

DIARY

Book 596

December 12 - 15, 1942

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Program

World-Wide Radio Broadcast

by

HONORABLE HENRY MORGENTHAU, JR.,

Secretary of the Treasury

and Banquet honoring

CONGRESSMAN ROBERT L. DOUGHTON

Robert E. Lee Hotel, Winston-Salem, N. C.

Saturday, December 12, 1942

6:30 P. M.

★ ★ ★

To the Secretary of the Treasury

with great appreciation
for your visit and the good
impetus you have given the
sale of War Bonds in N.C.

Menu

- Fresh Fruit Salad
- Roast Turkey with Dressing, Cranberry Sauce
- Asparagus Tips Candied Yams
- Mincemeat Pie, Cheese
- Hot Tea

Decorations arranged by
Women's Division of War Savings Staff



*Mr. Morgenthau
Washington
D.C.
April 10, 1945
Dear Mr. Morgenthau:*



Program

- SONG *America*
- INVOCATION..... Dr. W. A. Stanbury,
President Winston-Salem Ministerial Association
- DINNER MUSIC..... Fort Bragg Orchestra
- INTRODUCTION OF GUESTS..... Robert M. Hanes,
Toastmaster
- GROUP SINGING..... Led by Mr. A. D. Zanzig,
with Paul Pegram at the Piano
- REMARKS..... Honorable J. Melville Broughton,
Governor of North Carolina
- ADDRESS..... Honorable Robert L. Doughton,
Congressman from the Ninth District of North
Carolina and Chairman of the Ways and Means
Committee of the House of Representatives
- ADDRESS..... Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury
- MUSIC—
Chorus of the Winston-Salem Teachers College
- THE NATIONAL ANTHEM

The addresses of Mr. Doughton and Mr. Morgenthau will
be broadcast to the United States and Canada through
the Blue Network and by shortwave to other parts of the
world.



★ ★ ★

Committee of Sponsors

Mr. and Mrs. R. M. Hanes
Governor and Mrs. J. M. Broughton
Mr. and Mrs. Julian Price
Mr. and Mrs. Charles H. Robertson
Mr. and Mrs. Karl Bishopric
Mr. and Mrs. J. R. Fain
Mr. and Mrs. S. Clay Williams
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Mr. and Mrs. Kenneth Mountcastle
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Mrs. Thurmond Chatham

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Mr. and Mrs. John C. Whitaker

★ ★ ★

PROGRAM WAR BOND DINNER

12/12/42

TIME:

- 6:30 - 6:55 MUSIC BY FORT BRAGG BAND
(At 6:35 Ball Room doors will be opened and crowd will be moving in)
- 6:55 HEAD TABLE GUESTS ENTER BALL ROOM
- 6:58 SONG - "AMERICA" - LED BY MR. ZANZIG.
- 7:00 INVOCATION - DR. W. A. STANBURY, PRESIDENT
WINSTON-SALEM MINISTERIAL ASSOCIATION
- 7:00 - 7:50 DINNER AND MUSIC BY FORT BRAGG BAND
- 7:50 TOASTMASTER HANES:
General remarks regarding occasion, special comments regarding Doughton and Morgenthau. Present head table guests not on program.
- 8:05 - 8:07 2-MINUTE TALK BY COLONEL CHARLES H. ROBERTSON, ADMINISTRATOR
N. C. WAR SAVINGS STAFF
- 8:08 - 8:10 2-MINUTE TALK BY MISS HARRIETT ELLIOTT OF THE WOMEN'S
DIVISION, WAR SAVINGS STAFF, WASHINGTON, D. C.
- other guests -*
8:10 HON. J. MELVILLE BROUGHTON, GOVERNOR OF NORTH CAROLINA
(5-minute talk welcoming guests to North Carolina)
- 8:15 GROUP SINGING LED BY ~~MR. A. D. DANZIG~~ NOTED SONG LEADER
AND MEMBER OF THE WAR SAVINGS STAFF, WASHINGTON, D. C.
PAUL PEGRAM AT THE PIANO

RADIO:TIME

- 8:30 RADIO PROGRAM OPENS FROM NEW YORK AND IS BROADCAST IN
BALL ROOM. RONALD COLEMAN OPENS PROGRAM, EXPLAINS BOND
CAMPAIGN AND INTRODUCES MR. DOUGHTON.
- 8:37 MR. DOUGHTON SPEAKS AND INTRODUCES MR. MORGENTHAU.
- 8:41 MR. MORGENTHAU SPEAKS.
- 8:52 PROGRAM GOES OFF AIR BUT MR. MORGENTHAU CONTINUES ADDRESS.
- 9:00 GROUP SINGING - MR. ZANZIG
JACK ATRINS AND W-S TEACHERS COLLEGE CHORUS
CONCLUDING SONGS - MR. ZANZIG
THE NATIONAL ANTHEM

Songs by Winston-Salem Teachers College Chorus

John L. Dillard, Conductor

- a - Sit Down, Servant
- b - Aint-a That Good News?

12 - White Christmas

13 - Jingle, Bells

Dashing thro' the snow
 In a one horse open sleigh,
 O'er the fields we go,
 Laughing all the way;
 Bells on bobtail ring
 Making spirits bright,
 What fun it is to ride and sing
 A sleighing song to-night!

Chorus

Jingle, bells! jingle, bells!
 Jingle all the way!
 Oh, what fun it is to ride
 In a one-horse open sleigh!
 (Repeat)

14 - A Mighty Fortress Is Our God

A mighty fortress is our God,
 A Bulwark never-failing;
 Our Helper He amid the flood
 Of mortal ills prevailing;
 For still our ancient foe
 Doth seek to work us woe;
 His craft and power are great,
 And, armed with cruel hate,
 On earth is not his equal.

Did we in our own strength confido,
 Our striving would be losing;
 Were not the right man on our side,
 The man of God's own choosing;
 Dost ask who that may be?
 Christ Jesus, it is He;
 Lord Sabaoth His Name,
 From age to age the same,
 And He must win the battle.

15 - The Star-Spangled Banner

Oh, say can you see, by the dawn's
 early light,
 What so proudly we hail'd at the
 twilight's last gleaming?
 Whose broad stripes and bright stars,
 thro' the perilous fight,
 O'er the ramparts we watched, were so
 gallantly streaming?
 And the rockets red glare, the bombs
 bursting in air,
 Gave proof thro' the night that our
 flag was still there.
 Oh, say, does that star spangled-banner
 yet wave
 O'er the land of the free and the home
 of the brave?

Oh, thus be it ever when freemen
 shall stand
 Between their lov'd homes and the
 war's desolation!
 Blest with vict'ry and peace, may the
 heav'n rescued land
 Praise the Power that hath made and
 preserved us a nation!
 Then conquer we must, when our cause
 it is just,
 And this be our motto: "In God is our
 trust!"
 And the star-spangled banner in triumph
 shall wave
 O'er the land of the free and the home
 of the brave.

Songs by Winston-Salem Teachers College Chorus

John L. Billard, Conductor

- a - Sit Down, Servant
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of the brave.

MUSIC PROGRAM

1. AMERICA

2. OLD NORTH STATE

Carolina, Carolina
Heavn's blessings attend Her
While we live we will cherish,
protect and defend Her.
Though the scorners may sneer at
And wittings defame her
Our hearts swell with gladness
Whenever we name Her.

Hurrah, Hurrah!
The Old North State forever
Hurrah, Hurrah,
The good Old North State.

3. CASSION SONG

Over hill, over dale, as we
hit the dusty trail,
And those caissons go rolling along,
Up and down, in and out, counter
march and left about,
While those caissons go rolling along.
For its hi! hi! hee! in the Field
Artillery
Shout out your numbers loud and strong,
And where'er you go, you will always
know
That those caissons go rolling along,
KEEP 'EM ROLLING
That those caissons are rolling along!

4. BATTLE HYMN OF THE REPUBLIC

Mine eyes have seen the glory of the
coming of the Lord;
He is trampling out the vintage where
the grapes of wrath are stored;
He hath loosed the fateful lighting of
his terrible swift sword,
His truth is marching on.

Chorus

Glory, glory, hallelujah! Glory, glory
hallelujah!
Glory, glory, hallelujah! His truth is
marching on.

I have seen Him in the watchfires of
of a hundred circling camps,
They have builded Him an altar in the
evening dews and damps;
I can read His righteous sentence by
the dim and flaring lamps:
His day is marching on.

5. OVER THERE

Over there, over there,
Send the word, send the word over there
That the Yanks are coming,
The Yanks are coming,
The drums rum-tumming everywhere.
Be prepared, say a prayer,
Send the word, send the word to beware.
We'll be over, we're coming over,
And we won't come back till it's over,
Dear there.

FIVE CLIFFS OF DOVER

7. SIDEWALKS OF NEW YORK

East Side, West Side,
All around the town,
The girls sang "Ring A-Rosie,"
"London Bridge is falling down,"
Boys and girls together,
Me and Mamie O'Rourke,
Tripped the light fantastic,
On the sidewalks of New York.

8. MY BOND'S RIGHT THERE

(To the tune of "Tipperary")

Takes a long time
To save a million!
Takes a long time I know.
Takes a long time
To raise a billion,
But Uncle Sammy needs the dough!
Goodby, Sunday joyrides!
Farewell, silk-shirt flare!
When the boss buys Bonds
On every payday,
Yes, my Bond's right there!

9. EV'RY BODY EV'RY PAYDAY

Ev'ry body, Ev'ry pay-day
Buy a Bond the U. S. A. way!
That's the job, it's up to you and me
Butcher, baker, banker, scholar,
Take a dime from every dollar.
Ev'ry one pitch in for victory,
Ev'ry body, ev'ry pay-day,
Ev'ry farmer, ev'ry hay-day
Top the crop with dimes for Uncle Sam
Ten percent! That's the rent!
Ev'ry one can pay
For a home in the U. S. A.

10. AMERICA THE BEAUTIFUL

O beautiful for spacious skies,
For amber waves of grain,
For purple mountain majesties
Above the fruited plain.
America! America! God shed his grace
on thee
And crown thy good with brotherhood
From sea to shining sea.

O beautiful for patriot dream
That sees beyond the years
Thine alabaster cities gleam
Undimmed by human tears.
America! America! God shed his grace
on thee
And crown thy good with brotherhood
From sea to shining sea.

11. KEEP THE HOME-FIRES BURNING

Keep the home-fires burning,
While your hearts are yearning,
Though your lads are far away
They dream of home.
There's a silver lining
Through the dark cloud shining,
Turn the dark cloud inside out,
Till the boys come home.

REPRESENTATIVE ROBERT L. DOUGHTON
INTRODUCTION TO
SECRETARY MORGENTHAU ON
"OVER HERE"

4

THE BLUE NETWORK
8:30 - 9:30 P.M. - DEC. 12, 1942

Mr. Toastmaster, Secretary Morgenthau, ladies and gentlemen:

Tonight, I am highly honored to appear before this splendid assembly of North Carolinians in Winston Salem and before the thousands of patriotic americans listening in from every State---all with one purpose of doing our best wherever we are and in every way we can to win the war. In every war of our great republic, our commonwealth, as well as this community, has been in the forefront of the battle when and where duty calls.

Our nation has accepted the challenge to our democracy, our liberty and our lives by the most brutal gangsters who have ever tried to over-lead the human race and pollute the stream of civilization.

Our boys are already in the thick of the fight on all the far-flung battle fronts of the world. Hundreds and hundreds of thousands more will soon be on the way. They knew what they are fighting for. They will not let us down. We at home will not let them down.

I have not the slightest doubt, nor have you, about winning this war. We have made up our minds and are fighting with indomitable determination. I know --- and so do you --- that the price will be great in blood and lives, in heartache and suffering, in taxes and loans.

In my own humble judgement we should pay for as much of the cost of the war as we can in taxes. Taxes are heavy. We know they should be heavy --- as heavy as can be devised short of strangling enterprise or shattering sound economic stability.

However, much as we can raise in taxes we can pay for only a part of the cost in taxes. A great part --- the greater part for the time being --- must be raised in loans by all of our citizens to their Government. I am told that already more than fifty million of our people have bought War Bonds and

and Savings Stamps. This War Savings Program appeals to me in many ways --- both for the Government and for our individual people. In one way especially it appeals to me. War Savings calls for thrift and thrift begets economy in our everyday lives and in our Government. I have advocated economy in Government year in and year out since I first went to Congress thirty-two years ago. When you buy War Savings Bonds today you help finance your Government; you put the material for fighting into the hands of our sons over there and you help finance yourselves and your families' security in the days to come, in the days when American industry quits producing engines of war and begins again to produce the goods we need in our daily living.

We are honored and happy to have the Secretary of the Treasury as our principal speaker on this great occasion. We in North Carolina are especially honored that he is going to speak to us from here in Winston Salem, a great industrial city. He and I are long time friends and co-workers in our joint efforts to raise money to carry on the Government. Our responsibilities have been greatly accentuated since Federal expenditures have become so stupendous for war purposes.

I have never known a more devoted or faithful public servant. He is a friend of the people. He is a patriot in the finest sense. The financial tasks he shoulders are the most gigantic in history.

I have the high honor to present to this great audience the able and distinguished Secretary of the Treasury, The Honorable Henry Morgenthau, Jr.

Reading copy 12/12/42
6

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 L. 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 with a Chairman who takes his responsibilities so seriously in these grave days.

1104
103
1001

-2-

And I ^{know} ~~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 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.

use In introducing me, Mr. Doughton spoke 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~~ Pause

The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequaled in the annals of this or any other Government.

134
867

-3-

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 $\frac{1}{4}$ 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 six and a half 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.

$$\frac{136}{737}$$

-4-

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.

$$\begin{array}{r} 125 \\ \hline 612 \end{array}$$

-5-

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 in this community and every community.

 $\frac{1}{2}$

Pause

Take, for example, the Payroll Savings program in which you in North Carolina have made such an enviable record. Every large factory in the State 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.

 $\frac{131}{481}$

-6-

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 earnings every ^{pay day} ~~day~~ pay. Today more than 24 million workers are setting aside an average of eight and a half percent of their pay, so our soldiers and sailors and flyers can have the weapons they need. This is an achievement "over here" that will give encouragement to our Allies and to our fighting men at battle stations all over the world.

93
388

-7-

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.

100
288

-8-

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.

$$\frac{3}{4}$$
$$\frac{117}{171}$$

-9-

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.

68
103

-10-

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.

103
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CLASS OF SERVICE

This is a full-rate telegram or Cablegram unless its de- scribed character is in- dicated by a suitable symbol above or pre- ceding the address.

WESTERN UNION

1201

16 ✓

SYMBOLS

- DL = Day Letter
- NT = Overnight Telegram
- LC = Deferred Cable
- NLT = Cable Night Letter
- Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

Filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

H12N ON 32 NL

NEW YORK NY DEC 12 1942

HON HENRY MORGENTHAU JR

2434 BELMONT ROAD WASHNDC

JUST LISTENED WITH RAPTURE TO YOUR SPLENDID ADDRESS. I DOUBT IF YOU CAN IMPROVE ON THAT. HEARTIEST CONGRATULATIONS. SAW YOUR MOTHER TODAY WHO IS IN SPENDID SHAPE. LOVE TO ELLIE AND YOU.

HENRY MORGENTHAU SR

1244A

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a full-rate telegram or Cablegram unless its character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1202

(14)

17 ✓

SYMBOLS	
DL	Day Letter
NT	Overnight Telegram
LC	Deferred Cable
NLT	Cable Night Letter
Ship Radiogram	

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

Time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

CFA485 11=TDW CHEVYCHASE MD 12 903P

1942 DEC 12 PM 9 17

HON HENRY MORGANTHAU JR=

ROBERT E LEE HOTEL WN=

SPEECH CAME OVER BEAUTIFULLY WITH LOTS OF OOMPH ALL THE WAY=
KUHN.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

18/12/81
While I should like to call on the 136 firms
who have qualified for the Treasury "1" Flag
Award time does not permit so your Local
Committee has selected 5 representative firms,
and I will present this honor flag to them
as representative of all firms who have reached
the goal of 90% of their employees
participating for at least 10% of the gross
pay roll.

WHITE ICE CREAM AND MILK COMPANY
WILMINGTON, N. C.

19

121 EMPLOYEES

99% PARTICIPATING for 14.5 % of PAYROLL

MR. SUTHER

WILKES HOSEIERY MILLS
NORTH WILKESBORO, N. C.

625 EMPLOYEES

100% PARTICIPATING FOR 10% of PAYROLL

Mr. P. W. ESHELMON

Hugh Grey Hosiery Company

Concord, N. C.

200 Employees - 100%

Mr. R. A. Folkman

WRIGHT'S AUTOMATIC MACHINERY COMPANY 22
DURHAM, N. C.

800 Employees

100% PARTICIPATING for 12.6% of PAYROLL

MR. L. C. MINCH

23

HANES HOSIERY MILLS
WINSTON-SALEM, N. C.

1530 EMPLOYEES

100% PARTICIPATING for 10% of PAYROLL

Mr. W. Roy BROOKBANK

TREASURY DEPARTMENT

24

INTER OFFICE COMMUNICATION

DATE Dec. 12,
1942

TO Secretary Morgenthau
FROM Mr. Odegard

You asked for an explanation of these ads.

One of them "Whose Ocean" was prepared by the Advertising Council and is for use in January. 35 magazines and publications of national circulation have already expressed their desire to use this ad.

The other ad "The Greatest Gift of All" was prepared by our own advertising section and is being used during December by 25 publications and magazines of national circulation including such magazines as Vogue, Harpers and so forth.

Incidentally, one of these publications "This Week" is distributed through 21 different newspapers. Next to the American Weekly, it is not only the most widely read publication in the country but also the most expensive advertising medium.



The Greatest Gift of All

THIS YEAR with over half the homes of the world shaken by the earthquakes of war there can be no greater gift than that which serves your country as well as you.

A gift that will bring security for yourself, for your family, for your home. And not just this year, but for the years to come.



It's a gift guaranteed by the might and power and richness of America. A gift that guarantees freedom from fear ... freedom from want ... freedom of speech ... and freedom to worship as you please.

It's a gift that increases in value with each passing year. It's a United States War Savings Bond, the greatest gift of all!

UNITED STATES WAR SAVINGS BONDS (SERIES E)

Today's Cost	Value in 10 Years
\$18.75	\$25.00
37.50	50.00
75.00	100.00
375.00	500.00
750.00	1,000.00

War Savings Stamps pasted into Stamp albums are very acceptable gifts for ... why not most everyone on your list?

War Bonds may be bought at Post Offices, Banks, Savings and Loan Associations, Mutual Savings Banks, Retail Stores, Radio Stations, Credit Unions, Investment Houses, Security Dealers, or direct from the Treasurer of the United States—wherever you see this sign. →



This Year Give

WAR BONDS *and* STAMPS

Whose Ocean?



On all the coasts of Europe today there's scarcely a square foot of sand where free children can play in peace.

On every sea of the Seven Seas ships and men are being sent to the bottom by torpedo and gunfire.

In a dozen conquered countries people are starving, American soldiers—*our* soldiers—American women and children—*our own people*, are in concentration camps taking orders from the brutal Japs.

Better drop those rose-colored glasses and look at the facts!

A desperate struggle is ahead of us. We must outmatch our enemies, plane for plane, ship for ship, and gun for gun, otherwise our own country will take its place on the long list of defeated nations.

Our choice is a simple one. *Fight*—or help those who *are* fighting. *Man* a gun or *pay* for that gun. *Drop* a bomb or *pay* for the bomb. With War Bonds. With every single nickel, dime or dollar we can.

Join the Pay Roll Savings Plan, wherever you are, wherever you work. Let your

employer set aside 10% of your pay every payday. Each time your savings amount to \$18.75, you get a bond worth \$25.00 in ten years.

That's the way we *Americans* will do it. We won't sit back indifferent.

We won't "wait and see" until there's nothing left to see.

"Do it now" is a good American slogan. So let's *do* it!

It's later than you think!

DO YOU KNOW

- When you buy WAR BONDS, you're saving, not giving! Series E WAR BONDS are worth 33 1/2 percent more in 10 years! You get back \$4 for every \$3 you invest!
- These BONDS, when held to maturity (10 years), yield 2 1/2 percent per year on your investment, compounded semiannually!
- Joining a Pay Roll Savings Plan makes savings easy!
- Joining your bank's Victory Club (it works like any Thrift or Christmas Club) is a convenient way to save for War Bonds for those who aren't members of a Pay Roll Savings Plan.
- You can have enough money to do a lot of things you'd like to do, and to buy the many things you'll need after the war is over, if you save enough in War Bonds every pay day NOW!
- You can start buying WAR BONDS by buying War Stamps for as little as 10 cents.

**EVERYBODY
EVERY PAY DAY 10% in War Bonds**

This space is a contribution to America's all-out war effort by

YOUR NAME HERE

27

Note:

This letter was not received
until January 1, 1943.



THE SECRETARY OF COMMERCE
WASHINGTON

December 12, 1942.

Dear Henry:-

Your letter of December 11 has been received. I am enclosing a statement along the lines you suggest.

Sincerely yours,

J. M.
Secretary of Commerce.

P.S. I found this in a wrong basket - but will respond again

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury.

if you think I can help - Congratulations on the success of your div -
J. M.

JAN 1 - 1943-

It will be the savings and the patriotism of the more than 130,000,000 people which will make it possible for us to finance the war.

Buying war bonds and stamps is one way in which every man, woman and child in the United States can help win the war.

Jane H. Jones

FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Page 1

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

Marketable issues:
 Market purchases 1/..... -
 Market sales 1/..... -
 Direct purchases from Treasury +
 Maturities..... -

Special one-day certificates 2/
 Net increase..... +
 Net decrease..... -

Column B shows price changes in 32nds for all securities except certificates. For certificates, Column B shows yield changes in decimals.

STRICTLY CONFIDENTIAL

Monday		Tuesday		Wednesday		Thursday		Friday		Saturday		Full Week		Index	Description	This Week															
Dec. 1		2		3		4		5		6		Full Week				Dec. 7		8		9		10		11		12		Full Week			
A	B	A	B	A	B	A	B	A	B	A	B	A	B			A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
I. Summary																															
Marketable issues:																															
Market purchases.....																															
Market sales.....																															
Direct purchases from Treasury.....																															
Maturities.....																															
Special one-day certificates:																															
Net change.....																															
Total net increase (+) or decrease (-).....																															
Wednesday report of total portfolio.....																															
II. Taxable securities																															
Bills - all issues combined:																															
Market purchases.....																															
Market sales.....																															
Maturities.....																															
Total net increase (+) or decrease (-).....																															
Certificates:																															
5/28 A - 2-1 43.....																															
.65 C - 5-1 43.....																															
7/8 B - 6-1 43.....																															
7/8 D - 11-1 43.....																															
7/8 E - 12-1 43**.....																															
Special one-day certificates:																															
Treasury notes:																															
W 2 3/4 D - 3-15 43.....																															
W 9 3/4 D - 9-15 44.....																															
W 11 1-1/4 C - 3-15 45.....																															
W 12 3/4 B - 12-15 45.....																															
F 13 1 A - 3-15 46.....																															
W 14 1-1/2 B - 12-15 46.....																															
Treasury bonds:																															
B 12 2% - 3-15 48-50.....																															
B 14 1-1/4 - 6-15 48.....																															
B 17 2 - 6-15 49-51.....																															
B 18 2 - 9-15 49-51.....																															
B 19 2 - 12-15 49-51.....																															
B 22 2 - 3-15 50-52.....																															
B 27 2 - 12-15 51-55.....																															
B 28 2-1/2 - 3-15 52-54.....																															
B 29 2-1/4 - 6-15 52-55.....																															
B 33 2-1/2 - 3-15 56-58.....																															
B 37 2-1/2 - 6-15 62-67.....																															
B 38 2-1/2 - 12-15 63-68.....																															
B 39 2-1/2 - 9-15 67-72.....																															
Guaranteed securities:																															
G 7 EPC 1-1/8 V - 7-15 43.....																															
G 8 EPC 1 W - 4-15 44.....																															
G 2 COG 1-1/8 G - 2-15 49.....																															
All taxable securities:																															
Marketable issues:																															
Market purchases.....																															
Market sales.....																															
Direct purchases from Treasury.....																															
Maturities.....																															
Special one-day certificates:																															
Net change.....																															
Total net increase (+) or decrease (-).....																															

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

r Original figures revised.

* Less than \$50,000.
 1/ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day.
 ** Not yet traded.
 2/ Transactions are entered as of the day following that to which they apply, since data are not available until the following morning.

OFFICE
SECRETARY OF TREASURY

1942 DEC 18 AM 8 27

9/20
TREASURY DEPARTMENT

32✓12

*Mrs. Daniel Judson Callaghan
acknowledges with sincere appreciation
your kind expression of sympathy*

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

December 12, 1942

E. R. Stettinius, Jr.
Administrator

MEMORANDUM

To: The Honorable Henry Morgenthau
From: E. R. Stettinius, Jr.
Subject: Executive Reports

Transmitted herewith, for your information, are copies of the Executive Reports on lend-lease operations, as of November 30, 1942.

Attachments

Office of Land-Lease Administration

STATEMENT OF ALLOCATIONS, OBLIGATIONS AND EXPENDITURES
OF FUNDS APPROPRIATED TO THE PRESIDENTMonthly Report as of Nov. 30, 1942
(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to November 30, 1942		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	\$ 2,026,454	\$ 1,859,996	\$ 1,615,611	\$ 793,551
Aircraft and Aero. Material	2,917,000	2,829,390	2,594,379	1,422,943
Tanks and Other Vehicles	1,060,115	795,906	662,603	439,590
Vessels and Other Watercraft	2,416,668	2,203,546	1,699,608	914,023
Misc. Military Equipment	477,500	453,492	330,271	143,926
Production Facilities	1,162,764	1,148,641	993,891	714,431
Agric. and Indust. Commodities	6,831,335	6,654,752	4,151,678	3,087,659
Servicing, Repair of Ships, etc.	513,470	459,068	322,694	264,267
Services and Expenses	971,694	449,679	211,313	154,057
Administrative Expenses	20,000	16,256	12,599	12,284
Total	\$18,397,000	\$16,870,726	\$12,594,647	\$7,946,731

Procuring Agency	Adjusted Limitations	Cumulative to November 30, 1942		
		Allocations	Obligations	Expenditures
War Department	\$ 6,917,727	\$ 6,220,583	\$ 5,528,165	\$3,359,890
Navy Department	3,138,169	3,158,218	2,184,625	979,146
Mar. Com. and War Shipping Admin.	2,154,238	1,801,931	1,405,338	1,096,052
Treasury Department	3,189,481	2,714,461	1,714,701	1,005,692
Department of Agriculture	2,982,100	2,961,189	1,750,201	1,494,698
Other	15,285	14,344	11,617	11,253
Total	\$18,397,000	\$16,870,726	\$12,594,647	\$7,946,731

Funds for freight and other necessary charges are not included in obligations.

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 AND 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

Office of Lend-Lease Administration
STATEMENT OF LEND-LEASE AID
 Monthly Report as of Nov. 30, 1942
 (Thousands of Dollars.)

Type of Aid	Cumulative to		Month of	
	Nov. 30, 1942	Oct. 31, 1942	November	October
Goods Transferred	\$5,854,003	\$5,233,985	\$620,018	\$679,664
Servicing, Repair of Ships, etc.	256,144	244,057	12,087	-15,706
Rental of Ships, Ferrying of Aircraft, etc.	795,868	678,968	116,900	120,133
Production Facilities in U. S.	544,032	488,899	55,133	79,271
Miscellaneous Expenses	45,927	40,556	5,371	20,401
Total Services	\$1,641,971	\$1,452,480	\$189,491	\$235,511
Total Goods and Services	\$7,495,974	\$6,686,465	\$809,509	\$915,175

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the Army and Navy.

N.B. This report excludes data on the value of Goods in Process. At August 31, 1942, the amount from appropriations to the President was \$1,360,195,000, comprised of the items "Articles Awaiting Transfer or Use" and "Articles in Process of Manufacture." It is not possible to determine the value of Goods in Process from appropriations to the Army and Navy.

Type of Aid	Cumulative to November 30, 1942				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	\$4,464,047	\$125,306	\$1,158,890	\$105,760	\$5,854,003
Servicing, Repair of Ships, etc.	229,791	935	24,164	1,254	256,144
Rental of Ships, Ferrying of Aircraft, etc.	619,460	12,721	107,334	56,353	795,868
Production Facilities in U. S.	-	-	-	-	544,032
Miscellaneous Expenses	32,021	735	988	12,183	45,927
Total Goods and Services	-	-	-	-	\$7,495,974

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 AND 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

CONFIDENTIAL
Executive Report No. 3

Office of Lend-Lease Administration
DETAIL OF ARTICLES TRANSFERRED
Monthly Report as of Nov. 30, 1942
(Thousands of Dollars)

	Cumulative to November 30, 1942 (000 omitted)				
	Br. Empire	China	U.S.S.R.	Other	Total
Ordnance (Excl. Ammunition)	\$ 257,647	\$ 14,640	\$ 27,796	\$ 37,416	\$ 337,499
Ammunition and Components	458,626	19,491	132,445	14,189	624,751
Aircraft	386,982	34,778	299,329	12,183	733,272
Aircraft Engines, Parts, etc.	267,479	1,861	5,758	622	275,720
Combat Vehicles	284,078	922	199,218	8,708	492,926
Non-Combat Vehicles	174,298	25,504	120,471	5,979	326,252
Watercraft and Parts	306,944	447	14,550	6,605	328,546
Miscellaneous Manufactures (Textile, Leather, etc.)	100,440	6,921	35,928	4,954	148,243
Agric. Products (Foodstuffs)	811,255	-	91,097	1,064	903,416
Agric. Products (Excl. Food)	223,882	-	513	-	224,395
Machinery	200,455	3,579	58,277	127	262,438
Metals	366,998	8,994	106,162	614	482,768
Petroleum Products	294,320	3,237	13,244	-	310,801
All Other	330,643	4,932	54,102	13,299	402,976
Total	\$4,464,047	\$125,306	\$1,158,890	\$105,760	\$5,854,003

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 AND 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statement No. 63 - Aircraft Despatched
- for week ended December 8, 1942.

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

December 12, 1942.

SECRET

STATEMENT NO. 63

AIRCRAFT DESPATCHED FROM THE UNITED STATES

WEEK ENDED DECEMBER 5th, 1942

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
<u>BOEING</u> Fortress II	U.K.	Canada enroute		1	
<u>BOEING</u> Heronda	U.K.	U.K.	4		
<u>CONSOLIDATED</u> Catalina 1B	Canada	Canada			2
<u>DOUGLAS</u> Boston III A	U.K.	Canada enroute		6	
<u>CURTISS</u> Kittyhawk	Australia New Zealand	Sydney Auckland	9 11		
<u>FAIRCHILD</u> Cornell PT26	Canada	Canada			21
<u>GRUBMAN</u> Martlet IV	U.K.	U.K.	3		
<u>GLENN MARTIN</u> Baltimore IIIA Ranger I	Middle East Middle East	Middle East Middle East		14 1	
<u>LOCKHEED</u> Ventura * Hudson III Ventura Hudson VI	Canada U.K. S. Africa U.K.	Canada Canada enroute S. Africa Canada enroute			1 1 1 11
<u>NORTH AMERICAN</u> Mitchell I Mustang Harvard	Bahamas U.K. India	Kassau U.K. Bombay			1 10 2
<u>VULTURE</u> Vengeance	India	Bombay	20		
		TOTAL	59	36	24

* Temporarily for tests.

Re Fifteen Catalina 1B listed in report No.62, week ended December 1st, as being in Bermuda enroute U.K., please note that six of these aircraft were retained in Canada for operational purposes.

Movements Division, British Air Commission.

December 12th, 1942.

54
36
24
115

Regraded Unclassified

COPY NO 13BRITISH MOST SECRET.
U.S. SECRET.

NOT TO BE RE-TRANSMITTED.

OPTEL No. 430.

Information received up to 7 a.m. 12th.

1. NAVAL.

Last night off Dieppe 6 destroyers engaged a southbound enemy convoy of 2 ships with 4 escorts. One ship sunk. Other probably sunk and 2 escorts sunk. One of H.M. destroyers and a Dutch destroyer damaged. One of H.M. destroyers sunk by U-boat off Oran 11th.

2. MILITARY.

Tunisia. 10th. The enemy launched an attack directed on Medjes El Bab with tanks supported by infantry one column advanced down the Tebourba Road and was counter attacked successfully. A number of enemy tanks being destroyed. Another column attacked from the east and reached a point one and a half miles from the town but withdrew after meeting opposition from French and Allied artillery and from fighter aircraft. Enemy losses considerably higher than ours. Bad weather continues to restrict wheeled movement off roads.

3. AIR OPERATIONS.

Western Front. 11th. Our Aircraft flew harassing patrols over northern France and carried out Anti-U Boat operations. Ten enemy aircraft penetrated our southeast coast. Enemy casualties one, nil two, ours two, nil nil. 11th/12th. 118 aircraft set out Turin 82 sea mining 26 leaflets 10. Three are missing and 2 crashed. Preliminary reports Turin indicate unfavourable weather. 22 enemy aircraft operated off the east coast the majority making shallow penetrations. A few H.E. and incendiaries were dropped in Durham and Yorkshire and a few casualties occurred at Hartlepool.

Tunisia. 10th/11th. Wellingtons dropped nine tons of bombs on Tunis docks. 11th, Fighters from Malta intercepted 32 Northbound escorted JU 52's south of Lamlone Island. Enemy casualties 13, 1, 6, ours 1, nil, nil.

Libya. 10th. Fighter bombers attacked Marble Arch airfield and Military objectives in the Marsa Brega Area. Enemy casualties 4, 1, 4, ours 2, nil nil.

India. 10th. 24 escorted enemy bombers attacked Chittagong causing only slight damage. Enemy casualties 3 nil, nil, ours 3, nil nil, two pilots safe.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 431

Information received up to 7 A.M., 13th December, 1942.

1. NAVAL

ALGIERS. In an attack believed by human torpedoes upon the harbor about 1:30 A.M. 12th a small ship was sunk and 3 others totalling about 18,500 tons were damaged. 16 Italian prisoners were taken. Eight empty ships and a tanker have safely reached PORT SAID and ALEXANDRIA from MALTA. They experienced only slight air attack and no damage. A 10,000 ton British ship from LIVERPOOL to ALEXANDRIA with war stores is making for the AZORES having suffered considerable damage in heavy weather.

2. MILITARY

LIBYA. 11th. Activity by our patrols continued.

TUNISIA. 10th. The enemy in his attack lost 18 tanks. We lost some light tanks. Weather has slightly improved but many roads in forward area are still impassable.

3. AIR OPERATIONS

WESTERN FRONT. 11th/12th. TURIN. Weather conditions very bad. 58 tons of bombs dropped.

12th. 78 U.S. Fortresses were sent to attack an aircraft park at ROMILL SUR SEINE but found objective completely obscured by cloud and did not bomb. As alternative the railway centre at ROUEN was bombed by 17 aircraft. Enemy casualties unconfirmed 19, 10, 2. U.S. 2, nil, nil. Fighters provided escort for this operation and flew other offensive sorties. Enemy casualties 6, 1, 8. Ours 5, nil, 1.

12th/13th. 15 aircraft sent sea-mining, all returned.

ITALY. 11th. 18 U.S. Liberators from LIBYA attacked NAPLES, at least one ship was hit and many fires reported. Reports from 9 aircraft still outstanding.

SICILY. 11th/12th. 11 Wellingtons bombed PALERMO docks.

LIBYA. 11th. 36 Fighter bombers attacked the landing ground at NOFILIA and enemy M.T. in this district.

December 14, 1942
9:30 a.m.

GROUP

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

H.M.JR: Herbert?

MR. GASTON: I haven't anything.

MR. SULLIVAN: I want to see you later on the space situation.

H.M.JR: How are you coming on your recruiting of the fifty-six hundred?

MR. SULLIVAN: Very well, indeed. I can get you a report later today if you want it.

H.M.JR: Could I have one by districts?

MR. SULLIVAN: Yes. I know that ten days ago twenty-eight of the sixty-four districts had all of their people. That was ten days ago. I will get that for you.

- 2 -

H.M.JR: Could you give me a little report on how we are coming along, to be ready for the Victory Tax?

MR. SULLIVAN: Yes, sir.

H.M.JR: It seems to be bothering them. Odegard isn't here.

Now, what happened - you and Odegard were to meet about this question on the schools.

MR. SULLIVAN: We met Thursday morning with Mr. Gaston and Commissioner Helvering.

H.M.JR: But you didn't have Mager there, and he is the enthusiast on this.

MR. SULLIVAN: I didn't know that we were supposed to.

H.M.JR: I told that to Odegard, but for some reason he left him out.

MR. GASTON: I think he was out of town.

H.M.JR: No, he was here. He is the enthusiast. He is the fellow who said that it could be done. You see, he is a high school teacher himself.

MR. SULLIVAN: Anyway, we met and discussed it quite a while, and then Peter and the Commissioner were doing a memorandum for you. That is to be ready today.

H.M.JR: I have got Lemmon and Thomas down for ten o'clock tomorrow. That is a matter of public relations. I don't know whether they can help, but I would like to have them in. So, why couldn't we start off the meeting with this question of schools, because it is very much in my mind.

MR. SULLIVAN: Sure.

Now, don't you want that man down from New York?

- 3 -

H.M.JR: I don't know; you see, I gave Peter a couple of names that we got from Mr. Lewisohn. Are we ready to bring that man down?

MR. SULLIVAN: I think so, don't you, Herb?

H.M.JR: Which one of those? There is one that does publicity. You see, I have had no report.

MR. SULLIVAN: Let me talk with Peter.

H.M.JR: Will Peter be in today?

MR. GRAVES: No, tomorrow morning.

MR. SULLIVAN: Could I get him on the phone?

MR. GRAVES: Yes.

MR. SULLIVAN: I will talk with Peter on the phone; and if he thinks they should both be here, will he call them?

H.M.JR: Which both? He can't call very easily from there. Do you want to have them for the day?

MR. SULLIVAN: Yes.

H.M.JR: But I would like to meet with you and Helvering and Gaston, and I would like Mager to sit in on it. Are you in on this, Ferdie?

MR. KUHN: I have been with Peter, and with Harold Thomas.

H.M.JR: I would like you to sit in on it.

MR. SULLIVAN: That is at eleven?

H.M.JR: Yes. Miss Elliott isn't here, I am sorry - I don't know whether she is here or not; but if she is here, ask her to come. If not, the next time, because she will be good on this. But let's start - no, that is at ten - let's start off with this thing because I did a

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little sounding - let me just take a minute and make a little speech. Then Ted can - Mr. Roosevelt has got to do something about this Administration's contact with the people in the communities.

MR. SULLIVAN: Correct.

H.M.JR: And the thing which Ted was frank enough to tell me - the others weren't - that he picked up - it is a sort of new angle. The people no longer say, "Well, it is the damn OPA," or so forth, but, "It is Henderson." But Mr. Roosevelt has appointed this fellow. Now, he is responsible. Am I right?

MR. GAMBLE: Yes.

H.M.JR: "And fellows like Hopkins and Morgenthau around here and other people - why do they have a man like Henderson? Why do they do it so badly? After ten years they ought to know how to do it."

MR. SULLIVAN: The growing tendency is to say that the whole thing is a mess.

H.M.JR: The easiest way to counteract this thing is for Mr. Roosevelt to move soon because coming back in the plane with us was Doughton, who had never flown with us. He said two things - first, "This is the best day of my life," and then he said, "Maybe the Republicans and some of the Democrats are going to push us around too far, and it may react against him." In other words, he was talking as a member of the Administration. Isn't that interesting? "They are going to push us; when can I see the President?"

And it is just - I don't know whether Bell felt that way, but I felt when we went up before that committee on appropriations that there are so many things that I haven't had time to study. I mean, my memorandum for the Byrd committee was good last year, but what has happened since, I just don't know; I mean, I am so rusty.

I don't know, for instance, what happened to this organization which Frank Walker had where he had an information man in each State. I don't know what they called it.

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MR. BELL: Emergency Council.

MR. GASTON: That was liquidated.

H.M.JR: Is any of that left?

MR. GASTON: No, except in the Office of War Information.

H.M.JR: Is any of it left there?

MR. GASTON: I think War Information has some branch offices, but not administration offices.

MR. SCHWARZ: They did have one in every State. Now they have regional.

MR. BELL: I expect some of the people that they employed are now in War Information.

H.M.JR: I mean, here is a city with seventy-five thousand people, and they were talking about the farmers. I want to take a little time, because it is the benefit that I get out of a trip like this. "At least, why can't the Farm Bureau office be the place where the farmer can go and find out the various things he has to do to work his farm. That isn't true." He said, "At least there is a Farm Bureau representative in every county, but if he wants this or that and the other thing -" and they list them - "There is no central place that he can go." They went on to explain - Mr. Clay went into it very frankly. He said that the top price on a basket of tobacco, let's say, is fifty-five dollars. Then he said, "This is the situation we found: We have to buy a third of all the tobacco in order to keep going, because that is what we use." Then the auctioneer stands up, and he said, "I know just what has happened. I know that Thurman Arnold would be right to put us in jail. The auctioneer stands up, and there will be ten buyers. The price is fifty-five, and everybody simultaneously bids fifty-seven dollars, so the auctioneer takes turns, and he goes around the room and every tenth sale goes

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for the school teacher. We will do our little bit, and try to do it well. Does anybody know of any group working for Mr. Roosevelt that is trying to work on the home front to keep the people in a good frame of mind?

MR. SULLIVAN: Yes, I know one.

H.M.JR: Who?

MR. SULLIVAN: War Bonds. That is the only one.

H.M.JR: Well, I said, "We in a little way," but I mean, Herbert, is that the job of OWI? Is it the job of OCD?

MR. SCHWARZ: It is the job of OCD.

MR. KUHN: It is OCD in this way, that where an agency of the Government has no publicity organization around, no community organization, they are supposed to go to OCD, and OCD is given that job, and they have done it very inadequately. The regional offices you were mentioning used to be under Lowell Mellett's charge, and we used to get reports of what they reported back to headquarters about the feeling in the communities, but they were very superficial and were poor reports.

H.M.JR: I was amazed to find out that Flynn evidently sent out a telegram a week or two ago to three prominent citizens in Winston-Salem asking them to give him all the complaints. He must have done that for the whole country. But I am so bold as to say that if Mr. Roosevelt would put his mind to this thing or tell somebody to put his mind to it, the thing could be turned to his advantage. It could be turned to his advantage, because there was every group - I don't know what proportion of the people in the room voted for him, but by the time they got through they were solid; they were pulling as a team. You could have asked them for anything in the world. Old man Doughton said, "Now, Henry -" I said to him, "What are you going to do?" He said, "As soon as the Congress is organized we are going to

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to every tenth person," and he says, "From the standpoint of Reynolds Tobacco we are short. We can't get it from the standpoint of conclusive" - is that the word?

MR. GASTON: Preclusive.

H.M.JR: "... bidding. We are breaking the law, and we all know we are breaking the law, and the auctioneer is breaking the law. We don't get it." But, I mean, you hear all of these different things. That is just one example. What I think is so necessary is that they have got to do something about getting into the community where somebody would know and would explain these various things, because I asked and they just pour it on.

Now, Ted spent the night with a group, and one of them was a sales manager for Reynolds Tobacco that has over a thousand salesmen all over the country. A little tobacco store - he wouldn't even come to our meeting at first. He was completely washed up and finished.

MR. GAMBLE: That is right, and he announced to all the assembled guests that first evening that he wasn't coming.

H.M.JR: But he came, he saw, and he was conquered. (Laughter) It is a lot of work, but it isn't my job. I mean, I can only do it in a very small way. I am going to see Mr. Roosevelt just as soon as I can, and he has just got to put his mind on it. I mean, I listened, for instance, last night, to Drew Pearson, and this whole thing about the Congress and the story about Eddie Flynn being - I don't know how many of you listened to it last night - Eddie Flynn squawked, hung up the phone, and said that as far as he was concerned he never wanted to see the President again. All those things - it is being manufactured, it is all very troublesome, and in conducting the war as Commander-in-Chief it is going to be more and more difficult for the President.

Does anybody in this room know of any agency that is doing something - now, we are talking about doing

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get together on this question of how to raise the money. You know more about it than anybody else in town, and we are not going to do anything until you sit down and tell us what you want."

MR. PAUL: May I make a suggestion here?

H.M.JR: Could you hold your thought one minute?

MR. PAUL: Sure.

H.M.JR: I mean, that is the difference, and he was just as suspicious and scarey as a one-year-old colt. I mean, he thought we were trying to put something over on him, and I was just as nervous as a cat. I didn't know what he was going to do.

Ted wanted to take him into the dining room, and he did not know why the dining room instead of the coffee shop. I wanted him for lunch, and he thought that was funny. I did not know until the last minute what he was going to say and how he was going to act.

I did not know how all of these very rich people down there were going to act towards me. It is a very, very rich group, controlling large wealth, and everything, and I did not know how they would act, but there was not an unpleasant incident, with one very minor exception, the whole day.

But when I left I felt, "Now, here is a community" - to show you, for instance, how a thing can grow - I want to take time, because I want everybody to think about it, because, after all, Mr. Roosevelt has got to conduct a peace. We don't want to have happen to him what happened to Woodrow Wilson. He has to conduct a peace.

Hanes said, "Now, let me tell you, for instance, about a bank up in the corner of North Carolina. We went to them and said, 'Do you want to buy some bonds?' They said, 'No.' He says, 'I am a Republican, and this is the Democrats' war; let the Democrats finance it.

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I am not going to buy a bond.'" I said, "Now, that is an isolated case. What will you do?" Hanes said, "We are going to take care of him, don't you worry."

But supposing a thing like that spreads. They actually hired people - Brooks hired people in Chicago - women - to go from house to house and say, "This is Mr. Roosevelt's war. He is killing your sons. Do you want to vote for him?" They actually hired people to go from house to house in Chicago. They had thousands of women going from house to house in Chicago. It is a proven, known fact.

And we sit here, a group of us, and with the exception of the little push we can give - and it is so small and isolated - in War Bonds - I mean the thing, it is just going to run right away from us.

Mr. Paul.

MR. PAUL: I get mail from time to time - and I am sure others do here - making complaints. It seemed to me that there might be some common clearing house, and after such letters are answered they could be forwarded to somebody.

Such letters might be routed after they have been answered to somebody who would gain a better cross-section of the complaints; and having gained a knowledge of the complaints we could more effectively deal with the underlying problem.

H.M.JR: Are you talking for the Administration?

MR. PAUL: No.

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H.M.JR: You mean--

MR. PAUL: Just for us. We all answer them now.

It is all right to answer them separately, but nobody gets any common denominator of the adverse opinion.

H.M.JR: I am supposed to get it from Mrs. Forbush's mail - the reports, which I don't always--

MR. PAUL: That is all right if they come to you, but suppose they come to the others.

H.M.JR: Don't you see her weekly report?

MR. PAUL: Yes.

H.M.JR: I never know what is done with them.

MR. PAUL: I don't know what is concluded.

H.M.JR: Do you see her report?

MR. PAUL: I see that weekly report of favorable and adverse comment, if that is what you mean.

H.M.JR: What else could you do?

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MR. PAUL: My point is that I don't think she gets all the mail, but just that which is addressed either to the Treasury or to you.

MR. BELL: He is talking about the mail addressed to us in our individual capacity.

H.M.JR: She is supposed to get it all.

MR. BELL: No, she doesn't get a letter addressed to me, for instance.

H.M.JR: You raised something, but that would again be just the Treasury. What I am thinking of is getting the Treasury to move on the home front. I don't think he has thought about it at all. I think he is worried, and I don't think that the people around him are thinking; I know they are not thinking about it.

MR. SULLIVAN: That is right.

MR. BELL: I don't think the other departments, Mr. Secretary, take as seriously as we do the complaints that we get. We have had a number from the country on War and Navy activities, and I have always sent them to those departments. I had one in particular that came from a banker up in - I think it was Connecticut - in which he said he could not sell war savings bonds because there was a large Navy project going on and the contractor would build these large concrete forms, you know, out of lumber, and then pour the concrete, and then tear down the forms and burn them, and then go across the street and build new forms out of new lumber. I sent that to Forrestal and he turned it over to Admiral Moreell. Admiral Moreell made a trip up there and as much as told this banker that he had investigated it, and it wasn't any of his business. This banker wrote back and told me that; and that he guessed there wasn't anything to do about it. They were going ahead and doing it, and it was affecting their bond sales in the district.

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H.M.JR: Well, I am going to ask to see the President Wednesday morning, and I am confident - the trouble is, as I say, we do it - there are very few people in Washington that think of the President first. That is the trouble - people who aren't thinking of something else all the time - I mean, there are very few. After all, he brought me down here as his friend, but I am looking ahead, and if this thing keeps growing, the people, after a while - you see, it is a manufactured process - it is being manufactured, and if it keeps going on, after a while they are going to believe it. There is nothing wrong; there is nothing but what can be corrected. I mean in this one little thing, the good preparation that Gamble did, and his people - your people, Harold - we went down there and we left that community solid. So it can be done. But I had a nice feeling. You all think about it, anyway.

How smart a fellow is this fellow Casey up in Massachusetts?

MR. SULLIVAN: . Joe is a pretty smooth boy.

H.M.JR: What is that?

MR. SULLIVAN: He is a pretty smooth boy.

H.M.JR: How would he be on a thing like this for the President?

MR. SULLIVAN: Do you mean National Chairman?

H.M.JR: No, no, I don't mean that. No, because that has been pretty well settled.

MR. SULLIVAN: You mean for the entire Administration?

H.M.JR: Yes, I mean as a fellow, trouble smoother, and so forth - smoothing people over. I mean, he and Ray McKeough are the best fellows, because they both lost seats on account of that, and they know what the complaints are.

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Was Casey in the House?

MR. SULLIVAN: Casey was in the House just as McKeough was. Both of those men could have been elected to the Senate if there had been any interest in their candidacy.

H.M.JR: How old is Casey?

MR. SULLIVAN: He is about thirty-nine.

H.M.JR: What is his background?

MR. SULLIVAN: He was a lawyer in Leominster, I believe, right near Clinton, Dave Walsh's town.

H.M.JR: How was he on the war?

MR. SULLIVAN: A hundred percent.

H.M.JR: Everybody speaks very highly of him.

MR. SULLIVAN: I think he had somewhere around forty to sixty thousand votes.

H.M.JR: Instead of having a fellow like Dave Niles over there, if they had a man - I don't know whether Casey is the man, but they need somebody over there.

MR. SULLIVAN: They need somebody very badly. Marvin McIntyre is aware of the situation you are discussing, and he thinks just the same as you do about it.

H.M.JR: Well, it is interesting. I wanted to make a report to you all, and I am not discouraged because I think there is still time.

How far did I get?

MR. SULLIVAN: You got to me, and we had not yet decided whether you wanted those men - those names you gave to Peter Odegard - down here tomorrow.

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H.M.JR: If Peter thinks they are possibilities, let him have them down.

MR. SULLIVAN: I will talk with Peter and if he thinks we should have them, I will call those men myself.

H.M.JR: Don't let's have them here at ten; have the Commissioner here.

MR. SULLIVAN: And Miss Elliott, and Herbert, and Mager; then I will have them in later in the day or later in the morning.

H.M.JR: That is right - right after that.

MR. SULLIVAN: Ten-thirty or eleven?

H.M.JR: Something like that.

MR. BUFFINGTON: Do you want to talk about the possibility of that radio program today?

H.M.JR: Talk it over with Bell and some of the other people first, will you?

MR. BUFFINGTON: Yes, that is all.

MR. PAUL: I have nothing.

MR. KUHN: Mr. Grant and his group were in here on Friday. George Buffington saw them in the morning on the Victory Loan, and then they came back after lunch and wanted some late reports on E Bonds. I spent about an hour with them, and they had some comments on the whole campaign that they wanted me to pass along to you. I can do that any time when you have some time.

H.M.JR: Aren't they going to come back?

MR. KUHN: They are going to make some recommendations to you for the future. I think they are going to see you on Thursday.

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H.M.JR: Would you mind writing it out to save me time?

MR. KUHN: Surely.

You asked for "The Stars and Stripes," and it is going to be sent to you regularly, now.

H.M.JR: Did that go over?

MR. KUHN: It went over. I sent it teletype to New York.

H.M.JR: How does that go?

MR. KUHN: It goes over their official cable that furnishes "The Stars and Stripes" with news.

MR. SCHWARZ: They use the OWI wire service.

H.M.JR: Would you mind letting me see the cable you sent them? Does Chick know how it goes?

MR. KUHN: Every bond in there was a war bond ad - Pearl Harbor. (Newspaper shown to the Secretary.)

H.M.JR: You are a week late.

MR. KUHN: I didn't know whether you had seen it.

H.M.JR: Not only that, but it went to the President of the United States. I sent him three different papers. Somebody brought them in and I sent them over to him. I don't know who brought them in.

MR. GAMBLE: I have nothing, sir.

MR. BLOUGH: I am also a week late. You sent me a clipping of Mr. Griswold's speech on the Ruml plan and asked me to see you at some convenient time.

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H.M.JR: Well, that is my fault. I am going to have Paul and Blough stay afterwards.

MR. BLOUGH: I have another point; I will wait until then.

H.M.JR: George?

MR. HAAS: I have nothing this morning.

H.M.JR: George, if you will come here (exhibiting article from the Herald-Tribune of December 12, 1942) - "This is a thumbnail sketh of American wartime financing as amputated from 'Investment Banking' in December." It gave me an idea. I wish you would go through the various financings and let me know right down to date - (reading) "The Revolution: Financed by 'the best salesman of all time for the American way,' Benjamin Franklin, who raised \$11,710,000 abroad. War of 1812. The only issue for this unpopular war, one of \$16,000,000, was a failure, with the underwriters forced to take \$10,000,000 of it - at 88 for 6s."

I would like to have something on that; put somebody on that; bring it right down to date, including the World War.

I mean, they write up Benjamin Franklin - I never knew he floated a loan at eighty-eight for six.

MR. GASTON: In Europe?

H.M.JR: I don't know - from that thing--

MR. BELL: I think it was Europe; we had several loans in Europe at that time.

MR. GASTON: Cook's is an interesting history.

H.M.JR: Will you go ahead - have you got enough people?

MR. HAAS: I can make a review of the whole picture.

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H.M.JR: Right down through the Liberty Loan - because we might be able to use it in some speech or something.

MR. SCHWARZ: I talked with May Craig, who participated in that broadcast with the girls Thursday night. I told her it was very unfair to make such comments - she hadn't been here for at least a year. She agreed to come in today or Thursday and that she would give her impressions now. She said that she had gotten them from talking with some of the men. I asked who, and the men she mentioned haven't been here for two or three years. She picked the wrong men.

H.M.JR: With all due respect, I think the Washington newspapermen are the laziest men I have ever met anywhere. I never saw people so lazy.

MR. SCHWARZ: The OWI asked if they could have a hundred words for a year-end statement, which will be looking ahead - shall I work with Herbert and Ferdie--

H.M.JR: And Mager.

Mr. White?

MR. WHITE: You asked me to speak to you about that McKittrick business.

H.M.JR: I will give you an appointment to clean up this stuff - I will give you an appointment. I just can't tell you when, Harry, but I will put you on the list, here.

MR. WHITE: This letter from you--

H.M.JR: I will let you know a little later on.

MR. WHITE: This letter from you to Secretary Hull on the Spanish thing--

H.M.JR: We will do all of those things.

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MR. WHITE: There are a couple of other things that can be settled at that time.

H.M.JR: Right.

Harold?

MR. GRAVES: I would like to have an appointment with you, sir, today if possible.

H.M.JR: What is on your mind?

MR. GRAVES: We are holding some regional conferences this week of our War Bond people - one here Wednesday, one in New York Thursday, and one in Chicago Friday. There are several things I would like to take up with you before we go into those conferences.

H.M.JR: All right.

MR. GRAVES: Today, if feasible, because tomorrow we have our hearings before the House Committee on Appropriations.

H.M.JR: I will see you.

MR. BELL: If you are going to change the limitation on Series E Bonds it ought to be done not later than tomorrow. That is, if you are going to do it as of January 1.

MR. GRAVES: That is one of the things I have on my mind.

H.M.JR: We will settle it today. What else, D_en?

MR. BELL: In our drive for new War Loan depositaries we have fourteen hundred and twenty-six new ones, with designation of four hundred and six million dollars; three hundred and ninety-one old ones asked for an increased designation of one billion four hundred and sixty-eight million. That makes a total of four thousand seven hundred depositaries, with the potential balance of eight billion four hundred and twenty-nine million.

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H.M.JR: Very good.

MR. BELL: Yes, it is very good.

We got about seventy-five million Saturday on those three issues, making a total of six billion eight.

H.M.JR: You handled the press very well Friday night.

MR. BELL: We made the front page on one of them.

You asked me to talk to you about Mary Hayworth's article suggesting that we have some sort of a Treasury paying agent at the Union Station.

H.M.JR: Yes, or at least answer it; tell her why you can't.

MR. BELL: I think that is probably a little bit - I don't know whether we could cash everybody's Treasury check or not.

H.M.JR: United States checks?

MR. BELL: I don't know that it is altogether United States checks. She wants to take care of these soldiers' wives that come in here with Treasury checks and every other kind of check.

H.M.JR: Why not try it with just Government checks?

MR. BELL: I don't know whether we ought to do that or not. I would like to think about it.

H.M.JR: Think about it, but don't think about it too long.

MR. BELL: The Red Cross has been trying to get the names of corporations that file income tax returns of certain amounts. Of course, we have declined to give it to them. I wonder if we couldn't give them the names of the corporations that have pay roll savings plans; there are about, I think, thirty thousand of them.

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H.M.JR: To solicit?

MR. BELL: Yes, to solicit funds.

MR. BLOUGH: They not only want the names, but they are interested in some notion of the size so they can put them down for a certain sum.

MR. BELL: They would have to look up--

MR. GASTON: There are plenty of sources of information of that kind; they don't have to come to the Treasury.

MR. SULLIVAN: They can get the annual report of the companies. I am afraid of that, Dan, for the same reason I was against it on the income tax.

MR. BELL: There was a reason for it on the income tax, I see that, but did we make those public at all, George?

MR. HAAS: No, they are acquired from the State administrators and the list is given back to the States, but that is all. It is not public.

H.M.JR: I think it is dangerous.

MR. GASTON: Very.

H.M.JR: I think it is dangerous.

MR. BELL: That is all I have.

H.M.JR: How are you feeling?

MR. BELL: Good.

Oh, I have that report of the Comptroller's.

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H.M.JR: I would like very much to see it.

(Report handed to the Secretary by Mr. Bell.)

