

DIARY

Book 595

December 9 - 11, 1942

- A -

	Book	Page
Airplanes		
See Lend-Lease: U. S. S. R.		
Appointments and Resignations		
Vassar list of eligibles for appointment sent by Miss Newcomer - 12/10/42.....	595	213

- C -

China		
Stabilisation Board makes first request under 1941 agreement for \$10 million - 12/10/42.....		240
Commerce Department		
Census Bureau: Reimbursement for statistical tabulation of United States exports to and imports from areas whose funds are frozen discussed in Commerce-Treasury correspondence - 12/11/42.....		368
Correspondence		
Mrs. Forbush's mail report - 12/11/42.....		322

- E -

Exports		
See also Commerce Department		
To Russia, Free China, and selected blocked countries, during 10-day period ending November 30, 1942 - 12/10/42.....		228

- F -

Financing, Government		
1-3/4% Bonds: Analysis of commercial bank subscriptions - 12/9/42.....		96
Non-defense Expenditures: Conference; discussion of Farm Security Administration and National Youth Administration - 12/10/42.....		209
Government securities - recent changes in prices and yields: Haas memorandum - 12/11/42.....		318
War Savings Bonds:		
Philadelphia papers thanked for cooperation - 12/9/42..		90,91,92,93
Army delays in delivery: STARS AND STRIPES to be asked to carry statement exonerating Treasury - 12/10/42...		168
Series F and G combined report for October and November - 12/10/42.....		207
Present Drive:		
Sproul asked for advice on ending date - 12/11/42....		271
C. S. Young " " " " " " " " - " ....		276
Eccles " " " " " " " " - " ....		279
Jesse Jones asked for statement endorsing - 12/11/42...		293
(See also Book 596, page 29)		

- F - (Continued)

	Book	Page
Financing, Government (Continued)		
War Savings Bonds (Continued):		
"Any Bonds Today?" and "Everybody Every Payday":		
Broadcasting companies permitted to use - 12/11/42..	595	299
Lewisohn (Sam) passes on suggestion for buttons		
indicating purchases beyond 10% - 12/11/42.....		305
Hawaii: December 7 goal of \$1 million in sales		
increased to \$5 million - 12/11/42.....		308
Payroll Allotment Plan:		
War Department progress report - 12/11/42.....		310
Analysis - 12/11/42.....		313
Sales, December 1-10 - 12/11/42.....		316
Foreign Funds Control		
See Commerce Department		
Jewish Joint Distribution Committee: Poland shipments		
of food approved by State Department - Irving Lehman--		
Ben Cohen--Foreign Funds Control correspondence -		
12/10/42.....		219

- H -

Hawaii

  See Financing, Government: War Savings Bonds

- I -

Iran

  Conference; present: HMJr, Minister of Iran accompanied  
  by Minister of Finance, representative of State  
  Department, Bell, and White - 12/10/42..... 165

- J -

Jewish Joint Distribution Committee

  See Foreign Funds Control

Joint Distribution Committee

  See Foreign Funds Control

Jones, Jesse

  See Financing, Government: War Savings Bonds

- L -

Lend-Lease

  7th report for period ending December 11, 1942..... 362

  U. S. S. R.:

    Shipment of planes and tanks to - 12/9/42..... 100

    December report sent to FDR - 12/11/42..... 357

  United Kingdom: Federal Reserve Bank of New York

    statement showing dollar disbursements, week ending  
    December 2, 1942 - 12/11/42..... 363

Lewisohn, Sam

  See Financing, Government: War Savings Bonds

- M -

	Book	Page
Military Reports		
British operations - 12/9/42, etc.....	595	104,242, 243,371
"The War This Week, December 3-10, 1942" - Office of Strategic Services report.....		245
Monetary Stabilization		
See Post-War Planning		
Munitions of war		
See War Department		

- P -

Philadelphia, Pennsylvania		
See Financing, Government: War Savings Bonds		
Poland		
See Foreign Funds Control		
Post-War Planning		
Monetary Stabilization: Eccles, Wallace, and Hull invited to meeting December 15 - 12/11/42.....		338
Procurement Division		
See War Production Board		

- R -

Revenue Revision		
School teachers to conduct night classes on income taxes suggested by HMJr to Sullivan, Gaston, and Odegard - 12/9/42.....		49
a) Gaston, Sullivan, Helvering, and Odegard discuss..		288
b) Second conference - 12/15/42: See Book 596, page 171		
1) Odegard memorandum: Book 596, page 175		
2) Memorandum to HMJr: Book 596, page 273		
c) Publicity conference; present: HMJr, Sullivan, Helvering, Cann, Mager, Odegard, Kuhn, Gaston, and Lemmon - 12/16/42: Book 597, page 14		
1) School teachers not to be used - see memorandum: Book 597, page 18		
Attorney General, at Cabinet meeting, "blocked" by HMJr in handling of future tax legislation - 12/9/42.....		282
Tax program as discussed by Gilbert (Office of Price Administration), Cohen, Hansen, Colm, Harold Smith, Stark, Altmeyer, and Helvering - 12/10/42.....		286

- S -

School Teachers		
See Revenue Revision		
Shipping		
See War Production Board		
Statements by HMJr		
Before House Committee on Appropriations, on Treasury appropriation for fiscal year 1944 - 12/10/42.....		146

- T -

Book Page

Tanks

See Lend-Lease: U.S.S.R.

Taxation

See Revenue Revision

Teachers, School

See Revenue Revision

- U -

U.S.S.R.

See Lend-Lease

- V -

Vassar College

See Appointments and Resignations

- W -

War Department

See also Financing, Government: War Savings Bonds

Munitions of War: Policy with respect to proposed  
legislation limiting military control of procurement  
of - 12/11/42.....

595 342

War Production Board

Size of Army and shipping needed to be discussed by  
HMJr, Nelson, and Nathan - 12/11/42.....  
(See also Book 596: Inflation)

268

Procurement Policy Board to be established - Mack to  
represent Treasury - 12/11/42.....

335

War Savings Bonds

See Financing, Government

Weizmann, Chaim

Thanks HMJr for hospitality - 12/9/42.....

99

December 9, 1942  
10:15 a.m.

WAR BONDS

Re: North Carolina Speech

Present: Mr. Gaston  
Mr. Kuhn  
Mr. Mager  
Mr. Gamble  
Mr. White  
Mr. Odegard  
Mrs. Klotz

H.M.JR: Did you have to work very long, Herbert?

MR. GASTON: Yes. (Laughter)

H.M.JR: When did you get to bed?

MR. GASTON: One o'clock.

H.M.JR: That shows how young you are. (Laughter)  
Have these other people seen it?

MR. GASTON: No. I have not had it ready for  
many minutes, and they have been tied up.

Do you want to have it read aloud, or do you want  
to read it to yourself?

H.M.JR: I will just read it.

"It is an honor and a great pleasure to be introduced  
to the people of Winston-Salem and North Carolina by  
the distinguished Chairman of the Ways and Means Committee  
of the House of Representatives, the Honorable Robert M.  
Doughton. In this time of National stress and National

- 2 -

peril Bob Doughton - your friend and my friend - is one of the staunch and true wheel horses of our common effort." Could you call Doughton a "wheel horse?"

MR. ODEGARD: I question that.

H.M.JR: No, I wouldn't call him a wheel horse.

MR. GASTON: Well, we will call him something else.

H.M.JR: You have got to do a little more than that.

MR. GASTON: A "wheel horse" means the man that pulls the load.

MR. ODEGARD: It is a term used with reference to political machines - political wheel horses.

MR. MAGER: Yes, that is right.

H.M.JR: What else do you think you could call him?

MR. GAMBLE: Call him "soldier."

MR. WHITE: "Leader."

MR. ODEGARD: "Leader" would be all right.

(Mrs. Klotz entered the conference.)

H.M.JR: We can change that. Supposing I read on. "He and I have shared labors together over these recent eventful years. We share now burdens and responsibilities in financing America's part in this greatest of wars - a financial task greater in scope than any this Nation or any nation has ever before faced. But it is not the task of any two men or of any dozen men. It, like the task of producing the tools of war, is the job of all Americans. It is the task of you people of North Carolina, the

- 3 -

responsibility of you citizens of Winston-Salem."

MR. ODEGARD: I would cross that whole sentence out.

MR. GASTON: The thought is the task of financing the war. You don't flatter yourself that you or two or three people have to do it; it is the job of the American people.

MR. ODEGARD: Yes, I would stop there, "It, like the task of producing the tools of war, is the job of all Americans."

MR. GASTON: I was just bringing it home to the people of North Carolina that they, too, have a responsibility.

H.M.JR: "It is to pay a tribute to the way the people of North Carolina have gone about that job - the way particularly the workers in the factories of North Carolina have gone about it - that we are here tonight. We have come to present to the men and women who make up the working forces of North Carolina factories flags which will bear testimony to the fact that the workers in the industries which fly them, constituting all of the large factories in this State, have pay-roll deduction plans under which 99 percent of their employees are contributing regularly to the purchase of War Bonds; that all of this 99 percent are enlisted as patriotic soldiers on the financial side of this war against tyranny."

Is it ninety-nine percent?

MR. KUHN: Yes, of the big factories with over five hundred employees.

MR. GASTON: These are the ones to which we are presenting flags, is that right?

MR. GAMBLE: There will be others who are receiving the flags.

- 4 -

MR. KUHN: The record in the small factories is not good enough to brag about.

MR. WHITE: The sentence is too long.

MR. MAGER: I think it is awkward; it can be--

H.M.JR: "It is only a few days more than a year ago that the treacherous blow struck at Pearl Harbor by a crafty and unscrupulous enemy shocked and aroused the people of this Nation. With war forced upon them they arose to meet the challenge, seeking eagerly the ways in which they could meet it most efficiently." I question that paragraph.

"To fortify America against a threatening war our people a year ago had been subscribing voluntarily to Defense Bonds at the rate of about \$300,000,000 a month. With the upsurge of fighting spirit after Pearl Harbor sales went to more than 500 million dollars in September and to more than a billion in January."

MR. KUHN: It should be December instead of January.

H.M.JR: I don't like the billion in January, because we took a flop then.

MR. WHITE: It looks as though we had not made any progress since then.

H.M.JR: I would cut out January. I have been trying to apologize for failing to meet quotas all year.

MR. KUHN: "With the upsurge ... more than nine billion dollars of war bonds have been purchased since January of this year."

H.M.JR: What is that, Ferdie?

MR. KUHN: Couldn't you combine those two sentences, "With the upsurge of fighting spirit after Pearl Harbor

- 5 -

more than nine billion dollars worth of War Bonds have been purchased since January of this year."

MR. GASTON: That is a long jump.

MR. ODEGARD: I think the two sentences help. It starts out with three hundred million, and then "since January more than nine billion dollars' worth have been purchased."

H.M.JR: We will go on and see. "Since January of this year more than nine billion dollars' worth of War Bonds have been purchased. Remember that I am speaking not of purchases of all types of Government securities, but only of War Savings Bonds, which represent direct participation in the financing of the war by millions of working men and women."

I take it that you run this stuff in at the beginning, this War Bond stuff, that is obvious, isn't it?

MR. GASTON: Yes.

H.M.JR: "A year ago pay-roll savings plans for the purchase of War Bonds were in effect. In December of last year approximately 700,000 workers in some 9,000 establishments were participating in them. They were investing 4 percent of their pay, a total of five million dollars a month.

"Today, payroll savings plans are in effect, not in 9,000, but in 160,000 establishments; the number of workers participating has increased from 700,000 to more than twenty-five millions, and instead of five millions at an average of four percent of the pay envelope, the monthly purchases are at a rate of about 9 percent, amounting to nearly \$400,000,000 a month from this one source. But we have not reached our ultimate goal. I am confident that the number of payroll investors can still be greatly increased and the average contribution increased to ten percent or more. We have now not a few

- 6 -

but many thousands of workers buying at rates much higher than 10 percent of their pay."

There is one thing that I want to say which I learned from the President. He says, "Never use more than two or three figures." He never does. There are too many statistics here. These people can't get them over the air.

"The story of this pay-roll savings program is a success story of the first magnitude. More than that it is the story of our progress in patriotism and devotion to our country in its time of trial and struggle. Less than a year ago the Pay-Roll Savings Plan was an experiment. It was an experiment filled with immense difficulties. Today not all but most of those difficulties have been surmounted. Labor and management working together on them have discovered a new sense of partnership which has been reflected not only in increased sales of war bonds but also in better understanding and increased efficiency on the production line. I like to feel that this new labor-management partnership sets a pattern for the future under which labor and management will cooperate in industry problems for their common good and the good of the Nation.

"Important though the pay-roll savings plan is, it represents but one phase of our over-all bond campaign. Millions of farmers, self-employed artisans, and businessmen are purchasing war bonds regularly. All in all 50 million Americans invested in war bonds during the past year. More than 50 million Americans now have a direct and personal stake in the finances of their government. To my mind the significance of this can hardly be over-estimated. Not only should the wartime sacrifices of today emerge as the new homes, new comforts, and new standards of living for the morrow, but the piling up of a nest egg of savings to fall back upon if need be will be a source of comfort and reassurance.

- 7 -

"But War Bond purchases do not tell the full story of the financial mobilization of the American people.

"On the first of December the Treasury launched a program to borrow nine billion dollars including money from the sale of War Bonds, which with revenue from taxes, will carry us through until February. Nearly half of this vast sum, over 4 billion dollars, was raised during the first week of December. I am happy to announce that as of today, this total has reached

---

"Credit for these records must go to tens of thousands of willing volunteers throughout the nation who have given their time and energy to sell these bonds and to the millions of Americans who have enlisted their money in the service of their country.

"The successful financing of the war means real sacrifice for all of us.

"Great as our resources are, we haven't enough to buy all we want for ourselves and still put all we need to put into winning the war. We have a decision to make, whether we shall deny ourselves all the comforts we would like to have or deny our boys at the front - your sons and mine - the tools and the weapons they need to meet the enemy. We have to choose also whether we shall finance the war over the rough and cruel road of inflation or by sober thrift that will protect our present and our future. The steep road of self-denial will be the short road to victory.

"Just a few weeks ago I believed that we faced a long war. Now I believe that we can make it a relatively short one - if we pull together on the job. My mind was changed about the prospects after a visit of two weeks over there - in Great Britain. One of the influences in changing my mind was what I saw of the British people and what they are doing for victory. I had been told, as you have been told, and as the enemy wants to believe, that they were a decadent race, incapable of organizing to meet and to conquer a stern and cruel aggressor.

- 8 -

But the British people have undergone a baptism of fire and with an indomitable courage have risen from it a new race, vibrant with youthful energy and an unconquerable spirit. They have, from statesman to factory girl, a sure religious faith, not that God has chosen to be on their side, but that they are fighting in a righteous cause and that they are on God's side in a war to make the future of humanity more bright.

"I gained new assurance also from the American soldiers and sailors I saw in England. They are magnificent representatives of our democracy, trained and fit for the job they have to do. They will acquit themselves with glory, as have their comrades at Bataan, on Wake Island, on Guadalcanal, in North Africa and in China. If we 'over here' are to be worthy of them, we have a high mark indeed at which to aim.

"Since my return I am more than ever convinced that we 'over here' will prove worthy of them. On the production lines, in mines and fields and factories, we are giving an increasingly good account of ourselves. We have harder tasks ahead; we shall have our own trial of blood and sweat and tears, but I believe we shall meet our trial triumphantly and play our part in building a world in which men can be free to live worthy lives."

Well, I think we are all going to have to do a little more work on it. There is no sense in tying you up on this, Ted. I had you here last night, but you have lots to do and I will excuse you.

MR. GAMBLE: Fine.

(Mr. Gamble left the conference.)

MR. ODEGARD: The Secretary of the Treasury has just returned from England, and this is the first time he has spoken since he got back. They have read about it in the paper, and so forth, and so on. This begins, I think, with something of a let down to them. They are

- 9 -

not going to hear what they might, I think, and probably will, logically expect to hear, something about what you saw in England and what effect it had upon you.

H.M.JR: Let me argue with you a minute. I think, in the first place, that the people have forgotten that I went to England, unless we want to resurrect it. We can or cannot, as we want to.

But I think you have got to talk about - what am I going down to North Carolina for? The primary reason that I am going down there is to try to make a friend of Mr. Doughton for the Administration; and, second, to acquaint Mr. Doughton's constituency with what War Bonds has accomplished since July 1941.

The English thing comes first - I can't help it that I am on that program. The program is only two weeks old, and yet I don't understand why a program which is called "Over Here," that is supposed to be broadcast to our soldiers - I mean, I would take it that the purpose of this is to acquaint our "overseas" boys of what is going on in the United States.

MR. ODEGARD: It has a dual purpose.

H.M.JR: It isn't very clear in my mind particularly why there is a program called "Over Here," which is solely broadcast for the soldier.

MR. ODEGARD: As I explained, we tried to get a command performance for rebroadcast here, but we were unable to get it.

H.M.JR: But look, that is purely an entertainment program. You want to know what I want to do?

MR. ODEGARD: That is right.

H.M.JR: What I want to do is, first, I want Mr. Doughton - the sole thing is, I have told the President that - I am out on the end of a limb and I am going to go down and sell Mr. Doughton on the Administration,

- 10 -

on the Treasury, and so forth, and on myself. Now, that is the first job. I want his community to feel pleased that I have come there, pleased that the Secretary of the Treasury comes down to pay his respects to Mr. Doughton. That is the first thing.

The second thing is to sell the country on what we have accomplished in a year and a half on war bonds.

Now, third and last, if I can, as part of our - we have got to say something about the whole nine-billion-dollar program. I can't go on in the middle of a nine-billion-dollar Victory drive and not say something about it.

You know what I said about Kansas City, "Give us something which will help us sell." I think the thing that I can say to the country as investors, which will make them invest more readily and pay the taxes, is that I think after having been to England, what I saw and what I learned, I am convinced that this is going to be a comparatively short war, and, therefore, the quicker they get the war paid for, and so forth, and so on, the quicker we can get it over with. I mean, the many things which I saw and listened to in England made me convinced that we can win this war in a couple of years instead of five or ten years. I am willing to say that.

MR. ODEGARD: Do you think it wise to say that over a Nation-wide hook-up?

H.M.JR: Why not? The President said it. I forget exactly, but somebody said last week that he said something - there was some definite remark that he made on that.

MR. KUHN: I know for a fact that when people have questioned him about the length of the war he has tried to shut them off; he never talks about that.

- 11 -

H.M.JR: I am willing to say it.

MR. KUHN: I think it would be bad to say it as it is in here, because it suggests that you are very gullible in your estimate of the English. It suggests here that you believed, until you went over there to see with your own eyes, that they were a decadent race, and so on.

MR. WHITE: That sentence could be cut down and easily fixed.

MR. KUHN: But it has certainly strengthened your convictions.

H.M.JR: Anyway, Odegard asked me what I wanted. Now--

MR. ODEGARD: Of course, I raised this question. It is a collateral question, as to whether or not you should say that as a result of your trip to England you think this war could be won in a shorter time, because I think we oscillate here. Reports show very definitely that the public has the impression the Administration has oscillated between almost manic depression and euphoria and they move in sort of a cycle. I think that it is almost as bad to say that it is going to be a short war now as it was for Mr. Bard and the others to keep yammering about losing the war. I think it is an important question that ought to be carefully considered.

MR. WHITE: He isn't saying that it is going to be a short war; he is saying that after his experiences abroad he has more hope and he believes now that it is going to be shorter than he thought it was going to be earlier.

MR. MAGER: It leaves a bad implication, an implication that by buying more bonds we can win the war, which, of course, is not a military element.

- 12 -

MR. ODEGARD: It says here in just so many words, "Just a few weeks ago I believed that we faced a long war. Now I believe that we can make it a relatively short one--"

MR. MAGER: I am not speaking of the actual text; I am speaking now of the idea raised by the Secretary, that is, he wanted to raise this point, namely, that by buying more bonds at the present time the war can be hastened to a conclusion. Now, I think that unless it is dealt with very, very delicately, that can leave a bad taste in the mouth.

H.M.JR: May I just interrupt a minute? I have said right straight along that I didn't want to talk about my trip to England; I am not desirous about talking about it. Kuhn did a speech entirely on his own, and he came in about this England stuff.

MR.KUHN: I started off in little different terms about the English stuff.

H.M.JR: Kuhn didn't want me to talk about England when I came back.

MR. KUHN: I wanted you to talk about your impressions of that trip some time.

H.M.JR: Personally, I have no particular desire to talk about it.

MR. WHITE: I don't think anybody - news is so rapid these days that it seems like a long time ago when you were there, and it would be all right to talk about England if you told them some interesting facts or some interesting episode, some outstanding episode. The one interesting thing that he might tell them, and it could be worked in in a paragraph, or two, or three, with some slight changes is "By the way, I have recently been to England and I was greatly encouraged" - something along that line, and avoid that difficulty Mager said--

- 13 -

H.M.JR: When I landed from the clipper, they asked me about it, and I said, "I have come back very much encouraged." I said it then; it is a month old.

MR. MAGER: I think it is a case of resurrection, too, news is not only rapid, but--

H.M.JR: What they are trying to do to me, because I happened to be on a program called "Over Here" - which I still don't understand, and it is only two weeks old and doesn't make sense to me, with all due respects - and why should I resurrect something about the other thing.

Now, it is a Treasury program, and if I want to go on the program and talk about narcotics - I mean, after all, I am asking for fifteen minutes time on that program.

MR. ODEGARD: That is absolutely right.

H.M.JR: And certainly if I want fifteen minutes of that time, I can talk about narcotics and Secret Service if I want to.

MR. ODEGARD: Sure, but you can't guarantee that people will listen to it, Mr. Secretary.

MR. KUHN: It will set you - if it is too financial, to my mind, that audience won't listen. I am also thinking--

H.M.JR: Listen, gentlemen, let me say this, that every time, while on my own as Henry Morgenthau, Jr., I have been able to get the best spot on the radio Sunday night at nine o'clock when I want it; and every time I want to speak the radio companies are willing to give me any time that I want. So, as far as being listened to, I don't have to have a lot of jazz singers and everything else in order to get an audience.

- 14 -

MR. KUHN: I don't think I made my point clear, Mr. Secretary.

H.M.JR: Every time that I have gone to the radio company, entirely on my own without any one-hour program or anything else, a lot of cheap stuff - I mean, to me it is a handicap to be on that program. I have got to throw off Durante and all the rest of the stuff to make the thing dignified; I don't need that stuff.

MR. GASTON: I don't think you need to pay too much attention to that idea of "over here" and "over there." If I understand this proposition about "over here," it is not to be programs addressed to the soldiers and the people abroad; it is to be programs that will represent what is going on in the United States in connection with the war effort. They look in on something here, and they don't ask the people here to talk to them. They want to look in at what these people are talking about in their own business in connection with the war effort.

So, there is no point to addressing it particularly to a foreign--

MR. WHITE: I am impressed with the Secretary's analysis. There is not time to make the kind of a great speech over a national broadcast or the kind of excellent speech which would constantly be referred back to and which would take - at least there doesn't seem to be anything from my point of view in any of the drafts that have been written that take on that character. Therefore, I would strike for a more limited objective and be successful in that more limited objective. I think that the Secretary's outline of that limited objective is the one to hit for. He is going down there to make Doughton and Hanes feel good, and he is going to report to them on the condition of the sales campaign. I think he can preface it in just that way and they will be interested in it. "I am in the midst of one of the largest campaigns that has ever been undertaken, and I want to report to you as of" such a time - that can

- 15 -

take three or four sentences; the shorter, the better. In seven, eight, nine, or ten minutes he will accomplish that, and some references, I think, might well be included, as long as it is "by the way" about his embodying the content of that one paragraph referring to England. I think it could be worked in nicely.

This nice phrase here, this "difficulties" reference, I think that is excellent; and with a few other such things, I think you have your ten-minute talk. It will be interesting. People will listen for ten minutes.

MR. GASTON: This is pretty close to a ten minute space, and maybe a little bit over.

MR. WHITE: I think you will have a good talk. You take any man's talk, the President's or anybody else's, and you line them up, you will find that lots of them are in no sense Battle of Gettysburg speeches. They have a limited objective. Many of them hit that objective, and I think that is what should be the - that would rule out kind of an inspiring speech which requires a lot of work, and, I think, more time than is available.

MR. GASTON: You can't, it seems to me, start in with this somewhat emotional thing about the tonic experience of contact with the British people and then let down into a discussion of what the War Bond Campaign has accomplished in North Carolina and the Nation. If you want to use that note I think you have to end on that, as the Secretary suggested last night.

H.M.JR: Look, Ferdie, as far as this England business is concerned - I mean, if this thing bothers you so, I would much rather not go on the air at all.

MR. KUHN: No, it doesn't, Mr. Secretary. May I make my point? I have said this many times, that I feel that it is not good for you, with the public, to making all your speeches exclusively on dollars and

- 16 -

cents, on putting yourself before them as the money raiser. That is why I liked the Worcester speech so much, because you put yourself before them with something that was more "you."

H.M.JR: That was two years ago.

MR. KUHN: A year ago. I was only hoping in this speech, which is a great opportunity with a Nation-wide audience - and with the folks in North Carolina - that you would use some of these experiences which you have given to us in the Treasury. You gave them to the Overseas Writers, but you have never given them to the American public. It is good to have the power of example held before them, and it is, I think, good for you with the public to give them some indication of the breadth of your interests.

MR. WHITE: I find myself on the opposite side of the table. If I listened to the Secretary of the Treasury, I want to listen to Treasury business. However, and this is very true, and I agree with you here, there are occasions - and they should be made special occasions, two times a year, let's say, with the proper kind of an audience, with the proper amount of time, with a lot of time spent in preparation - when I should not discuss finances, but should discuss some very broad fundamental principles.

In the past you have made a couple of speeches in which you departed completely from your role as Secretary of the Treasury and you became a member of the Government, a Cabinet man, or a man who is thinking on these large problems. That kind of a speech requires a lot of careful preparation and a lot of headaches. You need to begin at least a month ahead of time, and you have got to have a better audience and more time than this.

- 17 -

I think when you do that sort of thing two or three times a year, it is quite adequate, and the rest of the ten-minute talk you devote to what is more or less the particular business in hand, coupled with the local situation.

I don't think the people are particularly interested in the sort of things the Secretary would say over the radio. They would be interested in the things he could say, but for a number of reasons it isn't politic for him to say them. I mean, the minute you begin to repeat what he can say about England, you either ascend to that kind of spiritual generalization, which to me is uninteresting, or you find that you continually trim down - you take this out, because he can't say this, "Sure it is true, but it is a secret," and "This he ought not to say," and the first thing you know, you are left with very little.

MR. ODEGARD: Could I come back for a minute to the purpose for which this speech is being prepared? I, apparently, have misunderstood the purpose. I thought that it was at least a two-fold, and probably a three-fold purpose; first, to insure the friendship and continuing cooperation of Mr. Doughton. Now, if that were the only objective, there is no reason under the sun for putting it on the air. You can do that by going down to North Carolina and meeting with this group and presenting these flags, having a perfectly magnificent ceremony, and so on.

H.M.JR: May I interrupt you? What was the place I spoke at in Virginia?

MR. ODEGARD: Roanoke.

MR. KUHN: That wasn't a National broadcast.

- 18 -

MR. ODEGARD: I thought that it had another purpose in addition to this relationship with Mr. Doughton, and that was to help convey to the people in the rest of the country, who have been working on the War Bond program - particularly since this is a War Bond meeting - some sense of your appreciation and your - well, congratulations, if you wish, to them for the work they have done. They need it very badly. They have taken all sorts and manner of buffeting in the last few months, and I thought that one of the purposes of this was to contribute toward sustaining their interest and enthusiasm.

Finally, I thought that the purpose was to indicate to the American people as a whole, quite apart from these War Bond people or the national people, some idea of your confidence in the outcome of the war as influenced by your recent trip abroad.

Now, any one of those objectives is a perfectly legitimate objective or purpose for a meeting - a speech - and any one of them could take a half hour to do; but if we try to do all three - what I was trying to do was to do all three.

H.M.JR: Well, Peter, I would drop the last about the war.

(The Roanoke speech was brought in to the Secretary by Mrs. McHugh.)

H.M.JR: Let me just take a look at this. Of course, what I did in the Roanoke speech - Kuhn and I sweat blood over this speech, as he knows. I put into one paragraph what I had seen for five days in a camp. If I were just stepping off the plane from England, I could say one paragraph on the thing; but I am not. I stepped from the plane and said what I had seen in the last five days. So that is out. Now, I start in here, "You in Roanoke have done your full share in equipping and maintaining this Army of ours. You have not only furnished your share of men, but your War Bonds have helped to pay for the weapons that the Army will use in battle. And in the buying of War Bonds your city has

- 19 -

set a record and an example for other cities to follow. Roanoke is the first city in the United States in which every company can claim that at least ninety percent of its employees are buying War Bonds regularly out of current earnings through a pay roll savings plan. Every company or labor union that can show such a record is entitled to fly the blue Minute Man flag, and these two hundred Minute Man flags which I see before me today are the symbols of a great achievement.

"I am especially glad that this has been accomplished in the home city of Congressman Woodrum, and that he is here with us today. I have looked upon Congressman Woodrum as a friend ever since my old days at the Farm Credit Administration back in early 1933 when I first came before his committee for an appropriation. In the years since then he has always been a friend of the Treasury; he has been a friend of sound finance who has helped to create a sound public understanding of our financial problems. It must make him especially proud to see his own city buying "A Share in America" regularly week after week, for he believes, as I believe, that if millions of Americans own Government securities they will take a more active and helpful interest in the way their money is being spent, not only now but in the years to come."

That is all I say, but I work into it - I mean, Kuhn and I worked very hard on this one. I first paid my respects to the community. And if, between now and then, they have some outstanding examples like this high school here the other day, where the boys went without lunch in order to buy stamps, if there was something outstanding, something unique, which was done in that community, you could say, "Well, they have done it here, and they have set an example which can be done in the rest of the country." I mean something unusual - I don't know whether they have. Then I pay my respects to Mr. Doughton in very similar language - and so forth and so on.

- 20 -

Then this is the way I think I would construct it; I would go on and talk about our being in the middle of a nine billion dollar financing and that the thing is going very well, and if there is some news - if we have the figures right up to the last minute, which we might or might not use - and the rest of the thing. I would say - I mean, I wouldn't take so much the attitude of these people having to be congratulated; I would say, "From May first to December first" - I don't know how many months that is, eighteen or twenty months - "this is what has been accomplished. We have gone from seventy thousand factories" - or whatever it is, seventy thousand workers - "to twenty-three million workers" and how the thing has grown and is still growing, and is continuing to grow, and so forth and so on.

I personally think that this was a well-constructed speech; they liked it - the community liked it - Woodrum liked it, and so forth.

MR. KUHN: There is only one difference, Mr. Secretary, that that was on a local hookup, and this is a coast-to-coast affair.

H.M.JR: Well, I can't help it if they turn it off and wait until the jazz comes back on again - all right, I can't help it, Ferdie.

MR. ODEGARD: I don't think they will do that.

MR. WHITE: There are two things of national interest that he is saying, that will be of interest all over. One is the growth of the pay roll savings plan. You can make much of that, as there are here, two or three or four paragraphs. It will be highly desirable if there is time. I quite agree to get one or two personal incidents which show either in a particular factory or a particular manner - something of that kind. If that could be supplemented, that would be fine.

- 21 -

And secondly, he is reporting to the Nation on the state of this nine billion dollar campaign; he is giving them the latest information which he has, as a report to the Nation of the largest borrowing program in the history of the world. Those two things are to the Nation; that is enough.

H.M.JR: Could I just - you fellows here all approved an ad - "The most important announcement the Treasury has ever made" - was that what it was called?

MR. KUHN: That is what it was called.

H.M.JR: Now we are in the middle of a nine billion dollar Victory Fund drive, and I go on the air. The people want to know how it is going. "Well, as of the night of the 12th - twelve days after we started - it is so far; and so far it is a success." I can't give them any sensational news. But I think, myself, being cynical - and the rest of us being cynical - I think the other thing which we forget, and I would like to drive this home - I am standing in the community where the chairman of the committee that makes up and passes and originates all tax legislation - now that is where I am.

MR. WHITE: That sentence can be in there somewhere.

H.M.JR: "I am standing in the community where Mr. Doughton, the chairman of the committee, who originates and passes on the tax legislation of this Nation - now that is where I am standing, gentlemen. Now, I am right here and he is by my side, and this man Doughton, in his position as chairman of this committee, is one of the key figures of this country."

MR. WHITE: And serving the Nation - not only this committee.

H.M.JR: "And I have come down here to pay my respects to this man because this man has been most helpful to me as Secretary of the Treasury."

- 22 -

MR. WHITE: That is right.

H.M.JR: You can't - whether we like him or don't like him, I am standing in this man's community.

MR. GASTON: I think that should be the first thing you should say.

H.M.JR: Now, everybody is interested in taxes. From my standpoint, what are they interested in? They are interested in taxes. "All right, here I am in the home of one of the most important figures, which affects the lives of everybody listening to me, and I want you to know what kind of a fellow this is. This fellow, he is an upstanding, self-made, hard-working man, who takes his work seriously. He works from six in the morning until six at night, and I am standing here in this community - which is a typical community, the backbone of the country--

MRS. KLOTZ: That is what Mr. Mager as much as did. He started off just that way.

H.M.JR: That is number one. Everybody wants to know what kind of a fellow this fellow Doughton is. They will say, "By golly I didn't know - Morgenthau is right down there. I didn't know all tax legislation has to start in this man's community."

And two, "How is the Victory Fund going?" "It is going all right."

"Now, what about all this War Bond stuff and what about all this pay roll deduction stuff. Are you going on with it? How is it going?"

"We expect thirty million people and we have got seventy percent of them, and we in the Treasury think, as you are partners in this twenty-three million - twenty-four million people - that this thing is a great thing to have thirty million people who are deducting this thing - fifty million people owning bonds."

- 23 -

That is the way to save the market - to have fifty million people - and that is enough. Embroider and embellish it.

MR. MAGER: I think I have included that in that draft, Mr. Secretary.

MR. WHITE: It sounds a little bit, I think--

H.M.JR: I mean, we can be cynical about Mr. Doughton, but the fact is that the legislation has to originate with him, and I have gone down there in his community.

MR. GASTON: Would you like to discuss the nine billion dollar program before you get into the pay roll deduction and war savings?

H.M.JR: Herbert, I would like to say a little something about this district. That is, the district runs from the mountains in western North Carolina down to - it takes in - it is a typical American district. You have in it the mountains of North Carolina; you have got the frontiersmen; and down here in the part where I am standing, you have got the factories; it is a typical district. And this man, on the one hand, has this whole thing; here it is right in the heart of America.

Now, I should think, with this talent around here, they could give me twelve hundred words on that. I don't see why I have to - normally I don't want to do more than one thought in a speech; I have got to do two thoughts in this speech.

MR. KUHN: Peter had the Victory Fund thing well brought in in his draft last night. We will take a crack at it.

H.M.JR: Who can do something on this - work on this? Then we can see it again.

MR. MAGER: I have the time, but--

- 24 -

H.M.JR: But what?

MR. MAGER: I don't know that I want to take the responsibility, at this late stage of the game, of trying to produce it.

H.M.JR: This isn't late; what I call late would be about Saturday morning. (Laughter)

MRS. KLOTZ: And it has happened before.

H.M.JR: As far as I am concerned, you have got nothing else to do. Peter, do you want to take another couple of hours?

