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December 16, 1942
10:55 a.m.

FINANCING

Present: Mr. Bell
Mr. Haas
Mr. Murphy
Mr. Lindow
Mr. Shields
Mr. Woodward
Mr. Buffington

H.M.JR: You made a little trip?

MR. SHIELDS: Yes, I did, sir.

H.M.JR: Let's hear about it.

MR. SHIELDS: It was a three-day survey, including one or more bankers in eleven communities, east, northeast, and south of Columbus, Ohio, ranging in population from six thousand three hundred to forty thousand. The sample is quite small, of course, and the survey included no community experiencing a war boom. Each town visited has some manufacturing, but each is also the center of a substantial agricultural area. The county populations range from twenty-seven to seventy thousand.

In most of the communities it was not until the week ending December 7 that the organization necessary to the drive was even started, and solicitation--

H.M.JR: Did anybody tell Buffington to come up?

MR. BELL: No.

H.M.JR: He should be here.

MR. SHIELDS: Solicitation will not be under way in any large extent until the week beginning December 14. The sales made before December 14 represent the use of the same sales techniques as were applied in

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the October financing, namely, a few telephone calls by individuals connected with the Victory Loan organizations to, mainly, the institutional type of buyer in the community.

A few investors have responded to the advertising and come into the banks voluntarily; but the real test of the selling techniques used for the first time in the December drive cannot be measured until later in the month. December is not an easy month in any of these communities to start a drive.

(Mr. Buffington entered the conference.)

H.M.JR: I want you (Buffington) to arrange to see Mr. Eccles and give him the same stuff Shields is giving me.

MR. SHIELDS: December is not an easy month to start a campaign because retailers are busy, and many cities are in the midst of their Community Chest drives.

But from the point of view of the Treasury's need for a field sales organization ready at any time to participate in drives, the December campaign can be regarded as largely organizational, for it is clear from the conversations I held that it was not until the Treasury opened the December campaign that any effort was made to form a real selling organization.

Therefore, the decision to have a December campaign was justifiable, no matter what the results in that month, for the second campaign can be dealing more with actual solicitation and less with the building of an organization.

Some of the regional and county chairmen seemed to me to be doing a splendid job. Many of them have worked night and day. They have arranged daily meetings of salesmen and others. They have worked with Rotary and other clubs. They have been busy in selecting salesmen and in preparing a prospect

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list, which is very difficult. They must go over the telephone books. The conventional practice, apparently, was not to go over the lists of bank depositors, but, rather, to take the telephone book and work from that.

The organization effort from the top seemed to me to have been a realistic one, for the county chairmen have been allowed considerable latitude so that the particular situation in each community could determine the form of the organization actually put to use.

Thus in one community the sales effort is organized by professional and industrial groups. In another it is built around a particularly active Rotary club. In another, it may lean heavily on the labor organizations. In another it may be handled almost entirely by the investment banking groups; and in another it may be handled purely by the commercial bankers. Sometimes the farm organizations are brought in.

But it would be futile to set up a fixed pattern of organization because here and there there are no labor organizations. Some of the farm organizations appear to be a little unpopular in certain communities, and they should not be used. In some cities the Rotary club is not very active and would not be able to help the Treasury at all.

The banks have been participating splendidly in the campaign. Their banking floors are full of advertising. They telephone customers who have funds. They represent the organization agencies in most communities. They have spent a good deal of money in advertising the obligations and handling the transactions.

The basket, in the view of every individual interviewed, seemed to include about the right number and variety of issues for bank and institutional,

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as well as for individual investors. However, a survey of opinion after the drive is over might yield more reliable information on this point.

I gather that the G's may very well make it more difficult to sell the two and a half's.

The advertising job is generally regarded as a good one. The only criticism expressed was with regard to failure of the advertisements to feature the whole basket. Most of the advertisements apparently overstressed the two and a half's, which are difficult to sell in the smaller communities in competition with the E's and G's.

Then there was some talk about lack of zip in the advertisements. The people out on the firing line seemed to sense that the conventional form of security advertising would work all right with the high-bracket investors but that something a little more popular is desirable if the low-bracket people are to be brought into the picture.

Next, the talk of forced savings in several communities seems to have frightened some investors, who interpret that term to mean the conscripting of present savings.

More than one of the bankers interviewed stated that some prospects were fearful that if they held their savings where the Government could lay its hands on them the savings would be taken away.

While the consensus was that the basket is about right, the difficulty of educating the salesmen concerning the various issues in the December drive might make it a good idea to use the same basic issues for the next campaign. So more effort could be placed on selling and less on educating the salesmen.

While the local chairmen are doing a splendid job in the very short period they had available, they

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can do a better job if they are given some professional assistance between campaign number one and campaign two.

In one community it might be desirable to lean a little more heavily on direct mail approach, while in another it might improve the sales effort to bring the labor unions or the professional groups a little more actively into the campaigns.

I think it was a help to a few of the men I interviewed to find out what some of the other people were doing. One man said that he had neglected entirely a very active Rotary club and he would have a meeting the next day, at which the whole program could be given a little zip.

It is clear in all of these communities that one group of savers is not being reached at all, in either the Victory Loan Committee or the War Savings Staff drives.

The former is a very efficient means of reaching the middle and upper-income brackets. The latter is effective only in pay-roll deduction.

Many workers, even in the non-boom communities, such as those visited, have funds which are not reached with the ten-percent-payroll deduction, and many such individuals are not on the Victory Committee prospect lists. Such individuals are believed to have a substantial amount of funds. They are hard to locate since they are not on the books of the banks, and in some cases they are not even in the telephone or the city directories.

These people whose savings have increased sharply in the past year or so because of two or three workers per family, overtime, increased wages, and work for the first time for the full year instead of just for part of it, can be reached only through a house-to-house campaign. Every banker with whom I discussed the

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question agreed with that. Even in these non-boom towns the mal-distribution of the increases in incomes which originate in the war effort is striking. While many families have two, three, or even five times the incomes they had two years ago, there are other individuals whose dollar incomes are not up at all and whose real purchasing power and saving ability has been curtailed by the rise in the cost of living.

It may be that the mal-distribution of these increases in incomes is, from the Treasury's point of view, quite important; for if in bringing the communities savings to the Treasury, forced savings or tax devices are used which take the hide of the millions of people whose incomes have not increased while they leave the chief beneficiaries of the war effort enough money to increase their scale of living materially or to spend lavishly at the local beer parlors, as a great many of them are doing, it is important.

This mal-distribution of increases in incomes which I saw in each of these small cities simply must be allowed for in setting up the next Treasury drive.

The important thing to me was that I found in these small non-boom communities further evidence of the mal-distribution of increases in incomes. We found this in certain other analyses. I found the same thing in the Far West States, in Michigan, in Illinois, and in Massachusetts, where I have taken the trouble to study the situation a bit.

I have received from the chief employment executives of a number of the largest corporations in the country, on a confidential basis, evidence that while thousands of their employees are making a very good thing out of the war the white-collar groups are caught between rising costs and stabilized incomes.

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What the Treasury ought to do, in my opinion, after this survey, is to try to get these increased incomes into the Treasury by using the techniques of salesmanship to induce the holders of those increased incomes voluntarily to buy Treasury obligations.

H.M.JR: Would you arrange for him to see Mr. Paul, Bell? I want him to tell him about the white-collar group because in all this question of forced savings and compulsory savings which they are talking about they have completely overlooked the white-collar worker, and he is going to get caught between this nut-cracker.

MR. BELL: That is right.

H.M.JR: They are talking about this vast sum, and they want to throw the volunteer plan out, and nobody is thinking - we estimate there are six million white-collar workers in the country. I would like him to tell that to Paul.

MR. SHIELDS: I will be glad to do that.

MR. BELL: I think they have thought of it, but they have not thought of any way of eliminating them from that vise. Some fellow had a suggestion that you take a formula along the lines of the excess profits formula; you go back to a '39 income, or something like that.

H.M.JR: He is going to see Eccles. Let him see Paul. You are going back on the four o'clock?

MR. SHIELDS: I do not have to.

MR. BELL: He is seeing Eccles at two-thirty.

MR. SHIELDS: In one of these communities, Mr. Secretary, five of the ten plants are working overtime, three shifts, and five of them are turning out people.

H.M.JR: Turning out people - what do you mean by that?

MR. SHIELDS: Curtailing their operations, going completely out of business in the next few months.

H.M.JR: You say they are working three shifts and then they are going to stop?

MR. SHIELDS: In one town with ten plants, five of them are working three shifts and five of them are reducing operations and turning out their employees.

H.M.JR: Turning them off, you mean?

MR. SHIELDS: That is right.

H.M.JR: When you say "out" you mean "off"?

MR. SHIELDS: Yes. It is the calendar industry involved in this thing.

H.M.JR: In other words, it is terribly uneven?

MR. SHIELDS: That is right. It is far better, it seems to me, to use a little high-pressure salesmanship to induce a worker to use most of the increased income to buy War Savings Bonds or War Bonds, than it is to put into effect a fiscal program which would require everyone, regardless of his ability to do so, to put twenty or thirty percent of his income into War Bonds or taxes. In the one case no one would be hurt, and in the other, a good many American citizens may be forced to cancel insurance, sell their homes, reduce their assistance to dependent relatives, and reduce their support of home charities, religious organizations, or curtail other socially desirable expenditures.

The case for mobilizing for a real selling campaign to get this money where it is, rather than try to squeeze it out where it just doesn't exist, seems to me to have demonstrated to have been a very good one. And it was interesting for me to see that this mal-distribution of income is quite pronounced in every one of the communities I visited.

The next point, the Victory Fund Committees sometimes include the chairmen of the War Savings Committee. In

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certain of the towns visited, the War Savings Committees do not seem to be as active as they were a few months ago, or as they ought to be. There has been a little difficulty because in some cases the Victory Loan Committees don't know whether or not they could sell an E Bond, or would be permitted to sell an E Bond, and because here and there the War Savings Staff feels that when it gets a man invested in E's, that is all that is expected of him.

But, in general, the Victory Loan Committees are promoting E's, because in the small towns, many of their prospects have not taken their limit in such obligations. I gained the impression that the sales effort is producing better results in those communities where the Victory Loan Committees and the War Savings Committees are cooperating closely.

The next point, currency is flowing out in most of these communities; but in one of them the trend is inward - week by week the banks in that community are returning funds to the Federal Reserve. In one of them there was no net in or out flow. In every case the banker said that his prospect list did not include the people who hold the currency in his community.

The reasons for holding currency are fear of confiscation by way of forced savings schemes, unwillingness to do business with the banks which have had to initiate service charges and low rates of interest on time deposits. Those were cited as reasons for currency hoarding.

The money in circulation is not evenly distributed by communities or by individuals in the communities. It can be gotten out of circulation not, I think, by warning people against hoarding, for that might merely advertise the desirability of hoarding, but by having a solicitor point out that there is an attractive alternative available, and that is investment in United States Savings Bonds.

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The more potent the salesmanship for bonds and the stronger the appeal addressed to the lower income groups, the more currency will be returned from current circulation.

H.M.JR: How much more have you got? I have another group out there.

MR. SHIELDS: Just about five minutes, sir. Is that too much?

H.M.JR: No, I am terribly interested. It is very valuable. I want that circulated to the whole nine-thirty group.

MR. BELL: Do you mean his whole report?

H.M.JR: Yes, sir.

MR. BELL: Have you written it up yet?

MR. SHIELDS: No. All I have left, Mr. Secretary, is some suggestions for your consideration, in connection with campaign number two.

First is that investigations such as that just completed in Ohio, Illinois, and Indiana, be conducted by fifteen to thirty trained investigators covering every State in the Union in the first two or three weeks of January, to discover what improvements in drive technique are called for from the experience of the December campaign. One of the market research agencies can do that job for you quite easily. The large advertising agencies can take care of it if you want it done in that way.

Second, that on the basis of these reports--

H.M.JR: You mean somebody like that man that does the thing for Fortune - what is his name?

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MR. WOODWARD: Roper.

MR. SHIELDS: They could do it.

H.M.JR: Isn't he connected with some agency?

MR. SHIELDS: Yes he is, but I have forgotten which agency.

H.M.JR: It is that sort of thing--

MR. BELL: He is a sort of poll man.

MR. SHIELDS: The advertising agencies have market research people who can do this particular job for you.

MR. HAAS: Mike Thompson, or one of those--

MR. BUFFINGTON: J. Walter Thompson--

MR. SHIELDS: The second suggestion, just for your consideration, is that on the basis of these reports, a sales manual be prepared, listing the most effective organizations set up, the sales appeals, the methods of training salesmen, and so forth.

Next, that the fifteen to thirty investigators be sent to spend one day with the chairmen of the largest counties to counsel with them in setting up an organization. That is not to force uniformity of organization, but to make sure that each community organization head knows the chief tricks of the trade. They don't know them, in all cases.

By all means, and this is sort of an aside - by all means, something must be done in New York City, where the condition is one of organized chaos, with the average of calls on a few prospects averaging about fifteen, and in many cases, most of the potential investors not even called at all.

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In New York I think we see the futility of using the techniques developed to sell ten to a hundred million dollars of utility or industrial issues to the institutional or to the high-bracket people, when the Treasury needs ten billion dollars of money in each campaign.

My next suggestion is that the Victory Loan Committee and the War Savings Committee be brought into one selling organization, with the chairman of the Victory Loan Committee and the chairman of the War Savings Committee serving as co-chairmen of the new committee, but with the Victory Loan Committee in charge of solicitation of the larger investors in each community, and the War Savings Staff in charge of house-to-house solicitation of all individuals not on the Victory Loan Committee list; and of course in charge of any further pay-roll deduction drives, but with both groups selling the entire basket - concentrating, of course, on the securities its prospects are interested in.

The other suggestion is that consideration be given to the payment of an eighth to the individual salesman, or the house-to-house staff.

Now, in these small towns, I found that the banks and many business concerns are under-staffed, Mr. Secretary, and are unable to free individuals for door-to-door solicitation. The Victory Loan Committee people need not be compensated, for they will be recruited from the well-to-do people in each community. It is a call from the bank president to the head of some local industrial concern. But the War Savings Staff salesmen may be young lawyers, real estate agents, and so on, who will do their job better if there is some small compensation. The larger security houses can, as did Morgan Stanley, pay an eighth to their salesmen, but the smaller dealers and the banks in the community simply can't do it.

H.M. JR: Morgan Stanley did?

MR. SHIELDS: Yes. It was also done in certain other communities in the country.

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Finally, I doubt if it is desirable for the Treasury to expect an adequate advertising campaign to be contributed locally. The Treasury needs to advertise where the prospects are, not where some public-spirited group is willing to contribute the funds. The advertising should not be in the form of the conventional announcement for the people - the masses need to be sold on the desirability of investing.

Now, my final comment is that I believe a campaign along the lines I have described will yield ten to twenty billion dollars per annum from people who will not be reached through pay-roll deductions or the Victory Loan campaign type of approach. A successful campaign to sell securities voluntarily to the people who have increased their savings sharply in the past two years, and to those who have hoarded currency, may make it unnecessary to resort to the device of forced savings in any vicious form.

This campaign, Mr. Secretary, had to be experimental and organizational, and in the smaller communities I visited, it was successful in that sense, way beyond my expectation - so successful, in fact, that I came back convinced that the directional effort from the top must have represented one of the finest jobs of its kind ever done.

H.M.JR: Because I am hurrying, it does not mean that I don't appreciate what you have done here, because I do, and what you (Woodward) have done. That is good work.

December 16, 1942
11:20 a.m.

INCOME TAXES

Present: Mr. Sullivan
Mr. Helvering
Mr. Cann
Mr. Mager
Mr. Odegard
Mr. Kuhn
Mr. Gaston
Mr. Lemmon
Mrs. Klotz

H.M.JR: I am sorry to keep you all waiting, but I can't help it. Those things do happen once in a while, even in the Treasury.

Now, let me just read this joint memorandum, which I have not read yet, if I may. (Referring to joint memorandum dated December 15, 1942, copy attached.) The only question is - I did read it once before - "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.

MR. SULLIVAN: Which is here.

H.M.JR: Does that mean that this is separate? Are they going to dovetail, or is it going to be something separate again?

MR. SULLIVAN: Mr. Odegard has for you a memorandum that was prepared by Mr. Wilson and Mr. Long, and they also recommended that it should be--

(Memoranda from Mr. Helvering, Mr. Wilson, and Mr. Long handed to the Secretary, copies attached.)

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H.M.JR: I can't read all this stuff; the day isn't long enough. What is it all about, John? Tell it to me; boil it down.

MR. SULLIVAN: When we met yesterday morning the Commissioner outlined what the Bureau is doing, and everybody seemed to be very much impressed with the extent of the effort to bring this problem home to the public and to help the public in the preparation of their returns. I think they were in unanimous agreement that it would not be feasible for school teachers to assist the public in making out returns. We felt that there were other things that they could do, and that they should be encouraged to give courses of instruction to their own pupils, and that they should--

H.M.JR: I read all that; boil it down, John.

MR. SULLIVAN: That is it. Now, that is as far as we feel they should be asked to go.

H.M.JR: Who is going to head the thing up; and who is it going to clear through?

MR. SULLIVAN: We feel that there is a good deal of merit in the suggestions Mr. Wilson and Mr. Long made. There are some questions in there about financing it that we have not discussed. We just got this memorandum from them this morning. We think there are a variety of ways in which it could be done. If you want to go ahead on the basis that is outlined in our memorandum, we will see what we can do in setting it up, and we will submit a report to you.

H.M.JR: I am going to change just a little bit. I am going to tell you and the Commissioner - I will hold the two of you responsible that the hundred and thirty million people in this country know as much as it is humanly possible to know about how to fill out their income tax.

MR. HELVERING: Well, Mr. Secretary, if you take the time to read my memorandum of what we do, then you would know what we are doing.

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H.M.JR: I will, but I can't read it now. I have it here. I will read it, but I just haven't the time to work out the details. I started to, and I am going to withdraw from the field and simply say that these people are here to assist you, to make suggestions, and so forth, and so on, but I have to hold Sullivan and Helvering responsible.

MR. SULLIVAN: That is all right with me, Mr. Secretary, if you agree with this memorandum that we can go ahead and do this.

H.M.JR: Don't wait on me for anything.

MR. SULLIVAN: But we don't want any misunderstanding that we are going to use the teachers or anybody outside the employment of the Internal Revenue Bureau to officially represent the Treasury or to give actual aid in filling out an income tax return.

H.M.JR: John, I repeat myself again - a week ago I was ambitious. I can't do it all; it is impossible. I mean, I can't just get into it. I am saying to you and to Helvering that this is your responsibility. I have made a suggestion. If it is good, use it; if it isn't, throw it out of the window. But I am looking to you to see that the people know as much as is humanly possible about it and are in as good a humor about it as possible.

MR. HELVERING: On this suggestion I will say, Mr. Secretary, that on the suggestion made and outlined in this memorandum which I have read over this morning, in certain localities there is some good to be done by the teachers following this program, in my opinion.

H.M.JR: Guy, I repeat myself again - I was going to get in and familiarize myself with it. I can't do it. I haven't got the time. I am just so bogged down that I can't do it. I made a suggestion; maybe it is good, maybe it isn't, maybe part of it is good. You fellows take it. If I find out there are a lot of complaints

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afterwards and people say that they weren't told how to make out their income tax returns, then I reserve the right to tell you so. Is that fair enough?

MR. HELVERING: That is all right.

H.M.JR: But the responsibility is with you two gentlemen.

MR. SULLIVAN: We can't kick about that.

H.M.JR: O.K. Sorry I had to keep you waiting.

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."

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 Study - Roy Price, Syracuse Univ.

Math. - Rolland R. Smith, H. S., Springfield, Mass.
Residence - 16 Highland St., Longmeadow

Comm. - Carl Puckett, Indiana University

Prin. - Vergil M. Hardin, Springfield, Missouri

Supt. - Homer Anderson, St. Louis and Treasury

COPY

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 articles 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.

The Bureau will prepare and distribute income tax brevities and spot announcements for the use of radio broadcasting stations, about 900 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 Employers" 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 Employers" 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 employe.

It is the practice each year for Collectors to suggest 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 an income tax returns. Of course, all employes 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

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is also available and to the extent necessary may be assigned to the function of assisting taxpayers in the preparation of their returns.

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.

/s/ Guy T. Helvering
Commissioner

December 16, 1942
3:20 p.m.

Budget message
TAXES

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

H.M.JR: Can someone tell me what this meeting is for? (Laughter)

MR. PAUL: You called this meeting; I am glad you don't know. (Laughter)

H.M.JR: This is the third time poor Blough has come here and been kicked out today. He comes in, and I say, "What are you here for, Roy?" (Laughter)

MR. BLOUGH: It was a mistake. Apparently my name got on a piece of paper along with those of some other people who were supposed to be here.

MR. PAUL: Here is what happened: you asked us at the Monday meeting to get something together for the President's Budget Message.

H.M.JR: And you are not ready this afternoon?

MR. PAUL: I would not say that we are not ready. I would not admit that. I have been before too many Congressional committees. We thought something up. (Laughter)

H.M.JR: I bet you did. (Laughter)

MR. PAUL: I criticized it so much that a completely different article is produced, and we are less satisfied with that. We were thrown for a loss - in other words,

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we are less satisfied with that than we are with the first one.

MR. BLOUGH: In other words, we have two drafts, neither of which we like. (Laughter)

H.M.JR: I want something right now. (Laughter)

MR. BLOUGH: Here is the shorter draft and the one you will enjoy reading.

MR. PAUL: That is the one I like the least.

H.M.JR: Roy is good; where was he--

MR. BLOUGH: Yesterday I was at Harvard and I heard two eminent men say, "If you don't get a sales tax by Treasury sponsorship, you are--"

H.M.JR: Put them away. Let me tell you fellows something; I saw the President of the United States, and I could tell - Mr. Bell will bear me out - you were the Acting Director of the Budget for four and a half years, up to three months ago, weren't you?

MR. BELL: Up to three years ago.

H.M.JR: But you finally got formal acceptance, didn't you?

MR. BELL: Yes, that is right.

H.M.JR: And the President - I could tell by the look on his face that he hadn't seen the budget, and didn't know, and didn't care. He gave me the usual thing, and I said, "Now, when do you want to take this up, Mr. President?" He said, "Not before Christmas." You know what that means.

MR. BELL: That means the 28th of December.

H.M.JR: I said, "That is wonderful," and then I said, "Now look, Mr. President, the line we are working

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along is to lay down what the formula is without any specific recommendation." He said, "That is fine, that is what I want."

Now then, they have got me all switched around, Cabinet tomorrow afternoon, which leaves me - I could go to the BEW meeting tomorrow morning, or I can't. I gather there is nothing very important--

MR. WHITE: I don't know what it is.

MR. BELL: Have we heard?

H.M.JR: Yes.

MR. WHITE: We are talking about the BEW. The other one is Friday.

(Lieutenant Commander Stephens entered the conference temporarily.)

H.M.JR: What did they tell you that the BEW meeting was about tomorrow morning?

LT. COMDR. STEPHENS: That was on - air transportation was one of them, and the other had something to do with fiber, but I had better check.

H.M.JR: That is what you said. There is no reason why I should go up on the Hill on that, is there?

MR. PAUL: On what?

H.M.JR: This is BEW, air transportation and fiber.

MR. WHITE: There was a meeting scheduled which was not held--

H.M.JR: Go ahead, Steve.

LT. COMDR. STEPHENS: They will have the same agenda as last week, on fiber and on air transportation.

MR. WHITE: That is what is recorded. I gather that there was scheduled to be either a love feast or a

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knockdown drag-out fight between Jones and BEW on matters that were up before the committee.

H.M.JR: What I am getting at is, I could do this thing, depending upon whether you fellows get together - I could do it tomorrow morning - I have press, but that is all. Or, I have all of Friday afternoon.

MR. PAUL: Make it Friday afternoon, because I have to be away tomorrow.

H.M.JR: All right.

MR. WHITE: I think you ought to go up to that meeting. I don't think you have been there since almost the first meeting.

H.M.JR: All right. Why not say three o'clock Friday, taxes. Now, when you gentlemen come in then, please have people look at the thing, including Mr. Gaston.

MR. WHITE: In a wee small voice, I made arrangements to go to New York to deliver a kind of a talk in a round-table discussion Friday night, and I would like to leave on the one o'clock train.

H.M.JR: All right.

MR. PAUL: We will show it to you before.

H.M.JR: And you can file your usual minority report, Harry. (Laughter)

MR. WHITE: If it is a minority report, I am liable to cancel the round-table. (Laughter)

H.M.JR: I am just asking you - you can have me either time.

MR. WHITE: That is perfectly all right with me.

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MR. PAUL: Have it Friday morning if you want it.

H.M.JR: No, White has called a meeting for nine-fifteen on Friday morning.

MR. WHITE: Which will take about three-quarters of an hour or an hour.

H.M.JR: Then it is for Friday; and Harry will be here if he thinks he is going to miss something, is that right? (Laughter)

MR. BLOUGH: There is the question of whether - if you reacted to any of this material now, it would help us between now and Friday, or would you rather not react?

H.M.JR: I don't mind reacting if you in your usual concise manner can state the pros and cons, Roy.

MRS. KLOTZ: May I be excused?

H.M.JR: That is what Roy Blough does to you? (Laughter)

(Mrs. Klotz left the conference.)

MR. BLOUGH: I think the first question is how long should something of this kind be.

H.M.JR: It isn't how long, but how good.

MR. BLOUGH: Second, should we try to go through the whole question of taxes, or should we limit our discussion to some narrow point like this fiscal - this inflation - economic effects.

H.M.JR: I tell you what I think we should do - I am thinking out loud - I think we should start the thing - it doesn't make any difference whether the Director of the Budget does it or not - at least we can do it. I got the best piece from Robert Nathan - my gawd, he covered manpower, war production, and everything else on two-thirds of a sheet of paper, every darned thing. It was amazing what he packed on two-thirds of a page.

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What I think we should do is to simply start in something like this - I don't know whether you are covering '43 - twelve months or eighteen months, whatever the period is - I should simply state the problem. I don't care whether you say to do it the way I have it on the piece of paper here, or whether you want to talk in terms of national income paid out, or whether you want to talk in terms of total productivity of the country. I think you have to decide it. Certainly the way it is here - the national income paid out is going to be for the calendar year of '43, a hundred and twenty-five billion, deduct fifteen billion of taxes and you get a net of one hundred and ten. The volume of consumer goods and services available for civilians is seventy billion dollars, and normal savings are twenty-five, which leaves a net gap of fifteen. Then you point out, that out of the hundred and ten billion net paid out to individuals--

MR. BELL: For which there is only seventy billions of goods.

H.M.JR: ... you get your relationship of a hundred and ten to forty. In other words, out of the relation of four to eleven you get to save four dollars out of every eleven - that is the problem.

MR. PAUL: Then pass on to the constructive handling of the problem, that the answer to that is, we must absorb something additional by saving or by taxes. I think one more point ought to be in it which we have in there; which is that you don't solve your problem by saving or by taxing, except on a net basis. You must accomplish an additional saving, and you don't accomplish anything by transferring one saving to another form.

MR. BELL: In other words, forty billion is the problem, not fifteen.

H.M.JR: Forty is the problem.

MR. PAUL: He doesn't want to go into any particular type of tax, does he?

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H.M.JR: I gather not. I didn't quite understand what he was saying this morning. What he was trying to say to me this morning was that we in the Treasury never made recommendations. The newspapers always said we did, and they always put us in that position. We simply went up there to make suggestions. But I mean, I could not quite follow it. The net result that I got when I spoke to him was that he wanted us to state the problem, you see, and not give them, for instance, these four alternatives. I didn't even raise that - that we gave to Jimmy Byrnes.

MR. PAUL: He doesn't want to go into the remedies, he wants to state the problem.

H.M.JR: I gather that he wants to say, and I have been over this a number of times with him, "All right, Congress, now I have stated a problem, and I put it in your lap. Now it is up to you to say how this thing should be done."

MR. WHITE: I think that is probably wise, because if he does that, then Congress is confronted immediately, not with finding fault with what he says, but they have got nothing to shoot at. They can't spend all their time by appearing to be righteous and picking a fault with his particular proposal. They are immediately saddled with the idea of coming forward with a proposal themselves and creating - they are confronted always with that figure, that magnitude which they must meet. It seems to me that that is smart tactics.

MR. PAUL: On the other hand, it has the disadvantage of its advantages because it will be a lack of endorsement in anything that we do.

MR. WHITE: I think that is a secondary--

H.M.JR: He doesn't want to do it, and I am recommending to him that he doesn't do it. What I said in so many words is that every time we put forth something we become the target. I mean, putting together - I have

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talked with him about this thing two or three times. This time what he wants to do is to state the problem, put in the Congress's lap and say, "This is the thing that has to be corrected; what are you going to do about it?" I think he is right, and I am urging him to do that.

Maybe they will come forward with a sales tax. O.K. Then we shoot at that.

MR. PAUL: What does that mean in terms of whether we make any recommendations later in January?

H.M.JR: I can't tell you, Randolph, for this reason, and I am not holding anything back from you, because, by golly, this time neither you nor I are going to go up there until I can try to get the President to make a public commitment.

Now, there is no use. I have been here ten years. I have had some very able people associated with me, of which you are amongst the able ones, on the tax problem, and Mr. Blough; and we can sit here and do the thing that we think is right and just and fair and then we don't get the right backing. It isn't only the - I told you this morning that labor has never given us any backing. I mean, they talk about it. By gawd, the only thing that labor did was to force the President's hand on the twenty-five thousand salary thing, and it has done him more harm throughout the country and throughout the Congress, and it has weakened his position.

When it comes for labor to go and say, "By gawd, we can't have this oil-well depletion, and we should not have this thing on future tax-exempts -" what did William L. Green do? He just cut our throat, and CIO has never made a fight. You say this time they are going to - well, I am from Missouri; I would like to see it. I am going to play this thing differently this

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time. I want to first get the best kind of a plan we can by talking to everybody at this end of the town, and we will make up our minds what is the best and tell the President we want to see him, and he can invite anybody he wants to. We will see if we can get him definitely nailed down on some kind of a program. Then the next move is to sit down with the Democratic leaders and get an agreement with them, then with the Republican people, and do the fighting at this end before we go up on the Hill and spend five or six months and have everybody get a heart attack or something.

MR. PAUL: Sure, it is probably adding five years to my life.

H.M.JR: Is there anything new about what I am saying now?

MR. PAUL: No.

H.M.JR: I have told you this now for weeks.

MR. PAUL: Yes, but I wanted to crystallize this last idea of yours in terms of what we do in general.

H.M.JR: I want to say that I realize perfectly the risk that we are running, but we are not running any more risk, because if the Congress wants to give us a sales tax or does not want to give us a spendings tax, they are going to do it anyway. The only difference is we are going to save three months.

MR. BELL: That might be important.

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H.M.JR: Which will be important.

Now, I will tell you something else. I am literally scared to death of what we are facing in this coming year in the way of reduction of goods.

Now, I have gone all through this thing with Nelson; I have gone all through the thing with Robert Nathan; I have gone all through the thing with General Somervell; and I am convinced that they are going to go through with it. They are convinced they need it, so I am not going to raise the point. Fortunately, I told that to Somervell before the President had his four o'clock press conference yesterday.

They say they need these men; they say it is a military necessity; and they say that they can produce these goods - that they can produce ninety billion dollars' worth of goods in the calendar year '43. Somervell says it may be ninety-five billion dollars' worth. You deduct fifteen from that for soldiers and sailors pay--

MR. PAUL: That is outside of non-war?

H.M.JR: He is talking just war - ninety to ninety-five, including the pay of the soldiers, and everything else.

MR. PAUL: That means a budget of ninety-six or ninety-seven billion.

MR. WHITE: No, no, it means a budget of over a hundred; if he reaches ninety-five, it means a budget of a hundred and two.

H.M.JR: I have gone all through this thing, and to talk a little bit longer - I take it I am helping to clarify--

MR. BLOUGH: Very much so.

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H.M.JR: I had a very stiff talk with the President this morning, and he took no objection to it. I told him he had to get somebody - a warm, close friend - who will organize some group in the Government to work on a community basis to counteract this tidal wave of resentment which is flooding the country on account of all these rules and regulations which are improperly explained to them.

MR. PAUL: And not too well executed.

H.M.JR: Well, I told him I could go into any community, if he would give me time enough, and explain the war - whether it took a day or a week - and the community would be satisfied, if a person would sit down and talk to them.

Then the President tried to put it that - well, it was the local rationing boards that were not functioning.

I said, "Mr. President, you are wrong. The country is smart enough. They are blaming you and me and Hopkins and the rest, who are close to you. They are not blaming the local rationing boards." He did not brush me off, or say he had a plan, or say he had thought of it.

MR. BELL: He will say that next week. (Laughter)

H.M.JR: No, he took it in very good stead. So I am just saying to you people that you do not have to impress me with what it means. I mean, I am trying to buy a fountain pen for my son now. It is next to impossible. That is just nothing to what it will be six months from now. The country is not prepared for it, and we are not prepared for it on taxes.

MR. PAUL: Not prepared for it psychologically, that is right.

H.M.JR: And I am going to keep after him and keep after him, until he boots me out of the White House or does something about it. I am going to put my teeth

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into this thing, because I told him - I said, "Mr. President, if you don't do something, the same thing will happen to you that happened to Woodrow Wilson." I didn't pull any punches any more than I would talking with Danny Bell, or you (Paul). It was a heart-to-heart talk. You know how he resents it; he shuffles around or reaches for papers. He took it very well, and there was none of that. He took no objection to what I said.

I said, "How would you feel about my talking to Hopkins about this?" He said, "I would love it. I wish you would."

MR. WHITE: Hopkins has just gotten much the same from another source, so it will be all to the good.

H.M.JR: So you gentlemen don't have to - I have been in one community. I have seen the two men that will have as much to do with this as anybody - who will decide this thing - Somervell and Nelson - and I am convinced they are going to go through with this thing. I am convinced we are going to have the forty billion dollars, and I am convinced we have got to do something about it. But my own feeling is - I am urging the President to state the problem and put it in the Congress's lap.

MR. BLOUGH: You wouldn't want the budget to show a figure of new taxes, or anything like that?

H.M.JR: No.

MR. BELL: The Budget will want to put in the figure like they did last year - the seven billion - as part of their financial setup.

MR. PAUL: We will have to have some figure there.

MR. WHITE: Look at the position Congress will be in if it is made - and I presume it will be made - so clear what the magnitude is. They have got to sit down

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and find some way of doing it. And the first thing they are going to do is they are going to call on you, and say, "What do you recommend?" The minute they do that you are in a better position already because then you can say that Congress has asked you to recommend, and you can go around town and get agreement and say, "Let's present a united front on something." "Then you say, "You asked me to recommend it. Here it is."

H.M.JR: I will tell you why I don't think they are going to use a tax figure, and I hope they don't. Harold Smith told me the other night when he was here that they were not putting any figure in for the Army and Navy.

MR. BELL: I heard that subsequently, but not from Harold.

H.M.JR: He told it to me himself.

MR. BELL: The budget will be incomplete.

H.M.JR: So if they don't put any figure in for the Army and Navy, why do they have to put a tax figure in?

MR. BELL: They don't have to if that is the case.

H.M.JR: Harold Smith said there was no figure for Army and Navy. If they don't, I would recommend to the President they don't put a tax figure in.

MR. PAUL: It is much better, because it is either taxes or savings.

MR. WHITE: And/or.

H.M.JR: I think what you should do, if you have time between now and Friday, is to call up Harold Smith and say, "My boss told me that there isn't going to be any figure for Army and Navy; if that is correct, we hope you won't put any tax figure in." Will you do that?

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MR. BELL: That is new taxes?

H.M.JR: Yes. Where are the five of us apart in our thinking?

MR. BELL: I think we are all right. What are we going to do about getting agreement between this end of the Avenue and the other end of the Avenue before anything goes up? When we talked the other night we thought we would have everybody around town together, and the second step would be Doughton.

H.M.JR: I have an answer to that; old man Doughton gave me the answer in the plane. He said, "Henry, I have got to pick six new Democratic members of the Ways and Means, and until I get them picked, and have got my committee organized, I won't be ready."

He said, "When I am ready, I want you to come up and sit down, and I will talk with you," which means--

MR. BELL: The first of February.

MR. PAUL: That is all right.

H.M.JR: Does that take care of Mr. Paul?

MR. PAUL: Yes, sir, except one thing.

H.M.JR: They won't be organized until the 15th of January, easily, will they?

MR. BELL: I should not think so.

MR. PAUL: The 15th is a conservative date for that. They are going to have a terrible fight about it.

H.M.JR: Six new Democrats.

MR. PAUL: The republicans are going to try to get increased representation over what they had proportionately, before.

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H.M.JR: Does that help you any?

MR. BLOUGH: Yes.

H.M.JR: I think that is smart. I think it is different, but I think it is smart; and as Harry says, then they have got to say, "By gawd, we have got to send for the Treasury and find out what they have in mind."

MR. BLOUGH: We want to be prepared so when they do that we don't wait.

MR. PAUL: We will be prepared - better now than we ever were before.

MR. BLOUGH: If there are any differences, that is where they are going to show up.

MR. WHITE: At that point you have sort of a mandate to clear with the others. We will go to the others and say that we have been asked for something.

MR. PAUL: We will have to clear with the others long before that.

H.M.JR: We have to clear with ourselves, too.

MR. BELL: To get agreement at this end is going to be difficult.

H.M.JR: I mean, here in the Treasury.

MR. BLOUGH: This really postpones the problem, in a way.