MR. BELL: This is a summary of it by Federal Reserve districts, and these are the actual telegrams. Do you want the telegrams?

H.M.JR: No, just the summary.

MR. BUFFINGTON: We were having that briefed for you.

H.M.JR: Between you and George, can I get this over to Eccles and from Eccles to the twelve districts?

MR. BUFFINGTON: I am having that prepared, and I will talk to Dan.

H.M.JR: Will you talk to Dan?

MR. BUFFINGTON: Yes.

H.M.JR: I thought a letter should go from me to the President of each of the twelve banks and say, "Here it is, and after reading it, I would like to have your reaction."

MR. BELL: Very good.

H.M.JR: I don't want to apologize for it; I don't know what is in it. "My dear Mr. Sproul: I am sending you herewith enclosed report from these men, and after you have read it, I would be very pleased to have your comments."

MR. BELL: I haven't read it yet; I just got it.

H.M.JR: I would get it out fairly soon.

MR. THOMPSON: December 25 is the regular payday for the Treasury and several other agencies. We are

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proposing the 24th for payday.

H.M.JR: Is that for everybody?

MR. THOMPSON: For everybody who is normally paid on the 25th.

H.M.JR: Do you mean the whole Government?

MR. THOMPSON: The Treasury and four or five other agencies. Under the staggered payment dates we fall under that date.

H.M.JR: Yes, sir. (Memorandum to Disbursing Officer signed by the Secretary.)

O.K.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

December 14, 1942.

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Here is a copy of the story that was teletyped on Saturday morning to the New York office of the O.W.I., for cabling to The Stars and Stripes in London. Prior arrangements were made by telephone with Mr. Hamblett of the O.W.I., who said that his office would be very glad to send the story along.

P.S. - The story was cabled in full.

F.K.

THIS SECRET SERVICE WA WILSON

WE ARE SENDING MESSAGE FOR

PHILIP HAMELETT FROM TREASURY DEPARTMENT

L. SECRETARY MORGENTHAU SAID TODAY THAT THE ACHIEVEMENTS OF 50,000,000 WAR BOND BUYERS IN THE UNITED STATES "WILL GIVE ENCOURAGEMENT TO OUR ALLIES AND TO OUR FIGHTING MEN AT BATTLE STATIONS ALL OVER THE WORLD." THE SECRETARY SPOKE IN WINSTON-SALEM, N. C., AT A CEREMONY PRESENTING TREASURY "T" FLAGS TO NORTH CAROLINA COMPANIES IN WHICH AT LEAST 90 PER CENT OF THE EMPLOYEES WERE INVESTING AT LEAST TEN PER CENT OF THEIR EARNINGS IN WAR BONDS EVERY PAY DAY.

"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 PER CENT OF ~~THEIR~~ THEIR EARNINGS EVERY PAY DAY," THE SECRETARY SAID. "TODAY MORE THAN 24,000,000 WORKERS ARE SETTING ASIDE AN AVERAGE OF EIGHT AND A HALF PER CENT OF THEIR PAY SO OUR SOLDIERS AND SAILORS AND FLOYERS CAN HAVE THE WEAPONS THEY NEED. INCLUDING THOSE ON PAYROLL SAVINGS MORE THAN INVESTED IN WAR BONDS DURING THE PAST YEAR.

"THESE HOLDERS OF WAR BONDS ARE THE PEOPLE WHO WILL BE ~~BUYING~~ 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."

MORGENTHAU PAID TRIBUTE TO THE WORK OF THOUSANDS OF LABOR-MANAGEMENT COMMITTEES IN HELPING TO PUSH THE PAYROLL SAVINGS PLAN IN AMERICAN FACTORIES.

"I LIKE TO FEEL," SAID MORGENTHAU "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~~ LABOR AND MANAGEMENT WORKING SIDE BY SIDE FOR THEIR OWN GOOD AND THE COUNTRYS GOOD."

MORGENTHAU ALSO ANNOUNCED THAT IN THE \$9 BILLION DOLLAR VICTORY FUND DRIVE, BEGUN ON NOVEMBER 30 TO RAISE MONEY FROM LARGER INVESTORS AND CORPORATIONS, MORE THAN SIX AND A HALF BILLION HAD BEEN RAISED IN THE FIRST TWELVE BUSINESS DAYS OF THE CAMPAIGN. HE DESCRIBED THE RESULT AS "ANOTHER PROOF OF WHAT A FREE, ENLIGHTENED AND DEMOCRATIC PEOPLE CAN DO WHEN THEIR COUNTRY CALLS UPON THEM."

"GREAT AS OUR WAR EFFORT THIS YEAR HAS BEEN, WE ARE JUST BEGINNING TO FIGHT," HE SAID. "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."
SIGNED KUHN

MOH PLS

CORRECTION PLEASE IN SECOND PARAGRAPH LIND BEGINNING INCLUDING THOSE SHODU READ AS FOLLOWS

INCLUDING THOSE ON PAYROLL SAVINGS MORE THAN 50 MILLION MEN AND WOMEN HAVE INVESTED IN WAR BONDS DURING THE PAST YEAR.

WILSON END IF IT IS CLEAR TO YOU GA PLEASEMIN

MIN

OK M WILL MAKE CORRECTION

OK THANK YOU WILSON ENDEND END

M

December 14, 1942
10:15 a.m.

INFLATION

Present: Mr. Bell
Mr. Paul
Mr. Blough
Mr. White
Mrs. Klotz

H.M.JR: I am making another speech; I am full of speeches. I want to keep this very much in the room. As a result of the meeting the other night, which we had here in the Treasury, my thinking went out on an entirely different line, and that was, are the Army and Navy correct in their estimates of what they need in the way of men under arms, ships, tanks, and guns, and so forth, and so on.

I can say this, and I am one of the very few people that can raise this to the President of the United States without being accused of being an isolationist or defeatist. They tell me that the people are afraid to bring this question to his attention.

I am having Nelson here for lunch. I told him what I wanted, and he is bringing Bob Nathan with him. He said that he had had these figures for about three days, for the first time. He has just gotten them from the General Staff - the amount of soldiers they need, how much they can transport, how many tons of ships, how many ships they have for protection, and so forth, and so on.

The man who really raised this in my mind for the first time was Wilson of General Electric.

Tomorrow General Somervell is coming, and I have told him what I want. I am going to check it from the

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Army side. I have put him on notice as to what I want. But if my hunch is right, that these fellows - and I imagine the President in shooting for nine million men - and that is what he is shooting for instead of seven - and if you are going to have a couple of million here under arms for a year with no place to go and nothing to do, again the impact on a domestic economy just aggravates this whole thing and makes it that much more difficult for him. My hunch may be all wrong, but if they were just over-estimating what they needed by five billion dollars and you could have five billion dollars more civilian goods manufactured, it would make all the difference in the world with our job.

MR. PAUL: Certainly it would.

H.M.JR: And they tell me that nobody is willing to go to the President and bring this to his attention for fear he will say - somebody told me that they spoke to Hopkins about it - I don't know who said it - and Hopkins just jumped on him and said, "You are just a defeatist; I won't talk to you." He said that Hopkins was just cruel about it.

MR. PAUL: There is a very good reason why the Army is overdoing the job. They don't want these arms and supplies sent to the other people where there is manpower already over there; they want to build up our Army and they don't want to let loose of lend-lease materials.

H.M.JR: I put the question differently, Paul. The way I am putting the question is this: How much stuff - how many ships, using the best estimates that we have - how many tons of ships have we got to deliver men and goods, war goods, all over the world, and how many escort vessels have we got, with a minimum number of escort vessels to escort these people.

MR. PAUL: You want to get a practical question of how much manpower should we take away from the civilians and put on a military front where they will be idle.

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H.M.JR: That is right, and I wondered if anybody had any thoughts, or if I were overlooking any bets. I am putting it on the basis that Land knows how many tons of ships he can expect for '43 and '44 and that the Navy knows how many escort vessels they have. Frank Knox tells me he doesn't begin to have enough escort vessels. He says he just can't do the job. After all, supposing they build - the orders are to build eighty thousand planes, and let's say they build--

MR. PAUL: With spare parts?

H.M.JR: I suppose so. Let's say that half of them stay here. In six months they are all out of date.

MR. BLOUGH: As I understand it, that basically is the difficulty now between WPB and the War Department.

H.M.JR: I don't know; I will know by tomorrow night.

MR. BLOUGH: WPB wants to look at the whole situation and allocate supplies in light of the whole situation, and the War Department wants what they want.

MR. BELL: Didn't I hear that they were building planes just in order to say that they were manufacturing them, and the minute they rolled out of the plant they take the parts off of them and send the spare parts to other fields?

H.M.JR: What they are doing, Dan, is this, as I understand it; there are literally hundreds of planes outside the factories in the United States which are waiting for one or two spare parts.

MR. BLOUGH: There are a lot of them waiting in these - where they change them over for special purposes.

H.M.JR: Yes, government factories which change them over because they have defects.

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MR. BLOUGH: They have to be fitted for Alaska or some place else.

H.M.JR: Did you say that Lauch Currie was working on this?

MR. PAUL: Lauch Currie doubts very much the figures of national expenditure. The present figure is eighty-five billion altogether, including non-war, and he doesn't think it can go very much higher than that, and perhaps it can't even be maintained at that level. In other words, he thinks--

MR. BLOUGH: At present prices?

MR. PAUL: At present prices, yes.

MR. BELL: Smith had done some work on it. He brought some figures together, and he showed that we are on a schedule which will manufacture twelve thousand tanks more than we will have men for in all the United Army. That includes the replacements.

MR. PAUL: That is the basic reason why Lauch is not so fearful of inflation as some other people, because he thinks that whole thing is going to break down, and you are not going to be able to spend.

H.M.JR: Yes, but supposing it breaks down and they say, "This is what the President ordered; we didn't want it, but the President ordered it." Again it is something that flies in his face, you see.

MR. WHITE: Of course that is true about planes; the President ordered more planes than anybody who knew anything about them said there was any sense in ordering. There were more than could be used, more than could be produced, and so on, so the responsibility in planes does lie there. The technicians working on it all say that the program is terribly unbalanced in this way, that the data which could be collected together would show absurdities like these attacks that there aren't

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enough ships, or things of that character. But how much data you could get to support your thesis is a different story.

H.M.JR: Nelson says that Robert Nathan can give it to me. He has had it for two or three days. He got it from the Combined Chiefs of Staff, so I told him to bring him along. Nathan certainly is a good man.

MR. WHITE: Before you talk to the President, let me make a suggestion, and after that, if you like, if that is something you want to go to town on and be saturated with - if you could save a meeting, I could get together four or five men who have been working on it for many months. You could ask questions to get their opinions. I think before you raise an issue of that kind with the President you have got to know a lot of the factual material. Otherwise, you are liable to be confronted with a few answers that--

H.M.JR: Well, here is the trouble, Harry; this is what is bothering me. Supposing Nelson - he will give me the stuff at lunch today. Maybe he will say, "All right, Mr. Morgenthau, this is yours, but you can't tell anybody."

MR. WHITE: The men whom I have there know much more than Nelson knows about it.

H.M.JR: More than Robert Nathan?

MR. WHITE: At least as much. They are the ones who supply a good deal of the material. I know one or two that will know the over-all picture. Some of the others will only know segments, but I think you could merely ask questions rather than tell them.

H.M.JR: Let me see how I fare at lunch. I will let you people know. I got a most peculiar note from the President. I understand that it was addressed to

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Jimmy Byrnes and me. It said that the Director of the Budget would show me the budget in due time.

MRS. KLOTZ: Message.

H.M.JR: Then he added something in pen, "Under no circumstances are you to show this to any subordinate without the permission of the Director of the Budget so that this time there won't be any leaks." Is that about it?

MRS. KLOTZ: That is right.

H.M.JR: That is about what it was.

MR. BELL: Harold told me the other night at the meeting that he was sending that along and the President had added this note. There was a leak last year, apparently. One of the years there was a leak.

H.M.JR: You know who Harold blames? You know who he was shooting at?

MR. BELL: No.

H.M.JR: He blames Lauch Currie; he told me so. I mean, I never bothered to ask Lauch. It is a White House fight. I can't be bothered with too many fights, but he claimed that Lauch Currie talked.

MR. WHITE: He plays with Lauch Currie?

H.M.JR: He claimed that Lauch Currie talked. The thing is directed at Lauch Currie. He claimed that Lauch Currie talked out of turn.

MR. BELL: He said this year that of course you would see it and Jimmy Byrnes' crowd would have to see it. He said too many people would see it if he didn't use that caution.

H.M.JR: Anyway, don't you people think that where we are talking about this net gap that for me just to sit

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here and take the figures without questioning them and challenging them I am not doing my whole job, and it is up to me to question it? If the figures of the Army and Navy and the Maritime Commission were five billion dollars too much, it is just a difference of day and night.

MR. PAUL: It certainly is. It takes a lot of taxes and savings to absorb five billion.

H.M.JR: And another thing, again, I am going to approach it from the standpoint of the civilian population, the attitude toward the President and everything else.

MR. BLOUGH: May I make a suggestion?

H.M.JR: I mean, the night we were there at the banquet--

MR. PAUL: They will take any sacrifices that they think are necessary and evenly distributed, but they are going to be mad if they see a lot of soldiers doing nothing, and they are short of manpower, and all that sort of thing.

H.M.JR: That is going to make - I tell you what is going to make them much madder: If a Congressman in his district sees a thousand tanks in a parking lot rusting.

MR. BELL: Or piled up at the seaboard when oil and gasoline might be transported.

H.M.JR: That is what is going to make them a lot madder and it is all going back on the President. As I said, I am thinking of what Woodrow Wilson went through and everything else, and it is entirely unnecessary. I think that I can render him a real service.

MR. BLOUGH: May I make a suggestion?

H.M.JR: That is what this conference is for.

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MR. BLOUGH: It seems to me there is a collateral point which needs a great deal of emphasis, which I assume has been given. That is, a good deal more effort is going to have to be taken than has been taken to see that the supplies we do have are distributed where the people need them and when they need them. You can't let private enterprise take care of such things as meats and foods and gasoline and fuel oil, and so on, because the distribution just isn't being made. Someone was telling me about somebody in Ogden, Utah, that had to send out notices to suppliers begging them to come and sell them some goods, places that have not had meat for some days or weeks, and things like that, which will be very hard on civilian morale. We may have the supplies, but if we don't get them where the people want them and when they want them, it will have the same kickback as the other.

H.M.JR: Just now the war news is good. I think it is going to continue to be good. If we had a reverse on top of this, it would be just terrible.

MR. WHITE: I think you are right in your judgment, but the trouble - the thought that disturbs me a bit is this: when you speak of the reaction of the public, I think that is something you can find plenty of evidence, plenty of support on. There is no reason why there shouldn't be some big agency tagged to take care of the public relations, which I think is grossly neglected.

When you approach the other problem of the proper balance in production, either you have got to be wholly right or you get into a lot of trouble and come out at the short end. Now, in order to be wholly right you have to know a very great deal about it, much more than the other people who will defend themselves. Now that is difficult, and I think almost impossible.

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There is another alternative, in which you don't pretend to know the basis for these things. You take the expert opinion. If Nelson says this is so, and if he says it clearly, if he gives it to you in the kind of memorandum in which - "There it is," and then you can say, "Mr. President, I don't know how good Mr. Nelson's figures are, but if this is the situation - and this is the fiscal picture" - but if you attempt to go behind that--

H.M.JR: No, no, go behind it? That is what you were suggesting?

MR. WHITE: I am thinking it over more carefully. You might listen and get some facts, but on second thought, I think you have either got to take the position that you don't know anything about these things--

H.M.JR: Harry, I was going to argue with you alone, but that was my reaction. This is what I would like to do, go to the President and say, "Now, look, I have just gone far enough into this thing - I have seen Nelson and General Somervell; I don't know if the figures are right or wrong, but they raise this whole question. What I am suggesting is that you raise the whole question." But if I go to these half dozen fellows - do you check?

MR. WHITE: Yes, I do.

H.M.JR: And it gets around town and then if Somervell and Nelson tell me - I will simply say, "Here they are. I don't know, but certainly it is important enough that you raise it. Now, I don't know whether you want Admiral Leahy to raise it, or who you want, but I would like to sit in when the

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thing is raised, and I would do it quick before the Budget Message--"

MR. WHITE: "What I have here shows the discrepancy of five or ten billion dollars, which will make all the difference in the world on a lot of other problems."

H.M.JR: That is how I was going to go at it.

MR. WHITE: You were right.

H.M.JR: Because I mean, I would be - I can't move without somebody saying - well, Somervell might say, "Why is Morgenthau checking up on me? If the President wants to check up, O.K."

Now, I don't know what these figures are going to be.

MR. WHITE: My guess is that they will not be quite in the form which will lend themselves for you to come to a quick conclusion on that. The suggestion is that if he can leave something with you and give you a chance to study it, then you can see the discrepancies. I don't think the discrepancies will be in such form that you can look at them and say that there is a difference of five or six or ten billion too much productive effort going in or that this Army is too big. I think that the figures will be very complicated and that the Army will say, "How do you know how many casualties; how do you know how the shipping is going to be? We are going to cut down on the sinkings, and maybe we won't have to send through the Far East except through Gibraltar." They may raise questions like that which may not be the correct answers but will require study.

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H.M.JR: From what I understand - I understand that they have got the whole thing worked out on a definite, firm basis.

MR. WHITE: Fine. If it is in that form, then you can go right to town; if it isn't, I think you want to study them, and by asking the right kind of questions after you have had a chance to study it, you can force Nelson to give you the answers. But you have got to come to the President with Nelson's answers.

H.M.JR: That is what I was going to do.

MR. WHITE: I think you are right.

H.M.JR: O.K. Well, anyway, it would be very interesting, and I will let you people know.

Then the last thing I want to say is, I think that this group here - I would like to suggest that somebody here, and I think it ought to be Roy - ought to draft for me, and then we can take it up together - a message which should go in the President's statement. The way I feel today--

MR. BELL: You mean the Budget message?

H.M.JR: I don't want to say what the remedies should be; I just want to state the case - you see? I think it is too early. But what I would like to do, Roy - you do it, and then consult with these people before I see it - and with George Haas. But I would like this week, definitely, to state the problem, and my thought is to have the President lay the problem in Congress' lap and not give any remedies.

MR. BLOUGH: You mean the problem you have been talking about here?

H.M.JR: No, the gap; that would be the way I would like to approach it - the gap. From what remarks he has dropped, I think that is the way he would like to do it.

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Doughton said, "I will sit down with you after Congress and my committee is organized. Then, from the President's standpoint, I personally would like to hear" - I mean, I think that is the way he should do it - state the problem without stating any formula.

MR. WHITE: Why was Doughton so thrilled over that day?

H.M.JR: He was thrilled because I don't think that ever in his life has he had such tribute paid to him in his own community. He had the whole State coming there; it was like an obituary, as I told him. (Laughter)

MR. WHITE: The man is dead and doesn't know it?(Laughter)

H.M.JR: I know, I said, "Bob, at your age and my age, why, isn't it nice" - I put it that way - "isn't it nice to say the things that I feel about you while you are alive."

MRS. KLOTZ: You are not rushing him. (Laughter)

MR. BELL: Here is your coat, huh? (Laughter)

H.M.JR: I don't think he has ever had anything like that in his life.

MR. BLOUGH: It was a nationwide hookup, wasn't it?

H.M.JR: I don't know that he has ever been on a nationwide hookup before. The platform shook so - he trembled so, and I was five or ten feet away from him - my chair literally went up and down - the poor old boy trembled so. (Laughter)

MR. BLOUGH: I listened to the program; it was good, but he had a terrible time with that manuscript.

H.M.JR: He practically dropped it, he was so nervous. And then he felt that--

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MRS. KLOTZ: This certainly will give him a heart attack if nothing else will. (Laughter)

H.M.JR: His son was there. He said, "The old man is certainly excited." Doughton wouldn't tell me until three minutes before we left whether he was coming back with us or not, and then he said he would. The reason he couldn't find his son was, I think, because his son was tight. Anyway, he said, "Do you ever take any short trips with this?"

I said, "Oh, occasionally."

He said, "Do you think you could take Mrs. Doughton and me for a ride next time?"

I said, "Sure." He said, "I would like Mrs. Doughton to have a ride sometime."

MR. BELL: She didn't come back?

H.M.JR: No. I don't think he had ever been in a plane before; he came back with us.

MR. WHITE: Is that why he hesitated to tell you whether he was coming back - a new experience?

H.M.JR: He wanted to stay with his son, and I guess his son didn't want him. I think his son was tight, besides everything else. He couldn't find him and he got all flustered and everything else.

MR. BLOUGH: Let's keep it up. It takes more than one-- (Laughter)

MR. PAUL: His son certainly has a lot of problems with his drinking.

MR. WHITE: Maybe you can take Byrd for a ride.

MRS. KLOTZ: Byrd will take you for a ride. (Laughter)

H.M.JR: It will end up that way.

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MR. PAUL: Literal rides - not figurative.

H.M.JR: That is the last thing; I will let you people go back to work. I think what I am talking about is fairly important. I hesitated, but finally I said I didn't want to talk shop.

I said, "By the way, Bob, do you know anything about this letter that Walter George sent us, whereby he wants a monthly report on Foreign Funds?"

He said, "What is Foreign Funds?" So I tried to explain it to him; he didn't know.

I said, "Did George consult you?" He said, "No."

I said, "When you send out a letter like that, don't you always consult the leaders?" and he said, "Sure."

I said, "Our attitude in the Treasury is, if anybody like you or Walter George wants to know what we are doing we will show you our books; but to report to you once a month - that has got me kind of wondering what it is all about."

He said, "I don't know what it is about," and I said, "I will bring the letter up to you."

I haven't had a chance to see you (Paul).

MR. PAUL: Do you think I ought to show him that letter?

H.M.JR: Yes. I promised I would go - we will go up together. I promised him I would go. Have they the legal right?

MR. PAUL: I don't know. I am checking that. I just got back this morning.

H.M.JR: All right. Doughton knows nothing about it so whatever it is, it is on the Senate side. But don't

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you people think that this is all important, and all reflects on the attitude of the people of the country towards the President?

MR. BLOUGH: I do. I think the people won't stand any more of this war than they can see through.

H.M.JR: I will put it the other way - that the people of the United States will stand everything that is necessary.

MR. BLOUGH: That is what I mean by "see through" - everything they can see that is necessary.

MR. WHITE: If necessary, they will stand it cheerfully; and they won't stand half as much if they think it is unnecessary - twice as much, cheerfully, if they see sense in it. Like myself - I was willing to fill in all the information they wanted about the draft, but when they asked me to fill in about the rubber tires I could see no sense to it - to crawl around and find the numbers on my tires-- (Laughter)

H.M.JR: It was bad enough to find the number on the engine. Could you find the number on your engine?

MR. WHITE: I looked at my old license.

H.M.JR: Is it on there? We had the darnedest time finding the number of the engine. What do they want to know the number of the engine for?

MR. BLOUGH: To make sure you don't violate the law.

MR. BELL: Two of my tires were turned around and the numbers were on the inside. We had to crawl around. The fellow that put those on didn't know we were going to have a rationing board. (Laughter)

MR. WHITE: I have asked a couple of people why this, and the reasons they give are very inadequate, so I am waiting to see somebody who is--

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MR. BELL: I agree with what Harry says about those tires. I have six tires on my car and two of them are so darned old they weren't worth anything; I have had to turn one of them in, and it leaves a hole on one side where the fender well is. That was worth a lot more to me than it was to the Government to hold that fender well.

H.M.JR: You have got an assignment.

MR. BLOUGH: Will my being in Boston tomorrow and New York on Wednesday interfere? We will certainly have something by Friday for you.

MR. BELL: This Budget message has already been written - I will tell you that - but how far it has gone - whether it has gone to the President, I don't know. It has been written and agreed upon, as far as the Budget Bureau is concerned.

MR. PAUL: If it is more important - I can go up there and give that thing in Boston, if it is more important that you be here.

H.M.JR: I think it is very important.

MR. BLOUGH: I can fly up tomorrow and come back on the night train.

H.M.JR: Can't the fellow from Harvard take Boston?

MR. PAUL: He is no treat in his own home town.

H.M.JR: I think--

MR. PAUL: Would you prefer that I go up there and that Roy stick here?

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

MR. BELL: I think you had better get on top of this because I think you are going to get it before long.

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H.M.JR: There is your answer.

MR. BELL: Normally the President wouldn't get it until sometime Christmas week, but they are trying to get ahead this year.

MR. BLOUGH: I would be one day out if I go.

MR. PAUL: I would prefer not to go up there - two nights and then two nights more, that would be four nights on the train.

MR. WHITE: Why don't you get some kind of a draft up, and then the day you are gone we can go over it?

MR. BLOUGH: I can get the draft up today, be gone tomorrow, and be back here Wednesday morning; that will cut out the New York side of it.

H.M.JR: Do that. I am going to set the time for Wednesday afternoon that I will see you. You (Paul) have been doing your share of travelling.

MR. PAUL: Will you make that reasonably early? That is Wednesday, isn't it?

H.M.JR: Three-fifteen.

MR. PAUL: I have to take a train around six.

MR. BLOUGH: Three-fifteen?

H.M.JR: Three-fifteen. That is the great advantage of my going out every so often. You can't get it sitting here.

MR. PAUL: I have gotten a lot of experiences something like yours.

MR. WHITE: I have never seen you fail to come back with something. (Laughter)

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H.M.JR: I want to do something concrete and fast to stem this tide and turn it around in the favor of the President.

O.K.

MR. BLOUGH: For the time being, we will let this Ruml plan clipping go.

H.M.JR: Yes, everything.

December 14, 1942
3:30 p.m.

WAR BONDS

Present: Mr. Bell
Mr. Haas
Mr. Gamble
Mr. Buffington
Mr. Graves
Mr. Murphy

H.M.JR: Mr. Graves wants a couple of things settled. Now, if you will put them in the order that you put them for me, we will give you one, two, three; and these people can say their bit and then hold their peace if I disagree with them.

MR. GRAVES: The first thing that I have recommended to you is that the limit on the E Bond be increased to ten thousand dollars maturity value, which puts that bond where the predecessor bonds were, so far as the limit is concerned, to individuals.

I recommended to you, also, that that bond be again made available within that limit, ten thousand dollars maturity value, as the predecessor bonds were, to corporations other than commercial banks. As I recall it, the predecessor bonds were available to commercial banks.

H.M.JR: What do you mean by "predecessor"?

MR. GRAVES: The Series A to D, which preceded the E Bond; that is, the old savings bonds, before May, 1941.

MR. BELL: I think you have to go back further than that to get them available to the banks, but they were available to non-banking investors, besides individuals.

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H.M.JR: Did you say to make them available to banks?

MR. GRAVES: No, no, to corporations and associations, and organizations other than banks.

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

MR. BELL: What are your reasons, Harold, for wanting it increased to ten thousand - main reasons?

MR. GRAVES: The main reason, Dan, that I would like to do that is to help with the feeling, spirit, and morale of the people that are working in the War Savings organization. They have all urged that as a sort of compensation for the loss of the F and G Bond. We have computed, with the help of Mr. Haas' people, the probable increase in volume that would result from the increase in the limit on the individual purchase. We figure a quarter of a billion dollars a year.

MR. BELL: That about takes up the F and G's - a little less.

MR. GRAVES: Not much less. We used to sell that much of F and G's in a month.

MR. BELL: Oh, a whole year?

MR. GRAVES: In a whole year we figured that the increased volume of E Bond sales, if we raised that limit - I am talking about individuals, now - would be about a quarter of a billion dollars - two hundred and fifty million. Your excess interest factor there, four tenths of a percent, that would mean an increase in the interest charge over what you would have if you kept the F and G of about a million dollars a year.

H.M.JR: A billion dollars a year?

MR. GRAVES: A million - one million dollars a year. Now, I think it is worth that amount in the spirit of the organization to give them that increase in the limit and widen their market by that much.

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MR. BELL: I think the whole question, Mr. Secretary, is whether it is worthwhile to increase it to help the morale and spirit of the Savings Staff people. I don't think it is necessary to get the current funds, and it is a question of whether you - I don't have any strong feeling one way or the other.

H.M.JR: This is what bothers me - you have got a pretty good division now as between these boys (Buffington's) and these boys (Graves'). I am going to decide - make the decision here today. I have already, that I am not going to let these fellows go below five hundred dollars. That, I think, is the correct decision to make.

But on the other hand, the thing that bothers me is if I go from five to ten thousand dollars, you fellows will be competing with each other. I mean, there will be a definite overlapping - I mean, on the assumption that they can sell this two and a half percent tap bond to the people that you are going to, to sell the ten thousand dollar bond.

MR. GRAVES: I think that is a fair assumption. I think you are right about that.

MR. BELL: There really is some complication in the five thousand limit.

MR. GRAVES: Yes, I think you are right about that. I would not press that point as much as I would press the other one which I mentioned.

H.M.JR: Which is that?

MR. GRAVES: To get a security that can be sold by the War Savings Staff, to organizations of the type that has been accustomed to cooperating in our program. We are not - I don't think anybody is promoting F and G Bonds, and if it is not advisable to make the E Bond available to others than individuals, with such restrictions as you and I talked about, I think that we ought to think about keeping the F and G Bond on a basis where we can sell it in our organization.

- 4 -

If you have in mind withdrawing it, as has been suggested, I think it would be a good move to keep it instead of withdrawing it, and reduce the limit on that to, say, ten thousand dollars, and use it only for organizations of the type that we have been accustomed to sell that bond to; that is, your labor unions, your societies, your clubs and lodges, and for investment of small surplus funds. Most of those people, I feel, won't invest in a bond that will fluctuate. They are anxious to keep their principal certain, and I don't think you could interest them in an open-market security. I don't think they are smart enough to keep investing and reinvesting their funds in open-market securities. I think that there is a field for--

(Mr. Tickton entered the conference.)

MR. HAAS: They need a tax note.

MR. GRAVES: Many of these are not taxable people, such as labor unions and ladies' aid societies.

MR. HAAS: They could use the dual purpose of the tax notes.

MR. GRAVES: The ideal bond for those people is the F Bond. Then we, too, have an interest, I think, in keeping the F Bond for an organization, George, that is chiefly interested in the preservation of its funds and the integrity of its funds against possible market fluctuations and depreciation.

Then we also, I think, ought to have an income bond like the G Bond for small savers who want income. You, yourself, have made that point more than once. You will recall, we had Mr. Tickton make an exploration of that. Certain people buy the G Bonds on pay-roll savings. That point has been made over and over again, that we ought to have something that can be promoted by the War Savings Staff to meet those two situations.

- 5 -

MR. BELL: In other words, you want to raise Series E to ten thousand, then have something like F and G--

MR. GRAVES: I can see the Secretary's point on that. He said that on the other end he wants to block the thing at five hundred dollars; and I think he is right in saying that if you raise the limit on the E Bonds to seventy-five hundred dollars you bring us into competition. I was withdrawing on that and agreeing with him.

H.M.JR: You are withdrawing?

MR. GRAVES: On the other matter of raising the limit for individuals.

H.M.JR: Did you realize he had withdrawn?

MR. BELL: No, I didn't, and that is the reason I asked the question.

H.M.JR: Neither did I, Mr. Bell.

MR. BELL: It was a surprise to me.

H.M.JR: I was surprised, too.

MR. GRAVES: But on the matter of finding some security that we can sell to organizations, I think that is very important.

MR. BELL: It would be your idea to have the F and G's limited to ten thousand dollars, then promote them entirely by the War Savings staff, and eliminate it for all other purposes?

MR. GRAVES: Eliminate it for all other purposes.

MR. BELL: I was just about prepared to recommend that we do away with F and G's altogether.

MR. GRAVES: I am asking that you keep them for that very restricted purpose. It would not be a volume operation - at least, I don't think it would be a volume operation.

- 6 -

MR. BELL: No, that means another decision on F and G's within thirty days.

MR. GRAVES: I didn't know any decision had been made.

MR. BELL: Well, the switch from the War Savings Staff to the Victory Fund Committee--

H.M.JR: Now look, Harold, I have read about one Federal Reserve district here, and I think that this should be made available to Harold so that he knows everything that is going on in the Treasury. They are going to a hundred and fifty cities in the United States and study this - what we are reaching and what we are not - I think that you saw it. You know at least as much as I do, then, which isn't very much.

Here is the thing - I don't want to be pushed between now and tomorrow. It looks now as though, with any kind of luck, we don't have to go ahead with another drive until the first of April; certainly during the months of January and February we will be studying what we are going to do, beginning with the first of April. We don't know.

I am not going to be very short-sighted and make any commitments today or tomorrow - until we are through. We have more studying like this; we have other people out in the field; how we are going to reach it isn't just - I mean, we have got to look at this thing. Everybody here is - we are all working together. How can we cover the United States? We can cover every little community whether it is five hundred people or five hundred thousand, and we have not the answers, yet. Neither organization is doing it completely. This thing shows that up. I don't know what the answer is.

Mr. Grant and his group are making the study, and I take it some of the advertising people are making a study. The only chance for the volunteer plan to survive

- 7 -

is if I can demonstrate that we can, in every community, reach the butcher, baker, and candlestick maker, which we are not doing. Now, just settling this thing quickly because you have a meeting Wednesday, Thursday, and Friday, I think would be a mistake.

I can say this to you - and I am sure Mr. Bell will back me up on it - that as far as the Victory Fund is concerned, that is clear in my mind. I don't want them to go below the five hundred dollar limit - I mean, I made that very plain. But when it comes to saying to you, one, your first request, that we should permit up to ten thousand dollars on E Bonds and two point nine - you changed - you don't want that, you want the F and G--

MR. GRAVES: I understood you to say that you didn't want that.

H.M.JR: I didn't say I didn't want it; I felt by doing that--

MR. GRAVES: The competition?

H.M.JR: There will be competition - you people will be crossing lines.

MR. GRAVES: That is right, and I conceded your point there. I think that is right.

H.M.JR: Now, Harold, outside of the City of New York and that New York City crowd, the places that I have been to, like Winston-Salem, having taken this F and G away from them, they are perfectly satisfied; they said so. The county chairman - there is a good group down there; they are satisfied, aren't they?

MR. GAMBLE: There is no friction - no feeling there.

H.M.JR: And the F and G sales this month are running about twenty percent ahead of last month. Now, I am not going to say today what I am going to do about F and G, because I don't know. So you say, "Well, what can I say,

- 8 -

Mr. Morgenthau, to my people? What is the future?" That is what you want to know.

MR. GRAVES: That is right - as far as we can, at this time, predict.

H.M.JR: Now, all you can say to them - is their first meeting going to be here?

MR. GRAVES: Here - on Wednesday.

H.M.JR: I am perfectly willing to come and talk to them. All you can say to those people is this, that through the War Savings group it is our job to get just as many people of the medium income group subscribing on the volunteer plan as is possible, and give as good a coverage as possible. Now, we can't go beyond that, Harold, and if these people - if you lose a few people from your organization, I won't blame you. You see what I mean? Here is the problem, put very simply, which I am facing: Until I know what the President is going to do, I can't talk. It is your job to come after me, and all that, but on the other hand, I must not make commitments that I cannot live up to.

The national income paid out to individuals - this is no news to me - they figure a hundred and twenty-five billion; you deduct fifteen billion of taxes and you get a net of a hundred and ten; and the volume of consumer goods and services available for civilians is seventy billion dollars, leaving forty billion dollars; normal savings, twenty-five; and you have got a gap to close of fifteen - a net gap, as I call it, of fifteen billion dollars.

Now, the President of the United States can say to me, "How are you going to do it?" and the answer is, "I don't know." That is my big problem, how I am going to close that fifteen billion dollar net gap. Until I know more about which way he is going, and everything else, I don't want you to make any commitments on my behalf.

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MR. GRAVES: I had no intention.

H.M.JR: No, you are asking me. All you can say - and I am perfectly willing to come in and set the pattern and have them ask me - between the two organizations, you are working - you are selling the people's bond, and this fellow over here (Buffington) is selling the bond for the classes, and there is a distinction.

MR. GRAVES: I think you have done a good deal when you said your intention is to stop that two and a half tap at a denomination of five hundred dollars, because I think that settles a good many things. You said that before, but before I said that was your settled policy, I wanted to speak to you again.

H.M.JR: There is no question in my mind - is there any in yours, Dan?

MR. BELL: I don't think that it is so terribly important, but I think there is some money down there that you could get in that hundred dollar bond that you are not getting in the war bonds - particularly the conscientious objectors won't go into that bond. They would go into that bond, and they can't buy a five hundred dollar bond. How many other people don't want a savings bond, but were taking coupon bonds, I don't know, but I think there is some money there.

MR. GAMBLE: The small amount of money you would get through that - wouldn't the confusion--

H.M.JR: Well, I am satisfied now that I have got as clean-cut a demarcation as I can make it. Buffington isn't satisfied.

MR. BUFFINGTON: What made you think I wasn't satisfied? I am always satisfied. There is one point which Harold makes here, which has merit, and that is this; that as yet there is not a clear feeling between the two organizations of what their relative positions are, and I think that it may be causing some people not to - those who don't know whether they want to stay War Savings Staff or Victory Fund Committee - to make the decision.

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I think the sooner that an over-all pattern could be set out that was going to clearly define the two things, once and for all, the better it would be for--

H.M.JR: It would be better - I would love it. I wish I knew what the pattern was for the next two years, but Mr. Doughton said to me, "I am going to have six new Democratic members on my committee. I don't know who they are until I get them - until I get my committee organized."

MR. BELL: Republicans, aren't they?

H.M.JR: No, he told me they are six Democrats.

MR. BELL: I thought he would have six new Republicans.

H.M.JR: No, he is going to have six new Democrats. He said, "Until I get those organized, I don't want to talk to you." He wasn't brusque about it, but he said, "I would like to talk to you after I get organized about this compulsory savings and volunteer plan," which takes us until the middle of January.

MR. GRAVES: I wasn't raising any question here about the compulsory savings; I know all the difficulties there.

H.M.JR: I am reviewing for my own mind - my own self. What is the problem? How difficult is it? What should you tell your people? Should I make up my mind about the tap? I don't think I should. But I think you can say with full emphasis that Mr. Morgenthau said that as far as the Victory Fund Committee is concerned, he is stopping them at the five hundred dollar level - from that down is yours. Say he wants the pay-roll deduction thing stressed, he wants the farmers, he wants just as many people reached as possible; we have not done that yet. There is a lot of work to be done. We have come from seven hundred thousand to twenty-four million, which is an amazing record; now, if we can go from twenty-four to thirty, that also will be most pleasing. But even after we have done that, that is the pay roll, there are still a great many people that have not been reached.

- 11 -

As you reach the saturation point it is more and more difficult. I don't think, Harold, you can go beyond that.

MR. GRAVES: Well, that is all right.

H.M.JR: And then as we study this thing, what will come out of it - whether we will continue the F and G or whether we will change it, I don't know; but I don't think I would go much beyond that.

MR. BELL: I would hate to change the F and G now and in thirty days make any decision on it - eliminate it altogether.

MR. GRAVES: I made my suggestion, Dan, because I supposed that you would be dropping the F and G or would be thinking about dropping the F and G altogether.

I have the feeling that there is a definite market. It ought to be pretty much restricted for a bond of that type - that a lot of people have gotten used to those bonds for limited investment purposes, that you won't be able to interest in any fluctuating security.

H.M.JR: Look, Harold, talking to you as the head of the War Bond organization--

MR. GRAVES: One of the heads.

H.M.JR: No, as the head.

MR. BELL: Have you got a lot of them? (Laughter)

H.M.JR: No, he is the head of it. Just as long as I can see Tickton's chart keep going up percent-wise, dollar-wise, and number-wise, I am perfectly happy. There is a lot of work to be done. If in this process, while we are sort of treading water, you are going to lose a few thousand people, either they don't lose their interest, or they want to go to the Victory Fund Committee, or they want to go to OCD, or something else, we can't help it. There can be no complaint from me.

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MR. GRAVES: I want to keep that down to a minimum, and the more certain we can be in talking to them about the future of our program, the better chance we will have of retaining them.

H.M.JR: I will be very glad to come in there and expose myself and let them go after me.

MR. GRAVES: They won't go after you.

H.M.JR: That is all right. But I think, as of today - you can raise it with me once a week. Do you think we can go much further, Dan?

MR. BELL: No, I think we have got to decide two things, one, as to whether or not we want to go to ten thousand dollars on Series E Bonds, when we know very well that five thousand will take up all of the current income of the group we are after; and two, whether we should not allow the people who have funds to invest in F and G Bonds, or push them into the coupon bond and keep them out of the demand obligation. Those people that normally go into F and G Bonds are regular investors and have got sense enough to go into marketable securities, and maybe we ought to push them into that - keep them out of the demand field.

MR. GRAVES: I don't agree with that, Dan. The very few people I am talking about are people who aren't professional investors; that is my point exactly, that the fellows in the labor unions - charged with managing the funds of the labor unions - are not professional investors.

MR. BELL: It is nothing new to them; they have had those funds for the last twenty-five or thirty years.

MR. GRAVES: But not Government securities.

MR. BELL: That is what John Lewis has always wanted.

H.M.JR: You don't expect us to settle that today?

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MR. GRAVES: Oh, no.

H.M.JR: You didn't get what you wanted, other than I am giving you assurance on the five hundred dollars. When you have your crowd, let me know and I will come in. I will do the best I can. But there is plenty for both organizations to do.

MR. BELL: The other thing is delayed, -then, until we see where we stand after this drive, and we study the whole thing in January?

H.M.JR: Yes.

December 14, 1942
4:37 p.m.

HMJr: How are you, Herbert?

Herbert
Lehman: Fine, thank you.

HMJr: Herbert....

L: Yes.

HMJr:I don't know whether this phase would interest you, but whether it does - we do the buying of the clothing and all the non-military things for Lend-Lease....

L: Yes.

HMJr:and particularly the things for Africa.

L: Yes.

HMJr: And if and when you'd care to have Mr. Mack - M-a-c-k, who does that, call on you and tell you what we're doing, I'd be glad to have him do it.

L: Well, I'd be very glad indeed to have him do it very shortly.

HMJr: Well, when you're ready.

L: I'll give - shall I ring you or ring him?

HMJr: You can call me. It's Clifton Mack, and I think you might like to know that end of the business.

L: I would and I'd like to meet him too, if he's the man in charge.

HMJr: Yes, he - we do all - irrespective - I mean we do all Lend-Lease other than food.

L: Yes.

HMJr: We don't do food.

L: Yes.

- 2 -

HMJr: But for the Red Cross and Lend-Lease we do all the non-military buying.

L: I just left a meeting of Lend-Lease. Stettinius had a - a staff meeting there, and I - I attended it and I asked about that, and they told me that you were doing all the buying.

HMJr: And to give you some idea, it runs to about \$30 million dollars a day, our buying.

L: Really?

HMJr: Yes.

L: My gosh!

HMJr: Yes, it's quite an operation.

L: (Laughs) I'll say it is.

HMJr: And I think you'd like Mack. He's a very able fellow.

L: Well, I'm very anxious to meet him just as soon as I can, Henry.

HMJr: Well, all right.

L: And I'm going to - I haven't got the letter before me now unfortunately, but just wait one moment if I - as long as I've got you on the telephone. You know I spoke to you about some agricultural....

HMJr: Yes.

L: ?

HMJr: ? , you said.

L: What?

HMJr: ?

L: Yes, but I have a letter now from Raymond Fosdick....

- 3 -

HMJr: Yes.

L:in which he mentions a man by the name of Dr. Frank Forrest Hill.

HMJr: What....

L: Do you know him?

HMJr: No.

L: I see. Do you know Dr. F. A. Pearson? I've met him, as a matter of fact.

HMJr: Pearson? Oh, is that the Pearson who worked with Warren?

L: That's right. He's written some books.

HMJr: No.

L: I see.

HMJr: I wouldn't - I - I don't - he's a man of a limited specialty.

L: Yes.

HMJr: No, I - he - I don't think he has any imagination.

L: I see. You don't know a man by the name of T. W. Schultz, do you, at Iowa State College?

HMJr: No.

L: Case?

HMJr: No.

L: And Hobson?

HMJr: No. (Laughs)

L: All righty.

HMJr: (Laughs) All right.

- 4 -

L: Thanks very much.

HMJr: Be seeing you.

L: All right, I'll be seeing you. Thanks a lot,
and I'll - I'll ask Mr. Mack to come over here.

HMJr: Right.

L: Soon as I can. Thanks.

December 14, 1942

Dear Ed:

Thank you for your letter of December 11, which enclosed an advance copy of the President's Report to Congress on Lend-Lease Operations.

I am glad to have this and appreciate what you said of the help that was given you through Clifton Mack's office.

Sincerely,

(Signed) Henry

Mr. E. E. Stettinius, Jr.
Administrator
Office of Lend-Lease Administration
515 - 22d Street, Northwest
Washington, D. C.

GNF:gb

Envelope marked "Confidential"

File in Diary

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

December 11, 1942

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

Dear Mr. Secretary,

I am sending you herewith an advance copy
of the President's Seventh Report to Congress
on Lend-Lease Operations.

We greatly appreciate the assistance of
the Treasury Department in the preparation of
this report, especially the contributions of
Mr. Eberly, in Clifton Mack's office, whose
suggestions and criticisms of the various
drafts were most constructive.

Sincerely yours,



E. R. Stettinius, Jr.

Enclosure

285 DEC 5 W 19

SEVENTH REPORT TO CONGRESS
ON LEND-LEASE OPERATIONS

For the Period Ended December 11, 1942

DECEMBER 11, 1942.

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis, or intimation to be published or given out until the READING of the President's Message transmitting this report has begun in the Senate or the House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY,
Secretary to the President.

SEVENTH REPORT TO CONGRESS
ON LEND-LEASE OPERATIONS

For the Period Ended December 11, 1942

"The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose."

[From Section 5, subsection b of "An Act to Promote the Defense of the United States" (Public Law No. 11, 77th Congress, 1st Session).]

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PRESIDENT'S LETTER OF TRANSMITTAL

TO THE CONGRESS OF THE UNITED STATES OF AMERICA:

I am transmitting herewith the seventh quarterly report on operations under the Lend-Lease Act.

Since the last report, the war has entered a new phase. United Nations' forces attacking from Egypt and North Africa are contesting with the Axis for control of the African coast line of the Mediterranean. The Soviet Army, having held with stubborn bravery at Stalingrad, has now assumed the offensive. The Japanese have been recklessly expending ships and men in the Solomons, a battleground of our own choosing.

The Axis Powers have, temporarily at least, lost the initiative. We must do all we can to keep them from regaining it.

We must bring the full strength of all the United Nations to bear directly against the enemy. We must bring together our joint productive capacity and our material resources, our finished munitions and our fighting manpower; and we must do this in accordance with a single world strategy. That we are making good progress in this direction I think is shown by recent developments, and by this report on the part played by lend-lease.

We also have another task, which will grow in magnitude as our striking power grows, and as new territories are liberated from the enemy's crushing grip. That task is to supply medicines, food, clothing, and other dire needs of those peoples who have been plundered, despoiled and starved.

The Nazis and Japanese have butchered innocent men and women in a campaign of organized terror. They have stripped the lands they hold of food and other resources. They have used hunger as an instrument of the slavery they seek to impose.

Our policy is the direct opposite. United Nations' forces will bring food for the starving and medicine for the sick. Every aid possible will be given to restore each of the liberated countries to soundness and strength, so that each may make its full contribution to United Nations' victory, and to the peace which follows.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
December 11, 1942.

Chapter 1

LEND-LEASE PROGRESS

Lend-lease assistance to our allies in the past three months totaled \$2,367,000,000. This is more than a third higher than the figure for the previous quarter, and four times the total for the three months immediately preceding our entrance into the war a year ago.

At the same time, the United States has equipped and supplied rapidly growing numbers of American forces overseas, who will number more than 1,000,000 by the end of this month. And, in combination with the British, we launched the North African offensive, which involved the greatest single overseas expeditionary force in history.

We have used the rapidly rising output of American factories both to equip our own forces and to send more to the other peoples who fight our enemies. But there is still not enough. Many more American ships, planes, tanks, and guns will be required before the United Nations can wage the great offensives that will bring victory. Meanwhile, within the limits of available production, we have sought to carry out the strategic principle embodied in the lend-lease idea: This is one war; it can be won only by all the United Nations together, combining their resources in such a way as to meet the enemy with the maximum force at the chosen times and places.

Total Lend-Lease Aid

From the beginning of the lend-lease program on March 11, 1941, to November 30, 1942, the dollar value of goods transferred and services rendered is \$7,496,000,000. This compares with \$5,129,000,000 reported in the Sixth Report to Congress three months ago.

For the 12 months ending November 30, the first year of our participation in the war, lend-lease aid totaled

\$6,526,000,000. The current rate of assistance is approximately \$10,000,000,000 annually. This is about 15 percent of the current rate of spending on the over-all United States war program. Thus, we are now putting about one-seventh of our total effort into lend-lease aid to the other United Nations. Monthly lend-lease aid is shown in Chart 1.

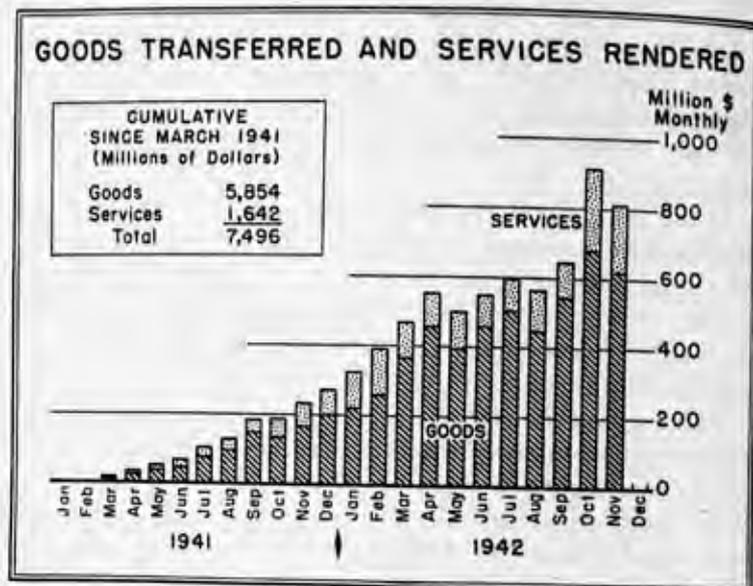


Chart 1

Goods Transferred

Goods transferred total \$5,854,000,000; this constitutes 78 percent of total lend-lease aid. Transfers fall into three categories: (a) military items such as planes, tanks, ships, guns and ammunition; (b) industrial items such as steel, petroleum products, machinery and machine tools; (c) foodstuffs and other agricultural products.

In the past, transfers have generally been made to lend-lease countries before goods were loaded aboard ship. Consequently not all goods recorded as transferred have actually been exported. About 10 percent is still in this country awaiting shipment. Starting December 1st, transfers are being

recorded as the goods are loaded and the figures for goods transferred will hereafter approximate lend-lease exports.

Chart 2 shows the monthly value of lend-lease goods exported, by category. Exports of military items have risen much more rapidly than exports of non-military items. For the month of September 1941 total lend-lease exports were

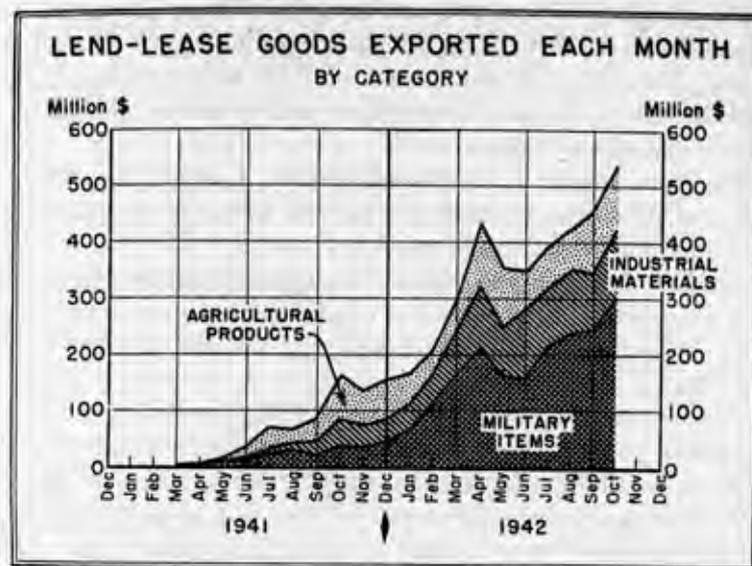


Chart 2

\$85,000,000. Only 25 percent of that amount was for arms, the balance consisting of foodstuffs and industrial materials. For the month of October 1942 (the last month for which export figures are available) lend-lease exports were \$537,000,000, of which military items comprised 56 percent.

While total monthly lend-lease exports increased over six times, lend-lease exports of military items increased fourteen times. Although the percentages of food and industrial materials to total exports have declined, the actual amounts shipped increased greatly as shown in Chart 2.

The export figures do not include the great quantities of supplies sent to our forces abroad.

Services Rendered

Services rendered total \$1,642,000,000; this constitutes about one-fifth of total lend-lease aid. In terms of making our aid effective, the relative importance of these services is considerably greater than the dollar amount indicates.

Lend-lease supplies are of no use to our allies until they reach the places where they are needed. About 50 percent of expenditures for services is for shipping and supply services—mostly for the rental and charter of ships to carry the goods, and the balance for the development and operation of air ferry routes and supply bases abroad.

We have supply lines extending over many thousands of miles of submarine-infested oceans, and across jungles, deserts and hitherto inaccessible mountain ranges. We have to go around to the far places, where transport facilities are generally primitive. Lend-lease has played a large part in keeping these lines open and in increasing the volume of shipments over them.

At the receiving ends of many of these routes, it has been necessary to develop harbors, build and equip docks, warehouses, assembly plants, and supply depots. Camel trails have been made over into truck highways and railroad facilities have been either created or enlarged. Scores of newly developed airfields are way-stations on the bomber-ferry routes. American participation with the Russians, the British, and other allies in this development program has been carried out in important measure through lend-lease.

Another 15 percent of the funds spent for services has been used to repair in our yards hundreds of allied merchant and naval vessels damaged by enemy action. Similar repair services are being rendered for damaged American warships and merchant vessels abroad, under reciprocal lend-lease.

The balance of 35 percent of services rendered represents expenditures for production facilities—factories and shipyards—built in the United States to manufacture certain types of lend-lease articles.

Where Lend-Lease Supplies Are Going

Chart 3 shows exports of lend-lease goods by area of destination. In October 1942 approximately 40 percent of lend-lease exports went to the United Kingdom, 39 percent to the Middle and Far East and other areas, and 21 percent to U. S. S. R.

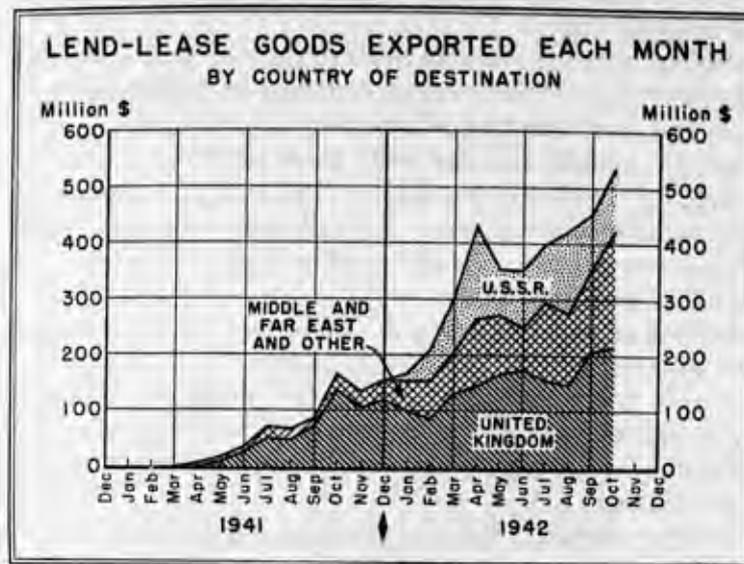


Chart 3

The chart also shows the higher proportion of lend-lease shipments to the Middle and Far East and U. S. S. R. during 1942. Since January 1942, monthly exports to the United Kingdom and to the Middle and Far East have more than doubled. October shipments to U. S. S. R. were nine times those in January, when goods were first exported to Russia under lend-lease (as distinct from direct purchase exports).

Part of the military equipment exported to the United Kingdom has been sent by the British to U. S. S. R., Egypt, India and other areas of the Middle East. In addition, Great Britain has sent a major share of its own production of war supplies to these fronts.

The United States and Great Britain have between them shipped (not delivered) to U. S. S. R. during the past year, over

the northern route alone, more than 3,000 planes, more than 4,000 tanks, more than 30,000 trucks, jeeps and other vehicles and hundreds of thousands of tons of food, industrial raw materials, medical supplies and other products. Not all of these supplies have arrived. Convoys over the North Atlantic route have been subjected to heavy punishment by Nazi air, surface and undersea raiders.

Shipments by the southern route to the Red Sea-Persian Gulf area have had to travel ocean distances of 10,000 to 13,000 miles and there are long additional overland distances to be covered before our supplies reach bases and front lines in the U. S. S. R. In the Red Sea-Persian Gulf area, ports, unloading and assembly facilities, roads and railroads were either inadequate or non-existent. They have been greatly improved with the aid of lend-lease funds.

Supplies aggregating nearly 2,500,000 tons have been shipped over all routes from the United States to U. S. S. R. in the past year under lend-lease and direct purchase. Although transportation to U. S. S. R. continues to present extraordinary difficulties, we are succeeding in delivering the great majority of our shipments.

The part played in the Egyptian campaign by the increased lend-lease exports to that area is described in Chapter 3. In addition, considerable shipments have gone to India and other strategic points in the Middle East, to Australia and New Zealand.

Lend-lease exports to China have always been limited by a transportation bottleneck that was made still tighter when the Japanese took Burma. Until that time, we were able to move a thin but steady stream of supplies over the Burma Road. With lend-lease funds we had considerably increased the capacity of the road, supplied thousands of trucks, and assisted China in building a railroad which would have provided, when completed, a supplementary supply line from Lashio to Kunming.

Since the loss of Burma, air transport across the Himalayas from India has been the only direct means of bringing lend-

lease supplies into China. United States Army and China National Airways cargo planes are plying this dangerous route regularly but the quantities they have been able to carry so far have been small. We shall find ways to send more.