MR. ODEGARD: I could, Mr. Secretary. I think that it would be probably a better procedure to let Mr. Mager go ahead and try to incorporate these ideas that you have suggested. I think that you could do a great deal with the Chairman of the Ways and Means Committee. I think that you can build Mr. Doughton up by building up the position that he holds, rather than building Mr. Doughton up as a person. He grows by nature of the job he holds. That can be done easily enough.

H.M.JR: What do you think, Ferdie?

MR. KUHN: I think so. I would be glad to get in on it. Harold and I could work together on it and bring you one late this afternoon.

H.M.JR: What do you think, Herbert?

MR. GASTON: I think that is all right. I would be glad to see them work on it. I think we should be a little cautious about not going too far on the Doughton thing - occupying too much of the speech on it. I think we can say what we want to say in a relatively small compass. Would you eliminate all reference to your British observations, even as a closing thought?

H.M.JR: I think so. I think it is extraneous, and I think it is just bringing in something which does not fit in.

- 25 -

MR. GASTON: I don't think we have room enough, and I don't think we have detail enough to make that British end a significant portion of the speech. There might be, perhaps, a slight reference to it.

H.M.JR: I think the note - you absorb this stuff, don't you - I mean, you get it?

MR. MAGER: Yes, sir.

H.M.JR: I think the note to close on is this, that just as long as we have American communities like the one I am talking about, which will do what this community has done - not only buy War Bonds - his secretary could find out what munitions factories there are right there who buy bonds, as well as building whatever the things are - as long as there are communities like this - or even something about the number of soldiers or something of that sort. If you call up his secretary, I feel sure you can get some figures on his district.

I think you will find that Gamble has sent a newspaperman from this office down there; he could get it in the district. Sort of list what this district does, and this is just one of thousands of districts in the United States; and as long as we have people in the Congress of the United States like Mr. Doughton, we have got nothing to fear in this country. And that, I think, is the way I would close. I mean, list a few of the things. We have got a man - you (Odegard) can help him - call this man to give us some local material - some local examples of some outstanding small factory.

The most thrilling thing White and I did was to go in a factory of sixty employees in Birmingham. Instead of using England, gentlemen, as an example to the country, let's use Doughton's district as an example.

We have got a fellow down there, and if he is any damned good, in a half a day or a day he ought to be able to get some local material. I understand he has been sent down there.

- 26 -

MR. ODEGARD: Walter Shedd.

H.M.JR: Let's use this district and Doughton as a typical American in Congress - "and here I am, standing in this community, and this fellow--" who went down there?

MR. ODEGARD: Walter Shedd.

H.M.JR: Is he any good?

MR. ODEGARD: Yes.

H.M.JR: He can go to the local newspapers and tell them what I want. In an hour he could get the stuff, and let's use this district as an example. That is your "here" stuff for the rest of the country. As long as the communities are doing that kind of thing, Democracy will live, and we can go on and face the rest of the world and win this war.

MR. MAGER: May I briefly summarize, Mr. Secretary, what I think you want to include in this speech? Then we will know exactly what to do.

First, start with a tribute to the community and to Doughton.

H.M.JR: Right.

MR. MAGER: Secondly, emphasize the voluntary effort of the campaign, and what it has accomplished during the last year; a tribute to the various committees that have worked - volunteer committees, and so on.

Thirdly, some reference to the Victory program and the effort; and lastly, returning again to the community and to Doughton.

H.M.JR: Yes.

MR. MAGER: All right.

- 27 -

H.M.JR: Now, the only thing I want is last minute information as to where the Victory Fund stands, as of Saturday night. And you have got to get an inventory of what is going on in the district and don't forget, in talking of Doughton, it is his position.

MR. MAGER: That is right.

MR. KUHN: Would you like to clear Doughton's introduction, or can I send it over to him.

H.M.JR: I would like to hear it.

MR. KUHN: Except the last paragraph - that was to lead into the England stuff Peter had.

(Mr. Kuhn read "Suggested Draft of Mr. Doughton's Introduction at Winston-Salem", as follows.)

"Tonight the people of North Carolina are honored to be speaking to the whole country on this nationwide radio program. We are only one State out of many, but we are doing our full share in the battle on the home front "over here". We in North Carolina have known from the very beginning what this war is all about. I remember a statement that Secretary Morgenthau made many months ago "War is never cheap, but it's a million times cheaper to win than to lose". That is the way we in North Carolina feel about the cost of fighting and winning this war.

"I feel especially pleased and honored tonight to have Secretary Morgenthau here with us in North Carolina. The Secretary and I are old friends and colleagues in a common cause.

H.M.JR: May I interrupt? Say "partners" instead of "colleagues."

MR. KUHN: (Continuing) "Year after year we have worked together on tax legislation and on other aspects of our government financing. There is no more devoted

- 28 -

public servant and no better friend of all the American people than Secretary Morgenthau, who is now shouldering the greatest financing burden in history.

"The voluntary War Savings program that brings us together tonight has one aspect above all others which appeals to me. War Savings calls for thrift, and thrift calls for economy in our everyday lives. As you know, I have advocated economy in government year in and year out since I first came to Congress 34 years ago. When millions of people own government bonds -- I believe the number is now more than 50 million -- those people are bound to take a more alert interest in economy in government in the years to come."

Then there is one very short paragraph saying that you recently came back from a visit to England, and I thought we were going to start the speech in the other way, but I can substitute something for that.

H.M.JR: Now, incidentally, did you see what Doughton said in the "United States News" this week? It says: "Should a Drastic Forced Savings Plan Be Included in New Tax Legislation", and Doughton answered it:

"A drastic form of forced savings might seriously affect the Government's revenue and unduly burden some taxpayers, who could not pay heavy taxes and buy bonds at the same time. If a drastic enforced savings plan would have the effect of making it impossible for the taxpayer to meet his tax and other necessary obligations, I would certainly not be in favor of it.

"The voluntary purchase method gives the taxpayer an opportunity to purchase bonds according to his ability. Whether this should be superseded by a forced savings plan depends upon the amount of burden we feel each individual can bear."

Then he goes on: "The Government will be on a sounder basis if every taxpayer keeps enough in reserve to pay his taxes and meet other necessary obligations

- 29 -

instead of buying bonds when he is unable to meet his tax and other obligations. I feel that this matter should be thoroughly studied from every angle before reaching a final conclusion.

"I have never thought it either safe or wise to try to write tax measures alone or without the thorough and full consideration by the committee responsible for initiating revenue legislation."

What is the matter with it?

MR. ODEGARD: I just think it doesn't say anything, Mr. Secretary.

H.M.JR: Well, it is just significant that he is holding out for the volunteer plan against Walter George, who has gone the other way.

MR. ODEGARD: Except that he puts savings over as against taxes; I think that is bad.

MR. WHITE: Do you have to quote the Secretary in saying, "War is never cheap"? I, personally, don't like that expression. "Cheap" is not a word that fits with war at all. Could you say that war is always costly? I mean, paraphrase it, but - "No matter how costly it is, it is less costly than--" I don't know whether I am right - it is kind of a personal reaction. To say that war is never cheap is like talking about the market place.

MR. KUHN: It happened to be a slogan that was used, and Doughton is the one who meets the cost of the war through tax legislation. I can paraphrase it.

MR. WHITE: I don't know whether you get the same reaction.

H.M.JR: I liked it. Say it again; it didn't bother me.

- 30 -

MR. KUHN: (Reading) "I remember a statement that Secretary Morgenthau made many months ago, 'War is never cheap, but it's a million times cheaper to win than to lose.' That is the way we in North Carolina feel about the cost of fighting and winning this war."

H.M.JR: There never was any criticism of that, Harry.

MR. WHITE: If the others don't feel it, then I am wrong.

H.M.JR: Does it bother anybody else?

(Map handed to the Secretary by Lt.Comdr. Stephens.)

H.M.JR: You see, it goes from clear up in the mountains practically down to--

MR. KUHN: Winston-Salem is not in that district.

H.M.JR: He knew that. I wanted to go to Statesville, the county seat, but he didn't want me to.

How does it stand now - you (Mager) are going to try it?

MR. MAGER: Mr. Kuhn and I will work together.

MR. KUHN: May we come in late this afternoon?

H.M.JR: You know what I am doing late this afternoon. I am starting at four. I think this, that I would - I go up on the Hill tomorrow morning at ten, on appropriations - I will have to get up early tomorrow morning and meet you gentlemen here. There is no use doing it this afternoon - I am available at three-fifteen, and maybe we could get together.

MR. MAGER: I think we will be ready by three-fifteen. I have a feeling that a lot of the stuff can be incorporated.

H.M.JR: I hope each and every one of you appreciate what I am doing. When I go through this I get very much upset, as

- 31 -

Kuhn knows, until the thing is done. So let's say three-fifteen, and we will try it again. I am not worried about the speech because this time I know what I want to say.

MR. ODEGARD: That is the main ~~thing~~.

H.M.JR: At least, I know what I want to say.

4<sup>th</sup> draft 32  
by H. J. Gantson

It is an honor and a great pleasure to be introduced to the people of Winston-Salem and North Carolina by the distinguished Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. In this time of National stress and National peril Bob Doughton - your friend and my friend - is one of the staunch and true wheel-horses of our common effort.

He and I have shared labors together over these recent eventful years. We share now burdens and responsibilities in financing America's <sup>part</sup> ~~share~~ in this greatest of wars - a financial task greater in scope than any this Nation or any nation has ever before faced. But it is not the task of any two men or of any dozen men. It, like the task of producing the tools of war, is the job of all Americans. ~~It is the task~~

- 2 -

~~of you people of North Carolina, the responsibility of you  
citizens of Winston-Salem.~~

It is to pay a tribute to the way the people of North Carolina have gone about that job - the way particularly the workers in the factories of North Carolina have gone about it - that we are here tonight. We have come to present to the men and women who make up the working forces of North Carolina factories flags which will bear testimony to the fact that the workers in the industries which fly them, constituting all of the large factories in this State, have payroll deduction plans under which 99 per cent of their employees are contributing regularly to the purchase of War Bonds; that all of this 99 per cent are enlisted as patriotic soldiers on the financial side of this war against tyranny.

It is only a few days more than a year ago that the treacherous blow struck at Pearl Harbor by a crafty and unscrupulous enemy shocked and aroused the people of this Nation. With war forced upon them they arose to meet the challenge, seeking eagerly the ways in which they could meet it most efficiently.

To fortify America against a threatening war our people a year ago had been subscribing voluntarily to Defense Bonds at the rate of about \$300,000,000 a month. With the upsurge of fighting spirit after Pearl Harbor sales went to more than 500 million dollars in ~~September~~<sup>December</sup>, and to more than ~~a billion in January~~. Since January of this year more than nine billion dollars' worth of War Bonds have been purchased. Remember that I am speaking not of purchases of all types of Government securities, but only of War Savings Bonds, which

- 4 -

represent direct participation in the financing of the war by millions of working men and women.

A year ago payroll savings plans for the purchase of War Bonds were in effect. In December of last year approximately 700,000 workers in some 9,000 establishments were participating in them. They were investing 4 per cent of their pay, a total of 5 million dollars a month.

Today, payroll savings plans are in effect, not in 9,000, but in 160,000 establishments; the number of workers participating has increased from 700,000 to more than 25 millions, and instead of 5 millions at an average of 4 per cent of the pay envelope, the monthly purchases are at a rate of about 9 per cent, amounting to nearly \$400,000,000 a month from this one source. But we have not reached our ultimate goal. I am confident that the number of payroll

- 5 -

investors can still be greatly increased and the average contribution increased to 10 per cent or more. We have now not a few <sup>but</sup> many thousands of workers buying at rates much higher than 10 per cent of their pay.

The story of this payroll savings program is a success story of the first magnitude. More than that it is the story of our progress in patriotism and devotion to our country in its time of trial and struggle. Less than a year ago the Payroll Savings Plan was an experiment. It was an experiment filled with immense difficulties. Today not all but most of those difficulties have been surmounted. Labor and management working together on them have discovered a new sense of partnership which has been reflected not only in increased sales of war bonds but also in better understanding and increased efficiency on the production line. I like to feel that this

- 6 -

new labor-management partnership sets a pattern for the future under which labor and management will cooperate in industry problems for their common good and the good of the Nation.

Important though the payroll savings plan is, it represents but one phase of our over-all bond campaign. Millions of farmers, self-employed artisans, and businessmen are purchasing War Bonds regularly. All in all 50 million Americans invested in War Bonds during the past year. More than 50 million Americans now have a direct and personal stake in the finances of their government. To my mind the significance of this can hardly be overestimated. Not only should the wartime sacrifices of today emerge as the new homes, new comforts, and new standards of living for the morrow, but the piling up of a nest egg of savings to fall back upon if need be will be a source of comfort and reassurance.

But War Bond purchases do not tell the full story of the financial mobilization of the American people.

On the first of December the Treasury launched a program to borrow nine billion dollars including money from the sale of War Bonds, which with revenue from taxes, will carry us through until February. Nearly half of this vast sum, over 4 billion dollars, was raised during the first week of December. I am happy to announce that as of today, this total has reached

Credit for these records must go to tens of thousands of willing volunteers throughout the nation who have given their time and energy to sell these bonds and to the millions of Americans who have enlisted their money in the service of their country.

The successful financing of the war means real sacrifice for all of us.

Great as our resources are, we haven't enough to buy all we want for ourselves and still put all we need to put into winning the war. We have a decision to make, whether we shall deny ourselves all the comforts we would like to have or deny our boys at the front - your sons and mine - the tools and the weapons they need to meet the enemy. We have to choose also whether we shall finance the war

over the rough and cruel road of inflation or by sober thrift that will protect our present and our future. The steep road of self-denial will be the short road to victory.

Just a few weeks ago I believed that we faced a long war. Now I believe that we can make it a relatively short one - if we pull together on the job. My mind was changed about the prospects after a visit of two weeks over there - in Great Britain. One of the influences in changing my mind was what I saw of the British people and what they are doing for victory. I had been told, as you have been told, and as the enemy wants to believe, that they were a decadent race, incapable of organizing to meet and to conquer a stern and cruel aggressor. But the British people have undergone a baptism of fire and with an indomitable courage have risen from it a new race, vibrant with youthful energy and an unconquerable spirit. They have, from statesmen to factory girl, a sure religious faith, not that God has chosen to be on their side, but that they are fighting in a righteous cause and that they are on God's side in a war to make the future of humanity more bright

I gained new assurance also from the American soldiers and sailors I saw in England. They are magnificent

representatives of our democracy, trained and fit for the job they have to do. They will acquit themselves with glory, as have their comrades at Bataan, on Wake Island, on Guadalcanal, in North Africa and in China. If we "over here" are to be worthy of them, we have a high mark indeed at which to aim.

Since my return I am more than ever convinced that we "over here" will prove worthy of them. On the production lines, in mines and fields and factories we are giving an increasingly good account of ourselves. We have harder tasks ahead; we shall have our own trial of blood and sweat and tears, but I believe we shall meet our trial triumphantly and play our part in building a world in which men can be free to live worthy lives.

December 9, 1942  
11:20 a.m.

TAXES

Present: Mr. Bell  
Mr. Graves  
Mr. Gaston  
Mr. White  
Mr. Sullivan  
Mr. Blough  
Mr. Friedman  
Mr. Surrey  
Mr. Shere  
Mr. Bernstein  
Mr. Haas  
Mr. Murphy  
Mr. Lindow  
Mr. Tickton

MR. BELL: Due to the fact that we are late, I didn't suppose you had time to go over all the charts in detail.

H.M.JR: All right, Dan, please go ahead.

MR. BELL: This is just a short agenda. (Agenda handed to the Secretary, copy attached) We thought that you would say just a few words on the purpose of the meeting, and then we would pass around this kind of an agenda to everybody present. There would be in front of you this agenda, broken down into more detail, so that you could follow the discussion as we went along. The problem would be handled by Mr. Lindow, and the charts that he would present would give the gap and also the fiscal picture.

I don't know whether you want to hear any of this discussion now or whether you want to see the charts, just quickly.

- 2 -

H.M.JR: Are you going into the gap business?

MR. BELL: Yes, that is the first thing on the program, to say what the gap is; and unless there is a lot of discussion, it will only take a few minutes.

MR. HAAS: It ~~is~~ a somewhat new approach.

MR. BELL: And also the fiscal picture. That gives you the Treasury's problem of financing the war expenditures for the calendar year of 1943; and that will tie in with the figures in the gap picture.

That will be followed by Tickton, showing all the War Savings Bonds charts that he showed at the meeting last week, with one additional chart, I believe, showing what we have done in War Savings Bonds and the various categories.

Then Mr. Blough will take up the burden of the present personal taxes, breaking that down as much as he can and discussing it from its various angles.

This will be followed by alternative fiscal measures - what you can do in the income tax - and I believe Blough has the sales tax in there, also, and a number of others.

H.M.JR: Have you got those things prepared on the various income tax levels? That is not for this meeting, is it, a sheet showing what a man--

MR. BLOUGH: Yes, for the existing law we have a sheet which indicates the nature of the thing. It shows the non-refundable items, victory tax, Federal income tax; and New York State income tax; then the refundable items, victory tax credits, the pay-roll tax, the war bond deductions, and the total refundable; and then all items, excluding New York State and Federal income and the victory tax, and the total.

MR. BELL: That is the burden on various income groups.

- 3 -

MR. BLOUGH: This is shown for a married couple with no dependents, from eight hundred dollars up to a hundred thousand dollars. That will be blown up into a big table.

H.M.JR: Are you going to explain it?

MR. BLOUGH: I will explain it, that is right. That will be the basis of the discussion of the present burden. It does not go into the whole burden of taxation, but it is the present burden of personal taxes, you might say.

H.M.JR: Bell, let me just put this to you. What is the net result you are trying to get into these people's brains when they leave?

MR. BELL: We are trying to get before them and get them acquainted with everything that the Treasury has done up to date on the bond program and the taxes. Then from there on we will discuss various alternative proposals, taxes, and forced savings, and so forth, in a general way, and try to bring out discussion of those various plans, so as to get everybody's view.

H.M.JR: I think this - of course, I haven't been in on these previous meetings - I will just get up and I will thank everybody for coming, say to treat it as confidential, and so forth, and so on, and then turn the meeting over to you. (Bell)

MR. BELL: All right. I think you ought to say as the purpose of the meeting that you thought that everybody should come and see what the Treasury has done and then to show various programs that it has studied. Then we will just follow the agenda from that point on.

H.M.JR: It is an inventory of the position of the Treasury of today.

MR. WHITE: Is that what it is today? I didn't gather that that was the objective, to inform them what

- 4 -

the Treasury had done, but rather to present the picture of the problem as we see it and to provide for a clarification of the various aspects of the problem.

H.M.JR: That is what I am trying to find out, myself.

MR. BELL: Plus what the Treasury has done up to date.

MR. WHITE: That would strike a little of the wrong note, it would seem to me, because that would make it appear that you have invited them here to show what is being done, not that we did it - the Treasury bond program, what the fiscal picture is - to tone down any role that we have had in it - but rather that this is something that is of interest to all the people there.

MR. BELL: All right, I agree with that; call it the fiscal side of this picture.

MR. BLOUGH: What is the problem we face, what are some of the ways, fiscally, that that problem could be met, and what would it mean in magnitudes. Then one thing we had expected to do, Mr. Secretary, is to take that first plan, number one, which Mr. Paul, I think, gave you some time ago. It is a plan which involves three billion dollars of additional income tax and fifteen billion dollars of compulsory lending. We will show what that would mean, as a sample - not as a program, but as a sample - people have been talking in terms of that around town - of what it would mean to individuals if you did that sort of thing. We have that also drawn up to present, if that meets with your approval. In addition to the alternatives for filling the whole gap, what would this particular one do in terms of burden.

H.M.JR: And to show them the growth of the war savings program and that some of these other programs would kill it; and in order to get something, it has to be that much bigger than the war savings.

- 5 -

MR. BLOUGH: That seems to me to be one of the main purposes, to get some realism in their thinking about the lending program.

MR. WHITE: I should be inclined to let that develop out of the discussion rather than come from you, Mr. Secretary.

MR. BELL: That would come out in I and II of the discussions on the problem and the War Savings program.

H.M.JR: I have been so overworked - I mean here - that I haven't had time to think of this meeting, and I have not had the advantage of the other meetings which have gone before that Bell has. You have had a number of meetings, and I think the simplest thing is that I am there and I will say, "Mr. Bell has devoted a great deal of time to this, so I am going to ask him to conduct the meeting."

MR. BELL: All right.

MR. WHITE: I think that would be a good idea, although I don't think I would preface with anything except to thank them for coming and say that Mr. Bell is going to conduct the meeting, without any reasons.

H.M.JR: I am warning Bell now, if I feel that the thing is going against us, so to speak, I am going to horn in as anybody else would from the outside. I mean, that is one advantage of not sitting in the chair.

MR. WHITE: Except that I think you can rely on a good many of your staff to take care of that so that before the evening will be out I don't think there is any defense that will be left unrepresented. You can relax and take it easy and just listen.

H.M.JR: That would be marvelous.

MR. BELL: I think we have to rely on everybody in this room to sort of stimulate the discussion.

- 6 -

H.M.JR: I was thinking about this last night, and I think there is great advantage not to have me in the chair; it isn't a meeting in which I, Henry Morgenthau, Jr., am trying to put over something; it is the Treasury. I have thought about this thing, and I think that some of the people there will take it in good grace and feel much happier about it if I am not - I mean, it is not me, personally, as a person trying to shove something over. This is the Treasury as a group which wants to present the problem as they see it. I have gone to other meetings, and there is always one individual who wants to dominate the thing. You have been to a lot, too - you (Sullivan) and I went to the meeting with Jesse Jones on the governors - well, it had to be Jesse Jones. So I want this to be a Treasury meeting rather than a Morgenthau meeting.

MR. BELL: All right.

H.M.JR: I thought about it quite a lot. You all know your jobs. If you don't--

MR. SULLIVAN: Don't look at me; I am just here to applaud. (Laughter)

MR. WHITE: Well, that is your job. (Laughter)

MR. GASTON: Do you need any help, John? (Laughter)

MR. SULLIVAN: Yes, join me. (Laughter)

H.M.JR: Do you want a dress rehearsal outside of this room besides this?

MR. BELL: No, I have had a good deal of this picture already, and I think the boys know - if they think they want to go over it, I will be glad to do it. We met in my room just now on this agenda.

MR. WHITE: You might like to look at that one chart that Roy prepared, if it is ready.

MR. BLOUGH: Shame on you, Harry. (Laughter)  
I have a very lovely chart which happens at the moment

- 7 -

to be so complicated that I am afraid you would die just to look at it.

H.M.JR: Why do it twice? Why kill me twice?  
(Laughter)

MR. BLOUGH: I think Harry was pulling my leg

MR. SULLIVAN: If we have a good dress rehearsal, the opening performance would be a flop.

H.M.JR: I have heard them before - these committees - I think they know their stuff.

I would like, as long as I have these men in the room here, for them to stay behind a minute for something else, unless you have something. I would like Odegard, Gaston and Sullivan to stay behind. I want to talk about schools.

**AGENDA****Fiscal Measures and Inflation  
Control**

- I. The Problem**
  - A. Income Expenditure Outlook for 1943**
  - B. The Fiscal Picture**
- II. The War Savings Bond Program**
- III. The Burden of Present Personal Taxes**
- IV. Alternative Fiscal Measures**

December 9, 1942  
11:40 a.m.

INCOME TAXES

Present: Mr. Sullivan  
Mr. Gaston  
Mr. Odegard

H.M.JR: Let me just say this, that I feel a real job can be done through the school teachers of America by having them hold night classes, if you wish, on how to make out income taxes, and so forth, and so on. I have been holding up - many letters come across my desk to go to governors and to school teachers. I just haven't had a breathing spell. I have never been so far behind.

Now, I haven't the thing here. I am so far behind that I just don't know where I am at. I spoke about it to Mager, who is a high school teacher, and he gave me the name of somebody. He said we could talk to him and ask him to come down here.

What I want to do, John, is to do this thing much more thoroughly. I want to do a real job and have these people conduct it - I would like the adults coming to the schools at night so that these people really can learn about their income tax, and so forth. I know you people over at the Bureau think it has been done, but I don't think people know.

MR. SULLIVAN: I think we ought to let the Commissioner be in whenever - I assume you just want Peter, Herb, and I to discuss it.

H.M.JR: I would like you to discuss it, and I would like you to discuss it with Mager. I don't know how this man whom you have over there on schools has worked out.

- 2 -

MR. ODEGARD: Not too well, I am sorry to say.

H.M.JR: Mager is suggesting - he said, "I would appreciate your releasing Mr. David Frank, Administrative Assistant, Long Island City High School, for a day or two, to come to Washington to consult with Treasury officials on a confidential matter."

May I turn this over to you?

(Memorandum from Mr. Mager to the Secretary, dated December 7, 1942, handed to Mr. Odegard.)

Now, there is a man - I can get his name in a minute. He is the publicity man for the school system in the City of New York. They pay him twelve thousand dollars a year, and my friend, Margaret Lewisohn, mentioned him to me once; then she said, "I mention him because he is so outstanding." I will ask Sam Lewisohn what his name is. He is a man that might be borrowed. She says, "In the first place he is a liberal." They pay him twelve thousand a year - the City of New York does. She says that he is unusual. You may know his name when you hear it.

MR. ODEGARD: I don't think of it, no.

H.M.JR: He is publicity--

MR. ODEGARD: There are many problems, you know, involved in that sort of thing. Teachers are now working overtime on rationing boards. You will have a difficult job of training them.

H.M.JR: Mager says they will be glad to do it.

MR. SULLIVAN: They may be glad to do it, but the one class of people we have the most trouble with in filling out tax returns is doctors. The second poorest class is school teachers.

- 3 -

H.M.JR: That proves my point.

MR. SULLIVAN: It proves the point, Mr. Secretary, that we have got to start in and train a group who are second poorest in handling their own tax returns.

H.M.JR: That is all right. I will tell you what I would like you to do - I can't do anything more today, and I won't be able to do anything more this week, but I would like Odegard, who is a teacher; I would like Gaston, who is a publicist; I would like you (Sullivan), who are responsible for this; I would like Mager to sit in; and I would like the Bureau, if you could call a meeting - a couple of meetings this week, as many as are necessary - so that by Monday when I come back refreshed from the mountains of North Carolina you might have a plan.

Now, the reason I am putting it - I want a fresh look at it. Mager is very enthusiastic. I don't know who this man is, but I think that the job is so big, and I don't get the feeling - now, the President of the United States has always felt that people should be able to go to the post office, and any postmaster ought to be able to help them out, and so forth, and so on. I would like these people to take a brand new, fresh look at it.

MR. SULLIVAN: Sure, I am for that.

H.M.JR: And sit down - I mean, it is much bigger, and the reason that Henderson is falling down on his job is because the people don't understand.

MR. SULLIVAN: That is right.

H.M.JR: We have got time - and after all, if you are going to do this thing, if you ran the instructions during the month of February, that would be the time.

Now, Mager - I think he is a school teacher, isn't he - he went back and talked to the people and he evidently

- 4 -

found they would be enthusiastic for this, they would like to do it. I have not studied the subject, but I just feel like when we got on these loans and tried to educate the banks on how to make out these foreign things - when we held schools for them, it went quite well; and again going down, it is the smallest school in the smaller community which will make or break it. Here is the President of the United States himself in Cabinet complaining bitterly about how he had to make out the necessary blanks to get oil for his house at Hyde Park. If somebody had gotten his superintendent or somebody over there, and had a town meeting and explained the thing to him, maybe the President would not be bothered.

When we first did War Bonds, the President took the trouble to see that the town of Hyde Park was carefully covered, with the result that when the President called in the old wise men of the town, the eighty-two, and asked them how War Bonds was going, and so forth, and so on, he got a good report.

(The Secretary held an unrecorded telephone conversation with Mr. Sam Lewisohn.)

He passed on it, himself. I mean, he has got the idea, and you could see he was thinking. You know him, don't you?

MR. ODEGARD: Yes, I had dinner with him one evening.

H.M.JR: That is that, and I would like to kick this thing off, you see. After you have gone into it, you may find that this is not the way to do it.

MR. SULLIVAN: I wonder if I can't get Guy so we can get going on it right away.

H.M.JR: We are doing a speech. You had better do it the first thing tomorrow morning.

- 5 -

MR. GASTON: I will take a look at my City of New York booklet.

H.M.JR: Sam knows the man; he has a bum memory.

Margaret is trustee of - what is the one where the teachers go to?

MR. ODEGARD: Teachers College at Columbia.

H.M.JR: But she said this man has gotten along with LaGuardia and everybody, and he has done a wonderful job with the schools. He understood what I wanted.

December 9, 1942  
3:20 p.m.

WAR BONDS

Re: North Carolina Speech

Present: Mr. Mager  
Mr. Kuhn  
Mr. Gaston  
Mrs. Klotz  
Mr. Odegard  
Mr. White

H.M.JR: Will you just make a couple of changes as I go along. (Reading)

"I am happy to be speaking tonight in the home State and near the home district of one of America's outstanding legislators -- my old friend and colleague, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation."

I would say, "I am speaking tonight in the home State and in the home community," that is a little easier; instead of saying "near."

MR. GASTON: Is there anything incorrect in the word "colleague"?

MR. MAGER: The meaning of it comes out a little later.

H.M.JR: You can say "an associate," that is what Mr. Hull always speaks of.

MR. GASTON: "Co-worker" or "associate."

H.M.JR: "Associate" is much better. Why not just say, "my old friend" - "My old friend, the Chairman of

- 2 -

the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation."

I like the way it starts.

(Reading) "Bob Doughton and I have shared many labors together over many eventful years."

MR. GASTON: I was going to say, "these recent eventful years." I thought you were questioning the word "many."

H.M.JR: "Many recent years" - "eventful" isn't enough, I was thinking.

(Reading) "I think that we at the Treasury are fortunate to be working in partnership --"

MR. KUHN: He used the word "partnership" in introducing you.

H.M.JR: Instead of saying, "I think," say, "We at the Treasury are fortunate to be working in partnership --"

MR. GASTON: "We at the Treasury consider ourselves fortunate to be working in partnership --"

MR. MAGER: "Are indeed fortunate--"

H.M.JR: I don't like just "fortunate."

MR. MAGER: Say, "We at the Treasury are indeed fortunate."

H.M.JR: "We at the Treasury are indeed fortunate to be working in partnership -- as he himself described it only a moment ago --"

I don't think that is necessary.

MR. KUHN: He was just talking about partnership. I think it is right for you to say that.

H.M.JR: (Reading) "--with a Chairman who takes his responsibilities with such deep seriousness in these serious days."

I don't like "deep seriousness" - give me a better word than "seriousness."

MR. KUHN: He has used the word "devotion" about you, and I don't want to--

MR. GASTON: "He takes his responsibility so seriously in these grave days."

H.M.JR: That is all right. "And I think the taxpayers of the country are equally fortunate in having tax legislation originate with a man like Bob Doughton, who is so devoted to his country and to the welfare of all its people."

MR. ODEGARD: Tax legislation doesn't originate--

MR. GASTON: "--originate under the leadership of a man like Bob Doughton--"

H.M.JR: That is right; "--originate under the leadership--" He will love this - "--originate under the leadership of a man like Bob Doughton" - that is just the whole point - "so devoted to his country and to the welfare of all its people."

You wouldn't say, "--so devoted to his community, his country and to the welfare of all its people"?

MR. GASTON: No, I think we had better make him a National figure - not a local figure.

H.M.JR: "In introducing me Mr. Doughton spoke generously of the financing burden that rests upon me nowadays as Secretary of the Treasury. That burden

has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and the custodians of trust funds, and to see that those dollars go to work for their country. I am delighted to report to the nation tonight that this morning, only the twelfth business day of our drive, we had raised more than six billion dollars."

MR. GASTON: I would just say, "this morning."

H.M.JR: Why "this morning"? "I am delighted to report to the nation that the most recent figures--" something like that.

MR. WHITE: I would say, "I want to report--" making it a paragraph.

MR. GASTON: "I am able to report to the Nation that today, only the twelfth business day of our drive--"

H.M.JR: Fix it up.

(Continuing) "We are more than two thirds of the way to success. This is a magnificent achievement, another proof of what a free, enlightened and democratic people can do when their country needs them."

MR. GASTON: "Calls on them" is better.

MR. WHITE: Would you want to say, "This is a magnificent response"? They are liable to think you are patting yourself on the back.

MR. KUHN: Call it a response, but not a response from the people, because there are very few people who have been responding.

- 5 -

H.M.JR: (Continuing) "In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain cabins in your western counties" - we will have Miss Elliott check that - "to your factories near Winston-Salem and your shipyards on the coast, this State of yours is a fine example of the spirit that is being shown by millions upon millions in every State at the start of our second year of war."

Why do you say, "--start of the second year of war"?

MR. KUHN: It isn't necessary.

MR. WHITE: I think I would put a period after "State."

MR. GASTON: The only object, as I see it, is to get in the war movement - the fact that we are at war - the spirit in connection with the war effort.

MR. ODEGARD: That adds something.

H.M.JR: (Continuing) "I have come here tonight to pay my tribute to the workers and employers of North Carolina who have earned Minute Man flags for their part in the War Savings campaign," - that is again the same thing; nobody knows what a Minute Man flag is. Say, "Treasury Minute Man flag" - it can't do any harm to say "Treasury." (Continuing) "--but in congratulating them I want also to congratulate the workers and employers of the United States as a whole."

MR. WHITE: May I suggest that that "but" be capitalized, so that in your reading, you pause?

MR. KUHN: Yes, start the sentence with "But."

H.M.JR: Why not say, "But in congratulating them I am also congratulating the workers and employers--"

MR. KUHN: Yes, start the sentence with "But."

H.M.JR: Why not say, "But in congratulating them, I also am congratulating the workers and employers--"?

MR. KUHN: "I also congratulate--"

H.M.JR: "In congratulating them, I also am congratulating--"

MR. GASTON: May I suggest that you practice a little on that word "congratulate."

H.M.JR: What is the matter?

MR. GASTON: You have a tendency to slur it a little.

H.M.JR: "In this community and in every community the first year of war has brought miracles in some field of patriotic effort. And not the least of these is the War Bond campaign."

Is "miracle" too strong?

MR. GASTON: I think it is a little strong.

MR. KUHN: We will fix it.

H.M.JR: "Take, for example, the payroll savings program in which you in North Carolina have made such an enviable record. You will not find it in the headlines, you do not get medals for your part in it, you get nothing but a little blue and white flag as a symbol of achievement. Yet in North Carolina every big company now has a payroll savings plan, and 99 percent of all the workers in those companies are investing in War Bonds week in and week out."

I don't like "--every big company" - "every large company," would be better.

MR. GASTON: Or "--every big factory"--

- 7 -

MR. WHITE: May I suggest, since you say you do not give medals, (reading) "--you do not get medals for your part in it, you get nothing but a little blue and white flag as a symbol of achievement" that maybe you don't need that up earlier, "--who have earned Minute Man flags for their part in the War Savings campaign." It sounds as though they were getting a medal, up there.

MR. KUHN: Simply that the ceremony is a Minute Man ceremony.

MR. ODEGARD: I do not like the use of diminutives - "--you get nothing but a little blue and white flag--" it is deprecating. I would rather say nothing about it at all than to say it is nothing at all. Why award something - why go all the way to North Carolina to award a flag that doesn't mean anything?

MR. KUHN: The only argument is that the pay roll savings thing has been consistently ignored in the press; people are not aware of it.

H.M.JR: Can I do this - I am so pressed for time - let me see if this is acceptable, and then argue about words afterwards, if you don't mind. I have never been so short of time and so tired. I would like you people to go over it, and yet I am desperate. I want suggestions, but if they can be made in Mr. Gaston's room, it would help me.