H.M.JR: Yes and no. After all, Roy, I can only move as fast as the President does. Now, I saw him this morning - I had this talk with him, and I have confirmed what he said. I found that there was not this rush, and it gives us a chance to put it in his hands, certainly by Saturday.

- 16 -

MR. BLOUGH: I feel fine about this, Mr. Secretary, but I think we ought not to have any illusions about the fact that we still have to face the hard problem of making up our minds.

MR. BELL: This budget won't go up until the 8th.

H.M.JR: It isn't so hot.

MR. BELL: They probably won't have a budget conference on this message until after the first of the year. He is going to address the Congress on the 7th.

H.M.JR: We have got the time, and, frankly, I need a little time. I am thinking on the thing all the time. I mean, it is never out of my mind, and I had to first convince myself that we were going to have this ninety billion dollar program. Now I am convinced we are. There is no fooling about it, but I am convinced they are going to go through with it.

MR. WHITE: Is it possible to initiate any kind of an investigation or a survey by one of the agencies that you are using - Miss Elliott or some one else - it is not clear in my mind just how it could be done - to see if we can get some kind of a sampling, or some kind of information as to just what the situation is with regard to consumers' goods. That would provide some check on the figures. You say, for example, you have tried to buy things.

The survey could be made after Christmas. The Christmas season will be impossible, but sometime after Christmas it would be worth it if you could spend quite a little money to pick sample spots in the country. They could go to wholesalers and to jobbers and see what they have got on the shelves.

H.M.JR: Likert can do it.

MR. BLOUGH: There is a lot of stuff currently in the Wall Street Journal of that kind. We could supplement that.

- 17 -

H.M.JR: That can be done.

MR. BLOUGH: It should be done. The reason the people aren't interested in all this, and haven't been, is because they have not felt any pinch.

H.M.JR: Don't you feel any pinch on buying food?

MR. WHITE: Food is just terrific. The last couple of times--

H.M.JR: I understand it is very difficult.

MR. BELL: There are lots of things you cannot buy. You can't buy things like canned pumpkin.

MR. WHITE: You can't buy canned beans.

MR. BLOUGH: In New York, chewing gum - when you can find it - is one package to a customer.

H.M.JR: Anyway, we will continue.

Does this help you a little bit?

MR. PAUL: This helps a great deal.

MEMORANDUM

December 16, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JLS

You will recall that this afternoon while we were discussing the tax difficulties of the Glenn Martin Company involving disposition of government owned facilities at the end of the war, you expressed deep concern that all of these government owned facilities be available for the construction of any articles needed by the United States government for use here in America or for use in foreign lands where we were attempting to rehabilitate invaded populations. You spoke about the possibility that Governor Lehman might need these particular facilities in which to manufacture knock-down houses for shipment abroad.

Immediately after our conference I phoned the Internal Revenue Bureau and asked them to draft language for this particular contract which would effectuate your purpose. I also asked them to meet with me tomorrow to draft general language to be inserted in all future contracts by the War and Navy Departments. When this language is prepared I will submit it to you. If you approve, I suggest that I then discuss this matter with the War and Navy Departments in an attempt to secure their agreement that this safeguard be inserted in future contracts involving additional plant facilities paid for by the United States government.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

DATE
December 16, 1942

Mr. Doughton inserted your speech at Winston-Salem and his introduction of you in the Congressional Record yesterday.

F. K.

Attachment.

War Savings Campaign

EXTENSION OF REMARKS
OF

HON. ROBERT L. DOUGHTON

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, December 15, 1942

Mr. DOUGHTON. Mr. Speaker, under leave to extend my remarks in the Record I include a speech made by Hon. Henry Morgenthau, Jr., Secretary of the Treasury, at Winston-Salem, N. C., Saturday evening, December 12, at the awarding of flags to firms who had gone over the top in the bond saving program, or firms 90 percent of whose employees had participated in purchasing War Savings bonds.

I also include the address I made presenting the Secretary of the Treasury upon that occasion:

ADDRESS OF ROBERT L. DOUGHTON, OF NORTH CAROLINA

Mr. Toastmaster, Secretary and Mrs. Morgenthau, Governor and Mrs. Broughton, distinguished guests, ladies and gentlemen, tonight I am highly honored to appear before this splendid assemblage of North Carolinians in Winston-Salem and before the thousands of other patriotic Americans listening in from every State—all with the 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 called.

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

Our boys are already in the thick of the fight on all the farflung battle fronts of the world. Hundreds and hundreds of thousands more will soon be on the way. They know what they are fighting for. They will not let us down and by the help of God 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 heartaches and suffering, in taxes and loans.

In my own humble judgment, we should pay for as much of the cost as we can in taxes. Taxes are heavy. We know they should be heavy—as heavy as can be devised short of strangling enterprises 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 \$0,000,000 of our people have bought War bonds 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 every-day lives and in our Government. I have advocated economy in Government year in and year out since I first went to Congress 32 years ago.

When you buy War Savings bonds today you help finance your Government; you put the materials for fighting in the hands of our sons over there; and you help finance

yourself and your family's security in the days to come—in the days when American industry quits producing the implements of war and begins to produce again 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 and the Nation 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 burdens 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.

ADDRESS OF HON. HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY

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.

Bos DOUGHTON and I have shared many labors together during these recent eventful years. We at the Treasury are indeed fortunate to be working in partnership—as he himself described it only a moment ago—with a chairman who takes his responsibilities so seriously in these grave days. And I think the taxpayers of the country are equally fortunate in having tax legislation originate under the leadership of a man like Bos DOUGHTON, who is so devoted to his country and the welfare of its people. It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers.

In introducing me Mr. 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 Treasury is now in the midst of borrowing \$9,000,000,000 in a single month—a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost 50,000 professional salesmen drawn from the securities, banking, and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations, and custodians of trust funds; it is their job to see that those dollars go to work for their country.

I am delighted to report to the Nation that by today, only the twelfth business day of our drive, we have raised more than \$6,000,000,000. We have come more than two-thirds of the way toward our goal. This is a magnificent response, another proof of what a free, enlightened, and democratic people can do when their country calls upon them.

In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain homes in your western counties to your factories in Winston-Salem and your shipyards on the coast, this State of yours is giving a fine example of the spirit that is being shown

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

Great as our war effort this year has been, however, we are just beginning to fight. We are just beginning to show what this country of 130,000,000 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.

Take, for example, the pay-roll savings program in which you in North Carolina have made such an enviable record. Every large factory in the State now has a pay-roll savings plan. In those factories 99 percent of all the workers are investing in War Bonds week in and week out, by setting aside a part of their regular pay.

In the Nation as a whole there were only 700,000 workers on the pay-roll 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 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.

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 pay roll savings plan has been felt all along the production line, and will be felt for years to come. I like to feel that the new relationship between labor and management, which has been shown so magnificently in this war-savings campaign, is helping to build the post-war world right here and now. I like to feel that it is setting the pattern for the post-war years—a pattern of labor and management working side by side for their own good and their country's good.

Important though the pay roll 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 50,000,000 men and women invested in War bonds during the past year.

These holders of War bonds are the people who will be buying the products of American industry 10 years from now, when the bonds mature. The bonds that are bought today represent new homes, new comforts, new horizons for the common man. They will help to give body and substance to the ideal of "freedom from want" in thousands of American communities and in millions of American homes.

To my mind this is a fact of real significance for the post-war years. It means, as Mr. DOUGHTON has said, that more than 50,000,000 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.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

DATE
December 16, 1942

Herman Wolf sends you this editorial page of a leading coal miners' paper in Pennsylvania, with excellent War Bond material and an editorial on taxes that probably grew out of your labor press conference. In a recent issue this same paper ran a total of 27 items on War Bonds, including 7 advertisements sent out by us.

F.K.

(These clippings are in
Acry's scrap book)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: December 16, 1942.

TO Secretary Morgenthau.

FROM Harold Graves. *HG*

I hand you herewith a report, with two Districts missing, showing the distribution of War Bond gift envelopes by Federal Reserve Banks.

WIRE REPORTS BY FEDERAL RESERVE BANKS
ON DISTRIBUTION OF
ADOLF DEHN DESIGN BOND GIFT ENVELOPES

	<u>TOTAL</u> <u>QUANTITY</u>	<u>NUMBER OF</u> <u>ISSUING AGENTS</u>
Boston	100,000	769
New York	450,000	2,250
Philadelphia		
Cleveland		
Richmond	90,000	1,100
Atlanta	100,000	707
Chicago	450,000	3,000
St. Louis	90,000	900
Minneapolis	87,000	928
Kansas City	90,000	1,000
Dallas	100,000	825
San Francisco	125,000	1,000

WAR DEPARTMENT
WASHINGTON, D. C.

*Copies to Prof. ^{Ag} Walsh -
Mr. Jones - Mrs. M. -*

10/14/42

WD 201.3 (11-30-42) PE-A

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

Dear Henry:

Thank you for the phonograph record of the songs
"Everybody, Every Payday" and "March for the New Infantry",
written by Sergeant Richard Uhl and Corporal Tom Adair. I
enjoyed it very much.

It is very gratifying to me and to the War Depart-
ment to receive such commendatory reports concerning services
rendered by the personnel of the Army, and it is appreciated
that this matter has been brought to my attention.

Copies of your letter have been filed with the
records of Sergeant Uhl and Corporal Adair, and copies have
been forwarded to their commanding officers.

Sincerely yours,

Henry L. Stimson

Secretary of War.



DEC 16 1942

Mr. Al Vann
Managing Editor
THE MUSIC PUBLISHER'S JOURNAL
1270 Sixth Avenue
New York, N. Y.

Dear Mr. Vann:

As we review the first year of the war, it is evident that music has played a vital role in maintaining the morale of our nation. In conducting the Treasury Department's War Bond campaign we have been especially aware of this fact, for one of the aims of voluntary War Bond sales has been the bolstering of national morale.

Our campaign has been materially assisted by the songs written for it. We have, in this respect, shared a benefit brought through music to the members of our armed forces and to our men and women on the home front.

The people of the music world are to be congratulated upon their record of past achievement, and upon their plans for the continuance of this good work in the future.

Sincerely,

(Signed) H. Morgenthau, Jr.

cc in Diary
extra copies to Mr. Thompson

UNITED STATES SAVINGS BONDS - SERIES E

Comparison of December sales to date with sales during the same number of business days in November and October, 1942

(At issue price in thousands of dollars)

Date	December daily sales	Cumulative sales by business days				December as percent of November
		December	November	October	December as	
December 1942						
1	\$ 4,116	\$ 4,116	\$ 5,164	-	-	79.7 ⁴
2	4,489	8,605	9,272	-	-	92.8
3	10,042	18,647	20,460	\$ 5,045	-	91.1
4	39,690	58,337	31,309	42,285	-	186.3
5	16,648	74,984	53,076	52,984	-	141.3
7	46,424	121,408	62,326	73,919	-	194.8
8	11,887	133,295	96,366	98,490	-	138.3
9	17,857	151,152	111,002	117,077	-	136.2
10	13,607	164,759	146,494	131,593	-	112.5
11	38,664	203,423	161,929	169,859	-	125.6
12	17,480	220,903	181,120	179,232	-	122.0
14	52,056	272,959	188,497	194,811	-	144.8
15	15,530	288,488	230,083	222,243	-	125.4

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

December 16, 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.

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		Cumulative sales by business days			December as percent of November
	daily sales	December	November	October	December as percent of November	
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
14	15,430	101,924	73,989	83,857		137.8
15	7,719	109,644	83,246	91,884		131.7

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

December 16, 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.

DEC 16 1942

My dear Mr. Vice President:

I am calling a meeting to be held in my office on Friday, December 18, 1942 at 9:15 A.M. to discuss policy questions regarding the dollar position of the United Kingdom and certain other countries.

I should appreciate it if you would designate someone from the Board of Economic Warfare, who has been following these matters, to attend.

Sincerely yours,
(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,
The Vice President

Delivered by Schey 3:10 12/16/42
cc in Diary
extra copies to White direct

TMK:rl 12/15/42

DEC 16 1942

My dear Mr. Secretary:

I am calling a meeting to be held in my office on Friday, December 18, 1942 at 9:15 A.M. to discuss policy questions regarding the dollar position of the United Kingdom and certain other countries.

I should appreciate it if you would designate someone in your Department, who has been following these matters, to attend.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Delivered by Schey 3:10 12/16/42
cc in Diary
extra copies to White direct

TMK:rl 12/15/42

DEC 16 1942

My dear Mr. Secretary:

I am calling a meeting to be held in my office on Friday, December 18, 1942 at 9:15 A.M. to discuss policy questions regarding the dollar position of the United Kingdom and certain other countries.

I should appreciate it if you or someone you designate would attend.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury.

The Honorable Jesse Jones,

The Secretary of Commerce.

Delivered by Schey 3:10 12/16/42
cc in Diary
extra copies to White direct

TMK:rl 12/15/42

DEC 16 1942

Dear Mr. Stettinius:

In accordance with your letter of December 3, 1942, I am calling a meeting to be held in my office on Friday, December 18, 1942 at 9:15 A.M. to discuss policy questions regarding the dollar position of the United Kingdom and certain other countries.

I should appreciate it if you or someone you designate would attend.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. E. R. Stettinius, Jr.,
Administrator, Office of Lend-Lease
Administration,
515 22nd Street, N.W.,
Washington, D. C.

Delivered by Schey 3:10 12/16/42
cc in Diary
extra copies to White direct

TMK:rl 12/15/42

51

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

E. R. Stettinius, Jr.
Administrator

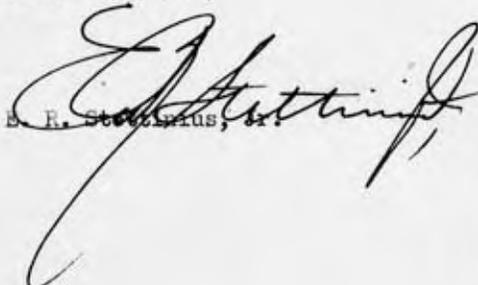
December 17, 1942

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

Dear Mr. Morgenthau:

This will confirm advice given to your office on the telephone this afternoon that I am asking Mr. Bernhard Knollenberg, my Senior Deputy Administrator, and Oscar Cox to attend the meeting in your office tomorrow morning to discuss the dollar position of the United Kingdom and certain other countries.

Sincerely yours,


E. R. Stettinius, Jr.

December 16, 1942

My dear Mr. Hanes:

Like other Americans, we have often made reference to southern hospitality. As we look back on our pleasant visit in Winston-Salem, this reference takes on a new significance to us.

Mrs. Morgenthau and I are both grateful to you and Mrs. Hanes for your cordial hospitality. It was a most pleasant occasion and we enjoyed every minute of it.

As I read the remarks you made at the dinner, I am reminded of the splendid job you did as toastmaster and I appreciate the kind things you said.

Mrs. Morgenthau joins me in wishing you and yours the best of the season's greetings.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. R. M. Hanes
Winston-Salem
North Carolina

TRG:jrc

File in Diary

ALL NORTH CAROLINA AND CERTAINLY WE IN WINSTON-SALEM ARE
HIGHLY HONORED BY THE PRESENCE OF OUR DISTINGUISHED GUESTS OF THIS
EVENING.

WE HAVE ALWAYS BEEN TOLD THAT ALEXANDER HAMILTON WAS PROBABLY
THE GREATEST SECRETARY OF THE TREASURY THAT THIS NATION HAS EVER
HAD, BUT HIS PROBLEMS WERE CHILD'S PLAY AS COMPARED WITH THE
TREMENDOUS RESPONSIBILITIES OF OUR PRESENT SECRETARY OF THE
TREASURY. SECRETARY HAMILTON NEVER DREAMED IN THE WILDEST
STRETCHES OF HIS IMAGINATION OF A BILLION DOLLAR TAX BILL, AND EVEN
ANDREW MELLON, WITH HIS VAST PERSONAL WEALTH AND WIDE FINANCIAL

EXPERIENCE, WHO MANY THINK WAS A GREAT SECRETARY OF THE TREASURY, COULD NOT EVEN CONTEMPLATE THE FINANCING OF A NATIONAL DEBT OF ONE HUNDRED BILLION DOLLARS.

THE TASK OUR CAPABLE SECRETARY OF THE TREASURY FACES, AND WHICH HE HAS HANDLED SO ABLY ^{IN THE PAST,} WILL, IN MY OPINION, PLACE HIM IN AMERICAN HISTORY WITH OUR GREATEST STATESMEN AND FINANCIERS. WE ARE PROUD TO HAVE THE OPPORTUNITY OF DOING HIM HONOR THIS EVENING.

with deep appreciation and sincere
thanks for your visit. R. M. H. H. H.

December 16, 1942

My dear Mr. Fain:

Mrs. Morgenthau joins me in expressing our appreciation to you and Mrs. Fain for your many courtesies during our visit to Winston-Salem.

I know the many details that you had to take care of to make the meeting so successful and we here at the Treasury are grateful to you for the good work that you have been doing in our War Bond Program. I want to compliment you for taking this added chore in your stride.

Mrs. Morgenthau joins me in extending to yourself, Mrs. Fain and your family our best wishes for a happy holiday season.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. J. R. Fain
1830 Buena Vista Road
Winston-Salem, N. C.

PHO:jrc

Copies in Diary

DEC 16 1942

My dear Eleanor:

Thank you for sending me copies of the two memoranda by Mr. Alfred Bergman.

I have brought the memorandum dealing with North Africa to the attention of our Treasury people who have been working on this problem, and they have prepared a brief statement on the subject. I am enclosing a copy of that statement for your information.

As you will observe, the problem of inflation in areas occupied by United Nations forces has been a subject of study in the Treasury, as well as in other government agencies, for some time. Our people believe that the solution for this problem lies along rather different lines than those which Mr. Bergman suggests.

Affectionately,

(Signed) Henry

Secretary of the Treasury.

Mrs. Franklin D. Roosevelt,
The White House.

Enclosure

Complete file in Diary

By Messenger Harmon 4:50
12/16/42

a. &
OG:mww
12/11/42
HDW

FILE COPY

December 11, 1942

MEMORANDUM

The Problem of Inflation in North Africa

1. We have examined Mr. Alfred Bergman's memorandum of December 1, 1942, entitled "Danger of Inflation in North Africa and Its Bad Effects". This memorandum does not indicate the basic factors making for inflation in North Africa. Weibler does it present any useful suggestions for meeting the inflationary problem in North Africa or in other areas to be occupied by United Nations forces.
2. Mr. Bergman says: "The entire price and currency policy of occupied countries should be studied at once... I suggest that the financial section of the War Department discuss these questions..." The price and currency problems of occupied areas have been under active study in the Treasury, the Board of Economic Warfare, and other government agencies for a very long time. Consultation on operating problems has been going on regularly among the interested agencies, including the War Department, for more than six months.
3. The inflationary situation resulting from United Nations operations in the Mediterranean area first became a problem in Egypt, Palestine and Syria. The British Government has been acutely concerned with this problem for more than a year. This same problem is now arising in the Western Mediterranean. Basically the sources of inflationary pressure are three:
 - (a) The armed forces need to buy locally produced food and local labor. They pay for everything they get. But they are not in a position to provide imports for the local population to buy. Sufficient shipping is not available. Therefore the occupied area is rich in money but poor in goods.
 - (b) Soldiers are paid in accordance with the income standards of their own country. They want to use their pay to buy such comforts and luxuries as the area contains. They pay high prices and tip generously. Local merchants and local people rendering services welcome these generous customers, but the prices of all goods and services rise rapidly.
 - (c) Where the international exchange value of the currency of any occupied country is unstable, that instability may contribute to an inflationary process. Individuals in the occupied country, noting that prices at home are rising, prefer to hold foreign currency. The effort to buy large amounts of foreign currency leads to a fall in the exchange rate. Such a fall in the exchange rate produces a further flight from the local currency. This process is accelerating and cumulative.

FILE COPY

Three basic steps can contribute in an important way to preventing a serious inflation in areas occupied by United Nations troops. These are (a) to bring the maximum possible amount of essential imports into the occupied area, (b) to induce our soldiers in the area to save a large fraction of their pay, and (c) to peg the international value of the currency of the occupied area.

4. In the first stage of United States military operations in North Africa it was not possible to allocate shipping to the task of bringing into the area imports which would be available for purchase by the local population. However that job is being taken in hand actively at the present time. Furthermore every facility is being offered to the soldiers in the United States armed forces to save their pay. Over 2 million soldiers are now purchasing savings bonds on a regular payroll deduction basis. We are also exploring plans for the establishment of special soldiers' banks.

5. Mr. Bergman's particular suggestions for preventing inflation in North Africa do not seem to be helpful. At present our soldiers in North Africa are paid in dollars, and he suggests that they be paid in Occupation Francs.

The soldiers' dollars are now convertible into francs at a rate of 75 to the dollar. This is not a high rate. Rates of over 150 to the dollar prevailed before United States occupation.

It is the settled policy of this Government to pay our troops everywhere in local currency as far as possible. Special circumstances made it impossible to pay in local currency in North Africa from the very beginning. However the transition to payment in local currency will be made as soon as arrangements are completed.

6. We cannot agree with the point made by Mr. Bergman (paragraph 3. a.) that the prices of "luxury goods" bought by soldiers are particularly influential for the general price level. It is not particularly important that our soldiers pay fancy prices in North Africa for jewelry or cosmetics. It would be important if the demands of our armed forces should cause an inflation of the prices of essential foods, clothing, shelter, etc.

We need to ship to North Africa all of the supplies needed by our troops together with as much as possible of the goods essential to the livelihood of the local population. That is the most fundamental contribution we can make to preventing any serious inflation.

7. When our civil administration in North Africa is perfected, it will be possible to make a further contribution to the prevention of inflation through new measures concerning local taxation, rationing and price control.

OG:RWW
12/14/42

FILE COPY

THE WHITE HOUSE
WASHINGTON

December 5, 1942.

My dear Mr. Secretary:

Mrs. Roosevelt has asked me
to send you the enclosed letter from
Mr. Alfred Bergman.

Very sincerely yours,

Malvina C. Thompson

Secretary to
Mrs. Roosevelt.

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

RECEIVED
SECRETARY OF THE TREASURY
WASHINGTON, D. C.
DEC 10 1942

WAR DEPARTMENT
HEADQUARTERS, SERVICES OF SUPPLY
WASHINGTON, D. C.

December 1, 1942.

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

Dear Mrs. Roosevelt:

I am sending you a copy of my recent
talk with Dr. Somary, which I think The President
will be interested in.

Sincerely yours,


ALFRED BERGMAN.

Enc. - 1
Report

CC: Col. J. E. Butterworth



THIRD REPORT OF CONVERSATION WITH DR. SOMARY

MEMORANDUM FROM: Mr. Alfred Bergman,
Chief, Industrial Information Unit.

SUBJECT: Danger of Inflation in North Africa and
Its Bad Effect.

I saw Dr. Somary over the weekend and he calls my attention to the following important information:

1. Two different articles appeared in the New York Times last Sunday, November 29th.

a. One article stated that American soldiers were buying goods and jewelry in great quantities because prices are so cheap.

b. The second report from Germany said that Americans were exploiting North Africa.

c. This is bad propaganda for America.

d. If the prices go up with the American occupation, the Americans will be very unpopular as they will have brought hatred caused by inflation.

2. The Americans are paid in stamped dollars, but these are extremely high in exchange in North Africa, which gives the soldiers far too much money and makes them find everything very cheap.

a. This is a great danger from a military point of view as it is important that we do not have unrest in the occupied countries.

3. Important - The way out would be through the creation of Occupation Francs instead of dollars, even stamped dollars, and a strict restriction on permitting the sending out of any articles from the occupied countries as this is a very dangerous game.

a. All of the African population is not on our side, and as particularly the price of so-called "luxury goods" is very influential for the general price level, this practice should be stopped immediately.

b. The entire price and currency policy of occupied countries should be studied at once to prevent the same consequences should it arise in European countries as we are later able to occupy them.

4. I suggest that the financial section of the War Department discuss these questions with Dr. Somary, who is probably the outstanding

financial expert in these matters in America. This Unit will be very glad to make the necessary contact.

5. With respect to the military situation in North Africa, Dr. Somary believes that the Germans cannot now hold Tunis and Bizerte, but every delay is not good for the Allies as the Germans can bring up reserves. In case the Allies are able to dislodge the Germans, then the situation of the Allies would be very strong, and of course here time plays a big role.

6. Dr. Somary feels that Hitler's handling of the French fleet and the occupation of the unoccupied zone of France was a great mistake. Hitler, like most Germans, is not good in defeat. His temperament is not right for defeat. The English and the Russians are good in defeat, and, unfortunately, better than in victory. The Germans are bad losers, and their mentality would not survive for long after an Italian disaster. Unfortunately, the Italians and the French are also bad losers.

FOURTH REPORT OF CONVERSATION WITH DR. SOMARY

MEMORANDUM FROM: Mr. Alfred Bergman,
Chief, Industrial Information Unit.

SUBJECT: Japan

1. Although it is far too early to speak of a separate peace by the Japanese, I wish to give you the personal feeling of Dr. Somary on this question. He feels that the Japanese would not wait until the Germans are liquidated, but will try to make peace before Germany is finished. To fight against America, Britain and Russia would be the end of Japan, and they know that.

2. The Japs are very well informed on the German situation as they have a leading General as Ambassador in Germany, and in Rome they have a leading Japanese General as a Military Attache. It is clear that they have excellent information on the military situation and will act accordingly.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
H.M. SECRETREF ID: A6

Information received up to 9 A.M., 16th December, 1942

LYBIA

The German tanker GERMANIA, 9,850 tons, was sighted on 14th by one of H.M. Sloops whilst escorting a homeward bound convoy west of CAPE FINISERRA. The tanker tried to evade and was set on fire. 3 officers and 20 crew were picked up. One of H.M. Sloops has arrived at ALGIERS. The German aircraft carrier GRAF SCHMIDT was reported at anchor at KEEL on the 3rd. She was last seen at LYBIA in mid-November. She is not yet operational.

MILITARY

LYBIA. 14th. Enemy M.T. still moving westwards from AGHEILA whilst a weak rearguard withdrew without offering serious opposition to our forward troops. Although mines again delayed progress units of the 51st Division advancing alongside the coastal road reached a point approximately 5 miles east of EL AGHEILA. Further south 8th Armoured Brigade moving north up the JIOFER Road met opposition but by nightfall had advanced to a point 12 miles north-west of JIOFER. In the extreme south 2nd New Zealand Division carrying out a flanking movement had advanced to a point 30 miles N.N.E. of BARADA without reporting contact with enemy.

RUSSIA. A violent thaw in the central sector is likely to affect operations. No important change on central or southern fronts.

3. AIR OPERATIONS

WESTERN FRONT. 15th. Fighters over Northern France damaged a tug, 2 trains and 10 locomotives. A JU 52 was probably destroyed. 5 enemy aircraft crossed our coasts, one was destroyed and 2 damaged. Bombs dropped at ALDERBURGH, SUFFOLK, killed 9 persons. One Typhoon missing.

MEDITERRANEAN. 14th/15th. Naval aircraft torpedoed a 2,000 ton ship beached near SOUSSE. 15th. Malta fighters intercepted 15 southbound JU 52's. Enemy casualties 4, 2, 4.

TUNISIA. 14th. At FERRYVILLE, south of BIZERTA, a tanker was torpedoed and burst into flames and another ship probably hit. 16 bombers attacked the railway centre at SFAX and started fires. Docks at TUNIS and BIZERTA were bombed by 29 U.S. Fortresses and Liberators. Details not yet available.

14th/15th. 25 Wellingtons again attacked these docks hitting three ships and starting some large fires.

TRIPOLITANIA. On 13th/14th and 14th fighter bombers operated against enemy M.T. west of EL AGHEILA but few targets were found and bad visibility hampered observation. Our losses, 2, nil, 1.

SPECIAL INTELLIGENCE REPORT

AMERICA AND THE POST-WAR WORLD

12-16-42

CONFIDENTIAL

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OFFICE OF
WAR INFORMATION
BUREAU OF
INTELLIGENCE

COPY No. 7

Henry Morgenthau, Jr.

C O N T E N T S

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THE REPORT IN BRIEF

Americans hope for a world in which they and their children may live free from the threat of war. But they have scarcely begun to think realistically about how this goal may be achieved.

When asked how a better world might be brought into being, 40 per cent of a national sample could offer no suggestions. Only 25 per cent made suggestions of a political or economic nature. People's views about the post-war world are seldom crystallized or held with real conviction.

There is a general realization that isolationism no longer spells security. Fewer than 20 per cent of the American people appear to be firmly opposed to the principle of international collaboration. The isolationists are predominantly people with relatively low income and education and relatively limited contacts.

The views of the people who favor some degree of U. S. participation in world affairs fall into three broad classes. One group of people believes in full political cooperation with other nations. A second group urges simply that the United States "be friendly" with other nations. A third group wants the United States to dominate the post-war world.

People's fears appear to be the greatest obstacle to the belief that peace can be maintained through international cooperation. Isolationism is frequently related to mistrust of England and Russia and to anxieties about the economic consequences of close ties with other nations. A tendency to exaggerate the importance of America's contribution to the United Nations' war effort also appears to be associated with isolationism.

The belief that America should join a comprehensive organization of nations is also typically part of a cluster of opinions. Those who hold this view tend to have confidence in America's allies, to be hopeful about the economic future, and to take a fairly realistic approach to war issues. The people most aware of the difficult problems involved in winning both the war and the peace are most willing to endorse the idea of international collaboration.

"The better world for which you fight -- and for which some of you give your lives -- will not come merely because we shall have won the war. It will not come merely because we wish very hard that it would come. It will be made possible only by bold vision, intelligent planning and hard work."

-- Franklin D. Roosevelt, January 6, 1942

AMERICA AND THE POST-WAR WORLD

An enduring peace is America's most widely accepted war aim. Americans fight for a world in which they and their children can live their lives free from the recurrent threat of war.

But people's wishes have not yet been translated into clear and concrete goals. Little thought has been given to plans for achieving the better world of which Americans dream. Until such plans are developed, and effectively presented to the people, there can be no assurance that they will support an enlightened policy for the post-war world.

THE PROMISE OF THE FUTURE

Many factors favor the establishment of a stable international order at the end of the present world war. The fighting itself has knitted together some of the most powerful and populous nations of the world. Partnership in the struggle against Fascism has broken down much of the suspicion and ill will which stood in the way of close collaboration between the United States, the British Empire, Russia and China before the war.

The United Nations have entered into a number of military, political and economic agreements of far-reaching significance. At the end of the war an embryonic pattern for world collaboration may already be in existence.

In many respects the war has been a great schoolmaster. It has made people more aware of economic interdependence. It has fostered a realization of the extent to which communication developments have shrunk the size of the world.

Another encouraging factor is the support the principle of international collaboration is receiving in the press. With a few conspicuous exceptions, newspapers want the United States to take part in international affairs in the post-war world.

Most editors feel that we made a mistake, for which we are now paying dearly, in not accepting our international responsibilities after the last war. The assertion that this time we must win the peace as well as the war has become a cliché. In addition to endorsing the principle of post-war collaboration, newspapers have overwhelmingly supported such general statements of America's war goals as the Atlantic Charter and the Four Freedoms.

OBSTACLES

While the war is knitting some nations together, it is also leaving a terrible heritage of bitterness and hatred. Even among the United Nations real and important conflicts are almost certain to arise.

Men's fears may keep them from attempting to achieve their hopes. Distrust and suspicion of other nations may once again cause Americans to shy away from international collaboration. Or action may be blocked by economic fears — by the belief that international cooperation will be costly to the United States, or precipitate a depression, or lower the American standard of living.

Similarly, we may fear that our diplomats are certain to be outsmarted by the suave representatives of other countries. Many other stereotypes of this sort stand in the way of cooperative post-war planning. For example, there is the notion that the attempt to achieve a better world is visionary and impractical. There is the belief that internationalism is incompatible with Americanism. There is the illusion that policies which have served America in the past will necessarily be appropriate and advantageous under the changed conditions of today.

Many of these notions are being sedulously fostered by a small but powerful minority of America's newspapers. Certain papers are engaged in an all-out campaign to sabotage the idea of post-war collaboration. Their basic strategy is to appeal to people's fears about the future. They argue that America is certain to lose in any attempt to cooperate with other nations. They foster mistrust of America's allies. Finally, together with some newspapers of good will, they insist that attention to post-war problems interferes with the prosecution of the war.

Even in the editorial columns of newspapers supporting the principle of collaboration, there has been little discussion of specific plans for post-war international organization or of the difficult social and economic

problems which will require solution after the war. Editorials have discussed America's war goals in extremely nebulous terms. Few prescriptions have been advanced for achieving those goals. The press has particularly shied away from the fact that greater participation in international affairs may require important domestic adjustments.

There is little danger that such factors as these will cause us to forget our hopes, and keep us from making some attempt to achieve a more secure world. But they might readily make the attempt abortive. After this war, as after the last one, there may be an immense tiredness, an overpowering desire to "return to normalcy," to get the boys back home. This desire, reinforced by ignorance which clouds our vision and by fears which make every course seem dangerous, may keep us from exerting ourselves sufficiently to attain our post-war goals. They may make us reluctant to accept the responsibilities and the sacrifices which are the inevitable price of the advantages of participation in a world society.

The readiness of the American people for international reformation, it is clear, may determine the success or failure of the attempt to build a better world order after this war. To estimate the extent of their readiness the Bureau of Intelligence has conducted a number of investigations in recent months. This report is based upon these studies, the most intensive of which was made in August.

ISOLATIONISM

The war has taught most Americans -- the hard way -- that some form of international collaboration is necessary to preserve peace. In July almost half of the people in a national sample had come to the conclusion that we

made a mistake last time in not joining the League of Nations. Only 28 per cent were convinced that we had not made a mistake, and most of these objected, not to the principle of joining an organization of nations, but to some feature of this particular association.

Relatively few Americans now advocate complete isolation of the United States from world affairs when the present war is over. Only two people in ten, of a national sample interviewed in August, disapproved of the idea of this country joining an organization of nations after the war:

IN GENERAL, DO YOU APPROVE OR DISAPPROVE OF THE
IDEA OF THE UNITED STATES JOINING AN ORGANIZATION
OF NATIONS AFTER THE WAR?

Approve	63%
Disapprove	19
Don't know	18

In early December Gallup asked a very similar question. Trial tabulations of the first small group of replies to be received indicate that six Americans in ten believe that the United Nations should move toward setting up a world organization before the end of the war. An additional two in ten would favor an attempt to set up a world organization after the war:

SHOULD THE GOVERNMENT TAKE STEPS NOW, BEFORE THE
END OF THE WAR, TO SET UP WITH OUR ALLIES A WORLD
ORGANIZATION TO MAINTAIN THE FUTURE PEACE OF THE
WORLD?

Yes	64%
No, after the war	19
No, never	5
No opinion	12

A number of other studies confirm the fact that fewer than 20 per cent of

the American people now cling to an isolationist position. They are predominantly people with relatively limited contacts. There are proportionally more isolationists in the country than in the city.

People with relatively low income and education are more likely to be isolationists than those more favorably situated. And the individuals who are uninformed about international affairs, as a result of infrequent social contacts and limited educational background, are far more prone to favor isolationism than the well-informed.

The people in the August sample who endorsed American participation in an organization of nations were asked whether other countries besides the United States and her allies should be admitted to membership. The overwhelming majority — 85 per cent of those to whom the question was put — felt that they should.

Those who replied in the affirmative were then asked whether the Axis nations should be admitted to the international organization. Seventy per cent of those questioned replied that they should.

These people comprised only 37 per cent of the total sample. It is encouraging, however, that almost two-thirds of the American people apparently favor United States membership of an organization of nations; that a majority would not limit participation to the United States and her allies; and that even during wartime more than a third feel that the organization should be so comprehensive as to include America's enemies.

THE ROLE OF THE UNITED STATES

Few people take the position that this country should let the rest of the

world "stew in its own juice" after this war. But there are wide differences of opinion about the part the United States should play in international affairs. In addition to isolationism, three viewpoints were found to be widely held:

1. One group of people believes in full political cooperation with the rest of the world. They want the United States to participate in some sort of organization of nations. As one person put it:

"I suppose my idea would be an enlargement or refinement of the League of Nations. Let all countries get together as the United States; thirteen states originally got together and formed one Government. It would have to have the hearty cooperation of the conquerors and the conquered."

Most of the advocates of an association of nations want the United States to take the initiative in its organization and operation. One man declared:

"The United States should take the leading part. She has the best minds, the ability and no prejudice regarding these things. I feel this war was unnecessary if the United States had taken an active part in the last peace terms and then had assumed the responsibility which was thrust at her but which she refused to accept."

The people who urge full-fledged political collaboration are predominantly urban dwellers. They stand considerably above average in income and education

2. Another group of people advocates simply that the United States "be friendly" with other nations. These people tend to speak of nations as though they were individual human beings. Often, too, they speak of the relationship of nations in a religious frame of reference.

Their genuine good will toward other peoples and countries may lead them to support concrete plans for securing a stable international order, when

such plans are proposed. But they have not yet begun to think realistically about how to achieve the better world for which they hope. They are unaware of the complicated economic and political problems which will confront the world after the war. They are well-intentioned but vague:

"We ought to be more friendly with others. Like the Bible says, 'We are all brothers.' I think we ought to practice the Golden Rule. It was hate, and greed and sin that caused this war."

The people who talk along these lines have lower than average incomes and educations.

3. A third group of people vociferously demands that America dominate the post-war world. They are internationalists, but in a strictly American first sort of way. They might favor an organization of nations, but only if they felt certain that the United States would dominate it. They talk, sometimes rather belligerently, along such lines as these:

"I think it's up to us to take a very active part and that we police the rest of the world. That's what we should have done ten years ago; then we wouldn't have had this war on our hands now. I think that's the only way we can have any peace, for us to put the rest of the world where they belong and then police them for at least a hundred and fifty years."