Lend-Lease Exports and Direct Cash Purchases

In addition to lend-lease aid, the United States has supplied the other United Nations with weapons and other materials

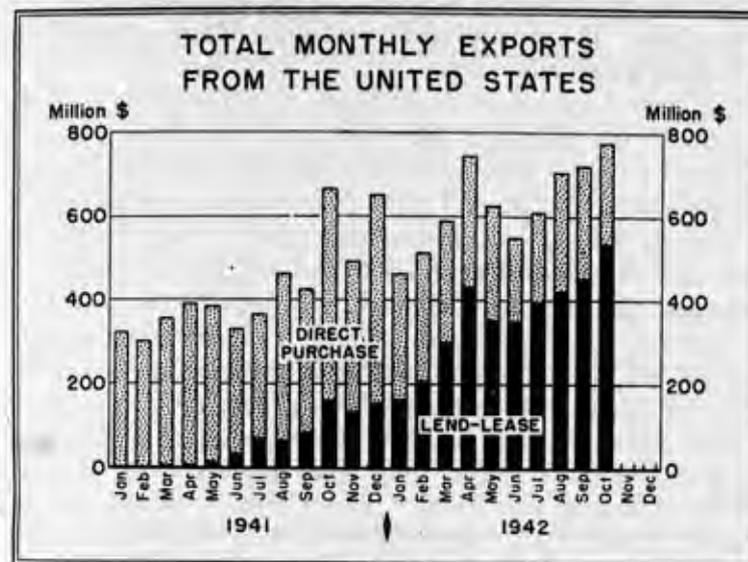


Chart 4

purchased by them for cash, just as they have supplied us, both by direct purchase and reciprocal lend-lease.

From the point of view of effective pooling of United States resources with those of other United Nations, the distinction between lend-lease and cash exports has little significance. For in the winning of the war, what counts is that our supplies—by whatever method they are provided—reach the hands of those who need them in order to fight our enemies. This is equally true of the supplies we receive from our allies.

From March 1941 through October 1942, cash purchase exports to our allies totaled \$6,450,000,000, compared to lend-lease exports of \$4,685,000,000. The proportion of lend-lease

exports to total U. S. exports has risen from 1 percent in March 1941 to 70 percent in October 1942 as shown by Chart 4.

Other Forms of Aid

The entire story of the aid rendered by the United Nations to one another cannot be told in statistical terms alone. It would be impossible to attempt a mathematical appraisal of many of the respective contributions of the allied nations or to evaluate the role each is playing in encompassing the defeat of the Axis. The principle followed is one of mutual assistance in waging a coalition war.

Our own contribution is of course not limited to the proportion of the output of our farms and workshops which is exported to our allies. American troops fight side by side with those of the other United Nations; our navies engage in joint as well as independent operations. Supplies, equipment, and ammunition are fully shared on the battlefield. An American tanker, during combat, will service any allied destroyer requiring fuel. Our aircraft carriers have brought sorely needed planes to posts exclusively manned by our allies. We have assumed the responsibility for defending some of the distant outposts of the world to relieve veteran allied troops for more active theaters. We have been the recipient of similar aid from our allies. The United Nations are not engaged in a series of separate wars; ours is a joint enterprise with one goal.

NOTE.—Previous reports have carried figures for lend-lease "goods in process." These were expenditures made for completed equipment that had not yet been transferred and for equipment still in process of manufacture. In the Sixth Report to Congress the dollar volume of such goods was estimated at \$1,360,000,000. This figure, however, included only expenditures made from lend-lease funds appropriated directly to the President. It did not include expenditures made by the War and Navy Departments from funds appropriated to them. Military items procured by these departments are not generally separated as between those for our own forces and those for lend-lease purposes until manufacture is completed and final assignments are made by the Combined Munitions Assignments Board. This Board assigns all military items produced in the United States. It is therefore impossible to determine with any degree of accuracy the lend-lease proportion of expenditures made on goods in process by the War and Navy Departments. Since any figure on lend-lease goods in process which does not include these amounts fails to give a complete picture of such expenditures, the category of goods in process will no longer be included in these reports.

Chapter 2

U. S. PRODUCTION AND THE UNITED NATIONS

Combining United Nations Resources

All available resources of the United Nations are dedicated to the common end of winning the war. It is in the joint interest of the United Nations to equip and supply all their armed forces, to maintain the flow of industrial materials to war factories everywhere, and to meet the essential war-time civilian needs of all anti-Axis peoples. In this task they are, within the limits of their resources, supplying both their own needs and the needs of each other.

We are dependent upon each other in many ways. Although the United States has the greatest resources for the production of war materials and civilian supplies, many of our own vital requirements are being obtained by purchase from our allies. Certain raw materials, essential to making planes and tanks, come from many parts of the British Empire, Latin America and other United Nations. For example, ninety-five percent of our nickel comes from Canada and our mica from India and Brazil. We are still getting precious supplies of tungsten from China.

Our troops overseas are receiving many important supplies and services from Great Britain, India, Australia, New Zealand, and Fighting France under reciprocal lend-lease.

Up to six months ago, Great Britain and Russia were producing more arms than we were. Great Britain has supplied the larger part of its own needs and has furnished quantities of certain types of equipment to the fighting forces of Russia and of the governments in exile. Great Britain has also provided most of the merchant ships and transports which carry United Nations supplies and troops overseas.

Plainly Russia is able to send few supplies to its allies, but the greatest land fighting of the war has been carried on for two years principally with Russian equipment. Russian planes and bombs and tanks have destroyed many times the number of enemy troops killed in all the other war theatres combined.

Our principal allies have reached the maximum rate of their war production. American war production—already the greatest in the world—will rise much higher still before reaching its peak. Supplies from the United States have had an important part in the war effort of the United Nations. From now on, our production will play an increasingly decisive role. But only by a vast increase in our output can we obtain the overwhelming superiority over the Axis which is needed for victory.

Distribution of American Production

Most of our production is used to supply our own armed forces and civilian population. The proportion of war weapons that goes to our Army and Navy and the proportion that goes to our allies is determined by the strategic decisions of global warfare. United Nations war production strategy determines how much we should send abroad of our supply of industrial materials. The food we produce—and food is a weapon of war—is allocated to meet the needs of American armed forces and civilians, and, so far as possible, the essential food requirements of our allies.

Military Supplies

About 15 percent of our present total production of military items is being exported to the other United Nations under lend-lease and direct purchase. These items include ordnance, ammunition, aircraft, tanks, motor vehicles, and spare parts, but do not include merchant and naval vessels.

The proportion of some combat weapons going to our allies is considerably higher than the over-all average. Thus, we are sending them about 30 percent of our production of combat planes and 35 percent of our production of tanks. On the

other hand, there are many articles which we make entirely for our own forces.

Although exports of military items have greatly increased during the past year, our rate of munitions production has increased still more rapidly. Consequently, a smaller percentage of our total military output is now being exported. Chart 5 shows how the percentage of exports has declined from 30

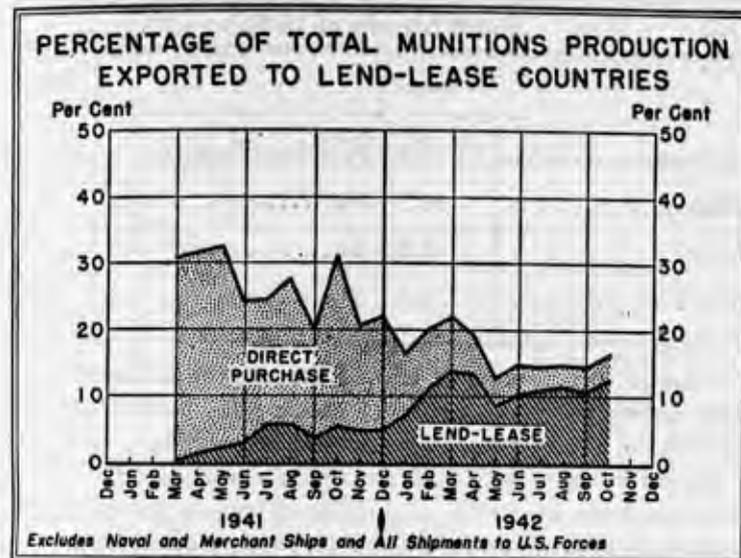


Chart 5

percent of total output in March 1941 to approximately 15 percent in the past five months.

A large part of the munitions retained for our own forces has been transported with our troops to bases abroad for use in recent campaigns and in battles now being waged. These shipments are not included in the export figures in Chart 5.

Industrial Materials

The United States is exporting industrial materials to our allies, particularly the United Kingdom, Canada and Russia. The quantities which we send them are necessary to maintain

their production of weapons and ships, but are relatively small in relation to our own total production of these materials.

The following percentages show the relationship of our lend-lease and direct purchase exports of the more important materials to total United States new supply of the indicated industrial materials during the first six months of this year:

EXPORTS IN PERCENT OF U. S. NEW SUPPLY

First 6 Months of 1942

	Percent		Percent
Aluminum.....	2.7	Petroleum Products.....	5.3
Copper.....	12.2	Steel.....	11.0
Cotton.....	5.0	Tin.....	1.2
Nickel.....	3.5	Zinc.....	16.1

These are percentages of United States production plus imports during the period. If our stock piles were taken into account the export percentages would be smaller.

The percentages shown are for exports of these materials in a form ready for use in the production of war equipment. Thus in the case of steel, exports were 11 percent of our total new supply of shapes, plates, bars, sheets, etc. They were considerably less than 11 percent of our new supply of steel in the form of ingots. On the other hand, the export percentages do not include the steel and other materials in finished products such as tanks and guns.

Foodstuffs

United States exports of food, nearly all of which are under lend-lease, have been particularly important to the United Kingdom and to Russia. Yet our exports have been small in relation both to their total food supply and to ours. The United Kingdom, for example, now produces about 60 percent of its own food as the result of an intensive three-year farm program, and the major share of its food imports comes from sources

other than the United States. Nevertheless, the part of Great Britain's food that comes from the United States has meant the difference between enough to sustain the British people's intensive war effort and too little with which to carry on. Likewise, American food supplies are saving thousands from starvation in Russia and the Middle East.

The following percentages show the relationship of exports to the total United States supply of important foodstuffs for the year ended June 30, 1942:

EXPORTS IN PERCENT OF SUPPLY

Year Ended June 30, 1942

	Percent		Percent
Beef and Veal.....	0.5	All Milk Products (expressed in terms of fluid milk equivalent).....	3.9
Lamb and Mutton.....	0.0	Corn and Corn Products.....	0.5
Pork.....	13.0	Wheat and Wheat Products.....	1.0
Canned Fish.....	21.0	Sugar.....	1.0
Eggs.....	8.1		
Cheese.....	23.1		

Of the five meats now under voluntary rationing, we have retained for our own armed forces and civilians more than 99 percent of all but pork, in which case the percentage retained is 87 percent. And pork production has increased enough to cover our exports and still leave a normal supply for our own uses. Civilian shortages of these meats are due primarily to the needs of our soldiers and sailors and to increased civilian consumption.

We have exported under lend-lease 1,263,882,000 pounds of evaporated milk, powdered milk and cheese. However, in terms of fluid milk equivalent, this is approximately 4 percent of our record-breaking milk supply. All the rest is going to United States armed forces and civilians. Our exports provide two out of every five ounces of the cheese which Britons eat

and almost all their powdered milk. Dried skim milk is rationed at the rate of one ounce a week and supplements the often slim British fluid milk ration (now $2\frac{1}{4}$ pints per week per adult).

Of our total egg production, we have retained 92 percent for our own needs. Our exports have been almost entirely in the form of dried eggs in order to save shipping space. The English ration of dried eggs, nearly all of which come from the United States, is the equivalent of one fresh egg per person per week, and supplements the ration of fresh eggs, which varies seasonally from one to a maximum of five eggs a month.

Our exports of sugar, wheat, flour, and cereals, although extremely small in relation to total U. S. supply, have been particularly important to Russia, which has lost most of its sugar-beet and its richest wheat-producing areas to the Nazi invaders. So far we have not been able to find the shipping space to send nearly as much food to U. S. S. R. as the Russian people need.

We have exported a considerable percentage of our total production of canned fish to supplement the restricted meat rations of our allies' armed forces and civilians. Two-thirds of Britain's canned fish supply comes from the United States and most of the balance from Canada.

Record United States food production in 1942 has more than offset our lend-lease food exports. To meet the greater demands next year, Secretary of Agriculture Wickard has set 1943 production goals ranging up to 28 percent higher than 1942 totals for some commodities. United States civilians will have less of some foods, in order that supplies may go where they will contribute most to our victory. Even so, Americans will still have more to eat than the overwhelming majority of people elsewhere.

Chapter 3

THE AFRICAN OFFENSIVES

The present campaigns in Egypt and North Africa illustrate how United Nations resources can be pooled in the execution of an offensive strategy. For both offensives, supplies and shipping services were provided on a great scale in accordance with the principles of lend-lease and reciprocal aid.

Egyptian Campaign

In the Egyptian campaign, British and American equipment was used and troops from the United Kingdom, the Dominions, Greece, Poland, France, and the United States took part, but British troops, planes, and ships did the bulk of the fighting, under British command. It was in the field of transportation and supplies that United States assistance played its major role.

German and Italian forces could be supplied from their home bases by shipping or flying their equipment a few hundred miles across the Mediterranean. Supplies from the United Kingdom or this country, on the other hand, had to travel 12,000 miles by water, around the Cape of Good Hope and up the Red Sea, before reaching the fighting zone. Even if sent by air from the United States, a bomber or a cargo of urgently needed materials must be flown over 9,000 miles via Brazil across the Atlantic and over the jungles and deserts of Africa.

Nevertheless, in spite of all difficulties of weather, terrain, and enemy action, our supply lines functioned so well that at the crucial moment United Nations forces were able to take the field with clear superiority in armored strength, artillery, and air power.

This was possible because of action taken many months before the offensive began, when it was decided that these supply lines must be bolstered and improved in every way possible.

United States and British funds, engineering skill and labor have been used to build, reconstruct or enlarge supply bases,

docks and naval facilities, air fields, and repair and assembling shops in the Red Sea area and in Egypt. Work done under this program has made it possible to unload cargoes and repair damaged ships more quickly. And the facilities for assembling of trucks, tanks, and planes have speeded the flow of weapons to the fighting front.

Air ferry routes have been created across Africa. In places where a few years ago no planes were ever seen, huge bombers and transports now land daily, are fueled, and continue to their destinations.

Together with the British and Fighting French, we have built or improved air fields all the way from the Atlantic coast of Africa to the Anglo-Egyptian Sudan, and the Red Sea. These fields have been used by planes on their way to Egypt, to Iran and Russia, and to India.

The United States funds spent in these enterprises, and for the necessary shipping, have come from lend-lease appropriations and funds appropriated to the War Department for its own use.

Over these improved supply lines, the United States exported to Egypt during the period from February to November over 1,000 planes, many hundreds of tanks, of which more than 500 were mediums, 20,000 trucks and hundreds of pieces of artillery. Our British allies have emphasized the importance of these weapons in the success of the campaign. In addition to the American planes furnished the British, hundreds of planes were sent to Egypt for the use of our own air forces. One out of every five United Nations planes operating during the desert offensives was flown by American crews or pilots.

American technicians have also been instructing the British, South Africans and Australians in the maintenance and repair of American equipment, and an increasing number of American mechanics have been assisting in this work.

North African Campaign

The invasion of North Africa, even more than the campaign in Egypt, has been a combined operation in the fullest sense of the word. Neither the United States nor Great Britain

could alone have carried out at this time a task requiring the greatest single overseas expeditionary force in history.

Hundreds of British and American cargo, transport and naval vessels were pooled for the enterprise. The ground forces include many British as well as American troops. The United States Army Air Force and the Royal Air Force are both taking part in this offensive, and each nation's air force has been using, to some extent, planes manufactured by the other, provided either under lend-lease or reciprocal lend-lease. Most of the equipment of our troops was American-made, but large quantities of miscellaneous supplies were lend-leased to us by Great Britain.

In all phases of the campaign—in the careful work of preparation as well as in the more spectacular moments of battle—the United States and Great Britain have shared their resources and operated under unified command.

Chapter 4 LIBERATED AREAS

Less than a week after our landings in North Africa, the Lend-Lease Administrator was instructed, in cooperation with General Eisenhower and the State Department, to extend aid to those areas in French Africa occupied by United Nations forces.

The policy of the United States, already announced, is to provide food, medicines, and other necessities to alleviate the hunger and suffering of the people in any territory occupied by our forces, so far as it is humanly within our power to do so. Weapons will be furnished to the armed forces of these territories to hasten the defeat of the Axis.

Methods of carrying out this policy will differ between areas, and different methods may be necessary within the same area. Where commercial channels of supply have been cut off, lend-lease can be the instrument for renewing them. Where relief distribution is necessary, lend-lease can supply the materials of relief.

Steps have already been taken with respect to North Africa in execution of this policy. About \$5,000,000 worth of civilian goods have been purchased for shipment to that area. Many times that amount will be procured during the coming months, to be sent as shipping space becomes available. So long as military operations continue in this area, the amount of available shipping space cannot accurately be predicted. Cargoes necessary to maintain our armies in the field will have top priority on shipping, but civilian supply will come next on the list.

Items purchased, or to be purchased, under this program include: Medical and hospital supplies ranging from anaesthetics to operating knives, sulfa drugs and antitoxins; sugar,

powdered and evaporated milk, and cheese, to meet the most urgent food needs; cotton textiles, ready-made new and used clothing, and shoes; copper sulphate to increase the production of vegetables and fruits for the consumption of our troops as well as the inhabitants; coal for transportation and kerosene for lighting. The United Kingdom will participate in this program with the United States.

The United Nations will help the victims of war in liberated territories, not only out of common humanity, but for the most urgent political and military reasons. Expansion of the agricultural production of the reoccupied regions and the improvement of their transportation facilities will be of great value to our military forces. Increased food production on the spot will enable us, after meeting the requirements of the civilian population, to supply our forces with some foodstuffs, thus saving valuable shipping space. Similarly any aid that we can furnish North Africa in maintaining and increasing its exportable production of certain strategic materials, such as phosphate rock, manganese, and high-grade iron ore will be of great value to the United Nations war effort.

The program of reoccupation will require the joint efforts of many agencies of this government, and the fullest cooperation with the other United Nations. Relief and rehabilitation of the reoccupied areas will be the common responsibility of all the United Nations, and must be a combined operation in the same sense as the military operations themselves. Success in restoring the countries we free will be a powerful factor in shortening the war, giving the liberated peoples their chance to share in the victory.

The United Nations have shown that they are capable of military teamwork of a high degree. In the field of relief and rehabilitation, they have an opportunity to develop a constructive program that will have a most direct bearing on the problems of the peace.

APPENDICES

Appendix I LEND-LEASE ACT

Further to promote the defense of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "An Act to Promote the Defense of the United States."

Section 2.

As used in this Act—

(a) The term "defense article" means—

- (1) Any weapon, munition, aircraft, vessel, or boat;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any agricultural, industrial or other commodity or article for defense.

Such term "defense article" includes any article described in this subsection manufactured or procured pursuant to section 3, or to which the United States or any foreign government has or hereafter acquires title, possession, or control.

(b) The term "defense information" means any plan, specification, design, prototype, or information pertaining to any defense article.

Section 3.

(a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government—

- (1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government any defense article, but no defense article not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph, except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000. The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress or both, any defense article for any such government, or to procure any or all such services by private contract.

(4) To communicate to any such government any defense information, pertaining to any defense article furnished to such government under paragraph (2) of this subsection.

(5) To release for export any defense article disposed of in any way under this subsection to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

(c) After June 30, 1943, or after the passage of a concurrent resolution by the two Houses before June 30, 1943, which declares that the powers conferred by or pursuant to subsection (a) are no longer necessary to promote the defense of the United States, neither the President nor the head of any department or agency shall exercise any of the powers conferred by or pursuant to subsection (a); except that until July 1, 1946, any of such powers may be exercised to the extent necessary to carry out a contract or agreement with such a foreign government made before July 1, 1943, or before the passage of such concurrent resolution, whichever is the earlier.

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of convoying vessels by naval vessels of the United States.

(e) Nothing in this Act shall be construed to authorize or to permit the authorization of the entry of any American vessel into a combat area in violation of section 3 of the Neutrality Act of 1939.

Section 4.

All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employee, or agent of such foreign government.

Section 5.

(a) The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any such defense article or defense information is exported, immediately inform the department or agency designated by the President to administer section 6 of the Act of July 2, 1940 (54 Stat. 714), of the quantities, character, value, terms of disposition, and destination of the article and information so exported.

(b) The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

Section 6.

(a) There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act.

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year; but in no event shall any funds so received be available for expenditure after June 30, 1946.

Section 7.

The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owners and holders of such patents.

Section 8.

The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

Section 9.

The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or officer as he shall direct.

Section 10.

Nothing in this Act shall be construed to change existing law relating to the use of the land and naval forces of the United States, except insofar as such use relates to the manufacture, procurement, and repair of defense articles, the communication of information and other noncombatant purposes enumerated in this Act.

Section 11.

If any provision of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

APPROVED, March 11, 1941.

Appendix II

LEND-LEASE APPROPRIATIONS AND TRANSFER AUTHORIZATIONS

Lend-lease aid is provided from: (a) funds appropriated directly to the President for lend-lease purposes; (b) appropriations to the War Department, Navy Department, and Maritime Commission which contain authorization for maximum amounts that may be used for lend-lease purposes.

Detailed information on the maximum amount of lend-lease aid which can be provided by existing legislation is given in the following table.

Appropriations to the President

First Lend-Lease Appropriation	\$7,000,000,000
Second Lend-Lease Appropriation	5,985,000,000
Third Lend-Lease Appropriation	5,425,000,000

\$18,410,000,000

Transfers Authorized from Other Appropriations

War Department—Third Supplemental, 1942	\$2,000,000,000
War Department—Fourth Supplemental, 1942	4,000,000,000
War Department—Fifth Supplemental, 1942	11,250,000,000
War Department—Sixth Supplemental, 1942	2,220,000,000
War Department—Military Appropriation Act, 1943	12,700,000,000
Navy Department—Second Supplemental, 1943	*3,000,000,000
Maritime Commission—First Supplemental, 1942	†1,296,650,000
Maritime Commission—Fifth Suppl. (Approp. Funds), '42	†1,500,000,000
Maritime Commission—Fifth Suppl. (Contr. Auth.), 1942	†2,350,000,000
Departments other than War—Third Supplemental, 1942	800,000,000

\$41,116,650,000

MAXIMUM AMOUNT OF AID THAT CAN BE PROVIDED \$59,526,650,000

*Does not include the value of ships which may be leased by the Navy for the duration of the emergency.

†Value of ships which may be leased.

Appendix III

STATUS OF NATIONS

Twenty-nine nations have signed the United Nations Declaration, pledging their full resources to the fight against the Axis powers, and agreeing not to make a separate peace with the enemies. Of the 42 nations which have been declared eligible for lend-lease aid by the President, 30 have signed lend-lease agreements. Formal agreements providing for reciprocal lend-lease aid have been entered into by four of these nations with the United States. Full information concerning the status of the various nations is shown by the following chart.

The Declaration by United Nations, together with the original signatories, is printed in Appendix IV. The Master Agreement signed with the United Kingdom is contained in Appendix V. Lend-lease agreements with the following countries are identical with the British agreement: China, U. S. S. R., Belgium, Poland, Netherlands, Greece, Czechoslovakia, Norway and Yugoslavia. In addition, Australia and New Zealand have accepted the same principles. Canada agreed to the principles set forth in Article VII of the Master Agreements in an exchange of notes with the United States, dated November 30, 1942.

STATUS OF NATIONS (LEND-LEASE COUNTRIES AND UNITED NATIONS)			
	UNITED NATIONS DECLARATION SIGNED	LEND-LEASE AGREEMENT SIGNED	RECIPROCAL LEND-LEASE AGREEMENT IN EFFECT
	ELIGIBLE FOR LEND-LEASE AID		
ARGENTINA			
AUSTRALIA			
BELGIUM			
BOLIVIA			
BRAZIL			
CANADA			
CHILE			
CHINA			
COLOMBIA			
COSTA RICA			
CUBA			
CZECHOSLOVAKIA			
DOMINICAN REPUBLIC			
ECUADOR			
EGYPT			
EL SALVADOR			
ETHIOPIA			
FIGHTING FRANCE			
GREECE			
GUATEMALA			
HAITI			
HONDURAS			
ICELAND			
INDIA			
IRAN			
IRAQ			
LUXEMBOURG			
MEXICO			
NETHERLANDS			
NEW ZEALAND			
NICARAGUA			
NORWAY			
PANAMA			
PARAGUAY			
PERU			
PHILIPPINES			
POLAND			
SOUTH AFRICA			
TURKEY			
UNITED KINGDOM			
UNITED STATES			
U. S. S. R.			
URUGUAY			
VENEZUELA			
YUGOSLAVIA			

Appendix IV

DECLARATION BY UNITED NATIONS

A Joint Declaration by the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, China, Australia, Belgium, Canada, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, El Salvador, Greece, Guatemala, Haiti, Honduras, India, Luxembourg, Netherlands, New Zealand, Nicaragua, Norway, Panama, Poland, South Africa, Yugoslavia.

The Governments signatory hereto,

Having subscribed to a common program of purposes and principles embodied in the Joint Declaration of the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland dated August 14, 1941, known as the Atlantic Charter,

Being convinced that complete victory over their enemies is essential to defend life, liberty, independence and religious freedom, and to preserve human rights and justice in their own lands as well as in other lands, and that they are now engaged in a common struggle against savage and brutal forces seeking to subjugate the world, DECLARE:

(1) Each Government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war.

(2) Each Government pledges itself to cooperate with the Governments signatory hereto and not to make a separate armistice or peace with the enemies.

The foregoing declaration may be adhered to by other nations which are, or which may be, rendering material assistance and contributions in the struggle for victory over Hitlerism.

Done at Washington
January First 1942
The Republic of Costa Rica
by Luis Fernandez
The Republic of Cuba
by Aurelio F. Conchoso
Czechoslovak Republic
by V. S. Hurban
The Dominican Republic
by J. M. Troncoso

The Republic of El Salvador
by C. A. Alfaro
The Kingdom of Greece
by Cimon P. Diamantopoulos
The Republic of Guatemala
by Enrique Lopez-Herrarte
The United States of America
by Franklin D. Roosevelt
The United Kingdom of Great Britain
and Northern Ireland
by Winston Churchill

On behalf of the Government of the Union of Soviet Socialist Republics <i>by Maxim Litvinoff,</i> <i>Ambassador</i>	The Republic of Nicaragua <i>by Leon DeBayle</i>
National Government of the Republic of China <i>Tse Vung Soong,</i> <i>Minister for Foreign Affairs</i>	The Kingdom of Norway <i>by W. Munthe de Morgen-</i> <i>stierne</i>
The Commonwealth of Australia <i>by R. G. Casey</i>	The Republic of Panama <i>by Jaen Guardia</i>
The Kingdom of Belgium <i>by Cte. R. v. d. Straten</i>	The Republic of Poland <i>by Jan Ciechanowski</i>
Canada <i>by Leighton Mc Carthy</i>	La Republique d'Haiti <i>par Fernand Dennis</i>
The Grand Duchy of Luxembourg <i>by Hugues Le Gallais</i>	The Republic of Honduras <i>by Julian R. Caceres</i>
The Kingdom of the Netherlands <i>A. Loudon</i>	India <i>Girja Shankar Bajpai</i>
Signed on behalf of the Govt. of the Dominion of New Zealand <i>by Frank Langstone</i>	The Union of South Africa <i>by Ralph W. Close</i>
	The Kingdom of Yugoslavia <i>by Constantin A. Fotitch</i>

NOTE: Mexico, The Commonwealth of the Philippines and Ethiopia have since adhered to the Declaration by United Nations.

Appendix V

BRITISH MASTER AGREEMENT

Agreement Between the Governments of the United States of America and of the United Kingdom on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, Authorized and Provided for by the Act of March 11, 1941.

Whereas the Governments of the United States of America and the United Kingdom of Great Britain and Northern Ireland declare that they are engaged in a cooperative undertaking, together with every other nation or people of like mind, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations;

And whereas the President of the United States of America has determined, pursuant to the Act of Congress of March 11, 1941, that the defense of the United Kingdom against aggression is vital to the defense of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the United Kingdom aid in resisting aggression;

And whereas it is expedient that the final determination of the terms and conditions upon which the Government of the United Kingdom receives such aid and of the benefits to be received by the United States of America in return therefor should be deferred until the extent of the defense aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and the United Kingdom and will promote the establishment and maintenance of world peace.

And whereas the Governments of the United States of America and the United Kingdom are mutually desirous of concluding now a preliminary agreement in regard to the provision of defense aid and in regard to certain considerations which shall be taken into account in determining such terms and conditions and the making of such an agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill or execute prior to the making of such an agreement in conformity with the laws either of the United States of America or of the United Kingdom have been performed, fulfilled or executed as required;

The undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

Article I

The Government of the United States of America will continue to supply the Government of the United Kingdom with such defense articles, defense services, and defense information as the President shall authorize to be transferred or provided.

Article II

The Government of the United Kingdom will continue to contribute to the defense of the United States of America and the strengthening thereof and will provide such articles, services, facilities or information as it may be in a position to supply.

Article III

The Government of the United Kingdom will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act or permit the use thereof by anyone not an officer, employee, or agent of the Government of the United Kingdom.

Article IV

If, as a result of the transfer to the Government of the United Kingdom of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the Government of the United Kingdom will take such action or make such payment when requested to do so by the President of the United States of America.

Article V

The Government of the United Kingdom will return to the United States of America at the end of the present emergency, as determined by the President, such defense articles transferred under this Agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

Article VI

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom full cognizance shall be taken of all property, services, information, facilities, or other benefits or considerations provided by the Government of the United Kingdom subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America.

Article VII

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objec-

tives by their own agreed action and of seeking the agreed action of other like-minded Governments.

Article VIII

This Agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

Signed and sealed at Washington in duplicate this 23d day of February, 1942.

For the Government of the United States of America:

[SEAL]

SUMNER WELLES,
Acting Secretary of State of the
United States of America.

For the Government of the United Kingdom
of Great Britain and Northern Ireland:

[SEAL]

HALIFAX
His Majesty's Ambassador Extraordinary
and Plenipotentiary at Washington.

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Suttman, Jr.
Administrator

December 14, 1942

Mr. Joseph J. O'Connell, Jr.
Treasury Department
WASHINGTON, D. C.

Dear Mr. O'Connell:

Thank you very much for sending me
copies of the exchange of correspondence
between Senator Allen J. Ellender and
Secretary Morgenthau on the Lend-Lease
program.

We are working on a reply to the
Senator.

Sincerely yours,


E. R. Suttman, Jr.

a year ago 105

~~We all know what grand things are being done by our fighting men "over there". But I think we have been keeping faith with them "over here". Let me give you an example in the record of the War Bond campaign in our first year of war. We had only 700,000 workers on the payroll savings plan a year ago, and they were investing only 4 percent of their earnings every pay-day. Today more than 24,000,000 workers are setting aside an average of 8½ percent of their pay, so our soldiers and sailors and fliers can have the weapons they need. This is an achievement "over here" that will give encouragement to our Allies and to our fighting men at battle stations all over the world. Let's keep it up!~~

I'd like to tell you of the progress we have made in the past 12 months in our War Bond program. —

We all know what grand things are being done by our fighting men "over there". But I think we have been keeping faith with them "over here". Let me give you an example in the record of the War Bond campaign in our first year of war. ^{a year} We had only 700,000 workers investing only 4 percent of their earnings every pay-day.

Today more than 24,000,000 workers are setting aside an average of 8½ percent of their pay, so our soldiers and sailors and fliers can have the weapons they need. This is an achievement "over here" that will give encouragement to our Allies and to our fighting men at battle stations all over the world. Let's keep it up!

10

How much
more
Dec 14

I should like to tell you the progress we have made in the past twelve months in our War Bond program. A year ago we had only 700,000 workers investing only 4 per cent of their earnings every pay-day.

Today more than 24,000,000 workers are setting aside an average of 8-1/2 per cent of their pay, so our soldiers and sailors and fliers can have the weapons they need. This is an achievement "over here" that will give encouragement to our Allies and to our fighting men at battle stations all over the world. Let's keep it up!

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 14, 1942.

TO Secretary Morgenthau
FROM Harold Graves

Complying with your request this morning, I attach a partial report covering the distribution of the Christmas poster, "The Present With A Future."

Upon receipt of further information, I shall give you a final report.

Two million envelopes for bonds to be given as Christmas gifts were printed. The distribution of these envelopes was made to issuing agents through the 12 Federal Reserve Banks.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 14, 1942

TO Mr. Harold N. Graves
FROM John M. Delehanty

A complete report tabulating all shipments of Christmas posters and receipt of deliveries by State Administrators will be ready this afternoon. In the meantime, here is a preliminary tabulation of what the report will show:

1,593,000 posters were shipped to 400 points for use by the Victory Display Committee and to 75 points for use by State Administrators, beginning November 26. Shipments to the states were completed December 8th.

Wires from 33 State Administrators have been received, including Alaska and Hawaii. No shipments were made to Alaska or Hawaii because of lack of time.

All shipments have been received and almost complete distribution made in the following states:

Arkansas, California, Delaware, D. of C., Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Minnesota, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New York, New Hampshire, North Carolina, Rhode Island (partial), South Carolina, South Dakota, Tennessee, Washington, Wisconsin, West Virginia.

Posters have not yet been received in the following states:

Arizona (shipped December 1), Florida (shipped December 4) Maryland (shipped December 6), Virginia (shipped December 8).

Reports have not yet been received from the following states:

Colorado, Connecticut, Idaho, Illinois, Indiana, New Jersey, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Vermont, Wyoming.

J. M. D. S.

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 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
10	5,651	65,085	58,842	59,711		110.6
11	14,274	79,359	64,157	74,275		123.7
12	7,135	86,495	71,352	76,430		121.2

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

December 14, 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 December 12, 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	13.6	164.8	158.5	104.0
11	38.7	203.4	181.5	112.1
12	17.5	220.9	194.2	113.7
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 14, 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
INTER OFFICE COMMUNICATION

DATE

Dec 14, 1947

TO Secretary Morgenthau
FROM Randolph Paul

Attached is a set of the tables comparing the burden under the present law and the plan to raise \$18 billion of additional revenue -- \$3 billion from the income tax and \$15 billion from compulsory lending.



Plan I. A Revenue Program for 1943 to raise \$18 billion from individual net income tax (\$3 billion) and compulsory lending (\$15 billion)

Plan I would involve substituting for the present income and Victory taxes the combined income tax and compulsory lending rate scale shown in Table 1.

Exemptions: The exemptions for the new levy would be \$400 for a single person, \$800 for a married couple, and \$200 for each dependent.

Rates: The rates begin at 33 percent on the first bracket above exemptions and rise to a maximum of 95 percent on the "over \$500,000" bracket.

Refundable part of the levy: A large part of the new levy would be treated as compulsory lending, to be refundable after the war. For a married couple with no dependents, the refundable part would equal:

100 percent of the first \$100 of the levy,
50 percent of the next \$2,000, and
25 percent of the next \$10,000.

For single persons, the amounts to which the above percentages apply would be halved; for each dependent the amounts would be increased by 25 percent.

Tax part of the levy: Because all of the levy is refundable at the very bottom, the tax part would begin only for incomes somewhat higher than the exemptions. The tax part of the levy would apply only on incomes above \$547 for single persons; \$1,094 for married couples, and an additional \$274 for each dependent.

Relation to present income and Victory tax: The combined tax and compulsory loan is substantially above the existing combined income and Victory tax at all levels of income, except at the very bottom where the Victory tax would apply but the new levy would not. However, the tax part of the levy alone is slightly less than the present income tax and Victory tax combined for married couples with no dependents who have incomes below \$3,012; for single persons with no dependents who have incomes below \$2,305; and for married couples with two dependents who have incomes below \$1,867.

Treasury Department,
Division of Tax Research

December 14, 1942

Table 1: Income tax rates under present law and Plan I (combined income tax and compulsory lending to replace present income tax and Victory tax and yield \$3 billion additional tax and \$15 billion additional compulsory lending)

Married couple - no dependents

Net income after personal exemptions 1/	: Combined normal and surtax rate	
	: Present law 2/ :	: Plan I
0 - \$ 200	19%	33%
200 - 600	19	36
600 - 1,000	19	41
1,000 - 2,000	19	44
2,000 - 3,000	22	48
3,000 - 4,000	22	51
4,000 - 6,000	26	54
6,000 - 8,000	30	57
8,000 - 10,000	34	59
10,000 - 12,000	38	62
12,000 - 14,000	42	64
14,000 - 16,000	46	64
16,000 - 18,000	49	67
18,000 - 20,000	52	67
20,000 - 22,000	55	70
22,000 - 24,000	58	70
24,000 - 26,000	58	73
26,000 - 30,000	61	73
30,000 - 32,000	61	77
32,000 - 38,000	64	77
38,000 - 40,000	67	77
40,000 - 44,000	67	81
44,000 - 50,000	69	81
50,000 - 60,000	72	81
60,000 - 70,000	75	85
70,000 - 80,000	78	85
80,000 - 90,000	81	85
90,000 - 100,000	83	85
100,000 - 150,000	85	89
150,000 - 200,000	87	89
200,000 - 500,000	88	93
Over \$500,000	88	95

1/ For Plan I, brackets for single persons are half of these shown; and for families with dependents, larger than those shown.

2/ Excludes Victory tax, which is 5 percent of gross income in excess of \$624; for married couples with no dependents, 40 percent of this amount is treated as a post-war credit.

Income taxes, compulsory lending, payroll tax and war bond deduction under present law and alternative plan: amounts and effective rates

116

Married person without dependents

Gross income \$889
Net income ^{1/} 800

	: Present :	Plan :	:
	: law :	I :	:
NON-REFUNDABLE			
Victory tax, net	\$ 8	-	
Federal income tax	-	-	
Total non-refundable Federal taxes	\$ 8	-	
New York State income tax	-	-	
Total non-refundable	\$ 8	-	
REFUNDABLE			
Payroll tax (old-age contribution)	\$ 9	\$ 9	
Victory tax credits, maximum	5	-	
Income tax (compulsory lending)	-	-	
War bond deduction	\$ 71 ^{2/}	\$ 9 ^{3/}	
Total refundable	\$ 85	\$ 9	
GRAND TOTAL			
Effective rate	\$ 93 (11.6%)	\$ 9 (1.1%)	
Grand total excluding New York State income tax	\$ 93 (11.6%)	\$ 9 (1.1%)	
Effective rate			
Total Federal income and Victory tax, refundable and non-refundable	\$ 13 (1.6%)	-	
Effective rate			

Treasury Department, Division of Tax Research

December 10, 1942

^{1/} Net income before deduction of New York State income tax.

^{2/} 8 percent of gross income.

^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond
deduction under present law and alternative plan: amounts and effective rates

117

Married person without dependents

Gross income \$1,111
Net income 1/ 1,000

	:	Present :	Plan :	:
	:	law :	I :	:
NON-REFUNDABLE				
Victory tax, net	\$	15	-	
Federal income tax		-	-	
Total non-refundable Federal taxes	\$	15	-	
New York State income tax		-	-	
Total non-refundable	\$	15	-	
REFUNDABLE				
Payroll tax (old-age contribution)	\$	11	\$ 11	
Victory tax credits, maximum		10	-	
Income tax (compulsory lending)		-	66	
War bond deduction		89 ^{2/}	-	
Total refundable	\$	110	\$ 77 ^{3/}	
GRAND TOTAL				
Effective rate		\$125 (12.5%)	\$ 77 (7.7%)	
Grand total excluding New York State income tax		\$125	\$ 77	
Effective rate		(12.5%)	(7.7%)	
Total Federal income and Victory tax, refundable and non-refundable		\$ 25	\$ 66	
Effective rate		(2.5%)	(6.6%)	

Treasury Department, Division of Tax Research

December 10, 1942

^{1/} Net income before deduction of New York State income tax.

^{2/} 8 percent of gross income.

^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond deduction under present law and alternative plan: amounts and effective rates

Married person without dependents
 Gross income \$1,667
 Net income 1 1,500

	: Present :	Plan :	:
	: law :	I :	:
NON-REFUNDABLE			
Victory tax, net	\$ 31	-	
Federal income tax	<u>48</u>	<u>\$ 76</u>	
Total non-refundable Federal taxes	\$ 79	\$ 76	
New York State income tax	<u>-</u>	<u>-</u>	
Total non-refundable	\$ 79	\$ 76	
REFUNDABLE			
Payroll tax (old-age contribution)	\$ 17	\$ 17	
Victory tax credits, maximum	21	-	
Income tax (compulsory lending)	-	175	
War bond deduction	<u>133</u> <u>2</u> /	<u>-</u> <u>3</u> /	
Total refundable	\$171	\$192	
GRAND TOTAL	\$250	\$268	
Effective rate	(16.7%)	(17.9%)	
Grand total excluding New York State income tax	\$250	\$268	
Effective rate	(16.7%)	(17.9%)	
Total Federal income and Victory tax, refundable and non-refundable	\$100	\$251	
Effective rate	(6.7%)	(16.7%)	

Treasury Department, Division of Tax Research

December 10, 1942

- 1/ Net income before deduction of New York State income tax.
2/ 8 percent of gross income.
3/ Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond deduction under present law and alternative plan: amounts and effective rates

Married person without dependents

Gross income \$2,222
 Net income 1/ 2,000

	: Present :	Plan :	:
	: law :	I :	:
NON-REFUNDABLE			
Victory tax, net	\$ 48	-	
Federal income tax	140	\$181	
Total non-refundable Federal taxes	\$188	\$181	
New York State income tax	-	-	
Total non-refundable	\$188	\$181	
REFUNDABLE			
Payroll tax (old-age contribution)	\$ 22	\$ 22	
Victory tax credits, maximum	32	-	
Income tax (compulsory lending)	-	281	
War bond deduction	178 <u>2/</u>	- <u>3/</u>	
Total refundable	\$232	\$303	
GRAND TOTAL			
Effective rate	\$420 (21.0%)	\$484 (24.2%)	
Grand total excluding New York State income tax	\$420 (21.0%)	\$484 (24.2%)	
Effective rate			
Total Federal income and Victory tax, refundable and non-refundable	\$220 (11.0%)	\$462 (23.1%)	
Effective rate			

Treasury Department, Division of Tax Research

December 10, 1942

- 1/ Net income before deduction of New York State income tax.
2/ 8 percent of gross income.
3/ Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond deduction under
present law and alternative plan: amounts and effective rates

Married person without dependents

Gross income \$2,778
Net income ^{1/} 2,500

	: Present :	Plan :	:
	: law :	I :	:
NON-REFUNDABLE			
Victory tax, net	\$ 65	-	
Federal income tax	232	\$291	
Total non-refundable Federal taxes	\$297	\$291	
New York State income tax	-	-	
Total non-refundable	\$297	\$291	
REFUNDABLE			
Payroll tax (old-age contribution)	\$ 28	\$ 28	
Victory tax credits, maximum	43	-	
Income tax (compulsory lending)	-	391	
War bond deduction	222 ^{2/}	- ^{3/}	
Total refundable	\$293	\$419	
GRAND TOTAL			
Effective rate	(\$590) (23.6%)	(\$710) (28.4%)	
Grand total excluding New York State income tax	\$590 (23.6%)	\$710 (28.4%)	
Effective rate			
Total Federal income and Victory tax, refundable and non-refundable	\$340 (13.6%)	\$682 (27.3%)	
Effective rate			

Treasury Department, Division of Tax Research

December 10, 1942

- ^{1/} Net income before deduction of the New York State income tax.
^{2/} 3 percent of gross income.
^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond
deduction under present law and alternative plan: amounts and effective rates

Married person without dependents
Gross income \$3,333
Net income 1/ 3,000

	: Present :	Plan :	:
	: law :	I :	:
NON-REFUNDABLE			
Victory tax, net	\$ 81	-	
Federal income tax	322	\$403	
Total non-refundable Federal taxes	\$403	\$403	
New York State income tax	8	8	
Total non-refundable	\$411	\$411	
REFUNDABLE			
Payroll tax (old-age contribution)	\$ 30	\$ 30	
Victory tax credits, maximum	54	-	
Income tax (compulsory lending)	-	503	
War bond deduction	267 <u>2/</u>	-	3/
Total refundable	\$351	\$533	
GRAND TOTAL			
Effective rate	(25.4%)	(31.5%)	
Grand total excluding New York State income tax	\$754	\$936	
Effective rate	(25.1%)	(31.2%)	
Total Federal income and Victory tax, refundable and non-refundable	\$457	\$906	
Effective rate	(15.2%)	(30.2%)	

Treasury Department, Division of Tax Research

December 10, 1942

1/ Net income before deduction of New York State income tax.

2/ 8 percent of gross income.

3/ Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond deduction under present law and alternative plan: amounts and effective rates

Married person without dependents

Gross income \$4,444
Net income 1/ 4,000

	: Present :	Plan :	:
	: law :	I :	:
NON-REFUNDABLE			
Victory tax, net	\$115	-	
Federal income tax	526	\$642	
Total non-refundable Federal taxes	<u>\$641</u>	<u>\$642</u>	
New York State income tax	26	26	
Total non-refundable	<u>\$667</u>	<u>\$658</u>	
REFUNDABLE			
Payroll tax (old-age contribution)	\$ 30	\$ 30	
Victory tax credits, maximum	76	-	
Income tax (compulsory lending)	-	741	
War bond deduction	<u>356</u> ^{2/}	<u>-</u> ^{3/}	
Total refundable	<u>\$462</u>	<u>\$771</u>	
GRAND TOTAL	\$1,129	\$1,439	
Effective rate	(28.2%)	(36.0%)	
Grand total excluding New York State income tax	\$1,103	\$1,413	
Effective rate	(27.6%)	(35.3%)	
Total Federal income and Victory tax, refundable and non-refundable	\$ 717	\$1,383	
Effective rate	(17.9%)	(34.6%)	

Treasury Department, Division of Tax Research

December 10, 1942

^{1/} Net income before deduction of New York State income tax.

^{2/} 8 percent of gross income.

^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond deduction under present law and alternative plan: amounts and effective rates

Married person without dependents

Gross income \$5,556
Net income 1/ 5,000

	: Present : law	: Plan : I	: :
NON-REFUNDABLE			
Victory tax, net	\$ 148	-	
Federal income tax	<u>735</u>	<u>\$ 893</u>	
Total non-refundable Federal taxes	\$ 883	\$ 893	
New York State income tax	<u>49</u>	<u>49</u>	
Total non-refundable	\$ 932	\$ 942	
REFUNDABLE			
Payroll tax (old-age contribution)	\$ 30	\$ 30	
Victory tax credits, maximum	99	-	
Income tax (compulsory lending)	-	993	
War bond deduction	<u>444</u> ^{2/}	<u>-</u> ^{3/}	
Total refundable	\$ 573	\$1,023	
GRAND TOTAL	\$1,505	\$1,965	
Effective rate	(30.1%)	(39.3%)	
Grand total excluding New York State income tax	\$1,456	\$1,916	
Effective rate	(29.1%)	(38.3%)	
Total Federal income and Victory tax, refundable and non-refundable	\$ 982	\$1,886	
Effective rate	(19.6%)	(37.7%)	

Treasury Department, Division of Tax Research

December 10, 1942

- ^{1/} Net income before deduction of New York State income tax.
^{2/} 8 percent of gross income.
^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond deduction under
present law and alternative plan: amounts and effective rates

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Married person without dependents

Gross income \$6,667
Net income ^{1/} 6,000

	: Present	: Plan	:	:
	: law	: I	:	:
NON-REFUNDABLE				
Victory tax, net	\$ 181	-		
Federal income tax	973	\$1,234		
Total non-refundable Federal taxes	\$1,154	\$1,234		
New York State income tax	75	75		
Total non-refundable	\$1,229	\$1,309		
REFUNDABLE				
Payroll tax (old-age contribution)	\$ 30	\$ 30		
Victory tax credits, maximum	121	-		
Income tax (compulsory lending)	-	1,178		
War bond deduction	533 ^{2/}	-		^{3/}
Total refundable	\$ 684	\$1,208		
GRAND TOTAL	\$1,913	\$2,517		
Effective rate	(31.9%)	(42.0%)		
Grand total excluding New York State income tax	\$1,838	\$2,442		
Effective rate	(30.6%)	(40.7%)		
Total Federal income and Victory tax, refundable and non-refundable	\$1,275	\$2,412		
Effective rate	(21.3%)	(40.2%)		

Treasury Department, Division of Tax Research

December 10, 1942

^{1/} Net income before deduction of the New York State income tax.

^{2/} 5 percent of gross income.

^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond
deduction under present law and alternative plan: amounts and effective rates

125

Married person without dependents

Gross income \$8,889
Net income ^{1/} 8,000

	: Present :	Plan :	:	:
	: law :	I :	:	:
NON-REFUNDABLE				
Victory tax, net	\$ 248	-		
Federal income tax	1,491	\$2,042		
Total non-refundable Federal taxes	\$1,739	\$2,042		
New York State income tax	139	139		
Total non-refundable	\$1,878	\$2,181		
REFUNDABLE				
Payroll tax (old-age contribution)	\$ 30	\$ 30		
Victory tax credits, maximum	165	-		
Income tax (compulsory lending)	-	1,447		
War bond deduction	711 ^{2/}	-		
Total refundable	\$ 906	\$1,477 ^{3/}		
GRAND TOTAL-				
Effective rate	(34.8%)	(45.7%)		
Grand total excluding New York State income tax	\$2,645	\$3,519		
Effective rate	(33.1%)	(44.0%)		
Total Federal income and Victory tax, refundable and non-refundable	\$1,904	\$3,489		
Effective rate	(23.8%)	(43.6%)		

Treasury Department, Division of Tax Research

December 10, 1942

^{1/} Net income before deduction of the New York State income tax.

^{2/} 8 percent of gross income.

^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond
deduction under present law and alternative plan: amounts and effective rates

Married person without dependents

Gross income \$11,111
Net income ^{1/} 10,000

	: Present :	Plan :	:
	: law :	I :	:
NON-REFUNDABLE			
Victory tax, net	\$ 315	-	
Federal income tax	2,079	\$2,878	
Total non-refundable Federal taxes	\$2,394	\$2,878	
New York State income tax	218	218	
Total non-refundable	\$2,612	\$3,096	
REFUNDABLE			
Payroll tax (old-age contribution)	\$ 30	\$ 30	
Victory tax credits, maximum	210	-	
Income tax (compulsory lending)	-	1,726	
War bond deduction	889 ^{2/}	-	^{3/}
Total refundable	\$1,129	\$1,756	
GRAND TOTAL			
Effective rate	\$3,741 (37.4%)	\$4,852 (48.5%)	
Grand total excluding New York State income tax	\$3,523 (35.2%)	\$4,634 (46.3%)	
Effective rate			
Total Federal income and Victory tax, refundable and non-refundable	\$2,604 (26.0%)	\$4,604 (46.0%)	
Effective rate			

Treasury Department, Division of Tax Research

December 10, 1942

- ^{1/} Net income before deduction of New York State income tax.
^{2/} 8 percent of gross income.
^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond deduction under present law and alternative plan: amounts and effective rates

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Married person without dependents

Gross income \$22,222
Net income ^{1/} 20,000

	Present law	Plan I
NON-REFUNDABLE		
Victory tax, net	\$ 648	-
Federal income tax	6,072	\$ 7,419
Total non-refundable Federal taxes	\$6,720	\$ 7,419
New York State income tax	731	731
Total non-refundable	\$7,451	\$ 8,150
REFUNDABLE		
Payroll tax (old-age contribution)	\$ 30	\$ 30
Victory tax credits, maximum	432	-
Income tax (compulsory lending)	-	3,239
War bond deduction	1,778 ^{2/}	- ^{3/}
Total refundable	\$2,240	\$ 3,269
GRAND TOTAL	\$9,691	\$11,419
Effective rate	(48.5%)	(57.1%)
Grand total excluding New York State income tax	\$8,960	\$10,688
Effective rate	(44.8%)	(53.4%)
Total Federal income and Victory tax, refundable and non-refundable	\$7,152	\$10,658
Effective rate	(35.8%)	(53.3%)

Treasury Department, Division of Tax Research

December 11, 1942

- ^{1/} Net income before deduction of New York State income tax.
^{2/} 8 percent of gross income.
^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

Income taxes, compulsory lending, payroll tax and war bond deduction under present law and alternative plan: amounts and effective rates

Married person without dependents

Gross income \$111,111
 Net income ^{1/} 100,000

	Present	Plan
	law	I
NON-REFUNDABLE		
Victory tax, net	\$ 4,524	-
Federal income tax	<u>59,968</u>	<u>\$68,292</u>
Total non-refundable Federal taxes	\$64,492	\$68,292
New York State income tax	<u>4,931</u>	<u>4,931</u>
Total non-refundable	\$69,423	\$73,223
REFUNDABLE		
Payroll tax (old-age contribution)	\$ 30	\$ 30
Victory tax credits, maximum	1,000	-
Income tax (compulsory lending)	-	3,600
War bond deduction	<u>8,889 ^{2/}</u>	<u>- ^{3/}</u>
Total refundable	\$ 9,919	\$ 3,630
GRAND TOTAL	\$79,342	\$76,853
Effective rate	(79.3%)	(76.9%)
Grand total excluding New York State income tax	\$74,411	\$71,922
Effective rate	(74.4%)	(71.9%)
Total Federal income and Victory tax, refundable and non-refundable	\$65,492	\$71,892
Effective rate	(65.5%)	(71.9%)

Treasury Department, Division of Tax Research

December 11, 1942

- ^{1/} Net income before deduction of the New York State income tax.
^{2/} 5 percent of gross income.
^{3/} Assuming that compulsory lending under Plan I will replace voluntary purchase of war bonds.

MEMORANDUM 129

From Mr. BRUÈRE

Date Dec. 14, 1942

To Henry Morgenthau, Jr. Esquire

You may be interested in seeing
some of our publicity.

Henry

*See my
copy*

Schedule of Appearances of
THE BOWERY SAVINGS BANK
NEWSPAPER ADVERTISEMENTS

T A X E S

Tuesday	December 15	Times
Wednesday	" 16	Mirror, World Telegram
Thursday	" 17	Herald Tribune, Journal-American
Friday	" 18	News, Post
Monday	" 21	World Telegram, Sun
Tuesday	" 22	Journal-American, Times
Wednesday	" 23	Post, Mirror
Monday	" 28	Sun, Herald Tribune
Tuesday	" 29	News

Note: The attached proofs show two advertisements, each divided into two parts. The smaller part appears in the front of the newspaper, the other part in the back. In the tabloids only the larger part appears.



TAXES

Unmarried

No dependents

Salary \$35 a week

About what will Federal
income and Victory taxes
cost her in 1943?

See Page —
of this paper

BOWERY SAVINGS BANK

Save for Taxes

★ ★ ★ ★ ★ ★ ★ ★



If you are single, have no dependents, and earn \$35 a week, you may count upon the Federal income tax and Victory tax costing you around two months' pay in 1943.

Your income tax will be about \$218. The Victory tax, deducted from your salary, will amount to \$57.20. Total cost, \$275.20.

Your first income tax payment will be due March 15. That is not very far away. Come to The Bowery now—and SAVE for taxes!

BOWERY SAVINGS BANK

110 East 42nd Street

130 Bowery

Fifth Avenue at 34th Street

Save for Taxes



TAXES



Man and wife

No children

\$5000 yearly income

About what will Federal
income and Victory taxes
cost them in 1943?

See Page—
of this paper

BOWERY SAVINGS BANK

Save for Taxes

★ ★ ★ ★ ★ ★ ★ ★



If you and your wife make \$5000 a year, and have no children or dependents, your combined Federal income and Victory taxes in 1943 will be around \$860.

Of this, about \$220 will be deducted from your salaries as a Victory tax. The remainder, around \$640, must be paid by you as income taxes.

Your taxes buy cannon. So you, of course, wish to pay. But paying \$860 out of \$5000 income is going to be hard. Realize this. Plan in advance . . . save in advance. Come to The Bowery—and SAVE for taxes!

BOWERY SAVINGS BANK

110 East 42nd Street

130 Bowery

Fifth Avenue at 34th Street

Save for Taxes



MEMORANDUM

December 14, 1942.

TO: The Secretary
FROM: Mr. Sullivan

TWS

The bill coordinating the Federal Reporting Services contained a provision exempting the Treasury Department as it was passed by the Senate. This exemption was stricken out in the House. A compromise satisfactory to the Treasury Department was made by the conferees and both houses have now passed the Bill.

The final bill states that this Act shall not apply to the obtaining or releasing of information by the Bureau of Internal Revenue, the Comptroller of the Currency, the Bureau of the Public Debt, the Bureau of Accounts, and the Division of Foreign Funds Control of the Treasury Department. Also exempt is the obtaining by any Federal bank supervisory agency of reports and information from banks. This latter exemption is made in behalf of the Federal Deposit Insurance Corporation and the Federal Reserve System.

TREASURY DEPARTMENT

136

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE December 14, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending December 12, 1942.

Summary

Retail food prices: Continue upward. BLS index of retail food prices in mid-November 1.2 percent higher than a month earlier. This further advance extended the rise in food prices to 40.2 percent since outbreak of the war in 1939.

Wholesale prices: Strength in prices of farm products last week carried BLS index of basic commodities to a new high 71.4 percent above pre-war level of August 1939. Adjournment of Congress, however, will remove inflationary threat of new farm parity proposal until next session.

Food shortages: Reports of maldistribution and shortages of essential foodstuffs increasing. OPA said to be rushing preparations for rationing of meats, cheese, dairy products and possibly canned goods.

Retail trade: Department store sales in week ended December 5 rose 9 percent above year-earlier levels under stimulus of heavy Christmas buying. Sales of 28 leading chain and mail order companies in November ran 9 percent above the corresponding month in 1941, with widest gains shown by apparel, grocery, and general merchandise chains.

Consumer goods: Further curbs on civilian goods supplies forecast by WPB. Steel available for civilian use in 1943 will be only 1 1/2 percent of the 1940 total, and practically no high grade aluminum will be available for such use.

War construction: Government-financed construction for war purposes in October declined further from the August peak. The total for October was estimated at \$1,473,000,000, a decline of 4 percent from the previous month.

- - - -

- 2 -

Retail food costs up 1.2 percent

Food prices are continuing to rise. As of mid-November, the BLS index of retail food prices has risen 40.2 percent since the outbreak of the war in 1939. (See Chart 1, upper line.) Its advance of 1.2 percent from a month earlier presages another rise in the BLS cost-of-living index.

Living costs as a whole, according to our estimate based on BLS and Conference Board data, advanced 0.6 percent between mid-October and mid-November. Components other than food costs remained practically unchanged. (Shown on Chart 1.)