(Reading) "We can better appreciate the truly magnificent achievement of this democratic, voluntary program by examining what has been accomplished during the past year." I would say, maybe, "twelve months ago."  
(Continuing) "Just a year ago there were only 700,000 workers in the entire country on the payroll savings plan, and these workers were investing only 4 percent of their pay in bonds. Today, 24 million workers are setting aside an average of eight and one-half percent of their pay every pay day. And soon, we have reason to believe, 30 million workers will be investing at least ten percent of their pay in War Bonds. This is indeed a tribute to the patriotism and intelligence of the American people."

- 8 -

Would you want to say, "And soon, if this steady growth continues, we have reason to believe--" instead of, "And soon, we have reason to believe--"? I am just throwing it out. I want to get the feeling.

MR. MAGER: Don't you think it is more or less obvious that if the growth continues, then there will be thirty million?

H.M.JR: I am throwing it at you. If I want something definite, I am going to say so. I am going to throw things at you.

MR. MAGER: That would be my objection.

H.M.JR: All right, if you don't like it, throw it in the fire.

(Continuing) "We could never have achieved this success without the untiring effort of thousands of volunteer workers who have been the unsung heroes in a noble enterprise."

I think that you are putting it on a little bit thick.

MR. KUHN: It is easily softened.

H.M.JR: What was the word used earlier - "miracles" - and now "a noble enterprise."

MR. ODEGARD: "--this enterprise"--

H.M.JR: Is this Kuhn or Mager who is getting noble on me?

MR. MAGER: That is mine.

H.M.JR: I think it is a little bit too noble.  
(Laughter)

MR. MAGER: The reason I put it in was because they are, in a sense, unsung heroes, so I wanted to play up the fact that they were doing a grand piece of work.

H.M.JR: O.K. I am willing to say, "--who have been unsung heroes in this grand enterprise."

MR. MAGER: That is better, too.

H.M.JR: That is what I am willing to say.

"Day in and day out our labor-management committees, of which there are many thousands in the nation today, have contributed immeasurably to the success of the effort. The result is just one example of what can be done with labor and management in harmony. I like to feel that this new labor-management partnership sets a pattern for the future when labor and industry will work side by side for their own good and for their country's good."

That is very good - that is O.K.

H.M.JR: (Continuing) "Important though the payroll savings plan is, it represents but one phase of our War Savings campaign. Millions of farmers, self-employed artisans" - that is too highfaluting - "and businessmen have put their savings at their country's disposal. All in all 50 million Americans invested in War Bonds during the past year. To my mind the significance of this can hardly be overestimated. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings are being protected until those savings are needed to keep the wheels of peace-time industry turning once more. It means that habits of thrift have taken hold of the American people, with results that will help to win the war and to win the peace to come.

- 10 -

"We on the home front have to decide whether we shall deny ourselves all the comforts we would like to have or deny the boys at the front -- your sons and mine -- the tools and the weapons they need to meet the enemy."

Do you want to put that thought in?

MR. KUHN: It is the thought the President has used. I think it is the best argument we have got.

H.M.JR: It is all right.

"We have to choose also whether we shall finance the war over the rough and cruel road of inflation or by sober thrift that will protect our present and our future."

MR. WHITE: "Cruel"? "Rough and unjust" or "inequitable," but not "cruel."

MR. ODEGARD: "Costly."

MR. GASTON: "Costly," that is good.

MR. MAGER: Yes.

H.M.JR: (Continuing) "The steep road of self-denial will be the shortest road to victory." We have got a lot of highways, here; we have got to do something about these roads. Bring in a few cow paths - "From the cow paths of Carolina"-- (Laughter)

MR. WHITE: He feels that cow paths would be more appropriate. (Laughter)

H.M.JR: (Continuing) "I believe that the fifty million Americans who have bought War Bonds this year have already made up their minds to take the right road." There is another road-- (Laughter)

MR. GASTON: There are two alternative roads. You could choose some other figure, or not have any figure at all.

- 11 -

H.M.JR: "I am convinced that we on the home front 'over here' will be worthy of our fighting men. On the production lines, in mines and fields and factories, we are giving an increasingly good account of ourselves. We have living evidence in this community and in thousands of others all over the land of a nationwide willingness to work and save and sacrifice."

MR. KUHN: The next sentence is out because it is repetitious.

H.M.JR: "I have just heard of an example of patriotic spirit right here in North Carolina which I regard as a challenge to the country as a whole. At the great ordnance plant at Fore River, not far from here, the workers are investing not ten percent but an average of twenty-two percent of their pay in War Bonds every pay day."

When did you get that?

MR. KUHN: We got that today.

MR. GASTON: Is there a Fore River? The Great Fore River shipping plant is at Quincy, Massachusetts.

H.M.JR: Isn't that--

MR. MAGER: We will check it.

H.M.JR: "This performance does not call for congratulations; it calls for a salute. I salute the workers of Fore River, in the hope that their example will be followed elsewhere.

"We have hard tasks ahead of us in 1943; we shall have our own trial of blood, sweat and tears. But I believe that we shall meet our trials triumphantly, because I have faith in the American people. I believe we will play our part in winning the war and in building a world in which the American people can live in harmony, peace and freedom."

O.K. That is good.

- 12 -

MR. MAGER: That is a good way to finish.

MR. KUHN: They are doing it in Kansas City in another one.

H.M.JR: The Kaiser plant is eighteen percent. You wouldn't want to make it, "At the great ordnance plant at Fore River where there are twenty thousand employees"? You can get some idea of the number. How did you get this, call up on the phone?

MR. KUHN: I got that from Englesman, who had just come back from there.

H.M.JR: It is a hard trial we have--

MR. WHITE: Do we have to have "blood, sweat, and tears" here, too?

H.M.JR: No.

MR. WHITE: It has crept into every speech.

MR. ODEGARD: Just stop after "We have hard tasks ahead of us in 1943."

H.M.JR: "But I believe that we shall meet our trials triumphantly, because I have faith in the American people." That is a little presumptuous on my part.

MR. WHITE: I think you are right. You don't need that clause.

H.M.JR: Give me a little something - look, boys, look up some Revolutionary hero from North Carolina and give me some quotation from him.

MR. WHITE: Revolutionary times is going a long way back for North Carolina.

H.M.JR: Go back to the time - somebody up in the library can get it.

- 13 -

MR. WHITE: They must have some hero.

MR. MAGER: Wiley Jones is the man; look it up.

H.M.JR: Give me a good quotation, "As Wiley Jones said, in 1775--" something like that. (Laughter)

MR. WHITE: Make it up if you can't find it; nobody will know. (Laughter)

This is O.K. It is very good. This speech, I think, is very good.

H.M.JR: Give me some ammonia! (Laughter)

This is all right. Could you fellows do the word-by-word part? Who is going into the four o'clock meeting with me?

MR. KUHN: I thought I would come in, but I don't have to.

H.M.JR: Peter, could you go over this with him once more?

MR. KUHN: Is the scope of it all right?

H.M.JR: I like it.

MR. WHITE: Didn't you have a sentence about bringing back to the community - something that you said this morning? It needs some kind of an end.

MR. GASTON: That little story brings it back to the community. We need some sort of a kicker on the end.

H.M.JR: I want to find out - I want this to be read to Miss Elliott and Mrs. Morgenthau, tonight. I will find out. I am going upstairs.

This is good. We will do it again at nine o'clock tomorrow morning. This is all right, gentlemen.

- 14 -

MR. KUHN: Just the words, now.

MR. MAGER: And the conclusion.

H.M.JR: Look up - there must be somebody in North Carolina. You don't want to get into the Civil War; that gets into your sectional stuff. That is why I say the Revolution.

MR. WHITE: You are right.

MR. MAGER: Connor's History of North Carolina.

Mager's - Draft III

Draft  
68  
3  
(Mager)

I am happy to be speaking tonight in the home State and near the home district of one of America's outstanding legislators -- my old friend and colleague, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

Bob Doughton and I have shared many labors together over many eventful years. I think that we at the Treasury are fortunate to be working in partnership -- as he himself described it only a moment ago -- with a Chairman who takes his responsibilities with such deep seriousness in these serious days. And I think the taxpayers of the country are equally fortunate in having tax legislation

- 2 -

originate with a man like Bob Doughton, who is so devoted to his country and to the welfare of all its people.

In introducing me Mr. Doughton spoke generously of the financing burden that rests upon me nowadays as Secretary of the Treasury. That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and the custodians of trust funds, and to see that those dollars

go to work for their country. I am delighted to report to the nation tonight that this morning, only the twelfth business day of our drive, we had raised more than six billion dollars. We are more than two thirds of the way to success. This is a magnificent achievement, another proof of what a free, enlightened and democratic people can do when their country needs them.

In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain cabins in your western counties to your factories near Winston-Salem and your shipyards on the coast, this State of yours is a fine example of the spirit that is being shown by millions upon millions in every State at the start of our second year of war. " I have come here

tonight to pay my tribute to the workers and employers of North Carolina who have earned Minute Man flags for their part in the War Savings campaign, but in congratulating them I want also to congratulate the workers and employers of the United States as a whole.

In this community and in every community the first year of war has brought miracles in some field of patriotic effort. And not the least of these is the War Bond campaign.

Take, for example, the payroll savings program in which you in North Carolina have made such an enviable record. You will not find it in the headlines, you do not get medals for your part in it, you get nothing but a little blue and white flag as a symbol of achievement. Yet in North Carolina every big company now has a payroll savings plan, and 99 percent of all the workers in those

companies are investing in War Bonds week in and week out.

We can better appreciate the truly magnificent achievement of this democratic, voluntary program by examining what has been accomplished during the past year. Just a year ago there were only 700,000 workers in the entire country on the payroll savings plan, and these workers were investing only 4 percent of their pay in bonds. Today, 24 million workers are setting aside an average of eight and one-half percent of their pay every pay day. And soon, we have reason to believe, 30 million workers will be investing at least ten percent of their pay in War Bonds. This is indeed a tribute to the patriotism and intelligence of the American people.

We could never have achieved this success without the untiring effort of thousands of volunteer workers who have been the unsung heroes in a noble enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have contributed immeasurably to the success of the effort. The result is just one example of what can be done with labor and management in harmony. I like to feel that this new labor-management partnership sets a pattern for the future when labor and industry will work side by side for their own good and for their country's good.

Important though the payroll savings plan is, it represents but one phase of our War Savings campaign. Millions of farmers, self-employed artisans, and businessmen have put their savings at their country's disposal.

All in all 50 million Americans invested in War Bonds during the past year. To my mind the significance of this can hardly be overestimated. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings are being protected until those savings are needed to keep the wheels of peace-time industry turning once more. It means that habits of thrift have taken hold of the American people, with results that will help to win the war and to win the peace to come.

We on the home front have to decide whether we shall deny ourselves all the comforts we would like to have or deny the boys at the front -- your sons and mine -- the tools and the weapons they need to meet the enemy.

We have to choose also whether we shall finance the war over the rough and cruel road of inflation or by sober thrift that will protect our present and our future. The steep road of self-denial will be the shortest road to victory. I believe that the fifty million Americans who have bought War Bonds this year have already made up their minds to take the right road.

I am convinced that we on the home front "over here" will be worthy of our fighting men. On the production lines, in mines and fields and factories, we are giving an increasingly good account of ourselves. We have living evidence in this community and in thousands of others all over the land of a nationwide willingness to work and save and sacrifice. Our 300,000 War Bond volunteers

- 9 -

are giving one expression of that willingness by their untiring efforts to enlist the earnings and the savings of the country to finance this costliest of all wars.

I have just heard of an example of patriotic spirit right here in North Carolina which I regard as a challenge to the country as a whole. At the great ordnance plant at Fore River, not far from here, the workers are investing not ten percent but an average of twenty-two percent of their pay in War Bonds every pay day.<sup>(1)</sup> This performance does not call for congratulations; it calls for a salute. I salute the workers of Fore River, in the hope that their example will be followed elsewhere.

We have hard tasks ahead of us in 1943; we shall have our own trial of blood, sweat and tears. But I

believe that we shall meet our trials triumphantly,  
because I have faith in the American people. I believe  
we will play our part in winning the war and in building  
a world in which the American people can live in harmony,  
peace and freedom.

D-C

I am happy to be speaking tonight in the home State and near <sup>in</sup> the home <sup>community</sup> district of one of America's outstanding legislators -- my old friend and colleague, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

Bob Doughton and I have shared many labors together over many <sup>recent</sup> eventful years. ~~I think that~~ we at the Treasury are <sup>indeed</sup> fortunate to be working in partnership -- as he himself described it only a moment ago -- with a Chairman who takes his responsibilities <sup>so seriously</sup> with such deep seriousness in these <sup>grave</sup> serious days. And I think the taxpayers of the country are equally fortunate in having tax legislation

- 2 -

originate <sup>under the leadership of</sup> with a man like Bob Doughton, who is so devoted to his country and to the welfare of all its people.

In introducing me Mr. Doughton spoke generously of the financing burden that rests upon me nowadays as Secretary of the Treasury. That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and the custodians of trust funds, and to see that those dollars

go to work for their country. I am delighted to report to the nation tonight that this morning, only the twelfth business day of our drive, we had raised more than six billion dollars. We are more than two thirds of the way to success. This is a magnificent achievement, another proof of what a free, enlightened and democratic people can do when their country ~~needs~~ <sup>calls for</sup> them.

In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain cabins in your western counties to your factories ~~near~~ <sup>in</sup> Winston-Salem and your shipyards on the coast, this State of yours is a fine example of the spirit that is being shown by millions upon millions in every State, ~~at~~ <sup>at</sup> the start of our second year of war. I have come here

- 4 -

tonight to pay my tribute to the workers and employers of North Carolina who have earned <sup>Treasury</sup> Minute Man flags for their part in the War Savings campaign, but in congratulating them I want also to congratulate the workers and employers of the United States as a whole.

In this community and in every community the first year of war has brought miracles in some field of patriotic effort. And not the least of these is the War Bond campaign.

Take, for example, the payroll savings program in which you in North Carolina have made such an enviable record. You will not find it in the headlines, you do not get medals for your part in it, you get nothing but a little blue and white flag as a symbol of achievement. Yet in North Carolina every <sup>large factory</sup> big ~~company~~ now has a payroll savings plan, and 99 percent of all the workers in those

companies are investing in War Bonds week in and week out.

We can better appreciate the truly magnificent achievement of this democratic, voluntary program by examining what has been accomplished during the past year. Just a year ago there were only 700,000 workers in the entire country on the payroll savings plan, and these workers were investing only 4 percent of their pay in bonds. Today, 24 million workers are setting aside an average of eight and one-half percent of their pay every pay day. And soon, we have reason to believe, 30 million workers will be investing at least ten percent of their pay in War Bonds. This is indeed a tribute to the patriotism and intelligence of the American people.

- 6 -

We could never have achieved this success without the untiring effort of thousands of volunteer workers who have been the unsung heroes in a noble enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have contributed immeasurably to the success of the effort. The result is just one example of what can be done with labor and management in harmony. I like to feel that this new labor-management partnership sets a pattern for the future when labor and industry will work side by side for their own good and for their country's good.

Important though the payroll savings plan is, it represents but one phase of our War Savings campaign. Millions of farmers, self-employed artisans, and businessmen have put their savings at their country's disposal.

- 7 -

All in all 50 million Americans invested in War Bonds during the past year. To my mind the significance of this can hardly be overestimated. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings are being protected until those savings are needed to keep the wheels of peace-time industry turning once more. It means that habits of thrift have taken hold of the American people, with results that will help to win the war and to win the peace to come.

We on the home front have to decide whether we shall deny ourselves all the comforts we would like to have or deny the boys at the front -- your sons and mine -- the tools and the weapons they need to meet the enemy.

- 8 -

We have to choose also whether we shall finance the war over the rough and cruel road of inflation or by sober thrift that will protect our present and our future.

The steep road of self-denial will be the shortest road to victory. I believe that the fifty million Americans who have bought War Bonds this year have already made up their minds to take the right road.

I am convinced that we on the home front "over here" will be worthy of our fighting men. On the production lines, in mines and fields and factories, we are giving an increasingly good account of ourselves. We have living evidence in this community and in thousands of others all over the land of a nationwide willingness to work and save and sacrifice. Our 300,000 War Bond volunteers

D-C

- 9 -

are giving one expression of that willingness by their untiring efforts to enlist the earnings and the savings of the country to finance this costliest of all wars.

I have just heard of an example of patriotic spirit right here in North Carolina which I regard as a challenge to the country as a whole. At the great ordnance plant at Fore River, not far from here, the workers are investing not ten percent but an average of twenty-two percent of their pay in War Bonds every pay day. This performance does not call for congratulations; it calls for a salute. I salute the workers of Fore River, in the hope that their example will be followed elsewhere.

We have hard tasks ahead of us in 1943; we shall have our own trial of blood, sweat and tears. But I

- 10 -

believe that we shall meet our trials triumphantly,  
because I have faith in the American people. I believe  
we will play our part in winning the war and in building  
a world in which the American people can live in harmony,  
peace and freedom.

D-C

TREASURY DEPARTMENT

88

INTER OFFICE COMMUNICATION

DATE December 9, 1942.

TO Secretary Morgenthau  
FROM George Buffington *GBJ*

As you know, we received the other day a statement from Mr. Garner, favorable to the Victory Fund Drive. If we could obtain a similar statement from Secretary Jesse Jones, Mr. Wanders has suggested we might make a news release on both of them, which would benefit the districts in the southwest.

Would you care to ask Mr. Jones to make such a statement in order that we might release both of them tomorrow?

*Told Buffington  
"If you'll write a  
letter to Jones -  
I'll sign it -"  
Morgenthau*

TREASURY DEPARTMENT

1942 DEC 9 PM 12 25

TREASURY

SECRET

December 9, 1942

My dear Mr. President:

I know that you will be interested in the marvelous cooperation which we received from all three newspapers in Philadelphia on December 7th.

I am sending you herewith copies of the Philadelphia Record, Evening Bulletin and Inquirer. You will please note that every advertisement in all three of these papers featured War Bonds.

As long as our sale of War Bonds continues on a voluntary basis, we will get this kind of cooperation.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,  
The White House.

By Messenger

*Bundy 4:35*

Copies in Diary

December 9, 1942

Mr. Charles A. Tyler  
President and General Manager  
Philadelphia Inquirer  
Philadelphia, Pennsylvania

Dear Mr. Tyler:

I was indeed gratified to see your splendid issue of December 7th, so much so, in fact, that I have today sent a copy to the President for his personal attention.

I want you to know that I consider this issue a most noteworthy contribution to the War Bond program.

It is through just such inspiring cooperation as this that we will win through to victory in this war and to sound economy in the peace. My sincere thanks to all and especially to the many patriotic sponsors who made this issue possible.

Sincerely yours,

December 9, 1942

Mr. J. David Stern, Publisher,  
The Philadelphia Record,  
Philadelphia, Pennsylvania

Dear Mr. Stern:

Supplementing my telegram of appreciation regarding the splendid cooperation of the Philadelphia Record and the various sponsors in furthering the sale of War Bonds and Stamps through newspaper advertising, I thought you would be interested in knowing that I have personally called President Roosevelt's attention to your issue of December 7th.

It is cooperation such as this which alone can carry a program of the scope and continuing nature of our War Bond activity to the full success which all Americans so devoutly desire.

Sincerely yours,

December 9, 1942

Mr. Robert McLean, President  
Philadelphia Bulletin  
Philadelphia, Pennsylvania

Dear Mr. McLean:

This is to express my sincere appreciation of the splendid contribution made to the War Bond program by the Philadelphia Bulletin's issue of December 7th.

I want to take this opportunity to thank you and all those responsible for this most noteworthy achievement, and through you, to thank as well the many patriotically-minded sponsors who made this issue possible.

You will be interested in knowing that I have today sent a copy to the White House for the personal attention of President Roosevelt.

Sincerely yours,

December 9, 1942

Mr. L. Ellmaker  
Publisher and Editor  
Daily News  
Philadelphia, Pennsylvania

Dear Mr. Ellmaker:

This is to tell you that the Treasury Department is deeply appreciative of the splendid contribution to the War Bond program which the Philadelphia Daily News made in the issue of December 7th. You and all of the patriotically-minded sponsors who made this issue possible are certainly to be commended. In any voluntary continuing operation such as this, it is only through the united efforts of all Americans, working together, that a program of such magnitude can bring us to our mutual goal of victory in the war and sound economy in the peace to follow.

I am sure you will be interested in knowing that I have sent a copy of your December 7th issue to President Roosevelt for his personal attention.

Again, please accept my sincere thanks for this outstanding contribution to the War Bond program.

Sincerely yours,

RSK/ms

WAR DEPARTMENT  
THE CHIEF OF STAFF  
WASHINGTON

December 9, 1942.

The Honorable,

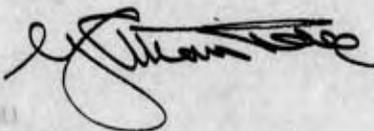
The Secretary of the Treasury.

Dear Mr. Secretary:

Thank you for the record. I had it played, and "Everybody Every Payday" should be as inspirational as "Any Bonds Today," which as I recall reached the peak of popularity several months ago. It is of interest to note the influence that what are apparently small matters can have on the accomplishment of a major project.

We all wish you every success in your present drive.

Faithfully yours,



RECEIVED  
WAR DEPARTMENT  
WASHINGTON  
DEC 10 1942

RECEIVED  
WAR DEPARTMENT  
WASHINGTON  
DEC 10 1942

RECEIVED  
WAR DEPARTMENT  
WASHINGTON  
DEC 10 1942

THE WHITE HOUSE  
WASHINGTON

December 9, 1942

Dear Mr. Secretary:

Just a little note to thank you again for your kindness in sending me the record of the song written by the two Army boys.

You will not have to give me a Victrola after all -- I just remembered that my niece has one!

Again, many thanks for your thought of me.

Always sincerely,

*Grace*

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

TREASURY DEPARTMENT

96

INTER OFFICE COMMUNICATION

DATE December 9,  
1942

TO Secretary Morgenthau  
FROM Mr. Hays  
Subject: Analysis of Commercial Bank Subscriptions to  
the 1-3/4 Percent Bonds

In accordance with your instructions, preparations have been made for an analysis of commercial bank subscriptions to the 1-3/4 percent bonds.

On Monday, Mr. Bell sent a telegram to the President of each of the Federal Reserve Banks asking that he send air mail special delivery, so that it would reach the Treasury not later than Monday, December 14, a list showing for each member bank in his District (1) the amount of subscriptions to the 1-3/4 percent bonds, (2) excess reserves at the most recent reporting date, and (3) total assets as of June 30. The data on excess reserves and total assets were requested for banks not subscribing to the 1-3/4 percent bonds as well as for those subscribing.

On Tuesday, Chairman Eccles telephoned Mr. Bell and said that the Presidents of a number of the Federal Reserve Banks had told him that they hesitated to release data on the excess reserves of particular banks as they considered such data confidential. In accordance with Chairman Eccles' request, Mr. Bell agreed that the identification of individual banks could be stripped from the lists submitted to the Treasury.

The preparation and submission of the lists requested will have a two-fold purpose -- (1) it will permit the preparation of a report to you showing which classes of banks are falling down in their subscriptions to Government securities, and which are doing their full share, and (2) it will make readily available in the Federal Reserve Banks the detailed information necessary to determine which particular banks are entering inadequate subscriptions.

All of the Federal Reserve Banks may not be able to meet the Monday deadline and the data (involving three

Secretary Morgenthau - 2

items of information for each of about 6,500 banks) will require considerable processing after it reaches the Treasury. It will probably be impossible, therefore, to obtain a formal report before the certificate offering next week. It ought to be possible, however, to determine the broad outlines of the problem by then, and the detailed lists will be available in the Federal Reserve Banks to implement any policy decided upon.

THIRTY THREE LIBERTY STREET  
NEW YORK

December 9, 1942

Dear Mr. Secretary:

I have begun today to take up matters concerning the Bank for International Settlements with some of the banks here and want to lose no time in seeking an appointment to pay my respects to you. My plan is to go to Washington on Sunday next, December 13, and I should be very grateful if you could receive me on Monday or Tuesday. Perhaps you would be kind enough to let your secretary send me word at the Federal Reserve Bank of New York.

Respectfully yours,

*T. H. McKittrick*

Thomas H. McKittrick

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

*Mr. McKittrick saw  
the Secy on 12/16  
4 pm. DuSalle present*

*Hansen* ✓

CABLE ADDRESS "SAINTREGIS NEW YORK"



# Hotel St. Regis.

Fifth Avenue and Fifty-fifth Street

New York December 9, 1942

Mr. Henry Morgenthau  
2434 Belmont Road, N.W.,  
Washington, D. C.

*Dear Mr. Morgenthau,*

May I be permitted to tell you and Mrs. Morgenthau how greatly I enjoyed the evening spent at your hospitable home last week.

I feel also that the discussion was fruitful, and may bring about some practical results. I was particularly pleased with the news which you gave me privately before I left your home.

You will be interested to know, I am sure, that I had what I regard as a satisfactory conversation with Mr. Welles last Friday. Among other things, I took up with him two major issues: first, that no commitments of any kind should be made to the Arabs at this time, which would in any way conflict with our interests in Palestine; second, the appointment of a representative of the State Department under Mr. Welles' guidance, who would discuss with us now in a practical way, all the questions concerning the future of Palestine. Mr. Welles agreed to appoint such a person under his guidance, and I venture to hope that the person appointed will be sympathetic to, and understanding of, our interests.

I hope that I shall have an opportunity of seeing you soon again.

With warmest regards to Mrs. Morgenthau and yourself,  
I am

Very sincerely yours,

*Chaim Weizmann*  
Chaim Weizmann

TREASURY DEPARTMENT

100

INTER OFFICE COMMUNICATION

DATE Dec. 9, 1942

TO Secretary Morgenthau

FROM Mr. Hoflich

Subject: Shipment of Planes and Tanks to the U. S. S. R.

1. During the month of November, 223 planes (145 fighters, 78 bombers) were sent to the Soviet Union from the United States. These shipments exceeded substantially those in September and October. (See Table B attached)

2. During the same period, 347 tanks (20 light, 327 medium) were shipped to the Russians. This sets an all-time high for medium tanks.

Shipment of Planes and Tanks from the  
United States to the U.S.S.R.\*

	Shipments during <u>November, 1942</u>	Cumulative Total January 1, 1942 to <u>November 30, 1942</u>
<u>Planes</u>		
Fighters	145	1,191
Bombers	<u>78</u>	<u>914</u>
Total	223	2,105
<u>Tanks</u>		
Light	20	1,571
Medium	<u>327</u>	<u>1,764</u>
Total	347	3,335

\* Based on export declarations received.

Table BShipments of Planes and Tanks  
to the U.S.S.R. by Months \*

	<u>Fighters</u>	<u>Bombers</u>	<u>Total Planes</u>	<u>Light Tanks</u>	<u>Medium Tanks</u>	<u>Total Tanks</u>
January, 1942	56	4	60	20	22	42
February	123	115	238	172	38	210
March	68	170	238	159	258	417
April	120	54	174	287	216	503
May	52	42	94	94	45	139
June	127	104	231	143	206	349
July	123	134	257	151	157	308
August	202	126	328	299	261	560
September	62	50	112	155	162	317
October	113	37	150	71	72	143
November	<u>145</u>	<u>78</u>	<u>223</u>	<u>20</u>	<u>327</u>	<u>347</u>
Total 1942 to November 30	1,191	914	2,105	1,571	1,764	3,335

\* Based on export declarations received.

INCOMING CABLEGRAM

Dated December 9, 1942

Rec'd December 9, 1942

From Chungking

Federal Reserve Bank of New York

New York

No. 30

As instructed by the Stabilization Board of China we have opened a special account on our books in the name of "Federal Reserve Bank of New York as fiscal agent of the United States Account No. 2" for yuan 200,000,000 against which please request Secretary of the Treasury of the United States in purchasing this amount of yuan at the Board's rate under Article 3(a) of the Sino-American Stabilization Agreement of April 1, 1941, and credit an equivalent amount of \$10,000,000 into an account to be opened by you with the Board in the name of "United States dollar—Chinese yuan Stabilization Fund of China Special Account". Please confirm and notify the Board accordingly.

(Signed) The Central Bank of China.

(Received by telephone from the Federal Reserve Bank of New York, N. Y., December 10, 1942.)

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET  
U.S. SECRETOPTEL No. 427

Information received up to 7 A.M., 9th December, 1942.

1. NAVALGIBRALTAR. 8th. An Italian Midget U-boat was sighted by an army sentry and sunk.2. MILITARYFRENCH NORTH AFRICA. 7th. Our forces reoccupied high ground round EL GUESSA. On 8th patrols made contact with enemy at BIR MEHRGA (20 miles southwest of TUNIS). No enemy movement seen on roads running south and southeast from MATSUR and DJEDAIDA. Further reinforcements from ALGERIA are moving up towards the front.3. AIR OPERATIONSWESTERN FRONT. 8th. 6 Mosquitos bombed goods trains and other targets in northwest GERMANY and a factory near HAARLEM, one missing. 8th/9th. 133 bombers (one missing) attacked TURIN. Preliminary reports state weather good and attack very successful. 80 bombers (5 missing) sea mining northwest GERMANY and BALTIC.FRENCH NORTH AFRICA. During nights 5th/6th and 6th/7th Beaufighters destroyed 11 enemy aircraft attacking BONE. 7th. Fighters destroyed 5 enemy transport aircraft in area SFAX-GABES. 7th/8th. 10 Wellingtons attacked BIZERTE; 4 Wellingtons hit a destroyer in SIDI ABDULLA dockyard (40 miles northeast of SFAX). 8th. 3 Beaufighters destroyed 4 of 58 enemy transport aircraft 40 miles south of LAMPEDUSA.

December 10, 1942  
9:05 a.m.

WAR BONDS

Re: North Carolina Speech

Present: Mr. Kuhn  
Mr. Mager  
Mrs. Klotz

MR. KUHN: I have two speeches here; one will be about ten minutes long when we get the ending on it. That is the one we worked on yesterday. The second has the same beginning about Doughton and the Victory Loan, but it is the one that I talked about with Mrs. Morgenthau and Miss Elliott, and it is twelve minutes, or a little less. Which do you want?

H.M.JR: I will do the twelve minute one first. Are they exactly the same up to a certain point?

MR. KUHN: Yes, sir, they are, and I would like you to read the beginning, because the first three pages are the same.

H.M.JR: (Reading draft prepared by Mr. Kuhn.)  
"I am happy to be speaking tonight in the home State and in the home community of one of America's outstanding legislators - my old friend, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

"Bob Doughton and I have shared many labors together over these recent eventful years. We at the Treasury are indeed fortunate to be working in partnership - as

- 2 -

he himself described it only a moment ago - with a Chairman who takes his responsibilities so seriously in these grave days."

Has he seen his speech?

MR. KUHN: Yes, I gathered it was all right or I would have heard about it.

H.M.JR: "And I think the taxpayers of the country are equally fortunate in having tax legislation originate under the leadership of a man like Bob Doughton, who is so devoted to his country and to the welfare of all its people. It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers."

MR. KUHN: That is Miss Elliott's suggestion. I think it is good, and I think it will help with Doughton.

H.M.JR: It is good.

MRS. KLOTZ: That is not true.

MR. KUHN: You mean, "all the taxpayers" is not true?

MRS. KLOTZ: Yes.

MR. KUHN: Well, isn't it his wish? It is not what he produces.

H.M.JR: I think that is all right; it gives his wish. It is like everything else; we plant the seed and it is a good gesture.

MR. KUHN: It is literally true. I think the old man and you would start from the same premise, but you won't produce the same kind of tax bill.

H.M.JR: What were you objecting to?

MRS. KLOTZ: Up to this point it is all right. I get the feeling of laying it on thick. "It is his wish, and mine--"

- 3 -

H.M.JR: That is all right. He would admit that. You can wish for a fair and just world but may not get it.

MR. KUHN: That is right.

H.M.JR: "In introducing me, Mr. Doughton spoke generously of the burden that rests upon me nowadays as Secretary of the Treasury. That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the securities, banking and insurance fields."

Why do you use the word "professional" here?

MR. KUHN: Only that that characterizes them. That is their business. It is not the same as the War Bond worker, who is an amateur in his field.

H.M.JR: "It is their job to find the dollars that lie idle in the hands of individual investors, corporations and custodians of trust funds; it is their job to see that those dollars go to work for their country."

(Mr. Mager entered the conference.)

H.M.JR: I like all of this. I haven't a suggestion.

"I am able to report"-- you wouldn't say, "I can report"?

MR. KUHN: If I were saying it, I would simply say, "I am glad to report to the Nation." You remember, yesterday we tried various things, such as, "I am delighted to report."

- 4 -

H.M.JR: We have used the words, "I am glad" before, haven't we?

MR. KUHN: No, I don't think so.

H.M.JR: Why not say, "I am delighted"?

MR. MAGER: That is what we had originally.

H.M.JR: I would put it back. "I am delighted" - I want to put a little pep in it.

"I am delighted to report to the nation that by today, only the twelfth business day of our drive, we have raised more than six billion dollars."

You are going to have the exact figure, aren't you?

MR. KUHN: Sure.

H.M.JR: "We are more than two thirds of the way to success." There is something missing.

MR. KUHN: How about, "We have come more than two-thirds"?

H.M.JR: "We are on our way"--

MR. MAGER: Would you like the contrast between the fact that we have gone over two-thirds of the way in less than half of the time - the juxtaposition of the two? That is, it is only the twelfth day, and fifteen days would represent the halfway mark.

H.M.JR: It would be twenty-one days.

MR. KUHN: "We have already come more than two-thirds of the way."

H.M.JR: We are only going to go twenty-one days. I am going to stop at the 19th, which is three weeks.

- 5 -

MRS. KLOTZ: Then you have gone more than half.

MR. MAGER: Why don't you say, "We are more than two-thirds of the way towards our goal"?

H.M.JR: I will be talking at the end of the second week. There are going to be three weeks.

I don't want to say "of the way to success" because it is a success.

MR. KUHN: "Toward our goal" would be more accurate.

H.M.JR: That is all right. I don't think we can say the other thing, Mager, because it is a little complicated. It really gets down to - well, it is two-thirds of the money.

How is it now?

MR. KUHN: "We have come more than two-thirds of the way towards our goal."

H.M.JR: I have been trying to think of something a little bit different, that we have two-thirds of the money - two-thirds of the money that we need is already in the Treasury.

MR. KUHN: It wouldn't be, anyway.

H.M.JR: All right. "This is a magnificent response, another proof of what a free, enlightened and democratic people can do when their country calls upon them."

MR. KUHN: That is the only thing that is the same. That passage is the same, and from here on we have an alternative suggestion to the draft that Mager and I finished last night.

H.M.JR: Kuhn went upstairs and saw the ladies, and they liked what he had done originally; and now

- 6 -

he has taken a crack at this. I will read from this now.

"I have wanted to come to an American community like this ever since I came home a few weeks ago from a visit to wartime England. I have wanted to share with my fellow-citizens the mental and moral 'lift' which that brief but inspiring visit gave me. My time 'over there' was short, but I saw enough of the toughness and keenness of our troops, of the grim efficiency of the Allied forces, of the wonders of British production and of the vitality and strength of the British people themselves, to convince me that our enemies can no longer win this war."

MRS. KLOTZ: You knew that before you went over. Perhaps you feel now it will be a shorter time, but you knew that we would win.