The people who take this position possess slightly higher than average income and education. More of them are men than women. There is evidence that many of the people in this group were once isolationists. The change in their attitude is less drastic than it might at first appear. In most instances the key to their viewpoint on international affairs appears to be the desire for security. They have been forced by the war to the real-

ization that security cannot be obtained through withdrawal from the world. Now they pin their hopes on an America so strong that it can control all potential dangers.

VAGUENESS

It is clear that most Americans have only nebulous, and in some cases even misguided, notions of the way to achieve a stable international order. If anything, the preceding discussion understates the vagueness of people's thinking about the post-war world. In lumping together all the people who take a somewhat similar viewpoint, the confusion and contradictions which characterize the thinking of many individuals have been obliterated.

The discussion fails also to suggest the tentativeness of Americans' views about the post-war world. A number of interviewers commented that most people appeared troubled and uncertain when they tried to state their ideas about the nature of the peace.

The transition from isolationism to a wider outlook is evidently a precarious one. Most Americans see that isolationism did not prevent the present war and that some new formula is necessary if peace is to be maintained. But so far no specific proposal has been advanced which has captured their imagination.

Until some proposal wins popular acceptance, there is a very grave danger that, during the let-down after the war, many Americans now generally sympathetic to international collaboration, may return to isolationism.

At present, they are looking forward to a world of democracy and friendliness. They hope that, after the war, greater emphasis will be placed on religion. They ardently long for an enduring peace. But, when asked how the kind of post-war world they want can be brought into being, four in ten could offer no suggestions. Seventeen per cent thought only in terms of winning the war. Twelve per cent felt that the United States could best contribute to the maintenance of peace through educational and religious guidance. Only one person in four volunteered suggestions about political and economic measures.

There is convincing evidence, however, that Americans will respond to concrete proposals which embody their hopes about the post-war world. The idea that the basic freedoms should be extended to all people throughout the world is enormously popular. As early as February, a national sample overwhelmingly endorsed the idea of American collaboration with other nations to guarantee the Four Freedoms throughout the world:

WHEN THE WAR IS OVER, DO YOU THINK THE UNITED STATES SHOULD OR SHOULD NOT TAKE A FULL AND ACTIVE PART ALONG WITH OTHER NATIONS IN:

	<u>Should</u>	<u>Should not</u>	<u>Don't know</u>
Guaranteeing freedom of speech all over the world	82%	11%	7%
Guaranteeing freedom of religion all over the world	87	9	4
Guaranteeing that all nations get a fair share of raw materials	83	9	8
Helping to secure better working and living conditions for people all over the world	87	9	4

(Cont'd) WHEN THE WAR IS OVER, DO YOU THINK THE UNITED STATES SHOULD OR SHOULD NOT TAKE A FULL AND ACTIVE PART ALONG WITH OTHER NATIONS IN:

	<u>Should</u>	<u>Should not</u>	<u>Don't know</u>
Maintaining a world police force to guarantee against future wars	86%	8%	6%

ATTITUDES TOWARD OTHER NATIONS

People's views on America's post-war policy are inevitably influenced by their attitudes toward other nations. Their views about England and Russia are of crucial importance. If they lack confidence in these nations, they are hardly likely to favor a cooperative approach to the problem of the post-war world.

Many Americans still display a great deal of suspicion of their major allies. About three-fourths of the American people believe that England can be counted upon to cooperate with us after the war. Some people expect her to follow a more democratic and liberal policy toward her empire and to be friendly to the United States in the post-war world.

But a full fourth of the people interviewed in August expressed fears that England might cause trouble in the post-war world. The misgivings most commonly expressed were that she would assume more than her due credit for winning the war; demand too important a role in international affairs; or stand pat on imperialism. A bitter minority charged that England was simply fighting for the preservation of her empire.

Almost a fourth of the people in the August sample also anticipated trouble with Russia in the post-war world. About half of these people commented

that they "never had liked Russia" or mentioned some specific action that had offended them, such as the attack on Finland. A number specified that they were distrustful of Russia because of her form of government. It may be significant, however, that only four per cent of the sample expressed the fear that Russia would try to spread communism throughout the world after the war. And 35 per cent -- a far larger number than were apprehensive -- expected Russia's post-war behavior to be satisfactory and cooperative.

Furthermore, confidence in Russia's post-war intentions is growing. On four occasions national samples have been asked: "After the war is over, do you think Russia can be depended upon to cooperate with us?" Affirmative replies increased from 38 per cent in February to 51 per cent in November. The deep admiration people feel about Russia's valiant resistance to Nazi aggression is having its effect. In November, in the third month of the Russian stand at Stalingrad, but before the launching of the North African offensive, Americans believed that in relation to her means Russia was doing more than any of the United Nations, including the United States, toward winning the war.

In November, a national sample was asked if the United States would continue to cooperate with its allies after the war, and if we should do so. Eight in ten felt that we would and should cooperate with Russia; nine in ten that we would and should cooperate with England.

However, suspicion and hostility toward England and Russia have by no means been eliminated. They might easily mount to dangerous heights if the fortunes of war change or if conflicts of interest arise. Many Americans still talk about Russia, England, and other nations in stereotyped, unrealistic terms.

The understanding and knowledge of foreign nations, which are prerequisites to real sympathy with them, are notably lacking. Many interviewers commented on people's ignorance both of foreign countries and of America's international policies. This lack of information was not only apparent with respect to such a far-off country as Russia; few people were concerned or informed about South America, or this country's relationships with its neighbors in the Western Hemisphere.

Significantly, persons who were ignorant about international affairs were far more prone to be isolationists than those who were relatively well informed.

VIEWS ON ECONOMIC ISSUES

People's views about economic relationships in the post-war world were also investigated by the Bureau of Intelligence. It was found that fear of unrestricted foreign competition still dominates the thinking of a rather high percentage of Americans. The stereotypes of the '20s are still widespread: our industry must be protected from foreign underselling; cheap foreign labor must not be permitted to undermine our high standard of living.

Twelve per cent of the people in the August sample believed in free trade. Fifty-four per cent were willing to sanction trade protected by tariffs. But eight per cent advocated that America not trade with other countries at all, and a far larger number were skeptical about the benefits of international commerce. As many believed that "we should buy at home and preserve the American standard of living" as felt that "trade benefits everyone."

People's fear of foreign competition is also reflected in their views about the immigration policy America should pursue after the war. Only 14 per

cent favor a policy of unrestricted immigration. Thirty-seven per cent would use a quota system and reserve the right to exclude some groups altogether. Thirty-five per cent would not let in any foreigners.

Half of the people who want to place severe or complete restrictions on immigration in the post-war world gave no reason to justify their position. The argument most frequently advanced by the officers was that immigrants compete with American workers. Other large groups maintained that immigrants "cause trouble" or that they are "undesirable people." Some of these replies reflected the immediate war situation and the fears of spies and sabotage.

Americans also have deep anxieties about the domestic economic future. Most people have little confidence that the goal of freedom from want will be attained. Six people in ten of a national cross section interviewed in October expected the war to be followed by a depression. A full third believed that business would be worse and unemployment more prevalent in the five years right after the war than it was in the years immediately preceding it.

OTHER RELATED ISSUES

People's views on the policy the United States should pursue in the post-war world were also found to be related to their appraisal of the nation's war effort. Persons who are prone to exaggerate the importance of America's contribution to the United Nations' war effort are less likely to favor international collaboration after the war than those who have a better appreciation of the contribution of our allies. Similarly, persons who are

smug and complacent about the progress of the war are less likely to favor collaboration than those who are apprehensive and concerned.

People who have a sense of community with the peoples of other countries, who believe in the basic equality of all human beings, are more prone to favor international cooperation than those who do not. Internationalism is often associated with the belief that the rights and privileges of the common man should be protected and extended.

In keeping with this position, the internationalists are more prone than the isolationists to feel that the United States should be generous in its treatment of other nations after the war. However, the public as a whole appears to have a deep sense of America's responsibilities in mitigating the chaos of the post-war world. In reply to a question asked last March, eight people in ten said that the United States should feed and clothe people in other countries, if necessary, after the war.

People's views on America's policy in the post-war world are not invariably related to the nature of their opinions on associated issues. In some instances their viewpoint appears to be related rather to the definiteness of their convictions. People who have definite opinions one way or the other on a number of social and political issues are more prone to favor U. S. participation in international affairs than those who express no opinion.

CLUSTERS OF OPINIONS

While not invariably related to the character of an individual's beliefs, the view that the United States should join a comprehensive organization of

nations is typically part of a cluster of opinions. Those who hold this view tend to think also that England and Russia can be depended upon to cooperate with us after the war; that the present amount of governmental regulation of business is necessary and should be continued after the war; that business conditions will be better in the post-war years than they were before the war; that the United States should wage the war offensively; and that a negotiated peace with Hitler should not be considered. They also tend to feel that we have not yet made enough sacrifices; and they are prone to be active participants themselves in the war effort — to buy war bonds, to conserve needed materials, and to engage in some volunteer defense work. In general, they take a fairly realistic approach to war issues.

In some instances, these ideas may be expressed as lip service to ideals now commonly accepted. In any case, real interest and faith in an effective post-war society of nations demand more than generalized hopes for the future. They are closely related to solid understanding of the problems involved in the prosecution of the war and the winning of the peace. The people most aware of the nation's economic and military difficulties, and most cognizant of the problems involved in post-war reconstruction, are the people most ready to understand and accept the real significance of international collaboration.

The isolationists, like the internationalists, typically hold a cluster of associated opinions. In addition to disapproving of American participation in an organization of nations, they tend to believe that we were right not to join the League of Nations; that there is no need for further rationing and sacrifices; and that there should be no limit on wages and salaries.

They are less prone than the rest of the population to engage in civilian defense work, and they are far more prone to favor a negotiated peace.

CONCLUSIONS

The fundamental strategy of informational efforts connected with the post-war world is inescapably determined by the need of appealing to people's hopes and overcoming their fears.

The positive task involved is to show the American people that the world of peace and security for which they hope is actually attainable through international cooperation. Their vague wishes for a better world must be translated into concrete goals. And definite plans must be presented for achieving those goals, so that they will not seem impracticable and unrealistic.

Simultaneously, the fears which might make people hesitate to accept the responsibilities of international collaboration must be attacked. Mistrust of other nations must be broken down. It is particularly important that residual suspicion of Russia and England be dissipated, so that the United States can cooperate closely with them in peace as well as in war. The fear that close economic relationships with other nations will be disadvantageous to the United States must be dispelled with facts and figures.

Ignorance is almost as formidable a foe of cooperation as fear. Indeed, the two are closely interrelated. More often than not, distrust of other nations is a product of lack of knowledge, rather than of dislike. A final essential task of informational policy must be to raise Americans' general level of knowledge of other nations and of international affairs.

In part, the problem is one of supplying information, so that foreign peoples will not seem remote and strange, and so that the public will have the facts to appraise suggested policies. In addition, through forums and other means, Americans must be given opportunities to discuss and debate these policies -- to think through for themselves the problems involved in building a more secure world.

- - - * * * - - -

December 17, 1942
9:54 a.m.

HMJr: Hello.

Senator
Prentiss
Brown:

Hello. This is Senator Brown, Mr. Secretary.

HMJr: Hello, Senator.

B: I felt I should call you and tell you that I guess I'm stuck. I have been over to the White House twice....

HMJr: Yes.

B:in the last two days, and I have resisted with all the power I have....

HMJr: Yes.

B:what they want me to do.

HMJr: I see.

B: But - and I - I've had two, possibly three, matters in mind which I had not decided between. There's yours and a proposition Jesse Jones made to me....

HMJr: Yes.

B:and I had not made up my mind on - which I preferred....

HMJr: Yes.

B:but I was going to lay off and go through the hospital and get a check-up, and then make up my mind then, as I told you....

HMJr: Yeah.

B:but, by gosh, this man - your boss just....

HMJr: Yes.

- 2 -

B:tells me that I must undertake this, and I don't think I'm fitted for it. I don't think I'm of the executive type at all.

HMJr: What do they want you to do?

B: Well, take Henderson's job, see?

HMJr: Oh.

B: And it's - it's nothing - it's another - it's not in line with my own views, but they think that I perhaps have a standing with Congress that would be most helpful there where they're - they've got undoubtedly a serious situation.

HMJr: Yeah.

B: And I have told him that I've got to do what the Commander-in-Chief tells me under these circumstances....

HMJr: Yeah.

B:and with my misgivings and so on, I said, "I'll got where you want me," see? That's confidential....

HMJr: Sure.

B:because it's not public, but I felt you ought to know that.

HMJr: Well, I'm glad you told me, because I've been sort of counting on you.

B: Well, I'm still hopeful that he'll - that he'll....

HMJr: Did they forget - has he forgotten he wrote you a letter?

B: What's that?

HMJr: Did he forget....

B: I mentioned that to him, and I said I know - I said, "You'll recall that you wrote me a letter saying that you hoped I'd go with the Secretary of the Treasury."

HMJr: Yes.

B: And the situation is one where he's been persuaded by - now Henderson is the author of this idea, see - Leon Henderson.

HMJr: Yeah, what's Leon going to do?

B: He's just going to quit.

HMJr: I see.

B: He - he's been pommelled a great deal....

HMJr: Yes.

B: ...and he tells me that his health is very bad. His eyesight is - really in bad situation, and he's got to take care of that and one or two more things. He's had a tough time of it.

HMJr: Oh, yes.

B: And his staff feel that they could be pretty loyal to me, you know, on account of the fight I put up for them.

HMJr: Yeah, I know.

B: Of course, I - I think this, Mr. Secretary, that (laughs) there's lots of things that I would not do that he has done down there.

HMJr: Yeah.

B: In other words, I think there's been too much of a publicity organization. I think they've been on the front pages altogether too much.

HMJr: Yeah.

B: Don't you - doesn't it....

HMJr: Well, I think that - I think that there's - that the trouble is at the community level.

B: Yeah.

- 4 -

HMJr: The community doesn't understand.

B: That's it. It needs - it needs to be explained.

HMJr: And you - you've got to do what - what we call extension teaching, take the - teach it to the people.

B: Absolutely, and that's one thing where they think perhaps I could be helpful. But I....

HMJr: And....

B:I wanted you to know the real situation....

HMJr: Yeah.

B:and....

HMJr: Well, I - it's very kind of you....

B: Well, it was very....

HMJr:to explain. I....

B:kind of you.

HMJr:I'm disappointed, and....

B: Well - well, here's one thing that I'm thinking about. Well, I figured that I could be of main use to you up here....

HMJr: Yeah.

B:and it seems to me that a good many of the things that you're going to advocate could still be made the subject of my aid and assistance.

HMJr: Yes.

B: It seems to me that if I go down there - if he puts me there, as he indicates he will - it seems to me that my purposes ought to be pretty much in line with yours on this....

HMJr: Oh, sure.

B:and, therefore, I want you, if I do go there,
to count on me....

HMJr: Yeah. Well....

B:in that respect.

HMJr: Well, I'd like to.

December 17, 1942
9:54 a.m.

Senator Prentiss
Brown:

There's one other matter that I wanted
to talk about if you've got a minute.

HMJr:

I got all the time.

B:

I have been - I talked with Dan Bell about
this....

HMJr:

Yes.

B:

....a couple of days ago, and I've been
vitally interested in helping some of our
people up there in two really small branch
bank extensions.

HMJr:

Yes.

B:

It's been a political football.
The Republican crowd has gone with the
small out-state bankers, and the - certain
group in the National....

HMJr:

Yeah.

B:

....of Detroit, while the only bank of any
size that's been at all inclined towards
us has been this Michigan National Bank.

HMJr:

Yes.

B:

It's very friendly to the Governor and to
me, and so on and so forth, and really this
is an awfully small issue - it - Bay City,
where they want to take over a bank - there's
absolutely nothing that could be said there
other than that it - that it is in the
broad public interests, because they can
clean up a closed trust account of pretty
good size....

HMJr:

Yes.

B:

....and pay off a hundred cents on the dollar
by this take-over, and in Detroit these
fellows have got real reason for - for taking
over that Michigan bank there.

- 2 -

HMJr: Yeah.

B: I've talked it over thoroughly with Mr. Delano, and I've given Dan Bell the high spots.

HMJr: Yeah.

B: Now they tell me that one thing that worries them is the - your general attitude towards the Giannini crowd out there....

HMJr: Yeah.

B:and the effect that it would have on this. Well, I - I do think these fellows are entitled to it under the law here, and I know the Manufacturers people have no - Bank which is the second bank there....

HMJr: Yeah.

B:have no real objection. I know that several directors of the National Bank in Detroit are well disposed towards this. Now I....

HMJr: Well, look, I'll ask Dan to talk it over with me. I'm not familiar with it. Nobody - nobody's mentioned it to me up 'till now.

B: Yeah, well, I wish - it's just a matter where I would like to get that last thing over before I get out of here, and it's got to be done right off.

HMJr: Well, I'll ask Dan to....

B: You do that. Thank you.

HMJr: Thank you.

B: And I hope you have a good deal of contact on this....

HMJr: I hope so, and I'm disappointed.

B: Well, thank you, Mr. Secretary, and I'm sorry.

HMJr: Okay.

B: Goodbye.

December 17, 1942
10:11 a.m.

HMJr: Hello.

Operator: All right?

HMJr: Go ahead.

Operator: Go ahead.

HMJr: Hello.

Senator
Sheridan
Downey: Good morning, Mr. Morgenthau.

HMJr: Hello, Senator.

D: Mr. Morgenthau....

HMJr: Yes.

B:the Bank of America, when I was last
out there, discussed with me certain of their
problems in....

HMJr: Yeah.

D:relation to branch banking....

HMJr: Yeah.

D:and I would like to have the opportunity
to discuss that matter with you sometime
today if that would be possible and conveni-
ent to you.

HMJr: Well, we have Cabinet this afternoon.
That's the only trouble.

D: Well, would tomorrow morning suit you?

HMJr: Tomorrow morning would be much better.

D: What time would be convenient for me to call
on you, Mr. Secretary?

HMJr: Oh, ten-thirty?

D: I'll be at your office at ten-thirty.

HMJr: Righto.

D: Thank you very much.

December 17, 1942
4:15 p.m.

INTERNATIONAL STABILIZATION FUND

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

H.M.JR: This is just for the benefit of White. This happened while I was trying to get you.

Mr. Hull called me and said that he had been looking into this memorandum on the World Stabilization agreement, and that he had not had a chance yet to talk with Herbert Feis, but he wanted to make sure that Herbert Feis did not have any objections to it. He would like to have everybody criticize it who could.

I said, "Fine." He said, "Do you have any objection if they have one more meeting of the technicians?"

I said, "None whatsoever," and that I would tell White to call one, because Hull said he was still in a fog on it.

Then he asked if any people from outside had seen it, and I said, "No, we confined it to Government circles."

Then he asked if Stewart had seen it. I said that I thought he had, originally - that both Stewart and Viner were advisors to the Treasury, and I was under the impression that Stewart had seen the original draft.

MR. WHITE: I think so - I don't know.

H.M.JR: I said that I would be glad to send him an up-to-the-minute one, and have him give us his opinion,

- 2 -

and that I also would tell White to call another meeting of the technicians.

So he said that the thing he wanted to be sure of was that if we had a world meeting of the technicians we would have to be ready, then, to go forward. He wanted to be sure that before we went any further, that we wanted to see this thing through.

MR. WHITE: I will call a meeting right away.

H.M.JR: I would send Stewart a draft.

December 17, 1942
4:25 p.m.

HOME FRONT

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

H.M.JR: Now, what I want is this: I would like the three of you to collaborate on this thing, and I would like to have this in the morning - by noon, if possible. I will just dictate this, and Mrs. Dennis can run this off first and give it to you.

"My dear Mr. President:

"Continuing our conversation of Wednesday morning about keeping the people of the United States informed on what cooperation is expected from them to win the war at home, I would like to make the following concrete proposal.

"As I understand it, you have organized under you, as Commander in Chief, a Combined Chiefs of Staff, who advise you on military matters. I think you should have a comparable organization dealing with the home front.

"At present you have a number of Departments and independent agencies who deal directly with the people, and I think that these organizations, comprising Claude Wickard, Henderson, McNutt, Landis, Elmer Davis, and myself, could be a committee which would meet once a week, or as often as is necessary, to deal with this problem on a community basis.

"What I have in mind is that if, for instance, we have a War Bond meeting, or a meeting to explain the Victory Tax in the community, it would be much easier

- 2 -

to explain at the same time to the same group how to apply for their fuel oil and tires, and so forth, than it would be simply to explain to them the question of how to make out their income tax returns. In other words, what I visualize is a group of people who will go into each community and explain to every member of that community what is expected of him and her to carry out the measures necessary to win the war."

Now, that, of course, is much wordier than I would like to have it, but I might say:

"I tried this out on Secretary Wickard at lunch and then after Cabinet on the Vice President. The Vice President was very enthusiastic about it, especially when I explained to him what we had done in Winston-Salem.

"Then he said that there was one other thing which he had mentioned to you. That was we must do something with the soldiers in the camps in the United States. Nothing is being done there. He said that if these two fronts were covered, he would feel that we had gone a long way towards stopping this constant misunderstanding on the part of the public as to what we are trying to accomplish here in Washington."

Do you think, with that much - the three of you get together. White has got to work - I will have my car at your house at eight tomorrow morning, and you come down and pick me up. Is that convenient or a little early?

MR. WHITE: If I have to come down that early, I will need a separate car.

H.M.JR: Could you work a little while on it?

MR. GASTON: I don't think the wording of the letter is a problem, if that is what you want to say. I was trying to visualize the organization and whether it is what we want or not.

- 3 -

H.M.JR: Well, if you are not in agreement with me, talk it over and then prepare a letter for me. Then we will talk it over again.

MR. MAGER: There are two different problems that I visualize immediately. Certainly the sort of thing that you would say to civilians would be different from the sort of thing you would say to soldiers in an Army camp.

MR. WHITE: That is not implied.

H.M.JR: Prepare me a good letter, and then let's talk about it.

MR. GASTON: If there is a need for such an organization, and probably there is for some sort of an organization in that field, I should say it is because the existing organizations have not done their job.

MR. WHITE: This isn't an organization, I gather, that the Secretary has in mind. What he has in mind is an advisory group tagged with the responsibility to see that the thing is taken care of. What agency is to be used, I don't think is implied there.

H.M.JR: Give me a good letter covering that thing; then let's argue about it tomorrow.

If you have a better idea - I think if he had a half a dozen people who would meet, and when they hear that this or that has gone wrong - then organize it so that - Claude Wickard said to me, "I can handle the farm people, but I am absolutely licked when it comes to dealing with a housewife in the city."

MR. WHITE: Why hasn't he handled the farm people?

H.M.JR: I don't know, but anyway, that is his trouble. We put somebody into the high schools to talk on taxes, and the fellow says, "O.K., now I understand that, but how do I make out my questionnaire to get

- 4 -

fuel oil in my house? He says, "I don't know - I think it is lousy anyway." In other words, there would be a team that would go into the community.

MR. GASTON: It is a job of coordinating our education of the public, and it seems to me that that ought to have been a function, if it isn't, of the Office of War Information, and they are not doing it.

H.M.JR: Yes, but OCD isn't doing it, so I am trying to work out something so that instead of continually going to the President and saying, "It is lousy," I say, "Here are a half a dozen people -" and if they got together and worked up a plan to give to the President--

MR. MAGER: It may be that the Office of War Information does not have the contacts with these other groups.

H.M.JR: They don't; the OCD does.

MR. WHITE: I don't think it is the Office of War Information's bailiwick; it is much broader than that. It is public relations between the Government and the community, and it touches every department. War Information is one of them. This is not propaganda; this is something - what we have been talking about is explaining why the Government does certain things.

H.M.JR: And helping the fellow to do it.

MR. WHITE: I don't know whether it should go as high as a Cabinet committee.

H.M.JR: It has to start there. Wickard didn't want me to repeat it. He said that every day this week he has called up Henderson and said, "When are you going to get out your price regulations on poultry?" There is forty percent more poultry in the country than there was last year, and here we are, a week from Christmas, and

- 5 -

butchers can't get their poultry because Henderson hasn't gotten out his price regulations. He hasn't gotten them out as of noon today. Butchers can't buy; they won't buy the poultry which is in the ice box because he has not gotten out - and Wickard gets blamed as food administrator because there isn't enough meat to go around. If there were four or five of us sitting around the table and we had Henderson there, we would say, "You don't go to bed tonight until you get it out, it is all damned nonsense."

Just remember this, I am thinking of how to educate the man and woman living in the community, on what the Government is trying to do and to get their cooperation to do it. That is what I want done.

MR. GASTON: And educate Henderson, too.

H.M.JR: Now, Herbert, don't be too sarcastic. (Laughter) Educate or fire - anybody and everybody. But you can't expect to go back to the 1933 level of civilian goods, from the lush - go back to that and have the people like it, unless somebody is going to do some explaining. As the Vice President said, it is all in the hands of the manufacturers now, and they are not helping one bit.

MR. WHITE: Did you have a chance to listen to Andy Kamarck on this business about soldiers and officers, what they think? What he had to say would bear you out very, very strongly. He thinks it is criminal.

H.M.JR: The soldiers in the camps?

MR. WHITE: He said the officers. It must be even more true of the soldiers.

H.M.JR: I am not attempting to get into that.

MR. WHITE: I mean, it is the same thing.

- 6 -

H.M.JR: At Fort Riley - I mean, there is nothing. It was just nothing, but don't let's - it was Wallace who brought in the camps. I am not bringing in the camps. What I am trying to do - I went to the President; he liked it. I criticized what is happening. The reason is, Hopkins is coming for lunch tomorrow, and I want to talk to him about it. I want something before I see Hopkins at lunch time.

It is just like somebody coming to me and saying, "Well, what the Bureau of Internal Revenue is doing is lousy." I say, "I agree," and the next question is, what should I do about it. If the fellow came in and said, "Mr. Morgenthau, here is a plan," I would throw my arms around him. I would say, "Wonderful."

I am putting you fellows down for eleven tomorrow.

THE WHITE HOUSE
WASHINGTON

1. We have combined chief of Staff for War. We need one on home front.
2. Various agencies who have to deal directly with public should be organized to deal with home front.
 1. Agric.
 2. O. P. H.
 3. Treas.
 4. Manpower
 5. O. C. I. O.
 6. O. W. I.Deal with public in community on a combined basis.

December 17, 1942
4:35 p.m.

HMJr: Hello.

Operator: Harold Thomas.

HMJr: Hello.

Harold
Thomas: Mr. Secretary?

HMJr: Hello.

T: Hello.

HMJr: Morgenthau.

T: Harold Thomas talking.

HMJr: Go ahead.

T: How about Monday?

HMJr: Monday?

T: Yeah.

HMJr: Nothing the matter with Monday?

T: If Mr. Hill and I come down in the morning -
if we could see you about one, two o'clock?

HMJr: Now just a moment. What a peculiar time.

T: Well, we get there about that time, and we
could get back on the four o'clock. We'll make
it, of course, at your convenience.

HMJr: How about two-fifteen?

T: Two-fifteen.

HMJr: Yes.

T: All right, fine and dandy.

HMJr: Now that's Mr. Hill?

- 2 -

T: Yes.

HMJr: And yourself.

T: That's right.

HMJr: Well, that'll be fine.

T: All right, two-fifteen on Monday.

HMJr: How is he - susceptible, is he?

T: (Laughs) Well, we'll tell you that story when we get down there.

HMJr: Fair enough.

T: All right, fine.

HMJr: Thank you.

T: Thank you.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Dec. 17,
1942

TO THE SECRETARY
FROM Mr. ODEGARD

You asked for information concerning the distribution of certain War Savings materials by air express. This material consisted of the following:

1. Item consisted of materials for Women-at-War week which were distributed to 50 points with the approval of Mr. Graves.
2. Posters and other material for December 7, and subsequent display in retail stores with the general theme "My Declaration of War." This material went to 188 points without the knowledge either of Mr. Graves or Mr. Gamble.

Mr. Graves has already had a conference of all persons concerned in this matter and has sent to Mr. Sloan a memorandum, of which a copy is attached. Mr. Graves has also replied to the letter from Noland Blass, to which you referred this morning. A copy of this letter is also attached. Mr. Graves has called for a complete report on this which should be available soon.

copy

December 11, 1942

MEMORANDUM FOR MR. SLOAN:

Please bring to my attention before approval any further proposals for posters or other display material designed to meet a particular date, such as Christmas, Lincoln's Birthday, "Women at War Week" (November 22-28).

I am inclined to think that we should consider the elimination of "dated" material of this kind for two reasons:

First, the difficulty and, in some cases, the exorbitant cost, of getting material distributed in time to meet the necessary deadline; and

Second, the fact that "dated" material is of course obsolete and useless after the date has been passed, and therefore expensive above the average.

I have asked Mr. Hirzel, to whom I have talked about this, to discuss the matter with you in detail on Monday.

Harold N. Graves
Assistant to the Secretary

o
o
P
y

December 10, 1942

Mr. Noland Blass
President
The Gus Blass Company
Fourth and Main Street
Little Rock, Arkansas

Dear Mr. Blass:

The Secretary appreciates the friendly and helpful criticism expressed in your letter of December 1st, and has asked me to reply to it and to explain to you some of the circumstances in connection with the shipment of promotional material to which you refer.

While regretting the unusual expense of this shipment and of a number of similar shipments, the Secretary feels that he is justified in believing that it is not often that such criticism can justly be made of the operation of the War Savings Program. Otherwise the administrative cost of selling War Bonds could not have been held to the very low figure of one tenth of one percent.

You are undoubtedly aware that the material in the shipment was a part of a rather important national program. To achieve its maximum effectiveness it was necessary that the material reach final distribution points before December 7th. It was also considered important that the distribution be nation-wide.

In planning and preparing the material we allowed ample time for distribution by ordinary means based on conditions that existed until toward the end of October. Unexpected difficulties in production and distribution arose after the campaign had been announced and when the greater part of the expense of production had already been incurred. Some of these difficulties could not have been foreseen.

When the material was finally delivered we were faced with the question whether to forego the campaign in some areas of the western part of the country, or go to the additional expense of shipping by Railway Express and Air Express. We decided upon the latter course, and had to ship by Air Express to reach Little Rock and a number of other places west of the Mississippi where Railway Express would not guarantee delivery on time. We did not use Air Express, or even Railway Express, when delivery could be made on time by other means.

Mr. Noland Blass

-2-

December 10, 1942

We give considerable attention to improving our procedure in the production and distribution of promotional materials, and you may be sure that we are benefiting by this experience. Your letter will be helpful to that end.

The comment in the last paragraph of your letter about quantities of literature is being referred to the Retail Section of the War Savings Staff for their careful attention.

I take this opportunity to thank you and your firm for your generosity in allowing Mr. C. L. Roesch to act as Chairman of the Display Mens Committee in Little Rock. The service has been a definite contribution to the War Savings Program.

Sincerely yours,

Harold N. Graves
Assistant to the Secretary

WH:sm1
cc to St. Adm. Paschal, Little Rock, Arkansas
12/10/42

Unfavorable Comments on Bonds

William W. Staplin, Summit, N.J. Enclosed are copies of letters which I am writing today to two divisions of the Treasury Department, one indicating that I have waited three months for a simple exchange of Defense Savings Bonds, and another indicating that I have waited one month for advice of a removal of a stop payment order which my wife and I asked the Government to place against a Bond which we have since found. It seems to me that the public might be more receptive to your \$9,000,000,000 Bond issue and other appeals for subscriptions to War Bonds if this inexcusable delay did not occur whenever it is necessary to do any business with the Government. * * *

Noland Blass, President, The Gus Blass Co. (Dept. Store), Little Rock, Ark. * * * Yesterday there was delivered to the Display Department of this store posters sent via Air Mail Express, with prepaid charges of \$88.77. The writer realizes that emergencies call for unusual expenses and speed, but for every person who has this type of reasoning, there are a thousand or a hundred thousand who would question this large expenditure, which undoubtedly would reflect adversely on the sale of Bonds to the public. I therefore pass this information on to you purely as constructive criticism so that a little more speed in planning will prevent a similar occurrence in the future. * * * Also, it seems that the amount of literature sent direct to stores might very well be checked into to see if all of the printing is being used or whether only a small part. * * *

Fred Unverzagt, Burlington, Wis. For the past 35 months I have bought a \$50 monthly Bond through the Treasurer. Have them, intend to keep them, intend to keep it up. Please advise why your office isn't satisfied, it's about 20% of my salary. I work for C. M. St. P. & P. RR Co. They keep after me to join the 10% Club. Claim your office keeps after them to get me in the 10% Club. What is idea, advantage, etc? You had no trouble getting check cashed did you?

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December 17, 1942

Dear Mr. Berry:

I have been much interested in reading your letter of December 3rd in which you draw my attention to a statement released on December 7th about the renewal of your International Arbitration Agreement with the American Newspaper Publishers Association for another five-year period.

It was also most kind of you to give me the details of your national union's record in promoting the purchase of War Bonds by its members. I hope that this record may be kept up and extended. Many of your members, I notice, have joined the armed forces, but those who do not have the opportunity to get into uniform will certainly want to continue to lend their money to the Government, so that the best possible weapons can be put into the hands of those on the fighting line.

The booklet about your Pressmen's Home, which you enclosed with your letter, is a fine story of accomplishment on the part of your Union, and I congratulate you upon it.

With best wishes,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. George L. Berry,
President, International Printing
Pressmen and Assistants' Union
of North America,
Pressmen's Home, Tennessee.

File to Thompson
Photo file in Diary
(Booklet in bookcase)

FK/ogk



INTERNATIONAL PRINTING PRESSMEN & ASSISTANTS' UNION of NORTH AMERICA

A PROGRESSIVE AND HUMANITARIAN ORGANIZATION OFFERING SERVICE AND PROTECTION TO ALL PRESSROOM WORKERS OF NORTH AMERICA, OPERATING A TECHNICAL TRADE SCHOOL, HOME FOR SUPERANNUATED MEMBERS, SANATORIUM, THE AMERICAN PRESSMAN OLD AGE PENSION AND DEATH BENEFITS

HEADQUARTERS
PRESSMEN'S HOME, TENNESSEE
OFFICE OF GEORGE L. BERRY, PRESIDENT

December 3, 1942

Handwritten notes and calculations on the right side of the letter, including a large number '88' at the top right. The notes include:
660
43700
3400000
1040
13800000
12000
12000
180000
100000
1384000
Below these are some scribbles and the number '850'.

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

My dear Mr. Secretary:

Attached is a statement which is to be released on Monday, December 7, 1942, which I recommend for your perusal. It relates to the renewal of our International Arbitration Agreement with the American Newspaper Publishers Association for another 5-year period, which will bring the relationship up to 41 years when the new contract has expired.

The release refers to the international referendum vote which was overwhelmingly in favor of the renewal of the Agreement. There remain several days yet to receive the returns but to date 268 local unions have voted for the renewal with only 22 against it.

Quite aside from the foregoing references, I know you will be pleased to be advised that to date 3,451 members of our organization are in the armed forces of the country and approximately 2500 are in war industries. We are granting to those in the armed forces immunity from the payment of their monthly per capita tax which has now reached the figure of \$6,485.15 per month.

In addition to this, our membership has to date purchased in War Bonds and Stamps \$2,382,190.49, so you will observe we are doing our bit all down the line.

I wish to extend to you and yours sincere good wishes for a pleasant holiday period, and I join with you in the hope that soon we shall have restored to the world peace and good will which can only come through victory of the Allied Nations. With my compliments please accept as a Christmas remembrance a booklet of Pressmen's Home, which is going forth under separate cover, which indicates what we have tried to do in the interest of humanity and education. I hope you will find it possible to peruse it.

Sincerely and respectfully yours,

George L. Berry
President.

P. S. I have noticed something about the possibility of your retiring. I do hope this is unfounded. You have made a great Secretary.

GLE

The International Printing Pressmen and Assistants' Union of North America re-commits itself to local and international arbitration.

George L. Berry, President of the International Printing Pressmen and Assistants' Union of North America, announced today that the membership by referendum vote held in November had again approved renewal of the International Arbitration Agreement as between the American Newspaper Publishers Association and the International Printing Pressmen and Assistants' Union of North America by an overwhelming majority.

President Berry in commenting upon the matter stated:

"The International Arbitration Agreement negotiated between representatives of the American Newspaper Publishers Association and the International Printing Pressmen and Assistants' Union of North America has been approved by referendum vote of the membership throughout the United States and Canada for an additional five-year period. This Contract has been operative, except for a short time many years ago which involved negotiations, for thirty-six years. The renewed contract will extend it to forty-one years. During the period of its operation one violation of its terms has occurred. This, of course, establishes an unprecedented record of continuous peaceful relationship between investor, management, and labor as it affects the printing pressrooms of the newspaper plants on the Continent of North America.

"It is especially significant in this time of world turmoil that the great membership of the International Printing Pressmen and Assistants' Union of North America by a referendum vote have not only exercised their prerogatives as free men in considering this important matter but have held firm to the proposition that peaceful adjustments are always the best adjustments since they have come to fully understand that their interests, the investors' interests, and the

-2-

managerial interests of the newspapers are inseparable. It is good that we can maintain the great principle of peace and the instrumentality of justice and that these practical idealists can find support in the midst of world confusion, belligerency, and war."

ST. LOUIS, MO. 1915

December 17, 1942.

Dear Sergeant Uhl:

I have received your letter of December 14 and want to tell you that I appreciate your greetings and good wishes.