Commodity prices rise sharply

Staple commodity prices were increasingly buoyant last week. Continued heavy Government orders for textiles and foods lent strength to markets already affected bullishly by the bill to include wage costs in the farm parity formula. Moodys' index of spot prices rose to its highest level in two months, and the Dow-Jones commodity futures index advanced to its highest point since July. (See Chart 2.) Prices receded somewhat at the end of the week, as the prospective adjournment of Congress threatened to kill the new farm parity bill.

Prices of basic farm products rose sharply last week, and the BLS index of 9 uncontrolled commodities again reached a new peak, carrying with it the combined index of 28 basic commodities. (See Chart 3.)

Grain prices were strong, with flaxseed leading the market. The statistical situations for flaxseed and other oilseeds are growing more bullish. Wheat prices were strengthened by small offerings by farmers, who have been slow to market their grain. Prices for livestock increased as demand for meat products continued in excess of production. Cotton prices reached their highest since July in response to additional Government textile orders and anticipation of more to come.

Reports are current that the flour price ceilings (with no ceiling on wheat) are making it unprofitable for millers to produce flour, and that many millers are planning to adjust their operations to enable them to produce granular flour for conversion into alcohol. The National Millers Federation has informed Economic Stabilization Director Byrnes and Food Administrator Wickard that 80 to 90 percent of the country's mills find it impossible to offer flour for deferred shipment at the ceiling level, because of the recent upturn in cash wheat and the lack of "free" grain.

- 3 -

In the week ended December 5 the general level of wholesale prices, as measured by the BLS index of nearly 900 commodities, remained unchanged at the average of 100.1, the 16-year peak prevailing since November 14. This level is 33 $\frac{1}{2}$ percent above that of August 1939.

Further rise in living costs indicated

Some further increases in living costs under OPA regulations continue to be indicated. Moderate rises in wholesale prices of beef will be allowed in an order, effective December 16, which sets specific dollars-and-cents ceilings for meat packers, by ten zones. Although retail meat ceilings were not changed, but are still pegged at each dealer's highest March price, the OPA has stated that changes in retailers' ceilings will come whenever necessary to prevent too great a narrowing of their profits. The remedy will be an order specifying fixed margins over cost. Press reports indicate that such action probably will be necessary within a month, and in some instances will necessitate increases in retail prices.

A one-cent per quart increase in the retail price of grade-A milk in seven Western New York counties has been authorized by the OPA. The authorization was made to prevent possible shortages of milk products. It was reported that in many cases farmers have withdrawn dairy products from local markets and sold them to distributors in the Buffalo area for higher prices.

Distributors of canned vegetables and fish, and dried fruit, have been granted another month in which to take advantage of the alternative pricing method which was effective October 15. This extension allows wholesalers until December 31 to calculate maximum prices for these items, and retailers until January 31. Since adjustments under this method will be upward, the extension has the effect of spreading out this rise in food costs. Placing bituminous coal mining on a six-day week, which is anticipated early in 1943, will result in an average price rise of 20 to 23 cents a ton, according to a producer's estimate reported by the press.

Action against price control violations

As living costs continue to rise the suspicion is growing among consumers that widespread violations of retail

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ceilings are occurring. In some degree this is evidently true, and it appears that the OPA faces the greatest enforcement problem since Prohibition. OPA investigators, according to press reports, have found that 40 percent of 12,000 meat and grocery stores, and 70 percent of 500 Eastern gasoline stations are breaking regulations. In an effort to stem this tide, legal action is now being taken on a broad front.

The OPA last week took its first action against department stores, charging two leading Washington stores (Hecht's and Woodward and Lothrop) with violations of the general maximum price regulation, including the sale of items priced above their March ceilings. In addition, six restaurants in New York were charged with understating their coffee inventories. An injunction suit was filed by the OPA against a steel corporation for paying higher than ceiling prices for scrap metal. A rent enforcement drive was begun when the Department of Justice brought charges alleging violations against 60 landlords in widely scattered defense areas.

Food shortages point to need for rationing

As the Department of Agriculture is being reorganized to deal with war-time food production and distribution, widespread reports of maldistribution and shortages of essential food products are appearing in the press. Principal causes continue to be the increased purchasing power of industrial workers, war-time shifts in population, lend-lease and other foreign requirements, and purchases for the armed services.

Most meat-packing houses in Detroit and some in other cities were reported to be closing down until after the holidays, largely because packers have already used up most of their quotas for the remainder of 1942. In New York, meat supplies are being drawn upon by the Army for emergency buying, depleting civilian supplies. Food maldistribution is reported on the Pacific Coast, and in such Eastern cities as Cleveland, Philadelphia, and Pittsburgh. Supplies of butter, canned goods, and meats have for some weeks been informally restricted by grocers in many cities throughout the country. As a result, the OPA is reported to be rushing preparations for rationing of meats, cheese, and dairy products, and possibly of canned goods.

1942 cotton forecast reduced

The 1942 cotton crop is now estimated at 12,982,000 bales, according to the Department of Agriculture's report

- 5 -

as of December 1. A decline of 347,000 bales from the November estimate, amounting to 2.6 percent, was ascribed to damage from unfavorable weather and insects and inability of some growers to obtain adequate harvesting help. The yield averages 275.1 pounds per acre, a record for this country.

Retail trade at new peak

Under the stimulus of heavy Christmas buying, department store sales in the week ended December 5 rose sharply to a new high for the year and exceeded year-earlier levels by 9 percent. (See Chart 4.) Preliminary reports indicate that further sales expansion occurred in the past week, and that the seasonal peak will be reached during the current week. It now appears likely that the current week's sales will set an all-time record, although it is barely possible that this year's earlier-than-usual Christmas shopping may cause results to fall slightly short of the record set in the week ended December 20, 1941.

Chain store sales higher in November

Preliminary reports covering November sales of 28 leading chain and mail order companies reveal an aggregate increase of around 9 percent over the corresponding month in 1941. Apparel, grocery, and general merchandise chains made the strongest showing, with the last 2 groups recording gains of 26 and 22 percent, respectively. On the other hand, chain stores in the automotive supplies and men's wear groups showed sharp declines from year-earlier levels, in reflection of automotive restrictions and the large number of men in the armed services. Sales results in the mail order field were mixed, with Sears, Roebuck showing a decline of 4 percent and Montgomery Ward reporting a gain of 8 percent.

Further curbs on consumer goods indicated

In contrast with the soaring sales levels of recent months, indications continue to point toward a diminished volume of consumer buying during the coming year. In addition to the restrictive effects of heavier taxes, war bond buying and rationing, further curbs on civilian goods supplies were forecast last week by the new director of the WPB's Civilian Supply Branch. Among other factors he pointed out that the amount of steel available for civilian uses in 1943 will be only 1 1/2 percent of the 1940 total. Practically no high grade aluminum is expected to be available for civilian use in 1943.

- 6 -

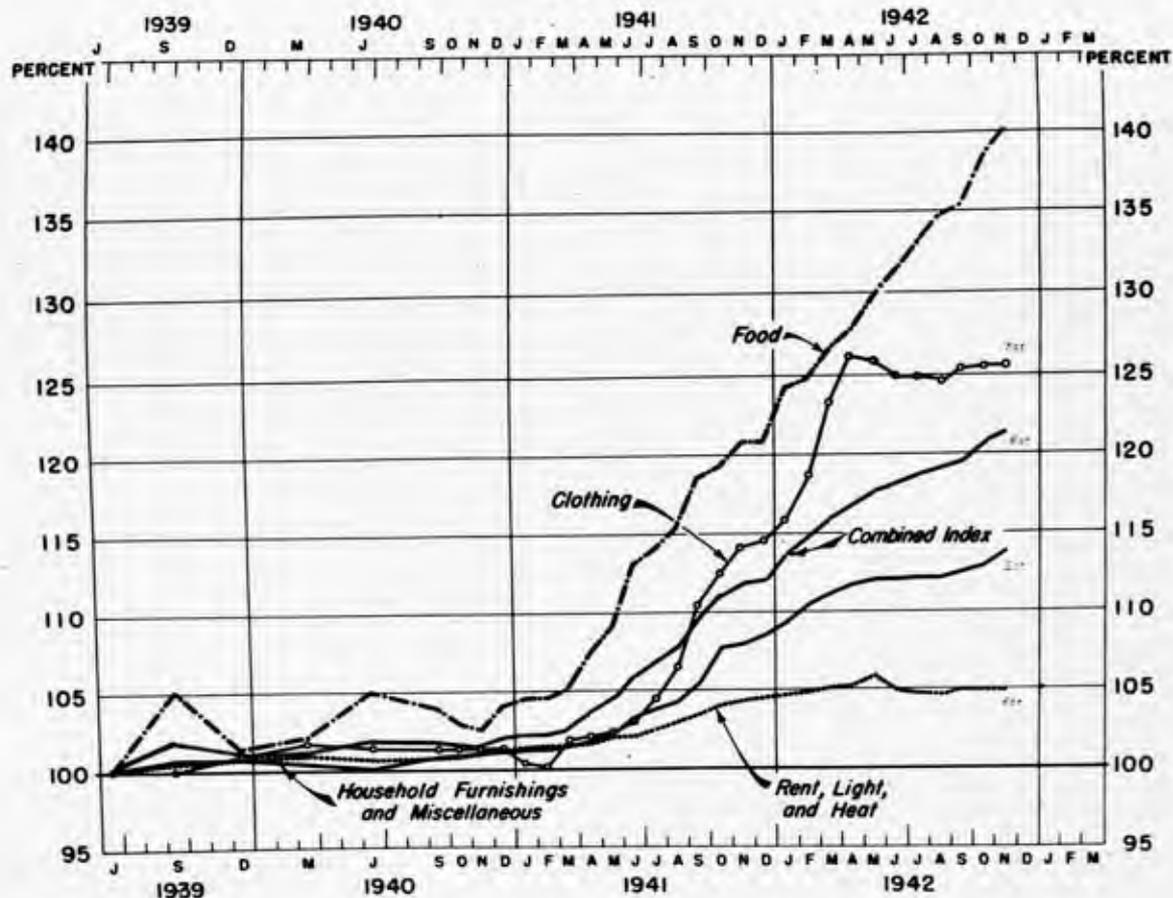
Steel situation improved

Although steel operations have declined from the peak reached at the end of October, operations improved moderately to 98.6 percent of capacity last week, and trade sources report that the industry has benefited recently from controls imposed on consuming industries and the perfecting of allotment orders. (See Chart 5.) Due partly to the shorter month, steel ingot production in November was 400,000 tons below the record October peak of nearly 7,600,000 tons. Production, however, was still about 200,000 tons above the 1941 level.

With the peak in war plant construction passed, pressure on the steel industry from this source has relaxed to the extent that requirements for structural steel shapes are being set at 325,000 tons a month as compared with 480,000 tons monthly in mid-summer. During the past week it was revealed that Government-financed construction for war purposes showed a further decline in October from the August peak. The total for October was estimated at \$1,473,000,000 as compared with \$1,534,000,000 in the previous month.

COST OF LIVING AND SELECTED ITEMS

June 1939=100



Source: B.L.S.

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

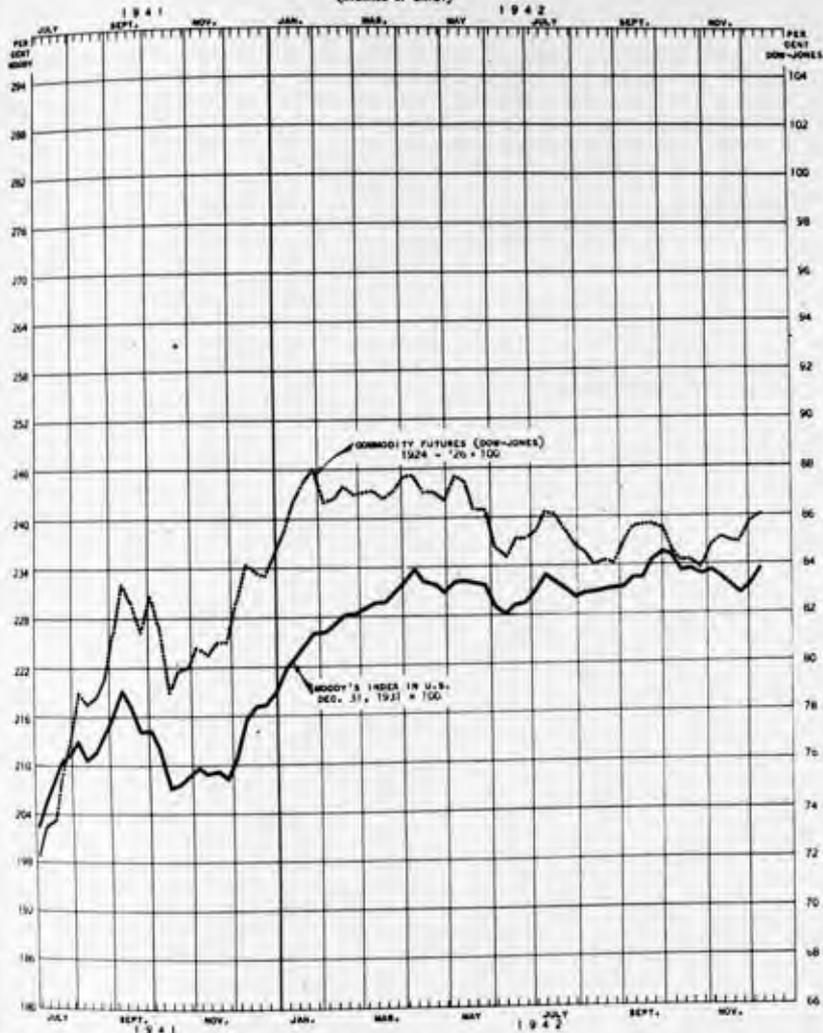
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142

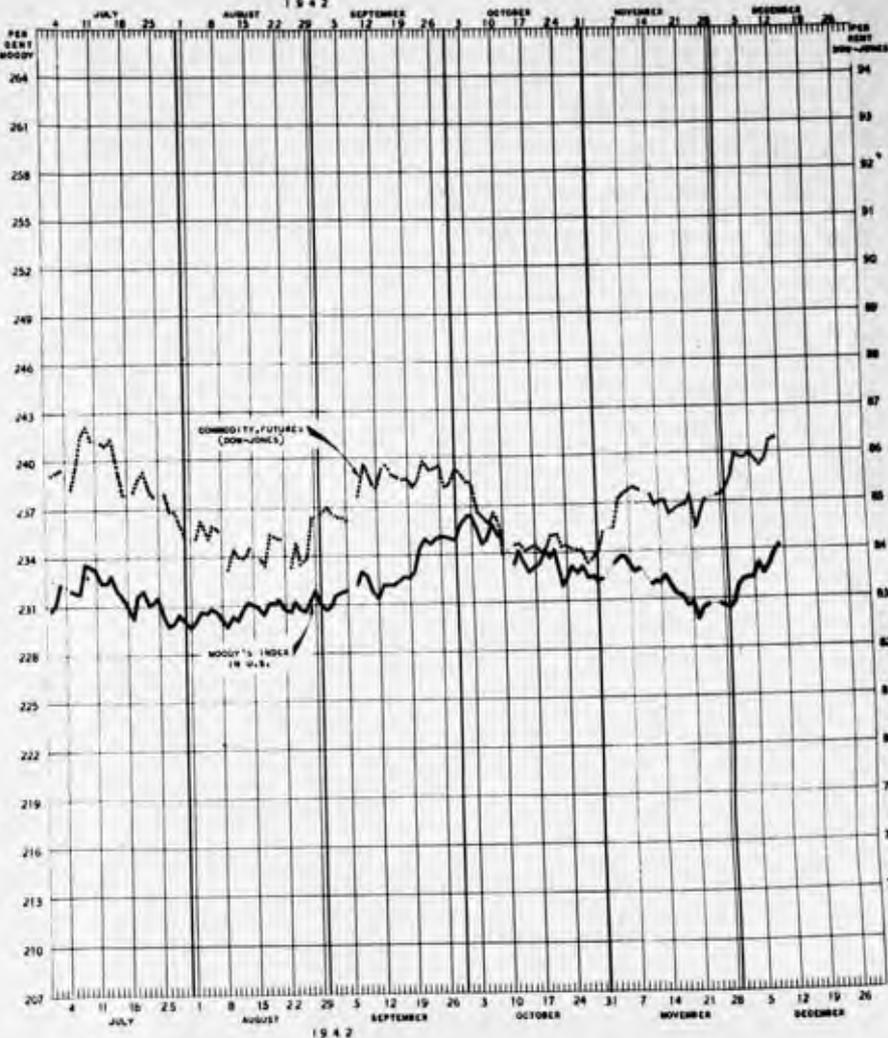
Chart 1

COMMODITY PRICE INDEXES IN U.S.

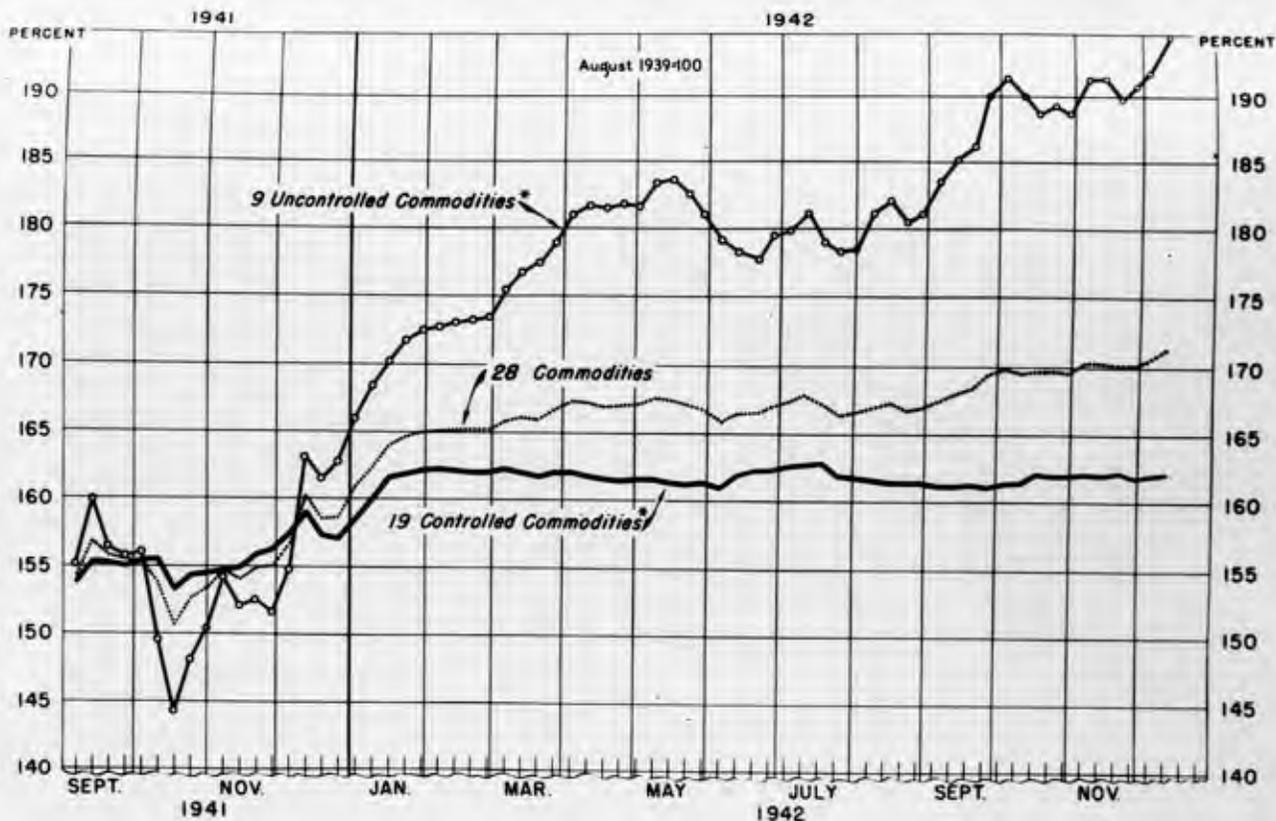
Weekly
(AVERAGE OF DAILY)



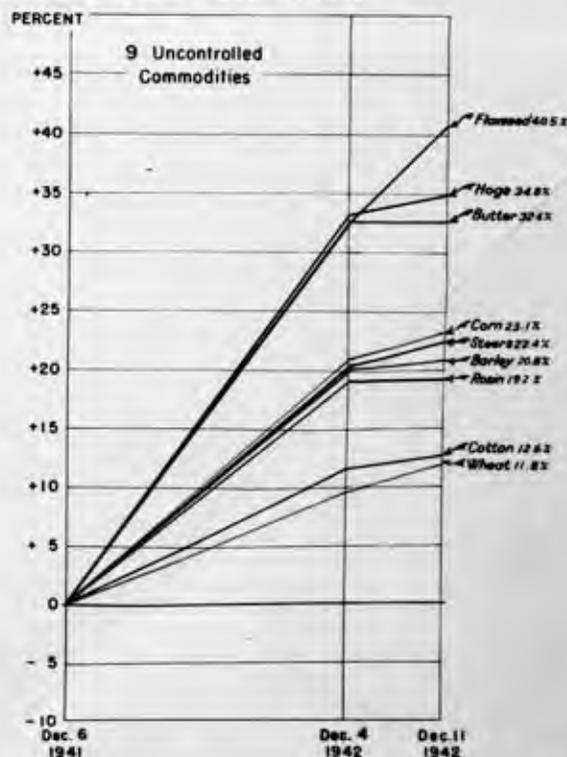
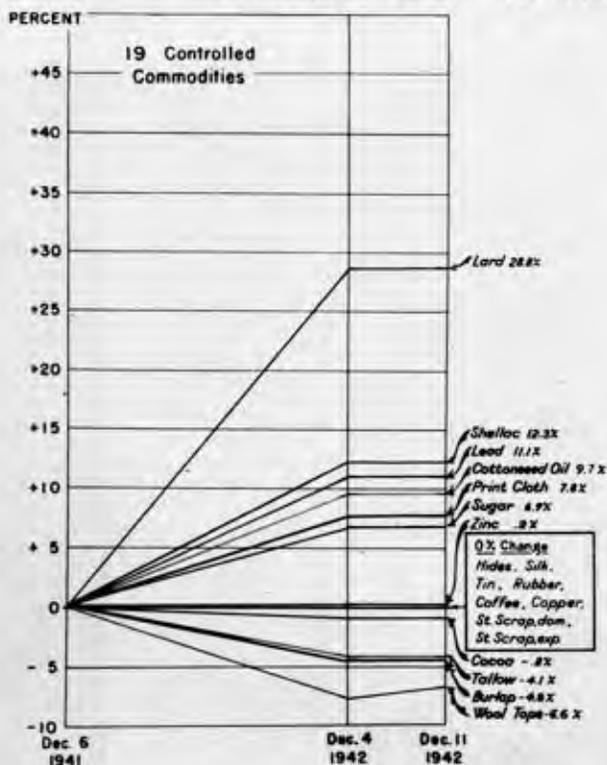
Daily
1942



MOVEMENT OF BASIC COMMODITY PRICES



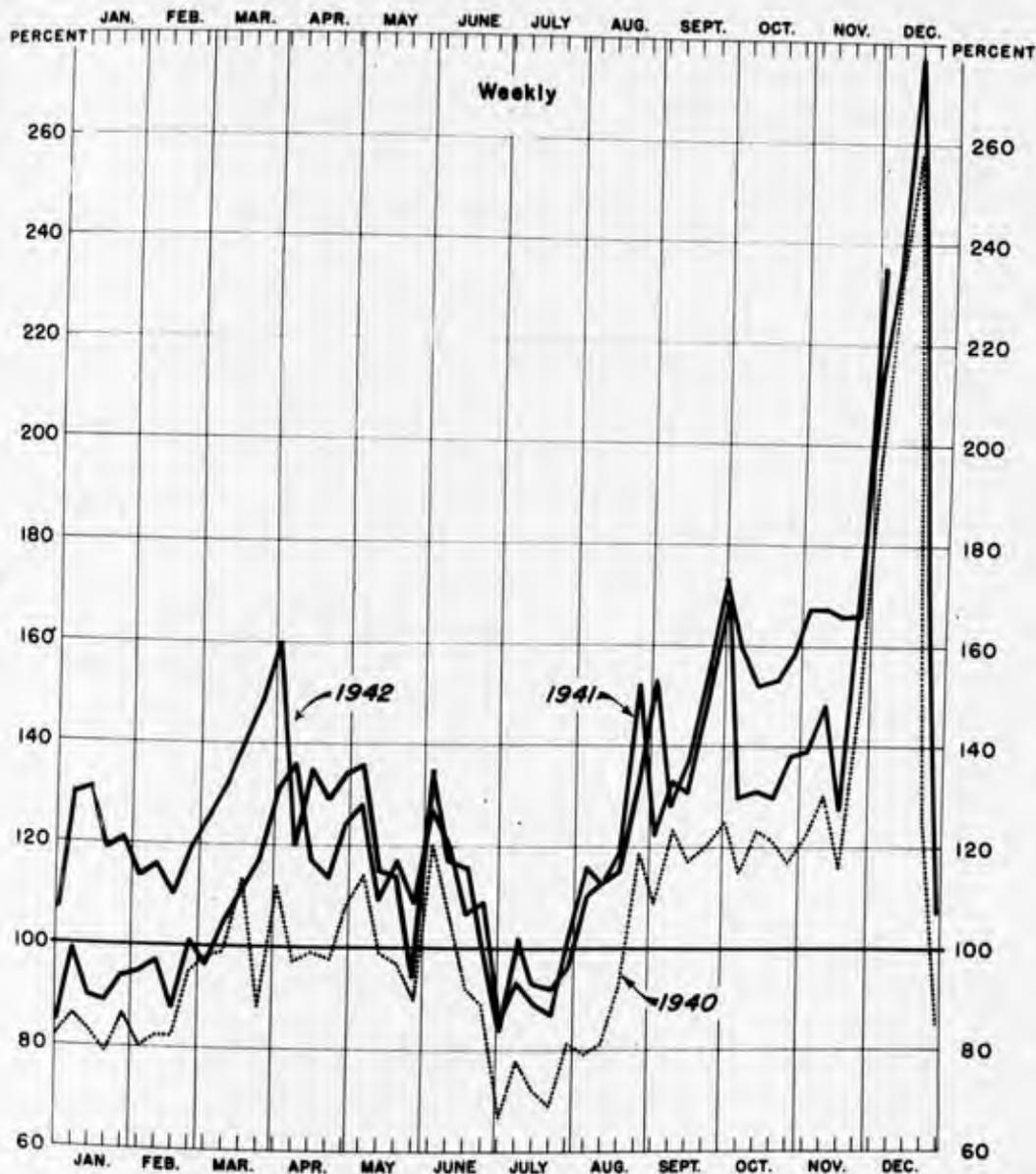
PERCENTAGE CHANGE DEC. 6, 1941 TO DEC. 4 AND DEC. 11, 1942

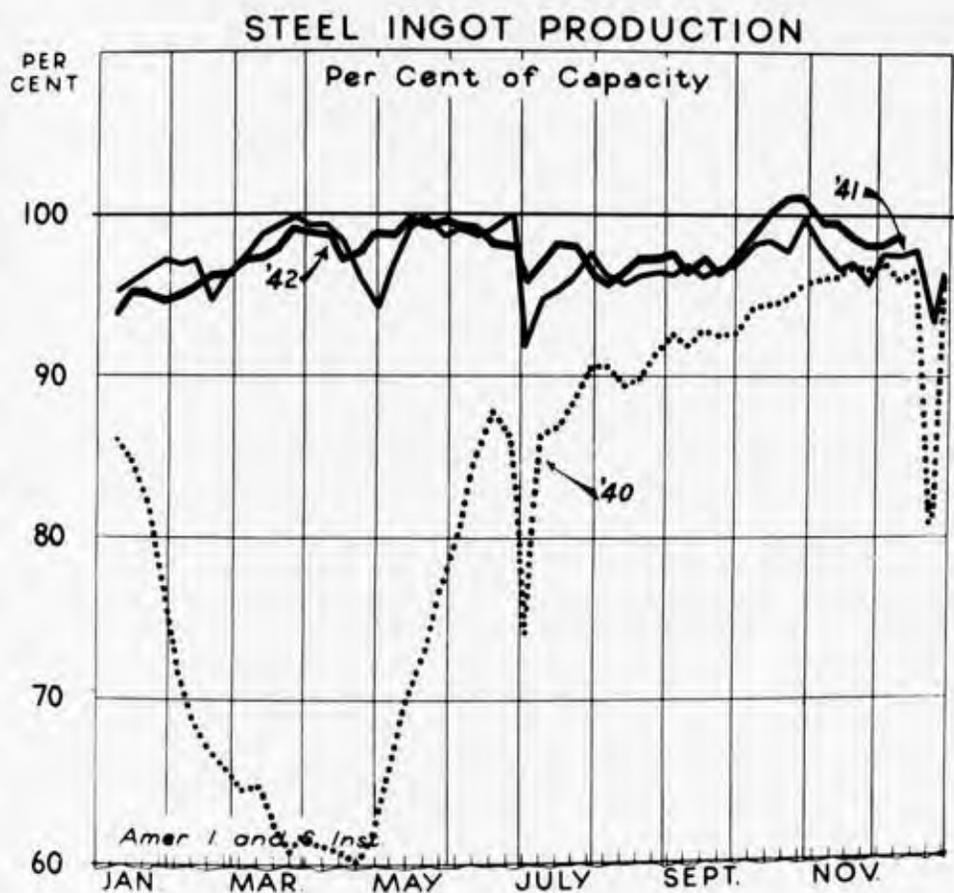


* 20 Controlled and 8 Uncontrolled previous to June 26

DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted





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

C-419

✓
12/14/42

TO:

147

The Secretary

I hear that Prentiss Brown told a friend that he had been offered the position of Under Secretary of the Treasury, but that he didn't think he would take it because he didn't want to be held responsible for Treagury fiscal policies. He said Wickard had offered him an Assistant Secretaryship, but he didn't think he could be confirmed. Jesse Jones has offered him anything he wants, including a bank job in Michigan, which he thinks he will take if he finds he can't get Byrnes's former place on the Supreme Court, which is the one thing he really wants.

WGS
FROM: MR. GASTON

14

Treasury Department
Office of the Under Secretary

Date: 12/14

To: The Secretary
From:

I believe you
will be interested in
reading attached letter
on colored situation in our
Chicago office. SWB

TREASURY DEPARTMENT
FISCAL SERVICE
CHICAGO, ILL.



Dear Mr. Broughton:

In accordance with the plans which were made in your office three weeks ago, Mr. Jesse Thomas of the War Savings Staff arrived in Chicago on Thursday, December 10, to participate in a conference with certain local citizens who were interested in our policy with regard to negroes. Mr. Claude Barnett, of the Associated Negro Press, was out of the city and not available for this meeting. Miss Charlotte Carr felt it would be better if she did not attend. It seems that the committee with which she had been working was rather displeased with the fact that she had written to Mrs. Morgenthau, and since Mr. Morris Allen (who is the chairman of the committee with which she has been working) was being invited, she did not feel she should come in her capacity as Director of Hull House or as a friend of the Secretary's. However, she was very much interested in the outcome of the conference, and was more than willing to do what she could in any other capacity. Those who attended the meeting, in addition to Mr. Thomas, were Mr. A. L. Foster of the Chicago Urban League, Mr. Morris Allen of the Fair Employment Practices Council of Metropolitan Chicago, and Mr. Austin Scott of the War Manpower Commission.

At this meeting, the men were given some background of the problem and told that we had been working it out as rapidly as we could. It was further explained to them that the ultimate solution of the problem had been hampered by reason of the fact that certain of the more aggressive groups, such as the March on Washington group, had posted pickets. I pointed out that the question of segregated units had been cleared with the Secretary and he had approved of our recommendation to eliminate colored units altogether. I told them the reason we had called them together was that we had appreciated working with them and felt they were the ones who should be given credit.

It was explained how Edgar G. Brown almost upset the applecart by the show he put on in your office that Friday afternoon, and we felt it would be most unfortunate if he were able to exploit this problem in the eyes of the colored community in Chicago. Mr. Thomas was very helpful in talking this problem out and all agreed it was important to prevent Brown from exploiting this situation.

RECORDS
SECTION

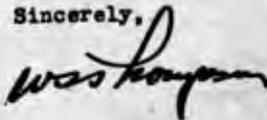
After a little discussion, it was decided that Mr. Thomas, who is an unpaid member of the Associated Negro Press, would prepare a story which he would give to this press association. The gist of the story was to be that these men had met in my office and that at this meeting they were informed of the change in policy in regard to the Chicago Office of the Bureau of the Public Debt, but that this change did not necessarily represent an established policy of the Treasury Department throughout the country. I pointed out to them that I was not in a position to say what the policy of the Department would be in other than this office. This announcement seemed to be received most cordially by these men, and I felt that we obtained substantial good will as a result of it. We expect to start Monday to dismantle our colored units. We plan to change one at a time and probably have it completed by the first of the year.

Miss Lucia Pitts, whom we have been considering for a position of Employee Relations Investigator here, arrived from Washington on Friday, December 11, and was interviewed by Mr. Powell, Mr. Scott and myself. We spent about an hour and a half with her and talked out thoroughly her duties and relationship to the office. I think Miss Pitts will make a satisfactory person in this position. Miss Carr had lunch with her on Thursday and was very much impressed.

Miss Pitts had certain suggestions that she had been thinking about which were based upon her experiences in some of the other Government offices and her concept of this office which she had gained prior to our talk. Several of her ideas were not in keeping with our approach, and in talking the question out she recognized it. Certainly the article she wrote as a guest writer for the Federal Diary Column in the Washington Post is very close to our approach to the problem. Miss Pitts recognizes that there are many colored employees who need help and guidance in making a suitable adjustment to working in an office of this character, and she is willing to assist us in making the adjustment.

I would summarize our impressions of Miss Pitts by saying that she appears to be intelligent, loyal and reasonable. However, she has a mind of her own, is sensitive and will need our careful attention for a while. I think there is every reason to expect that we shall find her to be a very satisfactory person in this position after we all get to know each other better.

Sincerely,



Mr. W. S. Broughton,
Commissioner of the Public Debt,
Treasury Department,
Washington, D. C.

December 14, 1942

Dear Senator Connally:

Secretary Morgenthau has asked me to send you the enclosed copy of a letter from Air Marshal Evill of the British Joint Staff Mission here. The last paragraph contains an expression of thanks to you.

Sincerely,

Ferdinand Kuhn, Jr.,
Assistant to the Secretary.

Hon. Tom Connally,
United States Senate,
Washington, D. C.

FK/cgk

Enclosure.

December 14, 1942

Dear Mr. Pfeifer:

I think you will be interested in the enclosed copy of a letter to Secretary Morgenthau from Air Marshal Ewill of the British Joint Mission Staff here in Washington.

You will see in the last paragraph an expression of thanks to you for your kindly gesture in sending the film of the late Sergeant Huntley to his mother in Rhodesia.

Sincerely,

Ferdinand Kuhn, Jr.,
Assistant to the Secretary.

Mr. Lafe R. Pfeifer,
Majestic Theatre Building,
Dallas, Texas.

FK/cgk

Enclosure

DEC 1 1942

153

BRITISH JOINT STAFF MISSION
OFFICES OF THE COMBINED CHIEFS OF STAFF
WASHINGTON

AIR STAFF

28th November 1942

Dear Mr. Morgenthau,

Thank you for your letter of November 23rd enclosing a letter from Mr. Peeifer to Senator Connally and the film to which it refers.

I will be only too glad to arrange for its despatch to Mrs. Huntley in Rhodesia.

It is a fortunate chance that so good a picture of Huntley is available and a very kindly thought on the part of Mr. Peeifer to make this film available to Huntley's parents. I am sure they will appreciate and treasure it.

I would be most grateful if you would convey to him and to Senator Connally my thanks and appreciation of their kindly act.

Yours sincerely,

Joe Egan

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

ENCLOSURE

DEC 14 1942

Dear Eleanor:

I have received your memorandum of December 10, 1942, and the attached letters concerning the problem of the sister of Dr. Kurt M. Semon.

We cannot tell from the material at hand exactly what is involved. It seems very likely, however, that this is what is known as a "ransom case" in which the Germans are attempting to extort money from the American relatives of one of their victims. You may have noticed a recent announcement of the Department of State, a copy of which is attached, in which it was mentioned that the Nazis are using this method to obtain foreign exchange. If this is the case, I am afraid there is very little that can be done, inasmuch as both the State Department and we are in agreement that the Germans cannot be permitted to carry out these schemes, and it would be contrary to the policy of Foreign Funds Control to license any transactions in connection with them.

- 2 -

It may be, however, that the amounts mentioned are simply visa guaranties which are required by the Swiss Government from persons entering Switzerland. In such cases licenses are issued to pay the amount of the guaranty in accordance with the requirements of the Swiss Government. If Dr. Semon can establish that this is the case, I suggest that he file an application with the Federal Reserve Bank of New York setting forth all the relevant facts.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

Sent by Sturgis 5:45 12/14/42

File in Diary

MLHoffman/af - 12/12/42

DEPARTMENT OF STATE

FOR THE PRESS

NOVEMBER 24, 1942
No. 558

Information in the possession of the Government of the United States indicates that the German authorities are developing an organized business of selling exit permits from occupied countries. In practice, the Germans are attempting to obtain from relatives and friends of persons in these countries the payment of ransom, payment being made in neutral currency useful to the German war effort. Similar information has been received by the British and Netherlands Governments.

The manner in which this system of extortion is carried on is described in a report to the Department by one of our missions abroad in the following terms:

"The ransom system as practiced at present seems to be an extension of the practice instituted by the Nazi Government whereunder emigrants were permitted to leave Germany if the state were compensated on their departure by all of their visible wealth, with the exception of a small percentage, usually reduced in effect to about ten or twelve and one-half percent, which the emigrant was permitted to retain and to export abroad. It is very apparently designed to provide foreign exchange for the furtherance of the German war effort (though there may be reason for suspicion that individual members of the Nazi Party may personally profit by it). The United States is looked upon as the most fruitful source of the expected funds; and banking agents, or other intermediaries, have been canvassing means for circumventing American laws and the Treasury Regulations governing money exports, in an effort to provide the ransom sums demanded.

"In the hostage and ransom system the victims are subjected to terrorization whereby their desire to find refuge in one of the United Nations or a neutral country is immeasurably increased. First, they are made the victims of unbearable restrictions designed to make life not worth living, usually under confinement in vile concentration camps; and, second, they are faced with the threat of deportation to domains in Eastern Europe, with the prospect of an unknown and possibly horrible fate awaiting them there."

The system seems to have been applied particularly to persons in the Netherlands and has developed to the scale of a regular traffic. The sums demanded vary

according

according to the financial resources of the victims. Amounts as high as \$75,000 for a single person have been quoted. These sums are required to be paid into an account in the name of some intermediary in a bank in a neutral country, from which the money is eventually transferred to the credit of the German Reichsbank.

Methods of combating this barbaric and inhuman practice have been the subject of discussion between the United States Government, the British Government, and the Government of the Netherlands. All three governments are agreed as to the need for energetic measures to repress this traffic. The most effective means of dealing with extortion is to prevent the extortioner from benefitting from his viciousness. If the Germans can be prevented from obtaining the sums they are demanding for the release of hostages, their incentive to find new victims will be removed. Yielding to these attempts at extortion merely encourages the Nazis to employ them against other helpless victims.

The three governments have also had in mind the substantial benefit which would accrue to the German war effort if this traffic were permitted to develop. The degraded methods which the Germans are using are a measure of their desperation for foreign exchange and serve to indicate both the difficulty which the enemy is having in producing goods for exportation to the neutral countries and the effectiveness of the United Nations financial blockade.

Warning is hereby given that any person in a country to which the Proclaimed List of Certain Blocked Nationals applies who acts as a broker or agent in this traffic will immediately be included in that list and thereby be publicly designated as an enemy. Furthermore, persons in such countries who pay ransom are warned that they are assisting the enemy in his war effort and are rendering themselves liable to treatment as enemies.

One of the purposes of the freezing control regulations administered by the Treasury Department is to prevent practices of this sort. The Department understands that no licenses under the freezing regulations have been granted to persons in the United States to make such payments and that the Treasury Department has investigated a number of cases of attempts to extort ransom payments from persons in this country. It would be a violation of the freezing regulations and of the Trading with the Enemy Act to make such a payment without a license, and the Department is informed by the Treasury Department that in case of such a violation all appropriate sanctions would be invoked against the persons participating.

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THE WHITE HOUSE
WASHINGTON

December 10, 1942

Memorandum for Honorable Henry Morgenthau, Jr.

Dear Henry:

Can anything be done under the circumstances as stated in this correspondence from George Bye and Mr. Kurt M. Semon?

E.R.

1942 DEC 11 11 40 AM

COPY

GEORGE T. BYE
and Company
535 Fifth Avenue
New York

December 8, 1942.

Dear Mrs. Roosevelt:

Here is a gentleman with a great deal of pain in his heart, Dr. Kurt M. Semon, who is publisher of two American magazines, STORY and AMERICAN COLLECTOR, and a director of STORY PUBLISHING which produces some books. He is a refugee, and he has a cable from a friend in Basle, Switzerland, indicating that his sister is in great danger and asks for 50,000 francs.

The sister married a Dane. Dr. Semon does not know if she still retains Danish citizenship or where she is.

Permit me to lay before you Dr. Semon's letter. If this interests you at all I will be glad to hear as this would hearten this agitated man.

Thank you.

Faithfully yours,

/s/ G.T.B.

Mrs. Franklin D. Roosevelt,
The White House,
Philadelphia, Pa.

COPI

December 8, 1942

KURT M. SIMON
432 Fourth Avenue
New York

Mr. George Bye,
535—5th Avenue,
New York City.

Dear Mr. Bye:

At your request, I am sending you a summary of the facts concerning my sister.

On December 1, I received a cable from Basel, Switzerland, the text of which was as follows: "Message Annemarie for you, greatest lifedanger, imploring for fifty thousand francs stop this proceeding contrary to American regulations stop Can you help otherwise signed Hans Feist Bernerhof Basel Switzerland.

My only sister, Annemarie Von Klenau, divorced since long from her husband, Paul Von Klenau, Danish, a noted composer and conductor who sided with the Nazis, lives for many years at her small country place in Upper Bavaria with two of her daughters. She is of Jewish parentage but, since her early childhood, of Christian faith. She is also the sister of Dr. Heinrich Simon, a known musicologist, who was well known to Mrs. Watson, who was slain last year in Washington. As far as I know, my sister was never molested before.

I sent two cables to Basel, asking to be advised on the specific problem and asking if my sister already had a Swiss visa. No answer has been received. I also had the advice of Mr. Lawrence Greenbaum of Greenbaum, Wolfe & Ernst, brother of Edward Greenbaum, of Washington. I am aware of the fact that no money can be sent if the fifty thousand francs would be asked by the German authorities for an exit permit and that if the fifty thousand francs should be asked by Swiss authorities as an entry deposit, a special permit by the Federal Reserve Bank would be necessary. My lawyer advises me to abstain from sending other personal messages to Switzerland.

Mr. Feist, sender of this cable, is known to my sister and

- 2 -

myself since many years. I have no doubt that his cable reflects a frightening and terrible situation.

I wish to express my hearty thanks for your kind interest in this most vital matter.

Very sincerely yours,

(signed) Kurt M. Simon

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China

DATE: December 14, 1942, 6:00 p.m.

NO.: 1224

This is a message from the Secretary of the Treasury for Mr. Adler.

Section I.

a. At present approximately 350 American missionaries in China are supported by the Catholic Foreign Missions Society of America which during the past year has remitted about \$350,000 to China for the support of these missionaries. Some time ago Father Mark Tenien, the Missions Society's representative in Chungking, began receiving Chinese dollars from businessmen with the promise to establish dollar credits in this country for persons chosen by these Chinese businessmen. The Missions Society was advised by Father Tenien that approval of this practice was given by the Government of China. Already some credits have been established on the books of the Society at Father Tenien's request. Payments have been made in a few cases and are pending in others.

b. The attention of the Treasury was called to this matter when the Society made application for a license to open in the name of the Missions Society a special blocked account to which such U.S. dollars would be credited as the Society received instructions to pay to people in this country. It was the intention of the Society to keep this special account blocked until the war had ended.

c. The Missions Society's application was refused by the Treasury who referred the Society to General License No. 75. The Treasury also advised the Missions Society that a Treasury license would be required for payments in accordance with their arrangement which are now pending; and suggested that accounts which are now held on the books of the Society for blocked nationals be segregated and deposited in a domestic bank in appropriate accounts. In effect, the use of the above-described arrangement to make remittances to China has been forbidden the Missions Society.

Section II

The Treasury Department desires any suggestions, comments and information which you may have on the above-mentioned matter. You are requested to include answers to the following questions:

a. RE

a. Was the permission of the Government of China secured for this arrangement by Father Tenien?

b. Was this arrangement known to the Stabilization Board? Was it consulted in regard to this?

c. Does the Government of China have any other similar arrangements?

d. In what way are the functions and operations of the Stabilization Board affected by such arrangements, if the Government has entered into them?

e. In regard to the Treasury's position in respect of the application of the Catholic Foreign Missions Society of America, what reactions do you have?

f. Would Treasury require that the Society get prior approval by the Board before any payments which the Society may desire to make in accordance with the arrangements made with Chinese businessmen made after the effective date of General License No. 75 be desired by the Stabilization Board?

HULL
(FL)

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 432

Information received up to 7 A.M., 14th December, 1942.

1. NAVAL

A convoy of two ships from the Eastern Mediterranean arrived at MALTA early this morning. On 13th one of H.M. Submarines torpedoed and drove ashore a heavily laden ship off SOUSSE.

2. MILITARY

LIBYA. On the morning of the 12th a reconnaissance in force was made by one infantry brigade towards BIR ES SUERA. This brigade was attacked by the Germans and withdrew slightly and dug in some 3000 yards forward of their start line. During the night 12th/13th the enemy withdrew his forward posts. By the morning of the 13th our leading troops were 8 miles west of MARSA BREGA and those to the south were also making good progress.

TUNISIA. During the night 10th/11th our forces withdrew and are now holding a line running roughly northwest from TESOURE. We still hold MEDJES EL BAB. On the 11th an enemy infantry and tank attack on MEDJES EL BAB was repulsed.

3. AIR OPERATIONS

WESTERN FRONT. 13th. Fighters and fighter bombers attacked communications in north-west GERMANY and occupied territory. Barges, tugs, several locomotives and a train were hit. Hampdens torpedoed a 4,000 ton ship off NORWAY and probably torpedoed another. We lost 3 aircraft.

ITALY. NAPLES. 11th/12th. R.A.F. Liberators from LIBYA started fires near the power station and an airframe factory.

SICILY. 12th/13th. 4 Wellingtons bombed PALERMO Docks.

TUNISIA. 11th. 6 Mitchells bombed a railway bridge north of SPAX. 11th/12th. Marauders bombed and hit GABES Railway Station.

TRIPOLITANIA. 12th. Marauders bombed a wireless station at TRI-POLI and machine-gunned M.F. and troops in the vicinity.

MEDITERRANEAN. 13th/14th. A large southbound ship was blown up by naval aircraft off PANTELLARIA.

BURMA. 12th. 25 Blenheims successfully attacked railways at MANDALAY and NABA north of MANDALAY.

December 15, 1942
9:58 a.m.

Robert
Doughton: Is that you, Henry?

HMJr: That's me in person.

D: Bob - how are you?

HMJr: I'm fine.

D: Well, you got over your trip all right?

HMJr: Oh, it kept me - I've been bubbling about it and telling everybody what a wonderful trip it was.

D: Well, I'm glad you were pleased with it. I am sure those people down there appreciated your going, and - finest thing at all - very helpful down there in every way.

HMJr: Oh....

D: You saw the paper, did you?

HMJr: I just got one, and I had my office call you to see whether you had a copy of The Sentinel.

D: Yes, I take the paper. I'm a subscriber.

HMJr: Yeah.

D: See, those are my people down there. I - when Major Steadman used to represent that district -- he was quite feeble, you know, for a long time....

HMJr: Oh.

D:and they called on me for so many things, almost everything of importance, if you'll pardon me....

HMJr: Yes.

D:I got used to that, and they've been scallin' on me ever since.

HMJr: I see.

- 2 -

D: There are a lot of things, you know, and....

HMJr: Yeah.

D:we have a lot in common.

HMJr: Well, that was a nice - they - those were nice pictures in the paper.

D: I thought so.

HMJr: Yeah.

D: But what I called you about especially, I wanted to tell you how well I was feeling, how I enjoyed the trip, and how much I appreciated your courtesy and the hospitality bringing me back.

HMJr: Well, we enjoyed having you.

D: I thank you - and sending me out home and all that got me spoiled.

HMJr: (Laughs)

D: I believe I'll be so rotten my wife can't get along with me.

HMJr: (Laughs)

D: Too much - too much waiting on.

HMJr: I see.

D: Say, I thought it'd be nice if you didn't object, I'd - I'd have your speech put in the Record.

HMJr: Oh, I think that'd be fine.

D: Well, that's what I thought.

HMJr: I'd love it.

D: I didn't see any use of putting mine in, because it was just an introductory speech, but I thought I'd get permission, you see, and extend my remarks and have it put in today.

- 3 -

HMJr: Well, I think it would be nice if you'll put yours in.

D: Would you like for me to?

HMJr: Very much.

D: Well, all right.

HMJr: Very much.

D: Well, I'll just get permission then to extend our remarks by including the two statements in your speech, my brief, broken remarks, and your fine speech.

HMJr: Well, I - I'd like it - I think that if you'd put in both of them, I think that would be fine.

D: Fine. You're feeling good, you say?

HMJr: Yeah, I'm feeling fine.

D: Well, that's fine. Well, just called you.

HMJr: I'll be seeing you.

D: Goodbye.

HMJr: All right.

10:03 a.m.

HMJr: Okay.

Operator: All right.

HMJr: Hello.

D: Henry?

HMJr: Yes, Bob.

D: I think I've got a copy of your speech that boy left here, but I was wondering if I haven't, could you send me down a copy?

HMJr: I - I'll send you a copy right away.

D: All right, thank you. I've got a copy here with some papers I've put away, but....

HMJr: Well, we - we have copies, and....

D: I'd like to keep one anyhow in my files.

HMJr: I'll send you up three copies.

D: If it's any trouble now, I've got one here I can have copied.

HMJr: No, no, no trouble, it's a pleasure.

D: All right, thank you very much. I'll just send right down there. It's to your convenience. The House don't meet till twelve.

HMJr: Well, we'll send it up.

D: All right, thank you.

December 15, 1942

My dear Mr. President:

I am enclosing herewith a copy of the Winston-Salem Journal and Sentinel, reporting on my expedition into the territory of one, Robert Doughton. My trip proved to be much more successful than I had even hoped for, and I am looking forward to telling you about it tomorrow.

May I suggest that you glance at Pages 1, 5 and 13.

Sincerely yours,

(Signed) Henry

The President,

The White House.

CC in Diary

(Sent by SSAgent 11:00
12/15/42)

December 15, 1942

Dear Mr. Daniels:

Your kind telegram of welcome helped to make my visit to North Carolina one of the happiest events of the whole year. I appreciated getting it, and I am only sorry that you were not able to come.

The spirit at Winston-Salem was so wonderful that I came back to Washington feeling greatly refreshed and encouraged.

Elinor joins me in sending best regards and greetings to you.

Sincerely,

(Signed) Henry

Hon. Josephus Daniels,
Raleigh,
North Carolina.

FK/cgk

File in Diary

CLASS OF SERVICE

This is a full-rate telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

170

DEC 14 1942

1301

(07)

SYMBOLS

- DL = Day Letter
- NT = Overnight Telegram
- LC = Deferred Cable
- NLT = Cable Night Letter
- Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

Filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

CFA176 50 DL=RALEIGH NCAR 12 1120A

1942 DEC 12 PM 12 05

HONORABLE HENRY MORGENTHAU=

WELCOME TO NORTH CAROLINA. YOU ARE IN A STATE THAT IS WITH
 YOU 100 PERCENT HEART AND SOUL AND THE CAUSE YOU REPRESENT
 TODAY AND TOMORROW AND UNTIL VICTORY IS WON. I DEEPLY REGRET
 THAT CONDITIONS HERE DENY ME THE PRIVILEGE OF JOINING
 OTHER NORTH CAROLINIANS IN WELCOMING YOU TODAY
 AFFECTIONATELY YOURS=

JOSEPHUS DANIELS.

Kuh

100.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

December 15, 1942
10:10 a.m.

INCOME TAXES

Present: Mr. Gaston
Mr. Kuhn
Mr. Odegard
Mr. Sullivan
Mr. Helvering
Mr. Cann
Mr. Thomas
Mr. Lenmon
Mr. Mager
Mrs. Klotz

H.M.JR: Do you mind if I do my homework here a minute? Has the Commissioner seen this? (Memorandum dated December 15, 1942, from Mr. Odegard to the Secretary, copy attached.)

MR. ODEGARD: No, I am sorry, the Commissioner has not.

H.M.JR: Let me then abbreviate this thing. He has not seen it?

MR. HELVERING: What is it?

H.M.JR: It is some recommendations.

MR. HELVERING: Some that you made?

MR. ODEGARD: Yes. I was going to read it to you on the phone, but did not get around to it.

H.M.JR: Let me do it a little bit differently, as long as he has not seen it.

MR. ODEGARD: I might read it, Mr. Secretary. It is brief.

- 2 -

H.M.JR: Do you mind, because I am so pressed for time - I tell you what I would like to do. I would like to split this up. I would like this meeting in a minute to adjourn to Sullivan's office, and let those who have not seen this discuss it and see if this is the program. Let Mr. Lemmon go over to that meeting, and I will get Mr. Thomas to stay here with me and I can move on another front. I don't want to take the time - I mean, the Commissioner may say this is fine or he may say that it is terrible, or maybe in between. Have you seen it?

MR. SULLIVAN: Yes, sir.

H.M.JR: Do you like it?

MR. SULLIVAN: No, sir.

H.M.JR: You see, there you are. (Laughter)
That is all the more reason that I would like the edges rubbed off. Reading it very fast, I like it.

MR. SULLIVAN: I was afraid you would. (Laughter)

H.M.JR: Have you read it?

MR. MAGER: The first two pages.

H.M.JR: Why not go into - reading it very fast, this is what I like - this is what I wanted.

Now, maybe they don't like it, but--

MR. ODEGARD: This is based on the assumption that it is wise to do something in this direction.

H.M.JR: Are these two people down from New York today?

MR. ODEGARD: No, just one of them, Mr. Forrest A. Long. I asked Mr. Lewisohn which of the three, Shiebler, Ernst, or Long, would be the best to discuss this thing,

- 3 -

and he suggested, without any hesitation, Mr. Long. So I asked Mr. Long to be here, and he will be here at quarter of eleven in my office.

H.M.JR: Who is he?

MR. ODEGARD: He is a professor of secondary education at New York University. I know nothing about him beyond what Mr. Lewisohn told me.

(Mrs. Klotz entered the conference.)

H.M.JR: Let me put it this way. I don't want to put ideas in the Commissioner's mind, but I am afraid he is not going to like it either. The only way to prove who is right and who is wrong is to go up to Hagerstown, Maryland, get a high school teacher, and try it. See? I say Hagerstown because it is close by, has an airplane factory, and so forth, and so on. I mean, I would not spring this on the country without trying it, but anyway, you may love it.

MR. HELVERING: I will have to get a different impression of school teachers filing their income tax returns. (Laughter)

H.M.JR: That is all right. There is no use in my trying - I think, John, if you would go in your room - do you want to go with them, or do you want to attend to your own business?

MR. GASTON: I would like to go with them. I think there is something in this, an adaptation of it--

H.M.JR: Supposing you go in there and then supposing Harold Thomas and Kuhn stay with me. We can talk about something else. Then when you fellows are ready to see me, let me know.

MR. SULLIVAN: Right.

- 4 -

H.M.JR: Before you have a lot of high school teachers teaching this, I suggest that some of you do your homework. (Laughter)

MR. SULLIVAN: We did it. Peter did his homework on his home grounds in Amherst.

H.M.JR: I don't want it done in my office. I am only a grade school teacher. (Laughter) When you are all ready, let me know, and then try and see me. (Laughter)

TREASURY DEPARTMENT

175

INTER OFFICE COMMUNICATION

DATE Dec. 15,
1942

TO Secretary Morgenthau
FROM Mr. Odegard

The high school and college teachers of the country can be helpful in extending information concerning income tax policy and procedure to supplement what is already being done in this direction.

The nature and scope of their activities in this connection however should be carefully and specifically defined.

The following suggestions are submitted as the basis for a feasible program:

1. Since not all teachers are qualified to give instruction of this kind, it will be necessary to select those who can. This selection will have to be made by local school authorities. In all probability the following teachers would be most likely to succeed.

- (a) Teachers of commercial subjects, i.e. bookkeeping, accounting, commercial arithmetic, commercial law, etc.
- (b) Teachers of economics, civics and in many cases, history, i.e. social studies teachers
- (c) Teachers of mathematics
- (d) Teachers of public speaking
- (e) In some cases teachers of English,

physics and chemistry might also be suitable.

2. To avoid the complexities that arise in connection with form 1040 - such as capital gains and losses, depreciation etc. - it will probably be wise to place major emphasis on the simplified form 1040A. In any case, it will be those whose incomes are \$3000 or less who will be more likely to take advantage of such instruction.
3. The teachers should not represent themselves as official tax experts - nor should they as a general rule offer individual counsel in making out tax returns.
4. Instruction should rather be to groups assembled in school rooms. These groups should be comparatively small - not to exceed 25 - 40 people since instruction of this kind to larger groups is difficult and not too effective.
5. The Treasury should avoid any liability for mistakes made by individuals as the result of this instruction. There is some danger that individuals will^{seek} alibis for mistakes in their returns by saying they followed Treasury directions in relying upon high school teachers for their tax information.
6. To minimize false or misleading instruction, it is important that the closest possible liaison be maintained

between the teachers and deputy collectors of internal revenue.

7. Wherever possible deputy collectors, in cooperation with local educational authorities, should hold one or more local seminars to give preliminary instruction to the teachers themselves.

8. Materials needed for this program would include

- a. an instructor's manual on income tax policy and procedure
- b. an adequate supply of leaflets "Know Your Taxes" and "Save for Tax Plan."
- c. an adequate supply of 1040-A tax forms
- d. a pamphlet or leaflet explaining the Victory Tax

9. Arrangements will have to be made for the use of school facilities at hours convenient for the teachers and the public.

10. Considerable local publicity will be necessary to encourage people to take advantage of these services and facilities.

- a. stories in local press and over the radio
- b. announcements sent home through the school children etc.

