER: Do you know how much she paid into the fund?

WILSON: No I'm afraid not. I'm not sure she knows herself.

- 2. -

WILSON:
(Cont'd) come first. She wants to know if she has to pay a tax on her pension income.

LASSER: It all depends upon whether she contributed any of her own money to the pension fund. Let me put it this way. Anyone who contributes to a pension fund is really making an investment of part of his salary. The amount your friend paid into the fund is the cost of her investment.

WILSON: And that amount is 6 percent of her salary for all the years she paid it.

LASSER: I see. Well the pension she gets now includes both a return of her investment and interest on it. The Treasury considers the interest to be 3 percent of her total contribution to the fund.

WILSON: Like getting 3 percent interest on any other investment?

LASSER: Exactly. That's the income. Each year she is taxed only on that part of her pension which is interest. By the way how much is her pension?

WILSON: \$1,300 I believe.

LASSER: Do you know how much she paid into the fund?

WILSON: No I'm afraid not. I'm not sure she knows herself.

- 3 -

LASSER: Well she can find out easily enough from the trustee of the fund. He will tell her if she writes to him.

WILSON: Well, that is fine. I'd like to see how this works out in figures and don't forget to make them even numbers. I teach history, not mathematics.

LASSER: Sure. Suppose your friend paid in \$10,000 over all the years. All she has to do is report 3 percent of that - \$300 - each year as income. Anything she gets over that is not taxed.

WILSON: In this case she gets \$1,300 a year.

LASSER: That means \$300 is taxed and the remaining \$1,000 is not taxed - it's just part of her cost being paid back to her.

WILSON: That's simple enough.

LASSER: But that isn't all there is to these retirement pension funds.

WILSON: What do you mean?

LASSER: Well, what happens after your friend gets back all of the money she put into the fund.

WILSON: I don't know. What happens?

LASSER: Well, she's going to be getting more money out of it than she put in, isn't she?

WILSON: Right again; that's ~~the~~ sort of a profit for her on the deal.

LASSER: Don't you think she should pay an income tax on her profit?

WILSON: Let me see--business men do pay an income tax on their profits.

LASSER: Precisely, and that's what she will have to do after she gets back all of her investment in the fund. Without paying a tax on it she then must pay a tax on the full amount of all payments she gets after that as her pension.

WILSON: Not only 3 percent of her cost?

LASSER: No. The full amount is all taxed minus, as I said before, the cost of her investment.

WILSON: That's quite fair. But suppose we don't know when our cost has been returned to us?

LASSER: You've got to find out. Usually your retirement board or whoever sends you your pension checks will be glad to advise you.

WILSON: Well, I am glad to get that pension question cleared up. This tax stuff is tougher than helping some freshman. Now let's go on with some other questions.

LASSER: Go right ahead.

WILSON: I know that the increased tax rates for 1942 are intended to raise a tremendous revenue to meet the cost of the war ---

LASSER: Wait, that's not the only purpose. In a war era we must also have measures to reduce the amount of money available to consumers.

WILSON: What has that to do with taxes?

LASSER: You know, of course, that many plants ordinarily producing consumer goods are now making only war materials so that now we have less consumer goods on the market.

WILSON: Well, what's the effect of that?

LASSER: Prices are inclined to rise when the available goods are decreased but the demand is the same. However, if there is less money to buy things prices will remain the same, and that maintains the purchasing power of your money.

WILSON: That's fine for people with fixed salaries like ours.

LASSER: Actually these taxes prevent our purchasing power from dropping. Our Government is leaving no stone unturned to prevent undue additional hardships on the people of the country.

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WILSON: That certainly puts a different light on the whole proposition. If I may change the subject a bit, I'm wondering about my stamp collection?

LASSER: What do you mean?

WILSON: I wonder if it's considered a business. You see, like our President, I've been a stamp collector for years. I've got some money tied up in it and ---

LASSER: Go ahead ---

WILSON: I must have made about \$200 this year.

LASSER: Then it seems to be a business even though it is small.

WILSON: Do I have to pay a tax on the money I make from selling the stamps?

LASSER: It's income, isn't it?

WILSON: Yes.

LASSER: Then it is taxed.

WILSON: Well, what about my expenses; you know, I lay out money.

LASSER: As long as you operate it as a business, and it produces income, you may deduct the ordinary business expenses you have to pay out in order to produce that income.

WILSON: I see. Mr. Lasser, a stamp collector I know took a loss last year in his stamp trading and the loss was not allowed.

LASSER: Was he in business or just doing it as a hobby?

WILSON: Oh, it was just a hobby with him.

LASSER: That's different. If you follow a hobby you can't deduct any losses. That goes for sport, recreation or running a farm for pleasure.

WILSON: I'm not sure I understand that. Can a man who loses money on the stock market deduct his loss on his return?

LASSER: Yes, although there are some special rules about that.

WILSON: Well, then, why can't this friend of mine take off a loss on his stamp trading.

LASSER: I see you're going to pin me down. All right, here's the rule about losses. You can deduct a loss only if you suffered it in business or in a deal out of which you expected to make a profit.

WILSON: Well, this man's stamp tax trading is certainly not a business. And I know he doesn't expect to make any profit on it because he always loses money - every year.

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LASSER: That's why he cannot deduct the losses. It's just a hobby with him and his losses on his trades are just a part of his cost of getting some personal entertainment and pleasure.

WILSON: I get the idea. But I'd better see what I can deduct.

LASSER: Fire away.

WILSON: I belong to a stamp collector's club. Can I deduct those dues?

LASSER: That all depends on whether you use it for your personal pleasure or mainly for business. Do you need that club membership for your business?

WILSON: No, I can't say that I do.

LASSER: There you see the reason behind the rule. And that's why you cannot deduct those dues. They're just personal expenses.

WILSON: I suppose that includes country club dues too?

LASSER: That's right; same reason, same rule. But let me ask you this; do you belong to a professional teachers association?

WILSON: Yes.

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LASSER: Well then, those dues can be deducted. Dues paid to your professional society are legitimate deductions. So, too, are labor union dues and dues to trade associations.

WILSON: I see. I can't deduct any part of my dues to the stamp collectors club or my country club dues.

LASSER: No. That isn't completely correct. Is there a Federal Tax on your dues?

WILSON: I don't understand. What do you mean?

LASSER: Are your dues more than \$10 a year?

WILSON: Yes. I paid some odd amount to both clubs, but they were each over \$10.

LASSER: Well you see there is a Federal Tax of 11 per cent on dues over \$10 a year.

WILSON: Yes.

LASSER: And you are permitted to deduct those Federal Taxes.

WILSON: Then what about the Federal Taxes I pay on my concert and opera subscriptions, and admissions taxes.

LASSER: They, too, can be deducted.

WILSON: What about taxes we pay to the State or City.

LASSER: Hold on. Let's go slowly.

- 10 -

WILSON: All right. Take the State retail sales tax.

LASSER: That's deductible. All State and Local retail sales taxes you pay can be deducted if the tax is separately stated on your bills.

WILSON: Then I paid for my auto license and of course my State income tax.

LASSER: Yes, those can be deducted as taxes.

WILSON: What about the real estate taxes I pay on my home?

LASSER: Do you own your own home?

WILSON: Yes, it's a one family house in the suburbs.

LASSER: Then you may deduct those taxes as well as school taxes.

WILSON: Seems like all State and Local taxes can be deducted. Are there any we cannot deduct?

LASSER: Certainly. Have you a dog?

WILSON: Yes. Don't tell me he's got to pay an income tax.

LASSER: (Laughs) No, I don't think so. But do you pay a dog tax or license fee?

WILSON: Yes.

LASSER: Well, that type of tax or fee and such others as automobile inspection - get that, inspection, not license fee - are in the nature of regulatory measures and are not taxes that are deductible.

WILSON: I see.

LASSER: But keep this clear! The Federal Tax of 10 percent on furs, jewelry and cosmetics is placed on the retailer and you as a consumer cannot deduct it.

WILSON: Let me get back to my list, Mr. Lasser. When we are first appointed to the system we take courses in order to obtain increases in our salary.

LASSER: And if you don't take these courses do you get the increase?

WILSON: No we don't. Now then - may we deduct these tuition fees?

LASSER: Yes you may, but only if they are definitely required by your employer to maintain your position.

WILSON: I can see that. Now here's another problem - there's a teacher at our school, a widow who has two small children. In order for her to teach, she absolutely needs a maid for her home. Can she deduct her maid's salary and the expenses for her maintenance?

LASSER: No, she cannot. It's true that you can deduct expenses incurred in earning your livelihood, but they must be directly incurred while doing your job or following your profession.

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- WILSON: Well, I suppose that lets her out.
- LASSER: I'm afraid it does.
- WILSON: Another point that puzzles me is the matter of uniforms. Teachers of certain subjects, such as health education, homemaking, and many new defense courses must wear uniforms at school. Is the cost of these uniforms deductible?
- LASSER: Yes it is, provided that the uniforms are required by their job and are not adaptable to general or street wear.
- LASSER: Here's a question I'd like to ask you, Miss Wilson. Suppose you knew that you were going to have a bill to meet next year, that definitely and certainly you had to pay a large amount of money at a stated time next year. What would you do?
- WILSON: Start saving for it. (Laughs) I see. You mean next March and the income tax?
- LASSER: That's it. What are you doing about it?
- WILSON: Well I do put away a few dollars in the bank, but I keep spending - and for foolish things too.
- LASSER: Have you ever heard about Tax Anticipation Notes?

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WILSON: Oh, I have a vague idea about them.

LASSER: That's a fine way you can save for your tax bill of next March. They also pay interest.

WILSON: How do they work?

LASSER: It's very simple - you merely buy Tax notes that pay almost 2 per cent a year and hand them in instead of cash when you pay your taxes. And you can buy them in denominations as low as \$25. It's a good idea to buy them every month. Your bank can give you all the details about them.

WILSON: Thanks a great deal, Mr. Lasser. You certainly have made many things clear to me. Goodnight.

LASSER: Goodnight, Miss Wilson - and here is Mr. Cross.

ANNOUNCER: You have just heard another of a series of broadcasts by J. K. Lasser, presented by the Blue Network in an effort to help you understand your 1942 income tax. If you have some definite questions of your own that have not yet been covered by one of these programs write Mr. Lasser in care of the station to which you are listening. While we cannot answer individual problems Mr. Lasser is going to attempt

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ANNOUNCER: to cover the most pressing difficulties as evidenced
(Cont'd) by your letters in future broadcasts. Mr. Lasser
will be back next Thursday at the same time over
most of these stations.

ooOoo

DEC 4 - 1942

Dear Fiorello:

I have requested Elmer Ireys to consider what may be done in response to your suggestions of November 30, with respect to the assignment of a joint squad of Treasury men and City police to check on the sale of untaxed liquor in New York City.

You understand, of course, that conditions are now quite different from those existing at the time of our previous similar project. Then there were available unemployed men whom it was desired be put to work. Now it is exceedingly difficult to secure sufficient men to perform our regular work. This manpower question is, of course, a serious problem. However, Mr. Ireys will go fully into the situation and will advise with you at an early date.

Sincerely yours,

(Signed) Henry

Honorable Fiorello H. LaGuardia,
Mayor of New York,
City Hall,
New York, New York.

Photo file in Diary

Original file direct to Ireys
12/5/42

ELI-DW



CITY OF NEW YORK
OFFICE OF THE MAYOR

November 30, 1942.

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

Dear Henry:

You will remember that some time ago we arranged a joint squad of Treasury men and city police, to check on the sale of untaxed liquor. The new high taxes, I fear, has brought a recurrence of illicit sales.

I believe it will be a good thing if we had a roving squad consisting of your men and the city police so that we can get the violators on State as well as Federal charges.

Will you please let me know your wishes in the matter.

Sincerely,

A handwritten signature in cursive script, likely of Mayor LaGuardia.

Mayor



CITY OF NEW YORK
OFFICE OF THE MAYOR

December 4, 1942.

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

Dear Henry:

Thank you for yours of December 1st in relation to the application of the Victory Tax to retired employees.

We have never questioned that retired employees would be subject to the Victory Tax on the pensions which they received from the City. As you say, it will have to be paid, whether this is done by withholding the five per cent by the employer, or a payment by the individual employee at the time his tax return is filed. We intend to follow the latter course. We cannot do otherwise. You can appreciate that with 25,000 of them on our rolls and varying amounts that represent the return of employees' contributions, and payments on behalf of the City, the task of attempting to deduct at the source for each pensioner would be a formidable one for us.

With kindest regards,

Sincerely,

A handwritten signature in cursive script, appearing to read "W. S. S. S.", written in dark ink.

M a y o r

r

December 1, 1942.

Dear Fiorello:

I have been very glad to check on the question in regard to the Victory Tax. It may be generally stated that all pensions received by retired employees of the City of New York are subject to this five percent Victory Tax. Without the exact facts in the case, I cannot say whether this tax will be withheld in all instances. In any event, however, it will have to be paid, whether this is done by withholding the five percent by the employer, or a payment by the individual employee at the time his tax return is filed. I hope that this will give you the information you need.

With cordial regards and best wishes,

Sincerely,

(Signed) Henry

Honorable Fiorello H. LaGuardia,
Mayor of the City of New York,
New York, New York.

File in Diary

GEF/dbs

MEMORANDUM

NOV 26 1942

TO: Secretary Morgenthau

FROM: Mr. Sullivan

T.S.

It may be generally stated that all pensions received by retired employees of the City of New York are subject to the 5% Victory tax. Lacking sufficient facts I cannot say whether the 5% Victory tax in all instances will be withheld but in any event the 5% Victory tax will have to be paid whether it is withheld by the employer or paid at the time the employee's individual tax return is filed.

December 6, 1942.

Dear Mr. Murray:

I have your letter of November 30, asking me to suggest the name of a Treasury official who may confer with a committee of the CIO on various tax problems.

I should like to have Mr. Randolph Paul, the General Counsel of the Treasury Department, act as our representative for this purpose, and should be glad to have you, or the members of your committee, get in touch with him in order to arrange the discussion you have in mind.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Philip Murray,
President, Congress of Industrial
Organizations,
718 Jackson Place, N.W.,
Washington, D. C.

EF/dbs

Photo file in Diary

Orig. file to Eaub direct
12/5/42

Congress of Industrial Organizations



718 Jackson Place, N. W. • Washington, D. C.

November 30, 1942

EX-100 1581

Office of
THE PRESIDENT

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

Dear Mr. Secretary:

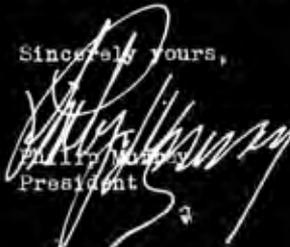
At the meeting of November 3rd of the Economic Stabilization Board, Director Byrnes expressed the opinion that the Board could, with the guidance of the Treasury, formulate a common fiscal program backed by the united support of all groups represented on the Board. He also proposed that this program could then be presented to the President and, after consultation with Congressional leaders, to the Congress.

The CIO has felt for some time, as you know, that the tax program is one of the most important economic measures to which the attention of the country will be addressed at the next session of Congress.

In line with the suggestion of Director Byrnes, I would like to have the representatives of this organization be afforded an opportunity by your Department to meet with your representatives for the purpose of discussing such tax proposals as we may submit for your consideration. For this purpose I have designated a committee for the CIO consisting of Lee Pressman, our General Counsel who is acting as Chairman of the committee, J. Raymond Walsh, the Director of our Research Department, and Nathan Cowan our National Legislative Representative.

I would appreciate it if you would advise me as to whom within your Department the members of the CIO committee should contact for the purpose of initiating these discussions.

Sincerely yours,


Philip Murray
President

MEMORANDUM

December 4, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JLS

On September 22nd you asked me to act as the representative from the Treasury Department on the Sub-committee on Compensation to advise the WPB Committee on Concentration of Production.

Several meetings have been held, all of which were attended by myself or a Treasury representative. From time to time I have orally reported to you the progress of the work of this committee.

I have been advised today that on December 1st the War Production Board considered the question of compensation and directed that all plans for concentration of industry be designed on the assumption that there will be no compensation for the closed industries. No formal resolution was passed by the Board and many of the people who have been working on this problem in WPB believe that eventually the Board will reverse itself. For the time being the issue appears to be closed.

MEMORANDUM FOR THE SECRETARY.

December 4, 1942.

Mail Report

The three themes, taxes, bonds and economic stabilization, continue in about equal proportions as subjects of the letters written to the Secretary.

In contrast to the tone of letters received during the latter part of November, this week's mail was distinctly querulous in tone. Our correspondents object to income tax rates, decreased allowance for dependents, taxation of men in the service, the Victory Tax, the requirement that churches withhold this tax, the stand of the Silver Bloc, racketeering in Labor Unions, rationing of gasoline, fees charged by banks for cashing checks and reissuing Bonds, the cost of safe-keeping of Bonds, and above all, Government extravagance, both in administration and in production. Publicity accorded statements and articles by Senator Byrd and Jerry Klutz, in particular, has provoked the majority of the economy letters. Judging by this mail, it would seem that Bond sales might be definitely affected by this unfavorable publicity.

While most of the letters about taxation complain rather than suggest, the one constructive idea that emerges from the tax mail is the adoption of a pay-as-you-go plan.

There are scattered requests for Tax Notes of smaller denominations than \$25, and also for simpler handling of this type of Note. There are also occasional requests for extensions of the provisions of the Social Security laws, particularly to include the self-employed.

Memorandum for the Secretary.

December 4, 1942.

Of course the great volume of Bonds sent for redemption do not clear through the Secretary's Office, but a certain number of them are always addressed to him, and it is noticeable that these Bonds have been coming in much more heavily during the past week. We have noticed a startling proportion of such mailings from New York, and the names are almost entirely foreign in type. Possibly some underground rumor campaign is being conducted in that locality. We have also had requests for a published denial of the rumor that the Government will invalidate Bonds altogether, or refuse to redeem them until the close of the War. Such letters, however, have no particular geographical origin.

Of 36 complaints on delayed receipts of Bonds, more than half came from employees of the War Department. Others are largely from private industry.

There has been a great wave of suggestions that our smaller coins be called in and new ones minted to save strategic metals.

During November we received from the White House 841 letters, of which 558 dealt with matters handled by various Treasury offices, so that only 221 were acknowledged in the Correspondence Division. Approximately 350 of the letters we referred came from the Office of Economic Stabilization. Our former "low" for the month of November was 1939, when we received 228 letters in all from the White House, and the "high" was 1941, with 593.

Gabrielle E. Forbush

General Comments

Philip L. Carret, Carret, Gammons & Co., Investment Securities, NYC. Enclosed is my check for \$25 to your order as a small contribution to the War effort. I am moved to make this small contribution as a mark of appreciation for the confidence which you have indicated in the securities dealers of the country in the forthcoming Victory Fund Drive. Through the Victory Fund Committee of the Federal Reserve Bank of New York I have been asked to donate my services, and to request my associates to do likewise, in this Bond campaign. So far as I am aware, no other group of American business men have been asked thus to offer their facilities to the Government without compensation. This tribute to the patriotism of the men who are sometimes identified as "Wall Street" in the public mind is one for which we are deeply grateful. * * *

Edith Atkins Anderson, President, Robert S. Atkins, Inc., Outfitters to Men, San Francisco, Calif. This is Women In The War Week and we are asked to sell and buy War Bonds to the best of our ability. * * * My Government has seen fit to allot \$30,000 for mural decoration on our Ricon Annex Post Office here in San Francisco. Is this the sacrifice, the economy we are asked to abide by in war time? Why should my Government use our money for pretty pictures now when they ask us to contribute all we can to winning the war? These are questions business women are asking in San Francisco.

C. H. Crandon, Chairman, Defense Council of Dade County, Miami, Fla. * * * The war had nothing to do with the recent Republican gains. We are convinced that it manifests a growing impatience with social reforms of the New Deal. The President's foreign policy is approved generally, and while some of the reforms have been beneficial, both the President and Congress have stubbornly refused to correct those that are proving ruinous. More voters are daily becoming sick and tired of these experiments. * * * Democrat or Republican, the great "white

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collar" class, business and professional men and women, and many thousands of retired people who are living on the fruits of early frugality and hard work, will never vote, regardless of party affiliations, to retain in power a Government whose policy means real ruin to them and their savings. * * * The basic principles upon which this country was built and made great, the principles of frugality, initiative and hard work, are being discarded for a policy of less work and more pay - a policy that can go so far, and no farther; a Government pleading for more man hours, more war materials, more Bond sales, more taxes, more of everything, except the one thing needed most - hard work. * * * We are told that it requires the work of three men in an American shipyard to equal that of one man in a British shipyard. * * * Those who wish to avoid any form of hard work are now finding it (with the encouragement of our Government) easy to do. They can work for a short time, and then, for sixteen weeks of idleness, go on "salary compensation". Whether it was the purpose of the law or not, this idea has been promoted to the point where it is now possible for a person to work only one day in each quarter, and receive salary compensation from the Government. * * *

L. Rubinstein, Melbourne, C 1. I read in The Banker of April, 1939, with greatest possible interest and pleasure, your reply to Senator Wagner's twelve questions concerning gold and its economic incidences. I was so intrigued with your masterly pronouncement on the subject that I had the matter printed here as a pamphlet. * * *

- 3 -

Favorable Comments on Bonds

M. W. Baum, St. Louis, Mo. (Five years at Curtiss-Wright). When you sent me letters before Pearl Harbor to buy "Baby Bonds" from my earnings as a working man, I bought several, including one for \$1,000 (Savings). Last December when "Pearl Harbor" happened I was so mad I started buying a "Bond a Week". Last summer I found that by careful budgeting I could buy two \$25 Bonds a week. For the past two months I have been buying three \$25 Bonds a week from the payroll deduction plan of Curtiss-Wright Corporation, St. Louis. * * *

Mrs. Laura Seeley, Alvin, Texas. * * * I am 83 years old and have been a widow 20 years, but until last March I have been able to work, but no more, so have been receiving old-age assistance since that time. I was allowed to retain the acres of land as security in case I should be sick, need a nurse or hospitalization. Now I want to sell the land and invest the payment each month in a War Bond, \$18.75. I wrote to the head man at Austin to see if that would be allowed. He answered yes, but I would have to deduct the amount I received for payment on land, (\$20.00), from the check I receive each month from the state. I answered that I had always excelled in mathematics but that problem is beyond me. Take \$20 from \$12, with the remainder buy a Bond for \$18.75, live, and save the remainder for old-age. I asked him to solve the problem for me, but received no reply. Maybe he is more interested in his work and salary than he is in needy old people. I can sell on time and get \$20 a month payment, with which I would buy a Bond every month for 3½ or 4 years. That is not spectacular, but is the best I can do, and I would be very happy to think I had helped all I could, and would still have my security for old-age, in the Bonds. * * * Well, this is my last stone. If unsuccessful, will have to be resigned instead of happy.