I feel sure that you will be interested in seeing the enclosed copy of a letter which I have just received from Secretary Stinson.

With best wishes for the holiday season,

Sincerely,

(Signed) H. Morgenthau, Jr.

Sergeant Richard Uhl,
80th Division Artillery Band,
Camp Forrest, Tennessee.

File in Diary

Enclosure.

KF/dbs

WD 201.3 (11-30-42) PB-A

DEC 12 1942

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

Dear Henry:

Thank you for the phonograph record of the songs "Everybody, Every Payday" and "March for the New Infantry", written by Sergeant Richard Uhl and Corporal Tom Adair. I enjoyed it very much.

It is very gratifying to me and to the War Department to receive such commendatory reports concerning services rendered by the personnel of the Army, and it is appreciated that this matter has been brought to my attention.

Copies of your letter have been filed with the records of Sergeant Uhl and Corporal Adair, and copies have been forwarded to their commanding officers.

Sincerely yours,

HENRY L. STIMSON

Secretary of War.



EIGHTIETH DIVISION



CAMP FORREST, TENNESSEE

copy to Mrs.
Morgenthau 12/21/42

December 14, 1942

Dear Mr. Morgenthau:

Your wonderful package arrived in my mail at an opportune time — the day before I left camp for a furlough at home. I carried it with me, and both my family and I had a lot of fun reading the various releases.

Tom and I hope that the song will live up to everyone's expectations. We had so much fun writing and working at the Treasury, that we won't be content until we hear everybody singing "Ten percent, that's the rent!", and hear them doing something about it too!

It was a little hard coming back to the field army, after the excitement of Washington, but the old army routine quickly settles you down.

I have begun to find it too much of a compromise to mix music and the army, so have gone military all the way, and applied for Officer Candidate School in the Field Artillery. I haven't yet been accepted, but hope to go by the end of January. By that time, Henry will probably have won his commission. The going is pretty rough, but he certainly went about it in the right way.

Again, thank you for the records and the publicity releases. They will always remind me of the happy summer you gave me in Washington.

Please give my best wishes to Mrs. Morgenthau and Joan. And to you and all your family - a Merry Christmas.

Sincerely yours,
Dick White

December 17, 1942.

Dear Corporal Adair:

I have received your letter of December 15 and want to tell you that I appreciate your greetings and good wishes.

I feel sure that you will be interested in seeing the enclosed copy of a letter which I have just received from Secretary Stinson.

With best wishes for the holiday season,

Sincerely,

(Signed) H. Morgenthau, Jr.

Corporal Thomas Adair,
Radio Division,
Post Public Relations Office,
Fort Jackson, South Carolina.

File in Diary

Enclosure.

GMV/abc

copy to Mrs. M.
12/17/42. 105

December 15, 1942

Radio Division
Post Public Relations Office
Fort Jackson, S.C.

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

Dear Mr. Secretary:

I want to thank you for the very interesting items of promotional material you sent me on "Everybody Every Payday." It is Dick's and my most sincere wish that the results of the song will justify your gratifying confidence in our abilities.

Mrs. Adair and I send you our kindest regards and ask to be remembered to Mrs. Morganthau.

Respectfully yours,

Tom Adair
TOM ADAIR

December 17, 1942

Dear Mr. Berlin:

I thought you might be interested
in seeing a photostatic copy of the
Australian version of your song,
"Any Bonds Today?"

With best regards,

Sincerely yours,
Henry Morgenthau, Jr.

Mr. Irving Berlin,
799 Seventh Avenue,
New York, New York.

Copy in Diary

UNITED STATES SAVINGS BONDS - SERIES E

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	\$ 4,116	\$ 4,116	\$ 5,164	-		79.7%
2	4,489	8,605	9,272	-		92.8
3	10,042	18,647	20,460	\$ 5,045		91.1
4	39,690	58,337	31,309	42,285		186.3
5	16,648	74,984	53,076	52,984		141.3
7	46,424	121,408	62,326	73,919		194.8
8	11,887	133,295	96,366	98,490		138.3
9	17,857	151,152	111,002	117,077		136.2
10	13,607	164,759	146,494	131,593		112.5
11	38,664	203,423	161,929	169,859		125.6
12	17,480	220,903	181,120	179,232		122.0
14	52,056	272,959	188,497	194,811		144.8
15	15,530	288,488	230,083	222,243		125.4
16	22,764	311,252	241,624	239,891		128.8

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

December 17, 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.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of December sales to date with sales during the same number of business days in November and October, 1942

(At issue price in thousands of dollars)

Date	December daily sales	Cumulative sales by business days				December as percent of November
		December	November	October	December as	
December 1942						
1	\$ 197	\$ 197	\$ 303	-	-	65.0%
2	329	527	1,115	-	-	47.3
3	2,688	3,214	7,846	\$ 2,218		41.0
4	13,947	17,161	14,720	20,322		116.6
5	12,303	29,464	31,425	24,325		93.8
7	17,522	46,986	34,030	31,922		138.1
8	2,872	49,858	43,940	46,695		113.5
9	9,576	59,434	49,326	55,998		120.5
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
14	15,430	101,924	73,989	83,857		137.8
15	7,719	109,644	83,246	91,884		131.7
16	5,146	114,789	88,888	98,457		129.1

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

December 17, 1942.

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Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

TREASURY DEPARTMENT

109

INTER OFFICE COMMUNICATION

DATE December 17, 1942

TO Secretary Morgenthau
FROM George Buffington G.F.S.

The comment was made by Mr. Murray Shields yesterday that Morgan Stanley was paying a commission of 1/8% to their organization for the sale of Victory Loan securities. This statement is incorrect. Morgan Stanley does not have a sales organization, and have not paid a commission in connection with Government securities. Harriman Ripley and Company, and one or two other companies, in Chicago have paid commissions to salesmen.

SECRET

Minutes of the Meeting of the Board of Economic Warfare
Held December 17, 1942, at 10:00 a. m.

A meeting of the Board of Economic Warfare was held in the Vice President's office in the Capitol Building at 10:00 a. m., on December 17, 1942:

Those present:

The Vice President, Chairman of the Board
 Mr. Dean Acheson, representing the Secretary of State
 Mr. Harry White, representing the Secretary of the Treasury
 Mr. R. P. Patterson, representing the Secretary of War
 Mr. Charles Fahy, representing the Department of Justice
 The Secretary of Agriculture
 Mr. Nelson A. Rockefeller, Coordinator of Inter-American Affairs
 Mr. Donald M. Nelson, Chairman, War Production Board
 Mr. E. R. Stettinius, Jr., Lend Lease Administration

In addition, the following persons were present:

Mr. Wayne Taylor, Department of Commerce
 Mr. W. L. Clayton, Department of Commerce
 Mr. Leslie Wheeler, Department of Agriculture
 Mr. Harold H. Neff, War Department
 Mr. Wayne Coy, Bureau of the Budget
 Mr. Bernhard Knollenberg, Lend Lease Administration
 Mr. John Lockwood, Office of Coordinator of Inter-American Affairs
 Mr. Milo Perkins, Board of Economic Warfare
 Mr. E. W. Gaumnitz, Board of Economic Warfare

The Vice President opened the meeting, indicating that the first report was that entitled, "Importation of Strategic Materials by Air," dated December 1, 1942, and asked Mr. Perkins to comment.

Mr. Perkins stated that a considerable volume of important materials were being imported by air, and that at certain times such movement had been extremely important. He called attention to a modification of the estimated movement for November and December, and there was distributed a supplementary table, "Addendum to Importation of Strategic Materials by Air," showing actual movement for specified weeks in November and December compared to the estimates of movement prepared in October. He indicated that every assistance had been given by the Air Transport Command, and that the reduced traffic was a matter of non-availability of planes.

The Vice President raised the question as to the relative cost of carrying cargo by air compared to other means of transportation. Mr. Perkins indicated that air transport costs were definitely higher, although he pointed out that there were a number of factors making it very difficult to make a fair comparison; for example, the cargo being carried was almost entirely back-haul and under unusual conditions. He estimated that cost was perhaps five or six times as high as rail and water transportation and might be ten times as great. He stated that in many cases, however, rail and water facilities were not available as alternatives, so it was either a matter of transporting materials by air or not at all.

Mr. ~~Stettinius~~ stated that recent information indicated that air cost was around fifty cents per ton.

In response to a question by the Vice President, Mr. Nelson stated that he thought air freight was entirely feasible and expected that about ten per cent of inbound freight might be handled by air.

Fibers:

The Vice President then referred to the report on Fibers, entitled, "Fibers," dated October 15, 1942, and asked Mr. Perkins to comment.

Mr. Perkins stated that while the report spoke itself, he wished to draw attention particularly to the fact that the hard fiber problem was a matter of the loss of certain areas from which fibers had been received previously. While every effort was being made to increase production of various fibers in the areas still open, it was clear that the hard fibers were likely to be extremely short in 1943 even though there were extensive substitution of soft for hard fibers.

Mr. Wickard suggested that every effort be made to increase the supplies of certain fibers from foreign sources, calling attention to the difficulties being anticipated in the production of hemp domestically. He stated that it was very doubtful whether more than 100,000 of the 300,000 hemp acreage goal would be realized in 1943, that farmers generally are not experienced in growing hemp, that hemp takes relatively good land, and was a relatively heavy user of labor.

There was further discussion of substitutes for hard fiber and various other conservation measures such as the use of oats as hay crops instead of being cut for grain.

Certain Problems of Export Policy:

The Vice President stated he wished to present a problem, a part of which had been mentioned just prior to the meeting and with reference to which a number of questions had been raised by correspondence and otherwise, namely, the general policy of the Government as to the amount and the type of assistance to be rendered under Lend Lease. He then asked Mr. Stettinius to comment.

Mr. Stettinius stated that about a year ago a group of private exporters had inquired as to the government's policy particularly regarding the use of government-to-government operation under Lend Lease and the place of private exporters in the export business. No very clear statement was made at that time. Mr. Stettinius suggested that it would be helpful if a statement of policy could be prepared, to which all agencies could subscribe and which would serve as a general guide for operations.

He noted that Lend Lease was presenting a budget to Congress on January 11th, and he stated that he was not in a position to give satisfactory answers to many of the questions which would probably be raised on the Government export policy, particularly those regarding the conditions governing the extension and conditions of Lend Lease aid.

In response to a question by the Vice President, Mr. Stettinius stated that data was being secured as to the dollar position of the British Empire, at the present time a year ago, and as estimated for the middle of 1943, both in total for the Empire and for the most important component countries. He stated also that it was quite

possible that there could be some tightening in the availability of Lend Lease to the Empire.

Mr. Perkins stated that he thought all of the agencies concerned should be informed as to this government's policy, though at present it seemed impossible to secure a policy statement. For example, who was responsible for a decision as to the Belgian Congo.

Mr. Patterson asked what agency or person made the determination as to whether articles were handled on a Lend Lease or commercial basis. Mr. Perkins stated that a similar question was raised by the Republic Chemical Corporation letter, copies of which had apparently been sent to several Board members. (Letter to Mr. Stettinius dated December 8, 1942 in which the question was raised as to why private exports of "paraffin waxes" were now being handled under Lend Lease.)

In response to a question by Mr. Patterson, Mr. White stated that one problem which had never been answered was whether from a dollar standpoint the British Empire should be considered as a single entity, or whether the parts should be considered individually. As a result, when the Treasury was asked as to the dollar position of one part of the Empire, it was not in a position to supply the information since reports of the parts of the Empire were only reported through the Empire overhead group. Giving South Africa as an example, he indicated that if the dollar position were to be calculated on the basis of the Empire, there was no point in securing data as to the South African position.

The question of the policy of the United States and the British with reference to the maintenance of foreign commercial personnel was raised as it bore on the question of dollar balances, it being pointed out that it could be argued that the United States was in effect enabling the British to maintain foreign trade connections and at the same time denying assistance to our importers and exporters. Mr. Stettinius stated that the British answer to this type of question was that they were paying only for necessary services rendered.

As part of the same general policy, Mr. Rockefeller raised the question of other United States activities abroad involving finances which were in effect subsidies.

The question of the use of "reimbursable" Lend Lease was also raised. Apparently, originally Lend Lease was used when a country needed war materials and the purchase was not possible because of the absence of funds. The present use of "reimbursable" Lend Lease, however, seemed to have a different and inexact basis.

Mr. Rockefeller stated that as he understood the use of Lend Lease in the Puerto Rican area, the government's action certainly seemed open to criticism.

It was suggested that a technical sub-committee be appointed to study the several problems involved and to report back to the Board. It appeared that in addition to the Treasury Department, Lend Lease Administration, State and Board of Economic Warfare, Commerce and the Coordinator's Office should also be represented.

The question having been raised as to representation of the Bureau of the Budget on the sub-committee, Mr. Coy stated the Budget Bureau was quite confused as to the policy of the government, that the Bureau was studying the question involved in foreign subsidies from various funds, and that so far it had been unable to determine the factors determining the extent of subsidies, or determining which funds were used. It was quite clear that specific foreign situations could be handled by funds

from any one of several sources.

Mr. Acheson stated his fear that the problems raised covered such a wide range that any committee would have an impossible task and indicated that the Lend Lease problem was one of considerable magnitude by itself, there being involved the question of what other countries could contribute to the war effort.

Mr. White proposed that the committee might attempt to outline the principles determining the extent of Lend Lease aid, the use of Reverse Lend Lease, and the methods to be used (private versus public) and types of products to be included.

Mr. Coy stated that a discussion of the problem set forth by Mr. White with reference to the extent of Lend Lease could also be raised in a number of programs not involving Lend Lease, mentioning specifically certain loans and purchases.

Further discussion served to make it clear that the question of policy with reference to the use of subsidies and a method of reaching decisions was in need of clarification. It was generally agreed that clear answers were not available to many questions which had been raised by members of Congress, exporters, and importers, as well as representatives of the several agencies present and that the procedure for securing answers was likewise not clear.

There was further discussion of the functions of the sub-committee, and it was decided to give the sub-committee considerable leeway, with the possibility that further sub-division might be necessary.

Mr. Acheson stated that with the scope of the committee involving extensively the foreign trade policy of the United States, he would suggest that the Vice President discuss the question with Secretary Hull.

The Vice President suggested that Mr. Acheson report to Mr. Hull the discussion in the committee and that he convey to Mr. Hull his (the Vice President's) concern that a clear statement of policy be available, particularly with reference to the position of the United States towards the British Empire problem.

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The Secretary of Agriculture
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Further discussion served to make it clear that the question of policy with reference to the use of subsidies and a method of reaching decisions was in need of clarification. It was generally agreed that clear answers were not available to many questions which had been raised by members of Congress, exporters, and importers, as well as representatives of the several agencies present and that the procedure for securing answers was likewise not clear.

There was further discussion of the functions of the sub-committee, and it was decided to give the sub-committee considerable leeway, with the possibility that further sub-division might be necessary.

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DEC 17 1942

My dear Mr. Williams:

Mrs. Morgenthau and I wish to thank you and Mrs. Williams for your many courtesies during our visit to Winston-Salem. We have not made a more pleasant trip since our stay in Washington and the time we spent with you added much to our enjoyment.

We came away with a better feeling about the job we are all trying to do in this time of emergency.

It was a delightful experience for us and we are both looking forward to the time when we can meet again.

Mrs. Morgenthau joins me in extending to you both every good wish for Christmas and the New Year.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Clay Williams
Robert E. Lee Hotel
Winston-Salem, N.C.

Copies in Diary

December 17, 1942

My dear Eleanor:

I am enclosing herewith a memorandum from Mr. D. W. Bell, which will bring you up to date on the matter of cashing checks at Union Station.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House.

Copy to Mrs. Morgenthau
(Letter and enclosure)
File in Diary

Sent by Sturgis 5:30 12/17



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

December 17, 1942

TO THE SECRETARY:

Subject: Cashing Government checks
for persons in the military
service, and their wives.

I talked to Mr. Tolson, in charge of Union Station, and he advises me that this matter came to his attention about ten days ago, at which time he ordered a survey made to ascertain if possible the probable volume of such checks. In a week's survey he found some need for facilities to cash checks in the ranks of persons in uniform, but he has had no case brought to his attention where the wife of a military man asked to have a check cashed.

In order to take care of the situation, he has authorized certain of his ticket agents to cash Government checks for men in uniform when they present proper identification. This is a twenty-four hour service. As I said, he has not as yet had a case of the wife of a military man, but if he should get one, it would be handled on its merits. He feels that he can not advertise the fact that these ticket agents are cashing Government checks for the reason that he believes he would get such a volume from the Navy Yard and other sources that he could not possibly take care of them, but the person in charge of the Lounge at the Station has information as to the windows which will cash the checks and when a soldier asks for that information he will be directed to the proper window.

Mr. Tolson will continue to study this and if the volume gets such that it can not be taken care of at the ticket windows, he will have to set up some special facilities to handle the matter. He has promised to keep in touch with me from time to time and keep me advised as to how it is going.

dwB



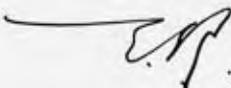
THE WHITE HOUSE
WASHINGTON

December 10, 1942

Dear Henry:

In the Government lounge, where Mrs. Helm has been working on Sundays, she tells me that the boys sometimes come in with pay checks. On every day but Sunday you cash these, but they are just as bad off sometimes on Sundays. She wonders whether you could either authorize some one, or put some one in the Central Post Office near the station on Sundays, to cash these checks. Will you let me know what you think might be done?

Very sincerely yours,



THE WHITE HOUSE
WASHINGTON*Personal*

December 17, 1942

Dear Henry:

Your note just received. It is about as sensible as Jimmy Valentine asking a third rate locksmith how to get into a safe.

In order that Pa may "rest in peace", why not head Fanny Perkins off after Cabinet today and take it up with him then, as you threatened to do two weeks ago?

Seriously yours,

M. H. McINTYRE
Secretary to the President

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

December 15, 1942

Dear Marvin:

I have received your memorandum of December 11th together with the enclosed carbon of a letter which Donald Nelson and I sent to you on November 27. In this memorandum, you state that we should take this matter up with the President. How does one go about doing that?

Sincerely yours,

(Signed) Henry

Honorable Marvin McIntyre,
Secretary to the President,
The White House,
Washington, D.C.

Complete file in Diary

By Mason

Harman 4:50
12/16/42

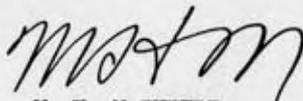
THE WHITE HOUSE
WASHINGTON

December 11, 1942

MEMORANDUM FOR SECRETARY MORGENTHAU:

Please note the last paragraph in your letter to me of November twenty-seventh, copy of which is attached.

I don't know whether you have taken it up with the President or not, but if not, will you arrange it as per your suggestion?



M. H. McINTYRE
Secretary to the President

Attachment

WAR PRODUCTION BOARD
WASHINGTON, D. C.

November 27, 1942

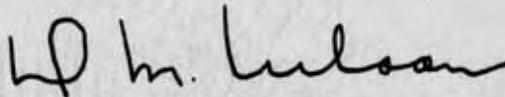
OFFICE OF
JOHN LORD O'BRIAN
GENERAL COUNSEL

Dear Henry:

As requested in your letter of November 9th, I have prepared and signed a letter to Mr. Marvin McIntyre giving him the information requested in the letter to him of October 30th, from Congressman Compton I. White.

If this meets with your approval, will you please sign and deliver it to Mr. McIntyre?

Sincerely,



Donald M. Nelson

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



NOV 27 1942

Mr. Marvin McIntyre
Secretary to the President
The White House

Dear Mr. McIntyre:

Congressman White's letter to you of October 30, 1942, seeking an expression of the President's wishes with respect to legislation to provide relief for operators of gold mines compelled to close down by recent order of the War Production Board, which you referred to us for reply, raises a very important question.

While we are acutely conscious of the hardship which the order in question has brought upon the gold mine owners and operators, we regard this as but one of the important aspects of the broad national problem of the dislocation of normal debtor-creditor relationships and property rights, resulting from the imposition of government control over materials and facilities in order to insure maximum war production. Steps to alleviate the financial distress of the gold mine operators if taken at all should only be taken in conjunction with measures of wider scope, having as their objective the equitable and orderly adjustment of financial relationships in general, which have been disrupted by compliance with orders and regulations of government war agencies.

Our joint position with respect to the entire problem may be adequately expressed by quoting the following excerpts from the testimony of the Chairman of the War Production Board before the Senate Special Committee To Study Problems of American Small Business, Wednesday, September 30, 1942:

"Whatever means may be selected for making the adjustment of claims, these means should above all be coordinated with the operations of the War Production Board in the latter's moves to put people, inventories, machines, buildings, and land, into productive war work. I cannot over-emphasize the necessity for quickly removing whatever obstacles to freedom of action by the War Production Board may be presented by the accumulated debtor-creditor claims.

Mr. Marvin McIntyre

- 2 -

"I am not presenting a bill, nor am I prepared to outline the details of how best to provide for the orderly adjustment of financial claims against physical, productive assets. Much more study of the problem is required than has yet been given to it. But I would like to repeat the proposition that no action should be taken by the Congress or by administrative agencies which will immobilize or freeze into an unproductive state for the duration of the war any of the elements of productive capacity - management, labor, materials, machinery, buildings or commercial land."

There will be increasing pressure for relief of the kind suggested in Congressman White's letter with the increasing severity of priority orders. We would suggest for the President's consideration, the appointment of a committee representative of the interested government agencies to study this whole problem and report to him their recommendations. If you will make the arrangements we will be glad to talk with the President about this matter after the Cabinet meeting on next Friday.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Henry Morgenthau, Jr.
Secretary of the Treasury

(Signed) D. W. Nelson

Donald W. Nelson, Chairman
War Production Board

Del. by SS Agent 6:17 12/4/42
File in diary

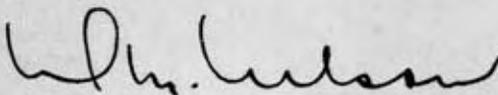
WAR PRODUCTION BOARD
WASHINGTON, D. C.OFFICE OF
DONALD M. NELSON
CHAIRMAN

November 11, 1942

My dear Mr. Secretary:

I have asked our Legal Division to prepare a joint reply to the questions raised by Congressman White in his letter of October 30 to Mr. McIntyre, and shall have it in your hands the early part of next week.

Sincerely yours,



Donald M. Nelson

The Honorable
The Secretary of the Treasury

November 9, 1942.

Dear Donald:

The enclosed letter from Congressman Compton I. White has been forwarded to me from the White House, with the request that an answer be prepared in cooperation with W.P.B. Would you be so good as to prepare a reply for our joint signatures? I would appreciate your assistance in this matter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Donald M. Nelson,
Chairman, War Production Board,
Social Security Building,
Washington, D. C.

Enclosure.

GMF/see

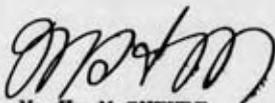
Sent by Mess. Givens
4:27 11/10/42.

THE WHITE HOUSE
WASHINGTON

November 5, 1942

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

The attached is self-explanatory.



M. H. McINTYRE
Secretary to the President

Attachment

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THE WHITE HOUSE
WASHINGTON

November 2, 1942.

MEMORANDUM FOR

MAC

Will you get an answer
prepared to this by Treasury
and WPB?

F. D. R.

C O P Y

HOUSE OF REPRESENTATIVES
COMMITTEE ON
IRRIGATION AND RECLAMATION
Washington, D. C.

October 30, 1942

Colonel Marvin McIntyre,
Secretary to the President,
White House,
Washington, D. C.

Dear Colonel McIntyre:

The government order discontinuing the operation of gold mining properties for the duration is a severe hardship on owners and operators who must assume the expense of maintenance and who are obligated under contracts for payments on their property as well as equipment. In this connection, I am transmitting herewith a letter which I have received from Mr. M. F. Ward, 1102 Third St., Lewiston, Idaho, part owner and operator of a gold mine in the Elk City district of Idaho, and I call your especial attention to his statements as follows:

"Unfortunately, during our four years of successful production, the profits were spent on development and the installation of expensive, but necessary, equipment; which places us in the position of having a well developed mine with fine equipment, but, in poor shape to cope with the present emergency. As you well know, a mine can not be simply shut down, but must be constantly maintained, which is not only expensive but without compensation. In addition to being without income from the mine and having to maintain the property, I, because of a contract made several years ago, am bound to make large monthly payments on the property."

I shall appreciate it if you will take this matter up with the President and advise me of his wishes concerning an equitable adjustment of this situation. If he believes that legislation declaring a moratorium on contract payments due where mines have been closed by the emergency, I shall be glad to introduce a bill for that purpose, and I shall also be agreeable to cooperating in any other manner to secure relief for the good people who have put their time, effort and money into developing the mining resources of our country.

Sincerely yours,

/s/ Compton White

Compton I. White, M.C.

te

COPY

Lewiston, Idaho
Oct. 26, 1932

Hon. Compton I. White
House of Representatives
Washington, D.C.

My Dear Mr. White;

I am taking the liberty of presenting to you the problems which confront me, as the owner and hither-to, operator of a gold mine in Idaho. I do so, in the hope that thru your effort, honesty and good judgement, something will be done to protect, not only me and my interests, but, I dare say, many who find themselves in similar circumstances.

The mine, which is privately owned by myself and two partners, with no corporation or stockholders, is located in the Elk City district of Idaho and normally employs from twenty five to forty men. Unfortunately, during our four years of successful production, the profits were spent on development and the installation of expensive, but necessary equipment; which, places us in the position of having a well developed mine with fine equipment, but, in poor shape to cope with the present emergency.

As you well know, a mine can not be simply shut down, but, must be constantly maintained; which is, not only expensive but without compensation.

In addition to being without income from the mine and having to maintain the property; I, because of a contract made several years ago, am bound to make large monthly payments on the property.

We are wholly in accord with any step which might, in any small way aid the war effort. However, I should like to know that I will be able to protect the investment which represents the lifetime effort of a small group of serious, hard working people; which until the present emergency arose, was a gratifying achievement.

I feel sure that you will agree, that if direct aid to owners for the maintainance of mines, is not possible, at least, there should be a moratorium declared on payments to be made on mining properties where production has been ceased because of the war effort.

I trust that you will find time to give our problem consideration.

Thanking you kindly, I remain,

Very truly yours,

/s/ M. F. Ward
M.F. Ward
1102 3rd St.,
Lewiston, Idaho

December 17, 1942

Dear Bill:

With further reference to your note of December 3 concerning Madame Tubelis, we find that the funds from which she derives her support, and from which any increase in her allowance would have to come, can be drawn on only by the Lithuanian Minister. The Minister receives, under a monthly renewable Foreign Funds Control license, funds for the Legation's expenses, including his salary.

If the Minister will agree to increase the amount made available to Madame Tubelis, we will be glad to increase the monthly license by an equal amount. Persuading the Minister to do this would appear to be the job of the State Department, and we have informally advised State that we will increase the amount of the monthly license if the Minister will undertake to make additional funds available to Madame Tubelis.

Yours sincerely,

(Signed) Henry

Mr. William C. Bullitt,
2447 Kalorama Road, N.W.,
Washington, D. C.

Copy in Diary

File direct to Paul
12/18/42

MLHoffman:hd 12/17/42

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Dec. 8, 1942

TO Secretary Morgenthau
FROM Randolph Paul

Attached is a copy of an acknowledgment of Mr. Bullitt's letter concerning Madame Tubelis which you referred to me yesterday. The matter is complicated by the fact that the former President of Lithuania, A. Smetona, who is supporting Madame Tubelis, receives his funds from the Lithuanian Minister, who apparently is not sympathetic to Madame Tubelis. The Lithuanian Minister is the only person who has the power to draw on Lithuanian funds.

I learned that this matter has also been raised with State and that State believes that something can be worked out by convincing the Lithuanian Minister that he has an obligation to see that Madame Tubelis receives the amount of the pension due her under Lithuanian law. Since State is already attempting, through diplomatic channels, to work out some adjustment of this matter, we propose to take no further action at this point. We will continue to press State on the matter and if State is unable to solve the problem, we will then consider the use of our licensing powers to bring the Minister into line. Of course, State would expect us to clear anything of this character with them in any event.

R. C.
12-10-42

Attachment

133
Followed up with
Beble 12/14/42 -

December 8, 1942

Dear Bill:

I have your note of December 3rd concerning Madame Tubelis. We are checking into the matter and will let you know as soon as possible what, if anything, can be done by the Treasury to improve her situation.

With kind regards,

Sincerely yours,

(Signed) Henry

Honorable William C. Bullitt,
2447 Kalorama Road, N.W.,
Washington, D.C.

File to Paul
Photo file to MKM

2447 KALORAMA ROAD, N. W.
WASHINGTON, D. C.

June 11, 1945.

Personal.

Dear Henry:

As I said to you on the telephone last evening, Madame Jadwiga Tubelis, widow of the former Finance Minister of Lithuania, who was Prime Minister for ten years, and is entitled under Lithuanian law to a pension by virtue of the positions her husband held, is in great financial difficulty. She is at the moment living in an unheated garret room in Brooklyn for which she pays ten dollars a month. Her position is aggravated by the fact that her twenty-year old daughter, who is a cripple, is about to leave the school at which she has been kept through charity without cost to Madame Tubelis. The daughter wishes to continue her studies at Columbia, if possible, and Madame Tubelis needs therefore funds assigned to her from the Lithuanian monies from which payments are now being made to the former President of Lithuania, A. Smetona.

Madame

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

2447 KALORAMA ROAD, N. W.
WASHINGTON, D. C.

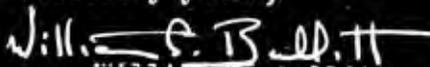
- 3 -

Madame Tubelis says that she and her daughter can get along very well indeed on \$500 a month. She is, as I said to you, a most capable and intelligent lady and worthy of any assistance you can give her. Between ourselves, I suspect that the Lithuanian Minister in Washington, who is a very small and mean potato, will be of no assistance.

Since I know both Tubelis and his wife well in the days when they were powerful and happy, I feel a deep personal interest in this case. So far as I know, Tubelis is about the only Minister of Finance aside from yourself who rigorously refrained from putting one penny abroad for saving himself on an evil day. I think his widow and daughter should be rewarded and not punished for his honesty and I hope that you may be able to let them have the \$200 per month.

I append a brief statement with regard to the case.

Very sincerely yours,


William C. Bullitt.

Enclosure:

Statement as indicated above.

2447 KALORAMA ROAD, N. W.
WASHINGTON, D. C.

MEMORANDUM

Madame Jadwiga Tubelis and daughter, Maria Tubelis, widow and daughter of Joseph Tubelis, former Finance Minister and Prime Minister of Lithuania.

Madame Tubelis and daughter left Lithuania on June 17, 1940, two days before Soviet occupation of Lithuania, spent three months in Germany, and came to the United States in October 1940.

Madame Tubelis came to the United States under a group visa issued to the family or household of President A. Smetona of Lithuania, who is her brother-in-law. President Smetona at the present time is receiving \$800 per month from Lithuanian funds in this country and has given Madame Tubelis \$100 per month from this sum; but he is doing so more and more reluctantly each day "on account of the increased high cost of living in America", and it would be preferable if Madame Tubelis could be placed on a basis of \$200 per month as the widow of the former Prime Minister of Lithuania.

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12/17/42

Mr. White

Secretary Morgenthau

Would you please handle this directly with
Mr. Currie?

Treasury Department
Division of Monetary Research

Date December 11, 1942 19

To: Secretary Morgenthau

From: Miss Kistler

I am not clear that the understanding reached involved constant and joint consultation with the Canadian Ministry of Finance. If it was agreed upon, it was done before I arrived at the meeting.

THE WHITE HOUSE
WASHINGTON

December 8, 1942.

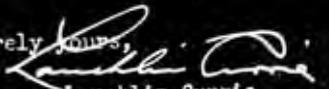
Dear Mr. Secretary:

The following is my recollection of the understanding which you reached with Mr. C. E. Wilson, Chairman of the Joint War Production Committee, U. S. and Canada, this morning:

1. The Secretary of the Treasury and the Canadian Minister of Finance shall keep close watch upon Canada's United States dollar position.
2. Whenever the Canadian dollar position appears to be excessively drawn down or built up the Secretary shall, after consultation with the Canadian Minister of Finance, notify the Chairman of the American Committee that it would be desirable within a given period to have additional payments of a certain amount made to Canada or to have payments of a given amount withheld.
3. If more payments are indicated the Chairman could request the procurement agencies to make advance payments on contracts. If less are indicated, the Chairman could, in agreement with the Chairman of the Canadian Section, cancel certain orders on which delivery is currently being made. It is presumed that these orders would be for British-type equipment, destined for Britain and financed with lend-lease appropriations. In the case of such cancelled orders the Canadian Minister of Munitions could simply debit them to the gift to Britain.

You will note that these suggestions imply further consultation with the Canadians. I have already got the assent to the principle involved from Mr. C. D. Howe, Minister of Munitions. So far as I know, however, nobody in the office of Mr. Ilsley, the Minister of Finance, has been approached.

Sincerely yours,


Lauchlin Currie
Administrative Assistant
to the President.

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

DEC 17 1942

My dear Mr. Secretary:

This will acknowledge the receipt of your letter of December 7, 1942 relating to non-military matters arising in connection with the military occupation of territories in Europe and North Africa.

This Department will be very glad to cooperate with your Department and other agencies of the Government in dealing with the problems referred to in your letter.

As you know, Mr. Josiah E. DuBois of this Department already is en route to North Africa as a member of the special mission you mention. The status of Mr. DuBois as set forth in your letter is agreeable to this Department. In this connection we assume that while all reports and other communications will be made by Mr. DuBois through Mr. Murphy to the Secretary of State and to the Treasury Department or other agencies, he will be perfectly free through these facilities to furnish this Department with his views and recommendations concerning problems of interest to this Department. Similarly we will be free to communicate to Mr. DuBois on the same basis.

We also are in accord that men who may be sent to replace the chief representatives of the Treasury in this service shall have a like status in all respects to that accorded Mr. DuBois.

We are inclined to believe that the definitive status of personnel which the Treasury Department may provide for more permanent assignment in North Africa should be considered at the time of their designation for such duties and in the light of conditions then prevailing. Among other things, this Department will want to consider the

- 2 -

type of personnel requested, their availability and contemplated duties, and the extent to which this Department may be called upon to contribute to the program in general. However, it is not anticipated that these considerations should be the cause for any delay or difficulty and we will be glad to canvass the subject further whenever you suggest.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Photostat File - Diary
Orig. File - DWB
copies - White

Del. by Sturgis 5:30 12/11/42

AFL:nrd - 12/16/42.

1766

DEPARTMENT OF STATE
WASHINGTON

December 7, 1942

My dear Mr. Secretary:

Pursuant to directives which the President has given to me concerning the economic, political and fiscal questions which are developing in the wake of our Armies in North Africa (and similar problems which will develop throughout the world) an Office of Foreign Territories has been established in the Department of State. By agreement between the Secretary of Agriculture and myself Mr. Paul Appleby has been temporarily loaned to the Department of State to serve as Special Assistant to me and to take charge of this Office which has responsibility for dealing with all non-military matters arising as a result of the military occupation of territories in Europe and North Africa by the armed forces of the United Nations and affecting the interests of the United States.

Since the President has put this responsibility upon me, and since obviously the carrying out of the assigned functions calls for cooperative action so as to assure the effective and coordinated use of the resources of various governmental departments and agencies, I am writing to request your cooperation and assistance.

Specifically, Mr. Appleby has been charged with the responsibility of organizing a special reoccupation mission, which will be sent to North Africa at the earliest possible date, to assist Mr. Robert Murphy, Chief Civil Affairs Officer and for the present, by directive of the President, a member of General Eisenhower's staff, in dealing with all non-military problems arising in that area. To assist Mr. Murphy in dealing with

these

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



these questions, I shall greatly appreciate your detailing two competent members of your staff to accompany this special mission to North Africa. It is contemplated that the members of the mission will be assigned to the field only temporarily, for the purpose of getting the necessary work started. At an early date I shall probably request your assistance in recruiting personnel for more permanent staff assignment in North Africa.

In the case of the two representatives of the Treasury Department on the original and immediate mission, and the corresponding representatives of other agencies, their assignments will be temporary, though of varying and flexible periods. It is intended that they shall return to their duties in their respective agencies at the end of their present assignment. I assume, therefore, that you will wish them to retain in all respects their present status in the Treasury Department and that their salaries will continue to be paid by the Treasury Department in their capacity as employees of that Department. That is the plan which it is proposed to follow.

Since, on the other hand, it is essential that the members of this special mission be given appropriate status under the Department of State, they would be designated temporarily, for the duration of their respective assignments in North Africa, as Special Advisers on North African Affairs in the Office of Foreign Territories, Department of State; as such, appropriate instructions and travel orders will be issued to them by the Department, after consultation with your agency, and their travel and similar expenses, including per diem, would be paid by the Department from funds which have been made available by the President for this purpose. They will be given diplomatic passports.

The members of the aforementioned mission will report for duty in Algiers to Mr. Murphy, the Chief Civil Affairs Officer. They will be subject in all respects to his authority and they will work under the general direction of Mr. Murphy. Instructions prepared as required in consultation with the other agencies concerned in Washington will be issued to them by the Secretary of State through Mr. Murphy. Reports and other communications will be made by them through Mr. Murphy to the Secretary of State and to the Treasury Department or

other

other agencies. As a matter of practice, outgoing telegrams would be headed, e.g., "For Murphy and DuBois", and incoming telegrams would be headed "For OFT and Treasury". It is intended that men who somewhat later may be sent to replace, for a longer period but not on permanent assignment, the chief representatives of the Treasury in this service, shall have like status in all respects.