Minimum Program of Instruction:

1. The New Tax Bill
 - a. who must file returns
 - b. basic exemptions and allowances
 - c. tax liabilities at different income levels
 - d. the difference between 1040 and 1040A
 - e. how to make out your return
2. Showing of the new Disney film

December 15, 1942
10:48 a.m.

HMJr: Hello.

Bernard Baruch: Good morning, Mr. Secretary. B. M. Baruch speaking.

HMJr: Yes.

B: I didn't want to - I know how burdened you are - I just....

HMJr: No.

B:but I didn't want to leave you under the impression that I hadn't done what I said I was going to do about that subscription.

HMJr: Oh.

B: And I've done it, but I didn't think it was wise to write a letter that they could publicize because after all the rich man who subscribes money is not doing anything very important, and that's the reason that I did it quietly through the ordinary channels....

HMJr: Yes.

B:and didn't....

HMJr: Well, it's very kind of you to call me. It wasn't necessary. I know your reputation, if you say you'll do something, you do it with or without publicity.

B: Well, I don't like - I think it's - I think it's bad for a man who's supposed to be a little - a rich man to....

HMJr: Yes.

B:talk about subscribing a million dollars, you know, and they wanted to pub... - the publicity people....

HMJr: Oh.

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B:because I thought it was - being so big and be bad for many reasons, if you can understand.

HMJr: Well, I - I'm sure whatever you decided was right.

B: And thank you very much, and I'm going to do with the bonds what I said I was going to do....

HMJr: Fine.

B:in the way of gifts, and that will be done so quietly nobody will know it, at least I hope they won't. I'm sorry to have troubled you so, but I just wanted....

HMJr: No trouble.

B: Goodbye, sir.

HMJr: Call me any time.

B: Thank you.

December 15, 1942
3:10 p.m.

INTERNATIONAL STABILIZATION FUND

Present: Mr. Bell
Mr. White
Mr. Bernstein
Mr. Luxford
Mr. Ransom
Mr. Goldenweiser
Mr. Clayton
Mr. Gardner
Mr. Currie
Mr. Coe
Mr. Berle
Mr. Feis
Mr. Pasvolsky

H.M.JR: You had better open the meeting, Harry.

(Agenda for meeting, copy attached, distributed by Mr. White.)

H.M.JR: Mr. Feis, could you tell us, maybe, what progress is being made with other governments on this proposed World Stabilization Fund?

MR. FEIS: I may not be fully informed. I will tell you what I know on it.

H.M.JR: You have a lot of prompters here. (Laughter)

MR. FEIS: The Keynes document was presented to us and a set of questions was prepared, I believe, by Treasury and State together. About two weeks ago, Sir Frederick Phillips brought in a revised statement of their proposal, largely revised in the light of the questions that were put before them, and also more extensive answers to the questions we propounded.

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It was discussed, then, with Sir Frederick Phillips. It was stated then that another meeting was to be held, but as far as my knowledge goes, no other meeting has been held.

(Mr. Berle, Mr. Pasvolsky, and Mr. Currie entered the conference.)

MR. FEIS: About the Keynes plan, we understand that the British authorities have talked it over with the Commonwealth of the Dominion Governments. About the Treasury plan, as far as I know, the Treasury was supposed to have a certain amount of informal discussion with representatives of other governments. I don't know what they have done. That is the state of my knowledge on the situation.

MR. BERLE: I have some--

H.M.JR: May I put the question again? The question I asked was, what has been done in talking with other governments about this plan. That is the question.

MR. BERLE: I have some news on that part; it has only happened in the last few hours. The British Government gave notice that they wished, within the next few days - that would be the end of this week - to give copies of the Keynes plan to the Russian and Chinese ambassadors, respectively, in London. Prior to that time, Mr. White and I had asked to see the Russian ambassador, which we did yesterday, and asked if they would put themselves in a position to exchange ideas with us on this subject. It was arranged to do the same with the Chinese ambassador.

The Treasury plan, as such, we have not given to anyone because we had not had the understanding in advance of this meeting - some consensus of opinion, some expression of opinion that we would be free to do so. But we have said that we hoped to be in a position to do so in the not too distant future. That is up to date on that particular side.

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H.M.JR: White, do you want to possibly make a report on the Number One - "Brief report on work of the Technical Committee"?

MR. WHITE: I can summarize that very briefly. There were a number of meetings at which Keynes' draft was discussed and, as Mr. Feis pointed out, some questions relating to it were prepared and submitted to them, at which the proposal that we were attempting to formulate was modified. Finally a draft which contained the suggestions and modifications agreed upon was incorporated, and the committee felt at that time that that should now be presented to this committee for the purpose of ascertaining where we should go from here.

I can discuss the specific draft, if you like, now being distributed.

H.M.JR: Have the people had the copies of this (indicating mimeographed document entitled "Preliminary Draft of Proposal for a United and Associated Nations Stabilization Fund")?

MR. WHITE: Yes, I will distribute these copies. They contain some changes and most of the people here are familiar with the salient points. I can merely outline, in a very few minutes, the highlights, although I don't think there is anybody here who doesn't know them, Mr. Secretary.

They have all been on the discussions except Mr. Ransom, and I presume that Mr. Ransom has been kept informed.

The changes which have been finally made have been in the direction of increasing the flexibility of the Fund so that the Fund can provide more of the currency of any country than their original quota, providing the particular country whose currency it is, is agreeable. It requires the approval of the particular country. If it were the United States, it would require our approval.

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Several of the modifications were such as to increase the resources of the Fund with the approval of the particular country whose resources were needed.

Another modification was to increase the quota which any country can request, having in mind, again, flexibility; but any increase in the demand upon the Fund beyond the quota would require additional reserves of one character or another.

The other change was to give the Executive Committee more power of operation. The power would be granted by the Board, but would be exercised by a small - relatively small - Executive Committee that would presumably be available at the headquarters at all times.

Beyond that, the changes are more detailed and more technical. Possibly we had better postpone discussion of any particular feature until some questions have arisen.

H.M.JR: Who would like to ask some questions about this report?

MR. WHITE: I could call your attention to another change which was made as a result of the last meeting.

On page seven, under "Policies of Member Countries," paragraph five, the conditions which are required by the members have been much weakened by the insertion of qualifying phrases which gives them, in most cases, an out.

"To abandon, as soon as conditions in each member country permit, all restrictions and controls over foreign exchange transactions with member countries, except those retained or imposed with the approval of the Fund."

The inclusion of the phrase, "--as soon as conditions in each member country permit," makes the adherence to this particular principle a matter of determination by the particular country involved.

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It would thus mean that they would be each more apt to subscribe to that principle than they would if they were bound by more definite requirements.

That is true of most of the remainder of the phrase. That is one change that you will probably want to note.

A second change which was decided upon, which has been incorporated, is under paragraph three, "Monetary Unit of the Fund," on page five, in which we state "The monetary unit of the Fund shall be the Unitas--" consisting of a certain number of grains of fine gold.

MR. PASVOLSKY: Why was that particular figure used?

MR. WHITE: Just for convenience. It happened to be equal to ten dollars and a certain number of pounds. It could be anything else. We just plucked that out of the air to get an even number in a large unit.

MR. PASVOLSKY: That is ten dollars' worth?

MR. WHITE: That is right - just ten dollars' worth, and it happened for the moment, also, to give a round figure for pounds in France, if they remain there; but that, of course, is a mere matter of convenience. The symbol and the name are ones that seem convenient.

MR. COE: It is difficult to make it plural, isn't it? (Laughter)

MR. BELL: Add an "X".

MR. WHITE: I take it it will never be anything but plural.

MR. GARDNER: Has any statement been made as to how large a volume of dollars might be demanded by foreign countries under this plan?

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MR. WHITE: We have tables; we prepared some computations showing the average net balance, both of trade and the balances of payments over several years during the presumably normal years of '27, '28, and '29, and also during the abnormal years of '37 and '38; and they show that the swing in any one country - particularly the large countries - can be as much as a half a billion or a billion dollars in one year - or they were, at any rate.

MR. GARDNER: What I was thinking was that one of our comments on the Keynes plan - one of our questions on the Keynes plan, rather, was how large the aggregate demand might be for dollars on the part of foreign countries.

As a matter of fact, that has been figured out at around thirty or forty billion dollars. Has a similar computation been made on this plan?

MR. WHITE: It has not been necessary. We computed the other end because we know that the demand which can be made is far in excess of the supply, so the limiting factor is the supply.

For example, in terms of dollars, the supply under this would be what dollars are put in the Fund. Now that--

MR. GARDNER: Plus the gold that the Fund holds?

MR. WHITE: Yes, which together would amount to, roughly, about two billion and a quarter.

MR. GARDNER: That would all depend on how large a contribution the foreign countries made, and therefore, how large a vote they would have; and therefore how large a participation the United States would have to have to maintain its veto power.

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MR. WHITE: That is right. In the first place, it is assumed that our quota will be the largest, and that theirs will not vary very much in terms of hundreds of millions of dollars. Any formula that you get will not make much difference in the totals, compared with the potential demand. The potential demand will be far greater than any dollars we put in the quota.

MR. GARDNER: But it will be greatly to the interest of foreign countries to put all the gold they can spare into this arrangement because of the power of the gold to command dollars?

MR. WHITE: It multiplies it in the sense that they can then use the gold of other countries; that is right.

MR. GARDNER: And the dollar contribution of the United States. I think you might find it would be in the neighborhood of fifteen or twenty billion dollars that they might demand if they matched their gold holdings in the Fund.

MR. WHITE: No, they couldn't unless you changed - the total quota is five billion dollars, and unless you made it larger--

MR. GARDNER: That is the required, but they are permitted to contribute more, and it is to their interest to contribute more.

MR. WHITE: Not the way it is set up. We could set it up the other way, but they haven't got that much gold to put in. That is quite unlikely.

MR. PASVOLSKY: If they use the gold already in the United States, they have command over dollars. That doesn't help the situation.

MR. WHITE: They have that anyhow. The way this is set up now - let's say approximately two and a half billion dollars has been sold, that any further dollars

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could be provided only in one of the several ways: One, the flotation of their securities here, which would require the approval of the United States Government; two, the rediscounting privilege with the Federal Reserve bank if they altered their procedure, which again would require our approval. Any demand upon dollars in excess of the quota we put in requires the approval of the United States Government in one way or another.

MR. CLAYTON: Then, as a practical matter, would you say that the limit of the United States Government's risk or credit quota in it would be around two and a half billion dollars?

MR. WHITE: It would be less than that unless you decided to increase it.

MR. CLAYTON: I mean, it would be within the - the United States would have the say as to whether it would be more than that?

MR. WHITE: That is right - definitely, at each point. That is one of the fundamental differences between this plan and the Keynes plan.

MR. GARDNER: I think we should submit an estimate to get you to check it, Harry, because we would figure it out, under the basis of the plan, as a much larger magnitude, ten to twenty billion dollars, if foreign countries take advantage of the opportunity to contribute their gold and thereby multiply its power.

MR. WHITE: I am not sure that I follow. I don't know that this is the place to discuss it. I don't know what you mean by "multiplying power." If a country puts gold in it can multiply dollars, but it doesn't have to put it in here because the total quota is set, to begin with, by the five billion dollars which is divided among the countries. If you wanted to make the quotas larger and expect each country to put in more, then that is a different story. As it is set up now, the total quotas are five billion, and our quota, under that five billion, would be a little less than two billion.

MR. GARDNER: Probably this isn't the place to discuss it, but we understood that to be a minimum.

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MR. WHITE: It is a minimum without approval. From then on, we could give more; and that was the idea which we all desired, to give flexibility, but we could provide more dollars only if we wished to.

MR. GARDNER: This is something, I think, which should be discussed further. Does the United States have a veto power on increasing that above five billion?

MR. WHITE: Every country has a veto power, or the approval, on its own currency. In addition, the way this is set up, the United States would have a veto power on many of the decisions within the Board long before it came to the five billion dollars.

MR. BELL: So, if the Board voted to increase the five billion dollars, say, to six billion dollars, and the United States didn't want to increase its quota, it would just veto that part of the proposal.

MR. WHITE: That is right. That would be one of the things that would require a four-fifths vote. We could veto--

MR. PASVOLSKY: How much, if any, interference would this plan have with - the nation is free to organize its monetary system as it seems fit, isn't it?

MR. WHITE: With this qualification, one, that it agrees not to alter its exchange rate without the approval of the Board.

MR. PASVOLSKY: As it affects the exchange rate in relation to gold?

MR. WHITE: In relation to the unit.

MR. PASVOLSKY: Then it undertakes not to alter that, except by approval?

MR. WHITE: That is one condition. A second condition is much more of a pious hope. They subscribe to the principle that they will consider the impact on other countries' balances of payments in any change which they contemplate, or any development in their own monetary system.

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It has been weakened down so that it is merely a definition of a desirable principle to subscribe to it if they see their way clear to do so.

MR. PASVOLSKY: But management of the money is free?

MR. WHITE: All interference in the domestic money market - or all operations in the money market of any country require the approval of that country through its Board of Representatives.

Now, the Fund can do a great deal. It can go into any market and either increase the funds or diminish the funds, but only with the approval of that country.

MR. PASVOLSKY: Or within the limits of the five billion dollars.

MR. WHITE: Or within the limits of its assets.

MR. PASVOLSKY: It can operate freely?

MR. WHITE: Not without the approval of the particular country.

MR. BERLE: As I understand it, the impact from that side is limited to the amount of the funds actually in the Fund, plus the further safeguard that the consent of the country in whose money or bond market the Fund operates must consent to such operations.

MR. WHITE: That is right, both protective features are there. In other words, if a country doesn't want this Fund to operate in their market at all, it cannot do so.

MR. PASVOLSKY: Beyond the currency which is equivalent--

MR. WHITE: Beyond selling the currency which it has in its fund.

MR. BEIL: Can a country withdraw from this Fund?

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MR. WHITE: Yes, but if it does, it has to be certain that it shares any losses which the Fund as a whole has experienced up to that time, and further, it makes good any loss of its own exchange it wants, whether it withdraws or not.

MR. BELL: It gets its capital back in its own currency first, doesn't it?

MR. WHITE: That is right, minus whatever division of losses there would be.

MR. PASVOLSKY: I have just one more question, if I might - I have not read this. What happens when the country is permitted to devalue or appreciate its currency? Who takes the loss?

MR. WHITE: The country itself. There is a specific requirement here that if there is a devaluation the country has to contribute to the Fund the difference between the former value and the present value of the holdings of the Fund.

MR. PASVOLSKY: In its own currency?

MR. WHITE: In its own currency.

MR. PASVOLSKY: And if there is appreciation--

MR. WHITE: Then it gets it back. So the currencies in the Fund presumably are always worth the same amount, with the exception of other assets that arise from other sources.

MR. PASVOLSKY: Did you say it was the same amount in units?

MR. WHITE: That is right, in gold.

MR. GARDNER: Does that hold even if the Fund itself alters the exchange rate?

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MR. WHITE: The way it is written, yes, and I should think that would be necessary, though I can't conceive of the Fund offering it without the initial request of a country. It is a question of approval rather than initiating a change, but it might initiate a change.

MR. PASVOLSKY: Can it force a change?

MR. WHITE: It can under the terms here by a four-fifths vote.

MR. PASVOLSKY: Then they stand the loss.

MR. WHITE: According to the way it is written here, it does.

These, like, I am sure, scores of other questions, will arise and will have to be very carefully spelled out in any final document. There are a lot of questions that do not occur to us that probably have not been adequately met, which the matter is vague on. We merely tried to touch the highlights here.

There is one other point that I think would interest us, that we have levied a charge of one percent against any balance of the member country's currency in the Fund in excess of the quota of that country. When it goes beyond its quota with the permission of the fund, then it pays a one-percent per annum charge in gold on it.

MR. CLAYTON: You mean on a debit balance?

MR. WHITE: The way it operates when the Fund has more of that currency money.

MR. BERLE: It is a charge for buying the currency really.

MR. CLAYTON: It is a penalty for going above their quota. They have to pay the money out in the first place

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to get the foreign currency. Now, the money they pay out does not go into the Fund.

MR. WHITE: The Fund merely transfers one type of currency for the other, but in addition to that they pay one-percent interest.

MR. CLAYTON: The country does?

MR. WHITE: The country, yes. If Rumania wants to borrow more dollars than her quota and the Fund gives her permission, she pays one-percent interest on the excess above the quota, and that is payable in gold.

MR. GOLDENWEISER: Those quotas refer just to the clearing balances, not to the total of their trade?

MR. WHITE: Only - it refers only to the quotas which have been established by their original participation.

MR. GOLDENWEISER: Insofar as their trade balances they won't cover the--

MR. WHITE: It bears no close relationship with that at all.

MR. GOLDENWEISER: That is what I thought. I wanted to clarify it.

MR. WHITE: I presume you will all agree that most of these points will be very carefully discussed by various groups. It is merely a preliminary proposal.

H.M. JR.: The next step I would like to take is, I would like to bring this to Mr. Hull's attention; and then if it gets his blessing, I would like to go to the President and tell him it has the blessing of this committee, and Mr. Hull can then go ahead with a conference of the technicians of the various countries involved. I take it that those people here, and whom

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they represent beside themselves, either are or will get themselves in such a shape that they can say that they do feel that this draft meets with their approval.

MR. WHITE: As a basis for discussion?

H.M.JR: Yes.

MR. RANSOM: Do I understand, Mr. Secretary, that that means that this group will be given a further opportunity to study this particular draft before you go further with it, or is this draft to go to Mr. Hull?

H.M.JR: I had it in mind that this draft - but if you are not ready, certainly I don't want to go to Mr. Hull until you people are satisfied with this draft or any other draft.

MR. BERLE: Mr. Secretary, perhaps I can make it a little bit easier on that point. I think that Mr. Hull understands that the draft which you present is in a sense a proposal subject to further modification in the course of discussions. I mean that he is not assuming that this is any final binding offer on any particular point, but that there still will be opportunity to make observations in detail, and things of that kind.

MR. WHITE: Yes, I think it is generally felt that this is not a definitive draft in any sense. There has been a lot of discussion on various points, and this in general happens to embody the highlights of it. It is enough to go forward on.

MR. PASVOLSKY: The plan does even more than that. It does set down the basic principles.

MR. RANSOM: The basis for what?

MR. PASVOLSKY: The basic principles of the system you are trying to get.

H.M.JR: What did you have in mind?

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MR. RANSOM: I had this, that Mr. Eccles is a member of the group that is - I am merely here at his request on very short notice and have not that full acquaintance with it that Mr. White first implied, and then reserved my own position. I wanted to be sure that this in the present draft had come to the attention of the man I am representing and that he has no further suggestions to make.

MR. WHITE: There are bound to be some further suggestions, Mr. Ransom, but they will be in the way of modification of any one of a number of points, or amplification, or addition. But the consensus of the group who has been working on this was that this was in sufficiently clear shape to constitute a fruitful basis for discussion among the various governments. For that very purpose, there was no attempt made to put this into final form which would be much longer, much more detailed, couched in legal language, and would have to meet a lot of dubious points that are bound to be raised.

I don't know whether you want, Mr. Secretary, to say a word about the fundamental difference between the British plan and the American proposal. I think most people here know it.

H.M.JR: No. All I am trying to do - this committee has done very good and they have put in some very hard work, and there is no use tying up so many people. I just wanted to see you all and then see how you felt, and then I thought the next move was to see whether Mr. Hull is ready to go along, so that we can get to the President and ask him whether we can call a meeting of these particular representatives of the various countries. In other words, all I am trying to do is just to be helpful. But, I, personally, at this time don't want to go into a lengthy discussion. I am not trying to stop a discussion. I mean, if they want to have - take this home and read it, and then have another one, fine, but I just don't want to take very much more time today, because I haven't the time.

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MR. RANSOM: Without delaying your further progress in the matter, may I ask Mr. Goldenweiser and Mr. Gardner, who have been working on this for Mr. Eccles, if in this form it has come to his attention.

MR. GOLDENWEISER: He saw it - yes, it was at the last meeting, with the exception of some changes that Mr. White has called--

MR. WHITE: And those changes attempt to incorporate - developed out of the meeting.

MR. RANSOM: Could you say whether he has any suggestions to make or whether you and Mr. - have you or Mr. Gardner, or do you know whether Mr. Eccles, have any suggestions to make in reply to the Secretary's suggestion that the next step is to submit it to Mr. Hull?

MR. GOLDENWEISER: The question I would like to raise is this: It would be better, from the point of view of Mr. Eccles, I am sure, if we could now take this along and rather than have you push it to the next stage, have that delayed - not a long time, but just long enough to be sure that Mr. Eccles and such members of the Board as he wants to acquaint with it have no points to make about it.

H.M.JR: That is all right.

MR. RANSOM: That will be merely a matter of a day or two.

MR. GOLDENWEISER: Not a matter of holding it up for any length of time. We don't want to do that.

H.M.JR: Lauch?

MR. CURRIE: It is perfectly all right with me.

H.M.JR: How about BEW?

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MR. COE: It looks to us very good as a basis for discussion, and we would like to see it move along.

H.M.JR: Mr. Clayton?

MR. CLAYTON: I think I have attended all of Mr. White's meetings except the last one. I haven't read this, but I think I am sufficiently well acquainted with it to say that I feel we have gotten far enough along to take the step that you indicate.

MR. BERLE: I think we feel that way about it, Mr. Secretary. I should like in that connection to raise one question, in view of the fact that we have given notice of motion, so to speak, to the Russians and the Chinese - and of course, we have done some discussing with the British - we consider ourselves free to give them copies of this plan in confidence, of course, or have this still not as a binding matter, but as a subject for further discussion as being their first contribution.

MR. WHITE: Apparently, as you say, the British are going to give them a plan.

MR. BERLE: The British have served notice on us that they are going to give copies of the Keynes plan, so-called, to the Russian ambassador and the Chinese ambassador in London. If we don't do something about it on our side, that might result in the transfer of the discussions to London, which, I think, will be an unmitigated misfortune at this stage of the game. I think it had much better be kept here where the main line of interest is.

H.M.JR: As far as the Treasury is concerned, it is agreeable to me.

MR. BERLE: If it is agreeable to you, I think it is agreeable to us. Naturally this is not designed to bind the Government in any way, but merely to give an indication of what the Treasury has been thinking about here.

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MR. PASVOLSKY: It would have to be taken up with the President before we communicate with any foreign government.

H.M.JR: Yes, before we call any conference - I mean, I wouldn't--

MR. BERLE: It would be in the nature of an informal indication of the way our minds have been running, with the understanding that it might be changed without notice.

H.M.JR: I will leave it to the State Department to give us plenty of "if's." (Laughter)

MR. BERLE: Sometimes they come in handy, Mr. Secretary.

MR. WHITE: It might be made clear that this is recognized to be in a Morpheus stage so that the Board doesn't feel it has to make a decision on each one of these points. They will have ample opportunity to modify it.

H.M.JR: Again, may I say that I think everybody connected with it has done a fine job, and let's keep moving.

MR. BERLE: I should like to add on our part my own appreciation of the courtesy of the Treasury, particularly Mr. White, who has worked very hard on this job.

H.M.JR: Thank you all.

**Agenda for Meeting in Secretary Morgenthau's
Office on Tuesday, December 15 at 3:00**

- I. Brief report on work of the Technical Committee**
- II. Progress of discussions with other Governments**
- III. Distribution and explanation of the preliminary draft of American proposal**
- IV. Fundamental difference between the British plan and American proposal**
- V. Views of members of the Cabinet Committee on the plan and progress**
- VI. Next step and further instructions to the Technical Committee**

U. S. Treasury Department
December 11, 1942

Preliminary Draft of
Proposal for a United and Associated Nations
Stabilization Fund

I. Composition of the Fund

1. The Fund shall consist of gold, currencies of member countries, and securities of member governments, which shall be used for the purpose of stabilizing the values of the currencies of member countries with respect to each other.
2. Each of the member countries shall be given a quota which shall represent its participation in the Fund; i.e., the basis for its purchase of foreign exchange in the Fund and its undertaking to provide assets to the Fund. The aggregate quotas of the member countries shall be the equivalent of at least \$5 billion. The quota for each member country shall be determined by an agreed upon formula.
3. Each member country shall provide the Fund with 50 percent of its quota when the Board of Directors of the Fund declares that its operations have begun.
4. The initial payment of each country consisting of 50% of its quota shall be 12.5 percent in gold, 12.5 percent in local currency, and 25 percent in its own (i.e., government) interest-bearing securities. However, any country having less than \$300 million in gold need provide initially only 7.5 percent of its quota in gold, and any country having less than \$100 million in gold need provide initially only 5 percent of its quota in gold, the contribution of local currency being increased correspondingly. A country may, at its option, substitute gold for its securities in meeting its quota requirement.
5. The member countries of the Fund may be called upon to make further provision toward meeting their quotas at such times, in such amounts, and in such form as the Board of Directors of the Fund may determine, provided that all countries shall meet their quotas pro rata, and provided that a four-fifths vote of the Board shall be required for subsequent calls to meet quotas.

II. Powers and Operations

The Fund should have the following powers:

1. To buy, sell and hold gold, currencies, foreign exchange, bills of exchange, and government bonds of the member countries, and to act as a clearing house for international movement of funds, balances, checks, drafts, acceptances, and gold.

All participating countries agree that all of the local currency holdings and other assets of the Fund located in their countries shall be free from any restrictions as to their use.

2. To fix the rates at which it will exchange one member's currency for another, and the rates in local currencies at which it will buy and sell gold. The guiding principle in the fixing of such rates shall be stability in exchange relationships. Changes in the rates shall be made only when essential to correction of a fundamental disequilibrium, and only with the consent of four-fifths of member votes.
3. To sell to the Treasury of any member country (or stabilization fund or central bank acting as its agent) at a rate of exchange determined by the Fund currency of any member country which the Fund holds, provided that:
 - a. The currency demanded from the Fund is required to meet an adverse balance of payments to the country whose currency is being demanded.
 - b. The net purchases by the Fund of the currency of any member country shall not exceed during the first year of the operation of the Fund, the quota of that country; it shall not exceed during the first two years 150 percent of such quota; and thereafter it shall not exceed 200 percent of such quota; except that upon the approval by the Board of Directors the Fund may purchase any local currency in excess of these limits, provided that:
 1. The country requesting the excess agrees to adopt and carry out measures recommended by the Fund designed to correct the disequilibrium in the country's balance of payments, or
 11. It is believed that the anticipated balances of payments of the country in question are such as to warrant the expectation that the excess currency holdings of the Fund can be disposed of within a reasonable time.
 - c. When the net purchases by the Fund of any local currency exceeds the quota for that country, the country shall deposit with the Fund a special reserve. Such deposits shall be made according to rules and regulations prescribed by the Board of Directors.
 - d. A charge at the rate of 1 per cent per annum payable in gold, shall be levied against any balance of a member country's currency in the Fund in excess of the quota of that country.
 - e. No sale of any currency in the Fund shall be made to a member without approval of four-fifths of the member votes when the currency so sold is to be used or is to make possible adjustment of a foreign debt, including, of course, debts already in default.

4. When the Fund's holdings of any particular currency drop below 15 per cent of the quota of that country and after the Fund will have used for additional purchases of that currency,
 - a. Gold in an amount equal to the country's contribution of gold to the Fund, and
 - b. The country's interest-bearing obligations originally contributed,

the Fund has the authority and the duty to render a report to the country embodying an analysis of the causes of the depletion of its holdings of that currency, a forecast of the prospective balance of payment in the absence of special measures, and finally, recommendations designed to increase the Fund's holdings of that currency. The member of the country in question would be a member of the Fund committee appointed to draft the report. This report should be made public.

Participating members agree that their governments will give immediate and careful attention to recommendations made by the Fund.

5. To buy from the governments of member countries, blocked foreign balances, provided all the following conditions are met:
 - a. The foreign balances are then in member countries and are either partly or wholly blocked.
 - b. The foreign balances are included in the sum reported (for the purpose of this provision) by the member government as blocked on date of its becoming a member.
 - c. The country selling the blocked balances to the Fund agrees to transfer those balances to the Fund, and to purchase back 40 per cent of them from the Fund, at the rate of 2 per cent a year, beginning not later than three years after the date of transfer.
 - d. The country in which the blocked balances are held agrees to transfer those balances to the Fund, and to purchase back from the Fund 40 percent of them with gold or such free currencies as the Fund may wish to accept, at the rate of 2 percent a year beginning not later than 3 years after date of transfer.
 - e. A charge of 1 percent, in each case payable in gold, shall be levied against the country selling its blocked funds, and a charge of 1 percent shall be levied against the country in which the blocked accounts exist. In addition a charge of 1 percent payable in gold shall be levied annually against each of them on the amount of blocked balances remaining to be repurchased.

- f. If the country selling blocked foreign balances to the Fund asks for foreign exchange rather than local currency, it must need the foreign exchange for the purpose of meeting an adverse balance of payments not arising from the acquisition of gold or the accumulation of foreign balances or other capital transactions.
- g. Either country can, at its option, increase the amount it repurchases annually. But, in the case of the country which sold its blocked balances to the Fund, not more than 2% per annum of the original sum of blocked balances taken over by the Fund shall become free, and only after 3 years shall have elapsed. The Fund shall be free to dispose of any of its holdings of blocked balances in the form of free funds after the 23 year period is passed, or sooner, provided (i) its holdings of the free funds of the country in which the balances are being blocked falls below 15 percent of its quota; or (ii) the approval is obtained of the Government in which the blocked balances are held.
- h. The country in which the blocked funds are kept agrees not to impose any restrictions on the use of the installments of the 40 percent portion gradually to be repurchased by country owning the blocked balances.
- i. The Fund shall determine from time to time what shall be the maximum proportion of the blocked balances it can afford to take over under this provision.
- j. The Fund on its part agrees not to sell the blocked balances acquired under the above authority, except with the permission, or at the request of the country in which the blocked balances are being held, but the Fund can invest those balances in regular or special government securities of that country. The Fund shall be free to sell such bonds in any country provided that the approval of the issuing government is first obtained.
6. To deal only with the Treasuries of the participating countries, or with official stabilization funds of those countries, and with the bank designated by a participating government as its fiscal agent, and with international banks predominantly owned by governments and central banks.

The Fund shall not have the authority to engage in any transaction within a member country, or with any corporation or part of the government of that country without the consent of the Board representative of that country.

7. To buy and sell currencies of non-member countries, but shall not be authorized to hold such currencies beyond sixty days after date of purchase, except with the approval of four-fifths of the member votes.

8. To borrow, at such rates as the Fund may recommend, the currency of any country, provided four-fifths of the member votes approve the terms of such borrowing.
9. To invest any currency it holds in "short-term" securities--commercial or government--of the country of that currency provided a four-fifths vote of the member votes shall approve, and provided further that the approving votes shall include that of the Board representative of the country in which the investment is to be made.
10. To sell the obligations of the member countries held by it provided the representative of the country in which the securities are to be sold approves. To rediscount any of its holdings or to discount its own obligations with the central bank of any country whose currency the Fund requires.
11. To lend to any member country local currency from the Fund for one year or less up to 75 percent of the currency of that country held by the Fund, provided such loan is approved by four-fifths of the member votes. A country borrowing such funds shall pay interest to the Fund at a rate to be determined by the Board.
12. To make a service charge of $\frac{1}{4}$ percent on all exchange and gold transactions.

III. Monetary Unit of the Fund

1. The monetary unit of the Fund shall be the Unitas (U) consisting of 137 $\frac{1}{7}$ grains of fine gold. The accounts of the Fund shall be kept and published in terms of Unitas.
2. The value of the currency of each member country shall be fixed in terms of gold or the Unitas and may not be altered by any member country without the approval of the Fund.
3. No change in the value of the currencies of member countries shall be permitted to alter the value in gold or Unitas of the assets of the Fund. Thus, if the currency of a participating country should depreciate (in terms of gold or the Unitas), that country must deliver to the Fund an amount of its local currency equal to the decreased value of that currency held by the Fund. Likewise, if the currency of a particular country should appreciate, the Fund must return to that country an amount (in the currency of that country) equal to the resulting increase in the gold or the Unitas value of the Fund's holdings. The same provisions shall also apply to the securities of member countries held by the Fund. However, this provision shall not apply to currencies acquired under II, 5 (dealing with blocked foreign balances) in the section on Powers and Operations.

IV. Management

1. The management of the Fund shall be vested in a board of directors composed of one director and one alternate appointed by each member government. Each government shall appoint its director and alternate in a manner determined by it.

- 6 -

The director and alternate shall serve for a period of three years, subject to the pleasure of their government. Directors and alternates may be reappointed. In all voting by the Board, each director or alternate shall have 100 votes plus one vote for each \$1 million of the quota of his country.

2. No representative shall cast more than one-fourth of the aggregate vote regardless of the quota of his country. All decisions, except where specifically provided otherwise, shall be decided by a majority of the votes cast.
3. The Board of Directors shall select a managing director and one or more assistant managing directors. The managing director, who shall be chief of the operating staff of the Fund and ex officio chairman of the Board, and assistant managing directors shall hold office for two years, shall be eligible for reelection, and may be removed for cause at any time by the Board. The staff of the Fund shall be selected in accordance with regulations established by the Board of Directors.
4. The Board of Directors may also appoint from among its members an executive committee to consist of not less than eleven members. A member of the Board of Directors of the Bank selected by that Board shall be a member of the executive committee of the Fund.

The executive committee shall be continuously available at the head office of the Fund and shall exercise the authority delegated to it by the Board. In the absence of any member of the executive committee, his alternate shall act in his place. Members of the executive committee shall receive appropriate remuneration.

The Board may at any meeting, by a four-fifths vote, authorize any officers or committees of the Fund to exercise any specified powers of the Board. Such powers shall be exercised only until the next meeting of the Board, and shall be exercised in a manner consistent with the general policies and practices of the Board.

5. The Board of Directors may appoint advisory committees chosen wholly or partially from persons not regularly employed by the Fund.
6. The Board shall hold one annual meeting and such other meetings as it may be desirable to convene. On request of member countries casting one-fourth of the votes, the chairman shall call a meeting of the Board for the purpose of considering matters placed before it by the member countries requesting the meeting.
7. The Board, by a four-fifths vote, may establish rules and regulations governing the operations of the Fund, and the officers and committees of the Fund shall be bound by such rules and regulations.

8. A country failing to contribute to the Fund sums due the Fund shall be dropped as a member, provided a majority of the member votes so decide. Any member dropped shall have returned to it an amount (in its own currency) equal to its contribution minus any sum due by that country to the Fund.
9. Net profits earned by the Fund shall be distributed in the following manner:
 - a. 50 percent to reserves until the reserves are equal to 10 percent of the assets of the Fund.
 - b. 50 percent to be divided each year among the members in form of the local currency in proportion to its ~~subscription~~. That is, dividends shall be distributed to each country in its own currency.

V. Policies of Member Countries

The members of the Fund undertake the following:

1. To abandon, as soon as conditions in each member country permit, all restrictions and controls over foreign exchange transactions with member countries, except those retained or imposed with the approval of the Fund.
2. To alter exchange rates on the currencies of other countries only with the consent of the Fund and only to the extent and in the direction approved by the Fund, except within a specified range fixed by the Fund and permitted to all member currencies.
3.
 - a. Not to accept or permit deposits or investments from any member country except with the permission of the government of that country, and
 - b. To make available to the government of any member country at its request all property in form of deposits, investments, securities of the nationals of that member country.
4. Not to enter upon any bilateral foreign exchange clearing arrangements except with the approval of the Fund.
5. To give consideration to the views of the Fund on any existing or proposed monetary or economic policy, the effect of which would be to bring about sooner or later a serious disequilibrium in the balance of payments of other countries.
6. In the interest of a balanced and sustained growth of international trade, to embark upon a program of gradual reduction of existing trade barriers -- import duties, import quotas, administrative devices -- and to agree not to adopt any general increase in tariff schedules or other restrictive devices without giving reasonable opportunity for the Fund to render a public report on the effect of the contemplated changes on the balance of payments of other countries.

- 8 -

7. To furnish the Fund with all information it needs for its operations and to furnish such reports as it may require in the form and at the times requested by the Fund.
8. To adopt appropriate legislation or decrees to carry out its undertakings to the Fund and to facilitate the activities of the Fund.

Dear Cordell:

As you know, discussions have been going forward in the Treasury by an interdepartmental group on the formulation of a program for international monetary cooperation. Representatives of your Department have participated in the numerous discussions and have doubtless kept you informed of the general progress.

I should like to call on you to discuss the status of the work that has already been done and to get your views on the matter.

Sincerely,

Secretary of the Treasury.

The Honorable Cordell Hall,
Secretary of State.

EDW:dmh
12/15/42.

THE WHITE HOUSE

WASHINGTON

May 16, 1942 .

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I have your letter in regard to the calling of a conference of Finance Ministers of the United Nations. It is my thought that the studies now in progress should be continued in conjunction with the State Department and the B.E.W. and the Export-Import Bank.

You might speak to me about this again after you have done this and after you have got the opinions of the Secretary of State and the Under Secretary of State.

F. D. R.

COPY

Agenda for Meeting in Secretary Morgenthau's
Office on Tuesday, December 15 at 3:00

- I. Brief report on work of the Technical Committee
- II. Progress of discussions with other Governments
- III. Distribution and explanation of the preliminary draft of American proposal
- IV. Fundamental difference between the British plan and American proposal
- V. Views of members of the Cabinet Committee on the plan and progress
- VI. Next step and further instructions to the Technical Committee

U. S. Treasury Department
December 11, 1942

Preliminary Draft of
Proposal for a United and Associated Nations
Stabilization Fund

I. Composition of the Fund

1. The Fund shall consist of gold, currencies of member countries, and securities of member governments, which shall be used for the purpose of stabilizing the values of the currencies of member countries with respect to each other.
2. Each of the member countries shall be given a quota which shall represent its participation in the Fund; i.e., the basis for its purchase of foreign exchange in the Fund and its undertaking to provide assets to the Fund. The aggregate quotas of the member countries shall be the equivalent of at least \$5 billion. The quota for each member country shall be determined by an agreed upon formula.
3. Each member country shall provide the Fund with 50 percent of its quota when the Board of Directors of the Fund declares that its operations have begun.
4. The initial payment of each country consisting of 50% of its quota shall be 12.5 percent in gold, 12.5 percent in local currency, and 25 percent in its own (i.e., government) interest-bearing securities. However, any country having less than \$300 million in gold need provide initially only 7.5 percent of its quota in gold, and any country having less than \$100 million in gold need provide initially only 5 percent of its quota in gold, the contribution of local currency being increased correspondingly. A country may, at its option, substitute gold for its securities in meeting its quota requirement.
5. The member countries of the Fund may be called upon to make further provision toward meeting their quotas at such times, in such amounts, and in such form as the Board of Directors of the Fund may determine, provided that all countries shall meet their quotas pro rata, and provided that a four-fifths vote of the Board shall be required for subsequent calls to meet quotas.

II. Powers and Operations

The Fund should have the following powers:

1. To buy, sell and hold gold, currencies, foreign exchange, bills of exchange, and government bonds of the member countries, and to act as a clearing house for international movement of funds, balances, checks, drafts, acceptances, and gold.

All participating countries agree that all of the local currency holdings and other assets of the Fund located in their countries shall be free from any restrictions as to their use.

2. To fix the rates at which it will exchange one member's currency for another, and the rates in local currencies at which it will buy and sell gold. The guiding principle in the fixing of such rates shall be stability in exchange relationships. Changes in the rates shall be made only when essential to correction of a fundamental disequilibrium, and only with the consent of four-fifths of member votes.
3. To sell to the Treasury of any member country (or stabilization fund or central bank acting as its agent) at a rate of exchange determined by the Fund currency of any member country which the Fund holds, provided that:
 - a. The currency demanded from the Fund is required to meet an adverse balance of payments to the country whose currency is being demanded.
 - b. The net purchases by the Fund of the currency of any member country shall not exceed during the first year of the operation of the Fund, the quota of that country; it shall not exceed during the first two years 150 percent of such quota; and thereafter it shall not exceed 200 percent of such quota; except that upon the approval by the Board of Directors the Fund may purchase any local currency in excess of these limits, provided that:
 - i. The country requesting the excess agrees to adopt and carry out measures recommended by the Fund designed to correct the disequilibrium in the country's balance of payments, or
 - ii. It is believed that the anticipated balances of payments of the country in question are such as to warrant the expectation that the excess currency holdings of the Fund can be disposed of within a reasonable time.
 - c. When the net purchases by the Fund of any local currency exceeds the quota for that country, the country shall deposit with the Fund a special reserve. Such deposits shall be made according to rules and regulations prescribed by the Board of Directors.
 - d. A charge at the rate of 1 per cent per annum payable in gold, shall be levied against any balance of a member country's currency in the Fund in excess of the quota of that country.
 - e. No sale of any currency in the Fund shall be made to a member without approval of four-fifths of the member votes when the currency so sold is to be used or is to make possible adjustment of a foreign debt, including, of course, debts already in default.

4. When the Fund's holdings of any particular currency drop below 15 per cent of the quota of that country and after the Fund will have used for additional purchases of that currency,
- Gold in an amount equal to the country's contribution of gold to the Fund, and
 - The country's interest-bearing obligations originally contributed,

the Fund has the authority and the duty to render a report to the country embodying an analysis of the causes of the depletion of its holdings of that currency, a forecast of the prospective balance of payment in the absence of special measures, and finally, recommendations designed to increase the Fund's holdings of that currency. The member of the country in question would be a member of the Fund committee appointed to draft the report. This report should be made public.

Participating members agree that their governments will give immediate and careful attention to recommendations made by the Fund.

5. To buy from the governments of member countries, blocked foreign balances, provided all the following conditions are met:
- The foreign balances are then in member countries and are either partly or wholly blocked.
 - The foreign balances are included in the sum reported (for the purpose of this provision) by the member government as blocked on date of its becoming a member.
 - The country selling the blocked balances to the Fund agrees to transfer those balances to the Fund, and to purchase back 40 per cent of them from the Fund, at the rate of 2 per cent a year, beginning not later than three years after the date of transfer.
 - The country in which the blocked balances are held agrees to transfer those balances to the Fund, and to purchase back from the Fund 40 percent of them with gold or such free currencies as the Fund may wish to accept, at the rate of 2 percent a year beginning not later than 3 years after date of transfer.
 - A charge of 1 percent, in each case payable in gold, shall be levied against the country selling its blocked funds, and a charge of 1 percent shall be levied against the country in which the blocked accounts exist. In addition a charge of 1 percent payable in gold shall be levied annually against each of them on the amount of blocked balances remaining to be repurchased.

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- h. The country in which the blocked funds are kept agrees not to impose any restrictions on the use of the installments of the 40 percent portion gradually to be repurchased by country owning the blocked balances.
- i. The Fund shall determine from time to time what shall be the maximum proportion of the blocked balances it can afford to take over under this provision.
- j. The Fund on its part agrees not to sell the blocked balances acquired under the above authority, except with the permission, or at the request of the country in which the blocked balances are being held, but the Fund can invest those balances in regular or special government securities of that country. The Fund shall be free to sell such bonds in any country provided that the approval of the issuing government is first obtained.
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- 5 -

8. To borrow, at such rates as the Fund may recommend, the currency of any country, provided four-fifths of the member votes approve the terms of such borrowing.
9. To invest any currency it holds in "short-term" securities--commercial or government--of the country of that currency provided a four-fifths vote of the member votes shall approve, and provided further that the approving votes shall include that of the Board representative of the country in which the investment is to be made.
10. To sell the obligations of the member countries held by it provided the representative of the country in which the securities are to be sold approves. To rediscount any of its holdings or to discount its own obligations with the central bank of any country whose currency the Fund requires.
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3.
 - a. Not to accept or permit deposits or investments from any member country except with the permission of the government of that country, and
 - b. To make available to the government of any member country at its request all property in form of deposits, investments, securities of the nationals of that member country.
4. Not to enter upon any bilateral foreign exchange clearing arrangements except with the approval of the Fund.
5. To give consideration to the views of the Fund on any existing or proposed monetary or economic policy, the effect of which would be to bring about sooner or later a serious disequilibrium in the balance of payments of other countries.
6. In the interest of a balanced and sustained growth of international trade, to embark upon a program of gradual reduction of existing trade barriers -- import duties, import quotas, administrative devices -- and to agree not to adopt any general increase in tariff schedules or other restrictive devices without giving reasonable opportunity for the Fund to render a public report on the effect of the contemplated changes on the balance of payments of other countries.

- 8 -

7. To furnish the Fund with all information it needs for its operations and to furnish such reports as it may require in the form and at the times requested by the Fund.
8. To adopt appropriate legislation or decrees to carry out its undertakings to the Fund and to facilitate the activities of the Fund.

Dear Cordell:

As you know, discussions have been going forward in the Treasury by an interdepartmental group on the formulation of a program for international monetary cooperation. Representatives of your Department have participated in the numerous discussions and have doubtless kept you informed of the general progress.

I should like to call on you to discuss the status of the work that has already been done and to get your views on the matter.

Sincerely,

Secretary of the Treasury.

The Honorable Cordell Hall,
Secretary of State.

*Sent by
via
A.A. Berke*
Nov 15, 1942
5:02 P.M.

How
EHW:cmh
12/15/42.

FILE COPY

309 - The Secretary ²²⁰

Sect; Hull hasn't
gone into the matter
yet - wants to
brush up on it.

Will call you.
This is an acknowledgment.

From: (Sect; Hull) Gray.

12/17/42

1013

From: Lieut. Stephens

December 15, 1942
4:10 p.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Kuhn
Mr. Wanders
Mr. Lemmon

H.M.JR: What are your recommendations? Who is the mouthpiece here, you?

MR. BUFFINGTON: We discussed it at some length with Harold Thomas - newspaper, radio and other means - and every one seemed to be in agreement that with the short time elapsing the radio was probably the most easily accessible and the most efficient thing for this purpose. Then we got to discussing the possible candidates, and somewhat independent of one another arrived at Mr. Willkie as being the person who could do a good job Sunday night, if possible.

We only have until Wednesday night to accomplish anything after whatever enthusiasm is brought to the public that late. Everyone seems to be in agreement that anything in the newspapers would not be very effective, and that radio is probably the best thing to try to use. So it boiled down to who is the most usable person for that purpose.

MR. KUHN: There are two good spots: on Columbia, seven to seven-thirty, and one on the Blue from eight to eight-thirty, and on either one of those Willkie could get quite an audience if we wanted to ask him.

MR. BELL: Do you need enthusiasm right at the end?

MR. BUFFINGTON: I just feel that anything you can do to not let it just taper off, but rather have it end

- 2 -

with a bang is always a good way to end a ball game. The only question is, if there were a matter of cost involved I would think it might be money misspent because of the shortness of time afterward, but this would cost no one anything; and I would think it might have possible value for succeeding campaigns and undoubtedly would do some good in stimulating the last-minute results.

MR. BELL: I see no objection to it if there are not any objections to the man.

MR. WANDERS: It is quite usual in a drive of this kind to end up in a bit of a blaze.

MR. KUHN: The general feeling this morning was that that would do some good, not a vast amount, because there is not a great deal of time, but it certainly would do no harm.

MR. BELL: It would give you a test to see what it could do.

MR. KUHN: You have to get a good national speaker who can command an audience or else it had better not be done at all.

MR. BUFFINGTON: Dan, you had mentioned the possibility of Kaiser and someone out of Mr. Byrnes' office. We also discussed the possibility of Mr. Byrnes. I think that at that late date whoever you used - if you could get quite an audience - some of those men are good, but are not as well known to radio listeners as someone like Willkie.

MR. BELL: I did not hear Kaiser the other night when he made his speech in New York, but somebody who did said he had a grand voice and made a good speech before the NAM.

MR. LEMMON: He has a fine radio voice.

- 3 -

MR. BELL: They said that he made a good speech on the post-war program.

MR. KUHN: He said they should use war bonds as down payments for the 1945 cars, and the automobile industry was very indignant about it.

H.M.JR: Why?

MR. KUHN: Because the whole public relations campaign has been to show how well they have converted to war and how they are not thinking of their 1945 models, and here comes this shipbuilder to give them an idea and make it seem that they are intent above all on their 1945 sales. They put up the president of Willys-Overland to answer him. They called him names and said that the war bond idea is illegal anyway. (Laughter)

MR. BELL: Maybe you don't want him then.

H.M.JR: Well look, gentlemen, let me think about this. I can give you an answer in the next ten or fifteen minutes so you can get started.

December 15, 1942
4:17 p.m.

Operator: Go ahead.

HMJr: Hello.

Ronald Ransom: Hello - Ronald Ransom.

HMJr: Yeah.

R: I reported that meeting to the chairman....

HMJr: Yes.

R:and he's instructed Goldenweiser to call Harry White right away and decide that if the language of this draft means what Harry did....

HMJr: Yes.

R:Harry thinks it means as to the two-and-a-half limitation on the funds that we contribute

HMJr: Yeah.

R:that that's fine, just go ahead and take the next step with it....

HMJr: I see.

R:so there won't be any delay on that at all, because that's Harry's own interpretation of his own language....

HMJr: Yes.

R:but, frankly, I think perhaps it's susceptible to another interpretation which I don't think Harry would want....

HMJr: Yeah.

R:and by calling it to his attention at this stage, why, it leaves us free to help get the language in the shape that....

HMJr: Right.

- 2 -

R:Harry himself says he wants it.
HMJr: Okay.
R: Sorry I had to delay it that long.
HMJr: Thank you.

December 15, 1942
5:20 p.m.

HMJr:to Mrs. Roosevelt on this same thing, the Government lounge at this Penn Station cashing checks?

Daniel Bell: Oh, yeah.

HMJr: Look, let's try it for a day or two anyway - hello?

B: Yeah.

HMJr: Just to cash Government checks.

B: Put it down at the station?

HMJr: Well, they say there's a lounge there of some kind - in the Government lounge....

B: There's a - there is a - they've turned over, I think, the President's Room....

HMJr: That's right.

B:to the soldiers.

HMJr: That's right.

B: Uh huh. All right.

HMJr: Let's try it for a couple of nights.

B: All right. I'll be....

HMJr: Who - who will do that? Who do....

B: Well, the Treasurer would have to do it. He'd have to pick a couple of his good people and put them down there. I mean it's something that can't be taken very lightly. After all, you're cashing - they're using Government money, and....

HMJr: Well, tell him to try it.

B:it's his respon... - his responsibility under his bond, you know.

HMJr: All right. Well, will you talk to him about it, and....

B: I'll talk to him about it tomorrow morning.

HMJr: And give me a little note so I can....

B: Yup, I will.

HMJr:let Mrs. Roosevelt know.

B: Fine, I'll do it.

HMJr: Thank you.

B: All right.

Harry White
Ferdinand Kuhn
Charles Schwarz

December 15, 1942

Secretary Morgenthau

I was considerably disturbed by Standard & Poor's weekly letter dated December 14, 1942, which says, "Since Secretary Morgenthau's return from England, Washington has buzzed with rumors growing out of the exhaustion of British monetary reserves at home and in this country."

Of course, this is the bunk. Quite the contrary is true. I would like to have one of you interview the Washington representative of Standard & Poor's and find out where they got this story from, particularly in the Treasury, and then have the man see Harry White and have him correct it. This should be done today.

It is most unfortunate that a story like this should be written and circulated by an organization like Standard & Poor's.

Treasury Department
Division of Monetary Research 209

Date 12/15/42.....19

To: Mrs. McHugh

Original of attached statement
handed to Mr. Boyer, of Standard
and Poor, at 2:45 p.m. today by
Mr. White, in accordance with
memorandum from the Secretary.

Mr. Schwarz and Mr. Kuhn were
in on the conference.

L. Shanahan

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

230

INTER-OFFICE COMMUNICATION

DATE 12-15-42

TO Secretary Morgenthau
FROM Mr. Schwarz *CS*

I talked this morning with Mr. Gaylord W. Boyer, Washington representative for Standard and Poor's, in connection with the article in their current letter, "Currency Stability a Postwar Aim." Mr. Boyer made it clear that nothing in the article was based on any reports he had made to New York, that the entire piece had been prepared in the home office.

By telephone to the editorial office in New York, I was told that the editors had been informed by a number of recent visitors here that British financial representatives and our own Federal Reserve officials were discussing the rumor they reported.

They conceded that, for more accurate reporting, they should have checked with the Treasury, and asked that we give a correct statement of the situation to Mr. Boyer so that he could forward it to them for use in the Letter to give the correct information to their readers. They also agreed to clear up the false implication created by their opening sentence, which indicated that the rumors had their genesis in your return from England.

Mr. White, Mr. Kuhn and I talked with Mr. Boyer at 2:30 o'clock in Mr. White's office, at which time the whole article was analyzed with him and he made notes for a report back to New York. Not for attribution to the Treasury, but for the guidance of the editors, Mr. White provided the attached statement as the basis for a correct article on the situation.

W.W. F.K.

Information which has just come to our attention points to the fact that the British foreign exchange resources, far from approaching the point of exhaustion as was rumored in some quarters, ^{are} ~~is~~ very substantial and has ^{been} ~~has~~ been gradually increasing.

approx
232/11/42

PRODUCTION and DISTRIBUTION

of the Pamphlet

"YOUR NEW INCOME TAX"

MEMORANDUM

TO: Secretary Morgenthau

November 19, 1942

FROM: Mr. Sullivan

I present for your approval type proof of a folder entitled "Your New Income Tax". This is to serve the same purpose as the folder "Know Your Taxes", of which approximately forty-two million were distributed last year.

This folder was prepared in collaboration with Mr. Schwarz, The Bureau of Internal Revenue, and the Division of Tax Research. It has been read and approved by Mr. Cann for the Bureau of Internal Revenue, and by Messrs. Bell, Gaston, Kuhn and Buffington. If you approve, it is ready for immediate production.

The following distribution is suggested for this folder:

Employees of Private Industry	37,731,000
Federal Employees, including Army and Navy	9,203,000
State Employees	529,000
Municipal Employees, all cities of 5,000 population and over	942,000
County Employees, counties over 50,000 population	180,000
School Employees, cities over 5,000 population	1,300,000
Victory Fund Committee, for distribution through the 36 Federal Reserve Banks and Branches	1,500,000
Reserve Supply to fill direct requests from all sources	<u>500,000</u>
TOTAL	51,885,000

The Government Printing Office estimates the cost of paper and printing of the above quantity at approximately \$57,500. The cost of distribution from printers to points of distribution and of mailing will be in addition to the above figure.

Your New Income Tax

... and a convenient
"save-as-you-go"
way to meet it

OUR CONGRESS has levied our first war-time income tax. The increased rates are a necessary step toward fighting and winning our life-and-death war for freedom and for the very existence of our Nation.

Not all of us can bear arms and risk our blood and our lives in this high cause. But all of us can, and must, pay generously that our fighting men may have everything needed for victory. Every American should pay his fair share of these taxes gladly and cheerfully, as a personal contribution in this great battle for our liberties and for the freedom of our children and our children's children.

Henry Morgenthau Jr.
Secretary of the Treasury



UNITED STATES
TREASURY

An income tax return must be filed by single persons having a total income of \$500 or more, and married persons having a total income (separately or combined) of \$1,200 or more.

Members of the military or naval forces of the United States below the grade of commissioned officer on December 31, 1942, should not include in gross income the first \$250 if single, or the first \$300 if married or head of a family on that date, received as compensation for active service.

The return must be filed with the Collector of Internal Revenue for your district on or before March 15, 1943. The tax may be paid in a lump sum or in equal quarterly installments, the first installment to accompany your return to be filed on or before March 15, 1943. If you can do so, help your Government by paying in a lump sum.

Pay the tax to the Collector; if by check or money order, make it payable to "Collector of Internal Revenue."

What Will YOUR Income Tax Be?

This folder has been prepared as a service to all taxpayers, old and new, to inform them about their income taxes.

Pick out the column (on the other side), which corresponds to your family status—single; or married, without dependents, or with one, two, or three dependents. Then in the tables below you can read at a glance approximately what your tax bill will be, and what your weekly savings must be to meet it.

Begin your weekly savings NOW so as to accumulate in time the taxes due quarterly on March 15, June 15, September 15, and December 15. These weekly savings are in addition to the 5 percent "Victory Tax" which will be currently deducted from your pay checks during 1943. The Victory Tax is in addition to and entirely apart from the regular income tax.

START SAVING NOW for Your Income Tax Payments

Income tax payments are an important part of the Nation's war financing program. Your country needs your income tax.

It is not only a moral and legal obligation of first importance, but it is also your most direct way of backing up our fighting men. Therefore, it is vital for you to provide for your income tax in your budget just as you provide for every other expense.

Ask yourself this question: "Will I have enough money on hand to make my income tax payments as they fall due?" For your own peace of mind, make arrangements now so that you most certainly will have that money on hand. Start today on some systematic program of saving for taxes; and from this day on, every time you receive any money, " earmark " a generous part of it for income tax—and put it away where you won't spend it.

TAX SAVINGS NOTES Let Your Tax Money Earn Interest for You

One good way of saving for taxes is to buy United States Tax Savings Notes on a regular schedule. These notes were created by the Treasury for the specific purpose of making it easier for you to plan ahead. They pay you interest on the money you set aside and use for payment of your income tax.

Like other United States Government securities, they are the safest investment in the world. Your name is written on each one, so if it is lost or stolen nobody else can sell it or use it. If for any reason you have to convert them back into cash, the United States Treasury guarantees you will get back every penny you paid for them.

Series A Tax Savings Notes increase in value 16 cents per \$100 each month, an interest rate of about 1.92 percent a year. During and after the second calendar month after the month you buy them, your Collector of Internal Revenue will accept them, at their face value plus the interest, in payment of Federal income, gift, or estate taxes (up to a yearly limit per person of \$5,000 for each type of tax).

For larger taxpayers, Series C Tax Savings Notes are acceptable in unlimited amount in payment of the same taxes.

Ask Your Banker or Employer

Any banker, or your own employer, will help you start some program of regular savings to meet future tax payments. If you decide to save by purchase of Tax Savings Notes, go to any bank, trust company, securities dealer, savings and loan association. Or mail your application to the Federal Reserve Bank in your district with your personal check or money order; or to the Treasurer of the United States, Washington, D. C.

Save—And Save Now

Whether you buy Tax Savings Notes, or put the money away in the bank, or work out some other plan—don't delay. For your country's good and for your own protection, start some regular income tax savings program on your next pay day. And then, keep it up.

**This is Your Country, Your
War, And YOUR TAX—
Let's Save for It Regularly
And Pay It Promptly**

TABLE OF TAXES PAYABLE ON 1942 INCOMES and Weekly Savings Needed to Meet Them

Tables below show how much tax you will have to pay based on your net or TAXABLE INCOME during 1942.

In these tables, TAXABLE INCOME means the amount (before deducting your personal exemption—i. e. \$500 if single; \$1,200 head of family; \$350 each dependent) received from wages, salary, bonuses, commissions, fees, annuities, dividends, interest, income from your farm, business, or profession, etc., LESS your charitable contributions, interest

paid out, bad debts, certain taxes, and other deductions authorized by law.