Harris S. Durkee, Pomfret Center, Conn. I am 62 years old and hold \$75,000 G Defense Bonds and \$45,000 Par E Savings Bonds, and have also \$20,000 cash, which is my entire property. * * * I could buy all additional \$20,000 G Bonds, but at the end of two years would be obliged to surrender for redemption some of my Bonds annually to cover my living expenses. My friends tell me I have already too many Defense Bonds, and advise me not to take more as the Government may place some restraint on redemption of these Bonds as it did in repudiating its agreement to pay in gold in 1933. However, I feel I should place all my property at the disposal of my Govt. and if you can write me assuring me the Govt. will place no obstacle in the way of my cashing some of these Bonds in case of necessity, I shall be pleased to take more. * *

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Unfavorable Comments on Bonds

Voter and Taxpayer, Santa Barbara, Calif. Please, Mr. Morgenthau, give us a rest on these radio preachings about our duty to buy War Bonds. The terms are poor and a good many of us can't tie up our money for 10 years without interest, however small, to use to live on. Also, the chances are 10 to 1 that they will never be paid anyway. Where is the money coming from? We have stood having our money squandered for 10 years already, and there was no war. Now the way it is being thrown away on these foolish jobs in Washington, the outlook is pretty disquieting. A goodly percentage of us haven't forgotten the repudiation of the gold clause in the payment of the last Liberty Loan Bonds either.

William W. Johnson, Pittsburgh, Pa. Three or four weeks ago I had cause to turn in two \$25 Bonds to be redeemed for cash, after having them for several months. * * * The Federal Reserve at Cleveland, Ohio, held them at least ten days because of a stenographer's mistake in writing my name on one Bond. It was corrected on another form I had to fill out and send back. Now Mr. Morrison at Cleveland writes and states he has to send to the Treasurer about the payment of the Bond. I am buying them willingly out of each pay and have a right to cash them if I want to. * * * The Government of this country, the Railroad, or whoever is handling the Bonds, is quick to take, but is mighty slow in giving the Bonds when due, as I am due at least two and possibly a third by now. I wish the Bonds you are so anxious for the public to take could be issued more promptly through the company handling the same, as it makes one disgusted to know your money is taken and you don't get a Bond until six or eight weeks later. * * *

Samuel Adams Darcy, State Secretary, COMMUNIST PARTY of Pennsylvania, Philadelphia, Pa. On December 10, 1942, we will hold a large Win-the-War Rally. It will probably

be the largest indoor Win-the-War Rally yet held in the city of Philadelphia. The attendance will approximate about 10,000 to 11,000 people, which is the capacity of the hall. The committee in charge of the program applied to the local office of the Treasury Department for a speaker to appeal for the buying of War Bonds. ** Your local representative, Mr. Kearns, informed us that on inquiring in Washington, he was told that "it is not advisable to speak at a Communist rally". It seems to us that the sale of War Bonds, as the entire war effort, should be above partisan prejudice. We must express our resentment at being treated differently from any other group which is supporting the war effort. *** At our previous meetings, we appealed for funds and blood donors for the Red Cross, with very good results. At this meeting, in addition to our appeal for Bond purchases, we are also appealing for blood donors, and have set ourselves the quota of getting at least 1,000 pints. The Red Cross is sending a representative to speak for them. We hoped the Treasury Department would do the same because that would be the most effective way of getting audience response. ***

Glenn Zinle, Wolverine Entertainers, Inc., Pontiac, Mich.
*** I would say you have the toughest job in Washington, trying to provide the money for this war, and they are not making it any easier for you. I don't know what your feeling is on gas rationing, but everybody I know figures the tires they have at present are good for a couple of years at 35 miles per hour, and damn few people expect the war to last that long. Personally, I am buying Bonds for Christmas presents, and I am going to buy some more Bonds for myself, but I would buy a lot more if I knew I was going to be in business next year. This gas rationing can put us out of business if it's as tough as it appears. I don't know how true it is, but we have heard that some of the factories have had as high as 60% cancellation on their 10% deductions as a protest against gas rationing. I don't suppose it is possible, but if there was some way the Treasury could step in and put a stop to this gas rationing, and be given credit for it, the people would buy Bonds out of sheer appreciation.

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A. Ford Miller, San Francisco, Calif. (Telegram) Not having received Bonds paid for six months ago or any paid for since have cancelled my payroll subscription. No civilian employees Army Air Corps, San Francisco area, have received their Bonds. You may expect many subscription cancellations.

Howard W. Meyer, Albuquerque, N.M. In this morning's mail the largest piece is the KANSAS CITY CONFERENCE EDITION War Savings Staff News, dated November 5, 1942. * * * As I contact business men who are on various Govt. committees, particularly the War Savings, Recruiting for Army and Navy, and those doing a lot of promotional work, I get one idea -- why all the waste in Washington? * * * Now this comes, and not long ago very elaborate Columbus Day poster, and far too much other stuff and posters so large that they cannot be placed in show windows, etc. Of course, the "Staff News" is not so expensive in itself, but it comes in a big envelope and carefully packed in a cardboard. It must have taken truck loads, many bags and a lot of room in mail cars; it must have taken an awful lot of paper and cardboard. Most of us are just skimping along, saving everything and watching every corner. It sort of gets on your nerves when you see waste from the very source of all the warnings to save. * * * Let us not put too much money into paper and postage and saying nice things about so many people -- thousands are working and you cannot praise them all. We are for you 100% and I am only writing this because of my interest in the Savings Program and my country.

Mrs. Edna Padrick, Bellflower, Calif. Defense workers around here think it is patriotic to pay their next year's income tax with War Bonds. There are many that are in the Ten Percent Club who plan to use their War Bonds this way. Won't this create a difficult situation next March? I'm not sure what this would mean to our country's financial situation. Could you advise us? * * It seems to be the young, single, workers who expect to pay their taxes this way. I just can't make it seem right

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in my mind, to buy War Bonds and get the credit for patriotism and then turn around and pay their income tax with them. It seems to me it spoils the actual purpose of a Bond. As an expert, I hope you will tell us what this will mean to finance.

Harlow D. Grose, Instructor in Geography, Township High School, Joliet, Ill. I don't know whether the elaborate, expensive brochure which accompanied this form letter was issued with your authority or not. My feeling is that it was not. I cannot feel that you would want Govt. money -- that is, taxpayers' money -- wasted in that way. * * * I call it an entirely unnecessary expenditure because radio, newspapers and magazines are incessantly dinning into our ears and eyes the inexhaustible, utterly redundant "Buy War Bonds" -- "Buy War Stamps" until one is forced to the conclusion that our leaders in Govt. consider the American public utterly moronic and lacking in ordinary intelligence. * * * Why doesn't the Govt. practice what it preaches? It preaches "pay your debts", "buy only what you absolutely need", and dozens of other things of the sort whose only aim is to release more cash to buy more Bonds and Stamps to put into Govt. coffers -- to be wasted in extravagant and unnecessary publicity. Well, that certainly accounts for a lot of it. We ordinary Americans are getting rather "fed up" on this sort of thing. We'd like to have some good, plain common sense applied to the handling of this colossal financing that we are asked to support. * * * We have a right to expect that the money raised by our sacrifices shall be expended for the purposes for which it was raised.

Peter J. DeGuardia, Baltimore, Md. The undersigned who has been instrumental in the sale of Bonds, through the payroll deduction plan, at the Bethlehem-Fairfield Shipyard, Fairfield, Baltimore, Md., has to date secured approximately \$800,000 in War Bond sales. * * * Through the company, the issuance of the "War Bonds" have been very, very slow, and many of the men in my department, which is known as the "SC" cannot understand the reason. It takes as many as three months to get the Bonds in

- 9 -

the hands of those that I have solicited for War Bonds, and I believe that if some plan could be worked out with the company here at Fairfield, similar to their main company, Bethlehem, at Bethlehem, Pa., and issue them on the "spot", millions of dollars more in Bonds would be purchased by the many thousands of its employees. * * *

C. M. Sample, Pittsburgh, Pa. * * * It would not be necessary to urge people to buy Bonds if they knew the money was used wisely. Great amounts are being wasted in various ways. At Mercer, Pa., some construction work is being done on a cost-plus basis. The carpenters are paid time and a half for overtime. Supposed to work ten hours a day. They may be on the job that long, but they admit the light of day will not permit the ten hours' work. They don't care and the boss don't care for he gets a percentage over the cost. * * * There are plants where there are two or three times as many inspectors as are required. The men work as they please and the Union stands back of them to see that they don't lose their jobs and Secretary Perkins and the Administration are back of the Unions. When the people know of this terrible waste of time and money, it is not any wonder they don't like to buy Bonds. * * *

- 10 -

Favorable Comments on Taxation

H. A. Lingenfelter, Washington, D. C. It would be of great assistance to lower paid Govt. employees if it were possible for them to buy income tax pre-payment stamps in denominations of \$5.00 so that one or more could be purchased on each payday in anticipation of quarterly payments of 1942 income tax. Treasury notes do not meet the need of employees in this salary group since the lowest denomination offered is \$25.00. These stamps should bear no interest. There is always the good intention to save each payday toward the payment of income tax three months hence. However, slender incomes sorely tempt the best intentioned individual to tap this reserve for lesser necessities, hence these stamps should be non-negotiable for at least three months from their purchase date. * * *

Edgar C. Trout, Cashier, The Citizens National Bank, Martinsburg, W.Va. In handling the sale of Series E Bonds, we note very clearly that purchasers react very favorably to the fact that they can buy something and have it delivered to them at the moment with no delay, or call back, and I, too, find it simplifies our banking procedure very much. We cannot overestimate the personal reaction to a completed transaction in handling Govt. securities. It is the writer's belief that if the Treasury Tax Savings Notes, particularly of the smaller denominations, were placed with the banks for handling in some manner similar to the E Bonds, that there will at once be a considerable increase in the sales and a lot of good will be created. * * *

Unfavorable Comments on Taxation

Geo. E. Robson, Insurance, Charleston, W.Va. I have a son who is worrying about his income tax. * * * He enlisted in the Air Force Reserve last July, and for eight months he received no pay from the Govt. except board and quarters. He had a very good position until he enlisted. His wife also works in one of the essential plants. In addition to incidentals, these men pay their transportation. The young man in question has completed his Secondary flying and was ordered home to wait further orders designating next flying field. * * * When the tax period comes around he will not have any money left and he would also have been assisted by his wife. They are buying a home and since he is in the service, of course he will not be able to accumulate anything to pay his 1942 taxes. Don't you think there should be some ruling in cases like this so that the soldier would not be worried about the Govt. taking action against him or his wife during his absence? * * *

Senator John H. Overton (Louisiana) sends letter he has received from Mr. Parrish Fuller, of King, Edwards, Fuller Company, Oakdale, La., which reads in part: I have recently been very much concerned about the ability of our employees to meet their Federal income taxes that become payable next March 15, and because of this I have made quite an investigation among them to try and find out exactly their financial status. * * * I would first like to say that since the Wage and Hour Act has become effective, we have met each increase by a horizontal increase in wages to every man, regardless of his position in the plant, and not increases (as did some companies) just to those in the minimum wage brackets, and during the last year we have constantly, almost every month, made adjustments upward in wages, so our payrolls at the present time are the highest they have ever been since we have been in business. * * * Because of the influx of families near to the camps and the new war industries, rents, food and clothing prices are considerably higher. Therefore, we find that while the earnings per capita of our employees have greatly increased, there has

- 12 -

been a resulting increase in their cost of living. I have interviewed many of them and I am appalled at their lack of knowledge as to the amount of taxes they will pay; the amount of money that should be set aside to meet those taxes and what amazes me most of all, is the very small percentage of them who have saved up enough money with which to meet this obligation. This has recently been reflected in the amount of War Stamps and Bonds that have been turned in and cashed. I notice today a statement that a department of the Treasury is going to be set up to handle delinquent taxes, but, frankly, from the experience we have had here and at an Indiana steel plant in which I am interested, it seems to me that the job may be too big for a department of the Treasury to handle. I think it is so serious that the Congress needs to look into this feature and a possible study of the Ruml Plan should be made to see if some of its merits could be used to alleviate a condition that I am afraid the Govt. does not realize may be very serious.

R. W. Borchert, San Diego, Calif. Your income tax return forms are getting more and more complicated and unintelligible to the average taxpaying individual year after year, and the 1942 form no doubt will be a Chinese puzzle to most persons, and I predict that perhaps 75% of the individual returns will be so full of errors, omissions, etc., that the Internal Revenue Bureau will have to refigure them in order to arrive at any intelligible result. Corporations have their own as well as outside experts to figure out their returns, but individuals are not so equipped and have neither the experience nor the ability of experts, and it is manifestly unfair and unjust to put such individuals to the expense of hiring tax experts when their tax burden is already so heavy. * * * Why compel the taxpayer to complete his return when most of them will do it erroneously? Why not eliminate all that by having the Treasury do the computing and the figuring right at the start and not have to do it eventually anyway? I venture to say that such a plan will infinitely simplify matters for both the taxpayer and the Treasury and save a world of time for both.

December 4, 1942.

My dear Mr. President:

It is respectfully requested that Internal Revenue Agent John M. Berkowitz, \$3000, CAF-11, Income Tax Unit, Bureau of Internal Revenue, be deferred for six months from induction into the military service for the reasons hereinafter stated.

The position occupied by this employee is included on the list of key positions established in accordance with Paragraph II of War Manpower Commission, Directive No. II, for which occupational deferment was considered to be justified.

On November 15, 1942, his Selective Service Board in Bridgeport, Connecticut, notified Agent Berkowitz that he had been reclassified in 1-A, and notice is now given of his induction to be effective December 7, 1942.

Agent Berkowitz is now in his forty-fifth year and, although single, is the sole support of his mother. He was appointed to the Internal Revenue Service in 1934 and has been assigned as an Internal Revenue Agent since 1935.

Agent Berkowitz has been engaged for some time upon the audit and investigation of the books and records of the Remington Arms Manufacturing Company of Bridgeport, Connecticut, a major corporation, which involves a large amount of tax. He has already completed a vast amount of work in this case and present indications are that it will require the period mentioned to complete this investigation and prepare the report.

Unless deferment is granted as requested, an added burden would be placed upon the Government as well as the taxpayer.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

John M. Berkowitz
12/4/42

SVS fm

SELECTIVE SERVICE SYSTEM
AFFIDAVIT—OCCUPATIONAL CLASSIFICATION (Industrial)

80
Budget Bureau No. 23-2000-43
Approval Expires March 31, 1943

(Affidavit—Occupational Classification (General), Form 42, is provided for use in activities where the items on this form are not applicable)

Name of registrant John M. Berkowitz

Selective Service Order No. 12,029 Age 44 (August 12, 1942)

Local Board 22-B Fairfield Bridgeport Connecticut
(Number) (County) (City) (State)

Title of present job Internal Revenue Agent

State whether journeyman, apprentice, helper, certificated, licensed, professional engineer, etc.:

Describe duties actually performed Auditing and investigating the books and records of large corporations producing much additional revenue
(Be specific—include name of machine or machine tool, process, materials, etc.)

Date employed 10-15-24 Date entered present job 5-25-25

Average ^{annual} ~~weekly~~ rate of pay, \$ 5800 Average hours worked per week 44

Prior work experience Public accounting

Educational background Accountancy - Graduate of Northeastern University
(Fill out if necessary to establish employee's qualifications for a particular job)

How long will it take you to replace this employee? Cannot be replaced at this time

What specific steps have you taken to secure or train a replacement for this registrant? Efforts are being made to obtain accountants and place them in training January 16, 1943.

SELECTIVE SERVICE SYSTEM

AFFIDAVIT—OCCUPATIONAL CLASSIFICATION (Industrial)

(Affidavit—Occupational Classification (General), Form 42, is provided
for use in activities where the items on this form are not applicable)Name of registrant John M. BerkowitzSelective Service Order No. 12,089 Age 44 (August 12, 1942)Local Board 22-B Fairfield Bridgeport Connecticut
(Number) (County) (City) (State)Title of present job Internal Revenue Agent

State whether journeyman, apprentice, helper, certificated, licensed, professional engineer, etc.:

Describe duties actually performed Auditing and investigating the books and records of
large corporations producing much additional revenue
(Be specific—include name of machine or machine tool, process, materials, etc.)Date employed 10-15-34 Date entered present job 5-25-35Average ^{annual} ~~weekly~~ rate of pay, \$ 3600 Average hours worked per week 44Prior work experience Public accountingEducational background Accountancy - Graduate of Northeastern University
(Fill out if necessary to establish employee's qualifications for a particular job)How long will it take you to replace this employee? Cannot be replaced at this timeWhat specific steps have you taken to secure or train a replacement for this registrant? Efforts are
being made to obtain accountants and place them in training January 16, 1943.

AFFIDAVIT—OCCUPATIONAL CLASSIFICATION (Industrial)—Continued.

Name of company United States Treasury Department - Bureau of Internal Revenue
(Corporation, partnership, individual—if self-employed, so state)

Address of company New Haven Division, Income Tax Unit
(Location of plant, office, or division where registrant is employed)

Description of the activities of this company Making field investigations to determine correct income tax liability

State specifically what proportion of your products currently produced are:

(a) for use in the war effort _____

(b) for civilian use _____

Is expansion or further conversion contemplated in war production? _____

Number employees
now _____

Number additional
needed in next 6 months _____

Number additional
needed in next year _____

Explain _____

Is a replacement training program in operation? _____

Contemplated? _____

Explain _____

This form was completed at the plant or office of the company located at _____

and all correspondence relative to this affidavit should be so addressed.

I, _____, do solemnly swear (or affirm)

that I am _____ of the above-named company, and that the
(Official position)

foregoing statements are true to the best of my knowledge and belief.

Subscribed and sworn to before me this _____ day of _____, 19____

(Signature)

(Signature of official administering oath)

(Official designation of official administering oath)

INSTRUCTIONS: This form is to be filled out by an employer or other person who has knowledge of the registrant's eligibility for Class II deferment as a necessary man in his civilian occupation or activity. If the registrant is deferred, the employer must notify the Local Board promptly of any change in the registrant's job status, or if his employment is terminated.

UC:L&H:GSA
A-276512

DEC 4 - 1942

My dear Mr. President:

The Revenue Act of 1942 made numerous amendments of the income tax provisions of the Internal Revenue Code. This Act was not approved until October 21, 1942, less than five months prior to March 15, 1943, the last day on which the great majority of 1942 income tax returns may be filed without incurring penalties. The Act must, in many respects, be implemented and supplemented by regulations in order that taxpayers may determine the correct amount of their 1942 income tax liability. For this reason taxpayers are extremely anxious that the income tax regulations be made available at the earliest possible date. Needless to say, the issuance of such regulations is a primary concern of the Bureau of Internal Revenue.

The work entailed in the preparation of these regulations, which will be published in a volume of approximately 1000 pages, requires the services of an attorney who is experienced not only in the income tax field but also in the methods of compiling a publication of this size. Mr. Joseph T. Buxton, Jr., an attorney in the Legislation and Regulations Division, Office of the Chief Counsel, Bureau of Internal Revenue, who is presently engaged in this work, has been classified in Class I-A by his local Selective Service Board No. 11 in Washington, D. C., and, under date of November 14, 1942, was granted a 30-day stay of induction for the purpose of closing the affairs of his father's estate of which he is executor. Mr. Buxton is 39 years of age and has been an attorney in the Legislation and Regulations Division since October 8, 1937. He assisted in the preparation of Income Tax Regulations 101 and had charge of the compilation of Income Tax Regulations 103, both issued by this Department.

While this Department believes that many of its men may be replaced, the time which would be required to train a man to replace Mr. Buxton would delay the publication of the regulations.

- 2 -

Therefore, it is respectfully requested that he be granted a further stay of induction of 90 days (in addition to the 30-day stay already granted by his local board) in order that he may complete the preparation of the regulations. No further request for the deferment of Mr. Huxton will be made by this Department in the event that this request is granted.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

Copy in Diary

File to Thompson

(Sent by Mess. Sturgis 1:00 12/4/42)

SUMMARY OF ATTACHED MATERIAL

REQUEST THAT MR. JOSEPH T. BUXTON, JR., AN ATTORNEY IN THE CHIEF COUNSEL'S OFFICE, BUREAU OF INTERNAL REVENUE, BE GRANTED A TEMPORARY DEFERMENT FROM INDUCTION INTO THE ARMED FORCES UNDER THE SELECTIVE SERVICE ACT, IN ORDER THAT HE MAY COMPLETE A COMPILATION OF NEW VOLUME OF INCOME TAX REGULATIONS NECESSITATED BY THE REVENUE ACT OF 1942.

December 4, 1942

MEMORANDUM FOR THE FILES:

Agent Paul J. Paterni of the White House Detail, Chief Wilson, and I presented to the Secretary Agent Paterni's request for release from his duties to enlist in the United States Army Air Force. The Secretary asked Mr. Paterni what his assignments would be and if he would be on the fighting front. Mr. Paterni stated that he spoke, read, and wrote Italian fluently; that he understood the Ferry Command needed men with that qualification; that he probably would go to North Africa and, getting that close to the fight, might well get into the fighting end of the service although he was going in primarily for intelligence assignments. The Secretary asked Mr. Paterni if he felt that was more important than guarding the President. Mr. Paterni stated that a year ago the White House force of agents under Mike Reilly was in such shape that he felt it would not be proper for him then to ask for release, but that now the force was stable and well organized, with most of the men being married so that they could be relied upon to stay, and he believed his services could be spared and he felt it in his heart that he should join the Army. The Secretary thereupon told Mr. Paterni that his request for release was granted.



150611

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON

Dear Henry:

Pursuant to my telephone conversation with you in reference to your letter of December 1, 1942, Lieutenant Frank A. Southard, Jr., U.S.N.R., is being ordered to report to you in an active duty status.

Very sincerely,

Frank Knox

The Honorable,
The Secretary of the Treasury.

MEMORANDUM

December 4, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JLS

I have prepared a draft of a letter for your signature granting the request of the Secretary of State. Before preparing this reply I talked with Commissioner Helvering and with Mr. Mooney, under whom Dr. Groseclose works. They are both agreeable to his release.

DEC 4 - 1942

My dear Mr. Secretary:

I wish to acknowledge receipt of your letter of December 1, 1942, requesting the release of Dr. Elgin Groseclose of the Bureau of Internal Revenue to serve on an American financial mission to take charge of the re-organization and administration of the governmental finances of Iran.

Because the experience and ability of Dr. Groseclose qualify him exceptionally well for this type of work, I am happy to make him available to you. Since he is being released to perform war work during the emergency, I am able to assure you of his reinstatement in the Treasury at the conclusion of his service in Iran.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Photo file in Diary

Orig. file direct to Sullivan
12/5/42

JLS:stew



DEPARTMENT OF STATE
WASHINGTON

December 1, 1942

reply refer to

My dear Mr. Secretary:

As you may know the Department of State has been instrumental in organizing, at the request of the Iranian Government, an American financial mission to take charge of the reorganization and administration of the governmental finances of Iran. This mission will be headed by Dr. A. C. Millspaugh, who previously served as Administrator General of Finance of Iran from 1922 to 1927, and Dr. Millspaugh has informed the Department that he desires to take with him as one of his principal assistants Dr. Elgin Groseclose of the Bureau of Internal Revenue.