H.M.JR: "Whatever trials lie ahead of us in 1943 -- and they are going to be severe -- the Nazis and the Japanese have failed in their conspiracy against mankind. We are not only not losing this war, but I think we can say with confidence that we and our Allies are at last on the road, the long and dangerous road, that leads to victory.

"That is the impression that I have brought back with me from 'over there.' It is reinforced by all that I can see 'over here.' It is not so much the result of our production figures, great and impressive as they are, or of the quality of the troops I have seen in training. The overwhelming fact for our enemies to remember is the spirit of our people. That spirit is reflected right here in this room, where all the leaders of the community have come together with just one purpose -- to help win the war.

"Great as our war effort has been in 1942, we are just beginning to fight. We are just beginning to show what this country of 130 million people can do when it puts all its heart and mind and muscle

- 7 -

into a single job. Yet even this beginning of ours in 1942 has produced outstanding examples of individual service in many fields of patriotic effort, in this community and every community.

"Take, for example, the Payroll Savings program in which you in North Carolina have made such an enviable record. You will not find it in the headlines, yet in North Carolina every large factory now has a Payroll Savings plan. In those factories 99 percent of all the workers are investing in War Bonds, week in and week out, by setting aside a part of their regular pay."

I want to stop a minute. What did Englesman say about his trip down there?

MR. KUHN: The record of North Carolina isn't good enough to brag about, because of colored labor. Their State-wide pay roll participation is eighty-seven percent, which is below average, that is irrespective of the amount they put aside.

H.M.JR: How can I say ninety-nine?

MR. KUHN: These are in the large factories, the factories that have five hundred or more employees, who have ninety percent or more on pay-roll savings, and their record is very, very good. If you take the smaller factories, it brings down the average, and there are no particular war industries in North Carolina.

H.M.JR: Are they going to do anything this week to bring the thing up?

MR. KUHN: They are having a drive all over the place. They have no war industries. That place I told you about, the twenty-two percent, was a Marine Corps air station with two thousand civilian employees, but the twenty-two percent was just one department of the station, so that was no good.

H.M.JR: "In the nation as a whole there were only 700,000 workers on the Payroll Savings plan a year ago,

- 8 -

and they were investing only four percent of their pay. Today more than 24 million workers are setting aside an average of eight and a half percent of their earnings every pay day, so that our soldiers and sailors and airmen can have the weapons they need. That is an achievement 'over here' that will give encouragement to our Allies and to our fighting men at battle stations all over the world.

"Such a record is not achieved by accident. It is, as you War Bond workers know, the product of untiring hard work by more than 300,000 volunteers in thousands of communities. The labor-management relationship which makes the Payroll Savings record possible is also not just an accident. It is the product of intelligent planning and public spirit on the part of all concerned. If we had gone to the employers alone or to the workers alone, we would not now have anything like our present results, nor could we feel confident of getting thirty million workers to invest at least ten percent in the near future. The job has been done by a genuine partnership of labor and management, working together through thousands of joint committees in almost every section of the country. It is my firm belief that the goodwill created by the Payroll Savings plan has been felt all along the production line, and will be felt for years to come.

"We all want to build a saner -" this isn't at all the same.

MR. KUHN: Parts of it are the same.

H.M.JR: "We all want to build a saner, sounder, and better world when this war is over, but we cannot build such a world by mere aspirations. We can only build it by deeds. I like to feel that the new relationship between labor and management, which has been shown so magnificently in this War Savings campaign, is helping to build the post-war world right here and now. I like to feel that it is setting the pattern for the post-war years - a pattern of labor and management working

- 9 -

side by side for their own good and their country's good.

"For that matter, I think it is not immodest to claim that the whole War Savings program is, in fact, one of the foundations upon which we are building the world of the future. I have always believed, with Mr. Doughton, in the value of having millions of Americans become stockholders in their Government through the ownership of Government securities." Isn't this in the other?

MR. KUHN: No, this stuff was not.

H.M.JR: "I believe, as he does, that it promotes a more intelligent interest in the problems of Government if the people can have this direct and personal stake in the public management of their affairs. More than 50 million men and women now own a share in America. More than 50 million Americans now know that they will get back from their bonds at least as much as they put in; they know that if they hold the bonds until maturity they will get \$4 back for every \$3 they have lent to their country.

"To my mind, this is a fact of tremendous significance for the troubled years that will follow our victory. More than that, it will be of vital importance in getting the wheels of industry to turn once more after we have made the great change-over from war production to peace production again. If there are businessmen listening to me tonight - and I know that many of them are in this hall - I would remind them that the holders of War Bonds are their future market. They are the people who will be buying the products of American industry ten years from now, when the bonds mature. The bonds that are bought today represent new homes, new comforts, new horizons for the common man. They will help to fulfill the promise of this People's War and the People's Peace that we are determined to win. They will help to translate 'Freedom From Want' into actuality in thousands of American communities and in millions of American homes.

- 10 -

"In the meantime there is much that we on the home front must do. As I have said, our time of trial is just beginning. We shall have to meet it with thrift and self-denial. We shall have to choose between denying ourselves the comforts we want, or denying the boys at the front - your sons and mine - the tools and the weapons they need. We shall have to choose also whether to finance the war by the cruel and costly method of inflation or by sober saving that will protect our present and our future. I believe that the fifty million men and women who have bought War Bonds this year have already made up their minds to take the right course."

Fifty million Frenchmen can't be wrong. (Laughter)

MR. KUHN: Some of this is in the draft of what we did yesterday. Also, if we can find that about the North Carolina hero, we can tack that on the end.

H.M.JR: They are the same down to where?

MR. KUHN: Down to the bottom of page three. Here is the alternative one.

H.M.JR: "I wanted to come to an American community"?

MR. KUHN: That is right; that begins the alternative stuff.

H.M.JR: Let me just say the parts that I like as I go along. Then I will go back and say what parts I like in Kuhn's speech, and then maybe you can have another crack at it, you see what I mean?

(Reading draft prepared by Mr. Mager.) "In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain homes in your western counties to your factories in Winston-Salem and your shipyards on the coast, this State of yours is giving a fine example of the spirit that is being shown by millions upon millions in every State at the start

- 11 -

of our second year of war. I have come here tonight to pay my tribute of appreciation to the workers and employers of North Carolina for their part in the War Savings campaign. But in paying my tribute to them I want also to pay it to the workers and employers of the United States as a whole."

I like that so far.

"In this community and in every community the first year of war has produced outstanding examples of individual service in some field of patriotic effort. And not the least of these is the War Bond campaign.

"Take, for example, the payroll savings program in which you in North Carolina have made such an enviable record. You will not find it in the headlines, yet in North Carolina every large factory now has a payroll savings plan. In those factories 99 percent of all the workers are investing in War Bonds week in and week out.

"We can better appreciate the truly magnificent achievement of this democratic, voluntary program by examining what has been accomplished during the past year. Just twelve months ago there were only 700,000 workers in the entire country on the payroll savings plan, and these workers were investing only four percent of their pay in bonds. Today, 24 million workers are setting aside an average of eight and one-half percent of their pay every pay day. And if this steady growth continues, 30 million workers will soon be investing at least ten percent of their pay to help win the war. This is indeed a tribute to the patriotism and intelligence of the American people."

I like that.

MR. KUHN: That is in the other one.

H.M.JR: "We could never have achieved this success without the untiring effort of our 300,000 workers

- 12 -

who have been the unsung heroes in this grand enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have also contributed immeasurably to the success of the effort.

You don't want to say that they are not only contributing to the War Bond program, but also to production?

MR. KUHN: You mean that the effects of this are felt?

H.M.JR: No, because many of these labor men are organized by WPB.

MR. KUHN: Some of them--

H.M.JR: Do you mind making a note to simply say, "Day in and day out labor-management committees are not only contributing to the success of this effort, but also contributing daily to the production in the factories"? What I am saying is true, you see. In other words, these labor-management committees are not organized just to help War Bonds; the primary thing is to do production.

MR. KUHN: As I understand it, about two thousand of them are Nelson's committees, using them for our purposes also, but there are also thousands which have been formed for the War Bond drive alone.

H.M.JR: But isn't it true that every one of Nelson's committees are helping us?

MR. KUHN: Yes, it is worth putting in there.

H.M.JR: The way I would feel if I were Nelson and had done a good job is that I would be sore if we talked about labor-management committees as though the only thing they were doing was selling war bonds. It is a little thing, but I think it is an important thing.

- 13 -

MR. KUHN: I think that is right.

H.M.JR: "The result is just one example of what can be done when labor and management work together in harmony."

Couldn't we leave out "in harmony," and just say, "work together"? What do you think, Mager?

MR. MAGER: I don't know; I like "harmony."

H.M.JR: All right, so do I. (Laughter)

"I like to feel that this new labor-management partnership sets a pattern for the post-war years - a pattern of labor and industry working side by side for their own good and for their country's good.

"Important though the payroll savings plan is, it represents only one phase of our War Savings campaign. Millions of farmers, self-employed, and businessmen have put their savings at their country's disposal.

"All in all 50 million men and women invested in War Bonds during the past year.

"To my mind the significance of this can hardly be overestimated. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings are being protected until such time as they are needed to keep the wheels of peacetime industry turning once more."

I don't like that; I don't like the way it is put.

"It means that habits of thrift are taking hold of the American people, with results that will help to win the war and the peace to come."

There is something in Kuhn's on that which I like better. Do you mind just questioning that part here, this paragraph?

- 14 -

"We on the home front have to make this decision: shall we deny ourselves the comforts we would like to have, or shall we deny the boys at the front - your sons and mine - the tools and the weapons they need? We have to choose also whether we shall finance the war by the cruel and costly method of inflation or by sober thrift that will protect our present and our future. The steep road of self-denial will be the shortest road to victory. I believe that the fifty million Americans who have bought War Bonds this year have already made up their minds to take the right course.

"I am convinced that we on the home front over here' will prove worthy of our fighting men. On the production lines, in mines and fields and factories, we are giving an increasingly good account of ourselves. We have living evidence in this community and in thousands of others all over the land of a willingness to work, and save, and sacrifice."

I am not so sure of this last part, pages seven and eight. Let me just get back to Kuhn a minute. Down to there I like it.

Ferdie, I know it is going to break your heart in a minor way--

MR. KUHN: No, I know what you are going to say.

H.M.JR: But I just don't think I am going to do the British thing.

MR. KUHN: We can bring in some of the other stuff and leave the British thing out. I just think it points it up.

H.M.JR: I have marked the part I like in Kuhn's. I am on page five. What I like is, "Great as our war effort has been in 1942, we are just beginning to fight. We are just beginning to show what this country of 130 million people can do when it puts all its heart and mind

- 15 -

and muscle into a single job. Yet even this beginning of ours in 1942 has produced outstanding examples of individual service in many fields of patriotic effort, in this community and every community."

You have said that "individual" thing there, haven't you, Mager? It is in your draft without that introduction.

Anyway, what you have done about the English thing - everything you are saying is pointing up to this.

Now, what I am saying is, I would like to leave out England - I mean, you lead up - "That spirit is reflected right here in this room." Then you say, "Great as our war effort has been in 1942 -" I would like to say it without having the introduction--

MR. KUHN: It can be done.

H.M.JR: I would like to hear what Mager thinks about that.

MR. MAGER: That sounds all right to me.

H.M.JR: What Kuhn has said in his beginning - he has taken all this to lead up to this. Isn't this the point you are trying to drive home? Am I right or wrong?

MR. KUHN: That is right; that is the purpose.

H.M.JR: All right, I would like to say the point without giving the - "Take, for example, the Payroll Savings program in which you in North Carolina have made such an enviable record."

MR. KUHN: Payroll Savings is the same up to page seven on both drafts.

H.M.JR: I like what he said. Then I come here, at the bottom of page seven of Kuhn's, "The job has been done by a genuine partnership of labor and management, working together through thousands of joint committees

- 16 -

in almost every section of the country. It is my firm belief that the good-will created by the Payroll Savings plan has been felt all along the production line, and will be felt for years to come."

Now, that thing could be combined with the other sentence. I have marked it here in red.

MR. KUHN: Bring in the Nelson idea?

H.M.JR: Yes, Nelson, and then this - maybe it is saying too much, to say that the payroll thing is helping the production.

MR. KUHN: I think that is true. William Green told that to Houghteling the other day.

H.M.JR: If we can get away with it, O.K. I think we can; I think it is the thing that labor is proudest of.

MR. KUHN: Green told Houghteling that he gets a report every week of examples of production that were made possible by good relations established by the War Bond people.

H.M.JR: Isn't this in the other draft here, "I like to feel that the new relationship between labor and management, which has been shown so magnificently in this War Savings campaign, is helping to build the post-war world right here and now"?

MR. KUHN: One sentence of it was in.

H.M.JR: I am marking this.

MR. KUHN: You mean that is O.K.?

H.M.JR: I would like the two of you to get together. I don't think you talked about the post-war in your - what we are doing now.

MR. KUHN: There is one sentence saying, "I like to feel that this new labor-management partnership sets

- 17 -

a pattern for the post-war years - a pattern of labor and industry working side by side for their own good and for their country's good."

You don't say the post-war is something you can build by wishing, it is something you have to show by action, by deeds. I think that points it up.

H.M.JR: Anyway, I am marking it here. Then I go to the bottom of page nine. "To my mind, this is a fact of tremendous significance for the troubled years that will follow our victory. More than that, it will be of vital importance in getting the wheels of industry to turn once more after we have made the great change-over from war production to peace production again." I have marked that.

MR. KUHN: How about the "businessmen"?

H.M.JR: I am not sure of it, but I have marked it.

MR. KUHN: That means that you like it; and if we can work it in, we should?

H.M.JR: Yes, this part I like, but I am not sure of it. I would like to put it this way. I like Mager's pretty much the way it is down to the last two pages. I want to hang on to this. Then, there are certain things in here which I don't know whether you can weave into it or not, but I thought you might have another try at it this morning. I would like some quotation, if there is something we could use to close with--

MR. KUHN: In North Carolina - there will be.

H.M.JR: If possible.

MR. MAGER: We can get in touch with Connor, who is the archivist over here, and he knows more about North Carolina history than any man. He has written about it extensively.

H.M.JR: Who is Connor?

- 18 -

MR. MAGER: The Federal Archivist.

H.M.JR: I like it pretty much the way it is down to the last two pages. What I am suggesting is that the two of you work together this morning and see what you can do on another draft. We have gone into some of the things, which are marked in red here. Then right after lunch I will get together with you again. That gives you all morning. Do you mind having another try?

MR. MAGER: Oh, no.

H.M.JR: But the English thing, I am afraid of it.

MR. KUHN: It is not essential.

MR. MAGER: I want to raise a question about "If there are businessmen listening to me tonight - and I know that many of them are in this hall -" isn't it possible to read in that, perhaps, an implication, if you have that kind of mind, that the businessmen have to be singled out to understand the potentialities for good in the War Savings program as compared with others.

H.M.JR: That is a good point.

MR. KUHN: Could you have dealt with labor in one passage? Say, "The effects of this are not only good for labor, but they are good for businessmen." The businessmen are the ones who neglect War Savings more than any other group. They brush it off, and they talk about compulsory savings.

H.M.JR: I had a different reaction. I don't know if anybody - "If there are any businessmen listening" - let me put it once more so you fellows don't go out of here feeling - I feel that up to the last two pages what Mager has done - unless I have said, to introduce something, it is all right. I would like you to have another try, checking those things that I marked in red. Then, after lunch we will start again. Harold Thomas can wait.

- 19 -

I have an appointment at three o'clock. I figure that if we start right after lunch we will stick with it until it is finished. On the other hand, Ferdie, I want you to feel free to say, "Mr. Morgenthau, I would like to point out something in the first six pages that I think can be improved."

MR. KUHN: This is a joint product.

MR. MAGER: It is indistinguishable; you can't distinguish mine from Kuhn's.

H.M.JR: If either of you feels that the first six pages - that there is something that should be improved, please do it.

All I am saying is, have one more try, and please don't take anything that I have said today as final. Please use your own initiative, both of you. How is that, is that fair?

MR. KUHN: Yes.

12/10/42  
9 05 a 124

I am happy to be speaking tonight in the home State and in the home community of one of America's outstanding legislators -- my old friend, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

Bob Doughton and I have shared many labors together over these recent eventful years. We at the Treasury are indeed fortunate to be working in partnership -- as he himself described it only a moment ago -- with a Chairman who takes his responsibilities so seriously in these grave days. And I think the taxpayers of the country are equally fortunate in having tax legislation

originate under the leadership of a man like Bob Doughton, who is so devoted to his country and to the welfare of all its people. It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers.

In introducing me, Mr. Doughton spoke generously of the burden that rests upon me nowadays as Secretary of the Treasury. That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the

securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and custodians of trust funds; it is their job to see that those dollars go to work for their country.

I am able to report to the nation that by today, only the twelfth business day of our drive, we have raised more than six billion dollars. We are more than two thirds of the way to success. This is a magnificent response, another proof of what a free, enlightened and democratic people can do when their country calls upon them.

I have wanted to come to an American community like this ever since I came home a few weeks ago from a visit to wartime England. I have wanted to share with my fellow-citizens the mental and moral "lift" which that brief but

inspiring visit gave me. My time "over there" was short, but I saw enough of the toughness and keenness of our troops, of the grim efficiency of the Allied forces, of the wonders of British production and of the vitality and strength of the British people themselves, to convince me that our enemies can no longer win this war.

Whatever trials lie ahead of us in 1943 -- and they are going to be severe -- the Nazis and the Japanese have failed in their conspiracy against mankind. We are not only not losing this war, but I think we can say with confidence that we and our Allies are at last on the road, the long and dangerous road, that leads to victory.

That is the impression that I have brought back with me from "over there." It is reinforced by all that I can see "over here." It is not so much the result of our

production figures, great and impressive as they are,  
or of the quality of the troops I have seen in training.  
The overwhelming fact for our enemies to remember is  
the spirit of our people. That spirit is reflected  
right here in this room, where all the leaders of the  
community have come together with just one purpose --  
to help win the war.

Great as our war effort <sup>this year</sup> has been ~~in 1942~~, <sup>however,</sup> we are  
just beginning to fight. We are just beginning to show  
what this country of 130 million people can do when it  
puts all its heart and mind and muscle into a single job.  
Yet even this beginning of ours <sup>in 1942</sup> ~~in 1942~~ has produced  
outstanding ~~examples of individual~~ <sup>patriotic</sup> service in many fields,  
~~of patriotic effort,~~ in this community and every community.

Take, for example, the Payroll Savings program in

which you in North Carolina have made such an enviable record. You will not find it in the headlines, yet in North Carolina every large factory now has a Payroll Savings plan. In those factories 99 percent of all the workers are investing in War Bonds, week in and week out, by setting aside a part of their regular pay.

In the nation as a whole there were only 700,000 workers on the Payroll Savings plan a year ago, and they were investing only four percent of their pay. Today more than 24 million workers are setting aside an average of eight and a half percent of their earnings every pay day, so ~~that~~ our soldiers and sailors and airmen can have the weapons they need. That is an achievement "over here" that will give encouragement to our Allies and to our fighting men at battle stations all over the world.

Insert B

D-D<sub>1</sub>

- 7 -

Such a record is not achieved by accident. It is, as you War Bond workers know, the product of untiring hard work by more than 300,000 volunteers in thousands of communities. The labor-management relationship which makes the Payroll Savings record possible is also not just an accident. It is the product of intelligent planning and public spirit on the part of all concerned. If we had gone to the employers alone or to the workers alone, we would not now have anything like our present results, nor could we feel confident of getting thirty million workers to invest at least ten percent in the near future. The job has been done by a genuine partnership of labor and management, working together through thousands of joint committees in almost every section of the country. It is my firm belief that

*It is my firm belief that*  
*Inark*  
*(C)*

D-D<sub>1</sub>

the good-will created by the Payroll Savings plan has been felt all along the production line, and will be felt for years to come.

~~We all want to build a saner, sounder and better~~  
world when this war is over, but we cannot build such a world by mere aspirations. We can only build it by ~~deeds~~. I like to feel that the new relationship between labor and management, which has been shown so magnificently in this War Savings campaign, is helping to build the post-war world right here and now. I like to feel that it is setting the pattern for the post-war years -- a pattern of labor and management working side by side for their own good and their country's good.

For that matter, I think it is not immodest to claim that the whole War Savings program is, in fact,

one of the foundations upon which we are building the world of the future. I have always believed, with

Mr. Doughton, in the value of having millions of Americans become stockholders in their Government through the ownership of Government securities. I believe, as he does, that it promotes a more intelligent interest in the problems of Government if the people can have this direct and personal stake in ~~the public~~ management of

*of their country.*  
their affairs, ~~More than 50 million men and women now own a share in America. More than 50 million Americans now know that they will get back from their bonds at least as much as they put in; they know that if they hold the bonds until maturity they will get \$4 back for every \$3 they have lent to their country.~~

To my mind, this is a fact of tremendous significance for the troubled years that will follow our victory. More

~~then that, it~~ will be of vital importance in getting  
the wheels of industry to turn once more after we have  
made the great change-over from war production to  
peace production again. If there are businessmen  
~~listening to me tonight -- and I know that many of them~~  
~~are in this hall -- I would remind them that the holders~~

~~of War Bonds are their future market.~~ <sup>It</sup> ~~They~~ are the people  
^ <sup>the holders of War Bonds</sup>

who will be buying the products of American industry ten  
years from now, when the bonds mature. The bonds that  
are bought today represent new homes, new comforts, new  
horizons for the common man. ~~They will help to fulfill~~

~~the promise of this People's War and the People's Peace~~

~~that we are determined to win.~~ <sup>give body and substance to the ideal of</sup> They will help to ~~translate~~

"Freedom From Want" ~~into reality~~ in thousands of  
American communities and in millions of American homes.

In the meantime there is much that we on the home front must do. As I have said, our time of trial is just beginning. We shall have to meet it with thrift and self-denial. We shall have to choose between denying ourselves the comforts we want, or denying the boys at the front -- your sons and mine -- the tools and the weapons they need. We shall have to choose also whether to finance the war by the cruel and costly method of inflation or by sober saving that will protect our present and our future. I believe that the fifty million men and women who have bought War Bonds this year have already made up their minds to take the right course.

next  
E

D  
1

*(Mayer)*  
*Draft of*  
135

I am happy to be speaking tonight in the home State and in the home community of one of America's outstanding legislators -- my old friend, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

Bob Doughton and I have shared many labors together over these recent eventful years. We at the Treasury are indeed fortunate to be working in partnership -- as he himself described it only a moment ago -- with a Chairman who takes his responsibilities so seriously in these grave days. And I think the taxpayers of the country are equally fortunate in having tax legislation

originate under the leadership of a man like Bob Doughton, who is so devoted to his country and to the welfare of all its people. It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers.

In introducing me, Mr. Doughton spoke generously of the burden that rests upon me nowadays as Secretary of the Treasury. That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the

securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and custodians of trust funds; it is their job to see that those dollars go to work for their country.

I am able to report to the nation that by today, only the twelfth business day of our drive, we have raised more than six billion dollars. We are more than two thirds of the way to success. This is a magnificent response, another proof of what a free, enlightened and democratic people can do when their country calls upon them.

In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain homes in your western counties to your factories in

- 4 -

Winston-Salem and your shipyards on the coast, this State of yours is giving a fine example of the spirit that is being shown by millions upon millions in every State at the start of our second year of war. I have come here tonight to pay my tribute of appreciation to the workers and employers of North Carolina for their part in the War Savings campaign. But in paying my tribute to them I want also to pay it to the workers and employers of the United States as a whole.

In this community and in every community the first year of war has produced outstanding examples of individual service in some field of patriotic effort. And not the least of these is the War Bond campaign.

Take, for example, the payroll savings program in which you in North Carolina have made such an enviable

record. You will not find it in the headlines, yet in North Carolina every large factory now has a payroll savings plan. In those factories 99 percent of all the workers are investing in War Bonds week in and week out.

We can better appreciate the truly magnificent achievement of this democratic, voluntary program by examining what has been accomplished during the past year. Just twelve months ago there were only 700,000 workers in the entire country on the payroll savings plan, and these workers were investing only four percent of their pay in bonds. Today, 24 million workers are setting aside an average of eight and one-half percent of their pay every pay day. And if this steady growth continues, 30 million workers will soon be investing at least ten percent of their pay to help win the war. This is indeed a tribute to the patriotism and intelligence of the American people. .

-D

We could never have achieved this success without the untiring effort of our 300,000 volunteer workers who have been the unsung heroes in this grand enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have also contributed immeasurably to the success of the effort. The result is just one example of what can be done when labor and management work together in harmony. I like to feel that this new labor-management partnership sets a pattern for the post-war years -- a pattern of labor and industry working side by side for their own good and for their country's good.

Important though the payroll savings plan is, it represents only one phase of our War Savings campaign. Millions of farmers, self-employed, and businessmen have put their savings at their country's disposal.

All in all 50 million men and women invested in War Bonds during the past year.

To my mind the significance of this can hardly be overestimated. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings are being protected until such time as they are needed to keep the wheels of peace-time industry turning once more. It means that habits of thrift are taking hold of the American people, with results that will help to win the war and the peace to come.

We on the home front have to make this decision: shall we deny ourselves the comforts we would like to have, or shall we deny the boys at the front -- your

sons and mine -- the tools and the weapons they need? We have to choose also whether we shall finance the war by the cruel and costly method of inflation or by sober thrift that will protect our present and our future. The steep road of self-denial will be the shortest road to victory. I believe that the fifty million Americans who have bought War Bonds this year have already made up their minds to take the right course.

I am convinced that we on the home front "over here" will prove worthy of our fighting men. On the production lines, in mines and fields and factories, we are giving an increasingly good account of ourselves. We have living evidence in this community and in thousands of others all over the land of a willingness to work, and save, and sacrifice.

SUGGESTED DRAFT OF MR. DOUGHTON'S  
INTRODUCTION AT WINSTON-SALEM.

*Draft 1*  
*approved*  
*12/10/42*

Tonight the people of North Carolina are honored to be speaking to the whole country on this nationwide radio program. We are only one State out of many, but we are doing our full share in the battle on the home front "over here". We in North Carolina have known from the very beginning what this war is all about. I remember a statement that Secretary Morgenthau made many months ago "War is never cheap, but it's a million times cheaper to win than to lose". That is the way we in North Carolina feel about the cost of fighting and winning this war.

I feel especially pleased and honored tonight to have Secretary Morgenthau here with us in North Carolina. The Secretary and I are old friends and <sup>partners</sup> ~~colleagues~~ in a common cause. Year after year we have worked together on tax legislation and on other aspects of our government financing.

- 2 -

There is no more devoted public servant and no better friend of all the American people than Secretary Morgenthau, who is now shouldering the greatest financing burden in history.

The voluntary War Savings program that brings us together tonight has one aspect above all others which appeals to me. War Savings calls for thrift, and thrift calls for economy in our everyday lives. As you know, I have advocated economy in government year in and year out since I first came to Congress 34 years ago. When millions of people own government bonds -- I believe the number is now more than 50 million -- those people are bound to take a more alert interest in economy in government in the years to come.

- 3 -

The Secretary has recently come back from a visit to England. He has not yet spoken publicly of the things he saw "over there", and I hope that in his talk tonight he will share with us some of the impressions he has brought back from the front line of freedom. And now it is my great pleasure to introduce the Secretary of the Treasury, Henry Morgenthau, Jr.

D-A

*Not Released  
to Press*

Delivered before Committee  
on Thursday, Dec. 10, 1942.  
146

STATEMENT  
OF  
SECRETARY MORGENTHAU

Before the House Committee on Appropriations

- - -

Mr. Chairman, I appreciate the privilege of appearing before your Committee today for the purpose of discussing the Treasury Department's appropriation estimates for the fiscal year 1944.

As in previous years, it has been the Treasury's objective, in preparing its estimates, to reduce our requirements to the minimum amounts regarded as necessary for the efficient performance of the essential work of the Department.

The War has greatly increased the responsibilities of the Treasury, requiring the expansion of many of its regular functions as well as the assumption of new tasks.

- 2 -

Because of these additional burdens, we have been compelled to request increases for certain activities, including particularly the Bureau of Internal Revenue, the Bureau of <sup>5,530,000</sup> the Public Debt, the Office of the Treasurer of the United <sup>1,400,000</sup> States, and the Division of Disbursement. <sup>1,724,000</sup> <sup>319,000</sup>

The functions of the Treasury include the rendering of service to practically the entire Federal establishment in such operations as accounting, procurement, disbursing, and the clearance of checks. It is inevitable, therefore, that the War-time expansion of Governmental activities should be reflected in the volume of these services which the Treasury is being called upon to perform, necessitating the appropriation of additional funds for the bureaus responsible for the work.

- 3 -

The Treasury's 1944 estimates of annual appropriations aggregate about \$187,328,000, of which \$156,213,000 represents the Department's operating expenses, and the balance of \$31,115,000 represents its non-operating expenses. The 1944 requirements for operating expenses, compared with similar appropriations available this year and aggregating \$148,853,000, show a net increase of about \$7,360,000.

With respect to certain units of the Department, including some of our larger bureaus, the 1944 estimates either show a reduction or reflect no increase as compared with the current year's appropriation.

- 4 -

The estimates which reflect a net decrease as compared with the 1943 appropriations include those submitted for the Foreign-Owned Property Control, the Office of the Comptroller of the Currency, the Bureau of Narcotics, the Bureau of Engraving and Printing, and the Secret Service. The estimates which reflect no change as compared with the current year's appropriation, with allowance for non-recurring items, include those submitted by the Secretary's Office, the Division of Personnel, the Bureau of Customs, the Procurement Division, and the White House Police.

For the past seven fiscal years funds have been made available to the Bureau of Internal Revenue to provide salaries and expenses for refunding processing and related taxes.

- 5 -

No estimate is being submitted under this heading for 1944, for the reason that the Bureau of Internal Revenue expects to complete all administrative work in connection with these refunds by the close of the current fiscal year.

PROCESSING TAX BOARD OF REVIEW

Since July 1, 1939, an appropriation has been made available each year for the salaries and expenses of the United States Processing Tax Board of Review. Under the provisions of the Revenue Act of 1942, the Processing Tax Board was abolished, effective December 31, 1942, and its functions transferred to The Tax Court of the United States. Accordingly, no funds for the Board have been included in the Treasury's 1944 budget.

- 6 -

BUREAU OF INTERNAL REVENUE

The estimates now before your Committee include \$95,094,000 for "Collecting the Internal Revenue". This figure, it should be explained, does not represent the full amount to be required by the Bureau of Internal Revenue during the fiscal year 1944. The Revenue Act of 1942, approved October 21, 1942, will, as you know, substantially increase the work of the Bureau. With the exception of providing for the processing of 8½ million additional income tax returns, due to lowered exemption features of the new legislation, the estimate now before your Committee makes no provision for any of the new or unusual features contained in the 1942 Revenue Act.

- 7 -

The extent to which the Bureau's operations will be increased under the Act cannot be determined with any degree of accuracy until all the details of procedure have been worked out.

This procedure is now being developed, however, and it is expected that within the next two months the Bureau will have assembled sufficient information from which to prepare a supplemental appropriation estimate reflecting those additional requirements for 1944 which have not been included in the estimate now before your Committee.

In the Second Supplemental National Defense Appropriation Act for the fiscal year 1943, Congress appropriated \$8,000,000 to enable the Bureau of Internal Revenue to handle during the current year the increased volume of income tax returns to be filed under the lowered exemptions contained in the 1942 Revenue Act.

- 8 -

This supplemental appropriation was sufficient to meet these specific additional requirements for the remainder of this year. For 1944, however, it has been necessary to request \$4,830,000 additional, in order to project the cost on a full-year basis. The remainder of the increase now being requested for the Bureau of Internal Revenue, or approximately \$700,000, is made up principally of funds required for within-grade salary adjustments as provided by the Ramspeck-Mead Act, and to meet increased rental costs due to the vacating of space in certain Federal buildings to meet the requirements of the Army and Navy.

- 9 -

BUREAU OF THE PUBLIC DEBT

The estimated requirements of the Bureau of the Public Debt for 1944, exclusive of the indefinite appropriation "Expenses of Loans", are about \$1,400,000 in excess of its 1943 annual appropriation. This increase is necessary in order to provide additional personnel required to handle the increased proportion of bond work chargeable to the Bureau's annual appropriation. Since the indefinite appropriation, "Expenses of Loans", is restricted to the handling of bond transactions up to the close of the fiscal year following the year in which the bonds were issued, it follows naturally that from year to year the funds required under the annual definite appropriation will increase.

- 10 -

EXPENSES OF LOANS

For the current fiscal year, under existing legislative authority, expenditures from the indefinite appropriation "Expenses of Loans" are limited to \$45,000,000. For the fiscal year 1944, the Bureau of the Budget has approved a limitation in the amount of \$58,600,000. This increase includes additional allotments to the Bureau of the Public Debt and the Office of the Treasurer of the United States, and will also provide for increased reimbursements to Federal Reserve Banks and the Post Office Department. These increases, which total \$16,300,000, are partially offset by a reduction of \$2,700,000 in the 1944 allotment to the War Savings Staff as compared with the Staff's allotment for the current year, of which \$119,000 represents non-recurring expenditures for equipment.

- 11 -

The additional requirements of the Bureau of the Public Debt and the Office of the Treasurer of the United States, and the provision for increased reimbursement of Federal Reserve Banks and the Post Office Department, are due to the greatly increased volume of work anticipated in connection with the issue and redemption of War Savings Bonds and other securities.

Funds requested to reimburse Federal Reserve Banks include \$1,134,000 for the Victory Fund Committees. Only a short time has elapsed since these Committees were established, and the current Victory Loan drive is the first intensive activity of these groups. It is not possible, therefore, to estimate at this time the full amount to be required in 1944 for their operations.

- 12 -

The work of these Committees is of tremendous importance in our bond-sales campaign, and while additional funds will probably be required, we would prefer to wait until we are able more definitely to determine our needs.

With respect to the net reduction of \$2,581,000 in the allotment to the War Savings Staff, this will result in corresponding curtailment of the Treasury's program for promoting the sale of War Savings Bonds. It is hoped, however, that this curtailment can be accomplished without seriously affecting the Government's War Savings program, but if our experience during the early months of the coming fiscal year should indicate the necessity for accelerating the War Savings campaign, the Department will at that time submit the facts to the Bureau of the Budget for its consideration.

- 13 -

OFFICE OF THE TREASURER OF THE UNITED STATES

The annual appropriation for the Office of the Treasurer of the United States is estimated for 1944 in the amount of \$3,424,000, representing an increase of more than \$1,640,000 over the amount available for 1943. This substantial increase is due primarily to the vast expansion in the work of the Accounting Division of the Treasurer's Office, which handles the clearance of all checks drawn on the Treasurer. The number of such checks paid during the fiscal year 1942 was approximately 79 million, as compared with 46 million paid during the preceding year. Check clearances during the current year will exceed 138 million, and for the fiscal year 1944 it is estimated that not less than 155 million checks will be paid.

- 14 -

To cope with this great increase in check payments, together with the additional work to be performed in connection with the handling of an increased volume of securities and the maintenance of the necessary accounts, the Treasurer of the United States will require, under his regular appropriation, the services of nearly one thousand additional employees over the force provided for 1943.

DIVISION OF DISBURSEMENT

The Division of Disbursement is requesting an increase of about \$320,000 as compared with its current year's appropriation. This expansion is due principally to additional work incident to the sale of War Savings Bonds and to increased Social Security payments and disbursements for the War Establishments.