In the case of personnel which the Department may later request you to nominate for more permanent staff assignment in North Africa, it is intended that such persons shall be appointed in the Auxiliary Foreign Service, Foreign Territories Division, Department of State. Their salaries, however, will continue to be paid by the department or agency with which they are connected, and their tenure as employees will continue to be dependent on the decision of their respective departments or agencies.

I should appreciate your informing me promptly if the foregoing arrangements are agreeable to you so that no further time may be lost in completing the organization of this mission and despatching it to North Africa.

Sincerely yours,

A large, stylized handwritten signature in white ink, appearing to read "C. DeLoach". The signature is written in a cursive, flowing style with a large initial "C" that loops around the rest of the name.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 17, 1942

TO Secretary Morgenthau

FROM Mr. White

Subject: VIEWS of the BELGIAN GOVERNMENT With Regard to
OCCUPATION CURRENCY

The Belgian Government in London has transmitted a memorandum to Ambassador Biddle expressing in strong, though diplomatic, language its objections to the procedure followed by the United Nations in issuing occupation dollars and pounds sterling in North Africa and indicating a determination that the North African procedure shall not constitute a precedent for Belgium. The Belgian Government also indicated that its Ambassador in Washington was being instructed to take up this matter with the United States Government.

The points made in the memorandum of the Belgian Government are the following:

1. The Belgian Government is prepared to put at the disposal of the American Government a sufficient quantity of Belgian notes to cover the needs of an American Expeditionary Force in Belgium.
2. "... the Belgian Government feels concerned regarding the monetary and social effects which might eventually result both in the Congo and in Belgium, after the liberation of the latter's territory, from the rate of exchange adopted in North Africa".
3. The rate of exchange between the Belgian franc and the dollar is a question which "falls within the sovereignty of the Belgian Government, guaranteed in principle by the Atlantic Charter". The Belgian Government will consult with the American authorities on the rate of exchange but must regard the final decision on this question as its own.
4. The Belgian Government "attaches the greatest value to receiving the agreement of the American authorities" with regard to the points listed above.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRETU.S. SECRETOPTEL No. 436

Information received up to 7 A.M., 17th December, 1942.

1. MILITARY

LIBYA. 15th. Our troops made a number of small but successful attacks on enemy rearguards holding area RAS EL AALI - MARBLE ARCH. Some of our armoured units reached MERDUMA and the main road 12 miles northwest of MARBLE ARCH during the afternoon but 1st Division advancing in the coastal area were delayed by mines although leading elements reached 'L AGHEILIA'.

16th. 2nd New Zealand Division took up positions from MATRATIN southward along the WADI RIGEL and in the MERDUMA Area cutting the enemy columns in two. Enemy units to the east of these positions including 15th Panzer Division were trying to break through and were losing heavily and 7th Armoured Division advancing upon them from the east had reached MARBLE ARCH by noon. Further west the road between RAS EL IHUDIA and NOFILIA was blocked with the enemy who were heavily attacked by the R.A.F. Fighting continues and the enemy is being severely mauled.

RUSSIA. No confirmation of German claim to have encircled a Russian Shock Force southeast of TOROPETZ. It appears that the German thrust southwest of STALINGRAD has been checked.

2. AIR OPERATIONS

WESTERN FRONT. 16th. 11 enemy aircraft operated over Southern England. Two were shot down and two damaged. Gas works at Bognor Regis seriously damaged. 5 killed in attack on train in SURREY. 16th/17th. 28 aircraft were sent out - Diepholz Aircraft Park near OSNABRUCK 8, seaming 20, One missing.

ITALY. 14th/15th. Liberators from Libya bombed NAPLES starting fires near the main power station and oil storage depot. Bursts also seen near railway station, arsenal and steel works but low cloud hampered observation.

TUNISIA. 15th/16th. Wellingtons bombed and hit barracks and the railway centre at TUNIS. Bombs dropped on the canal reported to have blocked the entrance. LA GOULETTE also attacked.

TRIPOLITANIA. 15th. Light bombers and fighters maintained harassing attacks on enemy M.T. west of 'L AGHEILIA. 16th. The road from RAS EL IHUDIA to NOFILIA was blocked with enemy transport which was heavily bombed and shot up at 15 minute intervals.

BURMA. 15th. CHITTAGONG Airfield was bombed by 18 escorted Japanese bombers. Damage was negligible.

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Following is supplementary resume of operational events covering the period 10th to 17th December, 1942.

1. NAVAL

Throughout the week bad weather has caused considerable disorganization of convoys to and from NORTH AFRICA. No change in disposition of German heavy ships - 1 Cruiser and 2 Light Cruisers Northern NORWAY, TIRPITZ still in FRODOHLEIB area. Over 20 submarines and some 150 aircraft in NORWAY. Gulf of BOHNER beginning to freeze one month later than usual. Freezing will interfere with German iron ore traffic from SWEDEN.

MEDITERRANEAN. H.M. Submarines and Naval Aircraft claim 6 ships destroyed and 8 hit including a Destroyer in Central Mediterranean. Three LIPTORIO class Battleships and 2 8" cruisers which recently left NAPLES and MESSINA respectively not so far since located.

SUBMARINE WARFARE. Passage of recent homeward bound north Atlantic convoy outstanding example of air and surface craft collaboration. Convoy shadowed and attacked by some 20 U-boats over period of 3 or 4 days only lost 2 ships. First day air escort flew 8 hundred miles to reach convoy and stayed in company for 6 hours. Considered that more than 1 ship would have been lost following night if presence of this aircraft during day had not kept submarines down. Next day aircraft in company for 8 hours and made 7 attacks, one very promising. 2 other aircraft also assisted. Following day weather conditions prevented air escort and second ship lost. Next night 14 attacks developed but were beaten off by surface escorts which made several promising counter attacks. Last day aircraft with this convoy again carried out very promising attack on U-boat. 3 other promising attacks by Naval craft other areas reported during the week.

TRADE. Since beginning of July 1942 six Italian ships totalling nearly 30,000 tons previously engaged in BILBAO-BAYONNE ore trade have passed through STRAIT OF GOVER. Imports in convoy week ending 12th 184,000 tons, including 6,000 oil.

2. MILITARY

LIBYA. Enemy losses in confused fighting during rearguard action in OFILIA area - 20 tanks and several hundred vehicles destroyed and 30 guns and 200 prisoners captured. Our casualties very light. Both railway and ports continue to handle satisfactory tonnage. BANGHARI capacity especially showed gratifying increase.

FRENCH NORTH AFRICA. The recent withdrawal to our present positions are not repetition not the result of enemy pressure. Allied forces now cover the road running from BEJA. Good lateral communications ensured and forward troops operating under better conditions as regards terrain. Withdrawal made with few casualties but - United States Armoured combat command was compelled by mud to abandon many tanks and mechanical transport on 11th. Enemy infantry (?and) tank attack at MEDJES ALPHAB repelled by combined United Kingdom-French force. Axis reinforcements continue despite heavy bombing of bases. Estimated strength - 15,000 Germans and 12,000 Italians, serviceable German tanks about 100, Italian about 50.

BAR EAST. BURMA. Enemy strength in AKYAB Area estimated 1 regiment with artillery.

3. AIR OPERATIONS

WESTERN FRONT. Owing to bad weather no important bombing operations either by day or night. During coastal operations at least 3 ships totalling 15,000 tons were hit besides a 2,000 ton tanker damaged. Two hundred and eleven sea mines laid.

LIBYA. Our fighters and fighter bombers followed our advance closely and were very active against retreating enemy columns. Light bombers and United States bombers and fighters also co-operated. Attacks on transport aircraft and shipping, both on Libyan and Tunisian supply routes were continued by aircraft from MALTA. United States bombers from LIBYA again attacked NAPLES by day.

- 2 -

FRENCH NORTH AFRICA. Continued heavy attacks on TUNIS and BIZERTA by Wellingtons by night and escorted United States Fortresses and Liberators by day.

RUSSIA. Russian air force made concentrated attack on transport aircraft supplying German 6th Army and on German airfields and railways. STALIN-GRAD - ROSTOV line is cut southwest of MOROSOVSKAYA.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE.

LILLE. United States attacks 8th November and 6th December at ATELIER D'HELLEMS. Damage to several shops and foundry. Over 10 locomotives destroyed, many others damaged. Railway traffic seriously dislocated by locomotive shortage. At Fives-Lille many shops damaged and several are being reroofed. Locomotives unable to use engine depot for 3 days owing to damage to permanent way.

TURIN. Reliably reported that Macchi has been obliged to hold up production of 202 type fighters owing to shortage of engines. Repeated attacks have been most effective and made attempts at re-organization difficult. Noticeable effect on population who regard re-organization as a hopeless task and are therefore uncooperative.

5. HOME SECURITY

Estimated civilian casualties week ending 6 A.M., 9th - killed 36, seriously wounded 58.

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NUMBER 62

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OFFICE OF STRATEGIC SERVICES

THE WAR THIS WEEK

December 10-17, 1942

Printed for the Board of Analysts

Copy No. 6

The Secretary of the Treasury

DECEMBER 10-17, 1942

SECRET

THE WAR THIS WEEK

The Soviets have closed the pincers about the German Sixth Army between the Don and Volga Rivers, but the southern arm remains relatively weak and inadequately supported against a strong enemy counterattack.

While the Allies are apparently consolidating their present positions in Tunisia, the Germans continue to reinforce their bridgehead with considerable rapidity. Enemy forces may number more than 35,000 in that area, and German air power has been notably strengthened—a situation suggesting that the Axis may now intend a major defensive stand in Tunisia. Meanwhile Rommel is executing a strategic retreat from El Agheila, along the exposed Libyan highway. If Rommel retires to the Buerat-Misurata region, he will have greatly eased his own supply problem and rendered that of the British correspondingly more difficult.

As Allied forces continued to narrow the hold of the Japanese on the beaches about Buna, the enemy boldly made a fresh landing some 45 miles to the northwest, aimed perhaps at diverting Allied strength and increasing the security of Japanese bases at Lae and Salamaua.

The Soviet Pincers Close

Near Marinovka, on the Don bend-Stalingrad Railway, the Russian pincers have now closed, entirely surrounding the German Sixth Army between the Don and the Volga. But the contact between the broad northern arm and the relatively weak and poorly supplied southern arm remains unstable, and the Soviet triumph is by no means complete. While the Russians have maintained the offensive in Stalingrad itself, the invaders have made every effort to rescue their 20 or more entrapped divisions—by counterattacking against the northern pincers from the upper part of the Don

bend, and against the southern pincers from the Kotelnikovo railhead. In the latter sector, the supply situation favors the Germans. For supplying the Sixth Army the invaders are apparently using large numbers of Ju-52's flying at high altitudes. The Russians report taking a heavy toll of these three-motored transports, and add that the Nazis are pressing all available planes into service, including mail carriers.

Similarly on the central front, the Russian drive below Rzhev toward Beli suggests that Rzhev itself may soon be completely isolated. Even if that should occur, however, the fall of the German outpost would not be inevitable, and Rzhev might offer a most effective "hedgehog" defense. Already the Nazis are counterattacking vigorously, especially in the Velikie Luki sector, where they have themselves encircled some Russian units southeast of Toropets.

The eight-day bombing of Murmansk, culminating in an unusually heavy attack on the tenth, suggests that the Germans will make strenuous efforts this winter to interdict the Allied supply lines to the north. Along the Don south of Voronezh, the Russians have staged a successful attack against an Italian-held sector. On the Caucasus fronts, the Red Army has maintained the initiative.

The Russian Press Warms Toward Its Allies

Concomitant with the recent Soviet successes, the Russian press and radio have been referring in friendly terms to Britain and the United States and explicitly calling them "Allies." The second front is no longer a subject of criticism, while the Russians apparently view our African campaign as the prerequisite for a continental landing. The *Moscow News*, an English language semi-weekly, has published articles denying that the Soviet Union is dissatisfied with our African venture, praising the North American medium bombers which have reached the Eastern Front, and describing the "ever-increas-

ing stocks" of medical supplies, food, and winter clothing sent as gifts to the USSR.

Retrospect on Finnish Policy

In reviewing the events of the past year, an observer of the Finnish scene finds few alterations in policy. The chief accomplishment of American diplomacy, he feels, was our success in keeping the Finns from attacking Soroka or indeed anywhere else along the line. Aside from that, however, our diplomatic messages have impressed the Finns far less than our actions, and our rupture of consular relations had more effect than all our protestations.

As "realists," our observer continues, the Finns have little faith in the Atlantic Charter. To induce them to withdraw from the war, Britain and the United States must give them food, a satisfactory peace settlement, and guarantees against Soviet aggression (including a proviso that no Russian troops will enter the country). Meanwhile, the Finns still regard the Continent as impregnable and the Nazis as invincible—Allied successes in Africa being too far away to have much bearing on the northern front. As for actual military operations, our observer continues, the Finns, who now have all the territory they want, feel aggrieved every time the Russians break the informal truce that has been in effect for the better part of the year.

Certain evidences of an independent Finnish line have appeared in the past month. The Nazi censors are permitting Finnish newspapers to publish Allied communiqués—so long as pro-Axis captions appear above them. Furthermore, despite the efforts of local superpatriots, several Finnish youth organizations have resisted reorganization on a totalitarian basis. The Finns, our observer concludes, are now groping to discover how they can save their country if their Nazi support collapses.

Change of Command in Germany

The replacement of General Franz Halder by General Kurt Zeitzler as Chief of the General Staff of the Army, and the appointment of General Hans Jeschonnek and Admiral Kurt Frick as Chief of the Air and Navy Staffs, respectively, have aroused newspaper speculation in this country about a supposed conflict between Nazis and "Junker" generals. Halder, however, was no Junker, and had never enjoyed high official favor, having failed to find a place on the list of generals promoted to the rank of field marshal after the fall of France. His successor, although an intimate of Himmler, head of the Gestapo and the SS, is not merely a politician, but has served as a regular Army officer since 1926. With the exact political and military significance of these changes is as yet unclear, the appointment of Zeitzler apparently represents a certain gain in power for the SS at the expense of Army careerists.

Operations in Tunisia

Although the weather is now improving, mud and heavy rains restricted land and air operations in Tunisia during most of the week. The movement of vehicles has been confined to roads, and in the forward area many of these were not usable. After the heavy losses in mechanized equipment suffered at Tebourba, the Allies were apparently consolidating their present positions, trying to move reinforcements and supplies to the forward area, and laying the basis for an expansion of air activities. German infantry and tank columns made three attacks on Medjes el Bab on December 10 and 11, and another attack southward from Mateur on the Allied spearhead. All attacks were repulsed. Subsequently the enemy has attempted infiltration around Medjes el Bab.

A small enemy force also reconquered Point de Falis in the southwest.

Farther south, small opposing forces continue to move for control of minor junctions on the east-west roads. The enemy is reported to be holding Kairouan, Djebel Kroussou, and other such points with forces ranging from 200 to 600 men.

Air warfare has followed the familiar pattern, but operations have been limited by the weather. The Axis has concentrated on Allied ports, shipping, and the communications center at Souk el Arim, the Allies on shipping, airdromes, and harbor and storage facilities in Tunis and Bizerte. The rain and mud enhanced the Axis advantage of possessing the only all-weather airdromes in the forward area.

The Allied Problem in Tunisia

The Axis is still reinforcing its Tunisian bridgehead. Its shipping losses have been costly, but it is apparently getting through a number of small boats. Air transportation has been on a large scale. Escorted flights of 20 to 30 Ju-52's seem to be taking place with some regularity, and 6-engine transports with a capacity of eighty men are also in use. Total enemy forces are believed to number more than 35,000 men, with about 17,000 German troops in the Tunis-Bizerte region. The latter are reported to include advance elements of the 10th Panzer Division, formerly in France. Reports also continue of heavy German troop and train movements into Italy.

The Axis has concentrated a powerful air armada in Sardinia, Italy, and Sicily, increasing the number of German planes here by several hundred. This concentration, together with Rommel's withdrawal and the steady growth of Axis

strength in Tunisia, suggests that Berlin is planning a major defensive stand in Tunisia.

The last general explanation of the Allied problem in Tunisia came in Secretary Stimson's release of last Saturday. After the prompt cessation of conflict in Algeria and Morocco, light forces raced ahead into Tunisia in spite of the fact that we had not had time for adequate preparation of air bases and lines of supply. This had to be done in an effort to deny the Germans the chance to gain control of Tunisia. The step by step foundations for our military operations are now being laid, and the real fighting thus lies ahead.

The ultimate objectives, Mr. Stimson said, were plain: "First, to expel or destroy Axis power in Tunisia; second, when that is accomplished, to attack Tripoli and destroy Rommel by getting in behind him; and third, finally to control, in conjunction with Great Britain coming from the other end, the entire North African coast and make the Mediterranean a safe line of communications with the Mid-East."

Rommel Withdraws in Libya

In contrast to press reports, the Axis withdrawal from El Agheila began as a strategic retreat with which British forces for a time lost contact. The enemy evacuated his advance positions east of El Agheila on December 12. Italian units had previously moved westward, and the large amount of movement observed suggests that the withdrawal may have been under way for several days. British infantry brigades, working their way through extensive minefields, had reached a point 40 miles west of El Agheila on December 15. At the same time, another British force advancing from the south cut off part of the retreating enemy, including some Panzer elements, 20 miles further west. Allied air forces have steadily bombed and strafed the retreating forces.

Observers suggest that Rommel halted at El Agheila

and reorganize his forces pending Germany's decision regarding reinforcement. Unusually strong natural positions were available here, especially at a point about 20 miles west of the town where the inland salt marsh extends to the coast, traversed only by the Libyan highway. Here Rommel would probably have made a stand, if the High Command in Berlin had decided to reinforce him, or if he had seen any opportunity for a counterattack. But if German higher strategy decided to concentrate reinforcement in the Tunisian bridgehead, Rommel could ease his own supply situation and lengthen British lines by withdrawing to the Berrat-Misurata region (see map, *The War This Week*, November 19-26). He could thereby relieve his fuel shortage, perhaps triple the effectiveness of his motor transport, and gain use of the road network and air bases of the Tripolitan area. Here also it would be more difficult for the British to amass the supplies needed for a knockout offensive, 500 miles from Benghazi and 700 miles from the railroad near Tobruk.

The primary strategic feature of the region between El Agheila and Misurata is the absence of any available line of movement other than the great Libyan coastal highway. The terrain to the southward is totally unsuited to any heavy motor transport. This means Rommel's entire Army—if it is to withdraw to the west—will be exposed to Allied air attack on a road 23 feet wide. But the pursuing forces must pass the same continual bottleneck, and can probably be effectively delayed by efficient demolition of causeways and bridges along the road. There are five major concrete bridges between El Agheila and Misurata.

It seems doubtful that the Axis would withdraw this Army west of Tripoli, an act which would make that port available as a base to which the Allies could ship abundant supplies accumulated in Egypt. This opinion is confirmed by the

movement eastward from Tripoli of Italian forces (which may consist largely of native units). Rommel's present forces are estimated at about 16,000 Germans, 20,000 Italians, 100 tanks and 140 planes.

Vichy: Collaboration and Its Results

As Vichy has settled down to serious collaboration with the Nazis, recent decrees have provided for the delivery of all arms, with heavy penalties for their transport, sale, or loan; have restricted the freedom of movement of French and foreign Jews; have extended the corporative organization of economic life; and have regulated concentration camps, imposing harsh punishment on those aiding prisoners to escape. According to Chilean diplomatic sources, German sailors have already appeared in southern France—presumably as prospective crews for the ships at Toulon that escaped destruction.

In reply to these measures, passive resistance has again become marked. At Marseille, reports of the first dock fires in many months suggest the outbreak of sabotage against Nazi arms shipments. In Alsace, the Strasbourg press has complained of the appearance of inscriptions vilifying the Germans and praising De Gaulle, the RAF, and the United States. Observers in Switzerland regard the Marshal's leadership as completely discredited with the French people, and Darlan's potential following as negligible compared with that of De Gaulle. Inside France, our informants state, the man in the street hardly knows the Admiral's name, which commands scant respect in any case. According to these observers, the French desire a union of De Gaulle, Darlan, and all other leaders in exile on the basis of a simple program for defeating the Germans, while following President Roosevelt's suggestion of leaving to the French people the organization of the future government of the country. Mr. Roose-

velt, our informants conclude, enjoys the complete trust of the French: personal appeals like his radio address of November 8 will find a heartfelt response.

Darlan Explains His Position

Nothing as yet indicates that American explanations about the Darlan affair have reassured the French public, according to one observer in Switzerland. Two days ago, the Admiral himself joined in the chorus of reassurance, advocating a "maximum military effort" against the Axis and the "unity of all citizens, regardless of their political or religious opinions." While promising that "the French people themselves will decide freely the form of government and national policy they desire," Darlan claimed that he had liberated all United Nations sympathizers in North Africa. It is still too early to estimate the effect of this announcement. To judge from the Brazzaville radio, however, which has expressed surprise that Darlan did not declare himself a defender of democracy and the Third Republic and has again denounced the Admiral as a traitor, the Fighting French are still unreconciled.

Moroccan Miasma

In Morocco, the French official behavior toward the American occupying forces is "incomprehensible", according to a confidential neutral report, and is characterized not so much by enthusiasm as by confusion and a passive acceptance of *faits accomplis*. While the American authorities have reposed confidence in the French officers who opposed their landings, pro-Ally officers remained in custody long after our invasion. Members of the Vichy Legion have continued to wear their insignia, and Pétain's portrait is still publicly displayed.

From other sources, we learn that the position of the Moroccan press, controlled almost entirely by the former collaborationist Pierre Mas, is undermining American pres-

tige: *Radio Maroc* has been broadcasting Vichy propaganda. In the Spanish zone, all the French consuls threaten resignation, with the exception of the consul at Melilla, whose pay the Moroccan Residency has not cancelled despite his continued allegiance to Vichy. Although these consuls are not granting visas to Italians desiring to return to the French zone, the border guards apparently permit them to pass unhindered. Former collaborationists and persons evading military service in French Morocco have likewise been able to slip out across the frontier. At least one French general has advised a zealous young officer not to be over-anxious about offering his cooperation to the United States.

Faced with these contradictions, a pro-American French official has expressed himself as completely disillusioned in his hope that Noguès might serve as a bridge between the Fighting French and former Vichy adherents in North Africa. Noguès' equivocal attempts to maintain himself in the favor both of Vichy and the United States, our informant feels, reflect his long residence in the treacherous atmosphere of Morocco. French reactionaries in North Africa will grow bolder the more they see themselves assured of Noguès' tacit support, and defeatism among the people may replace the present sympathy for the United States. Our informant concludes that the only way to check the progressive deterioration of the Allied political position in Morocco would be the prompt organization of a government-in-exile uniting De Gaulle, Giraud, and the less dangerous of the former adherents of Vichy.

Spain's Position in the War

An agreement has been reached with General Orgaz, the Spanish High Commissioner in Morocco, on measures to avoid any incident along the border. Fully aware of Nazi

efforts to cause trouble between the French and Spanish Zones—and thereby detain Allied troops in Morocco—Orgaz suggested an agreement providing that no troop movements be made near the border and that no reinforcements be made in a zone farther back. He was reported to be highly gratified at Noguès' acceptance of these terms.

The Axis is apparently continuing its war of nerves with regard to Spain's position in the war. Although recent observation showed no troop movement in the Port Bou and other areas, the Nazis have taken over complete control of a 40-kilometer strip along the French Pyrenees frontier, according to reports. Axis propaganda is also pointing up and widely publicizing Spain's own defensive measures. Meanwhile, a review of Iberian policy will undoubtedly take place when the Spanish Foreign Minister, Jordana, makes a state visit to Lisbon in the coming week.

Pro-Ally Leanings in Turkey

The Turkish Foreign Minister has indicated to various foreign envoys in Ankara that Turkey is now sure the United Nations will triumph; that she would mobilize completely if the *Wehrmacht* crossed the Pyrenees; and that, if Allied successes continue, Turkey might in the spring or summer of 1943 deviate from her past policy of absolute neutrality. A Turkish military spokesman, echoing these views, has also pointed out the contribution Turkey has already made in our darker days by resisting Nazi demands and blocking off the Nazis from the Eastern Mediterranean, thereby giving the Allies some freedom of movement. The Turkish Government has lately begun a meticulous survey of enemy espionage activities, which has already led to several arrests.

These developments are reported to have caused Von Papen to inform his Government that Germany can no longer be certain of Turkish neutrality. Although Numan Bey assured

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Von Papen that Turkey would enter the conflict only if her fundamental interests required it, Von Papen is said to fear that the pressure of Allied successes "might become irresistible," if they continue. A Turkish source has apparently indicated that one reason why Turkey might eventually enter the war when our victory appears certain, would be to take a stand in Bulgaria and at the peace table to forestall any possible Soviet designs on the Bosphorus.

The Turks are still anxious not to provoke the Germans, however. They suspended the newspaper *Vatan* for trying to run an American broadcast to Turkey together with a picture of Charlie Chaplin and Jack Oakie impersonating Hitler and Mussolini. But the Government's most immediate concern seems to be with its declining internal prestige, resulting from fiscal and economic problems, particularly high prices and the food shortage.

German Movements Into the Balkans

German troops have been steadily moving into the Balkans in recent weeks, according to a number of reports reaching Ankara. These indicate three to five German divisions in Greece and from two to four German divisions in Yugoslavia. Most of the recent arrivals are understood to be tired and lacking fresh equipment, and appear to have been moved from the Stalingrad front. The number of German troops stationed in the Aegean Islands has apparently not increased substantially. Sizable German forces have been in Crete for several months, including an entire parachute division. The recent German movement seems to be primarily defensive in character.

Riots in Iran

Tehran was torn by riots on December 8. Following a bread demonstration of school children led by their teachers

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before the capitol, milling crowds gathered and pillaged food stores, broke windows, and damaged the residence of Premier Qavam before police and military authorities were finally called out. Several were killed and many wounded. Although Iran's food crisis is at the basis of the unrest, the immediate disorders were apparently aided and abetted by the Shah and an Army faction who wanted to oust the present Premier and establish a military regime subservient to the monarch. Seemingly this group was responsible for the failure of the police to quiet the riots more promptly. Other political groups, a youth organization, and some editors and legislators also participated in the demonstrations, which spread to include acts against the Legislature and against the English.

Assured of British backing, Premier Qavam refused the Shah's requests to resign, and the British Ambassador took a firm line with the Shah. The Ambassador apparently insisted on dissolution of the obstructionist legislature, full investigation of the riots, compensation for people who suffered damage, dismissal of corrupt and pro-German officers, the strict enforcement of laws against hoarding, and the setting up of a new ministry under Premier Qavam. With regard to the critical wheat question, the British envoy, it is reported, questioned the Shah's right to expect wheat until Iran adopted a more friendly attitude.

British policy on the wheat issue and the arrest of the Governor General of Isfahan as a Nazi conspirator, without consulting the Persian Government, have apparently caused native suspicion of British pressure aiming at more complete military and political control at Tehran. British authorities have, however, taken measures to move wheat to Iran, and are hopeful that transfers of grain can be effected from parts of the country now occupied by the Red Army. Stalin is reported to be anxious to give the Irani a square deal, and to have categorically promised to withdraw every man of the

Red Army when peace is restored. At present the Soviet troops in Iran have excellent discipline and are causing a minimum of trouble.

At Tehran a precarious quiet now prevails, with Premier Qavam negotiating to form a new government. The Iranians clearly feel that the Allies regard their country as little more than a convenient military highway. Their spokesmen have indicated that small shipments of food and other necessities could go far toward winning Persian support and good will.

Fresh Landings in New Guinea

Allied troops have pressed in upon the remaining Japanese positions in the Buna area, but the enemy has succeeded in establishing a new beachhead about 45 miles to the northwest in the neighborhood of Cape Ward Hunt. The new landings were made in the face of heavy counter action by our aircraft, but the first wave of landing craft—carrying perhaps 1,000 troops—is reported in news dispatches to have gotten ashore intact. The two enemy cruisers and three destroyers from which the landings were made sustained no direct hits, and all were able to leave the scene of battle after disgorging their troops and supplies. The main fire of our aircraft was directed against the latter, and casualties inflicted on enemy personnel are reported to have been heavy.

The area in which the landing was made—between the Kumusi and Mambare estuaries—is thinly settled and alternates between dense forest and swamp. The beach offers the only coastal trail to Buna, and it is crossed by many streams and lagoons which would impede travel. From the mouth of the Mambare there is a trail system which leads inland to Ioma, whence other trails lead to Buna—a round-about journey of more than 100 miles.

While it is unlikely that the Japanese could hope from this region to make a land attack designed to relieve Buna, they

may have expected to divert some Allied strength from the present battleground. More likely—having given up their forces on the Buna beachhead—their intention is to increase the security of bases at Lae and Salamaua and to keep alive the campaign in the Papuan jungles. The enemy's desire to keep the Pacific war centered in jungle areas (where—except in the air—machines and mechanical skill are less at a premium than individual fanaticism and small appetites) is quite understandable.

The Situation at Buna

Allied capture of Buna village has widened the wedge driven last week between Japanese forces entrenched in the Buna-Cape Endaiadere area (site of Buna Mission) and those still holding out at Sanananda and Cape Killerton. In the former area, the hardest fighting is proceeding across the open spaces of Buna's two landing fields—the "old strip" and the "new strip" (see map at back, with Appendix III). Turning inland from the beach, American troops have occupied the north edge of the "new strip" and are attacking enemy trenches at the west end. Other contingents are attempting to clear the Soputa-Buna trail, to which the Japanese have been clinging tenaciously. At Sanananda and Cape Killerton, Allied troops, attacking along the road from the south, have repulsed repeated enemy counterattacks and continue a slow advance, while Australians move down the beach from Gona. At Gona itself—occupied last week—more than 600 Japanese dead have now been counted, and the number of prisoners still appears to stand at 16. The bodies of the dead reveal that the Japanese were in good physical condition, despite the siege which preceded the final occupation of Gona; apparently the Japanese did not suffer from a shortage either of supplies or ammunition. At Buna, however, enemy aircraft continue to drop some supplies by

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parachute, suggesting that here our aerial blockade may have had more telling effects.

Activity in the Solomons

In the Solomons, a force of 11 Japanese destroyers was attacked off the New Georgia group of islands on December 11 by our air and small surface craft. At least five were damaged by direct bomb hits, one was sunk by surface craft, a second probably sunk, and a third damaged. Reports do not indicate, however, whether supplies or reinforcements finally succeeded in getting through.

On the island itself, meanwhile, there has been little change. Our aircraft all week have bombed and strafed two new Japanese landing strips and other air facilities at Munda Point (New Georgia group), some 200 miles to the north of the airfield on Guadalcanal. The new facilities evidently are intended as bases for fighter-planes in the next full-scale attempt to reconquer Guadalcanal, where the enemy's inferiority in the air already has cost him heavily.

India: Extension of the Viceroy's Term

The extension of Lord Linlithgow's term as Viceroy of India has suggested that the British Government is planning no fundamental changes in its Indian policy. To this event, the Indian press has reacted in characteristic fashion, the British-controlled journals praising Lord Linlithgow's "sober but progressive policy", and the nationalists ridiculing the "repeated doses of 'expansion' of his Executive Council" indulged in by a Viceroy "who has agreed to stew in his own juice of repression and deadlock". A less extreme comment was that of the *Statesman*, which ascribed the extension to the "extraordinary difficulty of selecting a suitable qualified successor at this anxious time".

Shortly after the extension of the Viceroy's term, President

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Roosevelt announced the appointment of William Phillips as his personal representative "near the Government of India" with the rank of Ambassador.

New Conservative Leadership in Canada

The election of Premier John Bracken of Manitoba to the leadership of the Canadian Conservatives marks a party reorientation symbolized by the new leader's successful insistence that in future the party be called Progressive Conservative. At the Winnipeg Convention which elected Bracken, the former Conservative leader, Senator Arthur Meighen, convinced his own right-wing supporters that the Conservatives could never win another election unless they carried the agricultural west and that to do so they needed the undoubted political master of the west, John Bracken. Meighen was even willing to accept Bracken's low tariff views, although it is possible that right-wing Conservatives will balk at this change of policy.

While politically honest and personally sincere, Bracken has a firm belief in one-man government. Lacking a broad educational background, he offers a curious mixture of inherent conservatism and intellectual radicalism. Although he has largely outgrown the anti-American prejudices of his earlier years, he has retained, to a considerable degree, an instinctive distrust of the French Canadians. A former "dirt farmer" and president of the Manitoba Agricultural College, Bracken entered the provincial legislature in 1922, where as leader of the dominant Agrarian Party he was immediately chosen Premier. Subsequently he organized a coalition government including Progressives, Conservatives, Liberals, and the Canadian Commonwealth Federation.

Early this month, as a result of Bracken's decision to seek the conservative leadership, the C. C. F. withdrew its support. In fact, the urgency of the Conservative demand

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for Bracken's leadership was largely due to the growth of C. C. F. sentiment throughout the Dominion, particularly among ordinarily Conservative farmers. In the future, although the younger "progressive" Conservatives and the Old Guard under Meighen will probably both try to control Bracken, it is unlikely that he will be the tool of either faction. In time, however, Bracken might rally the support of left-wing Conservatives and right-wing Liberals to form a moderate Progressive Party. With the merger of the two old parties, the C. C. F. might then become the other major party in Canada.

State of Siege in Bolivia

Reorganization of Bolivia's cabinet on November 19 apparently has failed to solve the country's deepening political and economic crisis: President Peñaranda has now declared a state of siege. This decree may assist the Government in fulfilling its immediate commitments to the United States—among them several agreements with Standard Oil—but the fact that resort had to be made to such a drastic measure does not augur well for the regime's stability.

The C. G. T. Enters the Lists in Argentina

In Argentina, where President Castillo announced this week the continuance of that country's state of siege, a committee of the Argentine General Confederation of Workers (C. G. T.) has agreed to drop its stubborn aloofness to direct political action and has called for a conference of its affiliates "to launch a campaign against the pro-Hitler policies of Castillo." Rejecting the position of its now repudiated General Secretary, José Domenech, the new Executive Committee proposes to follow the example of its neighbor unions in Chile, which exert political pressure through the Chilean National Democratic Alliance. Active mobilization of the

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C. G. T.—whose 263,000 members represent over 75 percent of organized Argentine labor—should prove a most effective weapon, it is believed, in the current campaign of pro-Allied elements in Argentina seeking to align their country with the United Nations.

APPENDIX I

MILITARY AND CIVILIAN CONTROLS IN THE GERMAN WAR ECONOMY¹

Until the spring of 1942, the German war economy operated under predominantly military controls. The *Wehrwirtschaftsamt* und *Ruestungsamt* of the Supreme Command of the Armed Forces, headed by General George Thomas, was largely responsible for over-all planning of war production. But the first Russian campaign revealed such serious defects in this organization of the economy—duplications and over-lappings of authority, a mounting volume of paper work, administrative bottlenecks, etc.—that in April and May, 1942, the Nazis began to overhaul the system. The military's sphere of control was definitely curtailed and civilian authority—is the person particularly of Herr Speer—was correspondingly enlarged.

Power Relationships

The reorganization has not, however, led to the establishment of one over-all supreme economic authority in Germany. Decisions on basic policy are reached by agreements between the major power groups which, in the order of their present importance, are: the Party, Industry, the Armed Forces, and the High Civil Service.

The rise in status of Industry, whose self-governing organizations have acquired their most substantial increment of power since the early days of the Nazi movement, is a salient feature of the reorganization. German business has now been thoroughly organized into functional economic groups and regional economic chambers. Every businessman now belongs to both units (which are operated on the *Fuehrerprinzip*); in fact, the smallest workshop in the German economy is now fully integrated into a network of business agencies subject to directives from above.

The Party retains its measure of control over the economy by seeing to it that the key figures in government and industry are also leading Party members—Speer (Munitions), Sauckel (Labor), Funk (Economics), Backe (Agriculture), Reinhard (Finance), and, above all, Goering. This same system of personal union of Government and Party officials is repeated on the lower levels in the case of the presidents of the provincial economic offices, the trustees of labor, and the presidents and advisers of the economic chambers of the *Gaue* (who at the same time are also businessmen).

In general, the Party is less concerned with administration than with leading, driving, and manipulating the masses. Mass manipulation in particular has assumed prime significance as the demands made upon the German people have cumulatively increased during the past year. It was because the labor problem had become one of the most acute in the war economy that Sauckel and his band of Party Gauleiters took over control of the labor supply.

¹ Based on a memorandum prepared in the Research and Analysis Branch of the Office of Strategic Services.

Cooperation between the Army on one hand, and Industry and Government on the other, is assured by the placing of high Army officers in responsible positions in the governmental and industrial hierarchy. During the past year, it is true, the number of officers so placed has declined markedly. Colonel Von Schell, Commissioner General for Motor Vehicles, was compelled to resign; and Lieutenant General Von Hanneken has left the Ministry of Economics for a post in Denmark. Nevertheless, it should be remembered that the most powerful economic agents on the regional level are the *Ruestungsinspektoren* and *Wehrwirtschaftsinspektoren*—that is, officer-engineers who have received their training in the armed forces, even though they may now be subject to civilian authority.

Determination of Military and Civilian Requirements

Under the recent reorganization, final reconciliation between civilian and military requirements is the responsibility, not of the *Wehrmacht* command, but of two civilians: Walther Funk and Albert Speer. As Minister of Economics and as Commissioner General for War Economy, Funk enjoys supreme command over the civilian sector of the German war economy, having the power to appoint all the leading directors of the great business organizations. Speer, in his capacity as Minister of Armaments and Munitions, exercises effective control over the military sector. If Speer and Funk fail to agree on fundamental policy, the issue may be carried to Goering as chairman of the Ministerial Council for Defense of the Reich and chief of the entire war economy, or even, ultimately, to Hitler himself. Arbitration of this kind is, however, the exception—as a comparison between the number of rulings issued by Funk and Speer and the number issued by Goering makes clear.