Both Dr. Millspaugh and the Department of State feel that Dr. Groseclose is exceptionally well qualified by his experience and ability to serve on a mission of this kind. Accordingly I should like to request that you authorize the release of Dr. Groseclose from his present position in your Department. Since I understand that he does not wish to sever his connection with the Treasury Department completely, I should also like to request that such arrangements as may be possible be made to provide for his reinstatement at the conclusion of his period of service in Iran.

I may say that the Department of State feels that it would be difficult to exaggerate the importance of the financial mission in straightening out the existing very disturbing internal situation in Iran, a situation which has become a threat to the United Nations' position in

trust

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



that country and therefore to the supply route to Russia via Iran. You are probably familiar with the recent crisis brought on by the refusal of the Iranian Government to issue sufficient local currency to meet the needs of the American, British and Russian forces in Iran. This difficulty appears to have been overcome for the moment but the danger of its recurrence is very great, and it is only one of the many extremely difficult financial problems facing the Iranian Government. Not only that Government but also the American Minister at Tehran and the British Foreign Office at London feel that the early arrival of Dr. Millspaugh with a highly qualified staff of assistants is an essential prerequisite of any real improvement in the situation.

In the light of the considerations set forth above, I venture to hope that you will give favorable consideration to the Department's request with respect to Dr. Groseclose.

Sincerely yours,

For the Secretary of State:


Adolf A. Berle, Jr.
Assistant Secretary

TREASURY DEPARTMENT

90

INTER OFFICE COMMUNICATION

DATE Dec. 4, 1942

TO Secretary Morgenthau
 FROM Mr. White *W.W.*

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of October and November, 1942.

<u>Earnings</u>	<u>October 1942</u>	<u>November 1942</u>
Interest earned on investments	\$ 20,110.19	\$ 19,461.48
Interest earned on yuan	<u>7,378.91</u>	<u>---</u>
Total	\$ 27,489.10	\$ 19,461.48
Profits on handling charges on gold	<u>170,089.36</u>	<u>33,727.45</u>
Grand Total	\$197,578.46	\$ 53,188.93
<u>Expenses</u>		
Salaries	\$ 18,927.72	\$ 19,800.03
Travel	464.51	148.06
Subsistence	3,575.01	42.00
Telephone and Telegraph	585.65	1,388.95
Stationery	25.06	487.01
All Others	<u>567.72</u>	<u>403.24</u>
Total	\$ 24,145.67	\$ 22,269.29
Net earnings	\$173,432.79	\$ 30,919.64

Fluctuations in earnings are due primarily to fluctuations in the value of gold transactions with foreign countries, principally sales of gold for earmark with the Federal Reserve Bank of New York. In October, the value of gold transactions was above the average of recent months, while the value of gold transactions in November was below the average.

It will be noted that no interest was earned on yuan in November, due to the repurchase by the Government

of China of the balance of yuan held under the 1937
Chinese Stabilization Agreement.

This report was completed from figures supplied
by Mr. O'Daniel.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 4, 1942

TO Secretary Morgenthau

FROM H. D. White

Subject: Need for Policy on Financial Assistance to Allies.

There does not seem to be a consistent and clear policy regarding assistance being granted by this Government to various Allied and friendly nations, either in the form of direct or indirect Lend-Lease assistance or in the form of U. S. Government purchases.

Lend-Lease assistance has been given to an increasing number of foreign countries for a year and a half without any policy having been established regarding the adequacy of their gold and U.S. dollar holdings. Moreover, aid is being granted in a number of different ways which effects the dollar holdings of third countries frequently without adequate consultation with the Treasury.

Representatives of both Lend-Lease and Board of Economic Warfare have made legitimate inquiries of us regarding the present and prospective dollar position of many countries receiving Lend-Lease Aid. We are not able to give them satisfactory answers except in the case of Canada and U.K. because we do not have a complete picture of either the holdings of many countries nor of the existing and contemplated arrangements. If you agree that the Treasury has some responsibility in the matter of the dollar position of countries receiving aid from us we should be in a position to get more information.

It occurs to me that you might think it wise to call together the committee you had established when considering the British and Canadian dollar position, but this time for a slightly different purpose. The specific task of the committee might be to define policy on the dollar or foreign exchange position of the various governments receiving aid of any kind from the United States, and, at the same time, give us the go ahead signal to enable us to find out the gold and dollar assets of such countries as South America, South Africa, Australia and a number of others receiving or about to receive Lend-Lease aid. You might prefer to work with a

- 2 -

Division of Monetary
Research

smaller group, though there seem to be definite advantages in having the same agencies represented that had participated formerly, at least at the first meeting.

I am appending an agenda which might provide the basis for discussion at the initial meeting.

AGENDA

1. The United Kingdom

- a. What is the United Kingdom's present U.S. dollar position and what are her prospects for the next six months?
- b. Since there remain ways, particularly through a modification of Lend-Lease policy, by which Britain's dollar receipts and outgo can be increased or decreased, do we want to establish a maximum limit of gold and U.S. dollars that we are willing to assist the United Kingdom to obtain? If so, what is it?

2. Canada

Questions (a) and (b) above may also be asked concerning Canada.

- c. Is there any point below this maximum at which we would wish to reconsider the current practice of purchasing goods in Canada for Lend-Leasing to other empire countries?

(It has, for example, come to our attention that Treasury Procurement is considering purchasing, from the Canadian paper mill which is the customary supplier, paper products to be lend-leased to Australia.)

- d. Should the fact that the Canadian Government is now seriously considering the redemption, 10 years before maturity, of \$100 million of U.S. dollar bonds held in the United States, be taken into account in evaluating Canada's U.S. dollar position?

(The motive seems to be to reduce the Canadian Government's dollar balances in order to eliminate them as a possible deterrent to the continued placing of U.S. Government orders in Canada.)

3. Other British Dominions

- a. In calculating the British U.S. dollar holdings, are the U.S. gold and dollar assets of the British Dominions to be included with the holdings of the United Kingdom?

- 2 -

(We continue to come up against this question repeatedly, but in the absence of policy decision, are forced to evade it.)

- b. What are the financial arrangements between the United Kingdom and the various British Dominions?

We are not certain what the Financial arrangements are between the United Kingdom and South Africa and what agreement has been reached concerning the newly-mined gold of that country not delivered to the United Kingdom. We are informed that the South African Government wishes to repatriate additional U.K.-held South African securities but so far the British Government is reluctant to permit the transfer.

- c. What Lend-Lease policy should we follow toward South Africa and, in particular, what should our attitude be toward her continued accumulation of gold and her reluctance to shift to an all-out war effort.

(To date Lend-Lease policy toward South Africa has vacillated and been confused. Some goods have been shipped to South Africa under Lend-Lease, despite her admittedly favorable balance of payments and the concomitant increase in her gold holdings.

4. Governments-in-Exile

To what extent, if at all, has the dollar reserves of the United Kingdom been increased as a result of our assistance to the various governments in exile? Or conversely, how much indirect assistance granted to the United Kingdom has accrued to the accounts of the various governments in exile?

We have no data with which to answer these questions but the following facts may be of interest:

- a. A specified percentage of the fee for the chartering of Norwegian ships by the British Government is paid for by Lend-Lease and charged to the British account.
- b. The recent request of the Government of Greece for assistance to pay salaries and allowances to her Armed Forces, which are primarily, if not entirely, located within the Sterling Area, would, if granted, have the effect of increasing Britain's dollar resources.

- 3 -

- c. We are not clear as to the arrangement between the British and the Dutch Governments concerning the financing of purchases of American-owned oil refined in the Dutch West Indies for sale to the British Government. Lend-Lease authorities inform us that they are buying all American-owned oil used by the British, whereas the British, in a memorandum submitted last summer, stated that they had to meet a dollar deficit of the Dutch West Indies arising from dollar payments made by the Dutch authorities for American-owned oil shipped from Venezuela, refined in Curacao and sold to the British.
- d. Under a new lend-lease agreement about to be, or recently, signed with the Netherlands Government, reported reputedly made at the suggestion of the State Department for diplomatic reasons (perhaps because of the reciprocal aid now being received by our troops located in the Dutch West Indies and Surinam), we are shipping military equipment to these areas on a credit basis. We understand, prior to July 8, all lend-lease shipments to these areas were on a cash reimbursable basis.

5. All Other Countries Receiving Lend-Lease Assistance

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7880



Box 880
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

December 4, 1942.

SECRET

Dear Dr. White:

The gold and dollar figures for November are as follows:

	<u>Nov. 6</u>	<u>Nov. 13</u>	<u>Nov. 20</u>	<u>Nov. 27</u>	<u>Nov. 30</u>
Total Gold (incl. Belgian)	792	795	798	806	807
Official Dollar Balance	<u>184</u>	<u>184</u>	<u>206</u>	<u>223</u>	<u>226</u>
Total Gold and Dollars	976	979	1004	1029	1033
Less: Belgian Gold	105	105	105	105	105
Scattered Gold	223	223	224	238	238
Gold Reserve against immediate liabilities	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
AVAILABLE GOLD AND DOLLARS	<u>638</u>	<u>641</u>	<u>665</u>	<u>676</u>	<u>680</u>

Yours sincerely,

T.K. Bewley
T.K. Bewley

H.D. White,
Director of Monetary Research,
United States Treasury,
Washington, D. C.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

December 4, 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 25, 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 these expenditures were financed.

(init.) E. M. B.

inc:12/7/42

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

December 3, 1942

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

I am enclosing our compilation for the week ended November 25, 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

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended November 25, 1942

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE						
	DEBITS			CREDITS					Net Incr. (+) or Decr. (-) in \$ Funds (d)	DEBITS			CREDITS		
	Total Debits	Gov't Expendi- tures (a)	Other Debits	Total Credits	Proceeds of Sales of		Other Credits (c)	Total Debits		Gov't Expendi- tures (e)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	
					Gold	Securities (Official) (b)									Total Credits
First year of war*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3 (f)	416.6 (f)	449.7	1,095.3 (g)	900.2	195.1 (h)	+229.0
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Second year of war**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1
Third year of war*** 1942	1,235.6	904.8	330.8	1,361.5	21.8	5.5	1,334.2	+125.9	18.5	-	18.5	4.4	-	4.4	- 14.1
Sept. 3 - Sept. 30	56.1	37.1	19.0	81.6	-	0.5	81.1	+ 25.5	10.1	-	10.1	0.4	-	0.4	- 9.7
Oct. 1 - Dec. 28	46.7	27.4	19.3	57.9	-	-	57.5	+ 10.8	-	-	-	0.3	-	0.3	+ 0.3
Dec. 29 - Dec. 2															
Dec. 3 - Dec. 30															
WEEK ENDED:															
Nov. 4	55.9	12.3	44.6	6.4	-	-	6.4	- 50.5	0.1	-	0.1	-	-	-	- 0.1
17	10.1	5.5	4.6	12.6	-	-	12.6	+ 2.5	-	-	-	0.3	-	0.3	+ 0.3
18	12.8	0.6	13.2	21.0	-	-	21.0	+ 8.2	0.1	-	0.1	-	-	-	+ 0.1
25	8.4	7.4	1.0	23.3	-	-	23.3 (i)	+ 14.9	-	-	-	-	-	-	-

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

England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 33.5 million

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

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

***For monthly breakdown see tabulations prior to October 14, 1942.

(See attached sheet for other footnotes)

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

Week ended November 25, 1942 \$ - million
Cumulation from July 6, 1940 \$ 162.7 million

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) 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 \$11.2 million to be held for credit of U. S. armed forces abroad and
6.7 million deposited by British Ministry of Supply.

STATEMENT OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended _____ 1942
Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				Net Incr. (+) or Decr. (-) in \$ Funds	DEBITS			CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits		Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in funds (a)
First year of war	323.0	16.6	306.4	504.7	112.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war***	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2																
Dec. 3 - Dec. 30																
WEEK ENDED:																
Nov. 4	12.8	-	12.8	15.6	3.4	-	-	12.2	+ 2.8	2.8	0.5	2.3	0.1	-	0.1	+ 2.7
10	12.5	-	12.5	19.8	2.8	-	-	17.0	+ 7.3	1.1	-	1.1	1.3	-	1.3	+ 0.2
18	3.6	-	3.6	14.7	2.8	-	-	11.9	+ 11.1	0.5	-	0.5	0.4	-	0.4	+ 0.1
25	12.3(a)	-	12.3	15.4(b)	2.6	-	-	13.8(c)	+ 4.1	0.3	-	0.3	5.5(d)	-	5.5	+ 5.2

Weekly Average of Total Debits Since Outbreak of War

Through November 25, 1942 \$ 8.4 million

- *For monthly breakdown see tabulations prior to April 23, 1941.
- **For monthly breakdown see tabulations prior to October 8, 1941.
- ***For monthly breakdown see tabulations prior to October 14, 1942.

(a) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (b) Does not reflect transactions in U. S. Treasury bills and certificates.
 (c) Includes \$12.5 million deposited by War Supplies Ltd.
 (d) Includes \$4.0 million to be held for credit of U.S. armed forces abroad and \$4.0 million to be held for credit of Treasurer of United States to be applied against U.S. currency and Treasury checks negotiated.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.

With the compliments of British Air Commission
who enclose weekly Statement No. 80 covering
Aircraft Flight Delivery as at December 1, 1942.

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

December 4, 1942.

REF. NO. D-55
WEEKLY REPORT NO. 80LOCATION OF OCEANIC FLIGHT DELIVERED AIRCRAFT
(Covering Movements through December 1, 1942)

U. S.

SECRET
December 2, 1942

POSITIONS	BAC	BAC	BAC	BAC	BAC	BAC-I/L	I/L	I/L	I/L	A.R-I/L	A.R.	A.R.	A.R.	A.R.	I/L	TOTAL
	BL7C	LIB.	HUD.V	HUD.III	VENT.	FL. BOAT	HUD.	POST.	BALT.	B17	B24D	B25B	B25C	B26A		
UNITED KINGDOM	20	96	174	257	139	214	251	28		51	73	3				400
MIDDLE EAST		5					92									184
SOUTH AFRICA					105				12		BRITISH					105
FREETOWN							56									56
AUSTRALIA							27									27
SINGAPORE							9									9
DEBERT			42	3			165									210
DARTMOUTH							14									14
PENNFIELD RIDGE					54											54
NASSAU																1
FERRY SERVICE (assigned at Mont.)	7											1				10
LOST AT SEA (in flight)			1	5	2		8				3		1			18
Iceland or Greenland					2		3	2								7
En route Middle East							3		46					3	1	53
En route South Africa					4											4
En route Freetown							8									8
En route U.K. from Montreal								2								2
Gander or Goose					3		14	25		1		1				44
En route Gander or Goose							2									2
Bermuda (en route)							18									18
R.A.F.F.C. Establishment	2	1			13	4	21									41
Montreal (en route)	2	1			7		12	32	2	3	2	5	13	1		80
Ottawa							2									2
CRASHED AFTER EXPORT			2	9	14	4	14	4			2			6		55
En route from Detroit to Montreal							4	4								8
Houlton, Me.					1											1
Miami or West Palm Beach					3				20		1			3		27
En route Miami or W. P. B.					1				5							6
Detroit	1		1	4			16	40		2		7				71
En route Detroit							8	24		5						37
Nashville or Memphis					20		22		90		11			3		146
En route Nashville or Memphis							1		7							8
Dallas					1		1									2
Long Beach or Newcastle							14	9	9							32
Elisabeth City						46										46
Modification Centers										2	23	2	10			37
En route Mod. Centers											1					1
Special duty	1				3	2	2		4							12
Under Repair	1	2					3							1		7
CRASHED IN U. S.			2		4		17		2		2			6		33
DIVERTED TO U. S.		50		20	280											350
TOTALS	20	165	35	295	660	338	739	170	197	64	107	23	122	71	32	3,228

DEC 4 - 1942

Dear Mr. Knake:

This is in reply to your letter of November 23, 1942, addressed to Secretary Morgenthau, regarding the request of the Banco Central of Chile for authorization to purchase gold in the United States equivalent in quantity or value to gold exported to the United States in copper bars, concentrates and ores.

We understand the inquiry of the Banco Central of Chile to be substantially as interpreted by you. The purpose of the Banco Central is to acquire, for monetary purposes, an amount of gold equivalent to gold exported to this country in copper bars, concentrates and ores. If technical facilities for the extraction of this gold were available in Chile, it would have been possible for the Chilean Government or Central Bank to purchase this amount of gold and export it to the United States for earmark to the account of the Banco Central. As we understand the request of the Banco Central, its acquisition of gold in this way is a means of achieving the same effect as the purchase of gold in Chile and its export to the United States for earmarking to the account of the Banco Central.

The Treasury is willing to have you advise the Ambassador that the Federal Reserve Bank of New York will be prepared, upon request of the Banco Central of Chile, to apply to the Secretary of the Treasury on its behalf for licenses to purchase gold to be held for its account when such purchases are either for the purpose of strengthening its gold reserve or for the purpose of acquiring an amount of gold equivalent to that exported to the United States in the form of copper bars, concentrates and ores.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. L. W. Knake,
Vice President,
Federal Reserve Bank,
New York, New York.

Photo file in Diary

Orig. file to Thompson

EMR/jm 11/28/42

FEDERAL RESERVE BANK
OF NEW YORK

November 23, 1942.

Dear Mr. Secretary: Attention: Mr. White

I quote below a letter dated November 16, addressed to Mr. Sproul by the Ambassador of Chile:

"I have been requested to approach you for the purpose of requesting a broadening of the present authorization granted by the Federal Reserve Bank of New York to the Banco Central of Chile for the purchase in the United States of gold to be used for monetary purposes in Chile.

The producers of gold in Chile are exporting to the United States, in copper bars, concentrates and ores, around 3,000 kilograms of gold annually, in the purchases of metal being made by the Metals Reserve Corporation. The Government of Chile desires that under the authorization given to the Central Bank to purchase gold, it be permitted to acquire a quantity of fine gold equal to that sold to the United States, or the equivalent in dollars.

I should appreciate very much your courtesy in advising me if the Federal Reserve Bank of New York finds it practicable to broaden the authorization as above indicated."

The reference in the above letter to "the present authorization granted by the Federal Reserve Bank of New York to the Banco Central of Chile for the purchase in the United States of gold to be used for monetary purposes in Chile" presumably is based on our cable of July 23, 1942 to Banco Central de Chile, reading:

November 23, 1942.

"Your No. 4 Gold for earmarking can only be obtained under license issued by Secretary of the Treasury. We shall be pleased to make application in your behalf for necessary license and have reason to believe that such application would be favorably acted upon by our Treasury without delay assuming that you would wish to acquire the gold for the purpose of strengthening your gold reserves. Kindly confirm this assumption if you request us to make application. Treasury's current sales price for gold is \$35 (plus 1/4%) per troy ounce of fine gold. Out of pocket expenses approximately 4¢ per \$1000."

This message was dispatched by us in response to the Banco Central's cable of July 22, 1942, reading:

"Please cable conditions to buy gold bars for this Bank leaving them earmarked how long would take this operation and what charges."

We understand the Ambassador's present letter to be a request for an arrangement under which Banco Central de Chile could, in addition to purchases of gold here "for the purpose of strengthening its gold reserves," also buy here refined gold bars containing the same amount of gold (about 3,000 kilograms annually) as is contained in copper bars, concentrates and ores sold to the Metals Reserve Company by Chilean producers and shipped to the United States. We have attempted to confirm our understanding of the Ambassador's letter by telephoning Mr. Campbell, Financial Counselor of the Chilean Embassy in Washington, but have not been able to reach him because he is away from the Embassy and is not expected to return for fifteen days.

November 23, 1942.

In order to enable us to reply to the Ambassador's letter as promptly as possible, we suggest, provided the Treasury is satisfied that our interpretation of the Ambassador's letter is a reasonable one, that it consider this matter at this time. If the request of the Ambassador, as interpreted by us, is acceptable to the Treasury, we suggest that it express to us its willingness for us to advise the Ambassador that we are prepared from time to time, upon request of Banco Central de Chile, to apply to the Secretary of the Treasury, on behalf of Banco Central de Chile, for licenses to purchase gold here for its account; provided such purchases are made either for the purpose of strengthening Banco Central de Chile's gold reserves or are for the purpose of acquiring the same amount of gold as was contained in copper bars, concentrates and ores sold to the Metals Reserve Company and exported to the United States. If, however, the Treasury feels that the request of the Ambassador is not sufficiently clear to act upon, it may, of course, wish first to discuss the matter with the Chilean Embassy in Washington.

Yours faithfully,

L. W. Knoke,
Vice President.

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

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 421

Information received up to 7 A.M., 4th December, 1942.

1. NAVAL

During an attack by E-boats on a channel convoy off DEVONSHIRE on the morning of the 3rd one of H.M. Destroyers and one small merchant ship were sunk. 7 officers and 112 ratings from the destroyer and 3 men from the ship were picked up. The E-boats were subsequently attacked by Hurricane bombers and 2 were damaged.

2nd. Reference OPTEL No. 420, para 3. The convoy off KERRANNA ISLANDS which consisted of 2 5,000 ton ships, 1 cruiser, 1 destroyer and a sloop was attacked by Naval aircraft. The two ships were torpedoed and sunk and a third vessel was possibly sunk. Subsequently 4 destroyers from MALTA went to assist the Naval aircraft but only found 1 small enemy torpedo boat picking up survivors, she was sunk. On 30th November Russian shore batteries sank 2 German ships of 8,000 and 5,000 tons in the approaches to PETSAMO.

2. MILITARY

TUNISIA. On the 1st a strong enemy counter attack was beaten off in the TEBOURBA area not without some loss to our tanks under repair. Our armoured force in this area consisting of U.S. light and medium tanks and field artillery with a U.K. cavalry regiment has now withdrawn to MEDJEZ EL BAB and its place has been taken in the forward areas by a U.S. armoured combat command. (Approximately equivalent to a British brigade). On the same day 36th Infantry Brigade beat off another strong enemy counter attack west of MATEUR. On the 2nd another enemy counter attack round TEBOURBA was repulsed with loss of much enemy equipment. Enemy armoured patrols are now operating round PONT DU FAHS and DAPIENNE 10 miles to the northeast which had previously been occupied by our parachute troops. Heavy dive bombing of our troops in the forward areas has continued.

3. AIR OPERATIONS

WESTERN FRONT. 2nd/3rd. FRANKFURT. Visibility was poor and most aircraft bombed the estimated position of the town on which 193 tons of H.E. and incendiaries were dropped. 2 enemy aircraft were shot down, we lost 6 including 1 New Zealand.