- 15 -

SALARY ADJUSTMENTS

Within-grade salary advancements under the Ramspeck-Mead Act of August 1, 1941, together with legislative changes in the salary rates of certain grades in the custodial service, have made it necessary to request additional funds for some bureaus. Such requests have been made only in those cases where it was felt that the bureaus would be unable to absorb the additional cost within the amounts currently appropriated. In all other cases the bureaus are being required to effect the salary adjustments from savings.

- 16 -

REFUNDS OF INTERNAL REVENUE AND CUSTOMS COLLECTIONS

In connection with the 1944 estimates for "Refunding Internal Revenue Collections" and "Refunds and Draw-backs, Customs", the Bureau of the Budget has approved the Treasury's recommendation that these two funds be changed from annual definite to annual indefinite appropriations.

Officials of the Bureau of Internal Revenue and the Bureau of Customs will later appear before your Committee to explain in detail the necessity for the change.

- 17 -

In the case of Customs refunds, the proposed change will not only enable the Customs Service to serve more conveniently and more promptly the demands of the public, but it will have the further advantage of eliminating the existing necessity for obtaining deficiency appropriations each year, due to the inability of Customs officials to estimate months in advance the amounts which they will ultimately be called upon to refund.

In the case of Internal Revenue refunds of taxes, the proposed change is absolutely essential to the successful management of the withholding provisions of the Victory Tax. Prompt refunds must be made to taxpayers in the low income groups where the amounts collected through withholding are in excess of the amounts owed.

- 18 -

The total amount required cannot be estimated in advance, and if the refunds are required to be made from a definite appropriation, as at present, many thousands of taxpayers in the low-income groups would have to wait too long. These people are often in dire need of even small amounts. I urge strongly, therefore, the approval by your Committee of the Department's proposal to change these two funds from an annual definite to an annual indefinite basis.

INTEREST ON THE PUBLIC DEBT

With respect to interest on the public debt, the requirements for 1944, on the basis of the information now available, will be not less than 3 billion dollars. A more definite estimate will be contained in the 1944 budget when formally submitted.

- - - -

- 19 -

This concludes my general statement, Mr. Chairman.

I have given you the outstanding items contained in the Treasury's 1944 estimates. The heads of the several bureaus and divisions of the Department will appear before your Committee to present the detailed justification of their estimates. If you should desire any additional information, I shall be pleased to see that it is promptly furnished.

December 10, 1942

Luncheon in Secretary Morgenthau's Office  
December 10, 1942  
1:00 P.M.

Present: Secretary Morgenthau  
Minister of Iran, Mohammed Schayesteh  
Minister of Finance for Iran, Allah Yar Saled  
Mr. Murray, Near East Division of State Dept.  
Mr. D. W. Bell  
Mr. White

During the luncheon the Minister of Finance explained to the Secretary the difficult situation which existed in Iran. The presence of foreign troops — Russian, British and American — and many refugees had greatly aggravated the food problem, partly because of the greater consumption of food by foreign troops, partly because of the decrease in agricultural production due to uncertainty and fear, and partly because of increased hoarding due to fear of famine and rising prices. He stated that the situation in Iran was desperate and they had to have some wheat and he was hoping the United States Government would make it possible for them to import some wheat.

The Economic Mission, under the leadership of Dr. Millspaugh, was soon to leave for Iran but the Minister of Finance felt it would be very difficult for Millspaugh to accomplish much there unless he was able to demonstrate he could also get wheat from the United States.

The Minister (Mohammed Scheyesteh) explained to the Secretary that their arrangement with Great Britain was quite unsatisfactory and complained of Britain's attitude toward Iran. He stated the monetary arrangements which Britain had "forced" on them were greatly to Iran's disadvantage, both as to the rate of exchange required and as to other terms.

Mr. Murray described the situation in Iran from the point of view of maintaining order among the various tribes who had now come into possession of arms. He said it was very important that they not be stirred up because if they were, all of our troops in Iran would have to spend their time keeping the transportation route free of enemy attacks.

- 2 -

Division of Monetary  
Research

The Iranian Minister likewise emphasized the need for speedy action in alleviating the serious food situation in Iran. He said the longer the postponement, the more difficult it would be to keep the situation in hand.

The Secretary commented that the difficulty was that of shipping and they fully appreciated it was a question of using the ships where it would be most helpful for the war effort. So far as helping them in their monetary problems, the Secretary thought we should be able to do that without any difficulty.

H. D. White

From Mr. Murray at Sea -

16

Mr. Salek is a young man representing the flower of American education in Persia.

- was Mr. Murray's interpreter when he was on duty in Persia

- Was Under Secretary of Finance before coming here over a year ago on an Economic Mission.

- He now goes back to accept the powerful position of Finance Minister, and as such will aid the American Finance Mission ~~and~~ <sup>soon</sup> going out under the Chairmanship of Dr. Millspargh

Also Murray says there are inquieting reports from Persia of food riots and near famine due to lack of wheat supply.

December 10, 1942  
3:03 p.m.

HMJr: Harold.

Harold  
Graves: Yes, sir.

HMJr: I got another complaint from the Army about not getting their War Bonds, and that they're blaming the Treasury.

G: Yes.

HMJr: Now I'd like somehow or other to get it over through this magazine, The Stars and Stripes, or something....

G: Yes.

HMJr: ....I'd like to write a letter to The Stars and Stripes and say I have this complaint and I want to make it plain that it's not the Treasury, that it's the War Department - let's see if they'll run it.

G: Yes. All right, sir. I'll see if we can't do that.

HMJr: I'll tell you what you do.

G: Yes.

HMJr: Just so that you have a test, let somebody go to the Stage Door Canteen tonight or go to - down to the railroad station and talk to ten soldiers....

G: Yes.

HMJr: ....as they come in.

G: Yes.

HMJr: There's a rest room down there where they sit down there. I believe....

G: Yes.

HMJr: ....there's a room where they sit down at the Pennsylvania Station.....

G: Yes.

HMJr: ....and talk to ten soldiers and find out. Get the facts, get their names, and then we'll use that.

G: Of course, we know pretty well what the facts are about these....

HMJr: I know, but I'm getting blamed for it.

G: Yeah, I was wondering whether we'd gain anything from interviewing these soldiers that we don't already know.

HMJr: Well....

G: We know, for instance....

HMJr: Well, Harold - Harold....

G: Yes, sir.

HMJr: Use the old bean....

G: Yeah.

HMJr: ....to try to get it over to the Army that it's not the Treasury....

G: Yes.

HMJr: ....that it's the Army....

G: Yes.

HMJr: ....and think about it and give me a suggestion how to do it.

G: All right, sir, I'll be glad to.

HMJr: Do that.

G: How did it go this morning before the Committee on Appropriations?

- 3 -

HMJr: It went all right. They didn't ask me many questions on War Bonds. They said they were going to ask them later on.

G: Yes.

HMJr: So they asked - there were very few questions.

G: Yes.

HMJr: Just the same old bore.

G: (Laughs) Yeah. All right, sir, I'll get right on this.

HMJr: Thank you.

G: You're welcome.

December 10, 1942  
3:20 p.m.

WAR BONDS SPEECH

Present: Mr. Kuhn  
Mr. Mager  
Mrs. Klotz

MR. KUHN: We have tried all the libraries and we can't get a quotation from a military character for that last wind-up. We can get a quotation from somebody else.

H.M.JR: Have you got any other quotations?

MR. KUHN: I have only got one that I am awfully keen on, that you used in a written message to the ABA once - that Woodrow Wilson one about "America is nothing if it is each of us; America is everything only if it is all of us working together." It is one Mrs. Morgenthau used and you used it in a written speech, and it was a peach of a quotation. Maybe you don't want to use it again.

H.M.JR: I don't like to.

MR. KUHN: I can get it for you quick enough.

This came out just right in length.

H.M.JR: How many words?

MR. KUHN: It is just a little over ten minutes without the ending.

H.M.JR: Will you take this draft, follow it, and let me know where it differs (referring to draft four) - this is the Kuhn-Mager one. (Draft handed to Mrs. Klotz by the Secretary.)

- 2 -

(Reading) "I am happy to be speaking tonight in the home State and in the home community of one of America's outstanding legislators -- my old friend, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton."

You wouldn't say, "-- my old friend, Robert M. Doughton, the Chairman of the Ways and Means Committee"?

MR. KUHN: The name of it is the climax of your sentence; it is easier to speak it this way.

H.M.JR: (Continuing) "No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

"Bob Doughton and I have shared many labors together over these recent eventful years."

MRS. KLOTZ: "Many labors"?

H.M.JR: "Many labors" is all right.

Say "during" these recent eventful years.

(Continuing) "We at the Treasury are indeed fortunate to be working in partnership -- as he himself described it only a moment ago -- with a Chairman who takes his responsibilities so seriously in these grave days. I think the taxpayers of the country are equally fortunate in having tax legislation originate under the leadership of a man like Bob Doughton, who is devoted to his country and to the welfare of all its people."

"--all its people" or "all of its people"?

MR. MAGER: It is a needless preposition.

H.M.JR: (Continuing) "It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers.

- 3 -

"In introducing me, Mr. Doughton spoke generously of the burden that rests upon me nowadays as Secretary of the Treasury."

"--generously of the burden" - I don't like it - "spoke of me generously" - how can you "speak generously of the burden"?

MR. KUHN: It means that he understands your troubles.

H.M.JR: I don't like that way.

MR. MAGER: "--spoke with sympathy" or "with understanding."

H.M.JR: "--with understanding."

"That burden has been especially great in this month of December."

"--great" or "heavy"?

MR. MAGER: It can be either.

H.M.JR: The way I feel right now it has been heavy. (Laughter)

MR. KUHN: You will on Saturday, then, at the end of the week.

H.M.JR: I guess "great" is a safer word.

(Continuing) "The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and custodians of trust funds; it is their job to see that those dollars go to work for their country."

- 4 -

"I am delighted to report to the nation that by today, only the twelfth business day of our drive, we have raised more than six billion dollars. We have come more than two thirds of the way toward our goal. This is a magnificent response, another proof of what a free, enlightened and democratic people can do when their country calls upon them.

"In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain homes in your western counties to your factories in Winston-Salem and your shipyards on the coast, this State of yours is giving a fine example of the spirit that is being shown in every State at the start of our second year of war."

MRS. KLOTZ: That has been changed.

MR. KUHN: It made the sentence too crowded and long.

H.M.JR: This sounds smooth. That sentence is good. It will make this an example to the others.

(Continuing) "I have come here tonight to pay my tribute of appreciation to the workers and employers of North Carolina for their part in the War Savings campaign. But in paying my tribute to them I want also to pay it to the workers and employers of the United States as a whole."

MRS. KLOTZ: That hasn't been changed.

H.M.JR: I like it; it is all right.

"Great as our war effort this year has been, however, we are just beginning to fight."

MRS. KLOTZ: That has been changed.

H.M.JR: That is good; that is all right; that brings in your idea.

- 5 -

(Continuing) "We are just beginning to show what this country of 130 million people can do when it puts all its heart and mind and muscle into a single job. Yet even this beginning of ours in 1942 has produced outstanding patriotic service in many fields, in this community and every community."

MRS. KLOTZ: "Yet even this beginning of ours in 1942 has produced outstanding--" that is an awkward sentence.

H.M.JR: You can leave off "Yet even" and just say, "This beginning of ours--"

MR. MAGER: Say, "--has already produced--"

MR. KUHN: The idea is that already, even though we are just at the start, we can look around this country and see in every community some grand job.

H.M.JR: I want to put that in, but supposing you leave out "Yet even" and start, "This beginning of ours in 1942--"

MRS. KLOTZ: "This beginning of ours in 1942--" that is terrible.

MR. KUHN: The preceding passage was "--we are just beginning--"

MRS. KLOTZ: "--of ours" seem superfluous. It just sounds funny to me.

H.M.JR: "This beginning in 1942 has already produced outstanding patriotic service--" you see, it goes back to "beginning to fight." How would this be: "This beginning of ours to fight in 1942 has already produced--"?

MR. MAGER: No, I think we might have to change the sentence and not start with "This beginning of ours--" Start, "But even in 1942 - outstanding patriotic service--" so and so.

- 6 -

H.M.JR: "--has already produced--"

"This beginning of ours" doesn't strike me badly.

MRS. KLOTZ: I don't feel very strongly about it.

MR. KUHN: That is the way I would say it. We talk about what we have done, and so on, and then say, "But this beginning of ours--" It is the normal way of saying it.

H.M.JR: It doesn't bother me. Does it bother you?

MR. MAGER: No.

H.M.JR: (Reading) "This beginning of ours in 1942 has already produced outstanding patriotic service in many fields, in this community and every community."

MR. MAGER: It just needed the "already" in there.

H.M.JR: (Continuing) "Take, for example, the payroll savings program in which you in North Carolina have made such an enviable record."

Is "enviable" too strong?

MR. KUHN: I don't think so.

H.M.JR: I was going to substitute the word "good."

MR. MAGER: I think this is much better.

H.M.JR: All right. "You will not find it in the headlines," - that bothers me right straight along; I think it belittles the thing.

MR. KUHN: I am bothered by the fact that the press ignores this payroll savings thing, and has from the start.

- 7 -

H.M. JR: Is this going to make them better about it? Have they ignored it in the press?

MR. KUHN: Not in advertising, but as a piece of news, the fact that twenty-four million workers are putting aside their pay--

H.M. JR: Is there a newspaperman that - does that bother either of you?

MR. MAGER: Suppose you said, "You don't often find it in the headlines"?

MR. KUHN: If it bothers you, I would cut it. If it has a sense of belittling, then it is the opposite of what I tried to do.

H.M. JR: It bothers me in the sense - it belittles them.

MR. KUHN: Let's cut it.

H.M. JR: I mean, there is something the matter with the thing.

MRS. KLOTZ: From what you are reading now you are just beginning to tie in; what you have read up to now isn't here at all.

H.M. JR: Would you leave out that sentence, entirely, then?

MR. KUHN: No, I would have a different sentence. I would start in by saying, "Every large factory in the State now has a pay roll savings plan. In those factories 99 percent of all the workers are investing in War Bonds week in and week out, by setting aside a part of their regular pay."

H.M. JR: I like it much better. "In those factories 99 percent of all the workers are investing in War Bonds week in and week out, by setting aside a part of their regular pay."

- 8 -

MRS. KLOTZ: All this percentage business is new.

MR. KUHN: Wasn't it in here?

MRS. KLOTZ: Yes, part of it was.

MR. KUHN: Two sentences end with "pay." "In the nation as a whole there were only 700,000 workers on the Payroll Savings plan a year ago, and they were investing only four percent of their pay. Today more than 24 million workers are setting aside an average of eight and a half percent of their earnings every pay day, so our soldiers and sailors and airmen can have the weapons they need." They were investing only four percent of their earnings and then the next time you refer to it they are investing eight and a half percent of their earnings.

H.M.JR: All right. "This (that) is an achievement 'over here' that will give encouragement to our Allies and to our fighting men at battle stations all over the world."

MR. MAGER: Shouldn't it be "this"?

MR. KUHN: It is a matter of speaking.

H.M.JR: Without seeing it, I said "this" - let's make it "this."

Was that in before?

MRS. KLOTZ: No.

H.M.JR: "--that will" or "that should give encouragement"?

MR. KUHN: Either one.

MR. MAGER: "Will" is stronger.

H.M.JR: That is all right.

- 9 -

(Continuing) "We could never have achieved this success without the untiring effort of our 300,000 volunteer workers who have been the unsung heroes in this grand enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have also contributed, not only to the speeding of production but to the success of the War Savings effort as well."

"--speeding up of production" isn't it?

MR. KUHN: That is easier.

MRS. KLOTZ: "--but to the success of the War Savings effort as well" - that is changed.

H.M.JR: "It is my firm belief that the good-will created by the Payroll Savings plan has been felt all along the production line, and will be felt for years to come."

This is good in here, I think, because this is another excuse for Payroll Savings. I think this is good.

(Continuing) "I like to feel that the new relationship between labor and management, which has been shown so magnificently in this War Savings campaign, is helping to build the post-war world right here and now."

MRS. KLOTZ: That is better than what it was before - the labor-management partnership - this is "relationship."

H.M.JR: "I like to feel that it is setting the pattern for the post-war years -- a pattern of labor and management working side by side for their own good and their country's good." How about "their country's good" first?

MR. KUHN: I would put the most important one last as you speak it.

H.M.JR: It doesn't sound right to me.

- 10 -

MR. KUHN: The other way around makes it sound selfish.

H.M.JR: No, I disagree with you.

MR. MAGER: I wouldn't put it on the ground of selfishness, I would put it on the ground of rhetoric. I think, from the point of view of rhetoric, "country" should come at the climax of the sentence - the last word.

H.M.JR: Do you two writers feel that way?

MR. KUHN: That is my feeling.

MR. MAGER: That is mine.

H.M.JR: I would say, "--working side by side for their country's good and their own." Are you both in agreement on that?

MR. KUHN: Yes.

MR. MAGER: Yes. I don't put it on that ground.

H.M.JR: I don't agree with you.

MRS. KLOTZ: You think first of the country and then your own.

H.M.JR: We will see if anybody else notices it.

"Important though the Payroll Savings plan is, it represents only one phase of our War Savings campaign. Millions of farmers, the self-employed, and businessmen have put their savings at their country's disposal. All in all 50 million men and women invested in War Bonds during the past year.

"To my mind this is a fact of real significance for the post-war years. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their

- 11 -

Government. It means that their savings not only bear fruit now, in helping to win the war, but will also help to keep peace-time industry active and strong in the post-war years."

MR. KUHN: It is another fact of significance for the post-war years. You have told about labor-management relations; now you are talking about the people who own these bonds and savings.

H.M.JR: The only question - they questioned me so closely this morning - they thought that as soon as the war was over they thought everybody was going to cash their stuff in.

MR. KUHN: You don't really gain that way; you have got to keep them from cashing them in.

H.M.JR: I said that whoever was then the Secretary of the Treasury would have to say to the fifty million bondholders, "Who are you hurting, your hired man or yourself?" You can use that some day in a speech.

(Continuing) "It means that habits of thrift are taking hold of the American people, with results that will help to win this People's War and the People's Peace to come."

MRS. KLOTZ: This sentence you are reading now is in but the other wasn't.

H.M.JR: (Repeating) "It means that habits of thrift are taking hold of the American people, with results that will help to win this People's War and the People's Peace to come."

That is good; that is entirely new.

MR. KUHN: That was in what I read this morning.

MRS. KLOTZ: They put in the word "People's."

- 12 -

H.M.JR: Instead of saying, "taking hold" as though it was something new, I would like to get it "growing" or "steadily expanding habits of thrift."

MR. MAGER: "Taking hold increasingly" - will that do the trick?

MR. KUHN: "It means that habits of thrift are growing stronger among the American people."

H.M.JR: "It means that the habits are growing steadily stronger among the American people."

MR. KUHN: Yes, "among" - that is right.

H.M.JR: "--with the result" - now, the habits of thrift help to win the People's war?

MR. KUHN: Sure, because if you are thrifty, you can finance the war, and avoid inflation, and build up your savings.

MR. MAGER: We say, "their savings" why can't we say "thrift"? I mean, it is so close.

H.M.JR: All right.

"Will help to win" - is isn't going to win.

MR. KUHN: You never ought to pretend it will win the war to buy a bond.

H.M.JR: Was that in there before?

MRS. KLOTZ: (Reading) "It means that habits of thrift are taking hold of the American people, with results that will help to win the war and the peace to come."

H.M.JR: I don't think it is true. Do you think so?

MR. KUHN: I don't think so.

- 13 -

H.M.JR: That is what bothers me.

MRS. KLOTZ: I don't think that even buying Savings Bonds will win the war, and "help" is lost in that sentence.

MR. KUHN: You can change it to, "--help to finance this People's War and win the People's Peace to come."

H.M.JR: O.K.

MR. KUHN: "It means that habits of thrift are growing steadily stronger among the American people with results that will help to finance this People's War and win the People's Peace to come."

H.M.JR: That is all right. Do you like that "People's War and People's Peace"?

MR. MAGER: I wouldn't put "win" in there. What is wrong with saying - listen, if your objection to using "win" in front of "People's War" is that, after all, buying bonds will not help us win, then the same thing applies to the peace.

MR. KUHN: No, because the peace rests on economic foundations.

MR. MAGER: So does the war, in a sense. Why can't we say, "--will help to finance this People's War and the People's Peace to come;" financing is imperative then, too.

H.M.JR: "--will help to finance this People's War and the People's Peace to come." I think that is better. Say it once more.

MR. KUHN: "It means that habits of thrift are growing steadily stronger among the American people with results that will help to finance this People's War and win the People's Peace to come."

- 14 -

H.M.JR: "--to help to finance the People's War and finance the People's Peace to come."

MR. MAGER: That is the implication.

H.M.JR: Well, that is correct. Yes, that is all right. "--and it will help to finance" - they will have this money - it isn't necessary to repeat "and finance the People's Peace." I think that is all right. Now I like it.

"The holders of War Bonds are the people who will be buying the products of American industry ten years from now, when the bonds mature. The bonds that are bought today represent new homes, new comforts, new horizons for the common man. They will help to give body and substance to the ideal of 'Freedom From Want' in thousands of American communities and in millions of American homes."

MRS. KLOTZ: There is a lot of change in there.

MR. KUHN: That is partly brought in from the thing that you marked this morning, and the last sentence of it was changed - "body and substance to the ideal of 'Freedom From Want.'"

H.M.JR: I have got an idea. "The holders of War Bonds are the people who will be buying, ten years from now, the products of American industry. The bonds that are bought today represent new homes, new comforts, new horizons for the common man. They will help to give body and substance to the ideal of 'Freedom From Want' in thousands of American communities and in millions of American homes."

"In the meantime there is much that we on the home front must do. As I have said, our time of trial is just beginning. We shall have to meet it with thrift and self-denial. We shall have to choose between denying ourselves the comforts we want, or denying the boys at the front -- your sons and mine -- the tools and the weapons they need."

- 15 -

I don't like the word "tools."

MR. KUHN: "--the weapons."

H.M.JR: Do you like the word "tools"? What is the matter with "the weapons"?

MR. KUHN: Leave it "the weapons" or you can specify the guns and planes and tanks they need.

H.M.JR: No, just "the weapons."

(Continuing) "We shall have to choose also whether to finance the war by the cruel and costly method of inflation or by sober saving that will protect our present and our future. I believe that the fifty million men and women who have bought War Bonds this year have already made up their minds to take the right course."

MR. KUHN: Then I want to get a quotation if I can.

H.M.JR: I don't like to raise this question - "We shall have to choose--" Do you want to say that?

MR. KUHN: This is Herbert Gaston's stuff.

H.M.JR: "We shall have to choose--" Let me see - let me just try it this way; I have got an idea here.

"Important though the Payroll Savings plan is, it represents only one phase of our War Savings campaign. Millions of farmers, the self-employed, and businessmen have put their savings at their country's disposal. All in all 50 million men and women invested in War Bonds during the past year.

"The holders of War Bonds are the people who will be buying the products of American industry ten years from now, when the bonds mature. The bonds that are bought today represent new homes, new comforts, new horizons for the common man. They will help to give body and substance to the ideal of 'Freedom From Want' in thousands of American communities and in millions of American homes.

- 16 -

"To my mind this is a fact of real significance for the post-war years. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings not only bear fruit now, in helping to win the war, but will also help to keep peace-time industry active and strong in future years. It means that habits of thrift are taking hold of the American people, with results that will help to win this People's War and the People's Peace to come."

MR. MAGER: That sounds all right.

MR. KUHN: You twisted it around.

H.M.JR: I left out a whole page.

MR. MAGER: Which page?

H.M.JR: Beginning "In the meantime" - beginning at the bottom of Page 8, I left out the whole business.

MR. KUHN: Good. (Laughter)

H.M.JR: Look what I did. I took the paragraph on page 7, ending, "All in all 50 million men and women invested in War Bonds during the past year," and then I skipped to the middle of page 8, "The holders of War Bonds are the people--" and then I went back and read that paragraph on page 7 beginning, "To my mind this is a fact of real significance for the post-war years."

MR. MAGER: That is where the conclusion really belongs.

H.M.JR: The reason I like it is this: In the first place it ties up Mr. Doughton at the end once more, and "--with results that will help to win this People's War and the People's Peace to come" is a good conclusion. That way, now, to me, you don't need any quotation, and I think this last page is repetitious.

- 17 -

MR. KUHN: The only thing is, the last page prevents it from sounding smug and complacent. Somewhere there should be a thought that we have a terrific job to do in the year ahead.

H.M.JR: If you don't mind, that is where I don't vibrate with you. I mean, this stuff of always saying - now, you see - may I make a little speech?

MR. KUHN: Go ahead.

H.M.JR: You wanted me to say I came back from England - at least this is what I told people I have talked to privately - I came back from England, and from what I saw and what I learned, I am convinced that this thing - we can get it over within a couple of years - and I believe in it. It doesn't mean that we don't have to work very hard, and so forth and so on. I am not afraid of this thing being complacent, and this thing, "In the meantime, we at home--" has been said so often that people - "This is a cruel war and you have to save" and all the rest of that. I have said it; all of the War Bond people have said it. My own feeling is I think we can leave it out.

MR. KUHN: I think you are right; I was only trying to explain why I put it in.

H.M.JR: I know why you put it in. To me, I think we are just going out of that phase. I may be wrong.

MR. MAGER: You know where we could cover that thought? We could cover that thought on page four, at the bottom, "Great as our war effort this year has been, however, we are just beginning to fight. We are just beginning to show what this country of 130 million people can do when it puts all its heart and mind and muscle into a single job." We could have the thought in here - one sentence - indicating what we must still do.

- 18 -

MR. KUHN: I think you are right in calling attention to that, because in that passage you take care of the point I was worried about. You don't say any more than that this is the beginning; therefore you are all clear - your record is O.K. I am with you on taking out the last part.

H.M.JR: "This beginning in 1942--"

MR. KUHN: "Great as our effort has been, it is only a beginning."

H.M.JR: Do you want to put that in?

MR. MAGER: No, no, what I am saying is that if you really wanted to save the last page of the draft, we could put one sentence in here that would increase the tone, and that would make it very plain that we are not smug and complacent. On page four, at the bottom say that we realize this is only a beginning and that there is a whole lot still to be done. That can be emphasized a little more than it has been emphasized in here.

MR. KUHN: My feeling is that it is all right as it stands.

H.M.JR: I would leave page nine off, then.

MR. KUHN: I forgot about that paragraph.

H.M.JR: Did you get the way I did that thing?

MR. MAGER: Yes.

H.M.JR: You know what I left out?

MR. MAGER: Yes.

H.M.JR: I went from the middle of page seven to the middle of page eight, took in that paragraph, and then went back to the last paragraph on page seven.

- 19 -

MR. MAGER: Yes, and dropped out the last page.

H.M.JR: Yes, now what I would like to do is this; I would like to do two things. I would like to have this thing rewritten once more and then - because I have promised myself to go home tonight - I would like - if you will make a note, please - I would like these people who are available, if they are available, Bell and Gaston - only if they are available - and White and Odegard and Gamble and Buffington - get them together and read it to them.

MR. KUHN: O.K.

H.M.JR: Now, then, I think somebody should go up and read it to Mr. Doughton. Would this take more than an hour to type?

MR. KUHN: No.

H.M.JR: Gamble can find out how late he is going to be there. It should be read to him, but I would like a copy to come to my house tonight.

MR. KUHN: Do you want the reading copy?

H.M.JR: No, not yet. But I would like you to get as many of those people as are available together, read it to them once more, and then send it up to me. You had better address it to Mrs. Morgenthau.

MRS. KLOTZ: You want Doughton to read this?

H.M.JR: Yes. There might be some little thing--

Draft 4 190  
Cramer-Kuhn

I am happy to be speaking tonight in the home State and in the home community of one of America's outstanding legislators -- my old friend, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

Bob Doughton and I have shared many labors together over these recent eventful years. We at the Treasury are indeed fortunate to be working in partnership -- as he himself described it only a moment ago -- with a Chairman who takes his responsibilities so seriously in these grave days. And I think the taxpayers of the country are equally fortunate in having tax legislation

originate under the leadership of a man like Bob Doughton, who is so devoted to his country and to the welfare of all its people. It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers.

In introducing me, Mr. Doughton spoke generously of the burden that rests upon me nowadays as Secretary of the Treasury. That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the

securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and custodians of trust funds; it is their job to see that those dollars go to work for their country.

I am able to report to the nation that by today, only the twelfth business day of our drive, we have raised more than six billion dollars. We are more than two thirds of the way to success. This is a magnificent response, another proof of what a free, enlightened and democratic people can do when their country calls upon them.

In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain homes in your western counties to your factories in

- 4 -

Winston-Salem and your shipyards on the coast, this State of yours is giving a fine example of the spirit that is being shown by millions upon millions in every State at the start of our second year of war. I have come here tonight to pay my tribute of appreciation to the workers and employers of North Carolina for their part in the War Savings campaign. But in paying my tribute to them I want also to pay it to the workers and employers of the United States as a whole.

In this community and in every community the first year of war has produced outstanding examples of individual service in some field of patriotic effort. And not the least of these is the War Bond campaign.

Take, for example, the payroll savings program in which you in North Carolina have made such an enviable

record. You will not find it in the headlines, yet in North Carolina every large factory now has a payroll savings plan. In those factories 99 percent of all the workers are investing in War Bonds week in and week out.

We can better appreciate the truly magnificent achievement of this democratic, voluntary program by examining what has been accomplished during the past year. Just twelve months ago there were only 700,000 workers in the entire country on the payroll savings plan, and these workers were investing only four percent of their pay in bonds. Today, 24 million workers are setting aside an average of eight and one-half percent of their pay every pay day. And if this steady growth continues, 30 million workers will soon be investing at least ten percent of their pay to help win the war. This is indeed a tribute to the patriotism and intelligence of the American people.

We could never have achieved this success without the untiring effort of our 300,000 volunteer workers who have been the unsung heroes in this grand enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have also contributed immeasurably to the success of the effort. The result is just one example of what can be done when labor and management work together in harmony. I like to feel that this new labor-management partnership sets a pattern for the post-war years -- a pattern of labor and industry working side by side for their own good and for their country's good.

Important though the payroll savings plan is, it represents only one phase of our War Savings campaign. Millions of farmers, self-employed, and businessmen have put their savings at their country's disposal.

- 7 -

All in all 50 million men and women invested in War Bonds during the past year.

To my mind the significance of this can hardly be overestimated. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings are being protected until such time as they are needed to keep the wheels of peace-time industry turning once more. It means that habits of thrift are taking hold of the American people, with results that will help to win the war and the peace to come.

We on the home front have to make this decision: shall we deny ourselves the comforts we would like to have, or shall we deny the boys at the front -- your

sons and mine -- the tools and the weapons they need? We have to choose also whether we shall finance the war by the cruel and costly method of inflation or by sober thrift that will protect our present and our future. The steep road of self-denial will be the shortest road to victory. I believe that the fifty million Americans who have bought War Bonds this year have already made up their minds to take the right course.

I am convinced that we on the home front "over here" will prove worthy of our fighting men. On the production lines, in mines and fields and factories, we are giving an increasingly good account of ourselves. We have living evidence in this community and in thousands of others all over the land of a willingness to work, and save, and sacrifice.

Draft 5198  
(Mager)

I am happy to be speaking tonight in the home State and in the home community of one of America's outstanding legislators -- my old friend, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert M. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

Bob Doughton and I have shared many labors together <sup>during</sup> ~~ever~~ these recent eventful years. We at the Treasury are indeed fortunate to be working in partnership -- as he himself described it only a moment ago -- with a Chairman who takes his responsibilities so seriously in these grave days. And I think the taxpayers of the country are equally fortunate in having tax legislation

- 2 -

originate under the leadership of a man like Bob Doughton, who is so devoted to his country and to the welfare of all its people." It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers.

In introducing me, Mr. Doughton spoke <sup>with understanding</sup> ~~generously~~ of the burden that rests upon me nowadays as Secretary of the Treasury." That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the

- 3 -

securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and custodians of trust funds; it is their job to see that those dollars go to work for their country.

I am <sup>del. Sept 15 2</sup> ~~able~~ to report to the nation that by today, only the twelfth business day of our drive, we have raised more than six billion dollars. We <sup>have come</sup> ~~are~~ more than two thirds of the way <sup>toward our goal.</sup> ~~to success.~~ This is a magnificent response, another proof of what a free, enlightened and democratic people can do when their country calls upon them.

In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain homes in your western counties to your factories in

-E

- 4 -

Winston-Salem and your shipyards on the coast, this State of yours is giving a fine example of the spirit that is being shown in every State at the start of our second year of war." I have come here tonight to pay my tribute of appreciation to the workers and employers of North Carolina for their part in the War Savings campaign. But in paying my tribute to them I want also to pay it to the workers and employers of the United States as a whole."

Great as our war effort this year has been, however, we are just beginning to fight. We are just beginning to show what this country of 130 million people can do when it puts all its heart and mind and muscle into a single job. ~~Yet even~~ this beginning of ours in 1942 <sup>already</sup> has produced outstanding patriotic service in many

fields, in this community and every community. 4

Take, for example, the payroll savings program in which you in North Carolina have made such an enviable record. You will not find it in the headlines, yet in North Carolina every large factory now has a payroll savings plan. In those factories 99 percent of all the workers are investing in War Bonds week in and week out, by setting aside a part of their regular pay.

In the nation as a whole there were only 700,000 workers on the Payroll Savings plan a year ago, and they were investing only four percent of their pay. Today more than 24 million workers are setting aside an average of eight and a half percent of their earnings every pay day, so our soldiers and sailors and airmen can have the weapons they need. That is an achievement

"over here" that will give encouragement to our Allies and to our fighting men at battle stations all over the world. ~~This is indeed a tribute to the patriotism and intelligence of the American people.~~

We could never have achieved this success without the untiring effort of our 300,000 volunteer workers who have been the unsung heroes in this grand enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have also contributed, not only to the speeding<sup>up</sup> of production but to the success of the War Savings effort as well.

It is my firm belief that the good-will created by the Payroll Savings plan has been felt all along the production line, and will be felt for years to come. I like to feel that the new relationship between labor and management, which has been shown so magnificently

in this War Savings campaign, is helping to build the post-war world right here and now. "I like to feel that it is setting the pattern for the post-war years -- a pattern of labor and management working side by side for their own good and their country's good.

Important though the Payroll Savings plan is, it represents only one phase of our War Savings campaign. Millions of farmers, the self-employed, and businessmen have put their savings at their country's disposal. All in all 50 million men and women invested in War Bonds during the past year.

To my mind this is a fact of real significance for the post-war years. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings not only bear

fruit now, in helping to win the war, but will also help to keep peace-time industry active and strong in the ~~post-war~~<sup>future</sup> years. It means that habits of thrift are taking hold of the American people, with results that will help to win this People's War and the People's Peace to come.

The holders of War Bonds are the people who will be buying the products of American industry ten years from now, when the bonds mature. The bonds that are bought today represent new homes, new comforts, new horizons for the common man. They will help to give body and substance to the ideal of "Freedom From Want" in thousands of American communities and in millions of American homes.