If your entire income was not over \$3,000 and consisted wholly of salaries, wages, dividends, interest, and annuities you may report on the new simplified Form 1040-A. In any other case your tax, and the weekly savings necessary, will be approximately the same as shown in the tables below.

if you are Single—Without Dependents (not head of family)

If your Taxable Income for 1942 was..	..you will have to pay income tax of approximately...	..and you will need to save each week approximately
\$500		(¹)
600	\$15	\$1
700	34	1
800	52	1
900	71	1
1,000	89	2
1,100	107	2
1,200	126	2
1,300	144	3
1,400	163	3
1,500	181	3
1,600	199	4
1,700	218	4
1,800	236	5
1,900	255	5
2,000	273	5
2,250	319	6
2,500	365	7
2,750	419	8
3,000	472	9
3,250	526	10
3,500	579	11
3,750	633	12
4,000	686	13
4,500	793	15
5,000	920	18
5,500	1,047	20
6,000	1,174	23
6,500	1,301	25
7,000	1,448	28
7,500	1,595	31
8,000	1,742	34
8,500	1,889	36
9,000	2,056	40
9,500	2,223	43
10,000	2,390	46
12,000	3,118	60
15,000	4,366	84
20,000	6,816	131
25,000	9,626	185

¹Less than 50 cents.

if you are (living with husband or wife) Married—No Dependents

If your Taxable Income for 1942 was..	..you will have to pay income tax of approximately...	..and you will need to save each week approximately
\$1,000		
1,100		
1,200		
1,300	\$13	(¹)
1,400	30	\$1
1,500	48	1
1,600	66	1
1,700	85	2
1,800	103	2
1,900	122	2
2,000	140	3
2,250	186	4
2,500	232	4
2,750	278	5
3,000	324	6
3,250	372	7
3,500	425	8
3,750	479	9
4,000	532	10
4,500	639	12
5,000	746	14
5,500	865	17
6,000	992	19
6,500	1,119	22
7,000	1,246	24
7,500	1,385	27
8,000	1,532	29
8,500	1,679	32
9,000	1,826	35
9,500	1,985	38
10,000	2,152	41
12,000	2,852	55
15,000	4,052	78
20,000	6,452	124
25,000	9,220	177

¹Less than 50 cents.

if you are (living with husband or wife) Married—One Dependent

If your Taxable Income for 1942 was..	..you will have to pay income tax of approximately...	..and you will need to save each week approximately
\$1,000		
1,100		
1,200		
1,300		
1,400		
1,500		
1,600	\$7	(¹)
1,700	20	(¹)
1,800	37	\$1
1,900	55	1
2,000	74	1
2,250	120	2
2,500	166	3
2,750	212	4
3,000	258	5
3,250	304	6
3,500	350	7
3,750	402	8
4,000	455	9
4,500	562	11
5,000	669	13
5,500	776	15
6,000	901	17
6,500	1,028	20
7,000	1,155	22
7,500	1,282	25
8,000	1,427	27
8,500	1,574	30
9,000	1,721	33
9,500	1,868	36
10,000	2,033	39
12,000	2,719	52
15,000	3,905	75
20,000	6,270	121
25,000	9,017	173

¹Less than 50 cents.

if you are (living with husband or wife) Married—Two Dependents

If your Taxable Income for 1942 was..	..you will have to pay income tax of approximately...	..and you will need to save each week approximately
\$1,000		
1,100		
1,200		
1,300		
1,400		
1,500		
1,600		
1,700		
1,800		
1,900		
2,000	\$13	(¹)
2,250	53	\$1
2,500	99	2
2,750	145	3
3,000	191	4
3,250	237	5
3,500	283	5
3,750	329	6
4,000	378	7
4,500	485	9
5,000	592	11
5,500	699	13
6,000	810	16
6,500	937	18
7,000	1,064	20
7,500	1,191	23
8,000	1,322	25
8,500	1,469	28
9,000	1,616	31
9,500	1,763	34
10,000	1,914	37
12,000	2,586	50
15,000	3,758	72
20,000	6,088	117
25,000	8,814	170

¹Less than 50 cents.

if you are (living with husband or wife) Married—Three Dependents

If your Taxable Income for 1942 was..	..you will have to pay income tax of approximately...	..and you will need to save each week approximately
\$1,000		
1,100		
1,200		
1,300		
1,400		
1,500		
1,600		
1,700		
1,800		
1,900		
2,000		
2,250		
2,500	\$33	\$1
2,750	79	1
3,000	125	1
3,250	171	3
3,500	217	4
3,750	263	5
4,000	309	6
4,500	408	8
5,000	515	10
5,500	622	13
6,000	729	14
6,500	846	16
7,000	973	19
7,500	1,100	21
8,000	1,227	24
8,500	1,364	26
9,000	1,511	29
9,500	1,658	33
10,000	1,805	35
12,000	2,463	47
15,000	3,611	69
20,000	5,914	114
25,000	8,611	166

MEMORANDUM

November 24, 1942

TO: Mr. Cann

FROM: Mr. Sullivan

Secretary Morgenthau has approved the printing of the folder, "Your New Income Tax", as it appears in the attached O.K.'d proof.

He has also approved the printing of 51,885,000 copies of this folder, and its distribution as laid out in my memorandum to him dated November 19, 1942. Copy of this memorandum is attached.

Will you please make arrangements to have this folder printed? Mr. Berger, of the Procurement Division of the Treasury, will place the order immediately.

Arrangements have been made by the Government Printing Office to have this job printed in Philadelphia, Washington, St. Louis and Chicago.

The order should be broken down into the following quantities:

Philadelphia Printers	14,500,000 copies
Washington Printers	14,500,000 "
St. Louis Printers	10,285,000 "
Chicago Printers	12,600,000 "

Within the next two days I will give you detailed information from which you can order the printers to make final delivery. In the main, deliveries will be made to:

1. Offices of Collectors of Internal Revenue
2. The 12 Federal Reserve Banks for use by the Victory Fund Committee
3. State Governors for distribution among state employees
4. Departments and agencies of the Federal Government
5. State and local school boards (probably in bulk shipment to the War Savings Staff mailing department in Chicago)
6. United States Treasury Chief Clerk's Office

Atts.

Mr. Cann

November 24, 1942

Mr. Sullivan

On the attached pages I give you detailed information on how the edition of 51,885,000 copies of "Your New Income Tax" should be delivered by its four printers to various points of final distribution.

The copies marked for distribution to the Offices of the Collectors of Internal Revenue are to be used for two purposes:

1. To be sent out by the Collectors in bulk to employers of eight or more employees.
2. To fill demands received from municipalities and counties for supplies which they will distribute among city and county employees.

Folders sent to the various Governors will be distributed direct by the State authorities to the State's own employees.

Folders delivered to various Government offices and departments will be distributed by those offices and departments to Federal employees.

Folders delivered to the Chief Clerk's Office, Treasury Building, Washington, D. C., will be used to meet individual requests from all sources and to supply shortages which may develop elsewhere.

Folders delivered to the various Federal Reserve Bank buildings are for the use of the Victory Fund Committee.

Folders will be distributed to almost 1,000,000 school employees in the United States through the War Savings Staff mailing facilities in Chicago.

WDH/ed

Distribution of YOUR NEW INCOME TAX

237

PHILADELPHIA PRINTER

To Deliver as Follows:

To Collectors of Internal Revenue:

Hon. Thomas L. Smith, Hartford, Conn.	660,000
Clinton A. Clauson, Augusta, Maine	230,000
Thomas B. Hassett, Boston, Massachusetts	1,865,000
Peter M. Gagne, Portsmouth, New Hampshire	153,000
Harry L. Maloney, Camden, New Jersey	426,000
John E. Manning, Newark, New Jersey	1,113,000
Jos. D. Nunan, Jr., Federal Bldg., Brooklyn, NY (1st)	1,240,000
Wm. J. Pedrick, Customhouse, NY, (2nd)	1,210,000
Joseph T. Higgins, 110 E. 45th St., NY (3rd)	1,105,000
Harry M. Hickey, Albany, New York (14th)	792,000
Frank J. Shaughnessy, Syracuse, New York (21st)	383,000
George T. McGowan, Buffalo, New York (28th)	710,000
Walter J. Rothensies, Philadelphia (1st)	2,078,000
Joseph T. McDonald, Scranton, Pennsylvania (12th)	355,000
William P. O'Malley, Pittsburgh, Pa. (23rd)	937,000
Joseph V. Broderick, Providence, Rhode Island	284,000
Fred C. Martin, Burlington, Vermont	97,000

To Victory Fund Committee:

Mr. W. W. Paddock, Federal Reserve Bank Bldg., Boston	100,000
Mr. Allan Sproul, Federal Reserve Bank Bldg., NY City	250,000
Mr. Alfred H. Williams, Federal Reserve Bank Bldg., Philadelphia	150,000

For State Employees:

Governor Robert A. Hurley, Hartford, Connecticut	12,000
" Sumner Sewall, Augusta, Maine	6,000
" Leverett Saltonstall, Boston, Massachusetts	17,000
" Robert O. Blood, Concord, New Hampshire	4,000
" Charles Edison, Trenton, New Jersey	14,000
" Herbert H. Lehman, Albany, New York	57,000
" Arthur H. James, Harrisburg, Pa.	48,000
" J. Howard McGrath, Providence, R.I.	5,000
" William H. Wills, Montpelier, Vt.	4,000

PHILADELPHIA PRINTER (Cont'd)

For United States Employees:

Mr. L. V. Whitcombe, 1322 Post Office Square, Boston	12,000
Mr. Don Iler, 341 Ninth Avenue, 7th Floor, NY City	45,000
Mr. P. J. Garney, 13th Floor, Gimble Bldg., Philadelphia	16,000

For School Employees:

Mr. L. W. Owen, Chief, Division of Savings Bonds, Nash Building, 236 East 24th Street, Chicago, Ill.	132,000
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WASHINGTON PRINTER

To Collectors of Internal Revenue:

Hon. Henry J. Willingham, Birmingham, Alabama	450,000
" James H. Latchum, Wilmington, Delaware	103,000
" John L. Fahs, Jacksonville, Florida	537,000
" Marion H. Allen, Atlanta, Georgia	590,000
" M. Hampton Magruder, Baltimore, Maryland	1,090,000
" Eugene Fly, Jackson, Mississippi	225,000
" Charles H. Robertson, Greensboro, North Carolina	637,000
" William P. Bowers, Columbia, South Carolina	324,000
" Nathaniel B. Early, Jr., Richmond, Virginia	643,000
" F. Roy Yoke, Parkersburg, West Virginia	331,000

For Victory Fund Committees:

Mr. Hugh Leach, Fed. Res. Bldg., Richmond, Va.	75,000
Mr. W. S. McLarin, Jr., Fed. Res. Bank Bldg. Atlanta, Ga.	75,000

For State Employees:

Governor Frank M. Dixon, Montgomery, Alabama	7,000
" Walter W. Bacon, Dover, Delaware	3,000
" Spessard L. Holland, Tallahassee, Florida	11,000
" Eugene Talmadge, Atlanta, Georgia	7,000
" Herbert R. O'Conor, Annapolis, Maryland	10,000
" Paul B. Johnson, Jackson, Mississippi	6,000
" J. Melville Broughton, Raleigh, North Carolina	15,000
" Burnet R. Maybank, Columbia, South Carolina	9,000
" James H. Price, Richmond, Virginia	16,000
" Matthew M. Neely, Charlestown, West Virginia	9,000

For Reserve:

Office of the Chief Clerk, Treasury Bldg., Washington, D.C.	540,000
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For Federal Government Employees:

Mr. Frank L. Walston, Secretary, Commodity Credit Corporation, St. Bldg., Dept. of Agr., Washington, D.C.	500
Mr. Henry W. Riley, Director of Personnel, National Press Bldg. (Room 433), Washington, D. C.	2,400
Mr. Frank Tracy, Chief Clerk, R.F.C., 811 Vermont Ave., N.W., Room 107, Washington, D. C.	10,500
Mr. Adler, U.S. Dept. of Justice, Room 1214, Wash. D.C.	30,000
Mr. Henry P. Chandler, U.S. Courts, Supreme Court Bldg., Room 150, Washington, D. C.	2,200
Miss Stephenson, Dept. of Publicity, Room 1058, Temporary Building "J", Navy Dept., Wash. D.C.	1,743,000

WASHINGTON PRINTER

To Collectors of Internal Revenue:

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For Reserve:

Office of the Chief Clerk, Treasury Bldg., Washington, D.C.	540,000
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Mr. Adler, U.S. Dept. of Justice, Room 1214, Wash. D.C.	30,000
Mr. Henry P. Chandler, U.S. Courts, Supreme Court Bldg., Room 150, Washington, D. C.	2,200
Miss Stephenson, Dept. of Publicity, Room 1058, Temporary Building "J", Navy Dept., Wash. D.C.	1,743,000

WASHINGTON PRINTER (Cont'd)

For Federal Government Employees, Cont'd:

Col. Dixon, U.S.A., 801 Channing Place, N.E.	97,000
Pentagon Building, Arlington County (Note: Before delivery call, Mrs. Marie Mazourek, Adjutant General's Office, Branch 3898.)	6,598,500
Mr. Burdick, Chief Clerk, Panama Canal, 411 10th Street, N.W., Washington, D. C.	1,500
Mr. Thompson, Senate Disbursing Officer, Capitol, Washington, D. C.	1,500
Mr. Shanks, House Disbursing Officer, Capitol, Washington, D. C.	1,500
Mr. Henry P. Wright, Chief Clerk, Government Printing Office, Washington, D. C.	8,500
Office of Personnel, Library of Congress, Wash. D.C.	1,800
Mr. G. F. Allen, Treasury Annex No. 1, Wash. D.C.	250,000
Mr. C. A. Wood, 101 Marietta St., Atlanta, Georgia	22,000
Mr. E. L. Julian, 2nd Floor Schmidt Bldg. Richmond, Va.	9,000
To Room 114½, Treasury Building	6,500

CHICAGO PRINTER

To Deliver as Follows:

To Collectors of Internal Revenue:

Hon. John R. Viley, Boise, Idaho	103,000
" Carter H. Harrison, Chicago, Illinois	2,435,000
" Vincent Y. Dallman, Springfield, Illinois	661,000
" Will H. Smith, Indianapolis, Indiana	950,000
" Giles Kavanagh, Detroit, Michigan	1,700,000
" Arthur D. Reynolds, St. Paul, Minnesota	760,000
" Lewis Penwell, Helena, Montana	127,000
" Hector H. Perry, Fargo, North Dakota	78,000
" Frazier Reams, Toledo, Ohio	342,000
" Harry F. Busey, Columbus, Ohio	323,000
" Frank F. Gentsch, Cleveland, Ohio	1,002,000
" James W. Maloney, Portland, Oregon	408,000
" Thomas C. Kasper, Aberdeen, South Dakota	101,000
" Joe F. Hale, Nashville, Tennessee	473,000
" Clark Squire, Tacoma, Washington	662,000
" Frank J. Kuhl, Milwaukee, Wisconsin	955,000

For Victory Fund Committee:

Mr. M. J. Fleming, Federal Reserve Bank Bldg., Cleveland, Ohio	100,000
Mr. C. S. Young, Federal Reserve Bank Bldg., Chicago	200,000
Mr. J. N. Peyton, Federal Reserve Bank Bldg., Minneapolis, Minnesota	75,000
Mr. William A. Day, Federal Reserve Bank Bldg., San Francisco, California	150,000

For State Employees:

Governor Chase A. Clark, Boise, Idaho	3,000
" Dwight H. Green, Springfield, Illinois	23,000
" Murray D. Van Wagoner, Lansing, Michigan	18,000
" Harold E. Stassen, St. Paul, Minnesota	13,000
" Sam C. Ford, Helena, Montana	4,000
" John Moses, Bismarck, North Dakota	3,000
" John W. Bricker, Columbus, Ohio	20,000
" Charles A. Sprague, Salem, Oregon	7,000
" Harlan J. Bushfield, Pierre, South Dakota	4,000
" Prentice Cooper, Nashville, Tennessee	8,000
" Arthur B. Langlie, Olympia, Washington	9,000
" Julius P. Heil, Madison, Wisconsin	8,000

CHICAGO PRINTER (Cont'd)

For Federal Employees:

Mr. W. W. Weldon, 1251 Merchandise Mart, Chicago	30,000
Mr. J. W. Reynar, 4237 Post Office Bldg., Cleveland	15,000
Mr. E. A. Hudson, 120 Customs House, Denver, Colorado	10,000
Mr. R. H. Zohm, 419 Federal Bldg., Helena, Montana	3,500
Mr. Lea Testin, 322 New Post Office Bldg., Minneapolis, Minn.	8,000
Mr. A. W. Wahlers, 519 New U.S. Court House, Portland, Ore.	5,000
Mr. H. D. McIntosh, 210 Hoge Bldg., Seattle, Washington	8,000
Mr. D. W. Herron, 304 Federal Bldg., Juneau, Alaska	2,000

For School Employees:

Mr. L. W. Owen, Chief, Division of Savings Bonds, Nash Building, 236 East 24th Street, Chicago, Illinois	793,000
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ST. LOUIS PRINTER

To Deliver as Follows:

To Collectors of Internal Revenue:

Hon. William P. Stuart, Phoenix, Arizona	110,000
" Roy G. Paschal, Little Rock, Arkansas	258,000
" Richard Nickell, San Francisco, California	1,150,000
" Nat Rogan, Los Angeles, California	1,660,000
" Ralph Nicholas, Denver, Colorado	280,000
" Fred H. Kanne, Honolulu, T.H.	118,000
" Edward H. Birmingham, Des Moines, Iowa	511,000
" Lynn R. Brodrick, Wichita, Kansas	348,000
" Seldon R. Glenn, Louisville, Kentucky	382,000
" Charles A. Donnelly, New Orleans, Louisiana	600,000
" Robert E. Hannegan, St. Louis, Missouri	718,000
" Dan M. Nee, Kansas City, Missouri	440,000
" George W. O'Malley, Omaha, Nebraska	225,000
" Robert L. Douglass, Reno, Nevada	43,000
" Steven P. Vidal, Albuquerque, New Mexico	80,000
" Edward G. Weinewuth, Cincinnati, Ohio	535,000
" Henry Clifford Jones, Oklahoma City, Oklahoma	312,000
" Frank Schofield, Austin, Texas	743,000
" William A. Thomas, Dallas, Texas	713,000
" William J. Korth, Salt Lake City, Utah	148,000
" Frank G. Clark, Cheyenne, Wyoming	48,000

For Victory Fund Committee:

Mr. Chester C. Davis, Federal Reserve Bank Bldg., St. Louis, Missouri	100,000
Mr. H. G. Leedy, Federal Reserve Bank Building, Kansas City, Missouri	75,000
Mr. R. R. Gilbert, Federal Reserve Bank Bldg., Dallas, Texas	150,000

For State Employees:

Governor Sidney P. Osborn, Phoenix, Arizona	4,000
" Homer M. Adkins, Little Rock, Arkansas	7,000
" Culbert L. Olson, Sacramento, California	30,000
" Robert L. Carr, Denver, Colorado	6,000
" George A. Wilson, Des Moines, Iowa	9,000
" Payne Ratner, Topeka, Kansas	7,000
" Keen Johnson, Frankfort, Kentucky	9,000
" Sam Houston Jones, Baton Rouge, Louisiana	15,000
" Forrest C. Donnell, Jefferson City, Missouri	13,000
" Dwight Palmer Griswold, Lincoln, Nebraska	4,000
" E. P. Carville, Carson City, Nevada	2,000

ST. LOUIS PRINTER (Cont'd)

For State Employees, Cont'd:

Governor John E. Miles, Santa Fe, New Mexico	4,000
" Leon C. Phillips, Oklahoma City, Oklahoma	9,000
" Coke Stevens, Austin, Texas	20,000
" Herbert B. Maw, Salt Lake City, Utah	3,000
" Nels Smith, Cheyenne, Wyoming	2,000

For Federal Employees:

Paul L. Rapp, Asst. Chief Administrative Division, Farm Credit Administration, Municipal Auditorium, Kansas City, Missouri	9,000
E. B. Reid, Director of Information, Farm Credit Administration, 212 West 14th Street, Kansas City, Missouri	226,000
Mr. T. H. Daley, 502 Pere Marquette Bldg., New Orleans	12,000
Mr. J. A. Abbott, Federal Building, Albuquerque, N.Mex.	5,000
Mr. L. W. Looker, 315 Federal Courts Bldg., Kansas City, Missouri	16,000
Mr. Harry Rogers, 446 U. S. Post Office and Court House, Los Angeles, California	15,000
Mr. R. E. Waters, U. S. Terminal Annex, Dallas, Texas	15,000
Mr. E. L. Hlinak, 700 New Federal Bldg., St. Louis, Mo.	9,000
Mr. C. E. Gordon, 411 Federal Bldg., Salt Lake City, Utah	3,000
Mr. H. A. Holland, 417 Market St., San Francisco, Calif.	12,000
Mr. S. D. Putnam, 328 Federal Bldg., Honolulu, Hawaii	1,000

For School Employees:

Mr. L. W. Owen, Chief, Division of Savings Bonds, Nash Building, 236 East 24th Street, Chicago, Ill.	71,000
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Government Printing Office
Bureau of Internal Revenue

November 26, 1942

In relation to the printing of the folder, "Your New Income Tax", if it is feasible, it would be better to cut the Philadelphia print order by 132,000, and the St. Louis print order by 71,000, and increase the Chicago print order by the same amount.

If this can be done, then you may eliminate shipment from Philadelphia and St. Louis to Mr. L. W. Owen, Chief, Division of Savings Bonds, Nash Building, 236 East 24th Street, Chicago, Illinois, and increase the delivery to him from the Chicago printers by the same number. This will make shipment to Mr. Owen from Chicago equal 996,500.

WDH/ed

C O P Y

(As Corrected for HJ, Jr. signature)
on letters

TREASURY DEPARTMENT

246

INTER OFFICE COMMUNICATION

DATE November 26, 1942

TO Mr. Birgfeld
FROM Mr. Sullivan

We would like to have the following multigraphing work done in connection with the distribution of the Treasury folder, "Your New Income Tax":

2,100 copies of a letter to Mayors of cities of 5000 population or more addressed "Dear Mr. Mayor"--multigraphed on Secretary letterheads and carrying the multigraphed signature of Henry Morgenthau, Jr., Secretary of the Treasury.

110 copies of letters addressed to Town Clerks, headed "Dear Mr. Town Clerk", and bearing the multigraphed signature of Mr. Morgenthau, as above.

390 letters to Chief Executives of Counties, addressed "Dear Sirs", and bearing the multigraphed signature of Henry Morgenthau, Jr., Secretary of the Treasury.

33 copies of letter to Chief Executive Officers of Counties addressed "Dear Sir" and also bearing the multigraphed signature of Mr. Morgenthau.

It is very important that these letters be completed as soon as possible. When finished, they should be delivered to Miss Duhn, Room 114 $\frac{1}{2}$.

Atts.

C O P Y

TREASURY DEPARTMENT

247

INTER OFFICE COMMUNICATION

DATE November 25, 1942

TO Miss Duhn
FROM Mr. Horne

In my absence, will you please follow through on getting form letters produced in connection with the distribution of "Your New Income Tax"?

1. The letter to Governors

This letter marked "A" is to be written to the Governors of the 48 States. They are to be individually typed on the Secretary's engraved letterheads, and personally signed by Mr. Morgenthau. They should be mailed as soon after we know for certain that the printing order has been placed. Complete list of Governors is attached.

2. Letter to Mayors and Town Clerks

This letter marked "B" is to be multigraphed by Miss Newcomer, and carry the multigraphed signature of Mr. Morgenthau.

2,100 copies should be multigraphed with the heading, "Dear Mr. Mayor", and 110 copies should be multigraphed with the heading, "Dear Mr. Town Clerk".

Envelopes will have to be individually addressed by the stenographic pool from the lists contained in the Census Volumes, Part 1, January 1942. We are to address the mayor or the town clerk of each city or town of 5000 or more population. We will address envelopes to the mayor, in all cases where the community is listed as a "city"; and to the town clerk, where the community is listed as a "town", except where in Massachusetts, Connecticut and Maine the city is listed as a town.

Envelopes addressed to Mayors should be addressed in this style:

The Mayor,

Cumberland, Maryland.

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Envelopes addressed to Town Clerks should be addressed in this style:

Mr. Town Clerk,

Belmont, Massachusetts.

These letters should be mailed as soon as possible after the printing order has been definitely placed.

Of course, it is important that letters addressed to the Mayor get into the envelope addressed to the Mayor, and the same applies to Town Clerks.

Use regular Treasury Department envelopes.

3. Letter to Chief County Executives:

This letter marked "C" is to be sent to the Chief Executive Officer of counties of 50,000 or more in various states. We will need to multigraph about 450 of them. They should carry the multigraphed signature of Mr. Morgenthau. Attached is a list showing the number of counties of 50,000 in each state. The list totals 423 counties.

390 of these letters should be addressed "Dear Sirs", and 33 should be addressed "Dear Sir".

The 33 should be mailed to the following states, addressed as follows:

Arkansas - 5 counties - Judge of County Court, Blank County
 Louisiana - 7 counties - President of Policy Jury, Blank Parish
 Missouri - 5 counties - Judge of County Court, Blank County
 Tennessee - 7 counties - County Judge, Blank County
 Vermont - 1 county - Asst. Judge of County Court, Blank County
 Kentucky - 8 counties - Judge of the County Court, Blank County

For all other states, the letter headed "Dear Sirs" should be used and enclosed in envelopes addressed as indicated on the list herewith marked "X".

- 3 -

You will have to look up somewhere the county seats so these can be addressed to their proper destination.

These letters should be mailed as soon as possible after we know that the printing order has been placed.

Have a proof of each letter o.k.'d by Mr. Sullivan before multigraphing.

250



TREASURY DEPARTMENT

WASHINGTON

December 3, 1942

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE

AND REFER TO
A&C:EA
PERSONAL

The Treasury has prepared a folder, "Your New Income Tax", to acquaint taxpayers with their obligations under the new Income Tax law. It is of great importance that they receive this folder promptly, and we are counting on your cooperation to accomplish this.

Attached is draft of a letter to employers asking them to see that one of these leaflets is placed in the hands of each of their employees. We will supply you with enough of these letters so that you can mail one to each employer of eight or more, as represented in the file of Addressograph plates in your office. The address of your office and your name can be added to the letters by rubber stamp or mimeograph.

The number of employees embossed on each plate will tell you how many folders to send to each employer. An ample supply of the folders will be delivered to you direct from the printer within the next few days.

In addition to this distribution through employers in private business, the Secretary's Office is requesting county and municipal officials to see that these leaflets are furnished to their employees. They are being told that supplies of the leaflet may be obtained from your office upon request. Please be prepared to comply promptly with any such requests.

This method of distribution in bulk frees you of the necessity of enclosing the folders with the blank income tax return forms mailed to taxpayers, as was done last year.

The Secretary of the Treasury hopes that the final distribution of "Your New Income Tax" by employers to their employees can be completed by December 15th or as soon thereafter as possible. Please do everything in your power to help accomplish this. I shall appreciate your acknowledgment of this letter.

Sincerely yours,

Commissioner.



Letter from Collectors of Internal Revenue
to Employers of 8 or more employees.



OFFICE OF THE COLLECTOR

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

252



DEAR SIR:

One of the more serious problems confronting me in laying the ground work in this District for an efficient administration of the Revenue Act of 1942 is to reach individual taxpayers for the purpose of acquainting them with the amount of income tax which they will be called upon to pay during 1943.

I am fully appreciative of the many demands upon your facilities and upon your time. However, I am taking the liberty of sending you a supply of the leaflet "Your New Income Tax" and am asking you to furnish a copy to each of your employees as soon as possible—before December 15, if possible. May I suggest that you distribute them with your next pay roll? If the supply of folders sent is not sufficient for your needs, this office will be pleased to furnish additional copies upon receipt of your request therefor.

I consider it needless for me to dwell at any length on the importance and necessity of taxes in relation to the war effort, and I feel confident I can count on your assistance in this matter. In placing these leaflets in the hands of your employees you will be doing your Government a real service, and you may be sure that your cooperation will be greatly appreciated by the Treasury Department.

Respectfully,

Collector of Internal Revenue.

DISTRIBUTION OF LEAFLETS "Your New Income Tax"

<u>Districts</u>	(Thousands)	<u>Districts</u>	(Thousands)
Alabama	433	North Carolina	622
Arizona	136	North Dakota	69
Arkansas	250	1st Ohio	514
1st California	1,104	10th Ohio	329
6th California	1,613	11th Ohio	311
Colorado	267	18th Ohio	965
Connecticut	639	Oklahoma	298
Delaware	100	Oregon	398
Florida	517	1st Pennsylvania	2,016
Georgia	570	12th Pennsylvania	347
Hawaii	118	23rd Pennsylvania	915
Idaho	98	Rhode Island	277
1st Illinois	2,385	South Carolina	315
8th Illinois	629	South Dakota	87
Indiana	918	Tennessee	469
Iowa	486	1st Texas	721
Kansas	326	2d Texas	692
Kentucky	367	Utah	140
Louisiana	580	Vermont	95
Maine	217	Virginia	629
Maryland	1,073	Washington	642
Massachusetts	1,800	West Virginia	324
Michigan	1,621	Wisconsin	902
Minnesota	719	Wyoming	45
Mississippi	210	Philippine Islands	—
1st Missouri	700		
6th Missouri	426	Total	37,731
Montana	121		
Nebraska	210		
Nevada	41		
New Hampshire	143		
1st New Jersey	410		
5th New Jersey	1,088		
New Mexico	77		
1st New York	1,198		
2nd New York	1,172		
3d New York	1,067		
14th New York	762		
21st New York	367		
28th New York	681		

INTERNAL REVENUE COLLECTION DISTRICTS

Alabama	Birmingham	5,600
Arizona	Phoenix	1,600
Arkansas	Little Rock	3,700
California (1st)	San Francisco	148,000
California (6th)	Los Angeles	207,000
Colorado	Denver	39,000
Connecticut	Hartford	82,000
Delaware	Wilmington	13,000
Florida	Jacksonville	76,000
Georgia	Atlanta	73,000
Hawaii	Honolulu	18,000
Idaho	Boise	15,000
Illinois (1st)	Chicago	306,000
Illinois (8th)	Springfield	81,000
Indiana	Indianapolis	112,000
Iowa	Des Moines	71,000
Kansas	Wichita	48,000
Kentucky	Louisville	54,000
Louisiana	New Orleans	75,000
Maine	Augusta	32,000
Maryland	Baltimore	140,000
Massachusetts	Boston	240,000
Michigan	Detroit	175,000
Minnesota	St. Paul	92,000
Mississippi	Jackson	31,000
Missouri (1st)	St. Louis	90,000
Missouri (6th)	Kansas City	55,000
Montana	Helena	18,000
Nebraska	Omaha	31,000
Nevada	Reno	6,000
New Hampshire	Portsmouth	21,000
New Jersey (1st)	Camden	44,000
New Jersey (5th)	Newark	140,000
New Mexico	Albuquerque	12,000
New York (1st)	Federal Bldg., Brooklyn	155,000
New York (2nd)	Customhouse, New York	175,000
New York (3rd)	110 E. 45th St., N.Y.	160,000
New York (14th)	Albany	100,000
New York (21st)	Syracuse	47,000
New York (28th)	Buffalo	73,000
North Carolina	Greensboro	80,000
North Dakota	Fargo	10,000
Ohio (1st)	Cincinnati	66,000
Ohio (10th)	Toledo	43,000
Ohio (11th)	Columbus	40,000
Ohio (18th)	Cleveland	124,000
Oklahoma	Oklahoma City	44,000
Oregon	Portland	51,000
Pennsylvania (1st)	Philadelphia	217,000
Pennsylvania (12th)	Scranton	45,000
Pennsylvania (23rd)	Pittsburgh	120,000

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Rhode Island	Providence	36,000
South Carolina	Columbia	41,000
South Dakota	Aberdeen	13,000
Tennessee	Nashville	69,000
Texas (1st)	Austin	93,000
Texas (2nd)	Dallas	90,000
Utah	Salt Lake City	21,000
Vermont	Burlington	14,000
Virginia	Richmond	81,000
Washington	Tacoma	83,000
West Virginia	Parkersburg	43,000
Wisconsin	Milwaukee	12,000
Wyoming	Cheyenne	7,000

Letter written to the Governors
of the States per attached list.

256

THE SECRETARY OF THE TREASURY
WASHINGTON



My dear Governor Dixon:

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

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

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

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

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

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

Sincerely,

Honorable Frank M. Dixon,
Governor of Alabama,
Montgomery, Alabama.



LIST OF GOVERNORS

Governor Frank M. Dixon, Montgomery, Alabama.	Governor Sumner Sewall, Augusta, Maine.
Governor Sidney P. Osborn, Phoenix, Arizona.	Governor Herbert R. O'Connor, Annapolis, Maryland.
Governor Homer M. Adkins, Little Rock, Arkansas.	Governor Leverett Saltonstall, Boston, Massachusetts.
Governor Culbert L. Olson, Sacramento, California.	Governor Murray D. Van Wagoner, Lansing, Michigan.
Governor Ralph L. Carr, Denver, Colorado.	Governor Harold E. Stassen, St. Paul, Minnesota.
Governor Robert A. Hurley, Hartford, Connecticut.	Governor Paul B. Johnson, Jackson, Mississippi.
Governor Walter W. Bacon, Dover, Delaware.	Governor Forrest C. Donnell, Jefferson City, Missouri.
Governor Spessard L. Holland, Tallahassee, Florida.	Governor Sam C. Ford, Helena, Montana.
Governor Eugene Talmadge, Atlanta, Georgia.	Governor Dwight Palmer Griswold, Lincoln, Nebraska.
Governor Chase A. Clark, Boise, Idaho.	Governor E. P. Carville, Carson City, Nevada.
Governor Dwight H. Green, Springfield, Illinois.	Governor Robert O. Blood, Concord, New Hampshire.
Governor Henry F. Schricker, Indianapolis, Indiana.	Governor Charles Edison, Trenton, New Jersey.
Governor George A. Wilson, Des Moines, Iowa.	Governor John E. Miles, Santa Fe, New Mexico.
Governor Payne Ratner, Topeka, Kansas.	Governor Charles Poletti, Albany, New York.
Governor Keen Johnson, Frankfort, Kentucky.	Governor J. Melville Broughton, Raleigh, North Carolina.
Governor Sam Houston Jones, Baton Rouge, Louisiana.	Governor John Moses, Bismarck, North Dakota.

Governor John W. Bricker,
Columbus, Ohio.

Governor Leon C. Phillips,
Oklahoma City, Oklahoma.

Governor Charles A. Sprague,
Salem, Oregon.

Governor Arthur H. James,
Harrisburg, Pennsylvania.

Governor J. Howard McGrath,
Providence, Rhode Island.

Governor R. M. Jefferies,
Columbia, South Carolina.

Governor Harlan J. Bushfield,
Pierre, South Dakota.

Governor Prentice Cooper,
Nashville, Tennessee.

Governor Coke Stevenson,
Austin, Texas.

Governor Herbert B. Maw,
Salt Lake City, Utah.

Governor William H. Wills,
Montpelier, Vermont.

Governor Colgate Darden, Jr.,
Richmond, Virginia.

Governor Arthur B. Langlie,
Olympia, Washington.

Governor Matthew M. Neely,
Charleston, West Virginia.

Governor Julius P. Heil,
Madison, Wisconsin.

Governor Nels Smith,
Cheyenne, Wyoming.

Letter written to heads of Educational
Departments in 17 States and D.C, per
attached list.

259

THE SECRETARY OF THE TREASURY
WASHINGTON



Dear Mr. Dexter:

The nation's war effort necessitates the payment of income taxes by many millions of people who have never paid them before. Millions who have paid income taxes before will pay appreciably larger amounts in 1943. It is important that taxpayers be informed as promptly as possible how much in income taxes they will have to pay during 1943, and how much they should set aside each pay period to make these payments as they come due.

The Treasury has printed a folder, "Your New Income Tax", which gives this information, and I am asking your help in getting it distributed. Confident of your cooperation, I have instructed the printer to deliver direct to you a supply of these folders in sufficient quantity to distribute one to each school employee in your State.

Will you help by getting these distributed as promptly as possible - preferably on or before December 15th? If you need additional copies of the folder, you may obtain them from the office of the Collector of Internal Revenue nearest you.

Please let me thank you in advance for your help, which will be a definite service to the nation, as well as to the employees of your department.

Sincerely,

Mr. Walter F. Dexter,
State Superintendent of
Public Instruction,
Sacramento, California.

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

List of Heads of Departments of
Education in the 18 States to which bulk
shipments will be made through the War
Savings Staff.

California -	Walter F. Dexter, State Superintendent of Public Instruction, Sacramento, California.
Colorado -	Inez J. Lewis, State Supt. of Public Instruction, Denver, Colorado.
Connecticut -	Alonzo G. Grace, Commissioner of Education, Hartford, Connecticut.
Delaware -	H. V. Holloway, State Supt. of Public Instruction, Dover, Delaware.
(District of - Columbia)	Frank W. Ballou, Superintendent of Schools, Washington, D. C.
Iowa -	Jessie M. Parker, State Supt. of Public Instruction, Des Moines, Iowa
Kentucky -	John W. Brooker, State Supt. of Public Instruction, Frankfort, Kentucky.
Massachusetts -	Walter F. Downey, Commissioner of Education, Boston, Massachusetts.
Michigan -	Eugene B. Elliott, State Supt. of Public Instruction, Lansing, Michigan.
Mississippi -	J. S. Vandiver, State Supt. of Education, Jackson, Mississippi.
Montana -	Elizabeth Ireland, State Supt. of Public Instruction, Helena, Montana.

Nevada - Mildred Bray,
State Supt. of Public Instruction,
Carson City, Nevada.

New Jersey - Charles H. Elliott,
Commissioner of Education,
Trenton, New Jersey.

Ohio - Kenneth C. Ray,
Director of Education,
Columbus, Ohio.

Texas - L. A. Woods,
State Superintendent,
Austin, Texas,

Vermont - Ralph E. Noble,
Commissioner of Education,
Montpelier, Vermont

Washington - Mrs. Pearl A. Wanamaker,
Supt. of Public Instruction,
Olympia, Washington.

Wisconsin - John Callahan,
State Supt. of Public Instruction,
Madison, Wisconsin.

Letter to school authorities in other
30 states, written, addressed and
mailed by the Chicago Office of the
War Savings Staff.

TREASURY DEPARTMENT

262

WASHINGTON



To the School Official Addressed:

Because of the nation's war effort, the new Income Tax law lays a heavier burden of taxation on all citizens, including many who have never before paid income taxes.

I think you will agree with me that individual taxpayers are anxious to know what income tax payments will be required of them during 1943, and how much they should begin saving each pay day to meet these payments.

The Treasury Department has just printed a folder giving this information, and I want to ask your cooperation to the extent of distributing it to the school employees under your jurisdiction. To this end I am sending you a sufficient number of these folders. May I count on you to distribute them among your school employees promptly, if possible by December 15th?

If you should need additional copies, you can obtain them by applying to the office of the nearest Collector of Internal Revenue.

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

Sincerely yours,


Henry M. Genthau, Jr.
Secretary of the Treasury





THE SECRETARY OF THE TREASURY
WASHINGTON

December 3, 1942

Dear Mr. Mayor:

It is to the interest of the taxpayers that they be informed promptly what their Federal income tax liability will be, and approximately what they should set aside each pay day to make their payments as they fall due during 1943.

The Treasury has printed a folder which gives this information. May I ask you to help us in its distribution by giving one of these folders to each of your municipal employees at the earliest possible opportunity--preferably with your next payroll? Please call upon your nearest Collector of Internal Revenue to supply you with the number of folders you require.

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

Sincerely yours,

Henry Morgenthau Jr.
Secretary of the Treasury





THE SECRETARY OF THE TREASURY
WASHINGTON

December 3, 1942

Dear Mr. Town Clerk:

It is to the interest of the taxpayers that they be informed promptly what their Federal income tax liability will be, and approximately what they should set aside each pay day to make their payments as they fall due during 1943.

The Treasury has printed a folder which gives this information. May I ask you to help us in its distribution by giving one of these folders to each of your municipal employees at the earliest possible opportunity--preferably with your next payroll? Please call upon your nearest Collector of Internal Revenue to supply you with the number of folders you require.

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

Sincerely yours,

Henry Morgenthau Jr.
Secretary of the Treasury



Letter sent to Boards of County
Commissioners in counties having
over 50,000 population.

265

THE SECRETARY OF THE TREASURY
WASHINGTON



December 3, 1942

Dear Sirs:

It is to the interest of the taxpayers that they be informed promptly what their Federal income tax liability will be, and approximately what they should set aside each pay day to make their payments as they fall due during 1943.

The Treasury has printed a folder which gives this information. May I ask you to help us in its distribution by giving one of these folders to each of your county employees at the earliest possible opportunity--preferably with your next payroll! Please call upon your nearest Collector of Internal Revenue to supply you with the number of folders you require.

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

Sincerely yours,

Henry Morgenthau Jr.

Secretary of the Treasury



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County County Seat

Alabama

Jefferson	Birmingham
Mobile	Mobile
Montgomery (Board of	Montgomery
Calhoun County	Anniston
Dallas Commission-	Selma
Etowah ers)	Gadsden
Madison	Huntsville
Talladega	Talladega
Tuscaloosa	Tuscaloosa
Walker	Jasper

Arizona

Maricopa (Board of	Phoenix
Pima Supervisors)	Tucson

California

Alameda (Board of	Oakland
Los Angeles Supervisors)	Los Angeles
San Diego	San Diego
Contra Costa	Martinez
Fresno	Fresno
Kern	Bakersfield
Orange	Santa Ana
Riverside	Riverside
Sacramento	Sacramento
San Bernardino	San Bernardino
San Joaquin	Stockton
San Mateo	Redwood City
Santa Clara	San Jose
Tulare	Visalia
Imperial	El Centro
Marin	San Rafael
Monterey	Salinas
Santa Barbara	Santa Barbara
Sonoma	Santa Rosa
Stanislaus	Modesto
Ventura	Ventura

Colorado

El Paso (Board of	Colorado Springs
Pueblo County	Pueblo
Weld Commissioners)	Greeley

Connecticut

Fairfield (Board of	Bridgeport
Hartford County	Hartford
New Haven Commissioners)	Waterbury
New London	Norwich
Litchfield	Litchfield
Middlesex	Middletown
	Putnam

Windham

County

County Seat

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Delaware

New Castle	Wilmington
Sussex	Georgetown

Florida

(Bd. of County Comm.)

Dade	Miami
Duval	Jacksonville
Hillsborough	Tampa
Escambia	Pensacola
Orange	Orlando
Palm Beach	West Palm Beach
Pinellas	Clearwater
Polk	Bartow
Volusia	De Land

Georgia

(Bd. of County Comm.)

Fulton	Savannah
Chatham	Macon
Bibb	Decatur
De Kalb	Rome
Floyd	Columbus
Muscogee	Augusta
Richmond	

Idaho

(Bd. of County Comm.)

Ada	Boise
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Illinois

(Bd. of County Super.)

Cook	Chicago
Du Page	Wheaton
Kane	Geneva
Lake	Waukegan
Madison	Edwardsville
Peoria	Peoria
Rock Island	Rock Island
St. Clair	Belleville
Sangamon	Springfield
Will	Joliet
Winnebago	Rockford
Adams	Quincy
Champaign	Urbana
Franklin	Benton
Kankakee	Kankakee
Knox	Galesburg
La Salle	Ottawa
McLean	Bloomington
Macon	Decatur
Tazewell	Pekin
Vermillion	Danville
Williamson	Marion

<u>County</u>	<u>County Seat</u> (Bd. of County Commissioners)	<u>County</u> <u>Massachusetts</u>	<u>County Seat</u> (Bd. of County Comm.)
	Crown Point	Bristol	Fall River -
	Indianapolis		New Bedford
	Fort Wayne	Essex	Salem
	South Bend	Hampden	Springfield
	Evansville	Middlesex	Lowell
	Muncie	Norfolk	Dedham
	Goshen	Suffolk	Boston
	Marion	Worcester	Fitchburg
	La Porte	Berkshire	Pittsfield
	La Fayette	Hampshire	Northampton
	Terre Haute	Plymouth	Plymouth
	Richmond		
		<u>Michigan</u>	(Bd. of County Supervisors)
	(Bd. of County Supervisors)	Oakland	Pontiac
	Des Moines	Wayne	Detroit
	Sioux City	Genesee	Flint
	Waterloo	Ingham	Mason
	Dubuque	Kalamazoo	Kalamazoo
	Cedar Rapids	Kent	Grand Rapids
	Council Bluffs	Macomb	Mount Clemens
	Davenport	Saginaw	Saginaw
		Bay	Bay City
	(Bd. of County Comm.)	Berrien	Saint Joseph
	Wichita	Calhoun	Marshall
	Kansas City	Jackson	Jackson
	Hutchinson	Lenawee	Adrian
	Topeka	Monroe	Monroe
		Muskegon	Muskegon
	(Bd. of County Comm.)	Ottawa	Grand Haven
	Portland	St. Clair	Port Huron
	Auburn	Washtenaw	Ann Arbor
	Houlton		
	Augusta	<u>Minnesota</u>	(Bd. of County Comm.)
	Bangor	Hennepin	Minneapolis
	Alfred	Ramsey	St. Paul
		Otter Tail	Fergus Falls
	(Bd. of County Comm.)	Stearns	Saint Cloud
	Towson	<u>Mississippi</u>	(Bd. of County Supervisors)
	Cumberland	Hinds	Jackson
	Annapolis	Boliver	Cleveland
	Frederick	Harrison	Gulfport
	Rockville	Lauderdale	Meridian
	Upper Marlboro	Leflore	Greenwood
	Hagerstown	Sunflower	Indianola
		Washington	Greenville

<u>County</u>	<u>County Seat</u>	<u>County</u>	<u>County Seat</u> 68
<u>Montana</u>	(Bd. of County Comm.)	Suffolk	Riverhead
Silver Bow	Butte	Cattaraugus	Little Valley
<u>Nebraska</u>	(Bd. of County Comm.)	Cayuga	Auburn
Douglas	Omaha	Chemung	Elmira
Lincoln	Lincoln	Clinton	Plattsburg
<u>Nevada</u>		Herkimer	Herkimer
None		Jefferson	Watertown
<u>New Hampshire</u>	(Bd. of County Comm.)	Montgomery	Fonda
Hillsborough	Manchester	Ontario	Canandaigua
Merrimack	Concord	Oswego	Oswego
Rockingham	Exeter	Rockland	New City
<u>New Jersey</u>	(Bd. of Chosen Free-holders)	St. Lawrence	Canton
Bergen	Hackensack	Saratoga	Ballston Spa
Camden	Camden	Steuben	Bath
Essex	Newark	Ulster	Kingston
Hudson	Jersey City	Wayne	Lyons
Passaic	Paterson	<u>North Carolina</u>	(Bd. of County Comm.)
Union	Elizabeth	Buncombe	Ashville
Atlantic	Mays Landing	Forsyth	Winston-Salem
Mercer	Trenton	Guilford	Greensboro
Middlesex	New Brunswick	Mecklenburg	Charlotte
Monmouth	Freehold	Wake	Raleigh
Morris	Morristown	Alamance (Alamance)	Graham
Orange	Mount Holly	Cabarrus	Concord
Warren	Bridgeton	Catawba	Newton
Worcester	Somerville	Cleveland	Shelby
<u>New Mexico</u>	(Bd. of County Comm.)	Cumberland	Fayetteville
Bernalillo	Albuquerque	Davidson	Lexington
<u>New York</u>	(Bd. of Supervisors)	Durham	Durham
<u>New York City Counties</u>		Gaston	Gastonia
Albany	Albany	Halifax	Halifax
Broome	Binghamton	Iredell	Statesville
Cattaraugus	Mayville	Johnston	Smithfield
Chemung	Poughkeepsie	Nash	Nashville
Columbia	Lockport	Pitt	Greenville
Dutchess	Rome - Utica	Robeson	Lumberton
Franklin	Goshen	Rockingham	Wentworth
Hamilton	Troy	Rowan	Salisbury
Montgomery	Schenectady	Wayne	Goldsboro
<u>Ohio</u>		Wilson	Wilson
Cuyahoga		<u>North Dakota</u>	(Bd. of County Comm.)
Franklin		Cass	Fargo
Hamilton		<u>Ohio</u>	(Bd. of County Comm.)
Lucas		Cleveland	Cleveland
		Columbus	Columbus
		Cincinnati	Cincinnati
		Toledo	Toledo

<u>County</u>	<u>County Seat</u>	<u>County</u>	<u>County Seat</u>
<u>() cont.</u>			
Montgomery	Dayton	Westmoreland	Greensburg
Summit	Akron	Berks	Reading
Butler	Hamilton	Beaver	Beaver
Lorain	Elyria	Blair	Hollidaysburg
Wahoning	Youngstown	Bucks	Doylestown
Stark	Canton	Cambria	Ebensburg
Trumbull	Warren	Chester	West Chester
Allen	Lima	Dauphin	Harrisburg
Ashtabula	Jefferson	Erie	Erie
Belmont	Saint Clairsville	Fayette	Uniontown
Clerk	Springfield	Lancaster	Lancaster
Columbiana	Lisbon	Lehigh	Allentown
Jefferson	Steubenville	Mercer	Mercer
Lake	Painesville	Northampton	Easton
Licking	Newark	Northumberland	Sunbury
Miami	Troy	Schuylkill	Pottsville
Maskingum	Zanesville	Washington	Washington
Richland	Mansfield	York	York
Ross	Chillicothe	Armstrong	Kittanning
Scioto	Portsmouth	Bradford	Towanda
Shacrawas	New Philadelphia	Butler	Butler
Wayne	Wooster	Carbon	Mauch Chunk
Wood	Bowling Green	Centre	Bellefonte
<u>Oklahoma</u>	(Bd. of County Comm.)	Clearfield	Clearfield
Oklahoma	Oklahoma City	Columbia	Bloomsburg
Creek	Sapulpa	Crawford	Meadville
Tulsa	Tulsa	Cumberland	Carlisle
Muskogee	Muskogee	Indiana	Indiana
Okmulgee	Okmulgee	Franklin	Chambersburg
Pottawatomie	Shawnee	Jefferson	Brookville
Seminole	Wewoka	Lawrence	New Castle
<u>Oregon</u>	(Bd. of County Comm.)	Lebanon	Lebanon
Multnomah	Portland	Lycoming	Williamsport
Clackamas	Oregon City	McKean	Smethport
Lane	Eugene	Somerset	Somerset
Marion	Salem	Venango	Franklin
<u>Pennsylvania</u>	(Bd. of County Comm.)	<u>South Carolina</u>	(Bd. of County Comm.)
Allegheny	Pittsburgh	Charleston	Charleston
Delaware	Media	Greenville	Greenville
Lackawanna	Scranton	Richland	Columbia
Luzerne	Wilkes-Barre	Spartanburg	Spartanburg
Montgomery	Norristown	Anderson	Anderson
Philadelphia	Philadelphia	Florence	Florence

<u>County</u>	<u>County Seat</u>	<u>County</u>	<u>County Seat</u>
<u>North Carolina (cont.)</u>		<u>Washington</u>	(Bd. of County Comm.)
Berry	Conway	King	Seattle
Orangeburg	Orangeburg	Pierce	Tacoma
Suster	Sumter	Spokane	Spokane
York	York	Grays Harbor	Montesano
		Snohomish	Everett
<u>South Dakota</u>	(Bd. of County Comm.)	Whatcom	Bellingham
		Yakima	Yakima
<u>Minnesota</u>	Sioux Falls	<u>West Virginia</u>	(Bd. of County Comm.)
<u>Texas</u>	(Bd. of County Comm.)	Kanawha	Charleston
		Cabell	Huntington
Bexar	San Antonio	Fayette	Fayetteville
Dallas	Dallas	Harrison	Clarksburg
Harris	Houston	Logan	Logan
El Paso	El Paso	McDowell	Welch
Hidalgo	Edinburg	Marion	Fairmont
Jefferson	Beaumont	Mercer	Princeton
McLennan	Waco	Monongalia	Morgantown
Tarrant	Fort Worth	Ohio	Wheeling
Travis	Austin	Raleigh	Beckley
Sowie	Boston	Wood	Parkersburg
Cameron	Brownsville		
Galveston	Galveston	<u>Wisconsin</u>	(Bd. of County Super.)
Grayson	Sherman		
Hill	Longview	Milwaukee	Milwaukee
Harrison	Marshall	Dane	Madison
Lamar	Paris	Brown	Green Bay
Lubbock	Lubbock	Dodge	Juneau
Navarro	Corsicana	Fond du Lac	Fond du Lac
Nueces	Corpus Christi	Kenosha	Kenosha
Potter	Amarillo	La Crosse	La Crosse
Rusk	Henderson	Manitowoc	Manitowoc
Smith	Tyler	Marathon	Wausau
Wichita	Wichita Falls	Outagamie	Appleton
		Racine	Racine
<u>Utah</u>	(Bd. of County Comm.)	Rock	Janesville
		Sheboygan	Sheboygan
Salt Lake	Salt Lake City	Waukesha	Waukesha
Utah	Provo	Winnebago	Oshkosh
Weber	Ogden		
<u>Virginia</u>	(Bd. of County Supervisors)		
<u>Pittsylvania</u>	Chatham		
Wise	Wise		

Letter sent to Judges of the County
Courts, etc., in counties having
over 50,000 population.



THE SECRETARY OF THE TREASURY
WASHINGTON

271

December 3, 1942

Dear Sir:

It is to the interest of the taxpayers that they be informed promptly what their Federal income tax liability will be, and approximately what they should set aside each pay day to make their payments as they fall due during 1943.

The Treasury has printed a folder which gives this information. May I ask you to help us in its distribution by giving one of these folders to each of your county employees at the earliest possible opportunity--preferably with your next payroll! Please call upon your nearest Collector of Internal Revenue to supply you with the number of folders you require.

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

Sincerely yours,

A handwritten signature in cursive script that reads "Henry Morgenthau Jr.".

Secretary of the Treasury



<u>County</u>	<u>County Seat</u>	<u>To be addressed to:</u>
<u>Arkansas</u>		
Fulaski	Little Rock	Judge of the County Court,
Jefferson	Pine Bluff	"
Mississippi	Blytheville	"
Sebastian	Fort Smith - Greenwood	"
Union	El Dorado	"
<u>Kentucky</u>		
Jefferson	Louisville	Judge of the County Court
Campbell	Alexandria	
Daviess	Owensboro	
Fayette	Lexington	
Floyd	Prestonsburg	
Harlan	Harlan	
Kenton	Covington - Independence	
Pike	Pikeville	
<u>Louisiana</u>		
Caddo	Shreveport	President of the Police
Calcasieu	Lake Charles	Jury, Caddo <u>Parish</u> , etc.
East Baton Rouge	Baton Rouge	
Jefferson	Gretna	
Ouachita	Monroe	
Rapides	Alexandria	
St. Landry	Opelousas	
<u>Missouri</u>		
Jackson	Independence	Judge of County Court,
St. Louis	Clayton	
Buchanan	St. Joseph	
Greene	Springfield	
Jasper	Carthage	
<u>Tennessee</u>		
Davidson	Nashville	County Judge,
Shelby	Memphis	
Hamilton	Chattanooga	
Knox	Knoxville	
Madison	Jackson	
Sullivan	Blountville	
Washington	Jonesboro	
<u>Vermont</u>		
Chittenden	Burlington	Assistant Judge of County Court,

MEMORANDUM

December 15, 1942.

TO: The Secretary

FROM: Messrs. Gaston, Helvering, Cann, Odegard, Mager, Lemmon
and Sullivan.

After a description by Commissioner Helvering of the plans that had already been made to give public instruction on the filing of income tax returns (in accordance with the memorandum from Commissioner Helvering which is attached hereto) it was the conclusion of the group that the services of certain school teachers (especially teachers of commercial subjects and social studies) throughout the country could best be used in the following way:

They should be requested to instruct their own pupils in the schools and such adult groups as they customarily reach. These adult groups might include parent-teacher associations, women's clubs, trade union groups, Americanization classes, etc. The material which the Bureau of Internal Revenue has prepared for distribution to daily and weekly newspapers, labor and farm journals plus tax forms would be made available to these teachers and would form the basis for this instruction. The advantage of this procedure is that it would make use of already existing channels and would not therefore necessitate the creation of new machinery for this purpose. It was agreed that this program should be separate and distinct from the work to be done by the Bureau of Internal Revenue as outlined in the Commissioner's memorandum.

T H S

H.M. P.K.

MOC

G.H.

J.P.
M.S.



OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

TREASURY DEPARTMENT
WASHINGTON

December 15, 1942

MEMORANDUM FOR SECRETARY MORGENTHAU:

To meet the exigencies of the forthcoming income tax filing period the Bureau is now completing the material for a greatly enhanced educational and informational campaign. A printed pamphlet containing 43 short articles will be sent with a letter from the Commissioner to the managing editors of approximately 2,200 daily newspapers, the first article to be released on January 4, 1943.

In addition to the daily newspaper coverage 9 special articles have been prepared for weekly newspapers and will be mailed with a letter from the Commissioner to the editors of approximately 11,500 weekly newspapers. The first article will be for release the week of January 4th. In the preparation of these special articles both for the daily and weekly newspapers the Bureau has departed from strictly technical explanations of the various provisions of the income tax law and regulations and is presenting them in much simpler and understandable language which it is believed will have a far greater appeal to the layman.

The Bureau is keenly aware that many of the new taxpayers on March 15, 1943 will be from the ranks of Labor and therefore has prepared 3 special articles on problems that are peculiar to the income tax returns of that class of taxpayers. These articles are in addition to the 43 articles furnished the daily newspapers. This material will be furnished labor union publications accompanied by a letter from the Commissioner.

Special material is furnished all farm journals, about 500 in number, on the subject of farmers and Federal income tax.



-2-

Memorandum for Secretary Morgenthau.

The Bureau will prepare and distribute income tax brevities and spot announcements for the use of radio broadcasting stations, about 200 in number. Special radio script based on the Revenue Act of 1942 will be prepared for the use of the 64 Collectors.

The Bureau recognizes that many special problems will arise in connection with the armed forces and is at this time reviewing memoranda prepared by the Army and the Navy on the subject of income taxes to be distributed to the military and naval personnel. This material will be reproduced in military and naval post publications and will cover such special problems as allotments.

The publicity campaign as outlined above will be augmented from time to time by the release of special material as the need becomes apparent.