TUNISIA. 30th/1st. Bisleys dropped 9 tons of bombs on BIZERTE airfield. 2 enemy aircraft were destroyed and several others damaged.

1st. 12 Fortresses bombed EL AOUIA airfield obtaining hits on hangars.

2nd/3rd. Malta Wellingtons bombed BIZERTE and TUNIS docks.

LIBYA. 1st/2nd. Liberators bombed TRIPOLI (L) Harbour.

110

12-4-42

110

INTELLIGENCE REPORT 52

TO THE DIRECTOR, OWI

CONFIDENTIAL

This document contains information relating to the national defense of the United States within the meaning of the Espionage Act, as amended, U. S. Code 50, Sections 31 and 32. Its transmission or communication in any manner to any unauthorized person is prohibited by law.

OFFICE OF
WAR INFORMATION
BUREAU OF
INTELLIGENCE

COPY No. 7
Henry Morgenthau, Jr.

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The period covered by this report is the week of November 26 through December 2, except where otherwise specifically stated

EDITORIAL ATTITUDES

CONFIDENCE

Editors have begun to think of the North African offensive in somewhat more sober terms. They treat it now, not as a picnic, but as a campaign. While most of them remain confident that the allies will take Tunisia, they have become aware that a real fight is on our hands. Hanson Baldwin pointed out, for example, that "The hardest fighting is still to come... It seems probable now that Tunisia is not going to fall easily."

Comment continued on the arrangement with Admiral Darlan — most of it in the form of justification. The more liberal commentators, however, remained sharply critical; their uneasiness was increased by Secretary Hull's announcement of an understanding with Admiral Robert respecting Martinique.

Even among the majority condoning these expedients there was a good deal of anxiety that General De Gaulle and his Fighting French might fail to appreciate the logic on which they were based. A fairly typical expression of this point of view appeared in The Norfolk Virginian-Pilot: "It is still clear that the French, and probably the British, are deeply disturbed by the whole uncertainty of how Darlan appeared in the driver's seat on the bandwagon and how long he is going to stay there."

The reported destruction of the French fleet at Toulon and the passing of French West Africa into United Nations control naturally gave a new lift to editorial thinking. Most observers credited these gains in part to Admiral Darlan's influence. Some argued, however, that Dakar would have joined our

side anyway because of its military helplessness and that Frenchmen needed no injunction from an ex-Vichyite to keep the fleet out of Nazi hands. The action at Toulon was generally interpreted, indeed, as a sign of French resurgence. Most comment on the subject paid tribute to the French sailors and asserted that their sacrifice recovered ~~France's~~ France's honor.

Only a minority among news analysts treated the stories about the scuttling of the fleet with skepticism. A majority took it more or less for granted that all the major French warships were destroyed or damaged beyond usefulness to Hitler. They found particular satisfaction in the fact that, with the final occupation of Toulon, France became a completely occupied country and could no longer be considered in any sense a collaborator of Germany.

The caution evidenced in current comments about North Africa was almost wholly lacking in appraisals of the new Russian offensive. News interpreters, both in the press and on the air, accepted Soviet communiques with little qualification and speculated happily about a Nazi rout on the eastern front. Great stress was placed on Russian claims about German casualties.

The warmest praise was expressed for the power and punch of the Red army. Although a substantial number of comments suggested that the Anglo-American success in North Africa had made the Russian offensive possible, most of them gave credit generously to Russian generalship and stamina.

CHURCHILL

Commentators applauded the quiet confidence of Prime Minister Churchill's latest broadcast. And they heartily endorsed the portion of his speech directed toward the Italian people. The Washington Post was alone in

cautioning against attempts to take Italy out of the war by supplanting Mussolini and dealing with lesser Fascists. "One Darlan may have been necessary," this newspaper warned. "But one Darlan is enough."

There was minor annoyance in some comments over Mr. Churchill's refusal to consider post-war problems now. The St. Louis Post-Dispatch observed that "While the Prime Minister is not only a war leader par excellence, but the only conceivable war leader for Britain, it is yet to be seen how he will loom at the peace table." Most discussions, however, stressed instead Mr. Churchill's assurance of continued British cooperation with the United States, if the war in Asia should continue after hostilities have ceased in Europe.

RUBBER REVOLT

Only a few newspapers have given outright support to the Middle Western campaign against nationwide mileage rationing. The Chicago Tribune has consistently attempted to portray the measure as an unwarranted infringement on midwestern liberties, imposed exclusively to appease the irritation of easterners who cannot get adequate supplies of gasoline. The Denver Post declared: "Nobody has shown, to the satisfaction of the American public, that bureaucratic restrictions on privately owned automobiles and trucks will contribute anything to the war effort."

But a number of other commentators attacked the rationing program obliquely. They argued that it is inefficiently administered, that its application is too stringent and that special problems are not adequately taken into account. This sort of criticism was by no means confined to the Middle West.

The New York Sun, in a fairly representative editorial, declared: "Protests against starting nationwide gasoline rationing on December 1 were probably not so much directed at the reasoning of the Baruch committee, as they were dictated by the fear that Washington bureaucrats do not realize how complex this job is and how easily its inefficient handling will fall upon urban and rural populations alike." The press, as a whole, while piously prepared to support the principle of nationwide mileage rationing, does not seem very enthusiastic about endorsing the practice.

POPULAR REACTIONS

TURNING POINT

To millions of Americans the launching of our offensive in North Africa seemed to constitute a definite turning point in the war. The news, followed almost at once by the announcement of a great naval victory in the Pacific, gave a dramatic lift to public opinion. A surge of optimism was reflected in general appraisals of the war's progress.

Three quarters of the American public now appear to be convinced that we are headed up the highroad toward victory. A comparison of the answers given to identical questions asked by the Bureau of Intelligence shortly before and shortly after the opening of the North African campaign shows how greatly confidence has increased.

JUDGING FROM THE WAY THINGS HAVE BEEN GOING IN THE
LAST FEW WEEKS, WOULD YOU SAY THAT RIGHT NOW WE
ARE WINNING THE WAR OR LOSING THE WAR?

	<u>October</u>	<u>Late November</u>
Winning the war	44%	74%
About even	31	18
Losing the war	15	3
Don't know	10	5

This sudden growth of optimism, however justified by events, may make the country ill-prepared to withstand the shock of reverses which perhaps still lie ahead. There is evidence, too, that the high degree of confidence may be tinged, to some extent, with complacency:

WOULD YOU SAY THAT WE'RE WORKING HARD ENOUGH NOW TO BE PRETTY SURE TO WIN THE WAR, OR DO YOU FEEL WE WILL HAVE TO WORK A LOT HARDER IF WE'RE GOING TO WIN?

	<u>October</u>	<u>Late November</u>
Working hard enough now	22%	30%
Have to work harder	75	65
Don't know	3	5

There has also been a significant jump in popular certainty that the United Nations will win the war hands down -- decisively. Following the good news from Africa, the Bureau asked a national sample a multiple-choice question which it had not posed since the latter part of July:

WHICH ONE OF THESE FOUR STATEMENTS COMES CLOSEST TO THE WAY YOU THINK THE WAR WILL END?

	<u>July</u>	<u>Late November</u>
There is no question that the United States and her allies will win the war and be able to write the peace terms.	58%	73%

OUTCOME OF THE WAR (table cont'd.)

	<u>July</u>	<u>Late November</u>
We'll win the war all right, but the losers will be strong enough so we will have to make some <u>con-</u> <u>cessions</u> too	28	19
We won't be defeated, but neither will the Axis -- the war will end in a draw	6	3
I'm afraid the Axis powers have a pretty good chance to win the war	3	0
Don't know	5	5

The disappearance of a belief that the Axis might win seems to confirm an inference previously drawn by the Bureau -- that those who held this view were not defeatists, but were, rather, people with so strong a sense of urgency and anxiety about the war that they were extremely pessimistic.

The real defeatists are the people who thought, and still think, that the war is going to end in a stalemate. People who hold this opinion tend also to think that our allies can't be trusted, that we should keep our forces at home to protect our own shores and that we should not enter into any post-war international association. They are defeatists in the sense that they are without hope for the future and are probably highly susceptible to negotiated peace propaganda.

Another consequence of the North African and southwest Pacific successes has been a resurgence of hope that the war may be over fairly soon. Nearly three quarters of the public now think that peace will come within a two-year period:

ABOUT HOW MUCH LONGER DO YOU THINK THE WAR
WILL LAST?

	<u>August</u>	<u>Early November</u>	<u>Late November</u>
Less than a year	17%	33%	37%
13 mos.-2 yrs.	27	30	35
25 mos.-3 yrs.	17	15	13
37 mos.-5 yrs.	17	8	6
Over 5 yrs.	6	2	2
Don't know	16	12	7

44 63 72

The growth of optimism registered by these opinions is not necessarily unhealthy by any means. Victories, as well as defeats, may provide a spur to popular determination. A hope that the war can be won quickly may promote increased effort. It seems clear, however, that Government information needs to stress our recent successes as constituting the creation of an opportunity, rather than the achievement of a goal. The hopes recently aroused can be realized only through intensified effort.

STRATEGY

The North African campaign has also had a collateral effect on popular thinking about how the war should be waged. From time to time, the Bureau has asked national samples a question designed to discover whether they thought American strength should be concentrated against the German or the Japanese, end of the Axis.

Early in November, when our foothold in the Solomons was seriously threatened and when the Germans seemed satisfactorily contained by the Russians around Stalingrad and in the Caucasus, the public was inclined to believe that we ought to mobilize our strength mainly against Japan. In the latter part of the month, however, after the Japanese had been successfully stopped in the southwest Pacific, and the Germans were on the run in North Africa, the balance of opinion was completely reversed:

WHICH ONE OF THESE DO YOU THINK THE UNITED STATES
OUGHT TO DO NOW IN THE WAR AGAINST GERMANY AND JAPAN?

	<u>Early November</u>	<u>Late November</u>
Fight Japan with most of our forces and send just enough help to Europe to keep Hitler from making more gains.	32%	21%

CONCENTRATION OF STRENGTH (table cont'd)

	<u>Early November</u>	<u>Late November</u>
Fight Germany with most of our forces and send just enough help to the Pacific to keep the Japs from making more gains	23	30
Attack Germany and Japan with equal force	32	35
Pull our forces close to home and use them to protect our own shores	6	5
Don't know		9

INFORMATION

Americans seem to feel that no news is bad news. At any rate, they are better satisfied with their Government's information policy when it is able to report successes. The rush of glad tidings from the southwest Pacific and North Africa has been accompanied by a marked drop in popular criticism regarding the Government's reporting of events at the fighting fronts.

Dissatisfaction with the adequacy of military and naval news was at its highest point of the year in the early part of November. By the latter half of the month, approval had jumped to the highest point recorded by the Bureau since the war began:

DO YOU THINK THE GOVERNMENT IS GIVING THE PUBLIC AS MUCH INFORMATION AS IT SHOULD ABOUT THE FIGHTING IN THIS WAR?

	<u>Early November</u>	<u>Late November</u>
Yes	62%	75%
No	31	19
Don't know	7	6

DEVELOPING SITUATIONS

RESENTMENT ABOUT RATIONING

Within the last few weeks many of the regular correspondents of the Bureau of Intelligence have written in to report rising dissatisfaction in their communities about rationing. The impressive thing about these letters is not only their unanimity but their spontaneity. They have not been written in response to any specific inquiry. Of their own accord a large number of competent observers in all parts of the country have felt impelled to report on the same subject. Those writing include businessmen, bankers, editors, librarians, ministers -- all people of some standing in their communities.

The following report, from a New England businessman, is typical: "Dissatisfaction with the rationing situation is growing with alarming rapidity ... Reaction takes three forms...hoarding, ... irritation, and lack of belief in the necessity, which becomes an excuse for violation of regulations." An ace Chicago newspaperman writes: "The people are really grumbling for the first time." He adds that if it weren't for North Africa, complaints would be even more numerous and vehement.

Correspondents agree on the need for an intensified program to persuade people of the necessity, fairness and value of rationing. They report that the public is again beginning to question the need for rationing. Many people simply don't believe that there are real shortages of coffee, fuel oil, gas and rubber.

Despite the immediate favorable reaction to the Baruch report, the rubber and gas situation seems to be a particular sore spot. People grumble that the enormous supply of old tires can't be used, that the reported shortage is less bad than painted, that development of synthetic rubber is delayed by politics and selfish economic rivalries. One correspondent complains on his own account that with the present gas allowance, it would take ten years to wear out a set of tires and that within three years the U. S. is bound to have an ample supply of synthetic rubber. Such objections may be pure rationalizations. Nevertheless, correspondents feel that factual information about the need for rationing would reduce complaints of this character.

Centers of oil supply protest that local gas rationing is worse than senseless. In certain communities in Pennsylvania, for example, people are asking whether they will have to run their gasoline into the ground, since more is produced as a by-product of lubricating oil manufacture than they are allowed to use or are able to ship.

A California labor editor writes that the threat of gas rationing has sent hundreds of airplane plant workers back to their homes in Texas and the Middle West. They left despite the counter-arguments of friends who remained that "men on the battlefields don't get home to lunch."

The administration of rationing programs continues to arouse numerous complaints. Confusing orders and contradictory statements not only heighten resistance to rationing, but impair public confidence in the efficiency and good faith of the Federal Government. There is great in-

dignation over the time and waste involved in such procedures as tire inspection, which is sometimes denounced as "an insult to the citizen's intelligence."

Correspondents point out with heat that premature notice of rationing, as in the case of coffee, constitutes an open invitation to hoard. People in the lower income groups complain that such announcements "give the big shots a chance to stock up." Some of the people who can't shop early in the day also grumble that supplies are exhausted by the time they can get to the stores.

Several correspondents point out that information about rationing is likely to be overlooked when it is intermixed with other newspaper material. They suggest that space should be regularly set aside for official announcements and news about rationing, and that such material should perhaps be set off from other news stories by being boxed.

A number of correspondents feel that people's acceptance of rationing depends to a very large extent on the intangible factor of spirit. They say that the particular complaints people raise are perhaps less important than the indication that the public is not yet genuinely ready for sacrifices. Too little emphasis has been put on the connection between hardship and heroism, between compliance with regulations and victory.

Equally important, people have not been made to feel that rationing is a matter for cooperation as well as compulsion. Rationing is now seen as something imposed from above. Emphasis needs to be put on the fact that it provides the machinery by which the people can pursue ends of their

own choosing, with equality of sacrifice assured.

At the present time, according to the correspondents, bootlegging is rampant in connection with all rationed commodities, and it is being engaged in by "the best people." Rationing has not been endowed with prestige. As one correspondent says, it is imperative that the public be made to feel that observance of rules is "generous and smart" -- that rationing constitutes an important means by which the American people can participate in winning this people's war.

Recent grumbling may be, in some measure, a reaction to good news. Victories may have diminished the popular sense of urgency about the war and of the importance of civilian sacrifice. The attitude underscores the need for informational efforts to make people aware that North Africa is, in fact, nothing more than "the end of the beginning."

TREATMENT OF ITALIAN ALIENS

In early November only four Americans in ten appeared to be aware that Italian aliens had been removed from the "enemy alien" category. A national sample was asked:

IS IT YOUR IMPRESSION THAT GERMAN AND ITALIAN ALIENS
ARE BEING TREATED THE SAME, OR DO YOU THINK ONE GROUP
IS BEING TREATED BETTER THAN THE OTHER?

Germans and Italians treated alike	36%
One being favored	40
Not ascertainable	24

(Asked of those who answered: "One being favored")
WHICH GROUP IS BEING TREATED BETTER?

Italians being favored 39%
Germans being favored 1

Some respondents may have failed to reply that the Italians were being favored because the question did not specify treatment by the Government. They may have been thinking in terms of social or economic discrimination.

Better-educated people were far better informed about the status of Italian aliens than the less well educated. Sixty-two per cent of the college graduates in the sample knew that Italians were being given preferential treatment; only 24 per cent of those who had not completed grammar school knew it.

Only 25 per cent of the people in the sample felt that Italians should be treated better than other alien groups. The difference in viewpoint on this question between those who knew of the Government's recent decision to accord the Italians preferential treatment and those who did not was striking. Forty per cent of the former group, but only 15 per cent of the latter, believed that Italians should be treated less strictly than other enemy aliens.

Educational factors are at least partly responsible for this sharp contrast. The better educated respondents were far more prone than the less well educated to endorse the Government's policy of treating Italians leniently -- either because they recognized its manifold political advantages or were more sympathetically disposed to the Italians.

In addition, however, it appears that knowledge of the policy inclines people to accept it. Informational efforts designed to acquaint people

with the Government's decision to give the Italian aliens preferred treatment may simultaneously foster increased approval of the move.

-- * * * --

December 5, 1942
11:05 a.m.

TAXES (Investigation of John L. Lewis)

Present: Mr. Bell
Mr. Sullivan
Mr. Gaston
Mr. Helvering
Mr. Irey
Mrs. Klotz

H.M.JR: The purpose of this thing is this: I think everybody in this room knows - you might just as well have the background - it is in the testimony anyway - that several months ago a man by the name of Philip Murray, who is connected with the CIO in some sort of remote manner, came in and told me that if we went after somebody down there in southern Illinois, and so forth, and so on, we could most likely find out where Mr. John L. Lewis gets all his money from, and also find out, most likely, that Mr. Lewis was not reporting it. Then there was this story about the "B Mine" and all the rest of it. So I turned it over to the boys and told them to go to it.

As far as they have gone, I gather that this owner of this so-called "B Mine" has been paid several hundred thousand dollars for shutting it down, breaking up the competitive CIO Union. It looks as though we have a good tax case on him.

The reason I am calling you all together is this: Mr. Lewis was interviewed day before yesterday, and this pressure has begun to be put on to call it off. I have been here for ten years, and I should think the people around town would know now that the only effect of putting pressure on me is that I get more interested in the case. I have had an opportunity to inform the President what I was doing.

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I just mentioned this to Paul yesterday; he knew a little piece of it, but he didn't know the connection.

MR. PAUL: I know more about that piece now.

H.M.JR: He didn't know the connection. I thought if everybody knew, because most likely everybody except the two ladies in the room here will be approached - so I wanted you all to know. Then I thought that Elmer ought to get the very best advice he can, both from Mr. Helvering and from the attorneys, and Mr. Bell, Mr. Gaston, and myself, to make sure that as this thing goes along - because I suppose since Huey Long we have not taken hold of any stick which is as hot as this is, you see. I read the stuff last night, and what was in last night's was nothing.

MR. IREY: Except his admission that he had complete control of the finances over there, which was verified by the investigation.

H.M.JR: But I think this is something that should be watched by everybody; and as each person is approached, if we put it in the common pool, maybe these people in their over-anxiousness may spill the beans.

Now, Paul mentioned something to me, and he didn't know anything about this. What do you know as of today?

MR. PAUL: We just were approached.

H.M.JR: What was the approach, and what was it worth? Remember, there are nine people here. It is a syndicate and I get fifty percent; you fellows can split the difference. (Laughter)

MR. PAUL: Yesterday Goodman, who is on our War Savings Staff, came to me to get information to supply

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to Carey, who is going on the radio Sunday night on the twenty-five thousand limitation.

At the end of the conference he said, "By the way" - and I am always scared when a man says, "By the way." (Laughter)

H.M.JR: I didn't know that you could be scared. (Laughter)

MR. PAUL: Well, I know something is coming. I wouldn't say I was scared. (Laughter)

MR. SULLIVAN: He is forewarned.

MR. PAUL: When anybody says, "To be frank with you," or, "By the way," you have got to look out. (Laughter) He started in on this line, that Carey was interested in informing the Bureau that Lewis had--

H.M.JR: Excuse me, Jim Carey is secretary of the CIO.

MR. PAUL: ... that Lewis had circulated the statement that he could deliver immunity for income tax purposes. When I heard that, I said, "I have nothing to do with that; that is a Bureau matter. Let me take you in to see John." So they came back just this morning with Carey, and Carey told John and me the story of Lewis out there.

MR. SULLIVAN: That story, Mr. Secretary, is that there is a deputy collector, Dallman, who is the collector out there, who is in Lewis's pocket; and as evidence of that there is a deputy collector named Martin who has been doing a good job, who is resigning on the first of January. His place is being taken by a new deputy, Heckelbech, whose brother is the regional director of District 50 of the United Mine Workers in New York.

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We got this information at the time you called me. It was about twenty minutes of eleven, and I wrote it down and brought it in here to give it to the Commissioner.

H.M.JR: Why is Martin resigning?

MR. SULLIVAN: Carey says that he is resigning because he is convinced that he can't really go through and do a job, but that Dallman will prevent him from making--

H.M.JR: Who is Dallman?

MR. SULLIVAN: Dallman is the collector. It is a very serious charge. This is something in and of itself that has to be investigated pretty thoroughly.

MR. PAUL: The appointment of this man is supposed to be a symbol to the group out there - the public - that Lewis does have control.

H.M.JR: That is the purpose of this meeting. Why can't you tell - this is horseback, see - why can't you, as a first shot, tell Martin we won't accept his resignation, that we want him to stay.

MR. BELL: Have him in here.

MR. SULLIVAN: That is the impression we got. Randolph brought Carey and this other CIO man in with him, and I didn't know whether Randolph knew about this whole case. So they started talking about the case in Springfield, and I, not wanting to show my hand, said, "Springfield, Massachusetts?" and they said, "No, Springfield, Illinois." So they were convinced that I didn't know about the case.

H.M.JR: Paul didn't know anything about it until six o'clock last night.

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MR. PAUL: Even then I didn't know where it was. I couldn't be sure, then, that they were connected up, but I told you last night--

H.M.JR: What do you think?

MR. IREY: There is no deputy collector who had anything at all to do with this case at any stage.

H.M.JR: What do you think about Martin? I know how these things work, and Herbert will bear me out. If a man like Martin caves in, everybody gets scared. On the other hand, if Martin is a symbol - granted, an unimportant one - but he stays there because he believes we are going to go through with it, it will mean other fellows will say--

MR. HELVERING: He may have caught this man on a return.

MR. IREY: Our agents may know something about Martin, too.

H.M.JR: May I suggest this, Guy, because this is really your responsibility, isn't it?

MR. HELVERING: Handling these fellows so they are not shut out because they make a proper investigation.

H.M.JR: Will you and Elmer and Sullivan get busy, and my suggestion is that you have this fellow Martin in here Monday, if you think well of that suggestion.

MR. PAUL: I suggest somebody ought to go out there because if you bring Martin in here, the other people are going to hear about it.

MR. SULLIVAN: I thoroughly agree with our talking with Martin, but I think, at this stage of the game, it is very important that we have a good excuse for Martin to get out of Springfield to some place where we can talk to him - where it isn't known that we are talking with him.

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H.M.JR: Wait a minute. I don't agree with you fellows at all.

MR. IREY: That is the purpose of it.

H.M.JR: I don't agree with you at all. Here is Martin resigning on the first of January, and--

MR. SULLIVAN: That is the story we have, but perhaps the real story is something else, Mr. Secretary.