In the meantime there is much that we on the home

front must do. As I have said, our time of trial is just beginning. We shall have to meet it with thrift and self-denial. We shall have to choose between denying ourselves the comforts we want, or denying the boys at the front -- your sons and mine -- the tools and the weapons they need.<sup>4</sup> We shall have to choose also whether to finance the war by the cruel and costly method of inflation or by sober saving that will protect our present and our future. I believe that the fifty million men and women who have bought War Bonds this year have already made up their minds to take the right course.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

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

(At issue price in thousands of dollars)

Date	: December : daily : sales	Cumulative sales by business days				: December as : percent of November
		: December	: November	: October	: December as	
December 1942						
1	\$ 197	\$ 197	\$ 303	-		65.0%
2	329	527	1,115	-		47.3
3	2,688	3,214	7,846	\$ 2,218		41.0
4	13,947	17,161	14,720	20,322		116.6
5	12,303	29,464	31,425	24,325		93.8
7	17,522	46,986	34,030	31,922		138.1
8	2,872	49,858	43,940	46,695		113.5
9	9,576	59,434	49,326	55,998		120.5

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

December 10, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. These figures have been adjusted on the basis of wire reports and therefore will not agree with the Treasurer's accounts.

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

Sales of United States savings bonds, Series E  
December 1 through 9, 1942  
Compared with sales quota for same period

(At issue price in millions of dollars)

Date	Actual sales		Quota, December 1 to date	Sales to date as percent of quota
	Daily	December 1 to date		
December 1	\$ 4.1	\$ 4.1	\$ 5.5	74.5%
2	4.5	8.6	11.0	78.2
3	10.0	18.6	23.1	80.5
4	39.7	58.3	35.2	165.6
5	16.6	75.0	57.1	131.3
7	46.4	121.4	95.3	127.4
8	11.9	133.3	110.2	121.0
9	17.9	151.2	133.2	113.5
10			158.5	
11			181.5	
12			194.2	
14			233.6	
15			248.8	
16			272.9	
17			300.4	
18			326.3	
19			340.8	
21			385.5	
22			402.3	
23			428.2	
24			457.9	
26			472.7	
28			518.4	
29			551.3	
30			585.3	
31			650.0	

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

December 10, 1942.

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

## TREASURY DEPARTMENT

WASHINGTON

December 10, 1942.

MEMORANDUM ON MEETING OF THE JOINTCOMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called at 11:00 A. M., Thursday, December 10, in the Senate Finance Committee Room in the Senate Office Building. There were present:

Senators:	Congressman Cannon
Byrd	Bureau of the Budget:
Nye	Mr. Lawton

Senator Byrd arrived at 11:15 at which time the meeting got under way. The Committee reporter made a stenographic transcript of the meeting.

Senator Byrd opened the meeting and said the Committee would hear testimony of members of the staff of the Bureau of the Budget concerning the Farm Security Administration and the National Youth Administration.

Farm Security Administration:

Messrs. Scott, Patterson and Broadbent were present to furnish information concerning the Farm Security Administration. In reply to questions from Senator Nye they furnished information showing the funds available for the fiscal years 1942 and 1943.

Senator Byrd asked what effect the recent executive order transferring the Farm Security Administration to the Food Administration would have upon the activities of the agency. Mr. Scott said that no substantial changes in operation were contemplated; that he thought the organization would operate much as it has up to date, and that more emphasis would be given to increasing production by the lower income group of farmers.

There was a general discussion concerning the status of loans made by the Farm Security Administration, repayments, etc. and the members of the Budget Bureau staff did not have the detailed information desired by the Committee. As a result of this situation the Chairman asked that the Committee be furnished comprehensive information concerning such loans.

The Committee also asked for information concerning the liquidation of the old resettlement projects which are now being



- 2 -

liquidated by the Farm Security Administration. A great deal of detailed data concerning this situation was requested.

National Youth Administration:

Messrs. Mitchell, Garber and another person from the staff of the Bureau of the Budget furnished information concerning the appropriations made in 1942 and 1943 for the National Youth Administration. Total appropriations for 1942 were about \$155,000,000, of which \$63,000,000 were allocated to the defense training program. Total appropriations for 1943 were about \$61,000,000, of which \$53,000,000 were allocated to defense training.

The members of the Budget Bureau staff furnished certain limited information concerning the number of persons being trained in defense activities. On November 25, 1942 there were 53,600 persons in training, of which 28,300 were boys and 25,200 were girls.

Senator Byrd asked whether the Budget Bureau had given any consideration to putting all training programs under the Office of Education. Mr. Mitchell replied that some study had been given to the matter but nothing definitely had been done.

Senator Byrd furnished a list of questions concerning the National Youth Administration and the Farm Security Administration and asked the Budget Bureau to submit data in reply thereto.

Congressman Cannon left the meeting at 12:15 and Senator Nye left at 12:35. The meeting adjourned at 12:45.

The meeting was not productive from the standpoint of the information submitted unless the data called for by the Chairman in the questionnaires is of some consequence.

WJH

Treasury Department  
Office of the Under Secretary

Date: 1/7/4

To:

Mrs. Klutz

From:

For the Secy's file

JWB

DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON

DEC 10 1942

Dear Henry:

In view of your letter of December 7, 1942, I have issued instructions that orders to Lieutenant Frank A. Southard, Jr., I-N(S), U.S.N.R., detailing him to the Treasury be cancelled and that he be directed to resume his duties with Naval Intelligence.

It always gives me pleasure to help you in any way that I can. Please do not hesitate to call on me if I can be of any help to you in the future.

Sincerely yours,



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

December 10, 1942.

Dear Miss Newcomer:

Thank you very much for your letter of November 27, with the list of Vassar graduates and the detailed information about the different girls. This seems to be a wonderful list, and I am studying it very carefully. I feel sure that it will be most helpful in connection with what I had in mind.

With thanks again and cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Miss Nabel Newcomer,  
Chairman, Department of Economics,  
Vassar College,  
Poughkeepsie, New York.

SEF/dbs

File sent to Thompson to  
speak to HMJr.

CC in Diary.

VASSAR COLLEGE  
POUGHKEEPSIE, NEW YORK  
*Department of Economics & Sociology*

November 27, 1942

Secretary Henry Morgenthau, Jr.  
Treasury Department  
Washington, D.C.

Dear Mr. Morgenthau:

In reply to your telephoned inquiry concerning Vassar graduates who might be qualified for work in the Treasury, I am submitting the following list. I do not know that any of these is seeking another position, but some might be interested. I am sending addresses as far as I have them so that they can be reached directly. I may be able to add to the list later, but I trust that some of these may be available and fit your needs. If you want more information concerning any of them, or the address given proves to be out-of-date, we shall be glad to supply what information we have. All have had most of work in finance as undergraduates.

Graduates that I rank as exceptionally able are:

Margaret L. Harrison graduated in 1933. She had an excellent record with us, and received a fellowship to continue her studies at the London School of Economics. I think she has done some graduate work at Radcliffe also. She worked for some years as research associate with Scudder, Stevens and Clark in Boston, and I understand that she is now working for the WPB. I have a very high opinion of her abilities. Personally she is most attractive. Her present address is: 1703 New York Avenue, Washington, D.C.

Helen Fitch graduated from Vassar in 1934. She was a brilliant student and has had a brilliant record since. She has completed the work for a Ph.D. at Radcliffe except for the thesis. She obtained an AAUW fellowship to do this last year and then gave it up for a position with the OPA in Washington. I think she is still there but I have not been able to obtain her Washington address. She is on leave from Smith College where she has been an instructor in economics. She has specialized in economic history and statistics rather than finance, but she has a good foundation in finance also. Personally, she is attractive, but perhaps a little high strung and temperamental. I have a high opinion of her ability and have considered trying to bring her to Vassar to teach if the right opening should develop.

Vivian Cadman (Mrs. Joseph Cadman) graduated from Vassar in 1933. She is one of the top half-dozen students that I have taught in twenty-five years at Vassar. She has practically completed the work for her Ph.D. at Columbia, specializing in public finance. She had fellowships from

Vassar and Columbia. When at Vassar she was one of our young radicals, and I think she still has radical leanings, although I am under the impression that she has changed her point of view materially. Her radicalism never interfered with her powers of reasoning, but it may bar her from a government position. I think she is working as research assistant for Congressman Marcantonio and can be reached in his care.

Barbara Cole graduated in 1939, and has since practically completed the work for a Ph.D. in economics at Radcliffe. She specialized in statistics and finance as an undergraduate here, and has continued in that field. She is exceptionally brilliant, and at the same time dependable--an unusual combination. I believe that she would adapt herself very quickly to the requirements of any position for which she is fitted. She is the daughter of Arthur Cole of the Harvard Department of Economics. She has worked as research assistant at Harvard. Her present address is 102 Fresh Pond Parkway, Cambridge, Massachusetts.

Jeanne Matscheck graduated from Vassar in 1940. She obtained one of the government internships connected with American University after graduation and has worked in different government offices. She is one of the best of our graduates, with a clear, logical mind, mature judgment and poise. Personally she is most attractive. She is the daughter of Walter Matscheck of the Railroad Retirement Board. She had some graduate work at American University. She specialized in finance as an undergraduate, but has not been working in that field since. Her address is 3020 Tilden Street, N.W., Washington.

Louette Per-Lee (Mrs. Charles Per-Lee) graduated from Vassar in 1940. She worked more than a year as research assistant to Dr. Beckhart in the Chase National Bank. She had a brilliant record with us, and I know that Dr. Beckhart found her a most exceptional assistant. She took some graduate courses at Columbia while working at the bank. Her training has been primarily in finance and statistics. She is now married and has a young baby, but she lives in Washington, it might be possible for her to take a position there. Her address can probably be found in the Washington telephone book.

Mary Fitt graduated in 1941, and received a fellowship to continue her studies at Columbia University the following year. She has received her A.M. degree since. She has specialized in international trade, but has had work in money and banking, in public finance, and in statistics. She is now working for the Irving Trust Co. in New York. We have a very high opinion of her ability, and I understand that her record at Columbia was outstanding. Personally she is cooperative and should work well with others. I have no reservations concerning her. Her address is Apt. 30, 562 West 113th Street, New York City.

Eleanor Stoddard, Vassar 1942, is a very brilliant and energetic student. In her undergraduate career she was able to combine "A" work in her major field with dramatics and other student activities. She is most likable and always gets on well with others. She would be unusually competent in any position for which her training fits her. Her home address is 253 Woodland Road, Madison, N.J., but she is now working with the OPA in Washington.

Graduates who are well above average but not in the first rank are:

Ann Bauman graduated from Vassar in 1935. She was a very good student, specializing in finance and statistics. I do not think that she has done graduate work but she has worked for the FDIC, as research assistant, and is now with the OPA--or was the last time I heard. I understand that she rates very high with the people who have employed her. I do not know her as well as some of the others, but from what I do know, I can recommend her without reservation. The last address that I have for her is 1701 20th Street, N.W., Washington, D.C.

Narnie Puryear Borchardt (Mrs. Kurt Borchardt) graduated in 1936. She was one of our best students and received a fellowship to study economics at Chicago University the following year. I think she married before she completed her work for the master's degree. The last I heard from her she was with the Railroad Retirement Board in Washington. She worked as my assistant the summer following her graduation and I found her very capable. Personally she is most attractive. Her present address is 1385 Nicholson Street, N.W., Washington.

Eleanor Stockwell graduated from Vassar in 1936. She was a mathematics major, but took almost enough economics to qualify as an economics major. She took most of our courses in finance and did excellent work. She has been doing research for the Board of Governors of the Federal Reserve System since graduation, and I understand that her work has been more than satisfactory. She is married but I believe that she uses her maiden name for business purposes. She can be reached in care of the Board of Governors of the Federal Reserve System.

Mary Splawn Taylor (Mrs. Thomas Taylor) graduated in 1938. She was an outstanding student and an exceptionally dependable one. She is the daughter of Walter Splawn of the Interstate Commerce Commission. She had graduate work at American University, and for a time had a position in the Department of Agriculture. She has specialized in banking. I do not think that she has worked since her marriage but it is possible that she would consider it. Her address is Lincoln, Virginia.

Judith Gravely DeBuys (Mrs. William DeBuys) graduated in 1939. She was an excellent student, doing careful and thoughtful work rather than brilliant. Personally she was most cooperative, and very attractive. She specialized in finance. I do not think that she has had graduate work. She has worked as Junior Personnel Examiner in Baltimore. I do not know whether she has worked since her marriage or not. Since she lives near Washington, it is possible that she might be available. Her address is 105 Tunbridge Road, Baltimore, Md.

Patricia Shane graduated in 1939. She was a brilliant, but erratic student. I should expect her to take a regular position more seriously than she sometimes took her undergraduate studies, however. She specialized in finance as an undergraduate. I do not think she has had graduate work. I think she is working for Occupational Codes, Interdepartmental Placement Service in Washington. I have no other address.

Secretary Morgenthau

4.

Anne Montgomery, Vassar 1941, is getting an A.M. degree this December at Ohio State University. I think she is specializing in government finance. That was the field of her major interest as an undergraduate. Although not brilliant, she always did better than average work with us, and was thoroughly competent. She is the kind of worker that will see a job through as a matter of course, no matter how much time and effort is involved; and is genuinely interested in what she is doing. Her address is 74 Granville Road, Newark, Ohio.

Nancy Hayden, Vassar 1942, was an able and dependable student, specializing in finance. She worked for me during the summer of 1941 and I found her a very promising research assistant. She has had no graduate work. She is now working for the OPA. I think you would find her excellent for any position for which her training would qualify her. Her address is 242 Portland Street, S.E., Washington.

Alice Meriam, Vassar 1942, was a good and dependable student. Her work was never brilliant, but always satisfactory and often of a very high caliber. She occasionally worked as clerical assistant for our department, and we always found her work accurate and in every way satisfactory. She has been trained primarily in finance, with courses in statistics, accounting, corporations, money and banking, and public finance. She has had no graduate work. She now has a position as senior clerk with the War Department, Boston Ordnance District. Her address is Baker Bridge Road, South Lincoln, Massachusetts.

Sylvia Stern, Vassar 1942, was an able and hard working student who took several courses in finance. She is now working with the banking department of the Prudential Insurance Company. She is competent rather than brilliant, but well above the average of our students. Her address is 450 West End Avenue, New York City.

Please do not hesitate to call on us if we can be of any further help to you.

Sincerely yours,

*Mabel Newcomer*

Mabel Newcomer, Chairman  
Department of Economics

MM:EX

VASSAR COLLEGE  
POUGHKEEPSIE NEW YORK  
*Department of Economics & Sociology*

December 9, 1942

Secretary Henry Morgenthau, Jr.  
Treasury Department  
Washington, D. C.

Dear Mr. Morgenthau:

I have one more name to add to the list of Vassar alumnae who might qualify for Treasury jobs. Miss Lucy Yundt who graduated in 1935 is now working as tax accountant for the Southern Bell Telephone Company in Atlanta. She has been with this company in various capacities since graduation. She is not looking for another position but might consider it. She was an excellent student and a very capable all-around person with lots of initiative and good common sense. She was an economics major with courses in statistics and finance. I think she has not done graduate work.

Sincerely yours,

*Mabel Newcomer*

Mabel Newcomer, Chairman  
Department of Economics

MN:EK

VASSAR COLLEGE  
POUGHKEEPSIE NEW YORK  
*Department of Economics & Sociology*

December 9, 1942

Secretary Henry Morgenthau, Jr.  
Treasury Department  
Washington, D. C.

Dear Mr. Morgenthau:

I have one more name to add to the list of Vassar alumnae who might qualify for Treasury jobs. Miss Lucy Yundt who graduated in 1935 is now working as tax accountant for the Southern Bell Telephone Company in Atlanta. She has been with this company in various capacities since graduation. She is not looking for another position but might consider it. She was an excellent student and a very capable all-around person with lots of initiative and good common sense. She was an economics major with courses in statistics and finance. I think she has not done graduate work.

Sincerely yours,

*Mabel Newcomer*

Mabel Newcomer, Chairman  
Department of Economics

MN:EK

December 10, 1942

Mr. Pehle called Mrs. Klotz today to say that the State Department recommends that the application of J.D.C. be approved in connection with the shipment of food to Poland, and that he will go ahead on that basis.

December 10, 1942

Mr. Pehle called Mrs. Klotz today to say that the State Department recommends that the application of J.D.C. be approved in connection with the shipment of food to Poland, and that he will go ahead on that basis.

File 220

IRVING LEHMAN  
38 WEST 44TH ST.  
NEW YORK

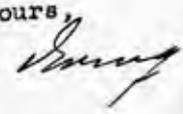
November 16, 1942

Dear Elinor,

Mr. Leavitt of the Joint Distribution Committee came to see me on Friday to tell me of a mix-up in connection with an application that has been made to the State Department for permission to send a small amount of food each month to Poland. As far as I can make out, Dr. Wise has, as usual, been an opportunist and has placed the State Department, Mr. Pehle of the Treasury and a group composed both of Jewish and Christian organizations in a very embarrassing position. Henry has wisely kept aloof from the whole matter, and I hope that he will continue to remain aloof. Mr. Leavitt, however, is anxious that Henry should receive an explanation of the entire matter so that he may understand why the Joint Distribution Committee and the other groups cannot cooperate with Wise's World Congress group. I told him that I would ask you to give Henry their written explanation if you thought it advisable. Please don't give it to Henry if you think it would disturb him. In this matter it is entirely clear that it is best from every point of view that he should continue his attitude of non-intervention. I hesitate even to ask you to give him this statement because I know that all these matters disturb Henry. He is doing grand work.

We are in New York for a three-week recess, but return to Albany next Sunday, and we will probably remain there for three weeks. Perhaps we may have a chance to get a glimpse of you during the Christmas recess.

Sissie joins me in loving greetings to yourself and Henry.

Yours,  


Mrs. Henry Morgenthau, Jr.,  
2211 Thirtieth Street, N.W.,  
Washington, D.C.

THE AMERICAN JEWISH  
JOINT DISTRIBUTION COMMITTEE, Inc.

100 EAST 42nd STREET, NEW YORK CITY

BAERWALD, *Honorary Chairman*  
ELIX M. WARBURG, *Honorary Chairman*  
N. ROSENBERG, *Honorary Chairman, Executive Committee*  
ED M. M. WARBURG, *Chairman*  
H. BECKER, *Chairman, National Council*  
T H. LIEBERMAN, *Vice-Chairman, National Council*  
H C. HYMAN, *Executive Vice-Chairman*

*Vice-Chairmen*  
HERBERT H. LEHMAN  
GEORGE BACKER  
DAVID M. BRESSLER  
ALEXANDER KAHN  
HAROLD F. LINDER  
*European Executive Council*  
BERNHARD KAHN  
*Honorary Chairman*  
WILLIAM ROSENWALD  
WILLIAM J. SHRODER  
M. C. SLOSS  
JONAH B. WISE  
JOSEPH J. SCHWARTZ  
*Chairman*

I. EDWIN GOLDWASSER, *Treasurer*  
ALEXANDER A. LANDESCO, *Treasurer*  
ABNER BREGMAN, *Associate Treasurer*  
EVELYN M. MORRISSEY, *Assistant Treasurer*  
MRS. H. B. L. GOLDSTEIN, *Comptroller*  
ISIDOR COONS, *Director of Fund Raising*  
MOSES A. LEAVITT, *Secretary*

November 13th, 1942.

Hon. Irving Lehman,  
119 East 71st Street,  
New York, N. Y.

Dear Judge Lehman:

I enclose herein copy of the  
memorandum which I discussed with you this afternoon.

Sincerely yours,

*Moses A. Leavitt*  
M. A. Leavitt.

enc.

November 13, 1942

## MEMORANDUM

Re: THE EXTENSION OF RELIEF IN OCCUPIED POLAND

About five months ago, at the instance of the General Jewish Council, comprising the American Jewish Committee, the B'nai B'rith and the Jewish Labor Committee, representatives of the J.D.C. conferred with the delegates of these three Jewish organizations with respect to the feasibility of approaching the State Department in the near future to urge that food and other means of relief be extended to the Jewish population in occupied Poland. At this meeting the organizations agreed in principle that it was desirable to make such inquiry of the State Department. It was proposed, however, that in order to have a united Jewish representation, the American Jewish Congress be invited to participate in the next conference and urged to associate itself with a common course of action.

Accordingly, the American Jewish Congress was so invited, accepted the invitation and appeared in the persons of Dr. Stephen S. Wise and Mr. Carl Sherman. All further discussions with respect to the entire problem of extension of relief to the Jewish communities in Poland were attended by representatives of the American Jewish Congress. Practically all such meetings were attended by Dr. Maurice Perlweig, who came as the alternate for Rabbi Stephen S. Wise, in behalf of the American Jewish Congress.

Consideration was given to the action taken by the Allied and United Nations and the German Government in permitting certain foodstuffs and other relief supplies to be brought into Greece. It was hoped that the precedent set by the belligerent governments in sending, under proper supervision, food supplies into Greece for the benefit of the Greek population, would be utilized in appropriate approaches to the United States Government and to the British Government, with a view to determining the practicability of adopting similar procedures in the case of the Polish Jewish population.

At this stage it was suggested that as the problem of relief was of paramount importance, not alone to the Jewish inhabitants of Poland, but to the Catholic Poles, the collaboration of Christian organizations of the United States be enlisted in studying the plan and in approaching our Government. To that end the five organizations, namely, American Jewish Committee, B'nai B'rith, Jewish Labor Committee, American Jewish Congress and the J.D.C. agreed that the Secretary of the Conference, Mr. Minkoff, address communications to the Federal Council of the Churches of Christ in America and the American Friends Service Committee, inviting them to a further discussion. Informally, the representatives of these organizations were approached and they indicated their willingness to participate in these discussions. At the same time members of the Conference group sought such information as might be available and as might be serviceable for a further study of this problem from representatives of the American Red Cross, the International Red Cross, the Polish Embassy in the United States, the Polish Minister in New York and other organizations.

The representatives of the Federal Council of Churches of Christ in America and the American Friends Service Committee, after submitting the matter to their

respective boards, agreed in principle to associate themselves with the Jewish groups in an appropriate demarche to the State Department. In conversations with the Polish Ambassador to the United States and the Polish Minister in New York, it developed that the collaboration of the Polish American Council (representing the Polish Catholic groups in this country) might be enlisted in this enterprise. Accordingly, on the unanimous consent of the conferees, the Polish American Council was invited to associate itself with this project and it delegated both a lay representative and at the same time brought about the representation of a Polish Bishop at several of these conferences.

The Conference in the mean time had learned that the British Government had agreed in principle to permit the purchase of foodstuffs in Portugal in an amount of 3,000 pounds monthly for transmission to Poland. It was learned thereafter that this permission on the part of the British authorities would cover not only the shipment of food supplies from Portugal to the Jews in the Polish ghettos, but also to the general Polish population in a similar amount. Thereupon the conferees agreed to embody in the memorandum to be submitted to the State Department a specific request that permission be granted for the purchase in Portugal of food supplies to be sent respectively to the general Polish population and to the Jewish population in such amounts as might be authorized by our Government.

A Drafting Committee was appointed to prepare the memorandum setting forth these views, consisting of Dr. Perlzweig representing the American Jewish Congress and Mr. Minkoff representing the General Jewish Council. It was agreed that the drafts in turn be submitted to all the members of the Conference and be duly approved by them. The Drafting Committee promptly submitted such a draft, which was in the process of circulation to the members of the Conference group, when the attention of the Conference was directed to a new development in this situation; It appeared that some three weeks ago Dr. Stephen S. Wise and Dr. Nachum Goldmann, as representatives of the World Jewish Congress, had called on Mr. Sumner Welles and were advised by Mr. Sumner Welles that our Government had consented to permit the purchase in Portugal of a limited amount of food supplies, to wit, \$12,000 a month ~~in Portugal~~ for shipment to the Jewish population in Poland and that a similar amount of foodstuffs would be authorized to be purchased for the Polish general population.

At this point the World Jewish Congress representatives communicated with the J.D.C. and asked for a meeting to discuss this matter. Such a meeting did take place. The representatives of the World Jewish Congress stated that they had secured a license and that they understood also that the Polish American Council had received a license in a similar amount and they requested that the J.D.C. associate itself with them in the financing and in the carrying through of this project.

The J.D.C. having associated itself with the American Jewish Committee, the American Jewish Congress, B'nai B'rith, Jewish Labor Committee, Federal Council of Churches of Christ in America, American Friends Service Committee, the Bishops Committee and the Polish American Council, pointed out that it must bring this situation to the attention of these bodies and that it could not act in good faith without their assent and that it must advise them fully.

This was done by Mr. Minkoff as Secretary of the Conference Committee, who duly sent out word to all the members of the Conference group for the information of their respective organizations.

In order that the facts of this situation might be clearly known, Mr. Minkoff, as Secretary of the Conference group and also as representative of the General Jewish Council, and Messrs. Hyman and Leavitt, representing the J.D.C., visited Washington to confer with the Treasury with respect to the procedures to be undertaken.

The facts as above set forth were communicated to Mr. John Pehle of the Foreign Funds Control of the Treasury. Mr. Pehle advised that Mr. Nahum Goldman had conferred with him several days ago on the same subject matter and that Dr. Goldman was planning to submit an application for a license to transmit \$12,000 to Portugal for the purposes indicated. As of that time, we understood that no application had yet been received, nor had any license been issued to the World Jewish Congress.

Mr. Minkoff, for the General Jewish Council, and Messrs. Hyman and Leavitt, for the J.D.C., pointed out that the J.D.C., as the oldest and most substantial American Jewish relief organization, with a record of twenty-eight years' service in the disbursement of some \$125,000,000 of relief throughout the world, stood ready, without organizing any special campaign or any special publicity or propaganda, to furnish the funds required monthly, to organize the necessary procedures, and to instruct its headquarters office in Lisbon to carry out this activity, so far as possible, in collaboration with the representatives of the Polish Government and in collaboration with the Polish American Council, which was likewise anxious to transmit funds for food packages for the general population in Poland.

The request of the World Jewish Congress that the J.D.C. associate itself with them in a joint venture was placed before the Executive Committee of the Joint Distribution Committee. It was the unanimous opinion of the Executive Committee that the J.D.C. could not associate itself with what was essentially a political international organization and that it must limit its participation in this matter to such contact with American agencies.

As a result of this decision, the J.D.C. submitted an application to the Treasury requesting a license to transmit up to \$12,000 to Portugal. The American Jewish Committee, the B'nai B'rith and the Jewish Labor Committee agreed for themselves and for the General Jewish Council to support fully the application of the J.D.C. as the American functional operating agency to apply for the license and carry this project through.

The Joint Distribution Committee is awaiting the decision of the Treasury Department on its application.

J. C. H.  
J. C. Hyman.

JCH:RM

Nov 17

Dear Mr. Secretary,

through Joel Wolfson's help the enclosed letter was obtained from the General Jewish Council which I hope will be sufficient to indicate that it is the general wish of the Jewish organizations interested in relief that the Joint Distribution Committee be recognized as the instrument through which the food package relief for Poland should be handled.

Yours,

Ben V. C.

Hon. Henry Morgenthau Jr.

file

GENERAL JEWISH COUNCIL  
295 MADISON AVENUE  
NEW YORK

AMERICAN JEWISH COMMITTEE  
B'NAI B'RITH  
JEWISH LABOR COMMITTEE

MURRAY HILL 3-0563

November 17, 1942

Mr. John Pehle,  
Foreign Fund Control,  
U.S. Treasury Department,  
Washington, D.C.

Dear Mr. Pehle,

The General Jewish Council, through its constituent agencies — the American Jewish Committee, the B'nai B'rith and the Jewish Labor Committee — has authorized me to communicate to you their support of an application made by the American Jewish Joint Distribution Committee for the issuance of a permit to transmit \$12,000. monthly to Lisbon for the purchase of food packages to be sent to the Jewish population in Nazi-occupied Poland.

These instructions were given to me as the result of a meeting held on Friday, November 13th, 1942, and called at the instance of the General Jewish Council. The meeting was attended by representatives of the above-mentioned organizations as well as by a representative of the American Jewish Congress. A representative of the American Jewish Joint Distribution Committee was also present.

All the American organizations represented at the meeting were urged to reach a unanimous decision as to which agency should be recommended to the Government to be charged with furnishing and transmitting the funds as well as with the carrying out of the technical arrangements in Lisbon.

As stated above, the American Jewish Committee, the B'nai B'rith and the Jewish Labor Committee, respectfully submit that the application of the American Jewish Joint Distribution Committee as the chief American Jewish agency for overseas aid to Jews in distress, receive the most favorable consideration of the Treasury Department.

-2-

The representative of the American Jewish Congress stated at the meeting that he was not in a position to make any decision at that moment. As yet, no reply has been received from the American Jewish Congress.

Respectfully yours,

  
I. M. Minkoff  
Executive Secretary

228

Treasury Department  
Division of Monetary Research

Date December 10 19 42

To: Secretary Morgenthau

From: Mr. White

Original of this report  
appended to prepared letter  
to President.

228

Treasury Department  
Division of Monetary Research

Date December 10 19 42

To: Secretary Morgenthau

From: Mr. White

Original of this report  
appended to prepared letter  
to President.

228

Treasury Department  
Division of Monetary Research

Date. December 10 19 42

To: Secretary Morgenthau

From: Mr. White

Original of this report  
appended to prepared letter  
to President.

Treasury Department  
Division of Monetary Research

29

Date December 10 1942

To: Miss Chauncey

From: Mr. White

The tables for transmittal to the Secretary of State differ from those being sent to the President in that certain military figures are not broken down.

December 10, 1942

**Exports to Russia, Free China and selected blocked countries as reported to the Treasury Department during the ten-day period ending November 30, 1942**

**1. Exports to Russia**

Exports to Russia as reported during the ten-day period ending November 30, 1942 amounted to \$88,415,000 making a total of \$187,426,000 for the month of November. Military equipment accounted for \$55,376,000 of the total for the period under review and included 247 tanks, 100 105-mm. self-propelled howitzers and 27 light bombers. (See Appendix C.)

**2. Exports to Free China**

Exports to Free China as reported during the period under review amounted to \$296,000, of which all was military equipment.

**3. Exports to selected blocked countries**

Exports to selected blocked countries are given in Appendix A. Most important were exports to Switzerland and Portugal, amounting to \$935,000 and \$204,000, respectively.

ISP/efa  
12/10/42

APPENDIX A

Summary of United States Exports to Selected Countries as Reported to the Treasury Department from Export Declarations Received During the Period Indicated 1/

(In thousands of dollars)

	10-day Period ended Nov. 30, 1942	10-day Period ended Nov. 20, 1942	Total Domestic Exports Aug. 1, 1942 to Nov. 30, 1942	Total Domestic Exports July 28, 1941 to July 31, 1942
S. S. R.	\$ 88,415	\$ 45,867	\$ 553,281	\$ 742,941
Free China	296	2,032	9,494	97,720
Spain	1	3	770	2,858
Switzerland	935	443	5,629	11,537
Sweden	-	-	2,626	18,056
Portugal	204	396	1,396	9,743
French North Africa 2/	-	-	2,088	6,305

Treasury Department, Division of Monetary Research

December 10, 1942

1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period.

2/ Includes Morocco, Algeria and Tunisia.

1/cfs 12/10/42

**SECRET**

232

**APPENDIX B**

Exports from the U. S. to Free China and U.S.S.R.  
as reported to the Treasury Department  
July 28, 1941 - November 30, 1942 1/  
(Thousands of Dollars)

	<u>Exports to Free China</u>	<u>Exports to U.S.S.R.</u>
July 28, 1941 - Jan. 24, 1942	\$ 32,758	\$ 98,902
1942		
Jan. 26 - Jan. 31	6,938	9,608
Feb. 1 - Feb. 10 2/	4,889	13,315
Feb. 10 - Feb. 20	4,853	26,174
Feb. 20 - Feb. 28 3/	2,921	28,119
Mar. 1 - Mar. 10	2,879	32,509
Mar. 10 - Mar. 20	8,058	28,586
Mar. 20 - Mar. 31 4/	2	42,435
Apr. 1 - Apr. 10	4,836	51,698
Apr. 11 - Apr. 20	5,335	66,906
Apr. 21 - Apr. 30	2,827	50,958
May 1 - May 10 5/	296	28,652
May 11 - May 20	1,872	18,000
May 21 - May 31 4/	2,533	26,180
June 1 - June 10	3,399	12,764
June 11 - June 20	2,707	53,799
June 21 - June 30	1,664	49,919
July 1 - July 10	7,900	35,657
July 11 - July 20	590	33,940
July 21 - July 31 4/	3,066	35,669
Aug. 1 - Aug. 10	208	14,970
Aug. 11 - Aug. 20	192	23,323
Aug. 21 - Aug. 31 4/	2,850	112,492
Sept. 1 - Sept. 10	855	24,339
Sept. 11 - Sept. 20	11	44,434
Sept. 21 - Sept. 30	902	30,947
Oct. 1 - Oct. 10	1,885	14,564
Oct. 11 - Oct. 20	30	55,083
Oct. 21 - Oct. 31 4/	--	45,701
Nov. 1 - Nov. 10	233	53,144
Nov. 11 - Nov. 20	2,032	45,867
Nov. 21 - Nov. 30	296	88,415
<b>Total</b>	<b>\$ 109,817</b>	<b>\$1,297,041</b>

1. These figures are in part taken from copies of shipping manifests.
2. Beginning with February 1, figures are given for 10-day period instead of week, except where otherwise indicated.
3. 8-day period.
4. 11-day period.
5. Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research December 9, 1942

ISP/efs 12/9/42

APPENDIX C

Principal Exports from U. S. to U. S. S. R.  
as reported to the Treasury Department  
during the ten-day period ending  
November 30, 1942

	<u>Unit of</u> <u>Quantity</u>	<u>Quantity</u>	<u>Value</u> <u>(Thousands</u> <u>of dollars)</u>
<b>TOTAL EXPORTS</b>			<b>\$ 88,415</b>
<b><u>Military Equipment (\$55,376)</u></b>			
Ammunition	--	--	19,023
Military tanks			17,806
Medium tanks (M4A1)	No.	117	
Medium tanks, n.e.s.	No.	130	
Field artillery			5,425
105 mm. howitzers (self-propelled)	No.	100	
37 inch anti-aircraft artillery guns	No.	101	
Infantry support weapons			4,837
6 pounder (57 mm.) anti-tank equip- ment guns (self-propelled)	No.	320	
Guns, n.e.s.	No.	39	
Aircraft			3,785
Lt. bombers (2 engine A-20)	No.	27	
Tank engines, parts and accessories	--	--	1,723
Parts and accessories for tank armament	--	--	792
Parts and accessories for field artillery	--	--	687
All other	--	--	1,298
<b><u>Non-Military Goods (\$33,039)</u></b>			
Motor trucks and auto replacement parts and accessories	--	--	8,472
Industrial and electrical machinery parts	--	--	6,403
Iron and steel manufactures and semimanufactures	--	--	5,425

## APPENDIX C (Con't)

Page 2

	<u>Unit of Quantity</u>	<u>Quantity</u>	<u>Value (Thousands of dollars)</u>
Metal and manufactures, n.e.s.	--	--	3,298
Meat products	--	--	2,912
Dairy products	--	--	2,237
Rubber and leather manufactures	--	--	1,379
Dried egg products	Lb.	622,225	646
Chemicals and related products	--	--	619
All other	--	--	1,648

Treasury Department, Division of Monetary Research December 9, 1942

EPM/efs 12/9/42

DEC 11 1942

My dear Mr. Secretary:

I am enclosing report on our exports to some selected countries for the period ending November 30, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Enclosure

File in Diary

By Givens 4:27 12/11/42

Extra copies direct to White's  
office 12/12

HDW/efs  
12/9/42

HDW

FILE COPY

December 10, 1942

Exports to Russia, Free China and selected blocked countries as reported to the Treasury Department during the ten-day period ending November 30, 1942

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending November 30, 1942 amounted to \$88,415,000 making a total of \$187,426,000 for the month of November. Military equipment accounted for \$55,376,000 of the total for the period under review.

2. Exports to Free China

Exports to Free China as reported during the period under review amounted to \$296,000, of which all was military equipment.