On the subject of Victory tax the Bureau is furnishing every employer a printed circular containing a complete statement of the employer's duties and responsibilities under the Victory tax provisions of the Revenue Act of 1942. A poster entitled "Victory Tax - Notice to Employees" is being furnished every employer so that it may be posted at the pay window or in some other conspicuous place in order that the employees may be aware of the requirements of the 1942 law imposing a Victory tax. A poster "Notice to Employees" containing more detailed information respecting the withholding of the Victory tax was released on October 30, 1942. Special radio material on the subject of Victory tax is being prepared for use in the latter part of December. Special press releases on the subject of Victory tax will be made available the latter part of December.

In a letter dated December 3, 1942 Collectors were instructed to distribute the leaflet "To Employers of Eight or More" with the request that one of the leaflets be placed in the hands of each employee.

-3-

Memorandum for Secretary Morgenthau.

It is the practice each year for Collectors to augment the publicity initiated by the Public Relations office of the Treasury and the Public Relations office of the Bureau by arranging with local newspapers and radio stations for an expansion of the Department and Bureau publicity.

To further facilitate the filing of returns the Collectors' offices and Division offices have been expanded from 94 to 448. The opening of these additional offices will undoubtedly relieve congestion particularly in the metropolitan collection districts. These new offices will also facilitate the distribution of forms, the handling of mail and the furnishing of information to the public.

The Bureau has requested each employer to post in a conspicuous place a notice containing the date that a deputy collector of internal revenue will be available to assist taxpayers in preparing their returns. Employers have also been requested to assist in the distribution of blank forms to individuals liable for the first time for the filing of income tax returns. Of course, all employees who filed returns for the year 1941 will receive blank return forms from the Collector.

The Bureau, through its Collectors, will arrange with Post Commandants for the assignment of deputy collectors to assist military and naval personnel in the preparation of their returns. In the rural areas itineraries of deputy collectors are furnished the public through the daily and weekly papers and notices are also posted in conspicuous places in the post offices.

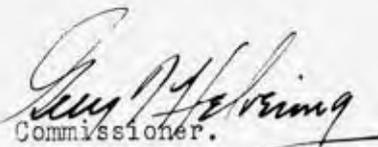
You will recall that our force of field deputy collectors is being increased from 5,579 to 7,979. This force during the filing period is available to the general public throughout the country including taxpayers residing in the urban and rural areas. The revenue agent force of approximately 3,700 is also available and to the extent necessary may be assigned to the function of assisting taxpayers in the preparation of their returns.

-4-

Memorandum for Secretary Morgenthau.

The Bureau, in accordance with its established practice, will keep Collectors' offices open at night during the latter part of the filing period for the convenience of the taxpayers.

I have every confidence that the Bureau with its increased personnel will be able to furnish the service to which the taxpaying public has become accustomed.


Commissioner.

Memorandum Concerning School Services on
The Reporting of Income Taxes in 1943
From: Howard E. Wilson and Forrest Long

- I. Project: The schools of the United States can and should render service to the Government and the war effort by aiding the public in understanding the basic principles of taxation and in filling out income tax returns during January, February and March, 1943. The schools should bring to the attention of the public the printed materials of the Department of the Treasury to serve the groups filling out tax forms, especially Form 1040 A.
- II. Sponsorship: The project should be directed by a national committee of one representative each from such professional organizations as the American Association of School Superintendents, the National Association of Secondary School Principals, the National Council for the Social Studies, the National Council of Commercial Teachers, and National Council of Mathematics Teachers. This Committee should meet at the earliest possible moment at the request of the Secretary of the Treasury. At an appropriate time the United States Office of Education should be asked to designate a member of its staff to serve with this Committee. The Department of the Treasury should sponsor and finance the project, but the contact with schools should be through the Committee. The Committee should

make clear to schools and public that the teachers and administrators cooperating in carrying out this work in the schools are not official representatives of the Department of the Treasury. The work of the Committee should be supplementary to, and officially separated from, the program of the Bureau of Internal Revenue.

III. Procedure: The national Committee of educators should issue at the earliest possible moment an invitation to every secondary school in the United States to participate in explaining to the public the tax forms and procedures for 1943. Specifically, secondary schools should be invited to do the following:

- a. Designate a teacher or committee of teachers to act as the local agents for the program.
- b. Set aside a room in the school to serve as a resource center or clinic where all materials issued by the Department in explanation of the 1943 taxes may be assembled. This room should be open to the public during appropriate hours during January, February and March. The school should take responsibility for publicizing the existence of this room and urging the public to use it. Citizens coming to the clinic should not be given detailed advice by teachers on how to fill out their own tax forms. The teachers on duty should do no more than point out to a citizen the passages in available printed materials which relate specifically to his problem or should refer the individual to the representative of the Bureau of Internal Revenue. Teachers in charge of the clinic should familiarize themselves with printed materials issued by the Department and, wherever possible, should have preliminary instruction by local representatives of the Bureau of Internal Revenue.

- c. The local agents should give or arrange to have given by others explanations of the tax forms to existing groups and organizations, such as Parent-Teacher Associations, adult forums, League of Women Voters, Citizenship Classes, etc. In addition they should schedule special talks explaining the simplified tax form for groups of interested citizens who care to come to the clinic room for public meetings at designated times.
- d. Wherever possible appropriate materials on the 1943 tax situation should be incorporated in the secondary school curriculum with the expectation that the explanations will be carried home by students.

National Council Social Studies - Roy Price, Syracuse Univ.

Mathematics - Rolland R. Smith, Springfield, Mass. High School
Home - 16 Highland St., Longmeadow, Mass.

Comm. - Hamden L. Forkner, T. C. Columbia

Prin. - Vergil M. Hardin, Springfield, Missouri

Sup. - Homer Anderson, St. Louis and Treasury

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

10/15/40-

TO Secretary Morgenthau
FROM Randolph Paul

Attached is a brief memo explaining
the steps required of employers and employees in
complying with the Victory Tax.



December 14, 1942

MEMORANDUM FOR THE SECRETARY:

Steps required of employers and employees in complying with the Victory tax.

1. The employer

a. Each pay period the employer withholds from the wages of each employee an amount determined either (1) by computing 5 percent of the excess of the wage over the exemption (\$12 weekly), or (2) by using the simplified tables in the law which show the amount to be withheld for each wage bracket.

b. Within a month after each quarter the employer files a simple summary form, showing total wages paid and the total amount withheld during the quarter, and remits the amount he has withheld during the quarter.

c. Within a month after each year the employer fills out for each employee an individual withholding return in duplicate, showing the wages paid and the tax withheld during the year. ^{1/} One copy goes to the Bureau, together with the summary form for the final quarter and the reconciliation form for the entire year; the other copy to the employee as a receipt for the tax withheld. If employment ends before the end of the year the receipt must be furnished within thirty days after the last wage payment.

2. The employee-taxpayer

The employee must (1) retain the receipts for tax withheld and (2) file a return by March 15, beginning in 1944. The Victory tax return is combined with the regular income tax return.

The taxpayer determines the amount of tax due as follows:

a. Computation of gross tax

The taxpayer determines his "Victory tax net income", which for most taxpayers will be the "gross income" figure

^{1/} The individual withholding return sent to the Bureau sup-
plants, on income subject to Victory tax withholding, the
present information return (Form 1099).

-2-

on Form 1040-A, or the "total income" figure on Form 1040. From this he subtracts the \$624 Victory tax exemption. Five percent of the balance is his gross Victory tax.

b. Computation of credit

The taxpayer computes his post-war credit by multiplying the gross Victory tax by 25 percent if he is single, or 40 percent if he is married, and adding 2 percent of the gross Victory tax for each dependent. He next determines the credit which he may take currently, by adding his (1) net purchases of eligible war bonds, (2) net debt repayments, (3) payment of life insurance premiums, and taking this total or the amount computed as the post-war credit, whichever is smaller.

c. Computation of tax or refund due

The taxpayer subtracts from the gross tax the sum of the amount withheld at source and the credit he is allowed to absorb currently. If there is a net Victory tax, it is paid in the same manner as the regular income tax. If the sum of the tax withheld at the source and the credit that may be taken currently exceeds the gross Victory tax, the taxpayer offsets the excess against his regular income tax liability. If the excess is larger than his income tax liability, he applies for a refund submitting the receipts for tax withheld at source along with his tax return.

MEMORANDUM

December 15, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JHS

As of December 15, 1942, 4,878 of the 5,400 new employees being recruited by the Bureau of Internal Revenue were already hired and at work. About 300 more have been hired but have not yet gone to work because their papers are being processed. We believe that less than 300 more will be needed to fill the quota of 5,400 new employees. In view of this situation, I am stopping the letters of Miss Elliott and the program of contacting women's schools and colleges.

However, we expect to recruit 1200 additional employees next summer and I believe the machinery and technique developed by Miss Elliott will be helpful at that time.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

December 15, 1942

TO Secretary Morgenthau

FROM Ferdinand Kuhn, Jr.

You asked me at the staff meeting to write you a report of what happened when Mr. Grant and his committee were here last Friday. Since then the attached letter from Mr. Grant has arrived with nine recommendations which he would like you to note and consider.

At the Friday meeting, point number three seemed the most important to Mr. Grant, who was emphatic about the need of giving a "sales manager" complete control of our publicity and promotion in connection with the bond selling campaigns.

Apart from these recommendations, which deal chiefly with the Victory Loan, Mr. Grant and his group seemed troubled by "talk" about the growing rate of redemptions of "E" Bonds. I was able to give them the figures, which reassured them completely. They said there was no basis whatever for the "talk" that was going around, and they felt that the rate of redemptions up to now was nothing to cause the Treasury any concern.

They are coming here Thursday for a meeting with you.

*Bill
Dunn
Prof
Daston -*

F.K.

Photostats given to:

287

Bell
Graves
Buffington
Gaston

on 12/16/42

GENERAL MOTORS CORPORATION

BROADWAY AT 57TH STREET

NEW YORK, N. Y.

Washington Office
300 HILL BUILDING
17TH AND EYE STS. N. W.

December 12, 1942

Mr. Ferdinand Kuhn, Jr.
Assistant to the Secretary
Treasury Department
Washington, D. C.

My dear Mr. Kuhn:

I am giving you below a number of suggestions that were developed from our committee meeting on Friday, December 11. After you have had an opportunity to think about these suggestions, I would like to discuss them with you so that we may decide whether the matters brought up are worth pursuing or whether they should be dropped.

(1) The lists from which the salesmen work, in some instances, were not properly prepared. We believe that, between now and April 1, considerable work should be done on the lists so that they will be in better shape for the next drive.

(2) Is a greater penetration of the market desirable? If so, we would suggest that the Federal Reserve Districts set up more regions and that the Treasury Department provide the money for any paid help that may be needed in this expansion.

(3) We believe that to perfect the Treasury Department organization, which, in our opinion, is very good as to its integral parts, a general manager is needed to coordinate the activities. We believe in particular that the advertising and publicity should be under such a man so that it may be given direction that coincides with the bond-selling activities. Possibly with an organization of this kind, better timing of public statements could be arranged.

(4) We all found that the package was generally pleasing, but it is our feeling that thought and attention should be given to the question of whether further improvement can be made thereon for the next drive.

(5) Plans should be laid down so that contact will not be lost with the salesmen of this campaign in the interval between December 19 and April 1.

(6) In connection with the bond drive, expenses are set up which

- 2 -

fall into two classifications - sporadic and continuous. In the selling of E Bonds, the continuous costs undertaken by the banks should be given consideration. If the activity causes a bank to hire additional personnel to the extent of ten or fifteen people, is it fair to make the banks shoulder such expenses continuously?

(7) Considering the time at the disposal of the personnel of the Treasury in organizing the present campaign, we think it is exceptionally good. However, we believe that we should learn from this campaign that the next one should be organized in such a manner that, at least two weeks before field action begins, all the plans and decisions will have been formulated by the Treasury Department.

(8) For the next campaign, plans should be made to solicit not only companies themselves but important executives of such companies.

(9) We believe that, in the next campaign, the potentials of the various Federal Reserve Districts should be estimated and quotas should be set up for the districts and regions as a basis of measuring effort.

Sincerely,

R. H. Grant



rhg-em

cc: Mr. Buffington
Mr. Hobbs

- 2 -

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(9) We believe that, in the next campaign, the potentials of the various Federal Reserve Districts should be estimated and quotas should be set up for the districts and regions as a basis of measuring effort.

Sincerely,

R. H. Grant

rhg-em

cc: Mr. Buffington
Mr. Hoobs



(Some change in figures from those in the which they appear)

THE SECRETARY OF THE TREASURY
WASHINGTON

290

December 15, 1942

TO ALL EMPLOYEES OF THE
UNITED STATES TREASURY DEPARTMENT.

Last May I addressed you regarding the "All-out for Victory" drive to bring every Treasury employee into the War Bond Pay-Roll Savings Plan. Our goal was to set aside, through systematic pay roll allotments, at least 10% of our gross pay roll every pay day for the purchase of United States War Savings Bonds. Our slogan was "Everybody, Every Pay Day, at Least 10%."

The results of the drive were most gratifying. Due to your splendid cooperation, the blue and white Minute Man flag now flies proudly below the Stars and Stripes atop the Main Treasury Building, as well as from buildings housing five of our larger bureaus. These flags signify that of the 64,831 employees of the Department on November 25, 1942, over 93% were making systematic allotments from their salaries for the purchase of War Bonds to the extent of 10.6% of the Treasury's gross pay roll. You are now investing \$14,898,000 of your annual salaries in \$19,865,000 face value of War Bonds. What we of the Treasury are now doing is a record to be proud of. We are setting an example for other Government workers and for the country as a whole.

As a Treasury employee, you may well take pride in the fact that you are playing a part in the greatest financial operation of its kind in the history of the world - raising the billions needed to help finance this most costly and



- 2 -

savage of all wars. For many of you I know this entails sacrifices. But these sacrifices are small indeed when compared with those being made, and yet to be made, by the men in our armed forces who, without question or complaint, are sacrificing everything.

On November 25, fifteen of our bureaus and offices had reached the goal. As shown in the following table, seven have yet to qualify, some by very narrow margins:

BUREAUS ABOVE 90% AND 10%

	<u>No. on Roll</u>	<u>% of Participation</u>	<u>% of Gross Pay Roll</u>
Processing Tax Board of Review	19	100.0	13.0
Division of Tax Research	55	92.7	12.6
War Savings Staff	1,030	96.6	12.1
Comptroller of the Currency	1,106	95.0	11.6
Office of the General Counsel	166	96.9	11.4
Div. of Research & Statistics	123	94.3	11.4
Bureau of Internal Revenue	29,295	95.8	10.9
Bureau of Customs	8,908	92.3	10.9
Office Supt. Treasury Bldgs.	297	97.9	10.7
Division of Personnel	90	95.5	10.6
Bureau of Narcotics	327	95.4	10.5
Bureau of Engraving & Printing	6,517	90.1	10.5
Bureau of Accounts	2,508	90.8	10.2
Foreign Funds Control	959	91.6	10.1
Procurement Division	2,724	93.5	10.0

BUREAUS BELOW 90% AND 10%

Office of the Secretary	167	83.8	10.8
Division of Monetary Research	62	82.3	10.7
Bureau of the Public Debt	5,585	89.5	9.9
Office of the Chief Clerk	214	93.5	9.7
Treasurer of the U. S.	1,842	94.0	9.4
Secret Service	903	74.3	9.4
Bureau of the Mint	1,934	89.9	8.8
Total for the Department	64,831	93.3	10.6

- 3 -

There is still much to be done. For example, we are still somewhat below the pledges of 95.2% participation and 10.8% of gross pay roll reached at the conclusion of campaign last June.

If we are to improve our standing, or even maintain our present average, it is essential that we increase both our participation and our dollar volume of allotments. This is necessary because of changes constantly being made within the bureaus. Salary increases should be invested in War Bonds. We must enthusiastically solicit new employees. We should obtain the voluntary pledges from the 4,300 employees who are not investing in the future of America, or in their own financial security. This is a continuing operation. It will be with us "for the duration." As the war continues, America's responsibility increases. We must have more planes and tanks and guns and ships - and WE MUST PAY FOR THEM!

Until this war is won, each of us must do his part - not the least, but the most he can; not just in one month, but every month; not just on one pay day, but every pay day! Victory requires it!

It is my hope that every Treasury bureau, office, and employee will continue to be an example for the Nation by being on the honor list with from 90% to 100% employee participation, and with at least 10% of their gross pay roll being invested regularly in War Savings Bonds.

Henry M. Thatcher
Secretary of the Treasury.

December 15, 1942

TO ALL EMPLOYEES OF THE
UNITED STATES TREASURY DEPARTMENT

Last May I addressed you regarding the "All-out for Victory" Drive to bring every Treasury employee into the War Bond Pay-Roll Savings Plan. Our goal was to set aside, through systematic pay-roll allotments, at least 10% of our gross pay roll every pay day for the purchase of United States War Savings Bonds. Our slogan was "Everybody, Every Pay Day, at Least 10%."

The results of the Drive were most gratifying. Due to your splendid cooperation, the blue and white Minute Man flag now flies proudly below the Stars and Stripes atop the Main Treasury Building, as well as from buildings housing five of our larger bureaus. These flags signify that of the 61,450 employees of the Department on October 23, 1942, over 93% were making systematic allotments from their salaries for the purchase of War Bonds to the extent of 10.6% of the Treasury's gross pay roll. You are now investing \$14,660,000 of your annual salaries in \$18,325,000 face value of War Bonds. What we of the Treasury are now doing is a record to be proud of. We are setting an example for other Government workers and for the country as a whole.

As a Treasury employee you may well take pride in the fact that you are playing a part in the greatest financial operation of its kind in the history of the world - raising the billions needed to help finance this most costly and savage of all wars. For many of you I know this entails sacrifices. But these sacrifices are small indeed when compared with those being made, and yet to be made, by the men in our armed forces who, without question or complaint, are sacrificing everything.

On October 23, thirteen of our bureaus and offices had reached the goal. As shown in the following table, nine have yet to qualify, some by very narrow margins:

*Figures revised as of
Mar 25* 293

BUREAUS ABOVE 90% and 10%

	<u>No. on Roll</u>	<u>% of Participation</u>	<u>% of Gross Pay Roll</u>
Processing Tax Board of Review	20	100.0	12.9
War Savings Staff	966	94.3	12.1
Office of General Counsel	170	95.3	12.0
Division of Research & Statistics	108	94.4	11.7
Comptroller of the Currency	1,149	94.3	11.5
Division of Tax Research	57	93.0	11.1
Bureau of Internal Revenue	29,263	95.8	10.9
Division of Personnel	86	93.0	10.7
Bureau of Narcotics	321	96.6	10.6
Bureau of Accounts	2,439	91.1	10.4
Bureau of Customs	8,984	92.1	10.3
Bureau Engrav. & Prtg. (10-31-42)	6,475	90.6	10.3
Foreign Funds Control	1,009	91.1	10.1

BUREAUS BELOW 90% and 10%

Division of Monetary Research	63	85.7	11.6
Office of the Secretary	220	82.7	10.6
Office of the Chief Clerk	218	95.0	9.9
Office of Supt. of Treasury Bldgs.	357	92.4	9.7
Bureau of the Mint	1,835	94.9	9.7
Treasurer of the U. S.	1,889	94.0	9.5
Procurement Division	2,816	86.5	9.2
Secret Service	897	76.1	8.9
Bureau of Public Debt	2,108	84.9	8.8
Total for the Department	61,450	93.1	10.6

There is still much to be done. For example, we are still somewhat below the pledges of 95.2% participation and 10.8% of gross pay roll reached at the conclusion of campaign last June.

If we are to improve our standing, or even maintain our present average, it is essential that we increase both our participation and our dollar volume of allotments. This is necessary because of changes constantly being made within the bureaus. Salary increases should be invested in War Bonds. We must enthusiastically solicit new employees. We should obtain the voluntary pledges from the 3,200 employees who are not investing in the future of America, or in their own financial security. This is a continuing operation. It will be with us "for the duration". As the war continues, America's responsibility increases. We must have more planes and tanks and guns and ships - and WE MUST PAY FOR THEM!

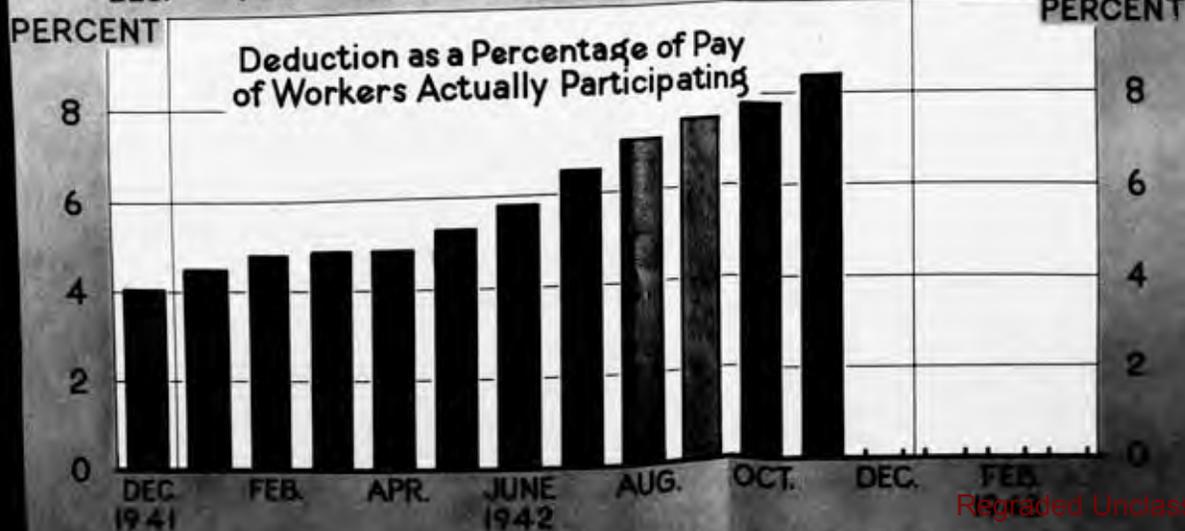
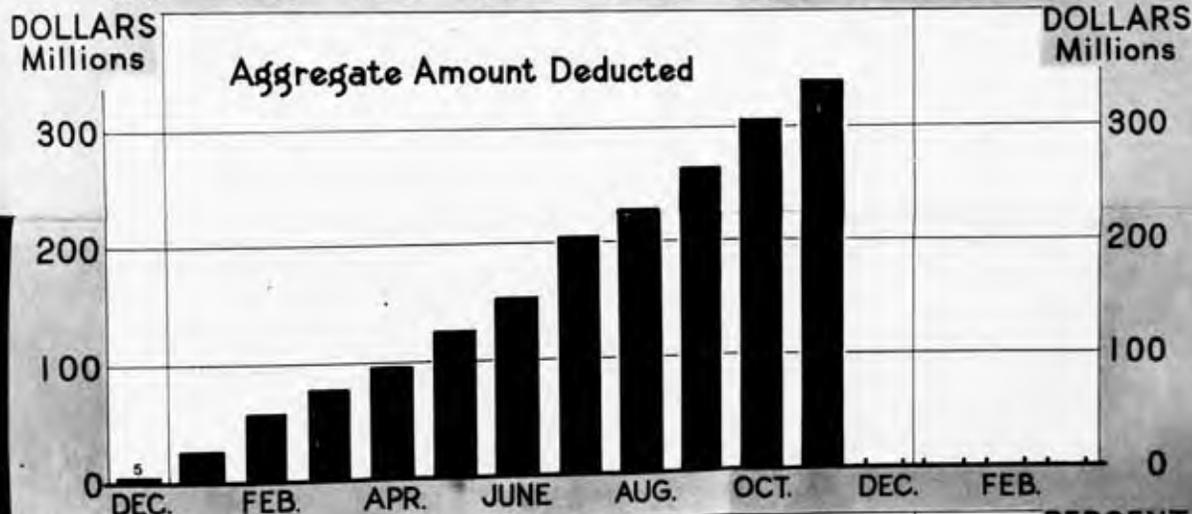
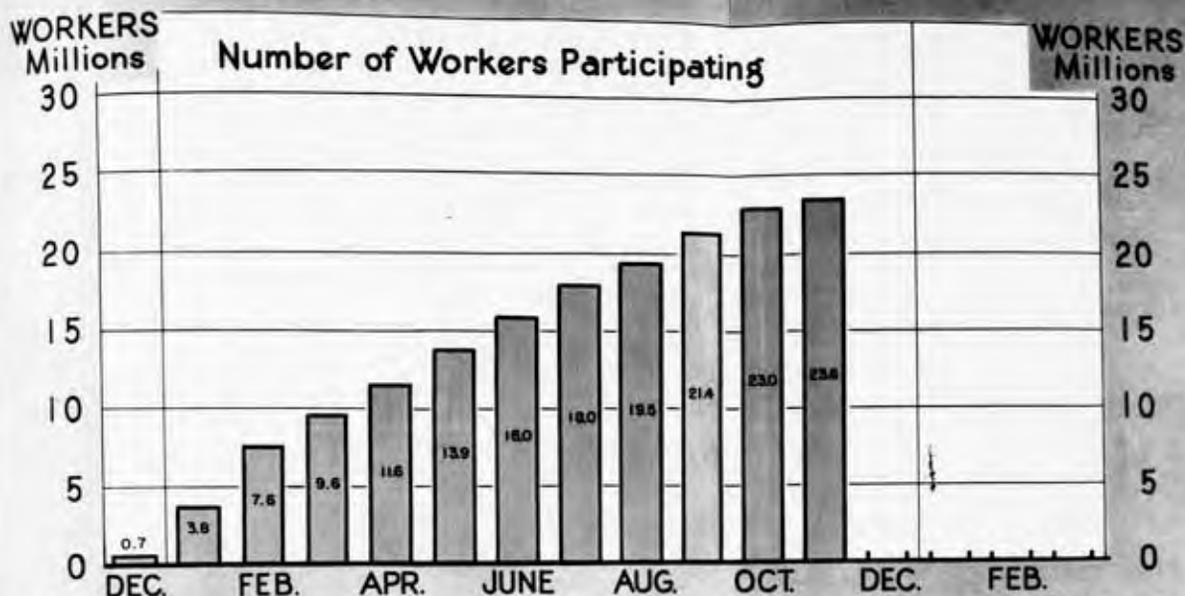
Until this war is won, each of us must do his part - not the least, but the most he can; not just in one month, but every month; not just on one pay day, but every pay day! Victory requires it!

It is my hope that every Treasury bureau, office, and employee will continue to be an example for the Nation by being on the honor list with from 90% to 100% employee participation, and with at least 10% of their gross pay roll being invested regularly in War Savings Bonds.

Henry Morgenthau, Jr.

EXTENT OF PARTICIPATION IN PAYROLL SAVINGS PLANS FOR WAR SAVINGS BONDS*

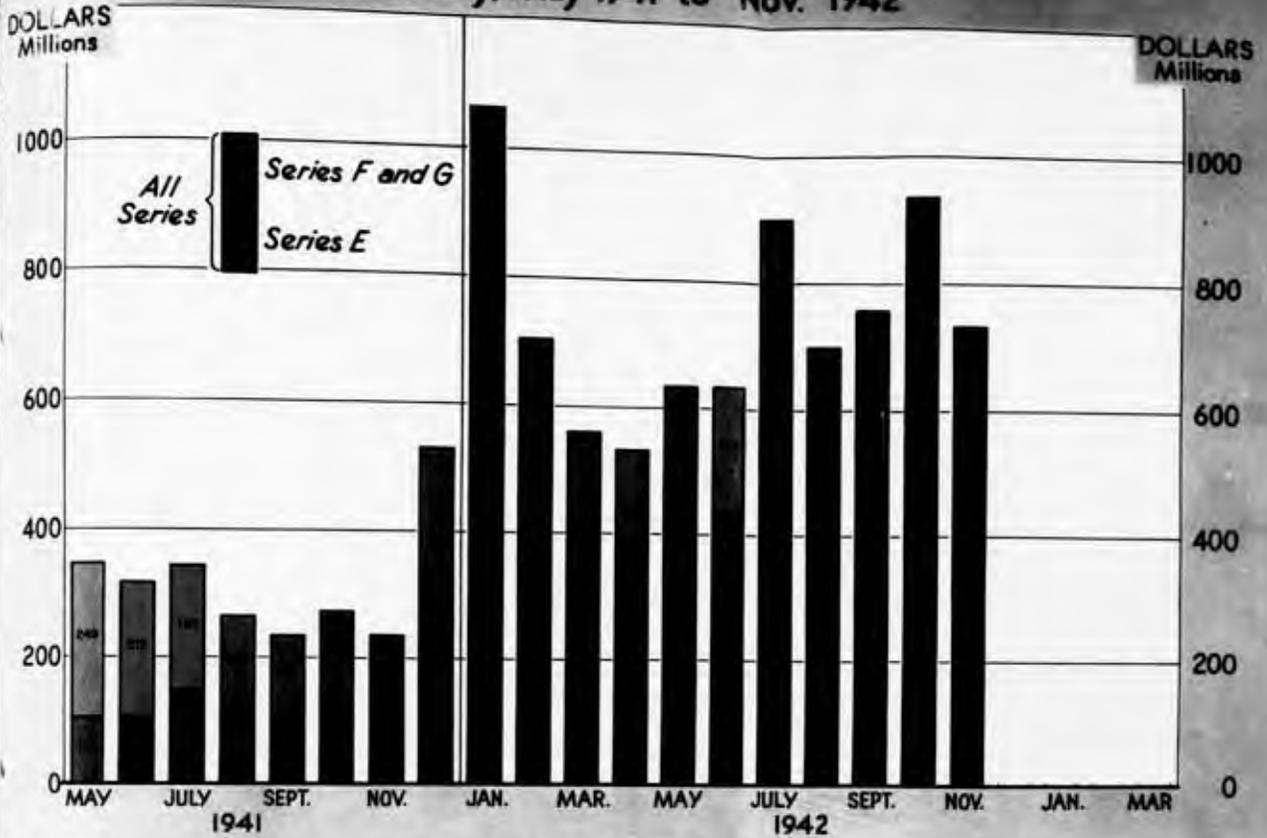
Estimated; Monthly, Dec. 1941 to Nov. 1942



*Members of armed forces included starting Aug. 1942

SALES OF UNITED STATES SAVINGS BONDS

Monthly, May 1941 to Nov. 1942



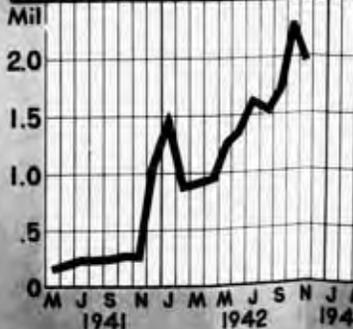
NUMBER OF SERIES E BONDS OF EACH DENOMINATION SOLD MONTHLY

May 1941 to Nov. 1942

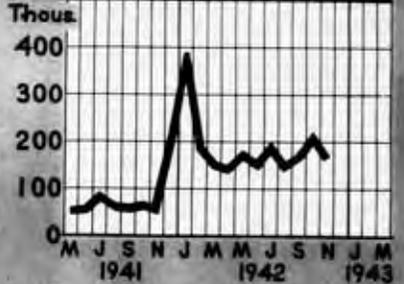
\$25 DENOMINATION



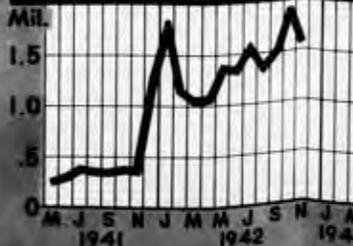
\$50 DENOMINATION



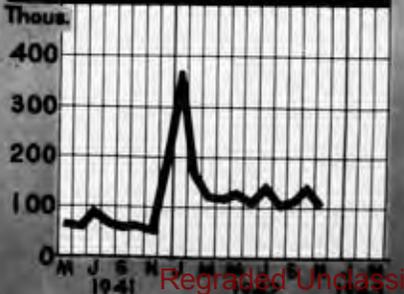
\$500 DENOMINATION



\$100 DENOMINATION



\$1000 DENOMINATION



Note: October 1942 reports include \$20 million of sales in August-September 1942.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

December 15, 1942

TO Secretary Morgenthau

FROM Ferdinand Kuhn, Jr.

I think you will be interested in these one-column cuts made by leading comic strip artists to help get pennies and nickels out of hoarding. These cuts, in mat form, are now in the hands of all dailies throughout the country.

F.K.

Att.

From: Press Section
War Savings Staff
Treasury Department
Washington, D. C.

TO THE EDITOR:

The shortage of copper makes it imperative that the Treasury should not coin any new pennies.

The accompanying one-column sketches are an important part of a pre-Christmas drive to get millions of Americans, especially school children, to put their pennies into circulation by buying War Stamps.

This "coin round-up" can help avert possible local shortages of pennies at the year's business peak.

We hope you will use these cartoons daily, between now and Christmas, in the most prominent position possible. Thank you.

[Syndicates owning copyrights on these cartoons have given permission for use by ALL papers]

Dick Tracy says—

IT'S A CRIME TO HOARD PENNIES THESE DAYS BECAUSE OF THE COPPER SHORTAGE. INVEST YOUR PENNIES IN WAR STAMPS. THAT'S THE PATRIOTIC THING TO DO!



Joe Jenks says—

THIS PENNY SHORTAGE IS SERIOUS! IF YOU'RE HOARDING ANY, PUT 'EM RIGHT INTO WAR STAMPS. THEY'LL BE DOING DOUBLE DUTY THEN!



Hap Hopper says—

OUR GOVERNMENT CAN'T MAKE NEW PENNIES BECAUSE THERE'S A COPPER SHORTAGE. SO KEEP YOUR PENNIES IN CIRCULATION—PUT 'EM INTO WAR STAMPS!



Dixie Dugan says—

IT'S SMART TO BE THRIFTY—BUT NOT BY COLLECTING PENNIES. THERE'S A COPPER SHORTAGE, SAVE WITH WAR STAMPS INSTEAD



Ella Cinders says—

IT'S UNPATRIOTIC TO HOARD PENNIES NOW-A-DAYS, FOLKS, 'CAUSE THERE'S A SHORTAGE OF PENNIES. SO HELP YOUR COUNTRY—PUT ALL YOUR PENNIES INTO WAR STAMPS!



Tarzan says—

AMERICANS! YOUR GOVERNMENT DOES NOT WANT YOU TO HOARD PENNIES—BUY WAR STAMPS WITH YOUR PENNIES, INSTEAD



Jane Arden says—

DON'T HOARD PENNIES FOLKS. THERE'S A COPPER SHORTAGE. PUT ALL YOUR SPARE CHANGE INTO WAR STAMPS. THAT'S PATRIOTIC



Jeff says—

HOPE YOU AREN'T HOARDING PENNIES—'CAUSE UNCLE SAM SAYS THAT'S BAD. I'M PUTTING MINE INTO WAR STAMPS INSTEAD. UNCLE SAM SAYS THAT'S GOOD.



Rudy Nebb says—

COPPER IS SCARCE NOW, SO THAT MEANS WE'VE GOT TO KEEP OUR PENNIES IN CIRCULATION. DON'T HOARD PENNIES—PUT THEM INTO WAR STAMPS INSTEAD



Li'l Abner says—

LOOK H'YAR, FOLKS! YOU ALL HAD BETTAN GET THEM PENNIES O' YOURN T' CIRCULATIN 'CAUSE UNCLE SAM'S SHORT O' COPPER. PUT YER PENNIES INTER THEM THAR WAR STAMPS!



December 15, 1942.

Dear Mr. Tompkins:

The Secretary was very glad to have the copy of Progress Report #1, covering the rubber situation. He has asked me to thank you for sending him this material, and to tell you that he will be very glad to have other reports as they are issued.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. L. D. Tompkins,
Assistant Deputy Rubber Director
in Charge of Operations,
War Production Board,
Washington, D. C.

GEF/dbs

File in Diary

acknowledged 12/15/42

WAR PRODUCTION BOARD
Washington, D. C.

December 8, 1942

Office of
RUBBER DIRECTOR
Tel. RE. 7500

Handwritten scribble

Mr. Henry Morgenthau, Jr., Secretary
Department of the Treasury
15th St. and Pennsylvania Ave.
Washington, D. C.

Dear Mr. Morgenthau:

Attached is a copy of Progress Report #1 covering the rubber situation, issued from the office of William M. Jeffers, Rubber Director. If you so desire, we will send you subsequent reports as and when they appear.

Very truly yours,

L. D. Thompson
L. D. THOMPSON
Assistant Deputy Rubber Director
in Charge of Operations

Faint stamp: 1945 DEC 15 1942

LETTER OF TRANSMITTAL

November 30, 1942.

Mr. Donald M. Nelson,

Chairman, War Production Board

I submit herewith Progress Report #1 covering the work of the Office of the Rubber Director and the principal problems and situations confronting the Office as of this date.

Because of the need to make clear to the rubber industry and to the public the present status of the rubber program, I ask your permission to print and distribute this report.

WILLIAM M. JEFFERS,

Rubber Director.

WAR PRODUCTION BOARD
OFFICE OF THE RUBBER DIRECTOR
PROGRESS REPORT NO. 1

In stating the problem, the "Report of the Rubber Survey Committee" dated September 10, 1942, said:

"Of all critical and strategic materials, rubber is one which presents the greatest threat to the safety of our nation and the success of the Allied cause. Production of steel, copper, aluminum, alloys or aviation gasoline may be inadequate to prosecute the war as rapidly and effectively as we could wish, but at the worst we are still assured of sufficient supplies of these items to operate our armed forces on a very powerful scale. But if we fail to secure quickly a large new rubber supply, our war effort and our domestic economy both will collapse. Thus the rubber situation gives rise to our most critical problem."

It then established the rubber program and, interspersed with clearly stated reasons, made many definite recommendations.

In accordance with presidential executive order of September 17, 1942, the Chairman of the War Production Board appointed me Rubber Director, delegated to me the powers enumerated therein, and delivered to me a copy of a letter from the President. From this I quote the following two sentences: "I want to carry out the recommendations in the Baruch Report as fully as possible. * * * One of the main jobs is to start the mileage rationing program as quickly as possible."

In harmony with the spirit of the Baruch Report, I have staffed my organization with men who are by training and experience preeminently qualified to direct and execute the work of the major subdivisions of the problems entrusted to me. My first order to them was, in the absence of special and approved contrary reasons, to carry out the recommendations stated or implied in the Baruch Report. Because of this, most of the remainder of this Report takes up the work of the various subdivisions of my organization by describing the present status of those recommendations which it is their respective duties to effectuate. The subdivisions so treated are:

(1) Executive functions incident to policies, programming and reports; and the direction of work carried out under directives from me by the Rubber Reserve Company, Defense Plant Corporation, the Board of Economic Warfare, Office of the Petroleum Coordinator, Office of Defense Transportation, Office of Price Administration, the Department of Agriculture and others.

(2) Supervision of problems incident to plant construction and priorities therefor.

(3) Operations pertaining to the rubber industry, statistics, allocations, requirements and schedules, priorities, reclaiming of scrap, recapping and retreading of tires, etc.

(4) The technology and specifications for industry uses of various natural rubbers, synthetic rubbers, rubber substitutes and reclaims.

(5) Research on and development of synthetic rubbers, new ideas and inventions. This Section is charged with the duty of arranging for and coordinating research on mechanisms of polymerization, as well as the development and engineering of processes, and the piloting of new developments.

(6) Research on and development of processes for the manufacture of raw materials other than those made by processes whose development has been entrusted to other Governmental agencies.

Of the above, the first is directed by me and my deputy, and the remainder by Assistant Deputy Rubber Directors.

PROGRAM

The program of this Office cannot be stated better than in the Baruch Report where it said:

"We must supply not only the needs of our armed forces but most of those of the military machines of our Allies as well. We must equip our buses and trucks and other commercial vehicles and provide on a large scale specialty items for such purposes as factory belting, surgical, hospital and health supplies. And in addition to all these, we must maintain the tires on at least a substantial portion of our 27,000,000 civilian passenger automobiles."

To meet this program necessitates a statement as to our requirements, estimates of our inventory situation, and information as to our ability to bring into production enough Buna S and other synthetic rubbers during 1943 to see us through that critical year.

The Baruch Report estimated that requirements of natural and/or synthetic rubber for 1943-1944 would be approximately as follows:

Total requirements of natural and/or synthetic rubbers (in terms of natural) are estimated as follows:

[In thousands of long tons]

	1943	1944
Military.....	325	325
Private transportation.....	3	3
Commercial vehicles.....	50	50
Other civilian uses.....	49	50
Foreign countries.....	117	103
British deficiency.....	24	100
Total.....	577	672

The Baruch Report also definitely established that we cannot be permitted to reduce our domestic inventory of rubber stocks below 120,000 tons of any time. In determining a figure of 120,000 tons as an irreducible minimum, the Baruch Report stated that 50,000 tons thereof would represent a 30-day inventory for American manufacturers; 4,000 tons would be inventory for Canadian manufacturers, and at least 66,000 tons should be considered as necessary inventory on hand in Great Britain to protect against interruption of Atlantic transportation. They went on to state that at least 100,000 tons of this reserve should be kept in the form of crude to protect those requirements of the military which can only be met by the use of crude. This office believes that their findings were if anything too low and that it would be hard to operate 1,200 American rubber plants with a 30-day over-all inventory at a time when they are converting from the use of crude to the use of Buna S, Neoprene, Thiokol, Butyl, plus several grades of reclaim and several substitutes. This is especially true at a time when transportation facilities are already overcrowded.

Present indications are that our domestic accumulated inventory of crude and synthetic rubber (expressed in terms of crude) at the end of this year, 1942, may approximate 400,000 long tons. If it were not for other programs over which we have no control it seems probable that the accumulated production of synthetic and imports of crude rubber (expressed in terms of crude rubber) might be as much as 175,000 tons by September 30, 1943, and 390,000 tons by the end of 1943. The controlling conditions for these production estimates for 1943 are:

- (a) Our ability to secure adequate priorities and proper allocations of fabricated components;
- (b) Our ability to complete synthetic plant facilities on schedule; and
- (c) The rate at which they come up to full production.

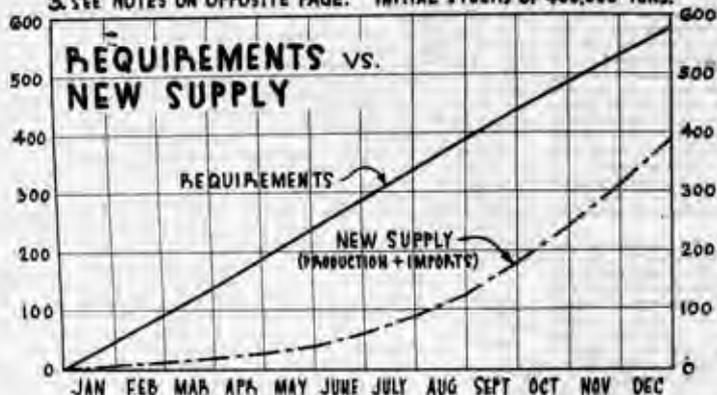
The foregoing is shown graphically in more detail on the accompanying chart. From it, it is obvious that even if these production objectives (175,000 tons and 390,000 tons respectively) are attained, the inventory of crude and synthetic rubber in the fall of 1943 will, to all practical purposes, be down to the absolute dangerous inventory dead-line of 120,000 tons, and by the end of 1943 will have been built up to only 175,000 tons.

1943

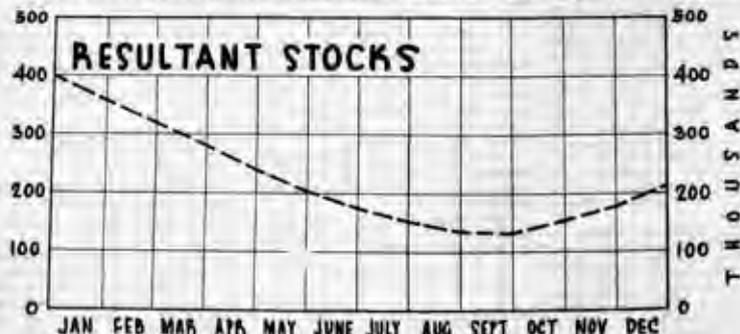
U.S. SUPPLY OF RUBBER vs. ESSENTIAL REQUIREMENTS

IN THOUSANDS OF LONG TONS OF CRUDE AND/OR SYNTHETIC—IN TERMS OF EQUIVALENT CRUDE

NOTES—1. RECLAIMED RUBBER AND BUNA N NOT INCLUDED. 2. ALL DATA ARE ON A CUMULATIVE BASIS. 3. SEE NOTES ON OPPOSITE PAGE. 4. RESULTANT STOCKS OBTAINED BY SUBTRACTING DIFFERENCE BETWEEN REQUIREMENTS AND SUPPLY FROM INITIAL STOCKS OF 400,000 TONS.



Month	Requirements	New Supply	Stocks
JAN	46	5	359
FEB	92	12	320
MAR	138	20	282
APR	188	29	241
MAY	237	42	205
JUNE	286	62	176
JULY	338	90	152
AUG	389	125	136
SEPT	440	175	135
OCT	496	240	154
NOV	532	310	178
DEC	577	390	215



BASED ON ESTIMATES OF NOVEMBER 25, 1942

WAR PRODUCTION BOARD
OFFICE OF THE RUBBER DIRECTOR
PROGRESS REPORT NUMBER ONE

(See Chart Opposite)

EXPLANATORY NOTES REQUIREMENTS

Essential requirements from Table II, page 28, Baruch Report, adjusted to latest quarterly requirement pattern. Therefore, do not include Buna N or red-lead here or in supply.

SUPPLY

1. Imports reflect possible difficulties in exploitation of new areas, lack of equivalency to plantation crude, possible strikes and/or disorganized transportation as well as shrinkage of wild rubber in washing and drying. They are estimated at 3,000 long tons per month.

2. Synthetic Production estimated for Butyl, Neoprene, and Thiokol and Buna S after deducting for Butadiene a 80-ton plant inventory and for Styrene a 30-ton plant inventory, plus transportation and in process allowances for both of these products of two weeks up to September 1st and one week thereafter. Production estimates based upon no production for first and second units at same location until second month following earliest possible plant completion date; for third and fourth units production starts month following plant completion date—Butadiene and Styrene at rate of 20% first productive month; 40% second; 80% third; and 100% thereafter. Butyl, Neoprene, and Thiokol at rate of 40% capacity first productive month; 75% second; and 100% thereafter. Copolymer production estimates the same basis as Butadiene and Styrene rates up to September 1st and Butyl production rates thereafter. Butyl and Neoprene expressed in terms of equivalent crude by assuming nonwear usage and multiplying production by utility factor. Buna S and Thiokol expressed in terms of equivalent crude by assuming nonwear usage and multiplying production by utility factor. Buna S and Thiokol expressed in terms of equivalent crude by assuming wear usage and multiplying by use factor.

INITIAL STOCKS

Stocks at beginning of 1943 assumed to approximate 400,000 long tons. This estimated from October 1, 1942 inventories and estimates of imports, essential requirements and small synthetic production during last quarter of 1942.

From the above, it is clear that there is every necessity for continuing through the critical fall of 1943 a policy of rigid conservation of rubber, and that we must envisage the possibility of a complete exhaustion at that time of even so-called normal inventories of finished products. In fact, a delay of a month in the part of the program which includes plants that should be finished by May 30 would mean the loss of 40,000 to 50,000 tons, at a time when there will be none to lose. Present indications are that the impact of competitive programs will cause a de-

lay. It is too early to say how much of a delay.

A scheduling mechanism, now being put into effect, may solve part of the problem and the Office of the Vice Chairman in Charge of Program Determination of W. P. S. is cooperating with us. Nevertheless, I am informed that, although the only sure solution of the rubber problem is to subordinate other important programs to it, the demands of the Services make this impossible. This is in direct conflict with my understanding and conviction that the President's Executive Order of September 17, 1942 and its accompanying letter endorsed unequivocally the Baruch Report, its program and its statement, "Thus the rubber situation gives rise to our most critical problem."

PROGRAM EXPANSION

The Baruch Committee recommended certain plant expansion. New plants to provide the desired increase in Neoprene and Thiokol capacity are being started. Currently, existing copolymerizing plants promise to provide the required capacity in that direction. However, shortages of raw materials will forbid running these to even rated capacity for another year; hence, no further copolymerizing plants will be started for another six months.

Final arrangements have been made for a portion of the recommended 100,000 tons a year additional capacity of Butadiene from refinery conversions. Engineering work, together with pilot studies, will permit completing arrangements for the remaining capacity as rapidly as necessary critical materials can be obtained without disrupting other phases of the construction program.

The Baruch Report recommended the erection in grain-producing states (preferably accessible to water transportation) of facilities for the manufacture of 100,000,000 gallons per year more alcohol than was then contemplated by the War Production Board. In making this recommendation, they had in mind that plants being erected to make from alcohol the Butadiene S might run at enough higher than rated capacity to utilize most of this additional alcohol. Furthermore, they emphasized that there must be enough alcohol to produce the possibility of increased demands from smokeless powder and other munitions industries diverting alcohol from the rubber program.

After all, far more of the country's industrial alcohol is used for other military and civilian purposes than is required for the rubber program.

The Chemicals Branch of the War Production Board has been directed to provide these additional facilities for alcohol production, and has been given estimates of the quantities of alcohol that the butadiene and styrene plants now under construction could consume during the period estimated as necessary for the building of new alcohol producing facilities. The Chemicals Branch states

that present facilities and stocks are such that, with present anticipated needs of alcohol, there is no reason for them to expedite the new facilities at the expense of the plants now under construction. They assure us that these new facilities will be available before the plants to consume the alcohol are operating at capacity.

Plans for building plants to make an additional 30,000 tons per year of Buna S from butadiene made from grain are being studied by my technical staff. It is expected that their studies will be sufficiently complete to permit building these as soon as possible after adequate piloting of the processes which the Baruch Committee recommended investigating. This step must also depend on avoiding serious conflict with the flow of materials to plants now under construction for our program.

The recommendation that additional styrene capacity be ready by January 1, 1944, to balance upwardly the increased annual production of Buna S, is being watched. But, since, because of lack of materials, the construction of the butadiene plants in the main program is behind that envisioned by the Baruch Report, decision upon this increased capacity has been postponed.

RUBBER

The Baruch Report stressed the importance of promptly securing detailed technical information concerning the successful manufacture of synthetic rubber in Soviet Russia. This office immediately accepted the offer of the Soviet Republic to make complete disclosure and selected a small group of competent and technically qualified experts to proceed to Russia and report on all phases of this operation. This group has been assured complete cooperation by our Russian Allies and a similar group from the Soviets will come to this country to study our methods and receive reports on our research and technical developments.

NEED OF INFORMING THE PUBLIC

There is still a pronounced lack of public understanding of the rubber situation.

Many do not yet understand that it is essential to our war effort and a prime duty of the Rubber Director to keep on the roads that portion of our essential transportation system which is dependent on our public and private motor vehicles.

They do not understand the vital importance of making their present tires last, nor do they comprehend the sacrifices in convenience driving and pleasure driving which must be made, if each man's own car is to continue at his own disposal for the essential driving our whole war economy demands.

In much of the newly rationed area, they do not fully understand that gas rationing is undertaken solely to conserve rubber. In many sections they resent gas rationing and will continue to resist it, and oppose it, until they have been made to see that less gas means

less driving; that less driving means the preservation of our own tires for their own use against that period sometime in 1944 when further supplies of rubber should become available for civilian tires. Only when this rubber is available can rationing be relaxed.

In fact, the public does not yet understand that the vast majority of our motor vehicles must run from now until mid-1944 on the tires now in use, nor that they share with the Rubber Director the duty of each keeping his own car in useful operation. On the contrary, a large part of the public have been led to believe that certain regulations for the control of the supply insure that on December 1, tires of one or another kind (or type) will become available to all who need them.

The need of more information to the public in these points, as well as on such related subjects as the means of tire preservation, limitation of driving speed, and share-the-car arrangements are self-evident. To obtain the public support, it will be necessary to find a way by which the OPA, ODT and OCS will all spread a uniform message. This message must be dictated by the Rubber Director.

If confusion can be dispensed of and the public is made to realize that rationing is for their own protection and comfort as well as for the war effort, much will have been accomplished toward insuring the rubber program. Unless this is done, publicity stemming from a multiplicity of agencies will cause further confusion and will preclude the possibility of willing acceptance by the public of rationing and of cooperation in other phases of the program which are essential to success.

BASIC POLICY DECISIONS

Though there is no necessity to dwell upon the individual decisions incident to acceptance of many of the recommendations of the Baruch Report, the following are worthy of comment.

The Committee emphasized that there must be an improvement in the supply of materials to plant and equipment fabricators. They made it clear that without such a change, inefficient rubber would be produced in 1943. We have found the shortages to be in fabricated components (such as instruments, forgings, valves, heat exchangers, etc.), more than in materials. Our studies have emphasized that unless these components for synthetic rubber manufacturing plants reach the plants as rapidly as they can be installed the resultant delay will cause such a drain on the crude rubber stocks that there may be no crude left for heavy-duty tires, self-sealing gasoline tanks, and other military uses which demand crude rubber. The decision as to whether this can be accomplished without too serious delay is in the hands of those who have also to consider other programs, including the program for the building of plants producing high-octane gasoline. Some of these call for the same critical materials. The final solution is not yet developed.

The rubber program is receiving notable help in obtaining priorities and critical materials. But its relationship to other programs endangers its completion in time to avoid a crisis and I am not hopeful.

The Baruch Report envisioned the possible desirability of implementing the Rubber Director's Office with funds for carrying out its own work, as well as from some of the work now done by other agencies. As yet, there has been no necessity to require these funds.

SCHEMATIC RESERVE COMBAT

To aid the flow of materials and to facilitate obtaining priorities, an Assistant Deputy Director has taken over from Rubber Reserve the direction of plant construction.

We have also taken over from Rubber Reserve under another Assistant Deputy Director, the direction of research, engineering development, and plotting of processes for the manufacture of synthetic rubber and its raw materials. However, we have been careful to leave with Rubber Reserve their technical staff necessary for the control of the quality of raw materials and finished products for and from Government-owned plants under contract with them. In accordance with the Baruch Committee recommendation, Rubber Reserve is arranging for three of the standard copolymerization plants to be run by groups of smaller companies, and arrangements have been made to relax the secrecy provisions of certain of their contracts so that progress shall not be hindered.

BOARD OF ECONOMIC WARFARE

Arrangements have been made with the Board of Economic Warfare for a joint committee to visit Haiti to study the possibilities of obtaining rubber from cryptogaea. They are now on the ground.

OFFICE OF PETROLEUM COORDINATOR

The Office of Petroleum Coordinator is being charged by me with responsibility for recommending new projects for the manufacture of butadiene from petroleum and for assisting Rubber Reserve and Defense Plant Corporation to draw contracts covering the building and operation of Government-financed facilities. They will also present to this office the necessary requests for priorities and allocations incident to refinery conversions. They are responsible as well for seeing to it that necessary petroleum feed stocks are ready and are available when needed, and for aiding in problems of operation that may arise because of the close inter-relationship of isobutylene and butadiene manufacture to other petroleum refinery operations. They are strengthening their technical staff and taking over responsibility for research and development in connection with the manufacture of butadiene from petroleum. The Committee recommended that funds be provided for this technical work, and in the absence of arrangements to the contrary, this office is having the funds for plotting operations provided, where

necessary, by contract between research and development agencies and Rubber Reserve.

OFFICE OF INTERIOR TRANSPORTATION

This agency, in accordance with the recommendation of the Baruch Report, has been directed to limit the speed of motor vehicles to thirty-five miles per hour and to determine the needs of all commercial vehicles for gas and tires.

OFFICE OF POLICE ADMINISTRATION

In accordance with carefully elaborated recommendations of the Baruch Committee, the OPA has taken steps to limit civilian driving by the rationing of gasoline, to enforce the present allotments of new and used tires of various descriptions, and to issue certificates for more rereading of worn tires. The OPA is responsible for a wider acceptance of "car pooling" as well as for periodic inspection of tires and a better understanding of the necessity of properly maintaining tires now in use. Under directive from me, they have arranged to buy those tires in excess of five which are owned by owners of passenger vehicles.

"All-reclaim" tires have been made in allocation by OPA, but it is still too soon for this office to state how much reclaim will be available for the manufacture of these tires after as much as possible of it has been used for the reclamation of existing tires.

Steps are now being taken to move toward the best use of all reclaim available for the recapping of worn tires before their fabric has been so worn that the carcass is no longer recoverable. To this end, it is planned to use to the maximum the facilities of all field resapping stations. Consideration will be given to the enlarging of some and the best use of trucks and equipment to meet the problems that will arise as trucks come into the picture.

There has been much confusing publicity in connection with the availability of "all-reclaim" tires and the meaning of the word "essential" driving. It is imperative that rationing boards and the public both realize that available reclaim should wherever possible be used to reup tires before their fabric has been worn through so that they are no longer recoverable.

We are rapidly approaching the time when our office must require certain manufacturers to use priorities on their much more expensive rubber. They are now charged for crude rubber. Unless there is to be a complete dislocation and demoralization of various parts of the rubber industry, it will be necessary either to compensate for this by subsidize or to permit an equitable adjustment of selling price. The problem of how this can be accomplished without dislocation of the rubber program will still be determined in conjunction with Rubber Reserve and the OPA.

DEPARTMENT OF AGRICULTURE

The Baruch Report recommended a large increase in the program for planting

and the Department of Agriculture is taking steps to effectuate their recommendations. 28,000 acres of plantations will be established this winter. These are expected to provide 33,000 tons of rubber latex in 1944 and early in 1945. It is planned to establish another 120,000 acres next winter to produce an additional 47,000 tons of rubber in the harvest of 1945-1946. The reason for priorities for critical materials incident to this program is new under examination and final determination will be agreed upon in the near future.

Two regional laboratories of the Department of Agriculture are working on the problems incident to the extraction of rubber from guayule, cryptogaea, Russian dandelion, goldenrod, etc. At the Eastern Laboratories in Philadelphia, sixty-five men are working on these problems.

PLANT CONSTRUCTION

The primary responsibility here is that of overcoming plant and engineering construction. This involves special attention to insuring a minimum use of critical raw materials, and an even flow of raw materials to fabricators, and fabricated articles to plant sites. This operation also includes obtaining the priorities and allocations necessary if plant facilities are to be built in time. The situation pertaining to these problems has been discussed in some detail in the early section entitled "Program".

To facilitate the work of this section, very effort is being made to freeze design. The recommendations of the Committee that certain pilot plants be established, are being followed and every effort is being made to complete one large-scale plant on the Standard Oil of New Jersey process of butadiene by March, 1943.