MR. GASTON: Do you have his resignation?

MR. HELVERING: I have never heard of it.

H.M.JR: Let me put it another way. Who is Martin's superior?

MR. HELVERING: Dallman is the Collector at Springfield, Illinois.

H.M.JR: And who is his superior?

MR. GASTON: The Commissioner of Internal Revenue.

H.M.JR: But you have inspectors, or people that work out of your office.

MR. GASTON: George Schoeneman's supervisors.

H.M.JR: Who is the supervisor for that district?

MR. HELVERING: Sehmer in Chicago.

H.M.JR: Is he good?

MR. HELVERING: Yes, he is all right, I think, as far as I know.

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H.M.JR: Couldn't he find out about it? Wouldn't that be a good way to do it?

MR. SULLIVAN: Sehmer can have any one of a variety of excuses for dropping into the office.

MR. HELVERING: Sehmer examines the collectors' offices.

H.M.JR: Wouldn't that be as good a way as any?

MR. HELVERING: Yes.

H.M.JR: Is he all right?

MR. IREY: Yes, he is all right. These boys may be able to tell us a whole lot about this after we see them today, and may direct a different course after we learn about it.

H.M.JR: Anyway, this isn't the first income tax investigation we have had, but I would find out, and I would certainly find out if this fellow is going to resign because he thinks we are not going to go through with it. If that is the case, it is very important that he does not resign; that I know.

MR. HELVERING: That general principle ought to apply.

H.M.JR: That is all I am saying, and I think, from time to time, as people get this thing - the President said that in two or three days he would like to be brought up to date again. I brought him up to date yesterday, and in two or three days we can bring him up to date again.

MR. PAUL: - Would you like to have a talk with Carey?

MR. SULLIVAN: Herbert and I had some of this pressure while you were in London.

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MR. GASTON: With Guffey, I told you about that.

H.M.JR: I imagine Guffey has been across the way.

MR. SULLIVAN: And I had Barkley.

MR. HELVERING: I have had Guffey, too.

MR. PAUL: You had better get me up to date on that; I don't know what Guffey has done. I would have expected nothing else of him, but--

MR. SULLIVAN: What he wanted was for us to suspend the investigation of the books of the CIO, here in Washington, until after election day. I told Barkley that we could not do that, because if we did, and then we went after them in the trial of the case, they would have us on the horns of the dilemma. The defending attorney would make the argument that we had no case; that we knew in the middle of October we had no case, because we had suspended the investigation. And then when our man was on the stand, he would say, "You know you didn't have a case; you stopped that investigation on October 15." Our man cannot say that we stopped it because election was November 3.

H.M.JR: Guy and John, from now on, will you please keep Paul posted from day to day as it goes along? Herbert, you are posted, aren't you?

MR. GASTON: Yes.

H.M.JR: And Mr. Bell will be posted when I am posted - when we have a meeting. You don't want to follow it other than when I do, do you?

MR. BELL: No.

H.M.JR: So when you are Acting Secretary, you will know as much as I do. Is that all right?

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MR. BELL: That is all right with me.

H.M.JR: O.K.

MR. PAUL: Carey and Lee Pressman just called me and wanted to have a meeting. He said that they had nominated a committee of some sort, and that you had written a letter.

H.M.JR: Oh, they wanted some information on some tax phase, and I suggested that they get in touch with you. If you want a copy of it, ask Mrs. McHugh; she will give you a copy. It has something to do with tax legislation.

MR. SULLIVAN: You wanted a report on Temple Seay.

H.M.JR: Who?

MR. SULLIVAN: Temple Seay - he is on the Processing Tax Board of Review. I sent you one memorandum. (Memorandum dated December 3, 1942.)

H.M.JR: Listen, that was as illuminating as a sphinx in Egypt. (Laughter)

MR. SULLIVAN: You don't want me to tell you something?

H.M.JR: Yes, but I want you to tell me something! (Laughter)

MR. SULLIVAN: Here it is - this is one way of getting a memorandum in. (Memorandum dated December 5, 1942, handed to the Secretary.)

MR. BELL: There can't be much on that. (Laughter)

MR. SULLIVAN: Wenchel is going to talk to him at eleven o'clock Wednesday morning, and is prepared to offer him a sixty-four-hundred-dollar job in any one of those five places.

H.M.JR: Is he worth it?

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MR. HELVERING: He won't take it, I understand.

MR. BELL: I am told he is the best man on the job.

MR. SULLIVAN: Phil says that.

MR. PAUL: That is not my information.

H.M.JR: Is the Board being abolished?

MR. SULLIVAN: The Board goes out on January first.

MR. PAUL: I think you owe something to Sullivan on that.

MR. SULLIVAN: Look up the record.

H.M.JR: How much - what will you settle for?

MR. SULLIVAN: I don't know - see how long it takes to look up the record. I think it was two packs of cigarettes. You asked me what to bet. I said that you were scared.

H.M.JR: What do you smoke? What is that vile cigarette you smoke?

MR. SULLIVAN: I don't smoke any vile cigarettes.

H.M.JR: Not Cools - Spuds?

MR. SULLIVAN: No, I don't remember what it was.

MR. BELL: I think you have a pretty accurate memory.

H.M.JR: O.K. Will you let me know further, Monday, on this?

MR. SULLIVAN: I think Seay is going to insist on a seventy-five hundred dollar job here in town. Four of the Board members have been taken care of by Mr. Helvering.

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MR. PAUL: Miss Matthews is taken care of.

H.M.JR: Did you take care of Senator Wagner's man?

MR. SULLIVAN: Schwartz was not willing to go to Pittsburgh. He is the only one on the Board that we have not offered to take - that we are not taking.

H.M.JR: That is the only one I am interested in.

MR. SULLIVAN: We offered him a job at sixty-four hundred in Pittsburgh.

MR. IREY: I called on Congressman Doughton at the request of Norman Thompson because Thompson had heard that Doughton had said some things unfavorable to Seay. I tried to get from Doughton what it was he had against him. He told me, nothing, except that he was not an honest man - the man could not be trusted, and that he had no place in the Government service and should not be appointed. (Laughter)

H.M.JR: Otherwise, he is a great guy. (Laughter)

MR. IREY: I asked him, but he wouldn't give me the name of his informer. He called him up and talked to him. He said to get a fellow named "Ted" on the phone. I checked back on Ted and found who he was; he is an employee of Mr. Paul's over in the Chief Counsel's office, and he is very close to Doughton and he is the one who told Doughton all these things which Doughton repeated to me. I think Doughton is going to raise Cain if we give him a job.

MR. SULLIVAN: That is what you run into.

MR. IREY: I did this for Norman.

MR. SULLIVAN: There was one boy Stanley was telling me about, that he was all for hiring, and somebody told Doughton about it and Doughton said, "No, you shouldn't do it; he is no good - no good at all."

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MR. GASTON: North Carolina man?

MR. SULLIVAN: No.

MR. PAUL: You know, of course, that Stam has been trying to get some of our boys to work for him.

H.M.JR: Listen, I don't want to hear any more of this.

MR. HELVERING: What are you telling us, to get out?
(Laughter)

MR. SULLIVAN: No, he is inviting us out. (Laughter)

December 5, 1942
12:05 p.m.

WAR BONDS

Present: Mr. Graves
Mr. Gamble
Mr. Kuhn
Miss Elliott
Mrs. Klotz

H.M.JR: I asked Miss Elliott to come down.
Somebody has been talking to her.

MR. KUHN: I have, and also to Doughton's people.
Doughton wants us to do a five-minute speech for him
on War Bonds.

H.M.JR: I said so. I mean, somebody asked me -
it was Odegard - "You wouldn't want to do one for Doughton,
would you?" I said, "Do it, and then if he does not want
it, it is all right."

What do you think of this idea of mine?

MR. GRAVES: Fine - very good.

H.M.JR: Is that all? (Laughter)

MR. GRAVES: Excellent, superb. (Laughter)

H.M.JR: I want somebody that I can talk to. Who
is going to be responsible for this meeting?

(Miss Elliott entered the conference.)

H.M.JR: We are talking about North Carolina. Who
is going to be responsible?

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MR. GRAVES: Mr. Gamble is already working on that. I think he will continue. It is show business, as I see it.

H.M.JR: Oh, show business. Going to get any elephants? (Laughter)

MR. GAMBLE: No elephants.

MR. KUHN: Zanzig has been wired.

H.M.JR: When I go into the show business, I like my friend Zanzig there. O.K. Now, I want an Army band and an Army choir. I don't want to listen to a forty-five minute broadcast of canned music. I think it is awful. I don't want to listen to it.

MR. GAMBLE: It wasn't the intention you would listen to all of it. My suggestion was to have it on the Blue Network for fifteen minutes after the opening of the program. If they listen to that much, they will have the feel of it.

H.M.JR: I said it was bad enough to listen to me without having to listen to a lot of canned music. But there are several big Army posts near by, and if you could get an Army band and an Army choir and have Zanzig lead them, then get the audience to singing, and have old Doughton crying-- (Laughter)

MR. GRAVES: Wonderful. (Laughter)

H.M.JR: Who in the community, Miss Elliott, do you think we ought to have that would be helpful?

MISS ELLIOTT: Mr. Robertson is holding a meeting--

H.M.JR: Who?

MR. GRAVES: Charlie Robertson, the administrator in North Carolina.

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MISS ELLIOTT: And he held a meeting in his office last night with some of the people from Winston-Salem and some of the leading bond people, to talk about the general plan of the thing. I believe, knowing Mr. Robertson and the people he has called in from Winston-Salem as I do, who would want this thing to be done in the right way there, that locally they will handle that part of it as soon as they know what you want on the general program.

Is this to be a mass meeting or a dinner meeting?

MR. GAMBLE: It is to be a dinner meeting.

MISS ELLIOTT: I think that you can depend upon them. I talked with Mr. Robertson myself over the telephone about five o'clock yesterday afternoon. In fact, the committee was there with him then. He had called in these people from Winston-Salem, and they were talking about the details of the thing. He was expecting Mr. Englesman this morning, and they were going to be in Winston-Salem today.

H.M.JR: How many people can they hold in the hotel down there?

MISS ELLIOTT: I don't know where they were planning to hold it. The big dining room in the Robert E. Lee Hotel - and I think that that is the largest assembly room that they have - would probably seat four or five hundred.

H.M.JR: That is not enough.

MISS ELLIOTT: That is why I asked if it were to be a mass meeting or a dinner meeting. If it were a mass meeting - the only difficulty about that is that I don't know, on a Saturday night, on short notice, if they would fill the high school auditorium. They have a magnificent high school auditorium. That is where we hold our meetings when we go to Winston-Salem.

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H.M.JR: I was thinking, I have seen a very good supper served in an armory.

MR. GAMBLE: Four hundred and fifty is a lot of people for this kind of an affair. I should not think you would want any more than that, Mr. Secretary. I would rather have the room in the hotel filled.

H.M.JR: Well, we are going to have a lot of those hillbillies come down. Be sure and have a place outside where it says, "Park your guns." (Laughter)

MISS ELLIOTT: That is a shooting district in western North Carolina, I can tell you that. (Laughter)

H.M.JR: You are going down, I understand, Wednesday?

MISS ELLIOTT: Wednesday.

H.M.JR: You are going to be on tap?

MISS ELLIOTT: Yes, and I have already communicated with Mrs. Bishopric and told her to have - of course I didn't know whether the women were expected to come or not - and I am not speaking sarcastically. I was being realistic. I wanted to be sure about that before I told Mrs. Bishopric to move on that, so she will, and I told her to get the key women.

H.M.JR: Not only are we not political, but we are also - what is the word for both male and female? Well, we are broadminded. (Laughter)

MISS ELLIOTT: You will have to get that word on "Information Please." Did you hear "Information Please"?

H.M.JR: No. I got a call from the White House at one minute past nine, "What do you mean by putting Senator Lodge on "Information Please"? He said, "Haven't you got in the heart of Irish America a

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Democrat. like Casey you could put on? What are you putting Lodge on for?" I am not going to say who it was, but it came over the White House phone. They said, "Don't tell me that that isn't your program", and so on and so forth.

MR. KUHN: How much did they raise there?

H.M.JR: I don't know. I didn't hear the darned program.

MISS ELLIOTT: They announced that they netted over four million.

May I say another thing about the place of this, Mr. Secretary. I think, unless they were told very definitely that you wanted it in an armory, and that sort of thing, that they would feel that with the Secretary of the Treasury coming it should not be there; that they would want it in a place like the hotel, in a more dignified place. I think that would be their reaction locally. I am speaking now from the local point of view.

MR. GAMBLE: I was going to add to that, if you want us to we can step in and exercise some control over who is to be on those programs.

H.M.JR: Sure, because, listen, if the suspicion once gets around in the White House that War Bonds is a Republican-controlled organization any chance of keeping this thing on a volunteer basis - well, you might just as well kiss it good-by. I have heard that that suspicion is gaining ground.

MR. GRAVES: We do have some Republicans.

H.M.JR: Sure you do. But find out and let me know something about it.

- 6 -

MR. KUHN: "Information Please" often has Leon Henderson, and so on.

H.M.JR: Find out, will you, Harold?

MR. GRAVES: You mean find out what we can do?

H.M.JR: Who are the next couple of speakers going to be.

MR. GAMBLE: We can find out. Mr. Kuhn and I discussed Justice Douglas. I am sure he has not been selected.

H.M.JR: I will hold up answering it until you can let me know.

Now, on the speech I wish you would be thinking about this, and Mr. Kuhn and Mr. Mager are helping me on this thing. The only suggestion that I had was that I personally have never talked about the wonderful work that these management-labor committees are doing. I have never heard the thing stressed, and I just wondered whether it would not be good if in Winston-Salem amongst the factories - if amongst a number of them the War Bond thing is being done by these management-labor committees let's say so. If they are not I can't say it. But I think it is about time - I know I see eight or ten telegrams a day go out to these committees thanking them over my name.

MR. GRAVES: I doubt if it is that way down there.

MR. GAMBLE: Not so much there.

MISS ELLIOTT: No, because of the lack of union organization in North Carolina.

MR. GAMBLE: Not enough so you can make reference to it.

- 7 -

H.M.JR: I tell you (Miss Elliott) what I would like you to do over the week-end. Could you jot down on a piece of paper a couple of suggestions that you think would go well in that peculiarly shaped district from the hills of North Carolina to the sea.

MR. KUHN: We were talking about it this morning. I had some ideas which I tried out on Miss Elliott this morning, and the labor-management thing would fit very well into that pattern.

H.M.JR: And then suggestions on who you think should sit on the dais down there. Certainly you ought to have President Graham.

MISS ELLIOTT: He is ill. He is in bed with the flu. Whether he will be out then I don't know.

H.M.JR: You ought to have the commanding general of the nearest Army post. Find out what Army posts there are around there.

MISS ELLIOTT: Of course the big one is Fort Bragg. That is the largest one in the country, right there at Fort Bragg.

H.M.JR: How far is that?

MISS ELLIOTT: It is about sixty miles.

H.M.JR: If he comes over don't forget to invite Lieutenant Colonel Daniels, and if the old man could come I would love it. If he would make a speech I would give up ten minutes of my time - Josephus. See if you can get Josephus on the program. You don't like him?

MISS ELLIOTT: Yes, it would be wonderful.

H.M.JR: See if you can't get Josephus. See if you can get the old man. If he could come over and say a few words it would be wonderful.

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MR. GAMELE: He just made a speech last week. He should be available.

H.M.JR: If you decide you want three speeches I would certainly give up any part of my time to the old boy. He has been swell, hasn't he?

MISS ELLIOTT: Yes.

MR. GAMELE: We could have him make a speech, but not necessarily on the network.

H.M.JR: I would like the old boy to be there. Believe me, he is my idea of the best type of Southern Democrat, bar none. I am crazy about the old boy.

MR. KUHN: Remember the paper?

H.M.JR: Sure, he is marvelous. You don't want too many speeches, but if you could get him, and then you are going to invite all the Senators, because I can't afford--

MR. GAMELE: Yes, and all the Congressmen.

H.M.JR: Then if they come they will have to say something.

I tell you what you can also do, if you do it over my name - you can send him an invitation to come down, the ex-governor, Max Gardner. Ask him whether he doesn't want to come down.

MISS ELLIOTT: I don't know whether Lindsay Warren, the Comptroller, could come.

H.M.JR: Oh, sure, ask Lindsay Warren.

MR. KUHN: Does he come from there?

MISS ELLIOTT: Yes.

- 9 -

H.M.JR: We get a few ideas sitting around, you see.

MISS ELLIOTT: I would like very much, as Mrs. Broughton has taken this chairmanship and has done a good deal of work with the women on the bonds - I think it would be very well if Governor Broughton and Mrs. Broughton were invited. He may have other appointments.

H.M.JR: The Governor?

MISS ELLIOTT: Yes.

H.M.JR: He will come, don't worry.

MISS ELLIOTT: Mrs. Broughton has been very gracious about the bonds.

H.M.JR: Don't you have something - when we went down in the Farm Credit days to South Carolina they had fish fries. What have you got in North Carolina that is typical?

MISS ELLIOTT: Barbecues.

H.M.JR: Couldn't we have a barbecue in the hotel?

MISS ELLIOTT: No, the way they have these big barbecues is they get out in the open. It is the wrong time of the year for it.

MR. GAMBLE: They have that in round-up time.
(Laughter)

H.M.JR: All right.

MISS ELLIOTT: You were reading something else there, Mr. Secretary, when I said this, that I think if this is shifted to a big meeting, as you suggest, in an armory or some place like that, it would have to be a very definite suggestion from here because I

- 10 -

think their point of view would be to have it in a more dignified place.

H.M.JR: All right.

MISS ELLIOTT: With the Secretary of the Treasury coming it would never occur to them to have the other kind of a meeting.

H.M.JR: All right. The meeting is adjourned.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 5, 1942.

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Professor Welch has sent a telegram to Mr. Zanzig, who is in Kansas, asking him to be in Winston-Salem by Friday, the 11th, to arrange singing for the meeting on the 12th.

F. K.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

134
Monday
DATE December 5, 1942.

TO Secretary Morgenthau
FROM Harold Graves

In response to your inquiry regarding the "Information Please" program last evening, I have received the following report from Mr. Callahan and Mr. Duffus:

"Several months ago, Mr. Dan Golenpaul, producer of 'Information Please', wrote to Secretary Morgenthau and offered the facilities of the program to promote the sale of War Bonds. He said that the program was planning a tour of the United States. The idea was to hire public halls in various cities, and the admission price would be the purchase of a War Bond of \$50 denomination or over.

"The first of these programs was put on in Symphony Hall, Boston, Mass., last night, Friday, December 4.

"The only connection which the Treasury Department has with the program is assisting in publicizing the fact that admission is by the purchase of a War Bond.

"The Treasury Department is not the sponsor of this tour, and has nothing to do with the selection of the participants. This is solely in the hands of Mr. Golenpaul, who is the owner and producer of the program. We were not consulted about Senator Lodge, nor do we expect that we will be consulted about any other participant during the remainder of the tour.

"In other words, the Treasury Department has absolutely no control over the program.

"The itinerary is not set definitely, but tentatively Philadelphia will be the next place, and that will be some time in January."

December 5, 1942

Dear Mr. Axford:

I am glad to respond to the request of the American Banker for a message on the Victory Loan Drive, which is supplying the financial sinews for total war.

On this anniversary of the grim surprise of a year ago, our military forces are beating back our enemies in many parts of the world. And on the home front we are rallying all our industrial and financial strength to support the men in the field.

In many ways the war in which we now are engaged far outstrips all previous conflicts. Not the least important of these aspects is the financial one. The financial needs of total war have made necessary a borrowing program of \$9,000,000,000 for December alone, and I know the banks of the country will do their part in furnishing the funds for victory.

We can all take satisfaction in being part of a great army on the home front, each of us doing our bit toward a plentiful supply of guns and tanks, planes and ships, for the men in actual combat. They are depending on us. We will not fail them.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. C. B. Axford,
Editor, American Banker,
32 Stone Street,
New York, N. Y.

File to Thompson
Copy in Diary

SPECIAL DELIVERY

BRITISH EMBASSY,
WASHINGTON, D.C.

December 5th, 1942.

Dear Mr. Morgenthau,

Thank you so much for sending me the record of the song made by your two Army boys. I have not yet had a chance of playing it but I am sure from the title that it will be good. I hope, with you, that "EV'RYBODY EV'RY PAYDAY" will be a great help in the sale of War Bonds, and I congratulate the Treasury on such a clever method of persuasion!

I shall be very glad to send on your letter and the other record to the Prime Minister by the first available bag.

Yours sincerely,

Halifax

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

FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Column A shows Federal Reserve operations in millions of dollars as follows:

Market purchases 1/..... +
 Market sales 1/..... -
 Direct purchases from Treasury..... +d
 Maturities..... -m

Column B shows price changes in 32nds.

STRICTLY CONFIDENTIAL

Last Week										Index	Description	This Week																	
Monday		Tuesday		Wednesday		Thursday		Friday				Saturday		Full Week		Monday		Tuesday		Wednesday		Thursday		Friday		Saturday		Full Week	
Nov. 23	24	25	26	27	28	29	30	Dec. 1	2			3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Holiday											III. Tax-exempt securities																		
											Treasury notes																		
											1-3/8% C - 12-15 42																		
											1-1/8% A - 6-15 43																		
											1 C - 9-15 43																		
											1-1/8% B - 12-15 43																		
											1 B - 3-15 44																		
											3/4 A - 6-15 44																		
											1 C - 9-15 44																		
											3/4 A - 3-15 45																		
											Treasury bonds																		
											3-3/8% - 6-15 45-47																		
											3-1/4 - 10-15 45-45																		
											3-1/4 - 4-15 46-46																		
											4 - 12-15 46-54																		
											2-3/4 - 9-15 45-47																		
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											3-1/8 - 6-15 46-49																		
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											2-1/4 - 6-15 54-56																		
											2-7/8 - 3-15 55-60																		
											2-3/4 - 9-15 56-59																		
											2-3/4 - 6-15 58-63																		
											2-3/4 - 12-15 60-65																		
											Guaranteed securities																		
											CCC 3/8% F - 5-1 45																		
											USRA 1-3/8 - 2-1 44																		
											FFMC 3 - 3-15 44-49																		
											FFMC 3-1/4 - 3-15 44-54																		
											MOIC 3 A - 5-1 44-52																		
											MOIC 1-1/2 H - 6-1 45-47																		
											All tax-exempt securities																		
											Market purchases																		
											Market sales																		
											Direct purchases from Treasury																		
											Maturities																		
											Total net increase or decrease																		

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

r Original figures revised.

* Less than \$50,000. 1/ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day.