3. Exports to selected blocked countries

Exports to selected blocked countries are given in Appendix A. Most important were exports to Switzerland and Portugal, amounting to \$935,000 and \$204,000, respectively.

ISP/efs  
12/10/42

## APPENDIX A

Summary of United States Exports to Selected  
Countries as Reported to the Treasury Department  
from Export Declarations Received  
During the Period Indicated 1/

(In thousands of dollars)

	10-day Period ended Nov. 30, 1942	10-day Period ended Nov. 20, 1942	Total Domestic Exports Aug. 1, 1942 to Nov. 30, 1942	Total Domestic Exports July 28, 1941 to July 31, 1942
S. S. R.	\$ 88,415	\$ 45,867	\$ 553,281	\$ 742,941
Free China	296	2,032	9,494	97,720
Iran	1	3	770	2,858
Switzerland	935	443	5,629	11,537
Sweden	-	-	2,626	18,056
Portugal	204	396	1,396	9,743
French North Africa 2/	-	-	2,088	6,305

Treasury Department, Division of Monetary Research

December 10, 1942

Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period.

Includes Morocco, Algeria and Tunisia.

74/ste 12/10/42

## APPENDIX B

Exports from the U. S. to Free China and U.S.S.R.  
as reported to the Treasury Department  
July 28, 1941 - November 30, 1942 1/  
(Thousands of Dollars)

	<u>Exports to Free China</u>	<u>Exports to U.S.S.R.</u>
July 28, 1941 - Jan. 24, 1942	\$ 32,758	\$ 98,902
1942		
Jan. 26 - Jan. 31	6,958-	9,608
Feb. 1 - Feb. 10 2/	4,889	13,315
Feb. 10 - Feb. 20	4,855	26,174
Feb. 20 - Feb. 28 3/	2,921	28,119
Mar. 1 - Mar. 10	2,879	32,509
Mar. 10 - Mar. 20	8,058	28,556
Mar. 20 - Mar. 31 4/	2	42,435
Apr. 1 - Apr. 10	4,836	41,698
Apr. 11 - Apr. 20	5,335	66,906
Apr. 21 - Apr. 30	2,827	50,958
May 1 - May 10 5/	296	28,652
May 11 - May 20	1,872	18,000
May 21 - May 31 4/	2,533	26,180
June 1 - June 10	3,599	12,764
June 11 - June 20	2,707	53,799
June 21 - June 30	1,664	49,919
July 1 - July 10	7,900	35,657
July 11 - July 20	590	33,940
July 21 - July 31 4/	3,066	35,669
Aug. 1 - Aug. 10	208	14,970
Aug. 11 - Aug. 20	192	23,325
Aug. 21 - Aug. 31 4/	2,850	112,492
Sept. 1 - Sept. 10	855	24,339
Sept. 11 - Sept. 20	11	44,434
Sept. 21 - Sept. 30	902	30,947
Oct. 1 - Oct. 10	1,885	14,564
Oct. 11 - Oct. 20	30	55,083
Oct. 21 - Oct. 31 4/	--	45,701
Nov. 1 - Nov. 10	233	53,144
Nov. 11 - Nov. 20	2,032	45,867
Nov. 21 - Nov. 30	296	88,415
Total	\$ 109,817	\$1,297,041

1. These figures are in part taken from copies of shipping manifests.
2. Beginning with February 1, figures are given for 10-day period instead of week, except where otherwise indicated.
3. 8-day period.
4. 11-day period.
5. Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research December 9, 1942

ISP/ars 12/9/42

## APPENDIX C

Principal Exports from U. S. to U. S. S. R.  
as reported to the Treasury Department  
during the ten-day period ending  
November 30, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 88,415
Principal Items:	
Military equipment	55,376
Motor trucks and auto replacement parts and accessories	8,472
Industrial machinery and parts	5,176
Iron and steel bars	3,124
Iron and steel billets, sheets, plates, wire, nails, axles, etc.	2,501
Dairy products	2,237
Canned sausage and pork	1,583
Rubber and leather and manufactures	1,379
Meat products, n.e.s.	1,329
Copper, nickel, zinc, mercury and tungsten	1,319
Electrical machinery and apparatus	1,227
Aluminum and manufactures	1,005
Brass and bronze plates, sheets, wire, pipes, tubes, etc.	974
Dried egg products	646
Chemicals and related products	619
Tallow and lard	486
Relief supplies	448
Non-metallic minerals	235
Cotton, wool and manufactures	202

Treasury Department, Division of Monetary Research December 9, 1942

EPM/efs 12/9/42

Treasury Department  
Division of Monetary Research

Date December 10, 1942 19

To: Secretary Morgenthau

From: Mr. White

1. The Stabilization Board of China is calling on the Treasury for \$10 million in accordance with the Stabilization Agreement of April 1, 1941.
2. This is the first time that China has called on the United States for funds under this 1941 agreement.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

OFFICE OF THE CHAIRMAN

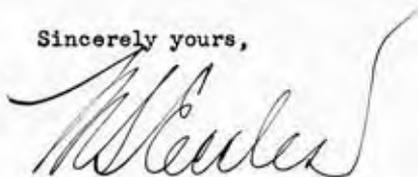
December 10, 1942.

My dear Mr. Secretary:

This is to acknowledge receipt of your letter of December 8 enclosing a copy of the one which you received from Lt. Gen. J. L. DeWitt concerning the evacuation of persons of Japanese ancestry from the Pacific Coast area.

I have circulated your letter and that of General DeWitt to members of the Board who will, I am sure, be gratified as I am by the expressions of appreciation for the part which the Federal Reserve System, and particularly Mr. Szymczak, had in helping to carry out the program.

Sincerely yours,



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

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRETU.S. SECRETOFFICIAL No. 428

Information received up to 7 A.M., 10th December, 1942.

1. NAVAL

Photographic reconnaissance of NAPLES on 7th showed 3 battleships of LITTORIA Class had left port.

9th. One of H.M. Destroyers was torpedoed 70 miles north of ORAN. One of H.M. Corvettes was torpedoed and sunk by aircraft off North African Coast. Six officers and 37 ratings picked up.

Attack on shipping. An 18,000 ton merchant ship outward bound independently routed, believed sunk 480 miles west-north-west of AZORES on 6th/7th. No information regarding survivors.

2. MILITARY

LIBYA and TUNISIA. Nothing reported beyond patrolling activity.

3. AIR OPERATIONS

WESTERN FRONT. 8th/9th. About 270 tons of high explosive and incendiaries were dropped on TURIN. Further reports confirm that attack was very successful.

9th. Industrial, railway and canal targets in FRANCE and Low Countries were attacked by fighters and light bombers. A 5,000 ton ship was torpedoed off South-west coast of NORWAY.

9th/10th. 245 aircraft were despatched: TURIN 226 (3 missing); sea mining 7 (1 crashed); and pamphlets Northern France 12 (1 missing). Preliminary reports indicate attack on TURIN was scattered at first owing to weather, but later attack became more concentrated when target was lit up.

LIBYA. 7th and 8th. Fighter-bombers attacked MARBLEARCH landing ground.

Night 7th/8th. Heavy bombers attacked TRIPOLI (L) and MISURATA. Also airfields near HOMS (L). Enemy casualties: 8, 1, 7. Ours 2, nil, nil.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRETU.S. SECRETOPTCL No. 434

Following is supplementary resume of operational events covering the period 3rd to 10th December, 1942.

1. NAVAL

NORTHERN WATERS. The last 3 Russian ships to be independently routed from NOVA ZEMBLA arrived in ICELAND (C) on the 5th December. TIRPITZ is reported to be undergoing repairs in the TRONDHEIM FJORD and a ship which may be a repair ship has been seen in that area. NURNBERG, 6 inch cruiser, believed to have arrived extreme northern waters from the BALTIC.

SUBMARINE WARFARE. Apart from attack on convoy in the North Atlantic and slight increase of activity east and west of GIBRALTAR, week was quiet. 23 attacks by aircraft on U-boats, 5 promising, and 5 by surface craft, 2 promising. During the week 5th December to 11th December inclusive, 8 ships reported torpedoed and 2 attacked by aircraft as follows: 4 British torpedoed in North Atlantic, one British off West Coast of Africa, one British in Mediterranean, and one British and one Dutch off the northeast coast of South America; and one British and one French by aircraft in the Mediterranean. Belated reports of 5 torpedoed: 2 British and one Norwegian off northeast coast of South America, one British in North Atlantic and one Panamanian in Cape area. Of 103 ships sunk by U-boat during month of November, including North African operations losses, 66 were in North Atlantic. November losses in tonnage reported to date 695,000 of which 91% due to U-boats and 134,000 in connection with North African operations. Percentage of ships sunk by U-boat in escorted convoys excluding U.K. coastal convoys for month of November - 2 per cent.

TRADE. About 67 French merchant ships, totalling upwards of 266,000 tons in North African ports have come under Allied control. Imports in convoy to U.K. week ending 5th - 717,537 tons, of which 308,193 of oil.

2. MILITARY

LIBYA. At the start of Rommel's latest withdrawal, it is thought that German troops comprising remnants of 90th Light and 15th Panzer Divisions, were holding EL AGHEILA position. Italian mobile troops were unlocated, but thought also to be still in this position. Italian infantry of 21st Corps had probably already been withdrawn to BUCRAT, which is the next good defensive position and lies about 230 miles further west.

MALTA. Since the arrival and successful unloading of 2 supply convoys, Viscount Fort has been able to make some essential small increases in the reduced ration scale. This is only considered as a first step and it is hoped to be able to make further increases shortly.

FRENCH NORTH AFRICA. Heavy rain restricting operations. Need for essential maintenance and reinforcement over long line of communications still preventing full pressure being exerted against the Axis. Shortage of M.T. has thrown extra strain on railways causing congestion and delay. In addition, native labour disperses immediately when bombs fall. Nevertheless, strong Allied reinforcements building up in forward areas. Reinforcement of Axis forces continues steadily. Axis thought to be developing bridgehead approximately from a point on coast 15 miles west of BIZERTA - JEFNA - west of TEBOURBA - MASSICAULT - ZAGHOUAN with a mobile screen on south to ensure communications with TRIPOLITANIA. Indications that French troops within bridgehead area being disarmed by Germans.

FAR EAST. BURMA. Japanese have withdrawn in AKYAB area. Japanese patrol visited HOMALID scattered by British patrol.

RUSSIA. Russians on central sector may be prevented from offensive action on any large scale owing to deepening of winter. In DON area, however, normally no heavy snow and when frost returns, Russians may be able to push on if they can overcome lack of communications from which they must suffer so long as encircled German army remains in existence.

Regraded Unclassified

3. AIR OPERATIONSWESTERN FRONT.

Day. Philips radio factory heavily bombed from low level by R.A.F. Objective known to be well-defended by heavy and light A.A. signifying its importance to Germans. Much damage done to both plants. 13 light bombers lost. Five-ville heavy attacked by U.S. Fortresses from high altitude. Several hits seen. Both these attacks same day.

Night. One heavy attack on MANNHEIM but result could not repeat NOT be estimated owing to cloud. 2 good attacks on TURIN on consecutive nights, both successful, and also heavy taking into account distance from base. Fires large and well concentrated. Our losses about one and a third per cent of force employed. During November more than 42 million leaflets were dropped over GERMANY and occupied territory. Over 12 million of these were released in one night over every important district of FRANCE to announce Allied entry into MOROCCO and ALGERIA.

TUNISIA. Heavy rain and generally bad weather with its effect upon indifferent airfields both hampered our activity in the air and our build-up of air strength forward. Further successes obtained against Axis transport aircraft. The enemy operating chiefly from better constructed airfields near BIZERTA and TUNIS not repeat NOT handicapped to same extent and could maintain fairly heavy scale of activity with fighters, dive bombers and long range bombers against our ground positions. But his night bombers attacking our bases have been dealt with severely by Beaufighters.

LIBYA. Fighter bombers attacked enemy airfields. Liberators bombed TRIPOLI by night and U.S. Liberators bombed NAPLES by day.

GIBRALTAR. Air patrols made 27 U-boat sightings and 9 attacks.

RUSSIA. Russians thought to have air superiority in STALINGRAD area and to be making the most of it by attacking German supply system, i.e., transport aircraft, airfields and communications. Probably about 200 German transport aircraft have been withdrawn from south Russia to Mediterranean area. This added to losses from Russian fighters must render supply of encircled Axis troops an even greater problem. Germans are using several old-type Heinkels and JU 86's in this area for transport purposes.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE.

TURIN. November 28th/29th and 29th/30th. Considerable destruction at Fiat. Aeroengine Assembly suffered most. About 6 other factories working for Fiat badly damaged. 3 large bombs hit Lancia works. Very heavy damage in town, especially near centre.

MILAN. Evacuation continues on large scale. Some small industrial concerns have closed down and moved south. Firms such as Alfa Romeo and Isotta Fraschini are diverting part of their production to less vulnerable areas. Trade Fair advertised for April, 1943 officially postponed.

SEA-MINING. Names of 6 ships sunk and one damaged by mines between 13th November and 2nd December received from various sources. Majority in waters between DENMARK and SWEDEN.

5. OPERATIONAL AIRCRAFT BATTLE CASUALTIES

Owing to difficulty of giving up-to-date and accurate figures for the previous week, especially relating to distant war theatres, this paragraph will no longer appear weekly. Efforts will be made to give monthly figures in similar tabulated form about halfway through the succeeding month starting mid-January.

6. HOME SECURITY

Estimated civilian casualties week ending 6 a.m., 9th. Killed 3, seriously wounded 7.

245

NUMBER 61

SECRET

OFFICE OF STRATEGIC SERVICES

# THE WAR THIS WEEK

December 3-10, 1942

*Printed for the Board of Analysts*

Copy No. 6

*The Secretary of the Treasury*

DECEMBER 3-10, 1942

SECRET

## THE WAR THIS WEEK

The events of the week have been unspectacular in all theaters of the war. Allied forces have been repulsed in Tunisia, but the numbers involved were apparently very small. The Darlan imbroglio continues to be confusing in its implications and embarrassing in its consequences. At El Agheila the lull continues. The Russians have broadened the salient to the north and south of Velikie Luki, and have drawn closer the pincer arms west of Stalingrad. Finally, Allied forces have overrun Gona and divided other elements of the Japanese beachhead remaining on the northern shore of New Guinea, and threaten soon to push the enemy into the sea.

### *Axis Counterattack in Tunisia*

Despite the flurry of newspaper headlines, the situation in Tunisia has undergone no sweeping changes and the forces involved in the current engagements remain very small. Details of the fighting are obscure, but in general it appears that the enemy has capitalized on his strategic position, his air superiority, and his immediate advantages in communications to halt the advance of light Allied forces into the Djedeida area and drive them back along the Medjerda Valley to the hills west of Tebourba. Axis forces have maintained considerable pressure in this whole area. On December 7, however, Allied forces reoccupied the hills at El Guessa, five miles southwest of Tebourba. Farther north the Axis has retained its strong positions controlling the road and railroad junctions at Mateur. In the center and south, Allied units have taken Faid and Pichon, points on the east-west roads leading toward Sfax and Sousse.

Air activity has been intense. Dive bombers from nearby fields operated in close cooperation with ground troops in the

successive enemy counterattacks; and enemy bombers continued their attacks on Allied ports. The Allied air offensive has concentrated on enemy airdromes, and has given increasing support to ground forces west of Tebourba.

The size of Axis forces in Tunisia appears to be growing, as air transports and presumably shipping continue to supply and reinforce the original bridgehead. Total Axis combat forces in Tunisia have been estimated at more than 30,000. The Axis also enjoys the advantage of the major airdromes of Bizerte and Tunis, and of smaller fields in this area, as well as the use of bases in Sicily for bombers.

The Allies, facing severe problems of distance and communication, have to date been able to concentrate only small armored and infantry forces in the immediate combat zone. The battlefront is about 200 miles from Bône by rail, about 540 from Algiers, about 800 from Oran, and more than 1,300 from Casablanca. Similarly Allied air operations have been handicapped by lack of all-weather airfields in the forward area. However, with the improvement of Allied communications into Tunisia and the establishment of air-ferry routes to this theater, the gradual massing of air and ground power should be possible. It remains to be seen whether—in terms of diversion and attrition—Germany will consider it profitable to enlarge and strengthen its bridgehead to match any growth of Allied power.

#### *Vichy-in-exile: Evidences of Incomplete Conversion*

As the Allied forces have with difficulty maintained their ground on the Tunisian battlefront, the metamorphosed Vichy governors of French Africa apparently continue to be a source of some embarrassment. Although ostensibly cooperating with the United States, Darlan has withheld permission for the OWI to broadcast from North African radio stations to the European continent—presumably because the

Americans were unwilling to alter their scripts to suit the Admiral's pleasure. In Morocco, former Governor General Noguès—now a member of Darlan's newly-created imperial council—unlike Giraud and the Admiral himself, has not forfeited his Vichy citizenship. According to a reliable report, Noguès has sent to Madrid and Vichy a certain Olivier de Sardan, formerly Laval's *chef de cabinet*, ostensibly as representative of the Moroccan Phosphate Bureau. Very possibly, however, he is to maintain liaison between Noguès, Pétain, and Piétri, French Ambassador to Spain, against the day when the Allies might meet serious reverses in North Africa. At the same time, numerous pro-Axis Frenchmen are freely passing from French Morocco through the Spanish zone on their way to metropolitan France.

Significantly enough, the recent agreement between Darlan and Boisson, Governor General of French West Africa, opening Dakar to Allied planes and ships, has restricted the use of West African air fields to transit purposes and has left undecided the disposition of the French warships in the area. Moreover, a report descriptive of the situation preceding the announcement of the current agreement, has painted a picture of extreme confusion and not a little double-dealing.

It appears that Governor Boisson came to terms with Darlan only after the pressure of public opinion and Allied successes in Morocco and Algeria had made any other course impracticable. At the same time, the authorities at Dakar maintained communication with Vichy; and General Falvy, the commander of the West African ground forces and a reputed Germanophile, proclaimed that any occupying forces would be restricted to American troops with no British or Fighting French permitted to enter the colony. Furthermore, Boisson has given no indications that he is purging former collaborationists. On the contrary, the execution of a "De Gaullist agent" on the nineteenth (the very day of the

accord putting Dakar under Darlan), and the imprisonment of an army officer for distributing pro-American propaganda on the twenty-seventh have indicated the trend of the administration. Our informant concludes that the policy of keeping the public in the dark has produced a "disquieting situation," threatening the discipline of the armed forces, which may eventually pass out of the Government's control.

In Switzerland, a refugee from the Vichy government has reported that Pétain has been greatly pleased with Darlan's actions. The Marshal, our informant relates, withheld orders to Dakar to resist the Allies until he was sure that Boisson had decided to follow the Admiral. Confirming earlier reports, this official ascribes Pétain's remaining in France to his desire to protect refugees from Alsace-Lorraine and the former occupied zone.

#### *Plain Speaking From Germany and Britain*

The Nazis have been quick to sense the propaganda value of the Darlan imbroglio. In the words of the *Nationalzeitung*: "Darlan's defection appears to have made either no impression or a bad one in France . . . The public detects impure motives . . . American cooperation with Darlan confused and disorganized underground opposition."

In London, meanwhile, General Catroux, Fighting French Delegate General to the Levant, has warned that military expediency no longer justifies leaving Darlan in control—in view of the havoc that disloyal Frenchmen could wreak on the tenuous communication lines between Morocco and Tunisia. Speaking in the House of Commons on December 3, Foreign Secretary Eden has flatly stated that the British Government does not consider itself bound by the Admiral's "unilateral" assumption of authority in North Africa.

On the critical question of Darlan's organization of a North African government, the British press, breaking its previous

restraint, had anticipated the Foreign Secretary's declaration. The conservative *Times* has pointedly advised that the Admiral's action be viewed in the light of President Roosevelt's explanation of the former's temporary status. Both the *Times* and *Telegraph* emphasize, however, that Darlan, far from accepting the President's interpretation, "is making every effort to put himself in the strongest possible position." According to the Fighting French, the *Telegraph* continues, Darlan "may be counting on the United States to set him up in power in France itself against the desire of the majority of Frenchmen."

In still plainer terms the *Manchester Guardian* finds it "difficult to see how this latest development . . . facilitates the military operations of the Allies. . . . This appears to be a purely personal political move and one which may cause more mischief and more discord than any he [Darlan] has yet made. . . . The probability is that the United States will be forced by this step to restate its position towards the Admiral." In Washington, the first signs of such a restatement have appeared in Secretary Hull's pledge to Fighting French representatives that the United States will not permit Darlan to impose an unpopular regime on the French people.

#### *Lull at El Agheila*

In Libya the anticipated lull continues, while General Montgomery has been establishing forward bases and organizing lines of communication to give him a rate of supply sufficient to sustain offensive operations. Contact with the enemy has been established east and southeast of El Agheila, where Rommel has prepared fixed positions, but ground action has been limited to patrolling. Axis air forces have at intervals bombed and strafed British positions and have carried out reconnaissance as far as Benghazi. Meanwhile Allied air-

SECRET

craft from this theater have ranged as far as Tunis, Bizerte, and Naples, besides attacking Tripoli and Libyan communications.

Enemy strength is currently estimated at about 30,000-40,000 men (10,000 of them Germans), 60 or possibly 100 tanks (50 German), 250 anti-tank guns, and more than 200 field and medium guns. With indications that the British may shortly be ready to renew their offensive, military observers expect that the enemy will make a strong and determined stand in his present positions. British operations may, therefore, follow the pattern of the early stages of the battle at El Alamein. A spectacular breakthrough is not expected, however, for, if Rommel is forced back, he should be able to use the favorable terrain to make a long series of delaying stands along the narrow coastal belt.

#### *Bombing of Naples and Units of the Fleet*

The attack on Naples last Friday by 24 Liberator bombers from distant African bases suggests what can be done if bases are gained in nearby Tunisia. Dropping heavy bombs from a high altitude, Army fliers claim hits on one battleship, two or more cruisers, and two or three other vessels in the harbor. Preliminary reconnaissance has shown a light cruiser of the *Attendolo* class lying on its side, and widespread damage to port facilities. Antiaircraft fire was heavy but inaccurate, and, with no attempt made at interception, all planes returned safely.

Damage inflicted on cruisers strikes at a vulnerable point in Italy's naval armament. Since last summer she had raised her number of effective battleships to six (prior to the raid on Naples)—three of the 35,000 ton *Littorio* class, including the newly-commissioned *Roma*, and three old ships of the 23,000-ton *Cavour* class. Italy has only three heavy cruisers, however, one of which is damaged, and she probably

SECRET

has only six light cruisers ready for action. Three more light cruisers are repairing damage and about 10 are believed to be under construction, consisting largely of units of the lightly armored *Regolo* class which carries only 5.3 inch guns. The battleship force has been divided between Naples and Taranto; the cruisers are concentrated in the Naples-Sicily area.

Italy has, to date, only one seaplane tender, but she may shortly have a converted liner in service as a carrier. Her strength in destroyers and submarines now effective is probably about 50 and 60, respectively. Although the showing of Italian surface units has not been impressive to date, there is no reason to believe that her fleet is not prepared to offer a vigorous defense against any amphibious attack on the Italian mainland.

#### *Franco's Speech and Spanish Policy*

In his speech of last Wednesday Franco reasserted the ideological identity of his regime with that of Germany and Italy, but he carefully made no mention of participation in the war. Although only incomplete texts of the address are as yet available, Franco apparently tried to rally his people by placing before them the choice of either his own fuzzy Fascism or the "barbaric formula of bolshevism." Liberalism he discarded as the selfish, senile faith of a by-gone era of capitalism, imperialism and mass unemployment. The only references to possible action were that Spain would fight if threatened by war and that Spain's hour would come after the war was over.

In response to Hitler's birthday greeting (which consisted of a telegram, a personal letter, and an automobile) Franco also wished the Fuehrer continued successes in the crusade against communism.

It is possible to interpret these statements as steps preparing Spain for further collaboration with the Axis. But

observers question whether a Spanish Government that kept out of war even when France fell and England stood alone would enter the war at a moment when Allied armies are at the doorstep. A more likely interpretation is that Franco wants to keep out of war at all cost, fearing mass starvation and the possible renewal of the Civil War; that the Nazis are waging a war of nerves and Franco feels words are an inexpensive way of cooperating with his brother Fascists who, after all, put him in power; and that the Allied landings had so encouraged opposition elements and the anti-Falangist trend that Franco felt obliged to reassert the political principles of his regime—of which anti-communism was always the cornerstone.

Prior to Franco's speech Foreign Minister Jordana had stated categorically and direct from Franco that Spain's whole policy was directed toward remaining neutral. He told the Portuguese Ambassador that, contrary to rumors, Spain had not asked Germany for arms and denied that Germany had made demands of Spain. The removal of General Aranda from the Superior War College, and his replacement there by General Kindelan, transferred from his post at Barcelona—together with the report that General Orgaz may possibly be removed from North Africa—are changes unfavorable to us; but observers attribute them to internal pressure against avowed monarchists, rather than to any Spanish desire to join the Axis.

The Germans, in turn, have given no indication of intentions to move into Spain. The Pyrenees frontier is quiet, and occupation forces in southwestern France appear to have been reduced as a result of German movements toward the Riviera. Certain of the Spanish commanding generals on the border recently told an American observer that they expected no attack.

Simultaneously with Franco's speech the appointment of a

new Junta Politica of the Falange was announced. The five men whom Franco personally selected seem to reflect his preoccupation with national unity, being representatives of the Army, the traditionalists, the economic radicals, and the Church, together with the founder of the Falange. Five others were ex-officio members and the last five were selected by Franco in agreement with the Council. At least three of these have served with the Blue Division against Russia and observers class several as "ardent" Falangists. The star of Serrano Suñer, however, appears to have fallen lower than ever, with the appointment of a number of his old enemies. In general, no very alarming shift appears to have taken place. Two interesting notes are the youthfulness of the group, which at a glance would seem to have an average age under 45, and the inclusion in the Junta of the Falange of General Asensio, ambitious Minister of the Army.

#### *Action West of Rzhev*

With the definite slowing of the Soviet offensive in the south, interest has shifted to the central front, where the secondary offensive begun last summer has in the past two weeks registered substantial gains. The deep Russian salient around Velikie Luki, while making little further progress in a westerly direction, has broadened out toward Staraya Russa to the north and Smolensk to the south. To the east, German units have counterattacked in an effort to restore the railroad between Vyazma and Rzhev, the latter nearly surrounded by Soviet forces.

The net result of the Russians' offensive has been the liberation of an impressive extent of territory, and the creation of a grave threat against four strong points in the German system of winter defense—Velikie Luki, Staraya Russa, Rzhev, and Smolensk. Military observers warn, however, that this offensive—astride the Bologoye-Velikie Luki

SECRET

railroad—is operating in the same areas in which the Soviet armies made some of their most spectacular gains last winter. But at that time, despite the virtual isolation of Rzhev and Staraya Russa, both these fortresses held out until the arrival of spring enabled the Germans to straighten their lines once more. Only the fall of one of these strong points will offer conclusive proof of the power of the Soviet offensive.

#### *Stiffening Resistance West of Stalingrad*

Meanwhile the Stalingrad pincers drew closer, as the southern arm established a bridgehead on the west bank of the Don, and the northern arm (astride the Don bend) concentrated on reducing the German defensive system east of the river. Here the Nazis have counterattacked to protect their positions around Stalingrad, while to the south they have harassed the Russians by raiding supply lines across the Kalmyk steppes. In Stalingrad itself, the Soviets have maintained the offensive. Apparently the German position between the Don and the Volga, while not yet hopeless, is still deteriorating.

The third Russian offensive, against the Voronezh bridgehead, continues with unannounced results. In the Ordzhonikidze and Tuapse sectors of the Caucasus front, Soviet forces have maintained the initiative, and Red Navy units have participated in the repulse of a German local attack south of Novorossiisk.

#### *German Grain Reaches Finland*

With the Finnish merchant marine feverishly engaged in importing what reports describe as "the whole amount of wheat promised to them by the Germans before January 1", it appears that the Finns will not starve this winter. According to an agreement signed last summer, the Reich was to send to Finland 230,000 tons of breadgrains in the 12 months

10



Map No. 1415 December 9, 1942

Compiled and Drawn in the Branch of Research and Analysis, OSS  
REPRODUCED BY THE U.S. AIR FORCE

following September 1, 1942—apparently enough (when added to Finland's own crop of a minimum of 390,000 tons) to suffice for the country's wartime consumption (*The War This Week*, September 10-17, pp. 4-5). But the current imports, arriving mostly from Danzig, seem to be of poor quality Polish wheat, which the Finns are mixing in a ratio of two to three with locally grown rye.

Finland's dependence on Germany for wheat, coal, and other necessities remains the insurmountable difficulty facing the increasingly vocal advocates of a separate peace with Russia and a policy of friendship toward the United States. Furthermore, the resignation of Fagerholm, Social Democratic Minister of Social Affairs, has evidently strengthened the position of President Ryti and Foreign Minister Witting, whose belief in an Axis victory appears unshaken. In a recent speech lauding Germany as Europe's bulwark against the Soviet, Ryti "has burned his bridges behind him and gambled everything on German victory." At the same time, however, his Foreign Minister has been under fire from pro-American elements and has been asked by the Foreign Affairs Committee of the Diet whether he was ready to terminate hostilities with Russia. And the third member of the governmental triumvirate, Tanner, is apparently beginning to waver in his loyalty to his German allies.

#### *Anglo-American Wheat Agreement With Iran*

The Anglo-American wheat agreement concluded with Iran on December 4 should ease a food crisis that threatened to cause disorders and should promote the solution of the critical political and currency problems confronting the present Government. The agreement—which followed progress in the currency negotiations—provides that the two Allied powers will jointly meet deficiencies in wheat and barley that may occur up to the time of the 1943 harvest,

provided that the Iranian Government has previously made every effort to cope with the problem. Provision is made for Russia to become a partner to the agreement if she so desires. In an accompanying note Britain and the United States have arranged to ship 25,000 tons of wheat to Iran as a "replacement" for Russia's current purchases from Iran.

The current cereal crop—which constitutes 60-70 percent of the Irani diet—is believed to have been about 300,000-400,000 tons below normal domestic consumption. The scarcity has been accentuated by the disruption of the limited transport facilities to the cities and deficit areas of the south, by widespread hoarding, and by the failure of the Government to establish effective means of collection and control. The British last year sent at least 80,000 tons of wheat to Iran. It is hoped that supervision by Sheridan, the American Food Adviser to Iran, together with the effect of the present agreement on hoarders and speculators, will reduce to a minimum the burden that will actually be placed on Allied shipping in the coming months.

#### *Japanese Reverses in the Southwest Pacific*

In New Guinea, Allied forces succeeded after hard fighting in dividing Japanese forces strung out along the narrow Buna-Gona beachhead, and Gona itself has been wholly occupied. The enemy is clinging tenaciously to his foothold, but his counterattacks have failed and his hasty, last-minute efforts to combat our air supremacy so far have been futile.

At present the Japanese appear to hold the center of the coastal strip from Sanananda to Buna, but they are endangered on the west by Australians moving down the beach from Gona; and on the east by American forces which have driven a wedge through to the beach, isolating the eastern Japanese flank at Cape Endaiadere. The progress of our

mopping-up operations on this swampy battlefield is not likely to be rapid, but the enemy's hold appears to be slowly giving way. Our advances again were characterized by the close cooperation of ground and air forces.

The Japanese succeeded earlier in dropping some supplies to their troops at Buna by parachute, but on the whole little aid appears to have gotten through. Recent attempts to run the gauntlet against our aircraft with destroyers have met with no discernible success. One destroyer group which apparently succeeded in getting fairly close to shore December 1-2 was kept moving and finally driven off when 21 enemy aircraft, providing air cover, were shot down. A second destroyer group was reported on December 9 to have been struck and turned back by our bombers while still 400-500 miles away.

On Guadalcanal, too, the enemy's supply position is deteriorating. A Japanese effort to improve it on the night of November 30-December 1 was broken up by a United States naval task force, which reported the sinking of 2 large destroyers or cruisers, 4 destroyers, 2 transports, and a cargo ship, at the cost to us of 1 cruiser sunk and other unspecified warships damaged. Another small enemy naval force, attacked by our aircraft December 3 while still 150 miles northwest of Guadalcanal, lost either a destroyer or cruiser and also failed to land supplies or reinforcements.

#### *Tokyo Celebrates Pearl Harbor*

Tokyo has marked the first anniversary of the war with further warnings to the Japanese that a long, grim conflict lies ahead, and with more dilations on the theme of American war guilt, newest of these being the claim that the United States began the shooting war by attacking a Japanese submarine—at Pearl Harbor. Tokyo, however, has also taken advantage of the occasion to boast of Japanese naval

exploits against the United States in the first year of the war.

According to the Tokyo summary, the Japanese Navy has sunk 5 American battleships of known type, has sunk 4 battleships (presumably American) of unknown type, and has severely damaged 7 American battleships—a total of 16 battleships out of the 17 with which the United States entered the war. In aircraft carriers the Japanese have done still better, since they claim to have sunk the *Lexington*, *Yorktown*, *Wasp*, *Enterprise*, *Hornet*, *Saratoga*, and 3 carriers of unknown type, presumably American, and to have damaged heavily 4 further American carriers. In the cruiser category, however, the Japanese have surpassed themselves (as well as the 1941 listed total of 37 American cruisers): they claim to have sunk 11 American heavy cruisers, and 21 heavy or light cruisers, presumably American, and to have damaged 3 heavy cruisers and 12 heavy or light cruisers, for a grand total of 48.

#### *Koreans Reorganize "Provisional Government" in Chungking*

The *Ijongwon* (the Legislative Yuan of the "Korean Provisional Government") which met in Chungking from October 25 to November 20, has brought about at least temporary unity among the Korean nationalist groups in China. The *Ijongwon* reconstituted itself to include representatives of rival parties, although the Provisional Government party retained a majority of the seats. New members of the *Ijongwon* included Kim Yaksan and Kim Kyusik, notable leaders of the opposition party, the United Front Federation.

The State Council (Cabinet) of the Provisional Government was reorganized with the inclusion of four new members, to form a total of ten. Two of these members are identified as leaders of the United Front Federation. Full reports of the proceedings of the meeting are not yet available, but the *Ijongwon* recommended a formal appeal to the United Nations for recognition of the "Korean Provisional Govern-

ment" and a request for material aid to the Korean Independent Army.

#### *Arrests in Argentina*

The Castillo Government, goaded by United States memoranda on Nazi activities in Argentina, has not only indicted 38 Axis agents but has now preferred formal charges of complicity in espionage against several members of the German Embassy. Since this action involves the immunities of foreign diplomats, Argentina's Supreme Court must pass on the case.

Hard on the heels of the espionage case has come a new development to harass Castillo's regime: José Castells, Undersecretary of the Interior, has announced his intention of resigning within the next few days. In this key ministry, whose control of territorial governments, national and capital police, posts and telegraphs, and supervision over elections and labor relations is vital to the regime's security, Castells has been an exceedingly influential figure. Long an admirer of the Nazis but always a realist, he has lately hinted at the possibility of revising his position and renewing relations with pro-Allied General Justo. A break now between Castells and the governing clique, following so closely the resignation of Minister of War Tonazzi, may indicate a profound division within the ranks of the Castillo entourage, with one powerful group mentally prepared to scuttle Argentina's present policy of "neutrality."