The decree of May 30, 1942, established Speer's authority over arms production by splitting up the *Wehrwirtschaftsamt* und *Ruestungsamt* and placing the all-important *Ruestungsamt* under Speer's Ministry of Armaments and Munitions. The *Wehrwirtschaftsamt* remains under the supreme command of the Army, but its program of military requirements must be cleared through the *Ruestungsamt*, and even some of its officer personnel (officer-engineers, economic officers, and munitions inspectors) are subject to Speer's orders as well.

Demands for matériel which originate in the various branches of the armed services are first sent to the *Wehrwirtschaftsamt* which, by setting up a balanced program of requirements, seeks to eliminate competition between these rival claimants. From here, this program is transmitted to the *Ruestungsamt*, where it is considered on the purely economic level and adapted to raw material and labor resources and to the productive capacity of German industry. No branch of the armed forces can assert any demands which have not been sanctioned by this controlling body. The *Ruestungsamt* under Speer, therefore, is revealed as the central, directing agency of German arms production.

As an addendum to Speer's power, it should be noted that in the Ministry of Munitions there has been set up a special department entrusted with the expansion of armament plants (*Ruestungsausbau*) with regional offices (*Aussenstellen*) which carry out the policies of the Ministry in each army corps area.

Contract-Letting

The letting of war production contracts under the present German economy is governed by two factors—prices and technical conditions of production.

(a) *Prices.* For government orders, cost-plus prices no longer exist, but are either uniform, group, cartel, or administrative prices. If the *Wehrmacht* requires goods subject to *cartel* prices (as with cement or coal) or *administrative* prices (as with leather or cloth), the government is compelled to pay them; but since combat material is not priced in this way, this is the exception rather than the rule. *Uniform* prices are established for one article (or a part of it) and are valid for every producer in the territory of the Reich.

But if, owing to variation in production costs, uniform prices cannot be set, *group* prices are fixed which take into account these differences. When such group prices are determined for a specific article, the producer may choose which group unit he desires to join: that is, if he is a high-cost producer he will probably join one of the lower-rated groups, in which he will receive a relatively high price but a low priority on materials, no tax-exemptions, etc. If he can join a higher group, his price may be lower, but he will run less risk of being shut down for want of materials; and he may suffer less from the excess-profits tax and other levies.

Uniform and group prices are fixed by a working committee (*Arbeitsstab*), which is a kind of liaison committee between the Reich Price Commissioner and the Ministry of Munitions. It is interesting to note that no industrialist is represented in the *Arbeitsstab*.

(b) *Technics.* The determination as to who is to produce and how the article is to be manufactured is in the hands of Speer and the industrial organizations proper. These organizations, representative of industry, are the so-called Main Committees (*Hauptausschuesse*) and Industrial Rings (*Industrierings*). These Main Committees and Industrial Rings are represented at the center of affairs in the Armament Council (*Ruestungsrat*), composed of five high army officers and eight industrialists, which serves as an advisory body to Speer. The Main Committees, made up chiefly of engineers, operate on a regional and local level and may be considered as agencies whose prime function is to rationalize war production. The Industrial Rings are national organizations, also composed of engineers, whose function it is to standardize the production of such commodities as are used in a variety of military articles. If, for example, a cog-wheel is used in tanks, trucks, and other armored vehicles, it is they who design its type and construction.

Contracts may be placed either directly with an industrial firm, or indirectly through a national peak cartel (*Reichsvereinigung*). If directly, the contract is concluded between the Ministry of Munitions and the firm, but only after the Main Committee or the Industrial Ring pronounces the firm's technical equipment satisfactory. If the contract is placed with a peak cartel, the cartel in turn allocates the order to one or more of its members, at its own discretion.

Once a contract has been awarded, subcontracting and farming out are left to the prime manufacturer, who furnishes both the designs and the raw materials. There are, however, certain cases in which the Ministry of Munitions deals directly with pools of small manufacturers, especially in the case of goods designed for both civilian and military consumption, such as uniforms and boots.

Scheduling and Allocation of Raw Material

No precise information is available on actual scheduling. The method applied, however, may be inferred from the system by which raw materials are allocated. The methods now employed were established in the summer of 1942. At that time the center of gravity was shifted from the *Reichsstellen*—which were government bureaus for the control of raw materials—to the organizations of the industrialists. The new quota system employed in the iron and steel industry may serve as a fair example.

A limited liability company (*Ruestungskontor*), organized in the Speer Ministry, has established a clearing department (*Verrechnungsstelle*) which opens an account for each of the agencies that order iron and steel. The firms that use iron and steel draw upon their accounts by means of "iron checks" (*Eisenscheine*), which are certified by the clearing department. With this transaction the intervention of the government agency ceases: the remaining transactions are exclusively private in character. The owner of an "iron check"—which is a kind of draft upon his raw materials account—issues on his own responsibility "iron-transfer-checks" (*Eisenebertragungsscheine*) to his subcontractors up to the total amount of the quantities to be supplied.

Accounts are established on a quarterly basis. Each "iron check" contains a note indicating the holder's prospective requirements for the ensuing quarter. If an order exceeds an entrepreneur's quota for the current quarter, a sufficient quantity of iron and steel is reserved for him to enable him to meet his commitments. Since entrepreneurs are thus given only quarterly quotas, and are held to strict account for additional supplies, hoarding of steel becomes almost impossible.

What is decisive, of course, is the manner in which the accounts or quotas with the clearing department are set up. This was formerly the duty of the Commissioner General for Iron and Steel, Lieutenant General Von Hanneken. Since he was sent to Denmark, his functions have been transferred to the peak cartel, the Iron and Steel *Reichsvereinigung*. Briefly, therefore, it is the iron and steel monopolies that allocate the quotas, which, in turn, are handled as accounts.

As indicated above, production schedules are set ordinarily for three months, on the basis of a production plan drawn up by the Ministry of Munitions according to those military requirements specified by the *Wehrwirtschaftsamt*. The Minister of Munitions transmits this plan—which determines the amount of raw material to be allocated for this period—to the *Ruestungskontor*.

The Allocation of Labor

Supreme authority for the allocation of labor is vested in the Commissioner General for Labor Supply, Gauleiter Fritz Sauckel. Sauckel's office has been superimposed upon the Ministry of Labor, upon the trustees of labor who fix wages and determine labor conditions, and upon the labor exchanges, which are the agencies that hire and fire and train and retrain labor. Until the regional armament commissions were set up, Sauckel used the local Gauleiters as instruments for the control of the trustees of labor and the labor exchanges. He has, however, no power to interfere with drafting for the army, although the *Wehrmacht* generally accepts the deferment recommendations of the labor exchanges.

Within the scope of civilian labor Sauckel appears to be supreme in Germany and the occupied territories. Yet a careful perusal of the decree of March 14, 1942, appointing Speer as Minister of Armaments and Munitions, makes it quite clear that Speer has final authority over the raw materials and the labor required for armament production. It is quite probable, therefore, that Sauckel is bound by Speer's decisions. Obviously, military requirements come first, and Sauckel is there to see that the necessary labor is available. Concretely, this means that the Minister of Munitions informs Sauckel of the production plan for the next three months. Through his local agents Sauckel is in a position to discover whether sufficient labor is available. If there is not, he must take measures in conjunction with the regional armament commissions which will inform him which plants should be closed and which should obtain a larger supply of labor.

Relation between Central and Regional Agencies

While the decree of May 30, 1942, established in the *Ruestungsamt* an authoritative central agency for the control of German war economy, regional administration until recently presented a picture of considerable confusion. This confusion was due to the existence of a multiplicity of regional officials and bodies with ill-defined jurisdictions, and to the lack of authoritative control within the scope of regional administration. All previous efforts to introduce greater coordination among these regional agencies had failed completely. In the hope of remedying this situation, Goering established by his decree of September 17, 1942, the 42 regional armament commissions or *Ruestungskommissionen*. The chairmen of these armament commissions are henceforth appointed by and responsible to the Minister of Munitions. By forcing all the organs of regional economic control, those of the state and army as well as the self-governing agencies of industry, into these commissions, Speer hopes effectively to centralize regional authority. The membership of these armament commissions embraces the following major agencies:

1. The munitions inspector (*Ruestungsinspekteur*) of the Munitions Ministry, the real representative of the interests of war production in the regional area. He is an army engineer and frequently the chairman of the armament commission. There are also the *Wehrwirtschaftsinspekteur* and the *Wehrkreisbeauftragter* representing both the *Wehrwirtschaftsamt* and the Ministry of Munitions. Clearly, both the Supreme Command of the *Wehrmacht* and the Ministry of Munitions are amply represented.
2. The armament chairman (*Ruestungsobmann*) representing the Main Committees of experts and the Industrial Rings. This chairman is an industrialist who must also be an engineer or a construction man. He controls the other chairmen of the committees of experts and rings in his district (*Besirksommaenner*).
3. The president of the provincial labor exchange (*Landesarbeitsamt*), operating under the authority of the Ministry of Labor.
4. The president of the provincial economic office (*Landeswirtschaftsamt*) operating under the authority of the Minister of Economics.
5. The president of the district economic chamber (*Gauwirtschaftskammer*) and his economic adviser (*Gauwirtschaftsberater*).
6. Whenever the need arises, the chairman of the armament commission may

call in other officials, such as the presidents of the regional railway administration, the managers or leaders of the regional organizations of industry proper.

These armament commissions have complete authority over all the five agencies that are represented in them. By appointing the chairmen of these commissions, the Minister of Munitions can impose his will on all the regional agencies involved in the execution of the war production program. Should the orders of the armament commission conflict with policies established by other ministries, the regional office affected by such an order may appeal to the Minister of Munitions, who has the right of decision after consultation with the ministry to which such a regional office belongs. Such an appeal, however, cannot postpone the execution of the order.

One of the interesting features of the decree of September 17, 1942, is the fact that the old army corps areas (*Wehrkreise*) have been abandoned in favor of the Party Districts (*Gaue*) as the new administrative units. It is, therefore, the regional organization of the Nazi Party that provides the pattern for regional organization. The munitions inspectors, originally appointed for each army corps area, are now appointed for each one of the 42 Party Districts, or *Gaue*. The regional economic offices of the Ministry of Economics were adapted to the *Gaue* on November 1, 1942, and the provincial labor exchanges are soon to follow. The decree of April 20, 1942 had already abolished the prevailing chamber system in favor of the *Gau* economic chamber (*Gauwirtschaftskammer*).

Certainly, the decree of September 17 leaves no doubt about the sweeping powers of these armament commissions. They can order the provincial economic offices to close down any plant which they do not deem efficient. They can, through the *Gau* economic chambers, order business firms working on war orders to exchange trade secrets, technical information, machines, and machine tools. They can order the provincial labor exchanges either to grant or deny manpower to particular industrial firms. In this matter the armament commissions have absorbed the functions of the combing-out commissions, which have since been dissolved. By the same token, however, the power which the Party *Gauleiter* possessed over the provincial labor exchange appears also to have been nullified.

APPENDIX II

POLISH POLITICS IN THE UNITED STATES¹

The arrival in this country on December 1 of Prime Minister Sikorski of Poland, and his recent activities here, have been interpreted by some liberal and leftist Polish circles in the United States as evidence that, apprehensive of a too strong post-war Russia and attentive to the criticisms which are being voiced in this country of his Russian policy, he has thought it wise to seek some measure of political reinsurance in the West.

The purpose of Sikorski's visit is stated officially to be military. He wishes to inspect our tank and plane production and to confer on lend-lease problems. It is understood that he is also concerned to obtain American as well as British help

¹ Based on a memorandum prepared by the Foreign Nationalities Branch of the Office of Strategic Services.

in welding into a single military force the Polish elements which are now distributed in the British Isles, the Near and Middle East, and Russia.

The Prime Minister has gone out of his way to confer at some length with the President of Ecuador, and he plans now to make a special visit to Mexico. The purposes of the trip are not known, but it is widely rumored that, perhaps as part of his reinsurance policy, he is now trying to build up among the United Nations an anti-Russian, Catholic bloc. It is said, moreover, that he is, for this reason, not wholly displeased by criticism of his Russian policy on the part of Polish rightist elements in the United States and Great Britain.

At all events, the Prime Minister's visit has thrown into high relief the divergent forces that underlie Polish opinion in this country. These forces may be roughly classified for purposes of analysis into three main groups—the Right, the Center, and the Left.

The Right

This is, pre-eminently, the nationalistic bloc, stemming from the "Colonels" or "Sanacja" group which led Poland at the time of its defeat in 1939. Its opposition to the Sikorski Government-in-Exile came into the open after the signing on July 30, 1941, of the Russo-Polish pact which restored diplomatic relations between Russia and Poland and provided for future collaboration.

In May, 1942, a number of these rightists, who had come to the United States, inspired the presentation to President Roosevelt, by some 131 American citizens of Polish descent, of a memorandum directed against Russia's alleged designs on Eastern Poland; and in June, 1942, the National Committee of Americans of Polish Descent (abbreviated from the Polish as "KNAPP") was organized.

The KNAPP is now a mounting political force, thanks in part to the organizing ability of its secretary, Ignacy Morawski, one of the editors of the New York *Nowy Swiat*. Morawski has been touring Polish communities and delivering fiery anti-Russian speeches. Through such activities and with the aid of the *Nowy Swiat* and the Detroit *Dziennik Polski* (two of the largest and most influential foreign-language dailies in the United States) the KNAPP has grown rapidly. Since June, some twenty new branches have been set up.

The outstanding intellectual in the rightist group is Colonel Ignacy Matyszewski, a Polish citizen who came to the United States shortly after the fall of Poland. As one of the "Colonels" he has a background of wide and varied experience in war, diplomacy, politics, and journalism. From 1929 to 1931 he served as Minister of Finance to the Polish Republic, and for several years he edited the official government organ in Warsaw, *Gazeta Polska*. Today he contributes what are generally agreed to be brilliant articles on political and military affairs to the *Nowy Swiat* and the *Dziennik Polski*.

The anti-Russian platform of the KNAPP makes it possible for the organization to appeal directly to the nationalistic element among Polish Americans. Arguing that Poland, prior to 1939, "embraced only a part of those territories which for centuries belonged to Poland", the KNAPP platform demands reconstitution of Poland *in toto*, with changes in the Polish-German frontier "which would give Poland security and freedom of economic development, primarily through the liquidation of Eastern Prussia". The KNAPP argument calls for recognition of

the principle "that with the establishment of the new world order nothing shall be instituted without Poland or against Poland that concerns the territories situated about the tributaries of the Danube, Oder, Niemen, Dwina, and Narwa."

In addition to the "Colonels" group and the KNAPP, there is another extreme rightist element which looks for leadership to Dr. Tadeusz Bielecki, head of the Endek (National Democratic) Party and one-time member of the Sikorski Government-in-Exile. In Poland, Dr. Bielecki headed the reactionary Youth Movement wing of the Endek. He has become today one of the strongest opponents of Sikorski in London and has vehemently denounced those members of the Endek Party who have given their support to Sikorski. Through the monthly *Mysl Polska* (London), Bielecki and his followers carry on a campaign against the Pilsudski-ites as well as against the Sikorski-ites, both of whom they regard as "remnants of the regime which led Poland to catastrophe."

Bielecki is said to be represented in the United States by two members of the Endek Party, Prince Drucki-Lubecki and Romuald Gantkowski. Official Polish circles look upon Gantkowski as a military deserter on the ground that he failed to register with the Polish military authorities in Lisbon. Some assert that Drucki-Lubecki and Gantkowski work closely with Matuszewski and other members of the "Sanacja" group. Drucki-Lubecki and Gantkowski have centered their activities primarily on the Polish clergy in the United States, it is said, hoping thus to gain moral and financial support; they argue that Catholicism is endangered by the Sikorski Government's pro-Russian policy. Working toward the establishment of a Polish Catholic anti-Sikorski union in the United States, Gantkowski is alleged to have the private support of one or more officials of the Polish Information Center in New York.

The Center

This is represented primarily by the Polish American Council, which asserts that it speaks for some 4,000,000 Polish Americans. Its leadership supports the Sikorski Government, but declares that after final victory has been achieved, the people of Poland should themselves determine the character and composition of their government.

Among the organizations which compose the Council, by far the largest is the Polish National Alliance. Founded in 1879 in Chicago, the Alliance today has 2,300 branches in 26 states and a total membership of 275,000. Older by a few years than the Polish National Alliance, but not so large, is the Polish Roman Catholic Union. The Union has a membership of 180,000, centered primarily in Chicago. Other prominent Polish organizations with national headquarters in Chicago are the Polish Women's Alliance of America with 60,000 members, and the Polish Alma Mater of America with 16,000 members.

In the East, the important Polish organizations are: The Polish Union of the United States (40,000 members), the Polish Falcons (15,000), the Polish National Alliance of Brooklyn (15,000), the Polish National Union of America (10,000).

The Left

The principal strength of this fraction comes from the Polish Labor Group, the Communists, the Polish Section of the I. W. O., and to some extent from the

Polish membership of the American Slav Congress. By and large, these leftist elements have supported the Government-in-Exile, particularly on its pact with Russia, although they would like to see the Left better represented in the Cabinet.

One of the more important figures on the Polish Left in the United States is Wladyslaw R. Malinowski. Mr. Malinowski is prominent in the Polish Labor Group in New York, which although officially unconnected with the Polish Socialist Party, appears to be its ideological counterpart in America. An affiliate of this organization is the American Friends of Polish Democracy, made up of American citizens headed by Professor Robert M. MacIver, the eminent sociologist. For some time, this affiliate has been publishing a bulletin entitled *Poland Fights*, to which Malinowski and his associates contribute. Although Malinowski and his friends are, on the surface, friendly to the Government-in-Exile, they are believed (as socialists) to stand fundamentally in opposition.

APPENDIX III THE BUNA REGION¹

Australian and American troops, continuing their offensive across New Guinea, last week captured Buna village and pinned Japanese detachments against the sea (see map). Possession of the beachhead now in dispute appears essential to any plans the enemy may have for a renewed overland assault on Port Moresby; conversely, elimination of this threat by seizure of the coastal strip has become equally important to MacArthur's forces. The following are notes on the strategic geography of the Buna area.

Settlements

Buna itself, although the government headquarters station for the Northern Division of Papua, included in peacetime but three European-style buildings, several native-style structures, two white officials, and one white trader. The adjoining native settlements—Buna village and Siwori—had a population of scarcely 120 persons.

Eastward along the shore, for about a mile from Buna, stretches a government coconut plantation of about 200 acres. Four miles northwest of Buna, Sanananda (outlet for the government coffee plantations around Sangara) boasted at the opening of the war a coffee shed, rest-house, and two trading stores; from here a motor-truck road had been cut to the Sangara region to transport Sangara's coffee to the coast.

Gona and Erero on the coast, and Sangara and Isivita in the interior, are stations of the Anglican Mission, with white missionaries normally in residence. As for the Sangara region, it contains quite extensive rubber plantings and some experimental sugar plots. Ten miles south of Buna, near the coast, lies the Warisota Plantation, which raises rubber and coconuts.

Native settlements are quite numerous on the plains back of Buna and on the slopes of the range to the south; the region's native population totals about 9,000. These people, the "Orokaiva," far from being the head-hunters of the public's

¹ Based on a memorandum of the Research and Analysis Branch of the Office of Strategic Services.

imagination, are a peaceful and friendly lot, accustomed to work on the plantations or in Papua's gold mines, with a game of soccer their only approved form of communal violence.

Airplane Facilities

Before the war, there was a small emergency landing-field a mile and a half southeast of Buna, and a somewhat better airfield at Kokoda (the former, together with a new landing strip nearby, has been the scene of recent fierce fighting). In addition, the grassy plains inland from Buna have flat areas capable of being turned quickly into large airfields, particularly in the Dobuduru district. The strategic significance of airfields in this region is indicated by the following table of air distances from Buna:

	Miles
Port Moresby.....	105
Salamaua.....	147
Lae.....	167
Rabaul.....	400
Buka Passage.....	500

Terrain

The land around Buna barely rises above sea level; swamps are prevalent, especially between Buna and Sanananda, and back of Buna. Since so much of the terrain is waterlogged, fox-holes and trenches are often cut of the ground, and defenses must generally be built above ground. Where the ground is firmer, it is usually covered partly by forest and partly by rank *alangalang* grass, which grows about four feet high.

From Soputa, eight miles southwest from Buna, the land rises slowly to the undulating plains of the Sangara and Kumusi River regions. Southward rise spurs of the Hydrographers Range and Mount Lamington—the area through which the American forces moved in surprise attacks on the Japanese flanks.

The foreshore in the Buna region consists of a hard beach of brown sand, stretching almost unbroken for many miles to the northwest and southeast. Offshore lie extensive coral reefs and sandbanks—particularly opposite Buna and Cape Endiaderere. These have not been carefully surveyed; even captains of coastal vessels familiar with these waters prefer to anchor at night. No harbors exist, but channels in the reefs lead to reasonably sheltered anchorages at Sanananda, Gona, Oro Bay, and Buna, where boats drawing even 10 feet can approach within 50 yards of the shore. Smaller boats or barges can come right to the beach. For embarkation purposes, the Japanese would find the river-canoes of the natives not very serviceable; on the other hand, such an operation would be aided by December's generally calm weather.

Climate

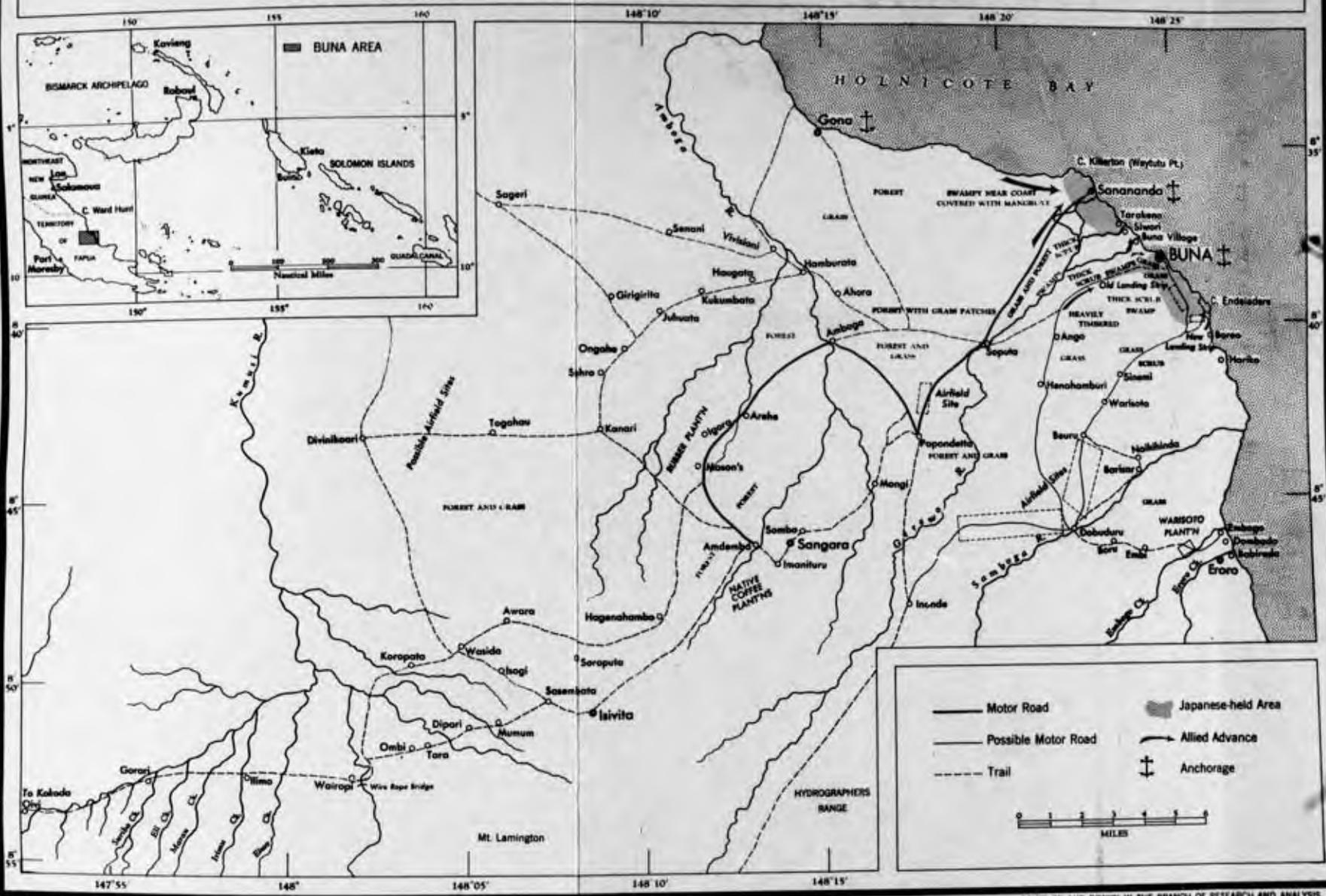
The winter months of December, January, and February in the Buna region are usually the wettest of the year, precipitation averaging about 13 inches per month. Sudden squalls (the most tempestuous of which are known as "gubas") occasionally disrupt the general calm; at such times, rivers and streams are subject to quick flooding.

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Trails

The Buna region has an elaborate network of native trails, good and bad, and also several main government roads and trails. The truck route from Sanananda to the Sangara area is about 11 yards wide, and runs through forest and grass country. Buna settlement is the coastal terminus of the historic Port Moresby-Kokoka-Buna "road"—which is really a foot trail only. Another important trail leads from Buna southeastward to the airfield and on to Dobuduru. A coastal trail, which follows the beach, may in places be covered at high tide. The mouth of the Girewo River and the lagoons in this region are crossed either in native canoes or on foot at low tide; they form substantial obstacles for our troops advancing along the coast. Eastward this coast trail passes around Cape Endai-dere, and a fair trail system continues right along from here to the Milne Bay area.

BUNA AREA IN PAPUA



MAP NO. 1442, DEC. 16, 1942

REPRODUCED BY THE U.S. REPRO. DIV.

COMPILED AND DRAWN IN THE BRANCH OF RESEARCH AND ANALYSIS, OSS

December 18, 1942
9:15 a.m.

BRITISH DOLLAR POSITION

Present: Mr. Bell
Mr. White
Miss Kistler
Mr. Berle
Mr. Feis
Mr. Pasvolsky
Mr. Stettinius
Mr. Cox
Mr. Knollenberg
Mr. Coe
Mr. Clayton

MR. STETTINIUS: Mr. Secretary, I have another meeting and would like to leave early, but I would like to make a statement.

H.M.JR: Do you want to make your statement now?

MR. STETTINIUS: I think my letter presents the issue pretty clearly, the general problem being that when the U.K. cash position got down to around two hundred million, I think we generally agreed and they agreed--

H.M.JR: How many million?

MR. STETTINIUS: About two hundred - it was the general feeling that when it got up around six hundred, that would be a comfortable position. They agreed to that. The tabulations that Harry will present show that it is up approaching a billion, now - up to almost two billion for the Empire, and almost a billion for the United Kingdom.

We go before Congress on January 11 for another Lend-Lease appropriation, and I am sure that one of the first questions that will arise is the relation of the new appropriation to the dollar position of the Lend-Lease countries.

- 2 -

We felt that it was vital that we have a meeting with you and the other representatives in this room to determine a definite policy on this whole subject. I think my letter rather specifically states some other facts and figures that Adolf might not have seen.

H.M.JR: I will read the letter aloud; maybe Mr. Clayton has not seen it. It is dated December 3, 1942.

"I have a memorandum from Oscar Cox dated November 23 saying 'I think some serious consideration ought to be given to how high the British gold and dollar balances should be allowed to rise, particularly in view of the possible boomerang from the standpoint of Congress' reactions to additional appropriations' for Lend-Lease. I understand that your records show that as of October 31, 1942, the United Kingdom's official dollar balance was \$237,000,000., and its so-called 'available gold' \$468,000,000. with an additional so-called 'scattered' gold of \$210,000,000., and that the United Kingdom's gold and dollar position is growing increasingly strong.

"In the light of these facts I think it might be well for Dean Acheson, Milo Perkins, and me to have a talk with you about this situation and the possible advisability of taking steps through Lend-Lease operations or otherwise to keep the British combined gold and dollar position from rising materially above its present relatively high level."

Well, it is not only England; we have Canada and South Africa, and I think for the benefit--

MR. WHITE: And Norway.

H.M.JR: I think for the benefit of those that were not there yesterday - Mr. Berle may have heard, I don't know - supposing White - were you there yesterday?

MR. CLAYTON: At the BEW, yes, sir, I was.

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H.M.JR: Will one of you sketch what happened yesterday? I don't want any extra committees, you know.

MR. CLAYTON: As I recall it, the question first arose with reference to the operations of Lend-Lease putting American exporters out of business; and from that the discussion passed on to the question of who was deciding a policy as to how much - after the decision had been made by the President - as to what countries should obtain Lend-Lease aid - who was deciding - who was making the policy as to how much that aid should amount to.

Then the question arose as to the balances of the British. There was a good deal of discussion about the South African position, and about our forcing Lend-Lease on South Africa, which really didn't want it. The English position is that they want to treat the Empire as a whole, and the view of some of the constituent parts - as South Africa and Canada, and so on - is they wanted to be treated separately.

Out of that discussion a committee was appointed to discuss the matter and to make recommendations.

I think that states it.

MR. WHITE: To make recommendations to the BEW - to the sub-committee.

H.M.JR: Is Dean coming this morning?

MR. BERLE: I don't think so - or at least I don't know that he is, Mr. Secretary. I think he told Leo and me to show up here.

MR. COX: The problem is a little more complicated than that in terms of--

H.M.JR: Can it be? (Laughter)

MR. COX: More complicated?

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H.M.JR: I say, can it be?

MR. COX: I think so - and also, in some senses, much narrower. Now, I don't think you can judge the dollar balance position, for example, without taking into consideration another political fact, which is the kind of thing that Ellender raised in his letter to you. (Copy of letter dated December 7, 1942, from Senator Ellender to the Secretary, and reply dated December 11, 1942, attached hereto.)

H.M.JR: Who raised it?

MR. COX: Ellender.

You may be able, as a rational matter, to convince one percent of the Congressmen that the money which is received by the British is sterling, and therefore something different from dollars, but after you get through with that they keep saying, "What is happening with the money?"

It seems to me that realistically you have to assume that is the way the Congress and the American public will react.

You have a much broader question underneath it which has been indicated by the polls, and that is that only thirty-nine percent of the American public now feel that the Lend-Lease obligations ought not to be repaid in money or goods. It started at fifteen percent, and after a certain amount of education, came up. The balance, of course, feel that it ought to be repaid in either money, gold, or goods.

It seems to me that in judging the dollar balance position, you ought to consider the other factor, which has had the most effect on the American people - that is, the reciprocal Lend-Lease aid arrangement, by which stuff moves from the other countries to the United States.

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Now, I think there is a good deal of study that has still got to be done. For example, I would be sure that, exclusive of the pay of the troops in the United Kingdom - which I don't think we ought to ask the British to pay for, for several reasons: One, that you want to get away from this mercenary business; and secondly, the thing may run into enormous volume and throw you back two years, as far as the dollar exchange position is concerned. But I would be sure that, at least to some extent, the whole machinery of the British Government could not be used for the kind of reciprocal Lend-Lease aid that we have in mind. In other words, when the quartermaster's office wants to buy five heads of lettuce, they are not going to use the whole machinery of the Government to transfer it, and therefore you must be using a certain amount of sterling obtained from American dollars to do that.

The question that I would like to offer for consideration is whether the British should not, for the purposes of facilitating reciprocal Lend-Lease aid - not as a credit, or not in terms of credit and debit - but make available to the United States Government some sterling to facilitate the obtaining of reciprocal Lend-Lease aid in terms of supplies and materials that particularly our people over there are using.

I don't know that anybody has made any kind of a study to see what the dollar sterling amount is, of the things we buy; it is administratively not feasible to handle under the present arrangement.

One of the theories of money is that in certain places it is administratively more desirable to use that device than to use a barter arrangement, or a straight government-to-government dealing basis.

H.M.JR: Look, Ed Stettinius says he has to go now. I would like to make a statement before he goes.

We here in the Treasury just have one interest, which is the direct responsibility which the President placed on me since about '37 - beginning with '37.

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The first instance was when we were doing the foreign purchasing - we must never let either England or France say that they quit fighting for lack of weapons. That was the first mandate he gave us. Then, subsequently, we gave up that mandate in March--

MR. STETTINIUS: Forty-one.

H.M.JR: When Lend-Lease was created. But then, subsequently, he gave us the mandate - it was up to us to see that these various nations had sufficient dollars with which to function. Now, that is my only interest, I mean - that we see that Canada and England and Australia and New Zealand and South Africa, and so forth, have what we can only describe as a comfortable working balance.

There was a time when they sent that economist over here - who was that economist?

MR. COX: Keynes.

H.M.JR: He was around here. They, at that time, sort of felt that six hundred million dollars--

MR. COX: Haven't you got another interest - and that is--

H.M.JR: Just one second, please, Oscar. Now, the reason I am making this - I want Stettinius to hear this - in view of the discussion that took place at BEW yesterday, as far as I am concerned, I am perfectly willing to submerge this committee into another committee of BEW, or any other group. I mean, I want to make that very plain, because I gather that they appointed a committee yesterday, didn't they?

MR. CLAYTON: That is right.

H.M.JR: Because I certainly, as Secretary of the Treasury, don't want to pass on whether you should have, or use, import or export dealers.

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We do that as far as the Treasury Procurement is concerned, and we don't have them, but if that is going to be a governmental policy, I don't think that is the Treasury's business.

MR. STETTINIUS: That is right.

H.M.JR: But, on the other hand, we don't know what these chits amount to that the Army and Navy are using all over the world. You may know, but I don't.

MR. STETTINIUS: They are being reported to us currently.

H.M.JR: I don't know.

MR. WHITE: I thought Oscar said nobody knew.

MR. COX: They know the ones that are reported, but not the ones where dollars and sterling are used.

H.M.JR: I said the chits.

MR. WHITE: Nobody knows whether they are using dollars merely because it is convenient--

MR. STETTINIUS: Harry, we know from the Army and Navy and the Maritime Commission reporting to us monthly what goods or services they receive from our allies and in what forms. In some cases they are reported in dollars, some cases in sterling, and in some cases a general description of the use of an air field.

MR. WHITE: But that is all you receive in reciprocal Lend-Lease.

MR. STETTINIUS: Oscar is entirely correct. I ran into it particularly in Northern Ireland, with the United States Navy having spent dollars quite freely and had not adopted the reciprocal Lend-Lease machinery.

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H.M.JR: I am going to be very frank, because I think it pays off. I don't want to get thrust into a departmental fight, and I am not going to be thrust into one, because I have got too much to do, and I disapprove of them, anyway. I mean, we have got enough enemies. So if there is going to be any fight about who has got to have jurisdiction on this overall business, I am going to be a bystander.

We might just as well call a spade a spade. Just as long as we in the Treasury can fulfill our obligations that the President has given us, as to the dollar positions of these various members of the United Nations--

MR. STETTINIUS: Of course, up until yesterday's meeting, Mr. Secretary, our relations have been direct with you on this policy. We have come to Harry time and time again and discussed our operations - with your record of dollar positions. Now, as far as broadening out into other agencies, yesterday was the first--

MR. WHITE: It broadened out in subject matter, too.

H.M.JR: But your letter, of course, antedated this thing. I just want to put it all on the table, because, as I say, some of the people here - half of the people here, weren't there yesterday. But I want to make it perfectly plain where I stand and what the Treasury's interests are.

Now, I am more than willing to continue the discussion, but I am not going to be a partisan in this fight.

MR. FEIS: What was decided yesterday, if anything?

MR. STETTINIUS: It was decided that the committee - a sub-committee - technical working committee, under the chairmanship of Frank Coe, was to examine the whole question of the status of importers and exporters in relation to BEW activity, Lend-Lease activity, and to make a general review of the dollar position of the United Nations in relation to the BEW Lend-Lease activities. Is that correctly stated?

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MR. WHITE: That is right, plus probably, also, a review of the possibilities of that sort of thing Oscar was talking about.

MR. STETTINIUS: The working committee was to report to the BEW Board, and the BEW Board was to discuss it as a policy matter, and I imagine would make a recommendation somewhere.

MR. CLAYTON: I was just going to say I think the main point that it brought out, Mr. Secretary, was that if there is anybody who decides how much Lend-Lease aid shall amount to in each country, nobody knew who it was, and that it was highly important that somebody have that responsibility. So when people - that is the point Milo Perkins made time and time again, that he is going to have to go before Congress sometime and he is going to be asked that question. He doesn't know who to say - who it is, if there is anybody, who fixes that policy.

MR. STETTINIUS: Fixes the amount of Lend-Lease aid?

MR. COX: That policy is decided by the President and the Congress.

MR. CLAYTON: As to how much?

MR. COX: Certainly.

MR. WHITE: Wait, Oscar, how much - whether or not England shall get more or less is determined by Congress?

MR. COX: That is the practice in effect, because when we go up for every appropriation there is a breakdown.

MR. STETTINIUS: In detail.

MR. COX: In detail, as to how much of the money is for what kind of commodities for what country.

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MR. WHITE: Why aren't you given more than you are given? You could use up the money faster.

MR. COX: Because of the limitations of funds granted by Congress.