TREASURY DEPARTMENT

139

INTER OFFICE COMMUNICATIONDATE Dec. 5,
1942

TO The Secretary
FROM Mr. Odegard

The conference to discuss Treasury policy with reference to compulsory lending was held in Room 218, Thursday, December 3. Those present included Mr. Bell, who presided until called away; Mr. Graves, who thereafter presided; Messrs. Gaston, White, Murphy, Tickton, Reagh, Paul, Kuhn, Sloan, Blough, Gamble, Bernstein and Odegard.

I am attaching a copy of the agenda which served as a basis for our discussion.

There was no expressed difference of opinion regarding the size of the inflationary gap. The figure of 16 billions, which has been used, was accepted without debate or discussion.

There was also no discussion of the fiscal needs and resources of the Government for fiscal year 1943 beyond a factual statement by Mr. Bell.

Mr. Tickton reported on the progress of War Savings Bond sales up to date with special reference to Payroll Savings. In making his presentation, Mr. Tickton used charts with which you are familiar. Everyone present seemed favorably impressed with the record made by the War Savings Staff.

No information was offered nor was there any discussion of present price trends. The War Production Board reports, however, that the cost of living index has increased by 8.9% between October, 1941 and October, 1942. Food prices have advanced by 16.1%, clothing by 11.8% and rent by .05% during this period.

It was generally agreed that non-fiscal measures to control prices, including price ceilings, wage stabilization, and commodity rationing, would not alone be adequate and must be supplemented by increased taxes and/or savings in some form.

It was generally agreed that a sharp increase in progressive income tax rates was desirable. Consensus of opinion seemed to be, however, that it would not be politically feasible to increase such rates to a point where other fiscal measures would be unnecessary.

There was no dissent from the general opposition that additional taxes should, insofar as possible, be designed to discourage spending and encourage saving.

There was some difference of opinion as to whether the Treasury should make any recommendations at all looking toward compulsory lending although there was no disagreement concerning the need for increased taxes and increased savings. It was, however, agreed that if the Treasury should make any proposals looking toward compulsory lending, they should be of sufficient magnitude to offset the inevitable loss that would occur in

voluntary savings through the adoption of a forced lending program. It was recognized too that forced lending might result in an additional loss of savings through redemptions of outstanding War Savings Bonds and the use of other liquid assets for current spending.

Everyone agreed that before the Treasury make any proposals for compulsory lending or tax increases, a canvass of congressional sentiment should be made to determine whether or not there was a good chance for favorable consideration and adoption by the Congress.

There was general opposition to a sales tax as an anti-inflation measure.

Everyone agreed that a forced lending program would have a more serious adverse effect upon savings than a program calling for increased taxes.

There was no discussion of administrative problems which would be involved in any of the proposed fiscal measures set forth in the agenda.

It was generally agreed, however, that any forced lending plan which involved withholding at the source would cripple or destroy the voluntary payroll savings plan.

Mr. White, with his customary eloquence and emphasis, renewed his recommendation of expenditure rationing as a method for price control.

I. Statement of the Problem

- a. Total value at present prices of goods and services estimated at 70 billions.
- b. Total national income payments to individuals - calendar year 1943 - will be at rate of 125 billions a year.
- c. Personal taxes, Federal, State and Local estimated at 15 billions.
- d. Total savings including War Bonds estimated at 24 billions.
- e. Estimated inflationary gap of 16 billions.

II. Fiscal needs and resources of the Government for fiscal year 1943.

- a. Total expenditures
- b. Total taxes
- c. Total to be raised by borrowing

III. Breakdown of War Savings Bond sales as of December 1 and estimated as of January 1.

- a. E bond sales - F & G bond sales
- b. Payroll Savings
 1. Number of plans in effect
 2. Number of employees participating
 3. Total payroll savings per month
 4. Percentage of gross payroll of those participating
 5. Percentage of total gross payroll - participating and non-participating
- c. War Bond sales to farmers, self employed and others not on Payroll Savings
- d. Redemptions of War Bonds
- e. Effect of War Bond campaign on other forms of saving

IV. Price Trends

- a. Present situation with reference to prices
- b. Current rate of spending with relation to total supply of goods and services

V. Non-Fiscal Measures of Control

- a. Apart from any change in fiscal policy - how effective would be
 1. Present policies with reference to price control, wage stabilization and commodity rationing if continued unchanged.
 2. The adoption of general commodity rationing in addition to present controls over prices and wages?

VI. Fiscal measures of control

- a. What would happen assuming either of the alternatives under V if -
 1. There were no increase in taxes or savings?
 2. There were a sharp upward revision of progressive income tax rates - with or without post-war credits and/or special tax deduction allowances for savings

3. A tax on expenditures were adopted?
 4. Forced lending in some form were adopted?
 5. Some plan of expenditure rationing were adopted?
 6. A moderate retail sales tax were adopted?
- b. What effect would the adoption of any of the foregoing alternatives have upon the present rate of savings?
 - c. What would be the immediate effect upon current savings especially payroll savings, if any of the foregoing plans were publicly proposed by the Treasury?

VII. The Congressional Problem

- a. What chance is there that the Congress would enact any of the foregoing non-fiscal or fiscal measures?

VIII. a. What administrative problems would the various aforementioned fiscal proposals involve

1. For the Treasury
2. For employees
3. For taxpayers

December 5, 1942.

My dear Governor Wilson:

The wartime Revenue Act recently passed by the Congress will call for income tax payments from many millions of people who have never before paid an income tax. Millions who have paid income taxes before will pay appreciably larger amounts in 1943.

It is to the interest of the taxpayers, as well as the Treasury, that they be informed promptly what their tax liability will be and approximately how much they should set aside each pay day toward the payment of these taxes as they fall due during 1943.

We have printed a folder which gives this information, and I ask your help in getting it distributed as promptly as possible. Under separate cover we are sending you a supply of these folders, "Your New Income Tax". May I ask you to distribute one of these to each one of your State employees outside of your school system at the earliest possible opportunity - preferably with your next payroll?

To reduce this burden on your office as much as possible, I have taken the liberty of sending folders direct to each school employee in your State.

If the supply sent you is not adequate to cover all your other State employees, you can get additional folders on request from the nearest Collector of Internal Revenue.

Please let me thank you in advance for your cooperation in this very important matter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable George A. Wilson,
Governor of Iowa,
Des Moines, Iowa.

WDH:gr

Copy (and list) in
Diary

Copies to Thompson

(Sent Air Mail to B. F.
Sta. 12/10/42)

(List of 48 Governors receiving letter dated 12/5/42 and sent 12/10/42:

Honorable George A. Wilson,
Governor of Iowa,
Des Moines, Iowa.

Hon. John E. Miles,
Governor of New Mexico,
Santa Fe, N. M.

Hon. Arthur H. James,
Governor of Pennsylvania,
Harrisburg, Pa.

Hon. Leon C. Phillips,
Governor of Oklahoma,
Oklahoma City, Okla.

Hon. John W. Bricker,
Governor of Ohio,
Columbus, Ohio.

Hon. Henry F. Schricker,
Governor of Indiana,
Indianapolis, Indiana.

Hon. Chase A. Clark,
Governor of Idaho,
Boise, Idaho.

Hon. Sidney P. Osborn,
Governor of Arizona,
Phoenix, Ariz.

Hon. Robert A. Hurley,
Governor of Connecticut,
Hartford, Conn.

Hon. Ralph L. Carr,
Governor of Colorado,
Denver, Colorado.

Hon. Nels Smith,
Governor of Wyoming,
Cheyenne, Wyoming.

Hon. Matthew M. Neely,
Governor of West Virginia,
Charleston, W. Va.

Hon. Colgate Darden, Jr.,
Governor of Virginia,
Richmond, Va.

Hon. Charles Edison,
Governor of New Jersey,
Trenton, New Jersey.

Hon. Charles Poletti,
Governor of New York,
Albany, N. Y.

Hon. Charles A. Sprague,
Governor of Oregon,
Salem, Oregon.

Hon. John Moses,
Governor of North Dakota,
Bismarck, N. Dak.

Hon. J. Melville Broughton,
Governor of North Carolina,
Raleigh, N.C.

Hon. Dwight H. Green,
Governor of Illinois,
Springfield, Ill.

Hon. Eugene Talmadge,
Governor of Georgia,
Atlanta, Georgia.

Hon. Dwight Palmer Griswold,
Governor of Nebraska,
Lincoln, Nebr.

Hon. Culbert L. Olson,
Governor of California,
Sacramento, Calif.

Hon. Homer M. Adkins,
Governor of Arkansas,
Little Rock, Ark.

Hon. Julius P. Heil,
Governor of Wisconsin,
Madison, Wisconsin.

Hon. Arthur B. Langlie,
Governor of Washington,
Olympia, Wash.

Hon. William H. Wills,
Governor of Vermont,
Montpelier, Vermont.

(Governor letters cont.)

Hon. Herbert B. Maw,
Governor of Utah,
Salt Lake City, Utah.

Hon. Prentice Cooper,
Governor of Tennessee,
Nashville, Tennessee.

Hon. R. M. Jefferies,
Governor of South Carolina,
Columbia, S. C.

Hon. Frank M. Dixon,
Governor of Alabama,
Montgomery, Ala.

Hon. Forrest C. Donnell,
Governor of Missouri,
Jefferson City, Missouri.

Hon. E. P. Carville,
Governor of Nevada,
Carson City, Nev.

Hon. Murray D. Van Wagoner,
Governor of Michigan,
Lansing, Mich.

Hon. Walter W. Bacon,
Governor of Delaware,
Dover, Delaware.

Hon. Payne Ratner,
Governor of Kansas,
Topeka, Kansas.

Hon. Sam Houston Jones,
Governor of Louisiana,
Baton Rouge, Louisiana.

Hon. Herbert R. O'Gonor,
Governor of Maryland,
Annapolis, Maryland.

Hon. Coke Stevenson,
Governor of Texas,
Austin, Texas.

Hon. Harlan J. Bushfield,
Governor of South Dakota,
Pierre, S. Dak.

Hon. J. Howard McGrath,
Governor of Rhode Island,
Providence, R. I.

Hon. Sam C. Ford,
Governor of Montana,
Helena, Mont.

Hon. Robert O. Blood,
Governor of New Hampshire,
Concord, N. H.

Hon. Paul B. Johnson,
Governor of Mississippi,
Jackson, Miss.

Hon. Harold E. Stassen,
Governor of Minnesota,
St. Paul, Minn.

Hon. Spessard L. Holland,
Governor of Florida,
Tallahassee, Florida.

Hon. Keen Johnson,
Governor of Kentucky,
Frankfort, Kentucky.

Hon. Sumner Sewall,
Governor of Maine,
Augusta, Maine.

Hon. Leverett Saltonstall,
Governor of Massachusetts,
Boston, Mass.

December 5, 1942.

Dear Mr. Noble:

The nation's war effort necessitates the payment of income taxes by many millions of people who have never paid them before. Millions who have paid income taxes before will pay appreciably larger amounts in 1943. It is important that taxpayers be informed as promptly as possible how much in income taxes they will have to pay during 1943, and how much they should set aside each pay period to make these payments as they come due.

The Treasury has printed a folder, "Your New Income Tax", which gives this information, and I am asking your help in getting it distributed. Confident of your cooperation, I have instructed the printer to deliver direct to you a supply of these folders in sufficient quantity to distribute one to each school employee in your State.

Will you help by getting these distributed as promptly as possible - preferably on or before December 15th? If you need additional copies of the folder, you may obtain them from the office of the Collector of Internal Revenue nearest you.

Please let me thank you in advance for your help, which will be a definite service to the nation, as well as to the employees of your department.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Ralph E. Noble,
Commissioner of Education,
Montpelier, Vermont.

VDM:fv

Copy (and list) in
Diary

Copies to Thompson

(Sent Air Mail to B.F.
Sta. 12/10/42)

(List of Education people receiving ltr. dated 12/5/42 and sent 12/10/42:

Mr. Ralph E. Noble,
Commissioner of Education,
Montpelier, Vermont.

Mr. Alonzo G. Grace,
Commissioner of Education,
Hartford, Connecticut.

Mr. L. A. Woods,
State Superintendent of
Public Instruction,
Austin, Texas.

Mrs. Pearl A. Wanamaker,
Superintendent of Public Instruction,
Olympia, Washington.

Mr. H. V. Holloway,
State Superintendent of
Public Instruction,
Dover, Delaware,

Mr. John W. Brooker,
State Superintendent of
Public Instruction,
Frankfort, Kentucky.

Mr. Kenneth C. Ray,
Director of Education,
Columbus, Ohio.

Mr. Eugene B. Elliott,
State Superintendent of
Public Instruction,
Lansing, Michigan.

Mr. Walter F. Downey,
Commissioner of Education,
Boston, Massachusetts.

Mr. Walter F. Dexter,
State Superintendent of
Public Instruction,
Sacramento, California.

Mr. Frank W. Ballou,
Superintendent of Schools,
Washington, D. C.

Mr. John Callahan,
State Superintendent of
Public Instruction,
Madison, Wisconsin.

Mr. Charles H. Elliott,
Commissioner of Education,
Trenton, New Jersey.

Miss Jessie M. Parker,
State Superintendent of
Public Instruction,
Des Moines, Iowa.

Miss Mildred Bray,
State Superintendent of
Public Instruction,
Carson City, Nevada.

Mr. J. S. Vandiver,
State Superintendent of Education,
Jackson, Mississippi.

Miss Elizabeth Ireland,
State Superintendent of
Public Instruction,
Helena, Montana.

Miss Inez J. Lewis,
State Superintendent of
Public Instruction,
Denver, Colorado.

THE WHITE HOUSE
WASHINGTON

December 5, 1942

My dear Mr. Secretary:

The President has referred to me for handling your request of December 4 for authority to ask deferment from induction into military service of John M. Berkowitz for a period of six months.

I have no hesitancy in approving your request.

Very sincerely yours,

For the President:



Wm. H. McReynolds
Administrative Assistant
to the President

The Honorable
The Secretary of the Treasury

THE WHITE HOUSE
WASHINGTON

December 5, 1942

My dear Mr. Secretary:

The President has referred to me for handling your request of December 4 for authority to ask deferment from induction into military service of Joseph T. Buxton, Jr., for an additional period of 90 days.

I have no hesitancy in approving your request.

Very sincerely yours,

For the President:



Wm. H. McReynolds
Administrative Assistant
to the President

The Honorable
The Secretary of the Treasury



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

December 5, 1942

MEMORANDUM TO THE SECRETARY:

Tuesday morning, December 1st, I called to see Milo Perkins and outlined the activities of the Procurement Division, having in mind that the BEW has been sponsoring some very substantial procurement programs. He advised that BEW has been looking to RFC for the most part for procurement because RFC has necessary funds for development, and that he does not feel satisfied with this arrangement. He stated that he would prefer to have his own appropriation for development, in which event he would look to the Procurement Division for the buying.

Mr. Perkins' assistant, Mr. Rosenthal, called to see me Thursday afternoon, December 3rd, and I also outlined to him the buying activities of the Procurement Division. We are now purchasing the supplies for administrative needs of BEW, but I particularly wanted Mr. Perkins to know about the Procurement Division and to inform him that we are equipped to handle any kind of purchasing program.

Cliff Mack
Clayton E. Mack
Director of Procurement



December 5, 1942

My dear Mr. President:

I am enclosing herewith a memorandum which shows the status of the Philippine funds. I want to draw your attention particularly to items 9 and 10 which amount to \$55,000,000 and \$90,000,000, respectively. These funds are the property of the Philippine Government and they can do with them as they see fit. The rest of the funds, as I understand it, have strings attached to them.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Sent by SSAgent 1:08 12/5/42

File in Diary
(Photo of memo returned to
Room 376)

Title of Account	Statutory Authority	Nature of Account	Statutory Requirement	Disposition of Funds	Balance
APPROPRIATION ACCOUNTS:					
1. 202774 Philippine Trust Fund (Internal Revenue)	Act March 8, 1902 (32 Stat. 54, Sec. 4) as amended Sec. 1343 I. R. Code	Internal revenue taxes collected in the United States upon articles, goods, wares, or merchandise coming into the United States from the Philippine Islands.	To be held as a separate fund and paid into the Treasury of the Philippine Islands to be used and expended for the government and benefit of said islands.	Paid to Philippine Government on periodic settlements of the General Accounting Office.	None \$ 1,244,963.88
2. 202775 Philippine Trust Fund (Internal Revenue)	Act May 10, 1934 (48 Stat. 793 Sec. 502(a), as amended by Sec. 6 of Public No. 300, 76th Congress, approved Aug. 7, 1939)	Taxes collected in the United States with respect to account oil wholly of Philippine production or produced from materials wholly of Philippine growth or production.	To be held as a separate fund and paid to the Treasury of the Philippine Islands subject to certain restrictions contained in the letter act.	Collections prior to Jan. 1, 1939 transferred on settlements of General Accounting Office to Secretary's special deposit account No. 35. (Item 6 below) Collections on and after Jan. 1, 1939 to be transferred to new special deposit account "Treasurer of the Philippines, General Fund Account, Act Aug. 7, 1939" (Item 7 below)	None 2,237,697.76
3. 202772 Philippine Trust Fund (Import Duties)	Act March 8, 1902 (32 Stat. 54, Sec. 4) as amended by Sec. 6 of Public No. 300, 76th Congress, approved Aug. 7, 1939	Duties collected upon articles from the Philippine Archipelago.	To be held as a separate fund and paid into the Treasury of the Philippines subject to certain restrictions contained in the letter act.	Collections prior to Jan. 1, 1939 paid direct to Philippine Government on periodic settlements of the General Accounting Office. Collections on and after Jan. 1, 1939 to be transferred on settlements of General Accounting Office to new special deposit account (Item 7 below)	None 17,770.60 ✓
4. 211201 Relief of the Philippine Islands, War Dept.	Public 371, approved Dec. 23, 1941 (see also Sec. 503 of Sugar Act of 1937 (50 Stat. 915) as amended by Sec. 6 of Public No. 300, 76th Congress, approved Aug. 7, 1939)	An amount equal to the amount of the taxes collected on cigars produced from sugar cane grown in the Commonwealth of the Philippines manufactured or brought into the United States prior to Dec. 23, 1941.	Available for payment to the government of the Commonwealth of the Philippines for each and every purpose necessary to provide for public relief and civilian defense.		None 35,000,000.00
5. 124875 Philippine Trust Fund (Tonnage Tax)	Act March 8, 1902 (32 Stat. 54, Sec. 4) as amended	Tonnage taxes collected in the United States upon foreign vessels coming from the Philippine Archipelago.	To be held as a separate fund and paid into the Treasury of the Philippine Islands.	Paid to Philippine Government on periodic settlements of the General Accounting Office.	None 30,160.30 ✓
SPECIAL DEPOSIT ACCOUNTS With Secretary of the Treasury - Budget Section					
6. 891801 Account No. 35 Treasurer of the Philippines, General Fund Account (Time Deposit)	Established pursuant to agreement between the Secretary of the Treasury and the Philippine Government.	Amounts representing collections prior to Jan. 1, 1939, transferred from Philippine Trust Fund, common oil tax (Internal Revenue) (Item 2 above) on quarterly settlements of the General Accounting Office.	None	Payable to Philippine Government on 30 days' notice in writing, bears interest of 2% per annum payable from indefinite appropriation (Item 12).	25 27,278,085.72
7. New account entitled "Treasurer of the Philippines, General Fund Account, Act Aug. 7, 1939"	Established pursuant to agreement between the Secretary of the Treasury and the Philippine Government.	Certain collections and appropriations on and after Jan. 1, 1939, pursuant to Sec. 6 of Public No. 300, 76th Congress, approved Aug. 7, 1939 to comprise: (a) proceeds of excises Revenue Code by Sec. 2470 of Internal Revenue Code and 2481 of Internal Revenue Code, now going into Philippine Trust Fund (Customs Duties) Item 3 above.	None	Payable to the Philippine Government on 30 days' notice in writing, with 15 annual indefinite appropriations (Item 12). Amount to be available for withdrawal only for purposes specified in Sec. 6 of Act of Aug. 7, 1939, notice of withdrawal to include a certification by the Philippine Government that such withdrawal will be expended in accordance with provisions of Sec. 6. Act contains provision that President of the United States may direct the Secretary of the Treasury to withhold or discontinue any payments under certain conditions.	15 21,044,043.53
8. Supplementary Banking Fund	Established under Act Aug. 7, 1939	Represents amounts of export loans on articles shipped from the Philippines.	To be paid to the Secretary of the Treasury at the end of each quarter and deposited in an account with the Treasurer of the United States.	Secretary of the Treasury, with approval of the Philippine Government authorized to borrow on behalf of the Philippines, its provinces, cities, and municipalities issued prior to May 1, 1934, and to invest in interest-bearing obligations of the United States or guaranteed obligations.	1,412,742.00 ✓
With Treasurer of the United States					
9. 124926 Treasurer of Philippine Islands (Time Deposit)	Act June 11, 1934 (48 Stat. 929, U.S.C. Title 48, Sec. 1197)	Funds belonging to the Philippine Government deposited with the Treasury in this account.	Amounts subject to such terms and conditions as Secretary may prescribe.	Payable to Philippine Government on 30 days' notice in writing.	25 29,020,000.00
10. 124925 Treasurer of Philippine Islands (Demand Deposit)	Act June 11, 1934 (48 Stat. 929, U.S.C. Title 48, Sec. 1197)	Funds of the Philippine Government deposited with the Treasury over and above amount of time deposits (Items 9 and 7 above)	Same as above, except non-interest bearing.	Subject to withdrawal by Philippine Government without notice.	60,307,428.14
11. 124922 General Fund for account of Manila Clearing House	Established on request of High Commissioner to Philippine Islands.	Withdrawable from account not permitted without the knowledge and authorization of Islands and Territorial and appropriate officials of Commonwealth Government.	None	See Column 5.	7,980,000.00
INDIVIDUAL APPROPRIATIONS FOR PAYMENT OF INTEREST ON SPECIAL ACCOUNTS:					
12. 202826 Payment of Interest on deposits of public account of Government of Philippine Islands, Act June 11, 1934	Act June 11, 1934 (48 Stat. 929, U.S.C. Title 48, Sec. 1197)				

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE December 5, 1942

TO Secretary Morgenthau

FROM Mr. White *HDW*

Subject: Status of Stabilization and Gold Agreements on Nov. 30

1. Stabilization Agreements in Operation.

Country	Dated	Expires	Amount		Collateral
			Commitment	Outstanding	
Brazil ^{1/}	7/15/37	7/15/47	\$100,000,000	None	None gold
China	7/14/37	12/31/42	50,000,000	None	None gold
China	4/1/41	6/30/43	50,000,000	None	None required
Ecuador	3/1/42	6/30/43	5,000,000	None	None required
Ireland	5/1/42	6/30/43	2,000,000	None	None required

2. Stabilization Agreements Concluded but not yet Effective.

Mexico 11/1/41 6/30/43 \$ 40,000,000 None None required
 (The Argentina Agreement will not be reported hereafter)

3. Gold Sale Agreement.

Country	Dated	Expires	Commitment	Outstanding	Payment due within:
Cuba	7/6/42	6/30/43	\$ 5,000,000	None	120 days from each sale

4. British Coin Purchase Agreement.

Country	Dated	Expires	Commitment	Purchases
Germany	9/26/42	6/30/43	\$ 2,000,000	None

This agreement, as amended, also provides for sale to Brazil of up to \$100,000,000 in gold, of which \$49,415,080 has been sold.