The Baruch Committee emphasized the desirability of completing as soon as possible one standard copolymerization plant. It is expected that the first of these units will be finished in March. To finish even earlier, would necessitate changes and interruptions which might result in almost disastrous delays to more critical portions of the program.

Facilities for the manufacture of considerable tonnages of Buna S by what is essentially standard plant design are already finished. These units are being run at less than one-fifth of their capacity because of the present unavailability of butadiene. Because of this shortage, all emphasis is upon bringing into production the first increments of butadiene and styrene. It is expected that the first butadiene will come from the first of the four units of the alcohol plant at Institute, West Virginia, and that this will be followed closely by the first increment of butadiene from petroleum at Baton Rouge, Louisiana. It is hoped that both of these will be producing early in the year. Unfortunately, these increments constitute only a little more than five per cent of the ultimate program.

OPERATIONS

Under "Operations" come all of the many functions of my office which have to do with rubber and closely related industries. In order that these operations may be efficiently carried out so as to conserve a maximum of rubber with a minimum dislocation of industry and labor, and of the needs of the armed services and other essential users of rubber, the organization of this group comprises many experts from various parts and units of the rubber industry. These experts have been chosen from both large and small manufacturers. Some are full-time members of the staff; others are acting as advisers.

The Baruch Committee emphasized the necessity of scrutinizing all requirements for rubber. We have inaugurated a plan to obtain detailed requirements from all the claimant agencies for end products of rubber or rubber substances to meet actual schedules of production of airplanes, trucks, ships and other products requiring rubber or rubber-like materials. This survey, which will be kept up-to-date monthly, together with our newly inaugurated survey of all inventories of all end products, will enable us shortly after the first of the year to control properly the consumption of natural rubber, synthetics and substitutes, and to regulate them by the possible liquidation of less-essential inventories of end products, in such a way as to conserve our diminishing stockpile of natural rubber.

We have taken the necessary steps to coordinate within the Office of the Rubber Director all important statistics with reference to rubber, with the understanding that only such reports as emanate from the Office of the Rubber Director will be considered authentic. This procedure should tend to relieve the confusion which has existed in the past as a result of so many different agencies of the Government and others compiling and releasing figures and other information regarding the rubber situation.

While the specific delegation to the Rubber Director of those priority powers affecting rubber necessary to discharge the responsibilities with which I am charged has not been completed, this is now being done. As soon as it is, this section will take over, in their entirety, the complicated problems incident to the detailed allocations of various crude rubbers, synthetic rubbers, and rubber substitutes, and various grades of reclaim to be used for specific items, in such a way as to realize the maximum and most effective uses of each in effectuating the program as a whole.

The Baruch Report recommended that a survey of milling, mixing and tire-building facilities be made on or about May 1, 1943. Before another month we shall have complete engineering information covering milling and calendering equipment from practically all of the rubber industry. This will enable us promptly to complete the recommended survey,

in the end that we may specify necessary and essential increases in milling and fabricating capacity in time to handle the increased requirements necessary when synthetic rubber is used in place of crude.

Within a month, a similar survey of reclaiming plants will be available to comparison with the Baruch Committee's recommendation that reclaiming capacity be increased by about 20 per cent. Reclaiming estimates that we may expect these processes to provide for an increase of about 10 per cent by the elimination of "soft-leech" in existing reclaiming plants, by changes in specific types in desired types of reclaim, and by the stimulation of unnecessary types.

In accordance with the recommendation of the Baruch Committee, we are proceeding with the preparation of a new drive for scrap to be inaugurated whenever the scrap is needed to maintain an adequate scrap pile. Meanwhile, the supply is coming in automatically as tires are rationed to users who are turning in their worn-out tires and by the restriction against the production of more than five (5) tires per vehicle.

The functions of the Board of Economic Warfare, Rubber Reserve and the State Department, in the development and procurement of natural rubbers from South and Central America, are continued. I am studying this situation and hope to determine a clear and definite program under which these agencies will operate.

Problems of Civilian Supply as they pertain to the organization of W. P. B. will receive further attention.

RESEARCH AND DEVELOPMENT

The Baruch Report recommended the establishment of a technical division, adequately staffed and with branches in charge of all phases of research and development (except for the production of butadiene from petroleum). It advised that there should be an interchange of information among those engaged in a competitive spirit in research, development and operation. A strong technical group of thoroughly competent, experienced, outstanding men has been gathered together under three Assistant Deputy Directors. These are discussed separately below.

TECHNOLOGY AND SPECIFICATIONS FOR INDUSTRIAL USES

This is the problem of technology and specifications governing the use of selected synthetics for each type of product now made from rubber. Since some of the proposed synthetics and substitutes may be available earlier than others, the saving of a maximum amount of crude rubber may involve, in the case of a single article, first using one substitute or synthetic and later switching to another. Much has already been done, but there is still a Herculean task ahead. Needless to say, results depend upon obtaining the full cooperation of industry and a close and constant working relationship with the statistical, allocations, and industry advisory groups of the op-

erating section. Also concerned is the research group working upon improving the quality of the available synthetics. The practical problems of this section will be closely tied to the policies which will govern the pricing of synthetics and products made from them. Unless these provide an incentive to use synthetics, many of the weaker units are bound to hold back.

The staff of this section, made up of thoroughly competent men (at present there are sixteen) recruited primarily from both large and small units of the rubber industry, help by advising with the industry.

RESEARCH AND DEVELOPMENT OF SYNTHETICS

The Baruch Committee recommended centering all research for and upon synthetic rubber and substitutes in the Office of the Rubber Director. To accomplish this, the work of this group was organized under men of proven competency and scientific reputation into groups dealing with:

- (1) Research into the mechanism of various polymerizations, and the character and structure of resulting polymers.
- (2) Studies of and development of polymerization processes.
- (3) The engineering of polymerization plants and equipment.
- (4) The operation of pilot plants for the development of new methods of polymerization and new copolymers.

(5) The appraisal of new ideas and inventions.

RESEARCH AND DEVELOPMENT OF RAW MATERIALS

This section is responsible for the development of processes to make raw materials other than isobutylene, butadiene, and others developed by OPC, for use in making synthetic rubber and rubber substitutes. Particularly are they entrusted with the encouragement of and study of the piloting of proposed methods for making butadiene from alcohol or other chemicals made by the fermenting of grains.

The small but highly trained staff of this group include outstanding chemical engineers from faculties of leading educational institutions. These men also serve as Staff Consultants to me and my Deputy Director.

CONCLUSIONS

In conclusion I present the following:

- (1) The Office of the Rubber Director has been organized and is, at least partially, staffed at every appropriate point with thoroughly competent, outstanding personnel who bring to it broad scientific and engineering trainings and an invaluable knowledge and experience of the rubber industry.
- (2) The recommendations of the Baruch Committee have been accepted as

the basic policy of the Rubber Director. Many of the proposed moves are nearing completion.

(3) The construction program is behind that envisioned by the Baruch Committee, but if it were possible to settle questions of relative importance between programs, it should still be possible to obtain an even flow of components and to build the required facilities in time to prevent the inventory of crude rubber and synthetics falling below the disaster dead-line determined by the Committee. Any further delay will make this impossible. Present indications are that, because of other programs, there will be such a delay.

(4) Working relationships have been established with several other sections of the Government to effectuate essential portions of the rubber program.

(5) Serious problems in connection with the work of the Office of Price Administration and the Office of Defense Transportation are to be solved so that the public may have a full understanding of the Rubber Program and help with it.

(6) Serious problems in connection with the work of the Office of Price Administration are to be solved so that all units of industry are given the proper incentive to help develop the use of synthetic rubbers and rubber substitutes.

NOVEMBER 30, 1942.

CONFIDENTIAL

12/15/42 303
From Mr. Bush
Director of W.P.B.

REPORT BY
COMMITTEE III ON CLOTHING REQUIREMENTS AND SUPPLIES
Nov. 30, 1942

SUMMARY: CLOTHING AND ACCESSORIES

Anticipated emergency requirements for a total civilian population of 1,000,000 persons:
A -If living in cold climate (say Northern Europe)
B -If living in warm climate (say Southern Europe)
with average which is based on half living in cold climate and half in warm climate

Age and sex groups	: Age-sex : Cost of emergency clothing & accessories		: distribution: for total population of 1,000,000		Average
	: of 1,000,000 population	: living in : living in :	: cold climate:	: warm climate:	
Infants 0-6 months	: 20,000	: \$37,321	: \$20,571	:	\$28,946
Infants 7 months-2 years	: 45,000	: 73,350	: 33,750	:	53,550
Boys 3-8 years	: 65,000	: 289,088	: 119,275	:	204,182
Girls 3-8 years	: 65,000	: 266,273	: 112,938	:	189,605
Boys 9-17 years	: 100,000	: 498,250	: 217,000	:	357,625
Girls 9-17 years	: 100,000	: 491,250	: 185,500	:	338,375
Men 18 and over	: 255,000	: 1,938,000	: 929,470	:	1,433,735
Women 18 and over	: 350,000	: 2,350,250	: 856,625	:	1,603,438
Total clothing for 1,000,000	:	: \$5,943,782	: \$2,475,129	:	\$4,209,456
Total accessories for 1,000,000	:	: \$1,696,650	: \$727,550	:	\$1,212,100
Grand total for 1,000,000	:	: \$7,640,432	: \$3,202,679	:	\$5,421,556

1/ Based on American population composition in 1930, with a 20 percent reduction in men of 18 and over, and rounding of resultant figures.

1-A

CLOTHING AND ACCESSORIES

Anticipated emergency requirements for a total civilian population of 1,000,000 persons living in cold climate (say Northern Europe)

COLD CLIMATE

Infants 0-6 months (20,000)

Item	Description	Percent of total infants to be clothed	Number of units each infant to be clothed	Total number of units	Whole-sale price per unit	Total cost
Cap	Wool knit, or part-wool flannel	50	1	10,000	\$0.35	\$3,500
Sacque	Wool knit, or part-wool flannel	50	1	10,000	.25	2,500
Wrapping blanket	8 oz. baby bunting, 25% wool, 72"x72"	50	1	10,000	1.00	10,000
Wrapping blanket	4 oz. cotton flannel, 36"x36", pink and blue	35	2	14,000	.30	4,200
Vests	Knit, long sleeve, min. 25% wool	35	2	14,000	.35	4,900
Diapers	Birdseye cotton 27"	90	6	108,000	.08	8,640
Towels	Terry cloth squares, 27"x27" or 22"x33"	30	1	6,000	.15	900
Safety pins	Rust-proof, medium size	90	4	72,000	.0032	231
Soap	Castile or mild, 4 oz. cake	35	2	14,000	.05	700
Oil	Antiseptic baby oil, 6 oz.	35	1	7,000	.25	1,750
				Total		\$37,321

COLD CLIMATE

Infants 7 months - 2 years (45,000)

Cap	Knit, min. 50% wool	35	1	15,750	\$0.35	\$5,512
Sweater	Slipover, long sleeve, min. 50% wool	35	1	15,750	.65	10,238
Rompers	Flannel, min. 25% wool	35	1	15,750	.70	11,025
Undershirt	Knit slipover, long sleeve, min. 25% wool	35	2	31,500	.35	11,025
Underpants	Cotton, knit, short	35	2	31,500	.10	3,150
Stockings	Cotton-wool mixture	35	2	31,500	.25	7,875
Shoes	Soft leather, ankle-supporting, pliable, lined	50	1	22,500	1.00	22,500
Mittens	Thumb mittens, min. 50% wool	30	1	13,500	.15	2,025
				Total		\$73,350

2-A

COLD CLIMATE

Boys 3 - 8 years (65,000)

Item	Description	Percent of total : boys : to be : clothed	Number of units for : each boy : to be : clothed	Total number of units	Whole- sale price per unit	Total cost
Cap	:Knit, min. 50% wool	35	1	22,750	\$0.35	\$7,963
Snowsuit	:Shoddy tweed, min. 50% wool	17	1	11,050	3.00	33,150
Coat	:Shoddy tweed, min. 50% wool	18	1	11,700	2.50	29,250
Sweater	:Pullover, long sleeve, : min. 50% wool	35	1	22,750	1.00	22,750
Short pants	:Shorts, cheviot, min. : 50% wool	35	1	22,750	.90	20,475
Shirt	:Cotton flannel, 5½-6 oz.	35	1	22,750	.50	11,375
Underwear	:Knit shirt and drawers, : min. 25% wool	35	2	45,500	1.25	56,875
Stockings	:Cotton-wool mix, dark	50	2	65,000	.25	16,250
Shoes	:High shoes preferred	90	1	58,500	1.40	81,900
Mittens	:Knit, min. 50% wool	35	1	22,750	.40	9,100
				Total		\$289,088

COLD CLIMATE

Girls 3 - 8 years (65,000)

Item	Description	Percent of total : girls : to be : clothed	Number of units for : each girl : to be : clothed	Total number of units	Whole- sale price per unit	Total cost
Cap	:Knit, min. 50% wool	35	1	22,750	\$0.35	\$7,963
Snowsuit	:Shoddy tweed, min. 50% wool	17	1	11,050	2.70	29,835
Coat	:Shoddy tweed, min. 50% wool	18	1	11,750	2.50	29,250
Sweater	:Pullover, long sleeve, : min. 50% wool	35	1	22,750	1.00	22,750
Blouse	:Cotton chambray or suiting	35	1	22,750	.40	9,100
Skirt	:Shoddy tweed, min. 50% wool	35	1	22,750	1.10	25,025
Underwear	:Knit shirt and drawers, : min. 25% wool	35	2	45,500	1.00	45,500
Stockings	:Cotton-wool mix	50	2	65,000	.25	16,250
Shoes	:High shoes preferred	90	1	58,500	1.30	76,050
Mittens	:Knit, min. 50% wool	35	1	22,750	.20	4,550
				Total		\$266,273

3-A

COLD CLIMATE

Boys 9 - 17 years (100,000)

Item	Description	Percent of total : boys : to be : clothed	Number of units for : each boy : to be : clothed	Total number of units	Whole- sale price per unit	Total cost
Cap	:Knit, min. 50% wool	25	1	25,000	\$0.35	\$8,750
Mackinaw jacket	:Shoddy tweed, min. 50% wool	35	1	35,000	2.50	87,500
Sweater	:Pullover, long sleeve, : min. 50% wool	25	1	25,000	1.60	40,000
Trousers	:Long, shoddy, min. 50% wool	35	1	35,000	1.50	52,500
Shirt	:Cotton flannel, 5½-6 oz.	35	1	35,000	.50	17,500
Underwear	:Knit shirt and long drawers : min. 25% wool	50	1	50,000	2.00	100,000
Stockings, or socks	:Cotton-wool mix, dark	50	2	100,000	.25	25,000
Shoes	:High shoes preferred	90	1	90,000	1.70	153,000
Gloves	:Knit, min. 50% wool	35	1	35,000	.40	14,000
				Total		\$498,250

COLD CLIMATE

Girls 9 - 17 years (100,000)

Item	Description	Percent of total : girls : to be : clothed	Number of units for : each girl : to be : clothed	Total number of units	Whole- sale price per unit	Total cost
Cap	:Knit, min. 50% wool	25	1	25,000	\$0.35	\$8,750
Coat	:Flannel, min. 25% wool, with : cotton-flannel lining	35	1	35,000	4.50	157,500
Sweater	:Pullover, long sleeve, : min. 50% wool	25	1	25,000	1.25	31,250
Blouse	:Cotton flannel, 5½-6 oz. : long sleeve	25	1	25,000	.70	17,500
Skirt	:Flannel, min. 50% wool, gored	35	1	35,000	1.25	43,750
Underwear	:Knit shirt and drawers, : min. 25% wool	50	1	50,000	1.25	62,500
Stockings	:Cotton-wool mix, dark	50	2	100,000	.30	30,000
Shoes	:High shoes preferred	90	1	90,000	1.40	126,000
Mittens	:Knit, min. 50% wool	35	1	35,000	.40	14,000
				Total		\$491,250

4-A

COLD CLIMATE

Men 18 and over (255,000)

Item	Description	Percent of total men to be clothed	Number of units for each man to be clothed	Total number of units	Whole- sale price per unit	Total cost
Cap	Knit, min. 50% wool	25	1	63,750	\$0.35	\$22,312
Mackinaw	Reprocessed wool, with cotton-flannel lining	35	1	89,250	4.25	379,313
Sweater	Pullover, long sleeve, min. 50% wool	35	1	89,250	2.00	178,500
Work trousers (overalls)	Cotton denim or covert or moleskin	80	1	204,000	1.40	285,600
Trousers	Shoddy, min. 50% wool	35	1	89,250	2.00	178,500
Shirt	Cotton flannel, 5½-6 oz., pre-shrunk	35	1	89,250	.60	53,550
Underwear	Undershirt & underdrawers, long arms & legs, medium weight, min. 25% wool	55	1	140,250	2.10	294,525
Work socks	Cotton or part wool	50	2	255,000	.20	51,000
Work shoes	High shoes preferred	90	1	229,500	2.00	459,000
Gloves	Wool knit	35	1	89,250	.40	35,700
				Total		\$1,938,000

COLD CLIMATE

Women 18 and over (350,000)

Item	Description	Percent of total women to be clothed	Number of units for each woman to be clothed	Total number of units	Whole- sale price per unit	Total cost
Coat	Shoddy tweed, min. 60% wool	35	1	122,500	\$7.00	\$857,500
Sweater	Cardigan, long sleeve, min. 50% wool	35	1	122,500	1.50	183,750
Blouse	Flannel, long sleeve, min. 20% wool	25	1	87,500	1.75	153,125
Skirt	Gored skirt, min. 50% wool	35	1	122,500	1.50	183,750
Underwear	Knit vest, long sleeve, bloomers, 25% wool	55	1	192,500	1.25	240,625
Stockings	Cotton	50	2	350,000	.15	52,500
Shoes	High shoes preferred	90	1	315,000	2.00	630,000
Gloves	Mitten or glove type, shoddy wool	35	1	122,500	.40	49,000
				Total		\$2,350,250

5-A

COLD CLIMATEBedding

	<u>Units</u>	<u>Unit price</u>	<u>Total cost</u>
Blankets, 72"x84", 5 lbs., cotton & wool mixed -----	100,000	\$2.70	\$270,000
Comforters, 72"x80", wool-waste filled -----	100,000	4.00	400,000
Bed sacks, 84 $\frac{1}{2}$ "x34-3/4" (made of unbl. drill 37", 2.35yd.)	100,000	1.35	135,000
	Total -----		805,000

Piece goods

	<u>Yards</u>		
Flannel, outing, cotton(36", 4yd.) for underwear, etc.	1,500,000	\$0.14 $\frac{1}{2}$	217,500
Sheeting, unbleached, 81" (or equivalent in other widths) -----	500,000	.22	110,000
*Bleached nainsook, 36", for underwear -----	50,000	.11	5,500
*Dyed nainsook and printed percale, 36", for dresses --	50,000	.15	7,500
(*Made from 38 $\frac{1}{2}$ ", 64x60, 5.35yd. unbleached printcloth).			
Denim, chambray, cottonade, corduroy, etc. (for work clothing) -----	100,000	.24	24,000
Woolens, 54" (for skirts and dresses) -----	50,000	.90	45,000
Black shetland type wool flannel, 47", 54", 56", or 12 oz. all-wool lining cloth (Army rejects) for shawls, capes, etc.	50,000	1.00	50,000
Birdseye cloth (for sanitary napkins) -----	50,000	.08	4,000
Toweling, plain, 18" -----	100,000	.15	15,000
Toweling, terry-woven, 22" -----	50,000	.20	10,000
Mosquito netting (Army rejects-35" at 14 $\frac{1}{2}$ " ϕ , 47" at 19 $\frac{1}{2}$ " ϕ)	50,000	.17	8,500
	Total -----		497,000

Findings

	<u>Units</u>		
Cotton sewing thread (Nos. 40, 30 & 20), 500-yd. spools, doz.	2,000	\$1.50	3,000
Needles, dozen papers -----	2,000	.90	1,800
Pins ($\frac{1}{4}$ lb. boxes), dozen -----	2,000	1.40	2,800
Buttons, great gross -----	200	1.50	300
Yarn for handknitting (in hanks), 50% wool, pounds --	150,000	1.50	225,000
Darning cotton, dark colors, 50-yd. spools, dozen -----	2,000	.80	1,600
Scissors -----	1,000	.50	500
	Total -----		235,000

Shoe repair materials

	<u>Pounds</u>		
Leather or composition -----	350,000	\$0.45	157,500
Shoe thread (in skeins), linen -----	750	2.00	1,500
Tacks (in $\frac{1}{2}$ lb. boxes) -----	2,500	.25	650
	Total -----		159,650

COLD CLIMATESUMMARY

Clothing (from pages 1, 2, 3, 4-A) -----	5,943,782
Bedding, piecegoods, findings, shoe repair materials -----	1,696,650
Grand total -----	7,640,432

1-B

CLOTHING AND ACCESSORIES

Anticipated emergency requirements for a total civilian population of 1,000,000 persons living in warm climate (say Southern Europe)

WARM CLIMATE

Infants 0-6 months (20,000)

Item	Description	Percent of total infants to be clothed	Number of units each infant to be clothed	Total number of units	Whole-sale price per unit	Total cost
Sacque	Cotton flannelet	50	1	10,000	\$0.20	\$2,000
Wrapping blanket	4 oz. cotton flannel, 36"x 36", pink and blue	35	2	14,000	.30	4,200
Vests	Knit, cotton	35	2	14,000	.20	2,800
Diapers	Birdseye cotton 27"	90	6	108,000	.08	8,640
Towels	Terry cloth squares, 27"x 27" or 22"x 33"	30	1	6,000	.15	900
Safety pins	Rust-proof, medium size	90	4	72,000	.003	231
Soap	Castile or mild, 4oz. cake	40	2	16,000	.05	800
Oil	Antiseptic baby oil, 6 oz.	20	1	4,000	.25	1,000
				Total		\$20,571

WARM CLIMATE

Infants 7 months - 2 years (45,000)

Item	Description	Percent of total infants to be clothed	Number of units each infant to be clothed	Total number of units	Whole-sale price per unit	Total cost
Sweater	Slipover, long sleeve, min. 50% wool	20	1	9,000	\$0.65	\$5,850
Rompers	Cotton percale or broadcloth or jersey	35	1	15,750	.20	3,150
Undershirt	Cotton, knit, mediumweight long or short sleeves	35	2	31,500	.20	6,300
Underpants	Cotton, knit, short	35	2	31,500	.10	3,150
Socks	Cotton, short	25	2	22,500	.08	1,800
Shoes	Soft leather, ankle-supporting, pliable, lined	30	1	13,500	1.00	13,500
				Total		\$33,750

2-B

WARM CLIMATE

Boys 3 - 8 years (65,000)

Item	Description	:Percent :of total : boys : to be : clothed	:Number of: :units for: : each boy : to be : clothed	:Total : number : of : units	:Whole- : sale : price : per : unit	: Total : cost
Sweater	Cardigan or pullover, long sleeve, 50% wool	35	1	22,750	\$1.00	\$22,750
Short pants	Gabardine or heavy suiting	35	1	22,750	.70	15,925
Shirt	Knit cotton polo shirt	35	1	22,750	.50	11,375
Underwear	Knit cotton shirt and shorts	35	2	45,500	.45	20,475
Socks	Cotton	50	1	32,500	.10	3,250
Shoes	Oxford type	50	1	32,500	1.40	45,500
				Total		\$119,275

WARM CLIMATE

Girls 3 - 8 years (65,000)

Item	Description	:Percent :of total : girls : to be : clothed	:Number of: :units for: : each girl : to be : clothed	:Total : number : of : units	:Whole- : sale : price : per : unit	: Total : cost
Sweater	Cardigan or pullover, long sleeve, min. 50% wool	35	1	22,750	\$1.00	\$22,750
Blouse	Cotton chambray or suiting	35	1	22,750	.40	9,100
Skirt	Cotton corduroy or suiting	35	1	22,750	.75	17,063
Underwear	Knit cotton shirt and drawers	35	2	45,500	.40	18,200
Stockings	Cotton rib, long, short socks, dark	50	1	32,500	.11	3,575
Shoes	Oxford type or sandals	50	1	32,500	1.30	42,250
				Total		\$112,938

3-B

WARM CLIMATE

Boys 9-17 years (100,000)

Item	Description	Percent of total boys to be clothed	Number of units for each boy to be clothed	Total number of units	Whole- sale price per unit	Total cost
Sweater	:Pullover, long sleeve, : min. 50 percent wool	: 25	: 1	: 25,000	: \$1.60	: \$40,000
Trousers	:Long, denim or whipcord, : or corduroy	: 35	: 1	: 35,000	: 1.40	: 49,000
Shirt	:Knit cotton polo shirt	: 35	: 1	: 35,000	: .50	: 17,500
Underwear	:Knit cotton shirt and : shorts	: 40	: 1	: 40,000	: .45	: 18,000
Socks	:Cotton	: 50	: 1	: 50,000	: .15	: 7,500
Shoes	:Oxford type	: 50	: 1	: 50,000	: 1.70	: 85,000
					Total	\$217,000

WARM CLIMATE

Girls 9-17 years (100,000)

Item	Description	Percent of total girls to be clothed	Number of units for each girl to be clothed	Total number of units	Whole- sale price per unit	Total cost
Sweater	:Pullover or cardigan : min. 50 percent wool	: 25	: 1	: 25,000	: \$1.25	: \$31,250
Blouse	:Cotton chambray or suiting	: 35	: 1	: 35,000	: .60	: 21,000
Skirt	:Cotton corduroy, gored	: 35	: 1	: 35,000	: 1.25	: 43,750
Underwear	:Knit cotton shirt and : drawers	: 40	: 1	: 40,000	: .35	: 14,000
Stockings or socks	:Cotton	: 50	: 1	: 50,000	: .11	: 5,500
Shoes	:Oxford type	: 50	: 1	: 50,000	: 1.40	: 70,000
					Total	\$185,500

4-B

WARM CLIMATE

Men 18 and over (255,000)

Item	Description	Percent of total men to be clothed	Number of units for each man to be clothed	Total number of units	Whole- sale price per unit	Total cost
Sweater	Cardigan, long sleeve, min. 50 percent wool	35	1	89,250	\$2.00	\$178,500
Work trousers (or overalls)	Cotton denim or covert or moleskin	80	1	204,000	1.40	285,600
Shirt	Cotton knit polo shirt, snort sleeve, or woven of light-weight shirting	35	1	89,250	.50	44,625
Underwear	Cotton knit or woven shirt and snorts	40	1	102,000	.45	45,900
Work socks	Cotton	70	1	178,500	.10	17,850
Work shoes		70	1	178,500	2.00	357,000
					Total---	\$929,470

WARM CLIMATE

Women 18 and over (350,000)

Item	Description	Percent of total women to be clothed	Number of units for each woman to be clothed	Total number of units	Whole- sale price per unit	Total cost
Sweater	Cardigan, min. 50 percent wool	35	1	122,500	\$1.50	\$183,750
Blouse	Cotton broadcloth or chambray, long sleeve	25	1	87,500	.65	56,875
Skirt	Gored skirt, corduroy or heavy cotton suiting	35	1	122,500	1.50	183,750
Underwear	Knit cotton vest, knit or woven bloomers	40	1	140,000	.40	56,000
Hose	Cotton	50	1	175,000	.15	26,250
Shoes	Oxford type	50	1	175,000	2.00	350,000
					Total---	\$856,625

WARM CLIMATE

<u>Bedding</u>	<u>Units</u>	<u>Unit price</u>	<u>Total cost</u>
Blankets, 70" by 80", 2½ lbs., cotton -----	100,000	\$1.00	\$100,000
Bed sacks, 84½" by 34-3/4" (made of unbl.drill 37", 2.35 yd.).	100,000	1.35	135,000
			Total-----\$235,000

Piece Goods

	<u>Yards</u>	<u>Unit price</u>	<u>Total cost</u>
Flannel, outing, cotton (36", 4 yd.) for underwear, etc. -----	300,000	\$0.14½	\$43,500
Sheeting, unbleached, 81" (or equivalent in other widths) --	500,000	.22	110,000
*Bleached nainsook, 36", for underwear -----	50,000	.11	5,500
*Dyed nainsook and printed percale, 36", for dresses -----	50,000	.15	7,500
(*Made from 38½", 64x60, 5.35yd. unbleached printcloth).			
Denim, chambray, cottonade, corduroy, etc. (for work clothing) --	100,000	.24	24,000
Black shetland type wool flannel, 47", 54", 56", or 12 oz. all-wool lining cloth (Army rejects) for shawls, capes, etc.	25,000	1.00	25,000
Birdseye cloth (for sanitary napkins) -----	50,000	.08	4,000
Toweling, plain, 18" -----	100,000	.15	15,000
Toweling, terry-woven, 22" -----	50,000	.20	10,000
Mosquito netting (Army rejects--35" at 14½¢, 47" at 19½¢) --	20,000	.17	3,400
			Total-----\$247,900

Findings

	<u>Units</u>	<u>Unit price</u>	<u>Total cost</u>
Cotton sewing thread (Nos. 40, 30 & 20), 500-yd. spools, dozen--	2,000	1.50	\$3,000
Needles, dozen papers -----	2,000	.90	1,800
Pins (¼ lb. boxes), dozen -----	2,000	1.40	2,800
Buttons, great gross -----	200	1.50	300
Yarn for handknitting (in hanks), 50" wool, pounds -----	50,000	1.50	75,000
Darning cotton, dark colors, 50-yd. spools, dozen -----	2,000	.80	1,600
Scissors -----	1,000	.50	500
			Total-----\$85,000

Shoe Repair Materials

	<u>Pounds</u>	<u>Unit price</u>	<u>Total cost</u>
Leather or composition -----	350,000	\$0.45	\$157,500
Shoe thread (in skeins), linen -----	750	2.00	1,500
Tacks (in ½ lb. boxes) -----	2,500	.25	650
			Total-----\$159,650

WARM CLIMATESUMMARY

Clothing (from pages 1, 2, 3, 4-B) -----	\$2,475,129
Bedding, piecegoods, findings, shoe repair materials -----	727,550
Grand total -----	\$3,202,679



OFFICE OF THE DIRECTOR

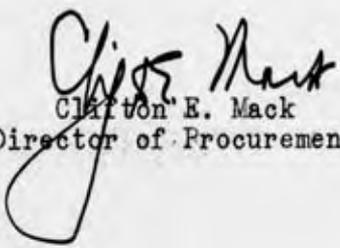
TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

December 15, 1942

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended December 12, 1942.

The Lend-Lease budget for items purchased by the Procurement Division, as requested by the Lend-Lease Administration, is now being revised as directed by that Office to cover the period from January 1 to June 30, 1943.


Clifton E. Mack
Director of Procurement



LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF DECEMBER 12, 1942
 (In millions of dollars)

	<u>Total</u>	<u>U.K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$2721.8 (2719.2)	\$1251.4 (1248.3)	\$826.2 (816.2)	\$58.3 (58.3)	\$3.7 (3.7)	\$582.2 (592.7)
Purchase Authorizations (Requisitions)	\$1980.1 (1960.5)	\$1149.8 (1147.1)	\$763.5 (751.7)	\$41.0 (41.3)	- -	\$ 25.8 (20.4)
Requisitions Cleared for Purchase	\$1876.8 (1842.0)	\$1123.5 (1108.6)	\$687.5 (672.5)	\$41.0 (41.3)	- -	\$ 24.8 (19.6)
Obligations (Purchases)	\$1772.8 (1754.8)	\$1060.9 (1054.6)	\$646.3 (639.4)	\$41.0 (41.3)	\$3.1 (3.0)	\$ 21.5 (16.5)
Deliveries to Foreign Governments at U. S. Ports*	\$ 778.4 (766.6)	\$ 615.9 (606.4)	\$ 136.3 (134.1)	\$20.3 (20.3)	- -	\$ 5.9 (5.8)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of December 5, 1942.

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF DECEMBER 12, 1942
 (In millions of dollars)

	<u>Total</u>	<u>U.K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
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Purchase Authorizations (Requisitions)	\$1980.1 (1960.5)	\$1149.8 (1147.1)	\$763.5 (751.7)	\$41.0 (41.3)	-	\$ 25.8 (20.4)
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*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of December 5, 1942.

EXPLANATION OF DECREASE

The reduction of \$300,000.00 in Purchase Authorizations, Requisitions cleared and Obligations for China is the result of revised cost on one requisition.

AIRCRAFT ACCESSORIES CORPORATION

KANSAS CITY, KANSAS

RANDOLPH C. WALKER
PRESIDENT

December 15, 1942

Dear Mr. Secretary:

Your very kind letter of December 11, 1942, has just been received and I deeply appreciate the statements contained therein with respect to my service in the Treasury Department.

Please remember that I hold you in the highest esteem and shall always be more than pleased to be of aid to you in any way that I can.

It may interest you to know that I now occupy the position of Director of Personnel with Aircraft Accessories Corporation in Kansas City, Kansas. Mr. R. C. Walker is President of the company, has been more than kind to me, and while this work is a little new to me I am enjoying it very much.

With the best of wishes, I am

Yours respectfully,

Alf Oftedal
Alf Oftedal

CL

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

DEC 11 1942

Dear Mr. Oftedal:

I am pleased to receive your letter of November 30, written upon the occasion of your retirement from the service as a special agent in the Intelligence Unit of the Bureau of Internal Revenue.

You have given many years to the Government Service, a great portion of which have been with the Treasury Department. You have made a record of excellent service and successful work in the handling of important cases on which I know you can look back with great satisfaction, and I congratulate you on this record. It is pleasing to know of your feelings with respect to my conduct of the Treasury Department, and I am glad to have your commendation of the Intelligence Unit, with which you were so long connected.

I regret that the Department has lost your services. However, from the name of the corporation with which you are associated it appears that you are in a position to continue in a type of work which is closely related to the war effort, and I wish for you every success in your new line of endeavor.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Alf Oftedal,
Aircraft Access-
ories Corpn.,
Kansas City, Kansas.

Photo file in Diary
Orig. file to Thompson



TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Kansas City, Kansas.

November 30, 1942.

INTELLIGENCE UNIT

(Name of Division)

Personal

Dear Mr. Secretary:

As you perhaps know, I retire today, of my own volition, as a Special Agent of the Intelligence Unit. I am sure that you know very well, without my saying so, that it has been and is to this day, one of the most efficient and effective agencies of the Government. This is due in large part to your leadership, for you have left no room for doubt as to your purpose to clean the Department of all kinds of inefficiency and corruption, and to keep it clean.

You were not only extremely kind and considerate of me during our several discussions about the law and the facts in the several cases involving Joseph M. Schenck and his business associates, but you clearly demonstrated by word and act your purpose to support your special agent to the limit if he was right. I appreciated that very much. Without that support, the Schenck case and the other criminal actions related to it would certainly have "gone by the board."

May I state to you, quite frankly, that I admire you greatly for the manner in which you have discharged your duties as Secretary of the Treasury. No one that I know of questions either your superior ability or your honesty and integrity. Here's hoping that you will have full opportunity to contribute all that you have toward the present war effort and that you will continue in your extremely important position just as long as you may desire.

It may interest you to know that I am now employed as a special assistant to the President, Mr. R.C. Walker, of Aircraft Accessories Corporation, Kansas City, Kansas. He is a prince of a man, and I am very happy in my new work.

With the highest of esteem and the best of wishes, I am

Yours respectfully,
H. J. Ostedal



MEMORANDUM

December 15, 1942.

TO: The Secretary

FROM: Mr. Sullivan

T S

Mr. Temple Seay accepted a position as an attorney with the Division of Foreign Funds Control at \$6400 a year. I talked to him today after the position had been offered to him and he was pleased.

TREASURY DEPARTMENT

321

INTER OFFICE COMMUNICATION

DATE
DEC 15 1942

TO Secretary Morgenthau
FROM Randolph Paul

In the publication American Banker for December 8, 1942 there appeared an article concerning the census of foreign-owned property in the United States taken by the Treasury Department on Form TFR-300. I am sure that you will be much interested in this article. A copy is attached for your information.

In summary, the article reviews the requirements of Form TFR-300, the large amount of work on the part of the banks which was entailed by this report, the importance of the information secured by the Treasury from the banks and their willingness to cooperate in furnishing this information to the Treasury. In general, the article is complimentary to the Treasury. While, as aforesaid, it emphasizes the difficulties and expense of complying with the requirements of the Treasury, it offers no criticism of the manner in which the report was taken and enlarges upon the necessity for the report.

It occurs to me that this article is particularly significant at this time, when the Congress is concerned with the burdens on industry of reports required by Government departments and much has appeared on this subject in the public press. A few significant excerpts from the article mentioned follow:

"An outstanding example of what U.S. bankers have done--without counting the cost or sacrifice--to help the Government as well as the boys in khaki fight this war effectively and victoriously has been their contribution under what is known as TFR-300. * * * a highly important instrument of economic warfare which is but little known to the public at large.

- 2 -

"***FFC has been co-operating closely with the Board of Economic Warfare, the State and Commerce Departments, in order to dry up our enemies' sources of cash and credit here and thus curtail sinister espionage and sabotage plots in our own nation and abroad among our Allies. This is a contributory achievement of TFR-300.

"When the full story of the war behind the business front can be told, it will probably be discovered that TFR-300 represented one of the main pillars upon which the edifice of our economic warfare was built.

* * *

"While highly important in wartime, TFR-300 is likely to be of still greater value at the peace table and in the post-bellum period."

As to the parts which the banks themselves played in fulfilling their requirements under TFR-300, the article says, among other things,

"Whatever use the prescribed TFR-300 money may be put to eventually, the much maligned banking fraternity of the United States performed a vital public service speedily and effectively and at considerable monetary cost and sacrifice. ***This is as it should be, ***."



THOUSANDS OF DOLLARS AND HOURS OF LABOR IN TFR-300

(Continued from page 21)

fare was built. Without it, the "Proclaimed List of Certain Blocked Nationals" — more familiarly known as "the American Blacklist"—could have hardly become the effective instrument it is today. Its first edition appeared about a quarter of a year after completion of the foreign property census, in January, 1942, and contained more than 2,000 names throughout the world. Without TFR-300 Washington would not know to this day precisely how much foreign money and property was hidden in the United States. Without it, many valuable cargoes of strategic materials could not have been discovered in time for the benefit of our war industries. Thousands of tons of valuable key industrial materials and products turned up in the reports of outstanding letters of credit in which foreigners had an interest and the Government acted with admirable speed in acquiring them for war purposes.

TFR-300 did the trick. In 135 days of sweat and overtime, American bankers tabulated and catalogued more money than the total resources of all reporting banks in the United States amounted to on June 30, 1939. According to the Comptroller of the Currency, on that date national, State, savings and private banks as well as loan and trust companies boasted of total assets of \$9,905,011,000. Beginning with the new century they broke through the ten-billion mark. Here in 1942 foreigners held title to more than that amount of property in the U. S. A.

TFR-300 Census to Be of Post-War Value

While highly important in wartime, TFR-300 is likely to be of still greater value at the peace table and in the post-bellum period. Some planners already have their eyes on this huge frozen foreign wealth, as a factor in international exchange and planning after the war, although governmental fiscal authorities disclaim knowledge of any official blueprints along those lines. Heretofore unendorsed suggestions want these polarized foreign billions earmarked as redeemable exclusively in terms of American goods, services or foreign trade; or they would like to see them thrown into the international lend-lease accounting which appears as the most probable solution at the present time.

Whenever use the prescribed TFR-300 money may be put to eventually, the much maligned banking fraternity of the United States performed a vital public service speedily and effectively and at considerable monetary cost and sacrifice. The labor and sweat that have gone into TFR-300 constituted no gain or profit to our financial institutions. But it stands the Government and the people of the United States in good stead. This is as it should be, but as contrasted with the multitudinous self-seeking pressure groups in our midst, the banks' work on TFR-300 stands out as a shining example of good citizenship and patriotism during one of the most perilous times of the country's history.

And be it remembered, it was cooperation and understanding of the nation's war needs "before Pearl Harbor."

THOUSANDS OF DOLLARS AND HOURS SPENT IN TFR CENSUS

(Continued from page 20)

name. In case you should be apprized by sources which you consider reliable that our country has been invaded, you are hereby authorized to open the enclosed sealed envelope bearing the code word XYZ and to follow all instructions contained therein without any responsibility on your part."

Quite often the cover letter from abroad enclosing sealed envelopes did not reveal any names or other details, but merely stipulated that it together with hundreds of other envelopes should be opened under certain circumstances. The American bank which had undertaken such troublesome task, in full cognizance of the perilous conditions confronting the people of Europe, found at the time of the foreign property census that it had two categories of Pandora's boxes in its vaults. One was a bunch of sealed envelopes concerning the property of Swiss, Swedish and Spanish banks; their homelands had not been invaded and all that could be surmised logically was that cash and securities which were about to be reported as some alien bank's or corporation's assets, in reality were someone else's nest egg. The other group comprised the less fortunate Dutch, Belgian and French accounts where envelopes had been opened and instructions followed.

In most instances, John Doe in collaboration with his own bank instructed that such and such securities and so much cash was to be transferred immediately out of the account of Bank X and placed in names of John, Mrs. Doe, their sons or daughters. Thus, many accounts had been opened over night and only in rare instances the address and citizenship of these new depositors were known. In the last two years, many of these people found their way into the free world and claimed their money, but at the time when TFR-300 plagued the banking fraternity, "unknown" was the answer of even the most conscientious official to many a pertinent question contained in the multi-hued blanks of the U. S. Treasury.

New York Banks Co-operate Under Committee

In order to arrive at a uniform treatment of intricate cases, the New York banks formed a group of expert operating officials who were a sub-conclave of the Foreign Exchange Committee, headed by Mr. Robert F. Loree, vice-president of the Guaranty Trust Co. His principal associates were Messrs. Josiah L. Patton, assistant comptroller of the National City Bank of New York, George C. Henckel, assistant secretary of J. P. Morgan & Co. Inc., Gordon Palmer, second vice-president of the Guaranty Trust Co., Henry Nagle, assistant comptroller of the Chase National Bank, John L. Timoney, assistant treasurer of the Guaranty Trust Co. and William F. Treiber, assistant counsel and secretary of the Federal Reserve

Bank of New York. These men convened regularly and worked out a series of questions and answers to the most pressing TFR-300 problems which were always published in the AMERICAN BANKER for the guidance of out-of-town bankers.

Bank's Spend Thousands of Dollars

After the last report had been turned in, as a matter of academic interest, some of the auditors and comptrollers got busy adding up the extra expenses the Treasury's requests for information on all foreign clients had cost. Although for obvious reasons, official tally sheets were never published, and no compensation from the Government was asked or expected, insiders understand that among the metropolitan banks here, out-of-pocket expenditures ran anywhere from \$20,000 to \$150,000 each, depending on the size of the bank, the number of foreign accounts tabulated and the difficulties that had been encountered in the process. The "sacrifice" on part of the banks, therefore, involved handsome amounts of hard cash for which no reimbursement is to be expected. They incurred these burdens willingly—several months before Pearl Harbor—realizing that their contributions would prove to be of the utmost value to Washington, once this country became an active participant in the war.

Foreign Owners of Billions of U. S. Property Tabulated

The Government's own tabulation of all TFR-300 reports and data, though turned in a year ago, has not yet been completed to this day, but Edward H. Foley, Jr., then general counsel for the U. S. Treasury stated in a speech on Sept. 29, 1941 that European-owned blocked assets in the United States amounted to about seven billion dollars. Since the TFR census also covered the holdings of friendly nationals of the United Nations, it is quite safe to assume—in the opinion of informed officials—that more than \$10,000,000,000 worth of property and assets as well as liabilities had been catalogued by the 15,000 banks of the United States between June 14 and Oct. 31, 1941. These billions represent the private, bank and governmental holdings of 33 countries—dead or alive.

The Foreign Funds Control of the Federal Reserve Banks as agent for the U. S. Treasury is in charge of all these frozen billions. A portion is released for living expenses and business purposes to friendly aliens who have resided here since before the "effective dates," but the vast majority of the money is likely to remain on ice for the duration. FFC has been co-operating closely with the Board of Economic Warfare, the State and Commerce Departments, in order to dry up our enemies' sources of cash and credit here and thus curtail sinister espionage and sabotage plots in our own nation and abroad among our Allies. This is a contributory achievement of TFR-300.

When the full story of the war behind the business front can be told, it will probably be discovered that TFR-300 represented one of the main pillars upon which the edifice of our economic war-

(Continued on page 22)

Thousands of Dollars and Hours Spent Before Pearl Harbor, Proves Value American Banker

A standing example of what U. S. bankers have done—without counting the cost or sacrifice—to help the Government as well as the boys in khaki fight this war effectively and victoriously has been their contribution under what is known as TFR-300. These abacadbabic symbols stand for "Treasury Foreign Report-#300," — a highly important instrument of economic warfare which is but little known to the public at large.

If Goering, Goebbels, or any one of the devil's crew of the "master race" have secreted property in this country or its banks, the TFR-300 census was designed to turn it up. Perhaps it has. The authorities are not talking. But when Germany and Japan attacked this country, and active war developed, the data compiled by the banks and catalogued under this symbol TFR-300 was immediately available for locating and confiscating the property of enemy nationals.

In non-technical language TFR-300 was census of all foreign interests in property in the United States, as reflected in bank credit or debit balances, loan accounts, letters of credit, security portfolios, stock and bond holdings, trust ledgers and safe deposit boxes. In the big metropolitan banks where alien moneys had converged, banks had to create special divisions and hire hundreds of clerks and stenographers to comply with Uncle Sam's requests to fill out the complicated and voluminous questionnaires by which the census was made.

The great magnitude of the effort required was not realized immediately either by the banks or by the authorities for whom the census was undertaken. The work grew as the size of the job came to be more clearly known.

On June 14, 1941, President Roosevelt issued Executive Order 8485, which not only amended the original and basic Order 8389, but it stipulated that the banks' tabulation of their foreign deposits and other funds was to be completed by July 14, 1941. So difficult and burdensome a job did TFR-300 turn out to be, however, that the time limit had to be extended time and again. Three and a half months after the first deadline—on Oct. 31, 1941—99% of the census was finally completed. Only on rare occasions, such as special year-ends, quarterly accounting periods or important calls, had bank staffs ever worked so late into the night, compiling so many details from so few facts and no little evidence in their possession, as they did on TFR-300.

Data of Hidden Nature Sought

In God's own country it had never been the custom to pry too deeply into

depositors' private affairs. While some few institutions required a letter of introduction and satisfactory references before accepting new accounts, in normal times little if any attention was paid to the citizenship or political affiliations of clients. In many banks not even references might have been asked when a client offered a substantial deposit at the opening of an account. Nobody ever foresaw or could possibly envisage that the U. S. Treasury one day would request data on the origin and the residence of bank customers. Moreover, an individual's citizenship had little or no relation to "nationality" in the sense of the Executive Order. A Swede residing in Oslo on April 10, 1940—the date of the German invasion—was considered a Norwegian "national," for example, within the meaning of the emergency regulations; a native-born American who, by fate, was caught by the Nazi juggernaut in the capital of the Netherlands on May 10, 1940 was regarded as Dutch, and an English citizen vacationing in St. Nazaire on June 10, 1940 had to be catalogued as of French "nationality." When clients faithfully reported their movements to American bankers, it was relatively easy to establish their assumed whereabouts on the so-called "effective dates," although injustices were unavoidable since the individual in question could have managed to escape the invaders' clutches and simply was not heard from in the meantime.

The question of what kind of citizenship customers possessed on certain calendar dates was infinitely more difficult to determine than their residence. Quite frequently, lengthy research was necessary. Correspondence, credit files and possible affidavits had to be dug up and carefully analyzed. Warehouses and safes of all descriptions were turned upside down for specific references and for possible answers to dubious questions. Much of that work often proved inconclusive, though because of the unpredictable vagaries and vagabondism of many wealthy depositors who constituted a large part of TFR-300 candidates. In fact, only accounts of \$1,000 or more were reportable. Some members of the weaker sex, particularly, shed husbands and citizenships on so numerous occasions that coin tossing was as safe a method as any other in determining whether the recently married Count and Countess X were travelling under French, Belgium or Italian passports in the bloody Spring of 1940. The headlong flight of refugees across frontiers and their arrival with only meagre means of identification was one of the minor troubles in the question and answer game. Sworn statements were accepted in lieu of missing papers and documents. Bankers became detectives in a most tedious and unromantic search of files, transactions and dusty data. But the need was great and readily understand-

R-300 Census by Banks Treasury in War Effort

able to men of banking vision and they stuck to the job.

Especially steep hurdles which slowed the banking race with Secretary Morgenthau's deadlines were such problems as joint accounts, powers of attorney, international holding companies and corporations, as well as so-called "sealed envelope" accounts. Complications arose when two brothers and two sisters, cousins or aunts maintained a joint account and in addition had delegated authority to one or more persons to dispose of their dollar accounts in New York, Chicago, or San Francisco, particularly if all these persons had a different habitat and varying citizenship. But the questionnaires were inflexible. An exact report for every single individual in the picture was mandatory. The banks had to call in their attorneys. The same general problems arose as to holding companies, except that in addition to the residence and citizenship of the principals, the country and the laws of incorporation had to be taken into consideration.

Weight in Sealed Envelopes

"Sealed envelope" accounts were conceived by a peculiar breed of over-cautious foreigners who sought to protect themselves against German invasion of various European countries. The fear was that as soon as Nazi troops would swoop down upon a weak neighbor, they would impound all bank assets as they had done in Austria. Therefore, customers of Swiss, Dutch and other foreign



BANK FOREIGN EXCHANGE
COMMITTEE HEAD

ROBERT F. LONES
Vice-president, Guaranty Trust Co.

banks who had their American securities' holdings in the United States not in their own, but in the names of their depositories, conceived a protective scheme. Bankers in the United States would receive a letter from one of their foreign correspondents worded in effect as follows: "Our good client, Mr. John Doe whose signature appears at the foot of this letter, owns 100 shares of U. S. Steel, 250 shares of Chrysler and 400 shares of International Nickel which are deposited with your goodselves in the general securities account in our

(Continued on page 21)

DEC 15 1942

My dear Mr. Secretary:

With reference to the request of the Spanish Government that it be permitted to ship to this country approximately \$1,100,000 in United States currency, I have received a memorandum from the President transmitting your memorandum recommending that this Government grant the request of the Spanish Government.

It is difficult for the Treasury Department to regard the acceptance of the currency in question as an effective measure of economic warfare. As you will recall, we recently acquired pesetas equivalent to \$6,000,000 against blocked dollars, and this Department knows of no reason why additional pesetas might not be obtained in the same way if any more are actually needed. Moreover, it appears that obtaining pesetas in this way is far more desirable from the point of view of economic warfare than that suggested in your memorandum to the President. This is particularly true in view of the objections voiced by me in my memorandum to the President dated November 24, 1942.

It is also difficult for this Department to concur in the importance of this transaction in our over-all relations with Spain, particularly in view of the amount involved. Some question also might be raised as to whether this is a propitious time to acquiesce in the Spanish demands, particularly in view of the tenor of both General Franco's telegram to Hitler on December 4 and his speech to the Falangist Party Council on December 8.

If, on further consideration, you still wish to recommend that the Treasury grant a license for the importation into the United States of this currency for credit to a generally licensed account, we are prepared to do so at once.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

MLH:JWP:AFL:HDW:dal
12-15-42

Delivered by Hand (Bundy) 6:15
12/15/42
Remainder of File to White's office



TREASURY DEPARTMENT
WASHINGTON

MEMORANDUM FOR THE SECRETARY

Re: United States currency held by
France.

You inquired as to whether it is too late to do anything about the million dollars which the Spanish are attempting to get us to accept, in view of Franco's speech.

We have not yet advised State of our willingness to accept the currency in question, although in view of the President's memorandum we seem to have no alternative. Of course, even if we should agree to accept such currency, it may be months before it actually arrives here, and in the meantime, circumstances may alter the situation entirely, and we may be able to reconsider the matter at that time in the light of such facts.

There are attached two drafts of letters to State on the subject. Both letters indicate our willingness to issue the appropriate license in view of the President's decision, but reflect our objections thereto. The longer letter is more emphatic in voicing our objections.

Attachments.



THE SECRETARY OF THE TREASURY
WASHINGTON

My dear Mr. Secretary:

With reference to the request of the Spanish Government that it be permitted to ship to this country approximately \$1,100,000 in United States currency, I have received a memorandum from the President transmitting your memorandum recommending that this Government grant the request of the Spanish Government.

It is difficult for the Treasury Department to regard the acceptance of the currency in question as an effective measure of economic warfare. As you will recall, we recently acquired pesetas equivalent to \$6,000,000 against blocked dollars, and this Department knows of no reason why additional pesetas might not be obtained in the same way if any more are actually needed. Moreover, it appears that obtaining pesetas in this way is far more desirable from the point of view of economic warfare than that suggested in your memorandum to the President. This is particularly true in view of the objections voiced by me in my memorandum to the President dated November 24, 1942.

It is also difficult for this Department to concur in the importance of this transaction in our over-all relations with Spain, particularly in view of the amount involved. Some question also might be raised as to whether this is a propitious time to acquiesce in the Spanish demands, particularly in view of the tenor of both General Franco's telegram to Hitler on December 4 and his speech to the Falangist Party Council on December 8.

In view of the position of the President in this matter, this Department is prepared to license the importation into the United States of this currency for credit to an appropriate blocked account, subject to the limitation you suggest.

Very truly yours,

Secretary of the Treasury

The Honorable,

The Secretary of State.

FOR DEFENSE



THE SECRETARY OF THE TREASURY
WASHINGTON

30170

My dear Mr. Secretary:

With reference to the request of the Spanish Government that it be permitted to ship to this country approximately \$1,100,000 in United States currency, I have received a memorandum from the President transmitting your memorandum recommending that this Government grant the request of the Spanish Government.

It is difficult for this Department to concur in the importance of this transaction in our over-all relations with Spain, particularly in view of the amount involved. Furthermore, with regard to the suggested difficulties in acquiring Spanish pesetas, the peseta equivalent of \$6,000,000 was recently acquired against blocked dollars for this Government's account in one transaction.

In view of the position of the President in this matter, this Department is prepared to license the importation into the United States of this currency for credit to an appropriate blocked account, subject to the limitation you suggest.

Very truly yours,

Secretary of the Treasury.

The Honorable,

The Secretary of State.

FOR DEFENSE



Mosi

Mr. Paul
Dr. White

December 9, 1942

Secretary Morgenthau

In view of Franco's speech, is it too late to do anything about bringing that million dollars of Franco's gold over here or has the thing already been passed? I would like to have the matter reviewed and brought to my attention today without fail.

12/9 - White asked for appt. but couldn't see Perry.
12/10 - " " " another appt.

329

Dec. 5, 1942

Mr. Bell
Mr. White
Mr. Paul
Secretary Morgenthau

I am attaching hereto copy of documents received from the President this morning. Please get together on this, and I would like to see the three of you at three o'clock Monday afternoon, December 7th.

Meeting at 2:30 P.M. 12/4/42

THE WHITE HOUSE
WASHINGTON

December 4, 1942

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

Reference is made to your memorandum of November 24 concerning the United States currency held by the Spanish Government.

I have discussed this matter with the Secretary of State. His views are expressed in the attached memorandum. I concur and suggest you consult with the Secretary of State concerning the details.

Franklin D. Roosevelt

MEMORANDUM FOR THE PRESIDENT

Reference is made to Secretary Morgenthau's memorandum to you of November 24 concerning the request from Ambassador Hayes, contained in telegram 1814, November 17, that the Spanish Government be permitted to ship to this country approximately \$1,100,000 in United States currency.

The State Department is fully aware of the adamant attitude of the Treasury Department against permitting this currency to enter the United States. Nevertheless, in view of the importance attached to this matter by Ambassador Hayes in the light of our present over-all policy toward Spain, I recommend that permission be granted to the Spanish to ship this currency to the United States for deposit in a regular blocked account. The currency could then be used under the terms of the Spanish General License. I also recommend that the granting of this permission be conditioned upon the agreement of the Spanish Government to make available to us an equivalent amount of pesetas against a deposit by us of the countervalue in dollars in the regular blocked account of the Spanish Government.

We are sorely in need of pesetas to finance our preclusive buying program in Spain. Thus conditioning our permission to let this currency enter the United States would, therefore, be of direct benefit to that part of our economic warfare program.

There is attached a memorandum from you to Secretary Morgenthau. If you concur in the above views, it is suggested that you sign the memorandum and send it along.

Will you please let me know what action you take so that I may take the matter up with the British? A navicert will be necessary before the currency can be shipped from Spain.

Received by telephone from New York.

Federal Reserve Bank of New York,
New York, New York.

Chungking

Dec. 15, 1942

Referring to 1937 agreement between you and us, we wish to extend for further six months. Please consult Treasury and advise.

Central Bank of China.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 433

Information received up to 7 A.M., 15th December, 1942.

1. NAVAL

Yesterday morning one of H.M. Cruisers was torpedoed while returning from patrol off BONN. One of H.M. submarines is overdue at MALTA and presumed lost.

2. MILITARY

LIBYA. 13th. In the morning enemy withdrew from MARSА BREGA and later also from ES SUERA. Our forces although delayed by mines followed up the enemy along coastal road while other formations further south reached a point about 13 miles southeast of EL AGHEILA without meeting opposition.

TUNISIA. 12th. Three enemy armoured columns advanced from the direction of TUNIS upon MEDJES EL BAB but failed to penetrate our positions.

NEW GUINEA. Allied forces have captured BUNA.

RUSSIA. Germans have begun an offensive operation southwest of STALINGRAD in the KOTELNIKOVBO Area where they appear to have achieved a local penetration of Russian defences.

3. AIR OPERATIONS

WESTERN FRONT. 14th. Hudsons attacked a convoy off THE HAGUE. A 4,000 ton ship was probably damaged. Spitfires damaged a 2,000 ton tanker off OSTEND.

14th/15th. 33 aircraft laid 76 sea mines. 9 enemy aircraft operated over DURHAM and YORKSHIRE Coast and dropped bombs at a number of places. Some damage was caused at Dorman Long's Steel Works in MIDDLESBOROUGH.

TUNISIA. 13th. Docks at TUNIS and BIZERTA and the harbour at BOUSSE were successfully bombed and two ships sunk.

13th/14th. During two attacks on TUNIS and LA GOULETTE 3 ships including one of 7,000 tons and some oil cisterns were set on fire.

TRIPOLITANIA. 13th. Our fighter bombers flew a record total of nearly three hundred sorties. M.T. withdrawing from MARSА BREGA and EL AGHEILA were continuously attacked and many vehicles were destroyed or damaged. Enemy casualties, 6, nil, four; ours 4, nil, nil.

MEDITERRANEAN. 13th/14th. Naval aircraft torpedoed and set on fire an escorted southbound ship of 5,000 tons off West Sicily.