H.M.JR: Harry, could I interrupt just a minute? If anybody asked me that question I would think that was Mr. Stettinius'.

MR. STETTINIUS: It is our question. It is our answer.

MR. WHITE: He asks us that question, Mr. Secretary.

MR. COX: No.

MR. WHITE: Wait, let's not confuse this, because it is an important issue. He had asked us how much certain countries have.

MR. STETTINIUS: In dollars?

MR. WHITE: In dollars, that is right; and does he determine that South Africa has more than enough or less than enough? If what you say is true, he should not even want to know what they have got. You said the limiting factor is how much you have got to spend.

MR. COX: No, let me tell you - maybe this is not the form to argue the question on this other committee.

H.M.JR: Excuse me, could I just read from this letter here? He says, "In the light of these facts," and so on, "--to have a talk with you about the situation and the possible advisability of taking steps through Lend-Lease operations or otherwise to keep the British combined gold and dollar position from rising materially above its present relatively high level."

What I get is this, that Mr. Stettinius wants to ask the Treasury's advice, "Do you think it is too high?"

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And then, if we say, "Well, it is beginning to get too high," he would say, "All right, we will adjust the thing."

MR. STETTINIUS: The President has told Henry to keep it at a given level. We come to you and you say, "Manage your operations to keep it at a six hundred million dollar level rather than a billion dollar level."

MR. WHITE: Then you are suggesting that it is the Treasury who decides how much they shall get, because if we say it is too high, you will give them less; if we say it is too low, you will give them more, which is different than Oscar--

MR. STETTINIUS: When we go before Congress we break down tons of copper or tons of egg powder, by quantity, with a forecast. Then you or somebody appears and makes a statement as to what their security position is, or their dollar position, and Congress appropriates the funds to such a country for such a purpose, for such a time.

MR. COX: Can I add another thing on this? You have got to remember one other fact, it seems to me, and that is - it is typified by the Ellender letter - I think the very fact that Ellender wrote to you is based on a popular conception that you are the fiscal officer of the Government.

H.M.JR: I am the what?

MR. COX: That you are the fiscal officer of the Government.

H.M.JR: Is he wrong?

MR. COX: No, I think he is right.

MR. WHITE: What do you mean by calling it a "popular conception"? (Laughter)

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H.M.JR: I thought he said "misconception."
(Laughter)

MR. COX: It seems to me that the question of exporting and importing governmental things is essentially a separate problem from this other one. What you have in the other problem is not the narrow question of merely whether the dollar exchange position has gotten too high, but you have a problem interrelated with a Lend-Lease problem, and essentially what the State Department does, because you can under-cut the whole effectiveness of all these master agreements unless you intelligently, in terms of American public opinion and the Congress, handle the dollar exchange position and certain of the Lend-Lease operations.

I don't quite see, in terms of the responsibility that has been fixed on the Secretary, the State Department, and Lend-Lease by prior arrangements, what particular function this new committee can perform in terms of both the popular understanding and what the problems are.

Now, the question of private exporters or importers is, to a degree, interrelated, but it is so remote in other aspects to this major problem that it seems to me a completely separable problem.

Now, on the straight government-to-government dealing, which are the big things in the Lend-Lease operation, it is perfectly obvious that you are not going to sell airplanes through private dealers any more. When you get down to the large bulk of things like copper and zinc, and what not, between U.K. and the United States, for example, it is perfectly obvious that for the course of the war you are not going to sell those through private dealers.

MR. BELL: Who makes the decision as to how much Great Britain will get out of our total production?

MR. COX: The Combined Production Resources Board.

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MR. BELL: What is it?

MR. COX: Combined Production Resources Board.

H.M.JR: Who is chairman of that?

MR. COX: Lyttelton and Nelson.

MR. BELL: The question of what is Lend-Lease is determined by you, because the whole total is Lend-Lease except their dollar balances, isn't it?

MR. STETTINIUS: Yes, that is right, sure.

MR. BELL: They give you the total they get out of production and you get from us the dollar balances; and of their excess you deduct that from the total, and the balance is Lend-Lease, isn't it?

MR. WHITE: No, no.

MR. BELL: It isn't that simple?

MR. COX: In the course of this war you develop mechanisms to deal with different phases of a complex problem. For example, the Combined Raw Materials Board looks at it from the physical phase of raw materials on the allocation. That is integrated with the problem of getting the money to procure the stuff in accordance with the division which is made by the Raw Materials Board between U.S uses and the United Nations' uses. You have the same thing in munitions, shipping, production, and so forth. The other thing is basically fiscal and economic policy and foreign policy, as integrated with the operations. It seems to me you have already got the arrangements without the need for the new committee to try to work out a duplicate set of arrangements.

H.M.JR: Ed, could I ask you a question? Why didn't you raise - continuing my frankness - why didn't you raise the point yesterday that you were going to meet today, at your request, on this question?

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MR. STETTINIUS: Frankly, I had not seen the notice. My desk was piled up; I had not been told of this nine-fifteen meeting, and didn't know about it until Wednesday afternoon when I asked Knollenberg and Oscar to come and represent me. The meeting was referred to yesterday, during the conference, but I wasn't quick on the trigger and didn't realize that it was an answer to my December third letter to you. I had missed that.

H.M.JR: The reason I asked that is, I again want to state the position. I don't want to be--

MR. STETTINIUS: Harry mentioned in the meeting - you mentioned yesterday morning that there was going to be a meeting here this morning on this subject, and I didn't quickly relate it to my December third letter.

H.M.JR: I don't want to be caught in between a fight of BEW or anybody else, that this committee should continue or whether it should not continue. That is my point. There certainly should not be two committees.

MR. WHITE: I think that Oscar has not - it seems to me has made the thing sound a little more complicated, though true, what it is. Here is a group of policies which are closely related, which obviously affects Lend Lease policy, affects foreign policy, and it affects the Treasury policy. They each have responsibilities and direct interests. It affects BEW, and it affects Commerce. They all have an angle to it, and all that was attempted by the suggestion of a committee, was to provide a sub-committee.

H.M.JR: Harry, you didn't mention foreign relations.

MR. WHITE: Yes I did.

MR. COX: You said "foreign policy." May I--

MR. WHITE: Oscar, may I finish?

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All they said was that there shall be a sub-committee which shall supply the factual information - the recommendations, to the large committee, upon which each one of these agencies is represented, and that there shall be a recommendation as to policy. It was agreed that irrespective of what had been going on - apparently there was no satisfaction, from the very confusion which existed around the table, as to who was responsible for what, and as long as there is doubt in our minds, I don't think there is a clear - I don't agree, apparently, with you on everything, and therefore there must be some doubt about it.

MR. COX: The only point I was trying to make - really two points - was; one, that this committee which has been acting now for months, is already performing the same functions, substantially, that were proposed for the new committee; and secondly, to my mind--

MR. WHITE: Which committee has been acting for a month?

MR. COX: This group.

MR. WHITE: For a month?

MR. STETTINIUS: What group?

MR. COX: This group has covered the field. The second thing is, to my mind--

H.M.JR: Longer than that - since your creation.

MR. STETTINIUS: I wanted to interrupt there, because Harry will bear me out, that yesterday at the meeting I made crystal clear to the whole group that we had a constant relation with you on this matter since March, 1941, and these questions were reviewed here, monthly, and that there was nothing new as far as Lend-Lease coming to the Treasury and asking to examine the dollar position of every Lend-Lease country, constantly.

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H.M.JR: Just so you gentlemen know it all, this past week Mr. Wilson, who is chairman of a joint Canadian-U.S. board, and Lauch Currie came here and asked us to change our policy where, instead of reviewing in advance contracts to be let in Canada, review the financial position every three months, which we agreed to. Everybody has agreed to it, but nobody has asked Mr. Ilsley up in Canada whether he likes it. (Laughter) So, there is a relationship between the Treasury and this board. You are secretary of it, aren't you?

MR. COE: Not any more.

H.M.JR: Who are you working for now?

MR. COE: Milo Perkins and the Vice President.

H.M.JR: You are not on that?

MR. COE: Milo was chairman of that, and then it was shifted over to War Production, to C. E. Wilson.

H.M.JR: You are here for BEW?

MR. STETTINIUS: He is representing Milo.

MR. COX: The second point I wanted to make--

H.M.JR: But I mean, you get - we have the relationship between that committee, which we are working out on a three months' basis, when we will consult, and if the Canadians like it - I mean, this is a brainstorm of Wilson's and Currie's. I don't know how the Canadians will like it, but I want to throw that in.

MR. COX: The second point I would like to make is that in terms of the Congress and the American public I think it is a fundamental mistake to pitch this on the level of Economic Warfare. I think basically the whole Lend-Lease operation in relationship to the master agreements and the dollar exchange position is

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primarily at the present moment military and political strategy in which economic is one part. I think you are leading yourselves into a bad trap vis-a-vis Congress if you have a Board of Economic Warfare committee passing on these kinds of questions.

MR. CLAYTON: I don't think, Mr. Secretary, it was intended that this committee would pass on the questions.

(Mr. Stettinius left the conference.) (The Secretary left the conference temporarily.)

MR. KNOLLENBERG: There has been discussion about the meeting yesterday and the calling of this group together. It wasn't Mr. Stettinius' request or suggestion; it was the Vice President who said, "Why don't we have a committee to study this?" Mr. Stettinius did not like to protest against the suggestion that there be this study committee. That is the way it came out, to my recollection.

MR. COE: Mr. Secretary, may I say a word or two on one or two of these things? First, as to any fighting on it, I think that speaking from the point of view of the Board there is uncertainty - certainly in our staff - as to where and how a number of decisions which were discussed at the Board meeting were made. I understood at the discussion yesterday that they argued over the dollar position, the position of private exporters, private importers, Lend-Lease shipments in various fields, with great divergence of opinion, subsidies on imports, and a number of things on imports and exports.

Certainly from our point of view we know we don't make the decisions; and the suggestion was made, I thought, by Mr. Stettinius, that there be appointed a committee of the relevant persons to work on the technical aspects and say what the policies were or should be, or make recommendations back to the Board.

Again, as Lend-Lease has said, I don't think there would be any disposition to get in the way of any machinery

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that is already established for determining what the dollar position of countries is or, on the basis of that, who is to get what lend-lease, and what exports ought to go by commercial channels. On the other hand, on certain problems which came up - I think South Africa was one - we certainly don't know why, on the basis of the gold that they are holding and the general British dollar position, the extension goes on of more and more lend-lease to them.

I think it was that sort of a thing which was discussed, and there was great diversity on why what was happening was happening.

MR. COX: My central position is, assuming that diversity and that the export-import thing is reasonably separable, that you have already got functioning a committee, whether it functioned well or not, that simply could be strengthened; and secondly, that I think it is practically inadvisable in terms of the reactions in Congress now and what they are likely to be, to have such a governmental committee in the Board of Economic Warfare - not that I have any criticism of BEW, but this is a problem which cuts across, and primarily as of this point is not an economic warfare problem. I have talked to the people on the Hill about - I mean--

MR. WHITE: Why didn't your agency raise those questions at the meeting yesterday?

MR. COX: That is water over the dam.

MR. WHITE: That is why it shouldn't be dragged up now.

MR. COX: I am not so sure that you can't reconsider things.

MR. WHITE: That you can pull water back over the dam? (Laughter)

MR. COX: No, that the necessary flow goes over another dam. (Laughter)

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MR. WHITE: You see, the same group would do the work.

MR. COX: I have no quarrel about that.

MR. WHITE: State and BEW and the same technicians will do the work. It is a question of getting somebody who is tagged with the responsibility of doing that work, and nobody has been.

MR. COX: You can have a committee with a chairman. My point is that the label on this thing six months from now may be a lot more important than it was thought yesterday.

MR. WHITE: Then, as the Secretary said, we don't care who is chairman as long as there is a committee.

MR. PASVOLSKY: What is the committee called?

MR. WHITE: Just a technical committee.

H.M.JR: Could I just say this - I am just going to, acting as Secretary of the Treasury - for the moment I am going to forget about what happened yesterday. I am just going to throw out this feeler to the people here who are representing the various departments, that I think the English dollar balance is approaching a place where it may be - we may have to consider that it should not go any bigger. I would like to ask the State Department and Lend-Lease what steps you could take to see that the dollar balance, if we decided - I mean, what steps could you take to see that the dollar balances don't grow any bigger; in other words, to stabilize it, if possible, at this point, and what can you do about it?

MR. WHITE: BEW also buys raw materials which they said they may be able to get on Lend-Lease in Reverse if the decision is made not to supply more dollars. That is a part of their interest in it.

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MR. COX: I would like to suggest--

H.M.JR: I would just like to throw that out, that it seems to me it is getting to that point where it should be examined. How much does BEW buy in England?

MR. COX: Very little now. It buys a good deal from some of the British possessions.

MR. CLAYTON: Mr. Secretary, the actual purchases are all made by RFC subsidiaries. If we are buying anything in England, I don't know it. We are buying a great deal in South Africa and in India and British Guiana - for example, bauxite - and it runs into a great deal of money. I would not undertake to say how much, because I have not taken a look at it from that point of view.

MR. COX: In the United Kingdom, though, there are purchases being made now by private people. For example, recently we got some benzol from the British through the British Government on Reverse Lend-Lease for use in war production here.

Now, I think that one of the studies that ought to be made is what raw material and materials that are essential for our war production in relationship to the dollar balance can be obtained under Reverse Lend-Lease. I mean, if you do it that way, that cuts down their dollar income respectively, and so it tends to stabilize.

MR. CLAYTON: We pay cash for everything we buy.

H.M.JR: Just sort of take a look into it - how much has it run since the first of the year, how much each month is it growing, and is it getting smaller?

MR. CLAYTON: I will be glad to.

H.M.JR: Would you mind writing me a letter on it?

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MR. CLAYTON: All right. Of course, Mr. Secretary, what I would give you would only be Government purchases, that is, RFC purchases. It doesn't take in the private purchases.

H.M.JR: We couldn't do anything about the private.

MR. CLAYTON: That helps to make the balance higher.

H.M.JR: Yes, but I don't see what we can do about the private. If we had the RFC, which does the buying for BEW - is that right?

MR. COE: You could put it that we buy it together.

H.M.JR: Anyway, if I got it from him, it would cover both.

MR. CLAYTON: We make the contracts and the payments.

MR. FEIS: Mr. Secretary, what I should think you would need is really a rather complete tabular statement of all the main operations between ourselves and the component parts of the Empire, involving payments in both transactions. You would have to have almost that complete tabular picture so that you could judge which of those for which we are now paying we might switch to Reverse Lend-Lease, or which of those we are now paying Lend-Lease for that we might ask cash for. I think you would have to have it in all its parts, because the transactions run to different elements of the Commonwealth, and the Empire, which do not keep common accounts. You would have to select, rather carefully, the six or eight points of action on which you might want to change policy.

I suggest that, rather than concentrate interest on commodity purchases, which will come largely from parts of the Empire, which you might not want to make your adjustment--

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H.M.JR: Doesn't White have that?

MR. WHITE: No, that is exactly what the technical sub-committee should do. We have never been given the authority - no one has ever been given the authority to get that from the Dominion Empires; we get it from U.K.; we get it from Canada. Those are the two countries we follow, because that has been clearly a part of the responsibility that you have undertaken. We have not been given the other, and that is exactly what the - one of the things the technical sub-committee would do. It doesn't matter under whose chairmanship.

MR. FEIS: First, I don't know that we have to postpone any action until we have the complete picture. There might be one or two obvious points of action to be taken at once. Secondly, even if we want such a complete study, the question still exists as to whether it should be done by a committee of the BEW or by the two or three agencies that have direct responsibility. That, I can't settle on.

MR. WHITE: It doesn't matter which agency - it would have to be a committee - a group - a technical committee.

MR. FEIS: In one case you go before a full board and get a new debating ground for these questions that you have not had in the past.

MR. CLAYTON: I would like to make this point, Mr. Secretary: I was just an innocent bystander there yesterday and have no direct interest in the matter. But the main point that was made there yesterday, that I think the Vice President is particularly anxious to get an answer on, is that if there is anybody in the Government who decides how much lend-lease shall be given to any country that they don't know it. He doesn't know it. Milo Perkins doesn't know it; and if there was anybody there that knew it, I don't believe it was evident. He didn't say so. That is number one.

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Number two is the question of the British Empire, whether it should be dealt with as a unit or dealt with separately. An example is the case of South Africa, who did not want lend-lease, but it was rather forced upon them. I think they were the two main points.

The one that the whole discussion started on, the question of whether we would use private exporters or importers, rather faded into insignificance before we got through. The two things I mentioned were the main questions.

If, as Mr. Cox indicates, I believe, that matter is decided - I mean, if there is somebody who decides it, the Congress or the President, I think it ought to be made known.

MR. COX: Also, I think you have to tie it in with operations. For example, this thing that the Secretary just asked about, there is obviously an interrelationship between the dollar exchange position and what kind of action you want to take under Lend-Lease - either Reverse Lend-Lease or direct Lend-Lease.

MR. CLAYTON: The question is, who decides it. That is the point that was raised yesterday.

MR. COX: It has been decided by this committee, because three major agencies have been involved, State, Treasury, and Lend-Lease.

Now, on your second question--

MR. WHITE: It has been decided by them? Did we have any share in the decision that this lend-lease stuff should go to South Africa? I don't think we did, Oscar.

MR. COX: No, no, I was going to cover that in another phase of the problem. That probably is part of the picture, that you said that the State Department had been asked to give an answer as to whether you deal

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with them separately or as a unit. Now, that obviously can't be decided by the committee without certain operations by the State Department.

MR. FEIS: May I get a little more light on this question? Just what question is it that the State Department is supposed not to have answered?

MR. WHITE: Not to have answered, because, as Dean made clear yesterday, it was an extremely difficult problem, and the British Empire - the British Government itself has been up to date unable or unwilling to give an answer. That was whether or not in our determination as to what assets these countries have, which would enable Lend-Lease to make certain decisions - and ourselves - whether we were to consider the assets of the British Empire as a whole or whether in their dealings with South Africa they were to consider the South African assets as a whole and deal with South Africa. It makes a substantial difference as to how it is approached, because as it is now, the U.K. says that the only assets that we shall consider are U.K. assets. Any arrangements that we have in Lend-Lease with South Africa or the Dominions are through U.K. - because we handle all their dollar balances.

MR. COX: It comes up in other brackets. It came up on the question of reciprocal Lend-Lease agreements, whether they ought to be agreements with the U.K. only, or the U.K. with constituent parts, or U.K. and U.S. and constituent parts.

MR. FEIS: I can understand it from the diplomatic end, but from the fiscal end I should not think it would be a problem.

MR. WHITE: You point out if the fiscal problem is--

MR. COX: You pointed out one phase of it yourself. If you have all the data for the whole Commonwealth and Empire - supposing, for example, South Africa were producing commodity "X," which you thought it might be

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wise to get on reciprocal Lend-Lease rather than by dollar payment, then would you say to South Africa, "You supply it," or would you say it to the U.K., or to the U.K. and South Africa?

MR. WHITE: Or take this point - we have been asked how much gold South Africa has. Frankly, we don't know. We know what is reported. There was reported to me - I don't know how valid it is - by some high official, that there is some gold that South Africa is not recording. We are not in any position to ask South Africa about that. We did ask them about eight months ago and they said that it was a confidential matter. They don't want lend-lease there. We are in no position to ask them. The same thing is true - England has not told us yet exactly what her financial arrangements are with South Africa.

There are a lot of such questions that if there is a clear-cut mandate for a sub-committee - it doesn't matter under whose chairmanship it is - they can go ahead and get that data. Then we will go to these various - we have known the questions to ask; we have known them for two years, and we have written them down. They have never given us the answers, and the Treasury has never felt in a position to ask or insist upon those answers. Once some sub-committee is given a clear mandate to get it, we will give you all the facts that you need to make your policy decisions. That is what this sub-committee was for.

MR. BELL: What authority do they have to have that the Treasury didn't have to get that information?

MR. WHITE: Merely a mandate from the Administration for whoever is on the Board, represented by these same groups or committees - for this committee to go ahead. Once we have that, we can go to these various countries and say that we would like this and that.

H.M.JR: Since hearing this discussion, I have changed a little bit. I mean, certainly I would like to talk with the President. I would like to talk with Mr. Hull. I mean, I think we are getting pretty far

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affield in this thing. I think that - as I said earlier, I am not going to get into a fight. Let's again call a spade a spade. Is Economic Warfare - does that come into dealing with our Allies? If, for instance, we decide after careful consideration to recommend - certainly, I know the President would want to know himself before any decision was taken whether we are going to cut down on the lend-lease to England. I mean, what I have heard here, I don't see this Economic - we are not waging economic warfare against our Allies.

MR. WHITE: You do in the sense that - I gather economic warfare has two phases; one, it helps its Allies, and the other is, it hurts its enemies.

MR. COX: It is a part of the Government's military and political strategy as to whether you are going to cut down on the supplies to our Allies or whether you are going to cut down on their dollar balances.

MR. COE: Mr. Secretary, so far as I heard yesterday, they weren't discussing this subject as a matter of economic warfare with the various agencies. They wanted some orderly method of being able to tell one another what was being done and why. I should think, as far as BEW is concerned, that if there is any other arrangement which will get that done, we will be just as happy to have it as the sub-committee of the Board.

MR. WHITE: I think that is a true reflection of their attitude, both at the meeting and prior to the meeting. They called us up a number of times asking us questions and said, "Where can we get this information?" We said, "We don't know; try Lend-Lease."

They said, "Lend-Lease says they get it from you." There is a difference of point of view.

I think Frank is accurately reflecting BEW's attitude. They don't care who handles it as long as there is a committee to handle it.

MR. COX: I gathered you said there was some committee of the Board--

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H.M.JR: Look, I am going to have to stop this, because this is getting into - I am not going to get into it. What I am going to do is this, Oscar - after all, this meeting here was called at the request of Mr. Stettinius. I don't know what his title is, chairman, or director of Lend-Lease--

MR. COX: Administrator.

H.M.JR: I think it is up to Mr. Stettinius to take his hat - put his hat on and go around and get this thing settled. Mr. Stettinius has to go on the Hill and ask for the appropriation.

MR. COX: That is right.

H.M.JR: I think it is up to him to go around and knock at a few doors and find out - I mean, because he is the Administrator, and if he could - in the meantime, we will be looking into, particularly, England's balances. But if he goes around, and you can't - I am not going to have it settled in this office. I think you ought to see Mr. Hull. I think you ought to talk to the President or whoever it is that he looks to, and let us know.

MR. COX: I agree.

H.M.JR: It is up to him; it is his job. If these people in the room here say the question was raised yesterday as to who decides this, well, if Ed Stettinius doesn't - and you sort of slid into this South African thing without full approval of the Administration - I think the quicker he gets this thing cleared up, the better it is for him and his organization.

Now, do you agree?

MR. COX: Yes, sir.

H.M.JR: So let's leave it that way, and let him get busy and put his hat on, go around town; and as soon as he knows, let him advise us. Is that all right?

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MR. BERLE: That is first-rate.

MR. KNOLLENBERG: May I ask just one question? He will have to go around town to Mr. Hull and to you to find out about these British balances. He can't go to the British authorities for that.

MR. COX: No, what he meant was on the arrangement--

H.M.JR: No, the question that has been raised was as to policy, whose job is it to decide on what we supply England with and what we get from England or the Dominion. Mr. Stettinius has a very important part. He asked us just about the dollar balances, but this whole question - this raises the whole question of his jurisdiction and his authority. Where does it begin? Where does it end? If I were in his place, I would get around and find out, as I said in the beginning, and I say again, that I don't want to settle it. It isn't my responsibility.

MR. BERLE: Before we close I would like to say one thing on behalf of State. We, of course, have assumed that the handling of this lend-lease was primarily the task of the Administrator, but that since this did involve a vital fiscal relationship with the Treasury, the problem of taking care of the situation which began to get out of hand was presumably a matter which he would discuss with you, and presumably you - or both of you - will discuss with the President.

In the second place, I think, in the State Department we have had the view that you could not forecast the amounts in any given place at any given time, because they depend on military and other circumstances. Therefore, the major question was whether the total balance was getting out of hand.

In response to your suggestion that the U.K. balance of nine hundred and thirty millions is beginning to get

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above that comfortable stage where it justifies looking over, I think we would be in accord.

MISS KISTLER: I would like to ask Mr. Berle - when you say total balances, just whose are you referring to?

MR. BERLE: I presume that that would work in respect of every country with which we have lend-lease.

MISS KISTLER: You would take a position of individual relations? That is the fundamental question which we have run up against.

H.M.JR: I think what you mean is, for instance, that if we cut down on England it immediately affects Canada.

MISS KISTLER: No, I am thinking of the rest - the sterling area countries. Do you consider all of them as a unit, or each as a part - I mean, as a unit?

MR. WHITE: That question has just got to be decided, or we are talking in a fog.

MR. FEIS: I suspect that you will never want to answer that question in terms of one thing or the other.

MISS KISTLER: But then you would have to give us a guide. Should we act on this assumption or on another assumption?

MR. COX: For certain practical purposes.

MISS KISTLER: That is right. That hasn't even been answered to that extent.

MR. FEIS: I agree with that, but I don't think the answer is ever going to be clear-cut as to whether you should do it this way or that way. I suspect also that the primary formulation of it will be made inside the Treasury, and not in State - the consultative decision, which I think we look to Treasury to make.

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MR. WHITE: It is just dodging the issue. The issue is very simple.

MR. FEIS: I don't have any intention of dodging--

MR. WHITE: Merely for working purposes - not for any public announcement or official reason. For working purposes when we are asked what is U.K.'s balances, or the British balances, or Africa's balances, we have got to know what is the policy of the Government, because we can very quickly give the answer if we know the working policy - which may change a week from now. There has been no settlement of that policy. Therefore, when England tells that her dollar balances represent the British balances, which she has said repeatedly, we say, "They don't." We know they don't. But they say, "Well, but what you are doing is treating the Empire as a whole." We say, "Should we treat it as a whole, or should we treat it individually?" They won't give us an answer. I mean, the thing is - if you dipped into it, you would find it has been confused for a long, long time. You know the difficulties, but--

MR. PASVOLSKY: I would--

MR. WHITE: A year and a half ago - almost a month after war broke out, we had a long list of those questions. We raised those questions with them, and they have been re-raised repeatedly, each time, because we have been thoroughly cognizant of the difficulties of getting that data and of giving the kind of answer which other agencies have a legitimate right to ask of us.

H.M.JR: Well now--

MR. PASVOLSKY: Then we will have to get the answers.

H.M.JR: Let's stop on this thing. I have suggested that Mr. Stettinius get busy and walk around town and find out just where he starts and where he finishes. If after he has done that he will do me the courtesy of

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giving me a call, I would appreciate it very much. In the meantime we will make the few inquiries - I still would like to have from RFC what I asked for.

MR. CLAYTON: All right.

H.M.JR: Thank you all.

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

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E. R. Stettinius, Jr.
Administrator

December 3, 1942.

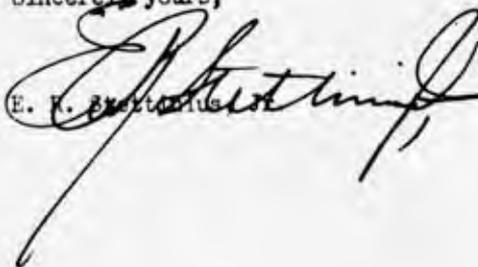
The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear Mr. Morgenthau:

I have a memorandum from Oscar Cox dated November 23 saying "I think some serious consideration ought to be given to how high the British gold and dollar balances should be allowed to rise, particularly in view of the possible boomerang from the standpoint of Congress' reactions to additional appropriations" for Lend-Lease. I understand that your records show that as of October 31, 1942, the United Kingdom's official dollar balance was \$237,000,000., and its so-called "available gold" \$468,000,000. with an additional so-called "scattered" gold of \$210,000,000., and that the United Kingdom's gold and dollar position is growing increasingly strong.

In the light of these facts I think it might be well for Dean Acheson, Milo Perkins, and me to have a talk with you about this situation and the possible advisability of taking steps through Lend-Lease operations or otherwise to keep the British combined gold and dollar position from rising materially above its present relatively high level.

Sincerely yours,


E. R. Stettinius, Jr.

FOR DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND
STOCKS

December 11, 1942

C
O
P
Y

My dear Senator:

I have your letter of December 7, 1942 making a number of inquiries with regard to Lend-Lease operations between this country and Great Britain.

Your questions relate in general to operations which fall within the jurisdiction of the Lend-Lease Administration rather than of the Treasury, and I am confident that a letter addressed to that agency will result in your obtaining the information you are seeking. I believe that a similar inquiry addressed to the State Department would also be productive, but the Lend-Lease Administration would, in my view, be the best single source.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. Allen J. Ellender
United States Senate
Washington, D. C.

JJO'C.Jr/lsw
12-9-42

UNITED STATES SENATE
Committee on Naval Affairs

December 7, 1942

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

Dear Mr. Secretary:

Re: Lease-Lend Program.

If consistent with your duties, I would like to have you inform me what arrangement, if any, our Government has with the Government of England with respect to the disposition or distribution of American lease-lend goods sent to England for account of the civilian population. For example, if a cargo of civilian goods should be sent to the Government of England for distribution among the English civilian population, are those goods sold by the Government of England? What becomes of the proceeds? Who regulates the price of the goods sold to the consumer? If sold at a profit, who benefits?

I should like to have the same information with respect to the handling of such matters with other foreign governments.

If the goods are not sold by the British Government, but instead are turned over to the military or other departments of government, I should like to be advised how the goods are distributed after they reach England, and what England does or promises to do to compensate us for the value of such goods. Also, I should like to know the value of civilian goods that have been shipped to date to England and to other governments for distribution among their respective peoples.

I would also like to have information, if consistent with your duties, as to the manner and method of accounting between our government and the various governments receiving aid from us with respect to implements of war and other military items including food and clothing, shipped under our lease-lend program.

Not knowing how the goods are handled under the lease-lend program, it is rather difficult for me to be more specific with my questions. I shall greatly appreciate any light that you may be in a position to throw on the subject.

With kindest regards,

Sincerely,

(Signed) Allen J. Ellender

AJE:PLa

Agenda for Meeting in the Secretary's Office
December 18, 1942
9:15 A.M.

1. Dollar position and prospects of British countries.
2. Financial arrangement between the U.K. and other British Empire countries, particularly as concerns South African gold.
3. The adequacy of British gold and dollar holdings.
4. The need for an over-all policy on extension of financial assistance to Allied governments.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE Dec. 17, 1942

TO Mr. White
 FROM Miss Kistler
 Subject: British Dollar Position

1. As of the close of November 1942, British Empire countries (excluding Canada) held \$1.8 billion of gold and U.S. dollars, as follows:

	(Millions)
United Kingdom.....	\$ 930
South Africa.....	590
British India.....	275
New Zealand.....	25
Australia.....	10

This represents an increase since the beginning of the current year of \$650 million. The holdings of the United Kingdom and South Africa are about three-quarters again as high as they were on January 1, 1942.

In addition, the above countries hold an aggregate of more than \$900 million of private dollar balances in the United States.

(For more detailed figures of U.S. dollar assets of British Empire countries see Appendix A.)

2. On the basis of information available, we estimate that the gold and U.S. dollar holdings of British Empire countries will increase a further \$200 million by March 31, 1943, or to over \$2 billion.

(For itemized estimates of the U.S. dollar expenditures and receipts of the Sterling Area see Appendix B. Estimates of gold and U.S. dollar holdings of British Empire countries as of March 31, 1943 are given in Appendix C.)

According to the latest British data submitted to the Treasury, Sterling Area countries will have an excess of U.S. dollar expenditures over U.S. dollar receipts on current account, December 1942 through March 1943, of \$150 million. To meet this, they will have \$200 million of newly-mined gold and about \$120 million of receipts from U.S. Government expenditures, principally for the

Division of Monetary
Research

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armed forces, leaving a net surplus of gold and U.S. dollar receipts on all accounts of \$190 - \$200 million for this four-month period.

3. So far as concerns Canada, Canadian gold and U.S. dollar holdings have increased steadily since the beginning of the current year. The prospects are for continued improvement and it is now estimated that Canada will close the first quarter of 1943 with over \$300 million of gold and U.S. dollar balances.

The Canadian Government's U.S. dollar exchange assets are now larger than they were at the outbreak of the war; that is to say, the entire loss of U.S. dollar exchange experienced by Canada to date is represented by the decline in private U.S. dollar balances which were requisitioned in the earlier months of the war.

(For Canadian estimates of U.S. dollar expenditures and receipts, December 1942 through March 1943, see Appendix D.)

Appendix A

Gold and U.S. Dollar Balances of
British Empire Countries
(Millions of Dollars)

	Gold (as of vari- ous dates)	Official U.S. Dollar Balances (11/30/42)	Total	Increase since Jan. 1, 1942
United Kingdom (11/30/42)	702*	226	928*	430
Union of So. Africa (11/6/42)	587	5	592	220
British India (8/31/42)	275	-	275	-
Australia	-	10	10	-
New Zealand (7/31/42)	23	2	25	-
Total	1,587*	243	1,830*	650
Canada (9/30/42)	122	165	287	100

* This figure does not include the \$105 million of Belgium gold. It does include, however, \$10 million of gold reported held against immediate liabilities and \$238 million of scattered gold.

Appendix B

British-Estimated U.S. Dollar Expenditures and
Receipts of the Sterling Area
December 1, 1942 - March 31, 1943

(These figures are based upon information supplied by the British to the Treasury, in large part last February, and thus may no longer accurately reflect British current expectations)

(In Millions)

I. U.S. Dollar Expenditures

A. Payments to U.S. by U.K.		
1.	On British Purchasing Mission commitments (net)....	43
	(Only \$10 million (net) remains due on B.P.M. commitments after March 1943)	
2.	For other merchandise imports.....	40
3.	For interest, shipping and other services.....	55
4.	All other.....	<u>27</u>
		\$165
B. Payments to U.S. by other Empire countries		
1.	For merchandise imports.....	85
	(U.S. exports on commercial account to these countries during recent months have been roughly at this rate)	
2.	For interest, shipping and other services.....	<u>35</u>
		120
C. Payments by Sterling Areas outside U.S. requiring gold or U.S. dollars		
1.	For American-owned oil.....	20
	(We have never been clear concerning this item, Lend-Lease informs us that all oil used by the British regardless of where purchased is eligible for lend-lease, but the British have consistently carried an estimate of expenditures for purchases of American-owned oil outside U.S.)	
2.	For all other items.....	<u>25</u>
		45
	Total estimated U.S. dollar expenditures.....	330

(In Millions)

II. U.S. Dollar Receipts

A. Receipts from U.S. by U.K.

1. For merchandise exports.....	\$ 35	
(This approximates the level of U.S. merchandise imports from U.K. during first half of 1942)		
2. For interest, shipping and other services.....	25	
3. For all other items.....	<u>25</u>	\$ 85

B. Receipts from U.S. by rest of Sterling Area

1. For merchandise exports.....	100	
2. For interest, shipping and other services.....	<u>15</u>	<u>115</u>

Total estimated U.S. dollar receipts..... \$ 200

Estimated U.S. dollar deficit on current account, excluding newly-mined gold..... \$ 130

C. To meet this deficit, British Empire countries will have at least the two following principal sources of U.S. dollar exchange receipts.....

1. Newly-mined gold, at current rates of production.	200
South Africa.....	165
(During the first 8 months of 1942, about one-half of South African newly-mined gold was apparently not made available to the United Kingdom)	
Australia.....	13
(Sale of Australian gold has in the main been made directly to the U.S.; however, no such gold has been sold to this country since the beginning of the current year)	
Other.....	22
(This assumes a 50% reduction from the 1941 level)	

(In Millions)

In addition to this newly-mined gold, Britain may acquire gold out of private holdings or from non-Empire countries such as Russia. The British Government reported receiving \$60 million of such gold during the year, April 1941 - March 1942.

The British claim that the availability of this gold is effected by shipping conditions. They request that they be allowed to keep currently produced gold as a reserve against British liabilities to countries other than the U.S.

2. Receipts from U.S. Government expenditures, principally for U.S. armed forces, at current rates of expenditures.....\$ 120

U.K..... \$60
(This estimate includes all transfers made to the British account with the New York Federal Reserve Bank and thus covers estimated expenditures to be made on behalf of U.S. armed forces and of the State Department in Sterling Area countries other than the United Kingdom)

Australia..... 40

Other..... 20

Total of newly-mined gold and receipts from U.S.		\$320
Government expenditures.....	—	
Estimated net amount to be added to British dollar exchange holdings, December 1942 to April 1, 1943.....		\$190

Appendix C

Estimated Amount of Gold and U.S. Dollar Balances
Held by British Empire Countries as of
March 31, 1943*

(In Millions)

United Kingdom.....	\$ 1,025
Union of South Africa.....	675
British India.....	275
Australia.....	25
New Zealand.....	<u>25</u>
Total.....	\$ 2,025
Canada.....	\$ 315

(This figure assumes that Canadian estimates for the first quarter of 1943 will be reasonably accurate.)

* These figures are based on the assumption that the United Kingdom's acquisitions will include only one-half of South African gold output and no Australian newly-mined gold.

Treasury Department, Division of Monetary Research December 17, 1942.