MOST SECRETCOPY NO. 13

NOT TO BE RE-TRANSMITTED

OPTEL NO. 422.

Information received up to 7 A.M. 5th December/42.

1. NAVAL

3rd/4th. Our light forces off Lowestoft engaged three E-boats which were repeatedly hit. On 21st November one of H.M. Submarines entered the harbour of Buerat El Hsun (Tripolitania) and shelled schooners, a small steamer and the pier.

2. MILITARY

LIBYA. Our leading brigades are now in contact with the enemy defences in the Marsa Brega and Bir es Suera areas. The enemy position covering El Agheila runs from a dug-in position with minefield at Marsa Brega to Bir es Suera following salt marshes which are practically impassable and mined, thence to Maaten Jiofer, this sector being covered by occasional minefields and the going being difficult though not impassable, thence a continuous line of strong points to Sidi Tabet, thence to Marada, this sector being protected by mines and wire. It is estimated that the enemy has at present available for the defence of the position approximately 15,000 Germans and 25,000 Italians with about 100 tanks half German half Italian.

FRENCH NORTH AFRICA. On the second 36th Infantry Brigade was holding the Jefna station area, 11th Infantry Brigade occupied the neighbourhood of Tebourba with the U.S. Combat Command near Chouigui. An attack by our light forces against an enemy defensive position at Faid 70 miles west of Sfax failed to dislodge the enemy but succeeded in silencing his artillery.

3. AIR OPERATIONS

WESTERN FRONT. 4th. During a sweep over the French Coast and in operations in the Bay of Biscay enemy casualties were 1, nil, 5, ours 5, nil, 1, one pilot rescued. 4th/5th 43 aircraft were sent out, one is missing sea-mining 29, leaflets 14. 121 sea mines were laid.

TUNISIA. Operations on the first and second included defensive patrols over Bone Harbour and convoys and attacks on airfields. Enemy casualties 16 8 8, Allied 1 4 1.

MEDITERRANEAN. 3rd/4th. Naval Albacores torpedoed two 3,000 ton ships north of Ztrara, one was sunk and the other was left listing and on fire.

SICILY. 3rd/4th. Airfields at Catania, Comiso and Gerbini were attacked by Malta Wellingtons, a total of 22 tons of bombs were dropped and runways and dispersal areas hit.

December 6, 1942
4:30 p.m.

TAXES

Present: Mr. Bell
Mr. Paul
Mr. Graves
Mr. White
Mr. Sullivan
Mr. Blough
Mr. Gaston
Mr. Murphy

H.M.JR: I never got the memorandum that I was supposed to get from you (Blough) and Paul. I mean, you and Odegard.

MR. BLOUGH: Mr. Odegard agreed that he would give it to you.

MR. GRAVES: I sent it in to you yesterday morning.

H.M.JR: I never got it.

MR. BLOUGH: Mr. Odegard and I had lunch together Friday and formulated it.

H.M.JR: Did you see it?

MR. BLOUGH: I didn't see it.

MR. PAUL: I had it read to me.

H.M.JR: What was in it? I never got it.

MR. BLOUGH: There were several things in it that we succeeded in agreeing on.

H.M.JR: Let's have them, because everything that was supposed to get to me got to me.

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MR. BLOUGH: We met on Thursday afternoon and were there about two hours altogether.

MR. GASTON: It was nearer three hours, Roy.

MR. BLOUGH: Nearly everyone here, except, I think, John Sullivan, was at the meeting.

MR. SULLIVAN: I saw Doughton and Vandenberg that day.

H.M.JR: Or was that the afternoon you played golf?
(Laughter)

MR. BLOUGH: In addition Kuhn and Odegard, Gamble, Sloan, Tickton, and Russ Ray - in other words, I want you to see it was a big meeting, and practically everybody that had any interest in it was represented.

H.M.JR: Anybody that was anybody was there?
(Laughter)

MR. BLOUGH: I didn't mean that - anybody that had any interest in it. Beforehand we had gotten together and sort of formulated a kind of agenda which consisted of a good deal of factual material and then some questions for basic discussion.

H.M.JR: Was that all in the memorandum?

MR. BLOUGH: No.

H.M.JR: Just give me what was in the memorandum.

MR. BLOUGH: I am trying to get warmed up. (Laughter)
Here is what was in the memorandum, that there was general agreement on the following points:

First, if there is to be a compulsory lending program it should be a whopping big one so that the loss through voluntary lending will be at least made up by the gain in compulsory lending, including in that the loss in the

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cashing of presently outstanding securities, as well as the future issues. It was agreed that the program involving higher income taxes and compulsory lending should not be taken to the Congress without first having a substantial canvass to make sure there was some reasonable chance of its being introduced.

MR. PAUL: We also agreed on the figure of loss, that it would be sixty-six and a half million.

MR. BLOUGH: It was agreed that the figure of loss, with a big compulsory savings program, would probably be sixty-six and a half million out of the total. It was agreed that the sales tax is not any better than it used to be.

Then it was agreed that we were pleased - and some of us somewhat surprised - at the growth the pay-roll deduction plan had shown. It was agreed that the pay-roll deduction plan - that the present methods, including non-fiscal methods, would not be sufficient to meet the situation and prevent a substantial rise in prices, and that some fiscal measures would be necessary.

I think those are the important elements of agreement.

H.M.JR: Now, would you mind speaking to Stephens tomorrow and finding out what happened to that memorandum?

MR. BLOUGH: I will be glad to.

MR. GRAVES: It was given to Miss Chauncey yesterday.

H.M.JR: I explained to Odegard, I know, Friday, to get it to me. Check up on that.

MR. GRAVES: He gave it to me, and I had my people give it to Miss Chauncey.

H.M.JR: Anyway, was Commissioner Helvering at the bigger meeting?

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MR. SULLIVAN: No.

H.M.JR: I am going to try to keep this down to half past five, if possible.

Paul, while Roy is getting up his temperature--
(Laughter)

MR. BLOUGH: It is up. (Laughter)

H.M.JR: What I would like you to do today - I have something in mind - could you tell me what you people have ready for me, very, very briefly, without trying to defend it, as far as your shop - if you have made up your own mind, what are your recommendations to me as the steps to be taken to close the gap? That is what I would like to have this afternoon.

MR. PAUL: We have been going through sort of a trial and error method. We first figured out what we thought would close the gap theoretically, and we constructed schedules on that basis. Our hair curled so when we looked at them that we decided that that approach would have to be modified. We then constructed the schedules embracing a twenty-three billion dollar program.

H.M.JR: Over and above the present?

MR. PAUL: Yes, all this is over and above the present. That consisted of a fifteen-billion-dollar compulsory savings program, and the rest of the eight billion was spread between additional income taxes and the spendings tax. When we got down to the schedules on that showing the burden on each individual, we decided that was probably tougher than could be done politically. So we then constructed a schedule bringing - what was the last one, Roy?

MR. BLOUGH: We had a schedule of ten and eight, meaning ten, of which eight would be compulsory lending.

H.M.JR: How much?

MR. BLOUGH: Eight.

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MR. PAUL: That seems to me to be too low, particularly in view of this meeting, and I think we should have a fifteen billion dollar compulsory program. I think that probably if we can do it, we ought to get all in addition to that that we can get by way of a spendings tax and increased income taxes, but I don't think we are going to get politically increased income taxes. We are going to do well to hold the taxes we have now, but we may very well get the fifteen billion dollar compulsory savings plus the spendings tax, so that we would end up perhaps with the program of eighteen billion or something like that.

H.M.JR: Of which fifteen is compulsory and the other three--

MR. PAUL: We can construct that. We would have to modify our schedules to produce eight down to about five or maybe four.

H.M.JR: Four what?

MR. PAUL: Four billion over the fifteen so we would have a total of nineteen or twenty.

H.M.JR: What would that be?

MR. PAUL: That would be income taxes and spendings tax.

H.M.JR: Have you constructed that?

MR. PAUL: We have not refined it in between there yet.

MR. BELL: Have you got social security in forced lending?

MR. PAUL: That is true. That complication comes in and that will relieve the - we can reduce the fifteen by the two, or two and a half, or three, which would be the yield from a social security, but I would regard that

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social security as a substitute for the compulsory savings. So, whatever we get there, we take off the fifteen.

MR. BELL: It is compulsory savings, isn't it?

MR. PAUL: It is, with benefits, that is all.

H.M.JR: Which is?

MR. PAUL: Social security.

H.M.JR: Were you at the big meeting?

MR. BELL: I was only there a little while when the factual stuff was given, and then I went with you and Eccles.

H.M.JR: This is what I would--

MR. PAUL: To sum it up, I would say twelve billion. If we are going to have social security about twelve billion compulsory savings and three billions, or perhaps a little less than that, social security, which makes fifteen; and about a five billion more spread - maybe two billion additional income taxes and three billion spendings.

H.M.JR: I don't know how many people in this room have heard this thing about "repeat it, but don't mention my name." I have used that story over and over again. It is a marvelous story. It is your story; you tell it.

MR. PAUL: It came to me from Cuneo, who used to be LaGuardia's secretary. He said LaGuardia used to say to people when he told them something, "Now, this is confidential. When you repeat it, don't mention my name." (Laughter)

H.M.JR: I used that last night with Governor Lehman. After he got through asking me questions and I answering everything truthfully, I said, "Remember, when you repeat this don't mention my name." Incidentally, you (White) gave him the last dose of cold water, I think, he received,

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and he was a little joyous about it. That was the only thing that bothered me.

MR. WHITE: I think he was a little bit annoyed.

H.M.JR: He had been getting it all evening from me in a strictly confidential manner, then you came along with this sort of joyous manner and said, "My God, what you are going to get is just nobody's business." (Laughter)

Anyway, this is what I would like to have. See what this group thinks about it. I would like to do this thing the way I used to do it. I don't know how many you want to divide the people into - I don't know, maybe a half a dozen groups. I don't know just where, fifteen hundred or twenty-five or three thousand, five, and ten--

MR. PAUL: We have tables constructed for the fifteen, and we have them constructed for eight. We have to construct new ones now down to this level. I want to point out another thing which must be kept in mind here. If we speak of a twenty-billion-dollar program, on the basis of this agreement the other day, it is really a fourteen-billion-dollar program, because we have to subtract six on account of the loss in voluntary savings.

MR. SULLIVAN: Fourteen net.

H.M.JR: All right. I didn't finish what I wanted to say. What I would like to have just as soon as it is physically possible without working beyond regular office hours, that is, nine to six-- (Laughter)

MR. BELL: Nine to nine. (Laughter)

H.M.JR: What I would like to have is - how many income groups do you use?

MR. BLOUGH: We use all sorts. At the bottom we usually have every hundred dollars or so and every thousand dollars for a while, every five thousand, and so on.

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H.M.JR: Whatever group you use - I would like to have it first, naturally, start at what the lower is now, with the breakdown, showing the Victory Tax and the various taxes.

MR. PAUL: Do you mean the total yield or the burden?

H.M.JR: I mean, I would like to show, for instance, the various things that are going to hit a man with a three-thousand-dollar income.

MR. SULLIVAN: Including pay-roll deduction?

H.M.JR: Including pay-roll deduction. Then I would go on and use the eight percent figure, which is the average for the country right now. Wouldn't that be fair?

MR. WHITE: It would be for the workers, the industrial workers.

MR. PAUL: That is one of the problems brought out by survey at this meeting, that compulsory savings and additional taxes will be a much greater burden on the people that - additional burden on the people who are now subscribing to the voluntary than it will be on the people who are not subscribing.

MR. WHITE: You mean the contrary, the people who are subscribing anyway will replace one with the other. The other fellows not subscribing would be the ones who will get the full impact of the compulsory savings.

MR. PAUL: That is what I meant to say.

MR. GRAVES: Maybe.

MR. WHITE: Unless they evade their taxes.

MR. GRAVES: The farmer is a notorious evader of income taxes.

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H.M.JR: What do you mean? (Laughter)

MR. PAUL: He is right, doctors, farmers, and lawyers. (Laughter)

H.M.JR: You have got to use some figure. I want something I can take for the President, you see, and say - I don't know what class he will be interested in, but he might say, "Let me see the fellow with twenty-five thousand" - this is so much Victory Tax, so much on the assumption that he is taking--

MR. WHITE: Eight percent.

H.M.JR: You have got to use that. Then there will be just one sheet for him. You go along; you may want to change his income tax, or you may want to knock off the Victory Tax entirely. I mean, I would like to have the sheet so that I can take the fellow of, say, ten thousand dollar income and have the thing go along, trying different programs on him, but always on the same sheet.

MR. BLOUGH: A sheet per income level.

H.M.JR: Right.

MR. WHITE: Having in mind, of course, that that is the situation which prevails now, and, therefore, does not take into account the large number who do not contribute eight percent. That is one of the advantages of compulsory savings, that you presumably hit all those who evade the voluntary.

MR. GRAVES: I, of course, disagree with that.

H.M.JR: Well, let's get the sheets. You have got to take something, assumed, but what I want is one sheet for the income of ten thousand dollars so that here will be his income tax - along this level here his income tax will be the present income tax. We may want to change it. All right, that does that to it. Up in

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the top will be column "a," which will be the present. You look down and see what he pays. Column "b" might be removing the Victory Tax and putting something else in its place. Always at the bottom would be how much total tax he would have to pay in taxes and either voluntary or compulsory savings. Column "c" will ~~be~~ some other new device for social security.

MR. WHITE: Would you have one page for one class?

H.M.JR: Yes. I mean, that is - because I know how the President will work. He may be interested in one group. I go to Mr. Doughton and he will say, "What does it do to the ten-thousand-dollar fellow?" I might go to the CIO and they will say, "What about the three-thousand-dollar fellow?" I will say, "Here are a half a dozen plans all taking the fellow with three thousand dollars of income, and this is what it does." Does that seem--

MR. PAUL: That is a good way to do it.

H.M.JR: Each person you are going to see is going to ask for a different sheet. Then we can say - you can get into the argumentative stage. We can make a few tests. Maybe we will find the twenty-five-thousand-dollar fellow has volunteered only five percent or three percent. Out of that might come some kind of a compulsory plan for fellows above ten thousand dollars and leave the volunteer for the fellow under ten thousand, I don't know.

MR. GASTON: Wouldn't you be interested in the total tax burden, including state and local excise taxes and so on?

H.M.JR: Yes, but I mean, you might get a compulsory plan for the fellow over ten thousand.

Then, on the other hand, if you look at his taxes and see what he has to pay - if it is steep enough, it is something else again, but I would like a sheet for each level.

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MR. GASTON: Just your direct Federal taxes won't give you much idea of a man's total tax burden.

H.M.JR: What I think should happen is this, Herbert, that Roy should make some sheets - a couple of trial runs in pencil - and then get this group together in my office and explain it. Better yet, get this group together first without me and then with me.

MR. PAUL: If you put in New York State--

MR. GASTON: That won't do it; you have to consider--

H.M.JR: Bell should get this group together before you see me, when Blough has the trial sheets; then you fellows make your suggestions. When you can agree, come in and see me and say, "This is what the group would like to see." But I would like to begin to move on this front. Also, before we meet again, I would like to have the head of Social Security--

MR. PAUL: Altmeyer.

H.M.JR: Call Altmeyer in to a meeting and say, "Look, Altmeyer, supposing you could go the limit as to what you think--"

MR. PAUL: We have been in touch with him.

H.M.JR: I would let him know that we are interested in this thing, and say, "If you could go the limit, what do you think is the best for the working man and woman in this country? Let's have the plan from your standpoint."

MR. PAUL: Pressman told me yesterday afternoon that they were very strong for the social security program and that they were also for compulsory savings.

MR. BELL: Is he still with Lewis?

MR. PAUL: No, he is with Murray.

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H.M.JR: Those things aren't necessarily compatible.

MR. PAUL: What?

H.M.JR: They are not necessarily compatible.

MR. PAUL: Compulsory savings and social security are perfectly compatible. One is like the other, except that there is a benefit.

MR. WHITE: I think the Secretary's proposal is the mere fact that if you have one you do not need the other. The more social security, maybe the less - because they are in a sense--

MR. PAUL: But the magnitude of social security is three billion dollars at the most.

MR. SULLIVAN: It is easier to put over compulsory savings on the Hill than increase social security.

MR. WHITE: I gather that no one thought anything of the suggestion I had worked out. I didn't get any response, so I suppose nobody thought about it.

H.M.JR: What was that? Let me have it.

MR. WHITE: I had a plan worked out.

MR. BELL: I took it home to read tonight.

MR. BLOUGH: I read it, and I thought it was provocative. I thought it was mostly social security benefits and didn't have much to do with taxes.

MR. WHITE: No, not taxes.

H.M.JR: The way I am still thinking - I have had a chance to talk to the President about doing social security, and he likes it for the foundation for whatever plan - he likes it. I tried it on Mr. Doughton, but he does not like it.

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MR. BELL: He wouldn't.

H.M.JR: Remind Mrs. Klotz that I promised Mr. Doughton that the President would make no move on social security without first talking to him. I had better write that to the President so that I can keep my word.

Doughton gave me the same talk, "If you do this, you can't have the tax bill," and so forth, and so on. The way I feel today is this: I would like to go the limit on social security, and then I would like to do the spendings tax next. Then after we have done those two, we can see where we are.

MR. PAUL: How do you mean, do them next in our own inner council, you mean?

H.M.JR: I would like to explore - get Altmeyer - I don't care how often you see him, but I would like him to know how I am thinking. Say to Altmeyer, "What is the best from the standpoint of the men and women in this country as to now and after the war? What is the best program? All right, let's put in an ideal program."

Then supposing we could get that, and supposing we can get a spendings tax and we can keep the volunteer plan with the growth at which it is going, approaching five hundred million a month - if we had that, how much more do we need? And then do it the other way, the way some of you people want it, with the social security, the spendings tax, and compulsory saving. And with whatever damage it is estimated to do to the volunteer plan, where does it leave us?

MR. PAUL: I am convinced that I know the answers to those questions now.

H.M.JR: You do? I don't. I also realize that I have put myself on record that we consult the people around town here and also we have got a legislative question.

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MR. PAUL: I have consulted most of the people that we are supposed to consult, all of them, in fact.

H.M.JR: And after consulting them all, what have you learned?

MR. PAUL: Well, I have learned, for instance - you take them one at a time - I have talked the least with Marriner, because I have not been able to get hold of him at times, but he is for a very high program. He is for compulsory saving, and he is pretty much against the sales tax. He is for no more corporate taxes, not any higher corporate taxes, and he is a little lukewarm on the spendings.

Leon Henderson--

MR. BELL: What kind of an enforced savings is Marriner for?

MR. PAUL: We have not discussed the details of it. He is pretty much for a scheme that limits the benefits in the higher income.

Leon put it this way: He is strongly against a sales tax, and he is strongly for compulsory savings. Outside of that, he does not have much interest in it.

H.M.JR: What is he for?

MR. PAUL: He is for compulsory savings very strongly, and he is strongly against a sales tax. Outside of that, he does not take too much detailed interest; but Dick Gilbert, with whom we have talked, has gone in mostly into the question - he is a little suspicious of the spendings tax. He is afraid of having too big a program. He is scared to death politically, and he is for compulsory savings. Roy has done most of the talking with Colm. I have had lunch with him. Colm goes further than anybody else in being willing to take a sales tax. He has presented

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a plan to us which we don't think is very feasible. It is a sales tax with registration - you buy coupons and that is the way you graduate the tax.

MR. BLOUGH: He doesn't have a graduated plan; he has an exemption.

MR. PAUL: Ben Cohen has a graduated plan, that is right. He has submitted a program to me - in fact, two or three - he is revising it all the time.

H.M.JR: Has he anybody working with him?

MR. PAUL: He has Stark, an economist.

H.M.JR: I know Stark.

MR. BLOUGH: Have they worked together?

MR. PAUL: I don't know; you have talked to Stark.

H.M.JR: He got out of the Treasury when I got in.

MR. WHITE: Eccles recommended him to Byrnes.

MR. PAUL: Yes, to the chagrin of another of Eccles' men.

Ben is for the spendings tax. He is against the sales tax unless it is a progressive sales tax of the type that he has worked out, not very practically, I think. Ben is for closing the loopholes. He is for compulsory savings, and he is also for a modified Ruml Plan.

Eccles is for a modified Ruml Plan. Ben is.

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H.M.JR: But none of these people are for extending social security?

MR. PAUL: This came up after - all of them were for it, I think. That particular end of it came up after we had had most of these ~~conversations~~, but I am sure all of them are for that.

H.M.JR: If Mr. Roosevelt can't get social security out of the next Congress, he won't get it the rest of his administration. I mean--

MR. SULLIVAN: That is right.

H.M.JR: He will either get it the first six months of '43 or he can't get it at all. What he has got to make up his mind on is, does he want it - and Mr. Doughton didn't say he won't do it. All he says is that he wants his chance; and I think this, that the President has got to weigh it very carefully - "Do I want, in the last two years of my administration, to put on the books a strong social security plan, or don't I; and if I do, I have got to do it in the first six months of '43."

Is there any doubt in anybody's mind as to that?

MR. SULLIVAN: You are entirely correct, sir.

H.M.JR: And he has to make up his own mind. If I am going to advise him, I would advise for the full ideal plan, knowing that the thing is going to be whittled down, anyway.

MR. PAUL: Sure.

H.M.JR: I would go the whole way, but I need more information, as you can see, Roy.

MR. WHITE: While that information is forthcoming, I think most of us found that session - that exposition of what the voluntary program is doing and the discussion of the various points, very enlightening, and I think,

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very impressive. It also, I think, tended to focus the problem on the proper magnitudes, which is not true around town. A lot of these people that are talking about a compulsory savings program and what not, don't realize that if they are talking in the magnitudes that many of them do, it is in a real sense a program that has very little - makes very little progress toward the objective that they would like to obtain. It is because they do not have a clear picture of what is being done and what is involved. I am wondering whether it won't be possible to get that group together and go through practically the same program that the Treasury men went through. I think it would be very helpful both in getting them to understand, and making them realize the difficulty of the problem, and crystallize it in their own minds, so that agreement would be easier - or the area of disagreement would be clearer.

H.M.JR: Who presented it the other day, Harry?

MR. WHITE: It was a joint discussion. The factual material was presented by Tickton and then there was general discussion. Dan was there. When he wasn't, Harold lead the discussion, and it was a combination both of the questions which were asked and the points raised, and many of those same questions will unquestionably be asked by all those men, and if it is as fruitful to those men as I think it was to many of us, it would help a good deal.