APPENDIX I  
THE GOTHENBURG TRADE<sup>1</sup>

Although subject to partial blockade by both Germany and the United Nations, Sweden is still running five ships a month from Gothenburg to neutral ports—under an agreement concluded in 1940 with the two belligerent groups. Pending major shifts in the military situation in Scandinavia, this "Gothenburg trade" seems likely to be continued with only minor modifications since, for differing reasons, the arrangement is satisfactory to all parties. To Sweden, the trade is definitely beneficial; to the Allies, it offers certain real advantages; to Germany, the political and economic costs of cutting it off (in terms of Swedish reaction) appear to be prohibitive.

*Brief History of the Trade*

Since December 7, 1939, Sweden's overseas trade with the United Kingdom and with neutrals has been regulated by the Anglo-Swedish War Trade Agreement. Under this agreement Sweden acknowledged the Allied blockade of the Axis and obligated itself not to re-export to Germany such contraband as Britain allowed to pass through to Swedish ports; Sweden also agreed to restrict exports to Germany of Swedish-produced goods to the pre-war level of 1938. With Norway's occupation by the Nazis in April, 1940, Britain took under control all Swedish ships destined for home ports, to prevent their falling into German hands. From then until the opening of the "Gothenburg route," Sweden's capacity to import goods from overseas was severely limited.

The opening of the Gothenburg route took place in March, 1941, after prolonged (although indirect) negotiation between Britain and Germany. Four ships per month were allowed to put into Gothenburg from neutral ports outside the Baltic, provided that an equal number sailed out of Gothenburg (preventing the retention in Sweden of reserves of idle shipping exposed to Nazi seizure). Subsequently, in the first months of 1942, accords with Great Britain and Germany were reached to raise the number of ships to five. Sweden is now seeking to have this number increased to six.

*Imports and Exports*

Imports to Sweden via the Gothenburg route have consisted largely of supplies to sustain her civilian economy, and oil to meet the needs of her military establishment. The civilian supplies—fats and vegetable oils, textile fibres, grain, and animal feeds—have come for the most part from South America, while the United States has provided the petroleum products.

Swedish exports overseas include pulp and paper to South America and certain small but essential shipments of machines and machine-parts to Britain, the United States, and South America. Swedish production of bearings is of particular importance to Britain's war industries; on order in Sweden now are approximately 1,200 tons of finished bearings—most of them for tank and aircraft production. Even Britain's building of new factories to produce bearings has not lessened her immediate dependence on Sweden: machines to make these bearings must be

<sup>1</sup> Based on a memorandum of the Research and Analysis Branch of the Office of Strategic Services.

imported from Sweden. Other much-needed goods which come to England from this source are special wire and wire rods, cold-rolled strip steel, precision tools, and spare parts for Swedish-built marine engines.

*What Sweden Would Lose*

The goods Sweden receives through the Allied blockade not merely cushion the war's impact upon her standard of living, but, more importantly, maintain her capacity to resist German pressure, economically and militarily. Unless for example, Sweden can continue to obtain the petroleum products which now come to her via the Gothenburg route, the effectiveness of her army, navy, and air forces will be gravely impaired. The following tables summarize the annual requirements of those forces under peace and war conditions, and the stocks available today.

Estimated Requirements Per Year (in metric

tons):	Peace	War
Navy (oil).....	45,000	425,000- 480,000
Air Force (gasoline).....	20,000	108,000- 136,000
Army (gasoline).....	54,000	420,000- 420,000
Total.....	119,000	953,000-1,036,000

Stocks:

Navy (oil).....	77,500
Air Force (aviation gasoline).....	26,400
Army (gasoline).....	No information

From these figures, it can readily be seen that Sweden has on hand stocks sufficient (under combat conditions) to last its navy only two months and its air force only two and a half months. Since Sweden has virtually no domestic sources of oil, it becomes obvious that, without supplies from the Allies, its armed forces would be hard-pressed to maintain training activities and keep in operating condition. In the event of German invasion, they would be able to fight only a brief delaying action, starkly limited by a factor beyond their control.

Although the loss of imported consumer goods through cessation of the Gothenburg trade would be less serious for Sweden, it would nevertheless produce a definite reduction in the domestic standard of living. Sweden, if embittered by an Anglo-American severance of this trade, might be strongly tempted to make good the deficiency by increased imports from Germany. Naturally, Germany would not release these additional commodities without corresponding concessions on the part of Sweden. Already, in fact, Germany appears to be pressing Sweden to raise her exports of iron ore to some 14,000,000 tons annually and to develop the port of Lulea to handle larger shipments. So far, Sweden has resisted these demands; but, if freed of her obligations to the Allies, she might be persuaded to send Germany increased tonnage in exchange for needed imports.

In addition, the severing of the Gothenburg link with the Allies, if instigated by the Allies, would make Swedish industry in general more amenable to taking German orders above present quotas. Exports to Germany of arsenic (important component in poison gas), abrasives, ethylene glycol, and lead metal have hitherto been prohibited. Denunciation of the Anglo-Swedish war-trade agreement

might lead Sweden to furnish Germany with sizeable amounts of all these vital supplies. Further, if the continuation of Sweden's rearmament program, in the light of expected oil shortages, seemed futile, Swedish engineering and productive capacity might be turned over to armament manufacture for the Axis.

#### *What the Allies Would Lose*

It seems clear that the Allies would have much to lose and little to gain by stopping the official gaps in its Swedish blockade. It is true that the monetary value of the goods the Allies have permitted Sweden to import has far outweighed the value of those Sweden has shipped out over the Gothenburg route: in the first half of 1942, imports were estimated at 193,000,000 *kroner*, and exports at only 73,000,000 *kroner*. But those imports were materials which the United Nations could spare without strain (cotton, oil) or which, though "shortage goods", represented a negligible withdrawal from our total supplies (wool, fats and oils, hides). On the other hand, Sweden's exports to the Allies, of metal products and machinery components, are of considerable strategic importance to our war effort.

Of far greater significance, however, is the fact previously indicated—that the loss of Sweden's Gothenburg imports would interfere with the development of her military strength and would impair her bargaining position vis-à-vis Germany. This would be a diplomatic defeat for the United Nations and would probably close off the "listening-post of North Europe," with its valuable sources of economic intelligence on Axis capabilities.

#### *What Germany Would Lose*

If termination of the Gothenburg trade promises such a defeat for both Sweden and the Allies, it may fairly be asked why Germany does not unilaterally break off the agreement and close the Skaggerak to Swedish overseas shipping. The answer is probably twofold: Germany is already receiving voluntarily a high fraction of Sweden's potential export capacity, as well as certain concessions on troop and supply movements across to Norway; in cutting the Gothenburg trade on its own initiative, Germany would almost certainly arouse Swedish hostility and end this period of willing compliance. The possibilities open to an outraged Sweden of reducing her present and future contributions to the Axis would be many, ranging from delays in delivery to actual sabotage of productive facilities. Such a policy would mean heavy sacrifices for the Swedish people; but they might well be willing to undergo them if sufficiently angered.

#### *Equilibrium*

Altogether, the Gothenburg Agreement appears to present an equilibrium of advantages and disadvantages for the parties involved that militates against any major change. A margin of adjustment remains, within which the three parties can exert pressure for concessions—the Swedes attempting to get more ships put on the Route, the Allies trying to lower Swedish exports to Germany and limit German transit facilities, and the Nazis arguing their right to bigger shipments of ore and a bigger volume of troop and supply movements across Sweden. But it appears improbable that any of these claims and counter-claims will, for the present, be pushed to the point of disrupting the Gothenburg trade itself.

## APPENDIX II EIRE TODAY<sup>1</sup>

Three years ago, when President Eamon de Valera first declared his neutrality stand, few Irishmen believed that he could maintain it for the duration. As time has passed, however, their doubts have faded, and the most notable feature of the last six months has been the growing belief that, so long as Hitler is preoccupied in eastern Europe, Eire will remain outside the war. This increasing support of de Valera's foreign policy has been assisted by a powerful censorship which can readily control the expression of opinion running counter to the Government's wishes.

Eire's censorship policy has two ends in view; first, to avoid offending any of the belligerents; and, second, to discourage provocative political discussion at home. As it is, the censorship has achieved its purpose in minimizing political party fights, and to a great extent, it has also created an atmosphere of disinterest in the war. In the early days of the conflict, a few supporters of the opposition party, the Fine Gael, urged the Government to come out openly in favor of the Allies, but today, the leader of the pro-Allied members of the Fine Gael, Mr. Dillon, has been dropped from the party, and the Government's policy is not even subjected to modest pressure. One reason for this attitude within the Fianna Fail, the Fine Gael, and even in the small Labor Party, is the realization that neutrality will be the most successful possible platform in the general election expected within a few months in Eire.

#### *Economic Price*

Meanwhile, Eire has been slowly awakening to the economic costs of her neutrality policy. National income is decreasing, while the Government fills its budgetary deficiency by extensive borrowing. Since supplies for essential industries are no longer available, displacement of workers is likely to increase still further. If it were not for the possibility of emigration to England, where manpower is short, Eire's unemployed would be much more numerous. The country's dependence on imports from overseas becomes more and more painfully evident. In peacetime, Eire obtains the bulk of her raw materials from Great Britain in return for Irish livestock and food products. Today, tightened British export control precludes any chance of exchanging foodstuffs for raw materials which are urgently needed in England for the manufacture of arms. Imports of raw materials and machinery from the United States have also been cut off since we entered the war. As a result, Irish manufacturers have been seeking them elsewhere. Negotiations now appear to be under way for the purchase in Argentina of cotton yarns and other raw materials, which would be brought into Lisbon and transhipped to Eire.

Lack of gasoline and tires has ended private motoring; lack of coal and the doubtful practicability of peat as a substitute fuel have dislocated the whole transport system. Clothes are rationed, gas for cooking and lighting is turned on only a few hours each day, and certain foodstuffs—tea, bacon, butter, etc.—

<sup>1</sup> Based on a memorandum of the Research and Analysis Branch of the Office of Strategic Services.

## SECRET

are becoming increasingly short in supply and have been rationed for some time. Bread, as the result of a good wheat harvest, is less scarce than expected, but it, too, is rationed. In general, the rationing system itself has been carefully planned, and an enormous black market flourishes unhampered throughout the country.

### *Northern Ireland*

Save for the fact that service in the Armed Services and in Civil Defense remains voluntary, Northern Ireland's war effort is similar to that of the rest of the United Kingdom. All controls—such as rationing of gasoline, food, and clothing—apply in Northern Ireland as in Great Britain, and to all outward intents. Northern Ireland is fighting as much of an "all-out" war as England itself. Actually, however, this is not altogether true; large Roman Catholic and Nationalist groups in Ulster oppose British rule, and therefore disassociate themselves from a war they regard as "England's fight." Moreover, Irish Republican Army (I. R. A.) men and pro-Axis subversives are working in both Eire and Ulster to create trouble among the American and English forces in Ulster and to alienate the Irish people from the Allied cause.

The anti-war attitude of Roman Catholic and Nationalist groups has resulted in growing political unrest and constant outbreaks of strikes among carters, dockers, and munition workers. However, these disturbances still do not represent a majority desire to abolish partition or to give up British rule (pro-British elements still compose more than two-thirds of the population). These disturbances are rather a sign of general dissatisfaction with the Government's attitude toward labor, industrial, and unemployment difficulties.

### *I. R. A. Activities*

As for the I. R. A. and other subversive groups, their strength has been estimated at 5,000 men, but this number is probably exaggerated, and does not take into consideration their constant flow back and forth across the Eire border, nor the internment of numerous I. R. A. members, both in Belfast and in Dublin.

The extent to which the I. R. A. is aided and abetted by Axis agents operating from the German Legation in Dublin is not accurately known; but the I. R. A.'s recent tactics are certainly reminiscent of those used by the Nazis elsewhere. British soldiers are told that the American troops, because of their higher pay, are stealing the Britishers' girls, and are causing a rise in local prices. Fights are promoted in pubs; and political, religious and social differences are constantly being turned into points of friction. I. R. A. activities have not stopped at propaganda. Throughout Ulster, constables, civilians, and soldiers have fallen victim to I. R. A. gunmen.

The climax of the I. R. A.'s campaign of violence came on September 2, 1941, when a manifesto was circulated in Belfast. This manifesto, besides stating the I. R. A.'s intention to carry on continuous warfare against the British forces and the Ulster police, also declared that it would wage this war against United States forces so long as they insist on remaining on Irish soil. Since this outbreak, the Royal Ulster Constabulary has been rounding up several hundred suspects, searching Catholic homes, and seeking out caches of arms hidden away in the mountains of Northern Ireland.

Printed with the Approval of the Bureau of the Budget.

December 11, 1942  
9:10 a.m.

WAR BONDS

Re: North Carolina Speech

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

MR. KUHN: Did you hear about Doughton's comments?

H.M.JR: No.

MR. KUHN: Doughton said that he was very pleased. He said, "If the Secretary can say those things with a clear conscience, it is all right with me."

H.M.JR: Did you go up?

MR. KUHN: No, but Ted told me about it.

H.M.JR: Of course after I read that thing in "Time," I just said, "What in the heck -" you see, what happened up there was this: I went in there, and there was a man outside. Doughton was fussing outside, waiting for me, and he rushed me in the room and closed the door. Then he went on, and I said, "Who was that other man outside there?" He said, "That was just the man who covers 'Time' magazine on the Hill."

MR. KUHN: Oh--

H.M.JR: Now, whether he had told him I was coming, you see, I don't know, but the man was standing there, and then Doughton closed the door in his face and rushed me in.

- 2 -

Now I want to say this: Doughton had not intended giving out a statement. I sort of hinted about it, you see. But, of course, the thing he put in was kind of bad. He said that I invited myself up there for lunch, but I couldn't change it. What I did was, I invited him to come down here. I would hate to think that he had that whole thing planned.

MR. KUHN: My feeling in reading it was that Doughton had not given that stuff to "Time," but that "Time" had taken the story which they got and did their usual--

H.M.JR: What they had to say was that the fact that Doughton didn't say anything unpleasant was more significant.

MR. MAGER: I doubt if it was planned, because they couldn't deal with Doughton the way they did and call him "Muley," and all that stuff. He would never invite them in again, if that were an invitation.

H.M.JR: It made it look as though he had had a great victory over me, that I had come there to seek the peace.

MR. KUHN: Wouldn't any scrupulous correspondent on the Hill take this line?

H.M.JR: They would if the week before I hadn't reached - my popularity on the Hill had reached zero. Then they saw that I was having lunch with Doughton, and said, "It looks as though Morgenthau isn't so unpopular. I have to justify myself." The week before they had said that it had reached zero. I don't know whether I should call his attention to it or not, because the same man that could write this other could take this thing and just--

MR. KUHN: That is true, but how about Doughton's part in this? Doughton is going to say something, too, about you.

H.M.JR: Has he changed it?

- 3 -

MR. KUHN: He has not changed that part of it. He has only changed the part about the State of North Carolina and the war. The part about you and about War Bonds, according to Ted, he is leaving in so that this speech will conform.

H.M.JR: What did he take out about North Carolina?

MR. KUHN: The part where he said, "We have been heart and soul behind this war." He said, "The passage gives the impression that we, in North Carolina, are doing more than our fighting men abroad." He said, "They are the ones that we care about; we should not brag about our own part in the war."

H.M.JR: I don't think he is a mean fellow.

MR. KUHN: I don't think he did that to you; I think it was "Time" magazine.

H.M.JR: How did "Time" magazine fellow know I was there?

I think if I said something to him - called him up and said, "Have you read 'Time' magazine," just to make him think I was suspicious of him - I know how it annoys me every time there is anything in "PM." They accuse me up there of having done it. I had better let it go.

You know, Buffington had a long fight this week with "Time," trying to get them to--

MR. KUHN: I know he did. I doesn't matter how much luck you have with the individual man from "Time," you can never be sure what the magazine is going to say.

H.M.JR: Incidentally, I wish you would have somebody read "Fortune," because Bob Jackson tells me that this man who they say is building - that the man who wrote the article is the man who is building Douglas up so for the presidency.

- 4 -

MR. MAGER: That is the fellow out west.

MR. KUHN: Newberger.

H.M.JR: No, this is a regular "Fortune" man. He said he was analyzing why the President did so badly in the last election. One of the things was he called us off on Nuky Johnson and on Prendergast.

MR. KUHN: There was also a bad article by Eliot Janeway. You remember my feeling about Eliot Janeway?

H.M.JR: That is the one.

MR. KUHN: In that article he said the election was really a rebuke, not only to the President, but to the same old Cabinet. Then he mentioned three names. He said that in the Cabinet there is Frank Knox, Henry Morgenthau, Paul McNutt, and they are colleagues just as before. Now, McNutt isn't in the Cabinet.

H.M.JR: I know, but he referred to these two cases. Take a look at it - I mean, where a man is factually wrong.

Bob Jackson tried the cases. He said that it was one of the few cases that had stuck.

(Mrs. Klotz entered the conference.)

H.M.JR: Now, I have read this since seeing you. (Referring to draft number six, copy attached) What are the suggestions?

MR. KUHN: I haven't Dan's comments. I sent it to Dan, but he had a meeting. I had Herbert, Peter, and Harry White read it, and they felt that for the occasion it was O.K. They did not suggest any change at all. There were a couple of words that they weren't sure about,

- 5 -

"In the home community of one of America's outstanding legislators--"

H.M.JR: What is the matter with that?

MR. KUHN: I don't know. Herbert thought it sounded a little funny, but I don't know what you can substitute.

H.M.JR: I said, "How can you say -" you can't say the man is talking "Adjacent to his district." It is his home community.

MR. WAGER: "In the neighborhood" would cover it.

H.M.JR: "Home community" is all right.

What else?

MR. KUHN: That is all. There was not any great enthusiasm for it as a speech, but Harry felt particularly - he said, "That fits the occasion. That is what you are going down there to do." The others felt the same way.

H.M.JR: I think because they are so close to it - I read the thing very quietly this morning, and I think what the people lose sight of - there are two things there. I don't think the American public knows we have gone from seven hundred thousand to fifty million. I don't think they know that, and I don't think they know that we have gotten twenty-three million factories. That information may have been given out over and over again, but I don't think it has been driven home. The other thing is that which you people originally said, that to do it in the home of Doughton was not so good - what I am doing in this speech is, I am paying a great tribute to management-labor committees, which in all of this work that is being done in Washington is overlooked. The papers are so full of strikes that they don't give any credit to these labor committees which are new, and excellent, just the way I was

- 6 -

thinking this morning. Show me in the newspaper any statement about Sidney Hillman leaving Washington. Who is the man that is taking his place? Do you know?

MR. KUHN: I don't know; tell me.

H.M.JR: He is a labor commissioner from the State of Michigan. But, I mean, the fact that these things work so beautifully, it is the kind of thing that you don't get in the press. I am doing one other thing; I am paying a real tribute to that.

And the final thing - that is, these fifty million people are not only helping to pay for the war, but they are helping to lay a foundation for the post-war.

MR. KUHN: To my mind that is the most important new idea, that nobody from the Treasury has mentioned.

H.M.JR: You have got three ideas there. The other one is, unless "Time" magazine - they printed the most vicious thing this week - unless they take the thing - even if they do, it doesn't make any difference. I think it is a nice gesture to the old man. Certainly the North Carolinians will like it.

(The Secretary left the conference temporarily to talk with Mr. John H. Folger, Representative from North Carolina.)

H.M.JR: I just told this fellow the truth, that I wanted to go to Bob's district, but he didn't want me, and there the hotel wasn't good enough so we are going to Winston-Salem.

MR. KUHN: He doesn't mind, does he?

H.M.JR: No, but what could he do for me and so forth, and so on.

There are a couple of things I want to ask you about once more. There wasn't anything he wanted to raise?

- 7 -

MR. KUHN: One thing, Mr. Secretary. Everybody in that room yesterday, in the little group, wanted to leave out "as he himself described it only a moment ago," which is toward the bottom - that parenthesis there - just leave it out.

H.M.JR: All right.

Now, again, for Miss Chauncey, make a note that that six-billion-dollar thing has to be blank.

MR. KUHN: On the reading copy, yes. On the mimeographed copy we will put in parenthesis, "Exact figure to be announced," if you issue an advance--

MR. MAGER: Would that hold up the newspapers?

MR. KUHN: No.

H.M.JR: The only thing is, that Bell wants to get out an announcement tonight. Let me talk to him now; let me clear this right away.

MR. KUHN: If we could have that figure today, it would be wonderful.

(The Secretary held a telephone conversation with Mr. Bell.)

H.M.JR: I think this speech is all right. After all, if I am going to go to a funeral, I want to make a funereal speech. If I am going to a wedding, I want to make a wedding speech. (Laughter.) This is something else.

(Mr. Bell entered the conference.)

H.M.JR: This will be "We have raised more than six and a half billion dollars."

We said, "this is the committee that originates all tax legislation."

- 8 -

MR. BELL: It originates other legislation, too, important legislation.

H.M.JR: What I was trying to get over is that it is important in the minds of people interested in taxes, unless you could say tax - and what other legislation?

MR. BELL: The most important legislation is really the borrowing legislation. I said, "It originates all legislation to raise funds with which to finance the Government." That is true for every dollar that is raised; it is authorized and originates in the Ways and Means Committee.

H.M.JR: This statement - "this is the committee that originates all tax legislation -" that means all funds - they wouldn't know what that meant, the radio audience.

MR. KUHN: I think the point that the Secretary wants to get across is that here he is in the home town of the man who really has to write the tax bills and that we have worked together many years on these tax bills, and that is the purpose of his going there. The borrowing legislation is incidental.

MR. BELL: I was just thinking that maybe he would think, "Well, that isn't all we do, just taxes." They have social security.

MRS. KLOTZ: He doesn't say that this is all they do.

MR. BELL: It says, "the committee originates all tax legislation."

MR. MAGER: The emphasis is on the tax thing.

H.M.JR: This is all right, I think, Dan. You are correct, but this is for the radio audience.

I will say, "we have raised more than six and a half billion dollars."

- 9 -

MR. BELL: That is safe. We will know tonight anyway.

H.M.JR: What I have got to do is to play safe. I have asked you and Buffington to have lunch with me in case I don't get a chance this morning.

MR. BELL: The last committee meeting of Byrnes' lasted until quarter of two, so I may be late.

H.M.JR: You can walk out the way I did. What time do they start?

MR. BELL: At eleven. I will only take a few minutes.

H.M.JR: I want to take more.

MR. BELL: Unless you want to talk to New York and Eccles and all those people--

H.M.JR: We will see, please.

(Mr. Bell left the conference.)

H.M.JR: On page three where it says, "In this Victory Loan drive and in the War Savings campaign," you don't want to say, "In this War Bond campaign," do you? Do you speak of it as War Savings?

MR. KUHN: War Savings campaign.

H.M.JR: All right. Is that what it is, War Savings?

MR. KUHN: Peter said there was no reference in the speech to the thing which was going to be done at the dinner, which was the awarding of Treasury Minute Man Flags. I said that I thought it could be done by the announcer in describing the occasion.

H.M.JR: Sure.

- 10 -

In the middle paragraph on page four, "Great as our war effort this year has been, however, we are just beginning to fight" - I read that over, and it seemed awfully awkward to me.

MR. MAGER: I think the "however" is misplaced. "Great as our war effort this year has been, however, we are just beginning to fight"--

H.M.JR: There should be no comma between "been" and "however."

MR. MAGER: There has to be a comma there.

MR. KUHN: If it is awkward, let's fix it, because you don't want to read anything that is awkward.

MR. MAGER: You have put the "however" on the end; it should be in the beginning.

MR. KUHN: You can do it by saying, "Yet, great as our war effort this year has been, we are just beginning to fight." That is a simpler way, and it expresses the same idea.

MR. MAGER: You have to remember to stop after "yet," though.

H.M.JR: Make a note for my reading copy, and leave out the comma between "been" and "however."

I think this seven hundred thousand to twenty-four million is something.

MR. KUHN: Terrific. This is so nice and short that you won't have to rush it at all. It is just ten minutes; you can take your time reading it.

H.M.JR: Has anybody counted the words?

MR. KUHN: There are just about eleven hundred words, which is slightly under ten minutes.

- 11 -

H.M.JR: I like it. Of course, you could - no one else suggested another stinger at the end?

MR. KUHN: Herbert Gaston felt very strongly that you still needed something to say that we have got a tough job ahead and that if you go there and talk about the War Savings thing as a magnificent achievement and you don't relate it to the size of the trials and so on, that we have ahead, economically and otherwise, he thinks it is false emphasis.

H.M.JR: I can't help that.

MR. KUHN: I told him we had gone over that thing.

H.M.JR: I think the air and the papers are full of blood, sweat, and tears, as somebody said here six weeks ago - OWI or somebody told me this, MacLeish or somebody - sending out word telling them we are going to lose the war - then Bard went too far. They said that the orders came out of OWI. Then they switched and told them we were winning the war. I think - I would just as leave - I mean, the people are working hard. I don't think you have to tell them all the time - as a matter of fact, I have some things in mind quite different to try to cheer the people up, something that I am working on.

MR. KUHN: We went over that point yesterday, and I told Herbert, so he was agreeable.

Winston-Salem, N. C. Dec. 12 - at the Robert E. Lee Hotel  
8.30 P.M. - Blue Network

257

I am happy to be speaking tonight in the home State and in the home community of one of America's outstanding legislators -- my old friend, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert <sup>L.</sup> ~~Mr.~~ Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

Bob Doughton and I have shared many labors together during these recent eventful years. We at the Treasury are indeed fortunate to be working in partnership -- ~~as he himself described it only a moment ago~~ with a Chairman who takes his responsibilities so seriously in these grave days. And I think the taxpayers of the country are equally fortunate in having tax legislation

- 2 -

originate under the leadership of a man like Bob Doughten, who is so devoted to his country and to the welfare of its people. It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers.

~~In introducing me,~~ Mr. Doughten <sup>has spoken</sup> ~~speaks~~ with understanding of the burden that rests upon me nowadays as Secretary of the Treasury. That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory <sup>can</sup> ~~Lo~~ drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn

- 3 -

from the securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and custodians of trust funds; it is their job to see that those dollars go to work for their country.

I am delighted to report to the nation that by today, only the twelfth business day of our drive, we have raised more than <sup>and a half</sup> six billion dollars. We have come more than two thirds of the ~~way~~ <sup>way</sup> toward our goal. This is a magnificent response, another proof of what a free, enlightened and democratic people can do when their country calls upon them.

In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain homes in your western counties to your factories in

Winston-Salem and your shipyards on the coast, this State of yours is giving a fine example of the spirit that is being shown in every State at the start of our second year of war. I have come here tonight to pay my tribute of appreciation to the workers and employers of North Carolina for their part in the War Savings campaign. But in paying my tribute to them I want also to pay it to the workers and employers of the United States as a whole.

Great as our war effort this year has been, however, we are just beginning to fight. We are just beginning to show what this country of 130 million people can do when it puts all its heart and mind and muscle into a single job. This beginning of ours in 1942 has already produced outstanding patriotic service in many fields,

- 6 -

at battle stations all over the world.

We could never have achieved this success without the untiring effort of our 300,000 volunteer workers who have been the unsung heroes in this grand enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have also contributed, not only to the speeding up of production but to the success of the War Savings effort as well.

It is my firm belief that the good-will created by the Payroll Savings plan has been felt all along the production line, and will be felt for years to come. I like to feel that the new relationship between labor and management, which has been shown so magnificently

in this War Savings campaign, is helping to build the post-war world right here and now. I like to feel that it is setting the pattern for the post-war years -- a pattern of labor and management working side by side for their own good and their country's good.

Important though the Payroll Savings plan is, it represents only one phase of our War Savings campaign. Millions of farmers, the self-employed, and businessmen have put their savings at their country's disposal. All in all 50 million men and women invested in War Bonds during the past year.

These holders of War Bonds are the people who will be buying the products of American industry ten years from now, when the bonds mature. The bonds that are bought today represent new homes, new comforts, new

horizons for the common man. They will help to give body and substance to the ideal of "Freedom From Want" in thousands of American communities and in millions of American homes.

To my mind this is a fact of real significance for the post-war years. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings not only bear fruit now, in helping to win the war, but will also help to keep peace-time industry active and strong in the future years. It means that habits of thrift are growing steadily stronger among the American people, with results that will help to finance this People's War and the People's Peace to come.

Speech suggestions for Secretary Morgenthau

*George Handley 12/11/40 ✓*  
*264*  
*suggestions - not used*

It is a great pleasure to be in Winston-Salem. No city in the world can exceed this one in gracious hospitality, and it is good to know that even a war cannot blackbut those finer sensibilities. I want to thank you all for the kind reception you gave me, and in particular I want to thank your chairman, Bob Hanes.

Another excellent reason for enjoyment of this occasion is the presence here of the Honorable Robert L. Doughton. As chairman of the House Ways and Means Committee, Mr. Doughton is one of the legislators mainly responsible for those new and heavier taxes that have got you all worried. Of course, the Treasury made some of the suggestions which Mr. Doughton and his fellow legislators enacted into law. We are both responsible, in a way, and it is nice to have Mr. Doughton here so that a share of the blame can be placed upon his capable shoulders. All people have the tendency to take it out on the tax collector, around March 15. If you feel like hanging me next March, remember Mr. Doughton too.

Better still, remember the ones really at the bottom of this whole thing. After all, it is that precious gang of cutthroats in Berlin and Tokio who caused the legislation that makes you pass your funds over to the Treasury so that the men on the firing line can praise the Lord and pass the ammunition.

Let me take you one step further along that road. You all know that I am bound to appeal to you to buy Victory bonds. I beg of you, my friends, do your utmost. Invest until it hurts in any of the securities offered by the Treasury in this December drive for \$9,000,000,000. And when the hurt wears off a little, invest some

more. Get all your friends and relatives to do it, and get them in turn to spread the circle. We are doing a great deal through the fine-spirited Victory Fund Committees and the War Savings Staff to place large amounts of Treasury issues and place them properly. But more powerful, perhaps, than any distant appeals is the personal touch. Nine billions, you know, is some touch.

People tell me I'm getting a bit cracked about this business of raising money for the Treasury. They say I eat with it and sleep with it, and my wife looks at me queerly at times, perhaps because I talk about it in my sleep. Well, my friends, I really do think it is one of the most important of the many Treasury jobs; and buying of Treasury issues is one of the most important things all of us who stay at home have to do. Money makes the mare go. Money is the means by which guns and planes and tanks and ships are provided for victory. Money is indispensable to the Treasury, and we get what we can by taxation and what we need beyond that by borrowing.

We want to do our borrowing in a sensible manner. If we borrow too much from banks of demand deposits we may increase the problem of keeping the general price level within reasonable bounds. And so we want money from individuals, business firms and institutions on a grand scale. In particular, we want the idle money that so many people hold.

I stress the idle money because idle money accomplishes nothing. It was pointed out long ago that two coins - nice big gold pieces if you wish - can be kept together for a thousand years without ever producing a little coin or anything whatever. It is money in use that gets things done. The Treasury wants to use your money, and for every dollar that you lend your government a dollar

will be repaid to you, along with interest. If you want to make sure that you can get hold of some of it for a personal emergency, the Treasury will accommodate you there, too. We have a pretty nice selection of securities designed to meet all needs. What your government is asking you to do is to invest in victory. That is important.

It is important in a good many more ways than we can talk about at this time. You all know about the fine achievements of war production. Rolling out to the armed forces and to our fellow fighters of the United Nations are many thousands of planes, guns and tanks. And ~~thousands~~ millions of tons of shipping slide down the ways in order to supply our men in North Africa, the Solomons and the many other places where we are active.

In a broad sense, these things run on a sort of endless money belt or conveyor. The dollars that supply these things are fighting dollars, and the odd thing about it is that the dollars don't get used up. They travel in a circle from the people to the Treasury and back again to the people. It is the duty of all of us to make that monetary conveyor belt strong and broad and to keep it moving fast. On it rides the service of supply.

This is what the President meant when he said, at the start of our nine billion dollar drive, that it is one of our jobs here at home to provide the untold billions of dollars that are needed to help win this war.

There are other and more direct ways in which we are making money the servant of victory. I am not disclosing anything new when I remind you of the financial support we are giving members of the United Nations. Most of you probably heard, when our men landed in

page 4.

North Africa, of some remarkably large results obtained by the use of a remarkably little gold. I said then and I repeat that I hold that to be one of the best uses to which we ever put our gold.

I mention these things because I think you are entitled to know that every monetary resource, like every other asset we possess, is being marshalled for victory. When the full story can be told, it will be found that money played quite a part in the defeat of the Axis aggressors. Not all of that part is dull and prosaic. Some of it is dashing and romantic.

I think it was Carlyle who said that economics is a dismal science. He might revise his opinion a little today, if he were still alive. For it is the economy of this and other nations - our way of life - which is at stake and for which we are fighting in this greatest of all wars. There is nothing dismal about that. It is the biggest, most sweeping and all-inclusive undertaking upon which we ever were forced to embark.

And I must remind you again and again that one of the basic factors in all this is the investment of your funds in United States Government securities. This is a privilege as well as a duty. It is a privilege upon which rests that larger privilege of continuing to be our American selves. It is one of the necessary steps toward victory.

December 11, 1942  
11:05 a.m.

HMJr: Hello.

Donald  
Nelson: Good morning, Mr. Secretary.

HMJr: How are you?

N: Fine, thank you.

HMJr: Are you - good. Are you so you could talk a minute or two?

N: Well, not very well. I can call you back.

HMJr: Well, could you - could - I mean if I talked to you - are you at a meeting or something?

N: Yes, but I can - you can talk to me.

HMJr: It will only take me about sixty seconds.

N: Oh, well - oh - I thought you meant some length - length of time, and I just didn't....

HMJr: No.

N: That's all right. Go right ahead, sir.

HMJr: What I'd like to do is see you if - I don't know whether you're free for Monday - a lunch, and then I'd like to tell you what I had in mind.

N: All right, sir.

HMJr: If you've - I'd like to find out from you if you felt that you - first, if you had the information, and, second, if you could tell me how many troops the Army proposes to have overseas say, '43 and '44 - how much tonnage it will take to maintain those troops? How many ships, you see.

N: Yes.

HMJr: In other words, what I'm trying to get at is this, this whole question of what the Army says they need.

- 2 -

N: Yes.

HMJr: Then it gets - have we got the ships and the escort vessels to maintain those troops plus the troops here in this country, and my interest in it is the impact on inflation, you see....

N: Yes, sir.

HMJr: ....and the whole business.

N: I'll be very glad to give you that. We - we sat down with the Chiefs of Staff last Tuesday.

HMJr: You did.

N: And I've gone through this pretty carefully.

HMJr: Yes.

N: I think the - the Chiefs of Staff have worked that out now....

HMJr: Yeah.

N: ....pretty well.

HMJr: Because just the little that I pick up here and there - I mean I feel that they're building an Army way beyond anything that we could maintain abroad.

N: Well, I had that feeling too until we've gone into it....

HMJr: I see.

N: ....pretty thoroughly. I'll tell you the man that can give you the whole complete information and that's Bob Nathan, and he has the new program now which has been cut down.

HMJr: Well, would - would you rather give it to me or have - well....

N: Well, either way. He'll be glad to do it either way, sir.

- 3 -

HMJr: Well, do you want him there at lunch?  
N: Well, I think it would be well if we do it.  
HMJr: Well - could you and he come, say, Monday?  
N: Yes, we'll be glad to do it.  
HMJr: Nelson and Bob Nathan.  
N: That's right.  
HMJr: Well, that would be wonderful.  
N: Be glad to....  
HMJr: And you know what I want?  
N: I do, and we'll get it for you.  
HMJr: And - and he knows how many ships and escort vessels....  
N: That's right. He knows the whole picture.  
HMJr: That will be wonderful.  
N: Okay.  
HMJr: Thank you.  
N: Be glad to do it.