H.M.JR: Under those suggestions, would you arrange a meeting, say, for Wednesday or Thursday night? I think a night meeting is the best, isn't it, for these people?

MR. WHITE: I don't know - this is strictly business, so I don't think they would hesitate spending a couple of hours during the day, but it could well be in the evening if you could get them.

H.M.JR: Those people like to have supper and do it afterwards; they have to stay downtown anyway.

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MR. GRAVES: You mean Eccles and Henderson?

MR. WHITE: There are Eccles, Henderson, Colm, and Smith.

H.M.JR: Then you do it in the Chart Room, do you?

MR. GRAVES: We could do it in the Chart Room.

MR. BELL: That is a little crowded if you are going to have a number of people.

MR. GRAVES: The room we had our meeting in the other day would be all right.

MR. BELL: The room upstairs is all right.

MR. GRAVES: No, that is not a very good room.

H.M.JR: Can you get a room at the Cosmos Club?

MR. WHITE: Yes, we can arrange for that.

MR. PAUL: That room in the Treasury is about as good as you could have.

MR. GRAVES: I think so.

MR. WHITE: Would this be possible - to just have some sandwiches and coffee and invite them in, let's say, at five o'clock and discuss it a couple of hours, or three hours - as long as they want to stay, but they can get through in a couple of hours - just have sandwiches and coffee, or something like that, in that room.

H.M.JR: And then let them go home?

MR. WHITE: I don't know whether it is feasible, but that would be a nice thing to do.

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H.M.JR: Give them the sandwiches - I don't know that we can get coffee. (Laughter) Didn't you take the leadership on that the other day?

MR. GRAVES: Dan did.

MR. BELL: I was there and opened up the meeting.

MR. GRAVES: I think Dan ought to.

H.M.JR: Supposing you do it - the sooner the better - and if it is sandwiches and coffee, this year I can still afford to pay for it. (Laughter) Next year, I don't know.

MR. WHITE: The Treasury men will take care of it.

H.M.JR: No, no, I can still afford it this year. What I can do next year, I don't know.

MR. WHITE: We don't mind your giving us dinners, in fact we enjoy it, but when it comes to you paying for lunches that you do not attend--

MR. BELL: Don't you intend to be there?

H.M.JR: Not necessarily. I do not think it is important. I will try to be.

MR. WHITE: I think it is better not to be, the first time.

H.M.JR: I had not intended to be there, no, because I get very restless.

MR. PAUL: I won't be able to be there this week.

H.M.JR: I wouldn't wait.

MR. SULLIVAN: This is largely for acquainting the other members of the group.

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H.M.JR: What I was thinking, you want people like Eccles and Henderson and Harold Smith and Colm.

MR. PAUL: And Jones.

H.M.JR: Who is Jones?

MR. PAUL: He is Colm's superior; we always have to ask him.

H.M.JR: I mean you want people like that. I think if you set it for Wednesday or Thursday, and the invitations go out over the name of Mr. Bell, who can be there, that they will come. I think, certainly, if you make it for Wednesday, by that time - if you get the invitations out tomorrow for Wednesday, they should all be able to come.

MR. WHITE: Particularly if you make it for that time, if it is feasible. Five o'clock wouldn't interfere with anything.

H.M.JR: If they stay, it is because they are interested.

MR. BELL: We can accommodate thirty people down there at a buffet supper in that dining room.

MR. WHITE: You thought of having it in the dining room?

H.M.JR: Mr. Bell, I would like you to consider - unless you want to do it otherwise - I would invite Mr. Byrnes and the members of his committee to come.

MR. WHITE: That is a very good idea. They would learn a lot.

H.M.JR: What is the use of doing this thing twice?

MR. BELL: The whole committee?

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H.M.JR: I would invite Mr. Byrnes and the whole committee and people like that young, very smart lawyer that he has.

MR. WHITE: Prichard.

MR. SULLIVAN: And Russell.

H.M.JR: What is the use of doing it twice? I think people like that would rather come at five o'clock than come and spend the whole night.

MR. WHITE: Yes, then they can leave at seven.

H.M.JR: I would set it for four-thirty.

MR. WHITE: And tell them you are going to serve sandwiches and coffee so they won't feel they have to go home at six-thirty.

MR. BELL: We have got coffee.

MR. PAUL: You will have about forty people there.

MR. WHITE: Then they can adjourn to the room upstairs.

H.M.JR: Do you want a couple of bottles of bourbon?

MR. WHITE: A lot of them drink.

MR. BLOUGH: It won't help the meeting except toward the end.

H.M.JR: I don't think we have to serve liquor. I think coffee and sandwiches is enough. With that crowd, the first thing you know it appears in a column.

MR. SULLIVAN: I wouldn't do it.

H.M.JR: It is one thing to do it at my home, and another thing to do it in the Treasury.

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I think White's suggestion - and Bell, if you got your invitations out tomorrow, for Wednesday, I don't think that anybody would be tied up three days in advance.

MR. WHITE: You never get everybody, but you certainly would get ninety percent of them.

H.M.JR: I think somebody should come from Nelson's office, too. I would ask Nelson.

MR. PAUL: I don't think I would get them in yet because they come in on a lot of special problems.

H.M.JR: Why not do this, everybody here send in a list of people tomorrow morning that he thinks should be invited, and then Bell can take them, and do that. Everybody here send in a list to Bell.

MR. BELL: I think I would confine Byrnes' crowd to his office staff.

H.M.JR: Not have his committee?

MR. PAUL: I am inclined to agree with that, Dan, for the moment, until this is a little more formulated.

H.M.JR: Would you have Byrnes?

MR. BELL: Yes, ask Byrnes to come, and Stark, and a lawyer or two over there in the organization.

H.M.JR: Of course if you had this thing Thursday Judge Rosenman would be there, and I think it is very important to have him there.

MR. BELL: Thursday would be all right with me.

H.M.JR: He is down here Thursdays, and he has very fixed ideas on this thing. He is there Thursdays and Fridays, and I think he ought to be there.

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I would invite Hopkins. If he does not want to come, that is all right.

MR. BELL: We hope. (Laughter)

H.M.JR: What did you say?

MR. BELL: We hope.

H.M.JR: No, I would make it Thursday, and I would invite Hopkins and Rosenman. Rosenman has very definite ideas on this. There is no use in doing this ten times over. It is wearing on everybody concerned.

MR. PAUL: It is certainly wearing on you to have to go around to see them individually, especially if you have to spend an evening with Eccles. (Laughter)

H.M.JR: I would do it Thursday and have Judge Rosenman there.

MR. WHITE: I almost think you have to have it at two different times at two different levels. There are an awful lot of prima donnas in that group.

MR. SULLIVAN: That is a question you can decide when you get the list drawn up.

H.M.JR: Here is a committee in this room. You can meet tomorrow morning with Dan and do it any way you want. But I would have it on a day that Rosenman can be there. You can't overlook him. You might convince everybody and then at the last minute the thing goes in and Sam - he has talked compulsory savings, he talked to this advertising man up in New York, who is - we just sold him on compulsory savings.

MR. PAUL: Who is that?

H.M.JR: Albert Lasker.

MR. BELL: The former shipping man?

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MR. PAUL: Oh, Lord and Thomas, yes.

H.M.JR: He has very definite ideas. You can't overlook Sam.

MR. WHITE: In preparation for that you might have a few of the kind of tables the Secretary suggests, of the magnitude of compulsory lending that they think they are talking about, though they have never transferred them into actual figures to show what they do to the individual incomes.

H.M.JR: And have them big enough so everybody can read them.

MR. WHITE: That is right. Show what the magnitudes are that that will bring, the sort of rulings that they want to get, and at the same time they will get an idea of the magnitudes that they are talking about not being significant.

I think it would be a very fruitful evening if they could get that without attempting to take any position at all - defending anything.

H.M.JR: In other words, what you are saying to me is this, that the people sit back and say, "Let's have compulsory savings." They talk about fifteen billion, for instance, and then they don't realize that they have to subtract so much from the volunteer in order to get the thing that they need to have. They have no idea what it means to the people of the different levels.

MR. WHITE: No, nor do they know what it means, stopping the redemption of bonds.

H.M.JR: The thing we don't want to do is get in the same position that poor Henderson is in now, because Henderson says, "Well, I have got to know so and so about vitamin tablets," and therefore he sends out

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a questionnaire six feet wide and twenty feet long, and it becomes ridiculous. In order to get the compulsory lending or savings we need, we make the proportions so big that we are just laughed out of court.

MR. WHITE: But I think we must be also very careful at that not to defend voluntary, or any plan.

H.M.JR: A man like Tickton does the thing in a purely factual way, and he does it well. He does the factual thing, and he does it like a machine, in the sense that he does not take sides.

MR. WHITE: That is right.

H.M.JR: It would be much better to have a man like Tickton than a man like Ted Gamble, who feels the thing so deeply.

MR. GRAVES: That is right.

MR. WHITE: Then let Roy describe the facts part - what it means.

H.M.JR: I think that that is something--

MR. WHITE: If you could get some large charts ready by then--

H.M.JR: What do you think, Herbert, do you think we are on the right track on that?

MR. GASTON: I think so. I suppose we are going to negotiate after we get through with these people - try to negotiate with the people on the Hill to see what can be done in advance.

H.M.JR: I have gone way out on that, but before we do that I have got to negotiate with Mr. Roosevelt.

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MR. GASTON: Yes, I am strongly in favor of trying to get all the taxes we can.

H.M.JR: I am with you, but I want to keep in mind the mechanical difficulties the company has to go through. I am not this time - I am not going to go up on the Hill and beat my head against the wall for six to nine months.

MR. PAUL: Whose head? Both our heads.

H.M.JR: When I say "my head" I include everybody's in the room. If I say "our head", it sounds like--

MR. WHITE: It sounds like the King talking. The King always uses the plural. (Laughter)

H.M.JR: Let's call it the Treasury's head. Anyway, you know what I mean. I am not going to do it this time. I mean I have had my little talk with the Speaker, sitting next to him at lunch - when we had the dinner for the President of Ecuador. I am not going to do it.

Now, these fellows will pretty much tell you beforehand, unless the President - let's take social security, and the President of the United States says, "This time, Henry, I want it." "All right, that settles it." But he has got to say so publicly this time. I am going to make him say it publicly. I am not going to have him say, "I want it", and then go up there and find out--

MR. PAUL: He went out publicly on the social security.

H.M.JR: But he didn't get mad about it like he did on this price question, for instance - agricultural prices.

MR. PAUL: That is right.

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H.M.JR: I mean he wrote a letter and then forgot about it.

MR. BELL: To get the kind of a tax program and savings program you want, it seems to me it is important that the President go all-out for it. The longer you go, the more difficult it is for him to get it.

H.M.JR: Another thing, Dan, is this. We cannot be in the market every two or three months for nine billion dollars and be batted all over the front page on all kinds of tax programs. We just can't do it. I can't raise the money. I have got to have a united administrative front so that if we do get batted at least we are not constantly batted from the inside. The first time you have a nine-billion-dollar campaign it goes pretty well, and each time it goes that much more difficult.

MR. BELL: You get closer to the bottom of the barrel all the time.

H.M.JR: I asked the President if he would do it before I went to England, and he told me that he would go out publicly, and I know how he works. You fellows know how he worked on this twenty-five-thousand-dollar business.

We might just as well have him - I hope when we get through he will give us a chance to have all these charts and to show this thing to him so that he can absorb it. That is what I want to do.

MR. GASTON: I wonder if there would be any chance of getting the Ways and Means and Finance Committees down just for a factual talk about war savings. Tell them, "We don't want to sell you anything, but we think you ought to know about this program." Give them the charts, them alone.

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H.M.JR: Look, Herbert, the reason I know it is possible is this, because I have talked these things. While I was waiting for this Byrd Committee to start I had a little heart-to-heart talk with Vandenberg, who wanted to let me know I was still his friend, so on and so forth. He said, "Now look, Henry, if you will get Walter George and me together and have a talk, you can find out very quickly what we will or what we cannot do. But let us see you together."

MR. GASTON: I think we could soften them up a little on savings bonds. Suppose we said that at the suggestion of several members of the Committee we were going to have one of our men explain just what we are doing.

H.M.JR: That is right. I can get both Committees together, to give me a four-thirty evening in the Ways and Means room, and they will all come. We can do the same for Finance.

MR. BELL: If this thing is successful we might do the same thing with the Committees.

MR. WHITE: It is essential.

H.M.JR: George is away for two weeks. We will have to wait until he comes back.

MR. SULLIVAN: Many are now.

MR. PAUL: Of course you don't know who will be on the Committees.

H.M.JR: But this is what we talked about, this thing, and then after we have done that I think we ought to invite a group of newspapermen in to do the same thing for them.

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MR. GASTON: It would be ideal - it may be fantastic, but it would be ideal, and I think it is barely possible that you might get an agreement on a program - give and take - we would have to give something and take something. You might get an agreement on a program among the leaders up there, and among the people on this end of the Avenue before you ever go up there to formulate a bill, and then have the thing just go through in a perfunctory way. If the hearings went right through in a perfunctory way it would be a magnificent morale demonstration.

H.M.JR: That is exactly what I am working for. That is what I told Paul a couple of weeks ago.

MR. PAUL: That is right; that is what Byrnes wants to do.

H.M.JR: Yes, but we want to do it so we get a good bill and don't get a Bernie Baruch bill.

MR. WHITE: Of course there is something that must be said in all this, that we must all recognize there is a danger in this approach which we are reasonably cognizant of, that we must be particular, not so much in the presentation because Tickton will handle that very well, but in the tax bill, in our discussion, I think we must bend over backwards not to give them the impression that we have got them there in order to defend our voluntary program as against other plans; but they must rather see the problems as we see them - see the difficult alternatives as we see them; and also make it clear to them that we do not feel that the magnitude of voluntary savings is adequate, but we are confronted with these bad alternatives.

MR. PAUL: In fact, strongly the other way - I feel strongly the other way. I certainly don't want to give that impression.

MR. WHITE: If they get the idea that what we are doing is defending our program, much of the educational value will be diminished.

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MR. GRAVES: You can keep Gamble and me at home, Harry; that will do it.

MR. WHITE: I didn't mean to imply that you will not be able to handle yourselves well.

MR. BELL: "You are not here to make any decision - you are merely called here for a discussion."

MR. GASTON: Distinctly, they should be told we are not here to lobby for the program. We just want them to know the dimensions in it, in relation to the whole program we face.

H.M.JR: I think Bell ought to make those opening remarks.

MR. WHITE: No, Harold, I didn't--

MR. GRAVES: I was joking, Harry.

H.M.JR: I think Bell should make those opening remarks, so that they don't feel that Harold is trying to shove the volunteer plan, or Paul is trying to shove something else, or somebody else is - that this thing is just to bring up to date where we stand - and don't forget the Vice President.

MR. WHITE: I think he was interested in it at one time.

H.M.JR: He still is.

MR. BELL: Do you want to ask him?

H.M.JR: I certainly would.

MR. BELL: Then you would have to be there.

H.M.JR: No.

MR. BELL: I think you would.

H.M.JR: We will see. I am available.

MR. GASTON: He would be with the legislative crowd.

H.M.JR: You don't mean for Thursday night? I had him in mind for Thursday.

MR. WHITE: I think it would be very nice if you could be there, but turn the active part of the meeting over to one of the lesser - to Dan or some one else.

H.M.JR: Dan, you think about it. I want to be helpful. I am going to do whatever is helpful, but I will be there or not - it is entirely immaterial as far as I am concerned.

MR. GRAVES: I think you should be there.

H.M.JR: We will see.

MR. WHITE: Is it true, Mr. Secretary - I don't know, I am asking this question - that you have a very clear idea of the gist of the discussion which took place at that meeting? I am wondering whether - maybe you have done so already, but if not, you ought to get Roy and Harold together, get from them what we all got.

H.M.JR: I will get it when I get the memorandum.

MR. PAUL: We wrote up a memorandum of the points of agreement.

H.M.JR: But I mean, it isn't my fault because I asked Peter for it Friday and he was fussing around with something, and then he said I would get it Friday night.

MR. WHITE: I am not sure that a short memorandum is adequate, but maybe it is.

MR. BLOUGH: We did not go into the points of disagreement, which are also important.

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MR. PAUL: I think there was only one point of disagreement. Everybody was pretty well agreed, and I think even on the point of disagreement we had an area of agreement.

H.M.JR: You see, on Paul's side I have got all of his stuff, I mean the fifteen billion, and all the rest of that stuff.

MR. PAUL: I think Harold and I completely agree - we differ on the point of whether you should have compulsory savings, but we don't disagree on the point that if you are going to have compulsory savings, it must be big enough to absorb the loss on the other.

H.M.JR: Odegard gave me verbally a very good summary, and he told me where he agreed. The meeting seemed to have been good for him in the sense there are certain things he agreed with, say, with people like yourselves (Paul and White) where he said he had been convinced on certain fronts where he felt that Graves and Gamble had not. He had his chance to outline some things to me. Let me get that memorandum Monday. I think the meeting - I don't know what effect it had - I know the meeting was good from the standpoint of Odegard.

MR. PAUL: I think it was good for everybody.

MR. WHITE: It was very worthwhile for all of us.

H.M.JR: So I think I have got a pretty good idea of this thing, Harry. I may not have, but I think I have, and it may be good for me to be at that meeting. I am perfectly willing to be at the meeting if I know what night it is, but let's work that up as the next thing. There is a lot of work to be done, isn't there, on these schedules?

MR. BLOUGH: Yes.

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H.M.JR: I think Altmeyer should be there on the social security, to answer his own questions. This is more a meeting to say what the Treasury has done to date - it is more of that.

MR. WHITE: Yes, it will present to them the problems, and show that we are quite cognizant of all the angles of it; and we know some of the angles that apparently they are overlooking in their discussion - and present all the alternatives in a way which will give them pause.

H.M.JR: Let's have it for Wednesday or Thursday.

MR. BELL: Either one.

MR. PAUL: Let's make it Thursday. That will give us an extra day for the preparation.

H.M.JR: Thursday for Rosenman. I think it is important because what is the use - I want to have everybody there that is going to advise the President. Hopkins has notions on this thing, too. Invite them, and if they don't want to come, that is their business. They can't say, "You had a meeting at the Treasury; if I had been there--" so forth and so on.

MR. WHITE: I might suggest this, Mr. Secretary, because there will be so many persons - so many important persons - it will be a large group, and the Treasury would like to make a very good showing, since this is the first time it has been done - something like that. I am wondering whether you might not think it desirable to have an informal group of two or three or four to go over the agenda - how much time to spend on it, and so on.

MR. BELL: We have got to have an agenda; that is a cinch.

MR. WHITE: There might be a little too much time spent on the factual part, and not enough on the other.

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MR. PAUL: The agenda you had the other day could be emphasized at the beginning.

H.M.JR: You know what I thought he was going to say - that we should borrow the Carlton Hotel orchestra. (Laughter)

MR. WHITE: I might sing. (Laughter)

MR. GASTON: Another thing you might consider, and that is having two separate meetings, taking the higher group - Hopkins and Rosenman and the Cabinet, and so on - members of the Byrnes committee - take them in one group, and then take the staff in another group - in another meeting. Take the staff and the higher group second.

MR. SULLIVAN: That might work. Otherwise, Eccles, as Dan said, would want to bring a couple of fellows with him, and Byrnes would bring Russell and Prichard with him.

H.M.JR: We could have one Wednesday and one Thursday. But I will tell you this, from the standpoint of the men who do the work, the staff will be complimented much more if they are invited with the higher group.

MR. BELL: I think we can handle forty, don't you?

MR. PAUL: You have to get some more dishes - I took up a collection. You have only got thirty, now.

H.M.JR: You can get all the dishes you want. We have got money to buy dishes.

MR. WHITE: You can get up the kind of supper that--

H.M.JR: You can get all the dishes that you want from the Procurement Division.

MR. GASTON: Harry has an idea - let the Department of Agriculture furnish them.

H.M.JR: Tell Cliff Mack to buy some dishes for the White House and we will try them out. You tell the silver mines they do not have to deliver the silver for six months; tell them to buy some dishes for the White House and hold them for six months. (Laughter)

MR. BELL: We did have a lot of dishes downstairs in that room.

H.M.JR: There are a lot of dishes left over from the World's Fair, somewhere, which we own.

MR. PAUL: Which you own?

H.M.JR: From the Federal Building.

MR. PAUL: We had all the grief of representing that World's Fair before I came down.

H.M.JR: Have you asked Cliff Mack if you can have any dishes? He will give you all you want.

MR. GASTON: You should see how--

H.M.JR: Did you represent what was left of the World's Fair?

MR. PAUL: We represented it all through.

MR. GRAVES: Dan entertained at least forty motion picture stars there one day, I well remember. (Laughter)

H.M.JR: It is Sunday afternoon. I don't want to deprive anybody of his afternoon more than I have. Let's stop now, and I think if you will call this group into your room sometime tomorrow--

MR. BELL: At ten o'clock.

H.M.JR: There you are.

MR. PAUL: Did you make that ten o'clock?

MR. BELL: Yes.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 423

Information received up to 7 A.M., 6th December, 1942.

1. NAVAL

MALTA. Another convoy of 5 ships totalling 34,778 tons and including one tanker arrived safely yesterday from Eastern Mediterranean.

NIGERIA. A serious explosion occurred accidentally in LAGOS Harbour sinking 3 of R.M. trawlers and badly damaging the dockyard which is temporarily out of action. 21 men are missing and many injured.

2. MILITARY

TUNISIA. 3rd. 11th Brigade in FÉBOURBA sector was attacked from two directions by infantry supported by tanks and aircraft, some penetrations of the position resulting. Our forward elements have been withdrawn to new positions dominating the CHOUIGUI-FÉBOURBA area. French troops assisted by United States paratroopers captured FAID in a vigorous attack taking 100 prisoners, mostly German.

RUSSIA. In the Don Bend Sector the Russians appear to be making steady though slow progress in a south-westerly direction. They have established two bridgeheads across the CHIR River and have crossed the DON northwest of KOTELMIKOVO.

3. AIR OPERATIONS

WESTERN FRONT. 5th. Our fighters attacked railway and other objectives in Northern France and damaged several locomotives. One Spitfire is missing.

5th/6th. 10 aircraft dropped leaflets over PARIS and Northern FRANCE.

ITALY. 4th. 24 U.S. Liberators from CYRENAICA bombed NAPLES Harbour. Hits were obtained on shipping including a battleship and on railways and quays. Photographs taken 5th show a 6" cruiser sunk in the harbor.

TUNISIA. 3rd. 18 Fortresses escorted by 18 Lightnings bombed BIZERTA Harbour hitting 2 ships. Enemy casualties 5, 0, 0. Ours 4, 0, 0.

4th. Wellingtons attacked TUNIS Docks. 2 ships and the quays were hit. Bisleys attacked BIZERTA Docks and the airfield.

MEDITERRANEAN. 5th. 2 Beaufighters attacked a destroyer off the Tunisian Coast and set it on fire.