Estimated U.S. Dollar Expenditure and Receipts of Canada,
December 1942 through March 1943

(In Millions)

I. U.S. Dollar Expenditures

A. Payments by Canada to U.S.		
1. For merchandise imports.....	\$325	
(Between 40 to 50% of these expenditures are for military equipment or for goods to be used in war production).		
2. For services.....	125	
3. For bond maturities and other capital re- payments.....	7	
B. Payment of U.S. dollars to Non-Sterling Areas outside U.S.....	<u>11</u>	
Total U.S. dollar expenditures.....		\$468

II. U.S. Dollar Receipts

A. Receipts by Canada from U.S.		
1. For merchandise exports.....	330	
(Receipts from "Hyde Park" exports are ex- pected to account for \$163 million of the receipts forecast for the four months ending March 31, 1943).		
2. For services.....	64	
3. For newly-mined gold.....	30	
4. For exports of securities and other capital assets.....	<u>42</u>	466
B. Receipts of U.S. dollars by Canada from Non- Sterling Areas outside U.S.....	18	
C. Net receipts of U.S. dollars from Newfoundland....	<u>10</u>	28
Total U.S. dollar receipts.....		\$494
Net excess of U.S. dollar receipts over expendi- tures.....		\$ 26

Canada's Liquid U.S. Dollar Reserves,
September 1939 to date,
as Reported by the Canadian Government
(in millions of U.S. Dollars)

	Gold	Official U.S. Dollar Balances	Total Official U.S. Dollar Reserves	Private U.S. Dollar Balances *	Total
<u>Actual, as of</u>					
Sept. 15, 1939	205	56	261	130	391
Dec. 31, 1940	136	194	330	-	330
Dec. 31, 1941	136	52	188	-	188
Mar. 31, 1942	126	104	230	-	230
June 30, 1942	125	119	244	-	244
Sept. 30, 1942	122	138	260	-	260
<u>Estimated, as of</u>					
Dec. 31, 1942			267**		267**
Mar. 31, 1942			293		293

* This figure is exclusive of about \$20 million in minimum working balances.

** On December 9, 1942, deposits held by the Canadian Government with the Federal Reserve Bank of New York for Canada's own account totalled \$143 million, as compared to \$108 million on September 30, 1942. Since no gold has been reported sold by the Canadian Government out of its reserve, these figures indicate an increase in Canada's official gold and U.S. dollar reserve of \$35 million during the last eight weeks, in contrast to the rise of \$7 million forecast for the entire three-month period.

December 18, 1942
10:26 a.m.

HMJr: Dean?

Dean
Acheson: Yes, Henry.

HMJr: Good morning.

A: Good morning, sir.

HMJr: What happened to you this morning?

A: What happened to me?

HMJr: Yes.

A: What do you mean by that?

HMJr: Well, we had this meeting, you know, where we -
called at the request of Stettinius to consider
the dollar balances.

A: I - I never heard of it, Henry.

HMJr: Well, I wrote Mr. Hull a letter and asked him
to send somebody over, and you've always come
to the meetings, and it....

A: He never spoke to me about it. I never heard
about the meeting until this minute.

HMJr: And instead of that appeared Pasvolsky and Feis
and Berle.

A: Oh, good lord! Really? Gee whiz!

HMJr: What? You've always come to these meetings.

A: I know I have.

HMJr: Yeah.

A: That - (laughs) oh, gee whiz. Now - now we're
certainly in the mess.

HMJr: Yeah.

A: Well, I suppose....

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HMJr: Well, let me tell - let me tell you what I just did so that you'll know. It gives you a breathing spell. I said that - you see - well, you know what we've done at these meetings in my offices on dollar balances.

A: Yes.

HMJr: And I'll send you over a copy of Stettinius' letter to me calling it, so that you'll know why it was called - hello?

A: Yes.

HMJr: And - well, I can just tell you. He said would we please call a meeting to consider whether the English balances are too large or not. That was the purpose of the meeting. Well, then I said in view of what happened yesterday up at Wallace's, I thought Stettinius should take his hat and go around town and find out whether he's running Lend-Lease or whether somebody else is running Lend-Lease and let us know.

A: Yes.

HMJr: And so that gives us all a breathing spell.

A: (Laughs) Well, that was one of the things that was bothering me in the meeting yesterday....

HMJr: Yeah.

A:if that's Wallace's place.

HMJr: Yes. Well, I wanted to tell you, because I don't know what's going on over at the State Department, but I certainly expected you here this morning.

A: Well, I - I had expected to be there. I thought that what we were - decided yesterday was that

HMJr: No.

A:there was going to be a technical committee created first of all, of which I was going to be

(cont.)

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A: (cont.) a member, and that was to try and collect all the information so that you and Stettinius and the Secretary would know what the facts were.

HMJr: Well, you now know the meeting took place....

A: I know.

HMJr:and you - you might - you can say that I called up to find out why you weren't here. You can use that. You can say that.

A: All right, sir, thank you.

HMJr: That gives - that gives you something to hang it on, you see?

A: (Laughs) Thank you, Henry, very much.

HMJr: I mean that gives you an excuse.

A: Yes.

HMJr: You can say I called up and said, well, why weren't you there. You've attended every other meeting.

A: Yes. Well, I'll - I'll try to - I'll try to get back into the picture again.

HMJr: I wish you would.

A: I'll do my best.

HMJr: Thank you.

A: Thank you, Henry.

December 18, 1942
11:25 a.m.

HOME FRONT

Present: Mr. Bell
Mr. White
Mr. Gaston
Mr. Mager
Mrs. Klotz

(The Secretary read draft of letter to the President, dated December 18, 1942, copy attached.)

H.M.JR: How did you get in this last thing here about Wickard? That is bad from there on.

MR. GASTON: That was in your dictation; I thought you wanted it in.

H.M.JR: It is all right down to there.

MR. GASTON: Do you want to mention Wallace and the camps? I distinctly thought you wanted that in.

H.M.JR: No, I think it is good down to there.

MR. WHITE: I think it strikes a little wrong note.

H.M.JR: Do you?

MR. WHITE: Yes. I think that what is necessary - what you are asking for is not that there be coordination of the efforts, but that there be some group - I think it would be a mistake to formalize it beyond a group that would accept the responsibility, and be saddled with the responsibility to see that each of these agencies, in dealing with the public, is doing the most effective job it can in its particular field.

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In other words, what is not needed here in Washington is another coordinating group. What is needed is somebody who will see that each one of these agencies is doing some kind of a job, and who will spend time thinking about the problem and pushing each department to do the best job it can.

H.M.JR: I disagree with you. That is the Rosenman formula, with Jimmie Byrnes and that. I disagree with you. You are taking the responsibility away from the public who have got it.

MR. WHITE: No, not as I visualize it. You have this group to represent the agencies that are dealing mostly with the public, and they talk over the various ways in which they can most effectively reach the public. It isn't that you need coordination between those groups, but rather that you need to promote some approach within each of those agencies.

H.M.JR: Look, Harry--

MR. GASTON: I think you need coordination, but as a result of coordination you will get some increased activity.

Ferdie mentioned the fact that the Office of Civilian Defense has a division they call a "Division of Campaigns," and they are not doing anything that is effective at all. They are supposed to be right in this field.

MR. BELL: What I think is needed is to have something that will give more effective operation. You have plenty of organization.

MR. GASTON: If you put some pressure on it by a group that talks the thing over, I think you should get that result.

MR. MAGER: It seems to me this is not a superimposition on something that already exists. What you are doing is really coordinating the activities of existing agencies - not setting up something new.

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MR. WHITE: Do you want to coordinate their agencies? Is it not rather that they are not doing a job?

MR. MAGER: Why aren't they?

MR. WHITE: Because they are not being coordinated; nobody is accepting the responsibility - being aware of the difficulties.

MR. GASTON: Isn't it because they are all afraid of stepping on somebody else's toes?

MR. BELL: You don't like the word "coordination"?

MR. WHITE: That is right, because the President is likely to say, "Oh, hell, another coordinating agency?" These divisions aren't quarreling with each other or stepping on each other's toes.

MR. BELL: Use another word - "more effective operation."

MR. MAGER: There is one change which should be made, I think, Mr. Secretary, and that is this. I tried to be as literal as possible to the letter that you dictated yesterday, and therefore I included this reference to Joint Chiefs of Staff and said that what we would create now is "a comparable organization dealing with the home front."

I think, in a sense, that is a misplaced analogy. I don't think that it holds on all fours, and I would cross out that paragraph. I think if you did that, then we would highlight what we mean by "coordination." I think we would emphasize that actually what is meant is cooperative activity from the point of view of planning and making campaigns that would appeal to the people.

MR. GASTON: Isn't that just what the Joint Chiefs of Staff are supposed to do in the military field, prevent the Army and Navy from working at cross purposes - to work together on unified campaigns?

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MR. MAGER: I think they do something more than that. I think what they do, if I understand their activities aright, is to actually coordinate - not propaganda, but actually coordinate problems of supply.

MR. GASTON: Of course.

MR. WHITE: That is the wrong aspect of the analogy. I think the analogy is a good one, but I don't think it should be in for a different reason. I think it makes the group you are suggesting appear to the President a little more important than I think you really want it to be, and I think it also says to advise him. It isn't that he wants so much somebody to advise him as he wants some group to take the responsibility to effectuate a policy of reducing or eliminating the misunderstanding.

You naturally have the heads, the Cabinet heads of those agencies that deal mostly with the public, to sit down and wrestle with the problem.

MR. MAGER: I agree with you.

H.M.JR: Before I talk, how does it hit you, Bell?

MR. BELL: I thought it was very good. I like the analogy to the Chiefs of Staff.

H.M.JR: I do, too.

MR. BELL: The word "coordinating" didn't worry me, but maybe Harry has a point, and it could be changed.

H.M.JR: This is the point. I have had this talk with the President. I know he likes it. I know from his attitude to me yesterday, that he likes it. The reason I didn't bring it up at Cabinet is because I didn't want him to know I was discussing it with other people. This idea of comparing this thing with the combined Chiefs of Staff - and you want something comparable - I think will highlight a good note with him.

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MR. BELL: You could say, "comparable in a sense."

H.M.JR: I said "comparable." What I am trying to do is to say something which will ring a bell in his mind, and he might say, "Henry hasn't got it; it isn't just like that, but something like that." He will say, "I want to keep him thinking on the thing."

I want to show this thing to Hopkins at lunch; that is why I wanted it. I will say, "Now, Harry, how do you think this will hit the President?" and I will get his reaction.

The reason I didn't bring it up at Cabinet was I didn't - the President is peculiar, and if he does this thing - I have worked with him so long - he will want to do it as his idea, so I don't want to say that I discussed it with Wickard.

MR. GASTON: Let's cut out the last paragraph.

H.M.JR: May I read this again? This is one of the times where it is, again, the relationship between the President and myself. I want to show it to Hopkins, who sees him all the time, and see how it hits him. All I am trying to do is to say to the President, "I am not criticizing, but say this group could--" - well, let me read it again. It struck me very good down to there; I liked it, the way it came back - you liked it, didn't you, Herbert?

MR. GASTON: After thinking about it, I would say it is all right.

H.M.JR: They never can be perfect, but I am thinking of the impact on the President - I think it would be good. I would like to read it to Harry, but if Harry says no - I personally think it would get a good reaction from him.

(Reading) "During our conversation on Wednesday morning we discussed the need of keeping the people of the country better informed as to the measures necessary

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on the home front for a more effective prosecution of the war. I am convinced that much of the misunderstanding that prevails can be traced to the lack of coordination in the efforts of departments and agencies dealing directly with the people. Different departments and agencies go to the people with different appeals and different programs. The result is often bewilderment and confusion." That is correct.

"In the Joint Chiefs of Staff you have an organization to advise you as Commander in Chief on military matters. I think you should have a comparable organization dealing with the home front." I like it.

MR. WHITE: There is another aspect which I think he had in mind, that presupposes that which you have in mind - something very much greater than what you have in mind.

The Joint Chiefs of Staff run the war; I don't think you intend to run the home front. All you are intending to run is an aspect of the home front, namely--

H.M.JR: No, no.

MR. WHITE: The home front means everything.

H.M.JR: You should have somebody comparable--

MR. WHITE: Then you have something other in mind than what I thought you had.

H.M.JR: No, this would direct the campaigns and go into the community, and he has to have somebody so that this kind of thing dealing with the people--

MR. BELL: Can't you say, "somewhat comparable"?

MR. WHITE: In other words, you want a group, not an organization, unless what you have in mind is something with a name. But if you don't have in mind something with a name, then I think you are more apt to

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get what you want if it is an informal group or informal committee.

MR. MAGER: That point is made clear by the next paragraph when he discusses the actual set-up.

MR. WHITE: You may be touching on something here that is much broader than I thought you wanted.

H.M.JR: "I think you should have an organization somewhat comparable dealing with the home front." Just put in the word "somewhat." Let me try this out on Hopkins.

I don't know how other to bring in an example except Joint Chiefs of Staff.

MR. WHITE: It implies that what you have in mind is something much bigger than I thought you had in mind. It may be desirable.

H.M.JR: Let's leave it. I am going to try it on Hopkins and see how he reacts.

"I would like to offer a proposal which should contribute in my opinion to greater public understanding and result in more intelligent cooperation by the people as a whole. I recommend the creation of a committee--"

Instead of saying, "I recommend," say, "I suggest."

MR. BELL: "--for your consideration."

H.M.JR: Yes, that waters it down.

MR. BELL: It wouldn't hurt, as Harry says, to make it an informal committee. Don't have an Executive Order, or something like that, formalizing it.

H.M.JR: All right, put in the word "informal." That means no Executive Order?

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MR. BELL: Yes.

H.M.JR: All right. "I suggest the creation of an informal committee, including Claude Wickard, Leon Henderson or his successor, Paul McNutt, James Landis, Elmer Davis, and myself -- all heads of departments or independent agencies dealing directly with the people -- to take up the problem of coordinating our programs and appeals to the people in the community. This committee would meet once a week, or as often as is necessary."

Instead of using the word "coordinate," I would use the word "unify."

MR. MAGER: That is stronger.

MR. BELL: Say, "--making more effective."

MRS. KLOTZ: That includes coordination.

H.M.JR: It is coordination; let's leave it - I mean "coordination."

"The coordination achieved here in Washington would make possible, as I visualize it, corresponding coordination in the field. If, as an instance, we have a War Bond meeting, or a meeting to explain the Victory Tax in any community, it should be possible at the same meeting to clear up doubts about the rationing of fuel oil and tires, or any other matter of government activity about which the people of that locality are uncertain or badly informed."

Now, here - "If, as an instance, we have a War Bond meeting, or a meeting to explain the Victory Tax in any community--" put this in: "--representatives from the other agencies should be present, who, at the same meeting--" and so forth.

MR. GASTON: "Representatives from the other agencies could be present at the same meeting to clear up doubts about--"

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H.M.JR: I had this, "--who would act as a team," you see? They go in as a team.

MR. GASTON: Where you had that is in the next sentence, "In other words, what I visualize is a group of people who will go into each community"--

H.M.JR: Let me explain. When I was in Farm Credit I held thirteen regional meetings - four States each - and I would act as chairman. On the program would be somebody who could explain what we did on cooperatives, somebody who could explain what we did on land banks, somebody on each of the activities of this organization; and then if there is a question on land banks, the head of the land banks would answer the question. If they wanted to know something about those seed loans - production credit - the fellow who was there from production credit would answer. If somebody wanted to know--

MR. GASTON: Intermediate credit.

H.M.JR: A fellow would say - in other words, we acted as a team.

MRS. KLOTZ: That was all one organization.

H.M.JR: This is, too. We are all working for Mr. Roosevelt.

MR. MAGER: There is one great difficulty, and that is this. Many of these organizations have people in the field - we have people in the field, the OPA has people in the field, and it may involve, where you say to have people out in the field act as a joint team, the creation of new jobs for people in agencies that do not have enough people in the field.

H.M.JR: That may be necessary.

Look, let me get this thing - I am a little bit arbitrary this morning because I am pressed for time.

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I am shooting for an idea which will be watered down, so I have got to make it more perfect than I expect. I should take more time to explain, but I am setting up something - I visualize, if they called a meeting in the Poughkeepsie High School to explain why the war requires this order, then anybody else that has doubts - I mean, the Administration should hit the communities as a team, and not call ten meetings.

MR. WHITE: That is a very good suggestion.

H.M. JR: They should hit the community as a team, and people should be there that can answer anything that has to do with the constriction or curtailment of civilian life.

MR. WHITE: Have town meetings in every place.

MRS. KLOTZ: What you are saying now is something else.

MR. WHITE: Something else. What you are suggesting is a more effective program. It isn't that each one of these people have a town meeting in which each one answers questions; they don't have them. You are suggesting something like town meetings, or any meetings, to have all the representatives of these agencies and invite the public to ask questions that are troubling. That is a more effective program.

MR. GASTON: I think you are getting down too much into detail when you suggest that because I think most of all of these agencies have subjects for discussion that are likely to - if you make any progress, you will have to confine yourself to that one subject during any meeting. I think more important is to see that these things are done, and that the other departments know what is being done in the community.

H.M. JR: Herbert, if you don't mind, I would like to get over the idea of what I visualize. I say again it is an idea - a New England town meeting. I would

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like to say that when we go in to call a town meeting, every agency that has a program that needs the cooperation of the civilians - where we are asking them to curtail the normal life - will explain to them why.

MR. WHITE: It is a very novel and excellent idea. It is bringing the Government to the people. They will come to a meeting. I think it is a novel and interesting idea. It doesn't replace the other, but it is an additional effective idea.

H.M.JR: It is extension teaching; taking the teaching to the public rather than bringing the people to the school. Again, I ought to take - I would like to get a rough draft to show Hopkins. When they hold the thing, instead of holding a half a dozen meetings, and everyone leaving with doubts in their minds, the thing would be explained.

I am going to repeat myself. I want to have explained why I have to curtail my normal life, and how I go about it - what the reasons are for it. I want that thing to be done.

MR. WHITE: I am going to make one more try and see if I can insert this one word - see if you accept the idea. Where you speak of the Joint Staffs, "I think you should have a comparable organization dealing with" - instead of "the home front" say, "dealing with the misunderstanding on the home front." "Dealing with the home front" means every Government activity, just as the Joint Chiefs of Staff deal with every bit of military activity.

H.M.JR: I just want to use that as an illustration, the Joint Chiefs of Staff - they are coordinating what we do in the war, supposedly. What I am trying to do is to get a coordination on the home front, somewhat similar to the Chiefs of Staff.

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MR. BELL: He probably won't get it in that form, it is just going to the President.

H.M.JR: I just want to ring a bell. He will say the first flash, "By golly, I have got nothing on the home front; I need something like that." That is all I want him to do. "I need something like a Joint Chiefs of Staff." That is all I am trying to get him to say, and you can't give me a better illustration; if you can I will use it. Simply to have him say, "Henry is right; I need something like the Joint Chiefs of Staff to deal with the home front."

MR. GASTON: I think the figure is all right.

H.M.JR: Look, we have got another hour. Will you come back at quarter of one - it can be a rough draft. I want to show it to Hopkins.

MR. MAGER: Do you want to leave out the last paragraph?

H.M.JR: Yes, and include with this thing, "I would like to have an opportunity to discuss this with you further at your convenience."

MR. WHITE: "If the idea appeals to you."

H.M.JR: No, no. It does appeal.

MR. BELL: The only thought I had, in that connection, in your first paragraph you might say, "I feel so strongly about this that I am again bringing it to your attention."

H.M.JR: No, that would irritate him.

MR. GASTON: You want to get in the idea that you want representatives of all the different agencies to work as a team in the field.

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H.M.JR: Yes. You have a community meeting - and I will go over it again - and when you have a community meeting, whether it is at Poughkeepsie or wherever it is, at the high school or wherever it is, you do the job once and if the thing is worked out - you would have to have regular instruction books for these people - you would have to instruct them. As Wickard says to me, "If you could do the thing - you can't have beef, but you can have all the poultry--" - there is forty percent more poultry in the country than there was last year - "You can have all the poultry you want, but you can't have beef."

"Why can't you have beef?"

There are reasons why you can't have butter; we are shipping ten million pounds of butter a month to Russia. There is no use of hiding it. If the people know that ten million pounds of butter a month are going to Russia - "All right, I am satisfied. That tells me why I can't have butter."

"Now, where is the beef going? Why can't I have beef?"

MR. BELL: It might satisfy them to know that ten million pounds of butter is going to Russia. (Laughter)

H.M.JR: Now, look, I am going on the assumption that the American people are entitled to know and not have it come out through our enemy.

MR. WHITE: If the American people don't want butter to go to Russia, it shouldn't go.

H.M.JR: They should know it. If somebody who doesn't like Russia says, "Do you know why you are not getting butter?" and so forth and so on - I mean, I am going on the assumption that the American people want to prosecute the war to a victorious end, and they are entitled to all the information and they are not getting it.

Did you know that ten million pounds of butter a month was going to Russia?

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MR. WHITE: No. I knew they were slipping around there, but I didn't know it was on butter. (Laughter)

MR. BELL: I knew they couldn't sell them oleo-margerine, but they wanted butter.

MR. WHITE: You are wholly right on this thing. I think you are wholly right on this.

H.M.JR: And I am going to say something else. I want you to - there is something missing here. I may horrify some of you. I want you to know everything that is in my mind. The thing that is missing to help the President on this thing is that he has let his political organization go to pot. So there is nobody in the community who is loyal to him for one reason or another, and he and his political organization has just melted away.

There is this other side of the thing - so he has nobody that will fight in the community for him. I was thinking last night - what is the matter with this thing?

MR. WHITE: It constitutes the essence of democracy, too, for the people, where they are asked to do some things, and get their comments. I think it is an excellent idea. I am sure you will have other ideas to effectuate the program, and I think that is just one of them. That is why I wouldn't put it all in this one thing.

HMJR: Well, let's get something, anyway.

Will you come back at quarter of one, please? You like it don't you, Dan?

MR. BELL: Yes.

Craft I
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THE SECRETARY OF THE TREASURY
WASHINGTON

December 18, 1942.

My dear Mr. President:

During our conversation on Wednesday morning we discussed the need of keeping the people of the country better informed as to the measures necessary "on the home front for a more effective prosecution of the war. I am convinced that much of the misunderstanding that prevails can be traced to the lack of coordination in the efforts of departments and agencies dealing directly with the people. Different departments and agencies go to the people with different appeals and different programs. The result is often bewilderment and confusion.

In the Joint Chiefs of Staff you have an organization to advise you as Commander in Chief on military matters. I think you should have a comparable organization dealing with the home front.

I would like to offer a proposal which should contribute in my opinion to greater public understanding and result in more intelligent cooperation by the people as a whole. I recommend the creation of a committee, including Claude Wickard, Leon Henderson or his successor, Paul McNutt, James Landis, Elmer Davis, and myself -- all heads of departments or independent agencies dealing directly with the people -- to take up the problem of coordinating our programs and appeals to the people in the community. This committee would meet once a week, or as often as is necessary.

The coordination achieved here in Washington would make possible, as I visualize it, corresponding coordination in the field. If, as an instance, we have a War Bond meeting, or a meeting to explain the Victory Tax in any community, it should be possible at the same meeting to clear up doubts about the rationing of fuel oil and tires, or any other matter of government activity about which the people of that locality are uncertain or badly informed.



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In other words, what I visualize is a group of people who will go into each community and explain to every member of that community what is expected of him and her to carry out the measures necessary to win the war.

I tried this out on Secretary Wickard at lunch, and then after Cabinet mentioned it to the Vice President. Wallace was enthusiastic about it, especially when I told him what we had done in Winston-Salem. He said that there was one thing he had mentioned to you, which was that we must do something with the soldiers in the camps in the United States. Nothing is being done there. He said that if these two fronts were covered, he would feel that we had gone a long way towards stopping this constant misunderstanding on the part of the public about what we are trying to accomplish here in Washington.

Faithfully,

Secretary of the Treasury.

The President,

The White House.

December 18, 1942
12:50 p.m.

HOME FRONT

Present: Mr. Gaston
Mr. Mager
Mrs. Klotz

(The Secretary read draft of letter to the President, copy attached.)

H.M.JR: I don't like this at the end, "In this way the people in each community would be apprised in a detailed and at the same time systematic way of the things that are required of them for the more effective prosecution of the war."

It is kind of a long sentence.

MR. MAGER: (Reading) "In this way the people in each community would be apprised in a detailed, and at the same time systematic way, of the things that are required of them for the more effective prosecution of the war."

H.M.JR: It makes sense.

MR. MAGER: It doesn't?

H.M.JR: Yes, I guess it is all right.

(Continuing) "They would understand better the reasons why it is so necessary to interfere now with normal civilian life."

Instead of saying "interfere" I would rather say "interrupt." "They would understand better the reasons why it is so necessary to interrupt now with normal civilian life."

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MR. MAGER: No, it is more than "interrupt"; interrupt means a partial cessation with a continuance on the same level, whereas "interfere" actually means to--

H.M.JR: "Interfere"?

MR. GASTON: Yes, I think so.

H.M JR: All right.

"Cooperation as a team by different Government agencies" - what does that mean, the people?

MR. MAGER: The fact that these people would come together and, in a sense, hear and discuss all the things that would--

H.M.JR: Couldn't you say this: "Cooperation as a team by different Government agencies, both in Washington and in the communities"?

MR. GASTON: Yes.

H.M.JR: That is what I want.

MR. GASTON: Or you might say, "--would serve to stimulate a corresponding cooperation."

MR. MAGER: That would be better.

H.M.JR: How does it read?

MR. GASTON: "Cooperation as a team by different Government agencies, both in Washington and in the communities, would serve to stimulate a corresponding cooperation by the people in each community, assembling, as it were, so to speak, in town meeting."

H.MJR: You haven't said about assembling the town meeting. It is sort of throwing that in.

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MR. GASTON: I think you could throw that out. "Cooperation as a team by different Government agencies, both in Washington and in the communities, would serve to stimulate a corresponding cooperation by the people in each community."

H.M.JR: "--in each community," period.

MR. GASTON: Yes.

H.M.JR: As long as we have a chance, I would like to say, "I would like an early opportunity to discuss this matter further at your convenience."

I think it is all right.

MR. GASTON: Do you like, "sincerely," or "faithfully," or "respectfully"?

H.M.JR: "Sincerely yours."

My dear Mr. President:

During our conversation on Wednesday morning we discussed the need of keeping the people of the country better informed as to the measures necessary on the home front for a more effective prosecution of the war. I am convinced that much of the misunderstanding that prevails can be traced to the lack of coordination in the efforts of departments and agencies dealing directly with the people. Different departments and agencies go to the people with different appeals and different programs. The result is often bewilderment and confusion.

In the Joint Chiefs of Staff you have an organization to advise you as Commander in Chief on military matters. I think you should have a somewhat comparable organization dealing with the home front.

I would like to offer a proposal which should contribute in my opinion to greater public understanding and result in more intelligent cooperation by the people as a whole. I suggest for your consideration the creation of an informal committee, including Claude Wickard, Leon Henderson or his successor, Paul McNutt, James Landis, Elmer Davis, and myself -- all heads of departments or independent agencies dealing directly with the people -- to take up the problem of coordinating our programs and appeals to the people in the community. This committee would meet once a week, or as often as is necessary.

The coordination achieved here in Washington would make possible, as I visualize it, corresponding coordination in the field. If, as an instance, we have a War Bond meeting, or a meeting to explain the Victory tax in any community, the representatives of the other departments and agencies dealing with the people should be present so that all matters

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involving civilian aspects of the war effort might be handled at one and the same meeting. In this way the people in each community would be apprised in a detailed and at the same time systematic way of the things that are required of them for the more effective prosecution of the war. They would understand better the reasons why it is so necessary to interfere now with normal civilian life. Cooperation as a team by different Government agencies, would have its counterpart in a corresponding cooperation by the people in each community, assembling, as it were, in town meeting.

Sincerely yours,

The President,

The White House

DEC 1 1942

My dear Mr. President:

During our conversation on Wednesday morning we discussed the need of keeping the people of the country better informed as to the measures necessary on the home front for a more effective prosecution of the war. I am convinced that much of the misunderstanding that prevails can be traced to the lack of coordination in the efforts of departments and agencies dealing directly with the people. Different departments and agencies go to the people with different appeals and different programs. The result is often bewilderment and confusion.

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- 2 -

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I would like an early opportunity to discuss this matter further at your convenience.

Sincerely yours,

(Sgd.) Henry Morgenthau, Jr.

The President,

The White House

Sent by Secret Service Agent 3:10 12/18/42

Copy in diary

December 18, 1942
3:10 p.m.

TAXES

Present: Mr. Bell
Mr. Paul
Mr. Blough
Mr. Haas

MR. BLOUGH: Since we met on Wednesday, one change in the situation has intruded itself. Weldon Jones asked to have a conference. He was over Thursday, and over again this morning with Colm. That somewhat affected our own memorandum; and also you may be interested in the first page, which is a summary of what happened.

(Memorandum entitled "Memorandum for the Secretary," dated December 18, 1942, handed to the Secretary)

H.M.JR: I will read it now. Was Bell there?

MR. BLOUGH: He was there the first day, but not today.

H.M.JR: This is what they think?

MR. BLOUGH: That is right.

MR. PAUL: We agreed--

MR. BLOUGH: ... with much of it.

MR. PAUL: Except four.

H.M.JR: "1. Do not put exact figures for the so-called 'gap!'"

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MR. PAUL: I don't object to that.

H.M.JR: I don't agree with them at all.

MR. BLOUGH: Our feeling is, that there is no way to guarantee that that figure is correct, and for the President to put his stamp of approval on it is not safe.

H.M.JR: If you have to indicate that, the whole thing I want falls by the wayside.

MR. PAUL: I don't feel so strongly as you do about that, Roy. I feel that the figure we give will be a minimum figure.

MR. HAAS: That is right.

H.M.JR: I certainly will not go along with three and four.

MR. PAUL: I can imagine your not going along with four.

H.M.JR: I am not going to go along with three at this time.

MR. BLOUGH: Three is written into our memo.

MR. BELL: Your conversation with the President the other day would not indicate that you wanted to go along with five. There wasn't any kind of figure to go in the budget.

MR. PAUL: They go very much further than that. They object strenuously to even leaving it with a figure. They think there ought to be a set-up of exactly what--

MR. BLOUGH: We got them down off that.

H.M.JR: That is on a level with Jones and Colm. If the President wants to over-rule me, all right, but

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I certainly made it plain what I wanted to give him the other day. I went over it with Hopkins, and he said, "All right." If the President does not want to use it or wants to use something else, all right, but we have been at odds with Colm right straight along.

MR. PAUL: I think you are at more odds with Colm than you have ever been. But all this affects only the last page of this memo.

H.M.JR: Have you seen this?

MR. BELL: I just saw this. I was in on the discussion yesterday, and this is about the same thing that we discussed yesterday.

MR. BLOUGH: The memo you are starting on now - I wrote it trying to approach somewhat their position, but not going into the consumption tax.

H.M.JR: I wish you had given me what I asked for.

MR. BLOUGH: Read it and see if it isn't mostly what you asked for.

MR. PAUL: The only thing that is different from what you asked for is the second paragraph, and the figures can easily be put in if you want them.

H.M.JR: (Reading) "During the coming fiscal year we face not one, but two fiscal problems.

"On the governmental front the fiscal problem is to supply the funds required to pay for the war. We must look forward to meeting the financial cost of the war to a far greater extent by means of taxes. The revenue acts of the past three years, and particularly of 1942, have greatly increased tax revenues but expenditures for defense and the war have increased at vastly greater rates. Taxes, under existing law, will raise less than one-third of the amount needed to pay for the Federal expenditures in the fiscal year 1944. To borrow the rest

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would put on taxpayers after the war and on the next generation a larger part of the load than they should be asked to bear. They will have their problems too. The taxes will be easiest to bear now because we have the income now and we must in any event bear the actual economic cost now."

What is the matter with that middle paragraph? Is that the one you said I wouldn't like?

MR. PAUL: No.

H.M.JR: I think that is good. I think the first paragraph is good.

MR. PAUL: So do I. I said the only one you will have to change is the one beginning at the bottom of the page and only to put figures in. The only difference between that and what you said is that the precise figures are not there.

H.M.JR: It is easy enough to put them in.

MR. PAUL: I think it is well stated.

H.M.JR: I think it is very well stated.

"The second fiscal problem is on the economic front. The people of the United States in the aggregate will have many billions of dollars higher incomes than they have had in the past and there will be billions of dollars less goods to buy than there have been recently. Half or more of our production is going directly to the war effort. Only the other half or less is available to produce civilian goods and services. Every effort will be made to keep the supply of civilian goods and services as large as is consistent with a maximum war effort and to make them available when and where they are needed most. There will be enough for decency and health but there will not be enough at present prices for the dollars people have to spend. If those dollars are spent, prices and the cost of living will rise and at an accelerated rate."

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MR. BLOUGH: You may want to throw out compulsory savings.

H.M.JR: "The tragedy of inflation need not be - it must not be - and it will not be if we take all the steps necessary to meet the danger.

"Many vital steps we have already taken. We have set price ceilings, thus preventing the spiral of further price rises which is set off by rising prices. We have stabilized wages and salaries, thus avoiding rising business costs and restraining the increases in money incomes. We have limited credit expansion and brought about a great amount of debt repayment. We have rationed some essential, scarce goods to assure everyone of a necessary minimum and to protect the price ceilings.

"Other steps we must take. The amount of spending must be reduced. It should be reduced primarily by higher taxes. If taxes-" the trouble with that is, Roy, leaving out the fact that -I am still groping - that is, it makes it so easy to refute it. Say, "All right, we have forced savings; we don't have to have so much taxes." Of course, this is the argument that Doughton is using, and it is not--

MR. BLOUGH: I think that is a very serious question, whether the Budget Message should be the place to suggest the back door of compulsory lending.

H.M.JR: I would like to leave that out, because of the very argument that you put in the mouth of the President that if you have compulsory lending or forced saving you don't have to have so much taxes.

MR. PAUL: I am going to disagree with you. I don't like to see the President - I happen to believe in forced lending or forced saving, whichever it may be, but I hate to see the President not go out for it in his Budget Message because Congress is going to enact it. It is just another one of those unnecessary places where there will be disagreement between him and Congress.

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H.M.JR: The point is - I am not arguing for the minute - should we have forced lending or not - what I am arguing is, I think it is a mistake, "If taxes are not increased enough -" on that basis everyone will say, "Hurray, all we have to do is have forced savings and we don't have to have taxes."

MR. HAAS: Put it the other way and say that you need both of them rather than either one or the other.

MR. BELL: What would you think if you cut out that paragraph at the top of page three and just leave in the second paragraph, in a vague way, "Taxes will have to be increased. Savings will have to be increased"?

H.M.JR: Where are you reading?

MR. BELL: The second paragraph on page three.

H.M.JR: I like that.

MR. PAUL: Take the first sentence from the first paragraph.

MR. BELL: "One thing we must remember is that taxes will have to be increased." You don't say how savings will have to be increased.

MR. PAUL: Cut out that sentence, "One thing we must always remember -" and start with "Other steps we must take. Taxes will have to be increased."

H.M.JR: How would this be now?

MR. PAUL: Leave the first sentence in that paragraph.

MR. BLOUGH: And jump down to "Taxes will have to be increased," in the next paragraph.

MR. PAUL: That makes it read very smoothly. I would like to change the language there, "the less rationing and control we shall have to have."

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MR. BELL: "We shall need."

MR. PAUL: That is better.

H.M.JR: "I have tried to make clear that higher taxes are the best solution to the fiscal problem on the Government front and the fiscal problem on the economic front." That is all right.

MR. BELL: "Fiscal problem on both the Government and economic--"

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

MR. BELL: "The best solution to the fiscal problem both on the Government front and on the economic front."

H.M.JR: That is all right.

MR. BELL: In the second sentence, I think it would be better to use "We must use war measures," instead of "war tax measures."

H.M.JR: "The backbone of our war tax program should continue to be the individual income tax. The rates should be increased from top to bottom. We should make virtually impossible the receipt of more than \$25,000 free of tax. We should eliminate special privileges and loopholes.

"It is important that we collect as much as possible of the individual income tax currently by withholding at source. Thereby the tax is made as easy as possible for the taxpayer. Thereby, also, the money is brought into the Treasury more quickly and more certainly and has a greater effect on avoiding inflation.

"In our wartime revenue program corporate tax rates should be increased. The special excises should be placed at maximum revenue levels."

That is all right so far.

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"Moreover, I suggest that you consider carefully the discouragement of spending by means of a highly progressive tax measured by spending for consumption."

MR. BELL: A commercial plug always slips in some place.

MR. BLOUGH: I don't say it should go in, but I don't think it should go in any stronger than that. He should not recommend it to them. The strongest he should recommend is that he recommends they consider it.

H.M.JR: The trouble with that - I believe in it, but you get into - going back, "We must use war tax measures. The backbone of our war tax program should continue to be the individual income tax. The rates should be increased from top to bottom. We should make virtually impossible the receipt of more than \$25,000 free of tax. We should eliminate special privileges and loopholes."

That is what he wants; you are taking that out of his memo to us.

MR. BLOUGH: I would be perfectly willing to take the sentence out, but I assume it is something he would want in.

MR. PAUL: We rephrased that so he could retreat in this respect: We say "virtually impossible," meaning you can raise your tax and cut out all the other controls.

H.M.JR: "In our wartime revenue program corporate rates should be increased." That is all right. Down to there you can say it is just more of what we have done. Then you say, "Moreover--"

MR. BLOUGH: You can cut that out without hurting my feelings.

H.M.JR: I think I would, on the theory that we are not giving them any special recommendations.

MR. BELL: You cut out the lending proposal and--

MR. PAUL: I want you to consider this, that if you don't come out for that - if he doesn't have this in here, he won't get it. You have got to fish or cut bait on that.

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MR. HAAS: It bothers me from another angle, Mr. Secretary, that this message - when the people see it, they have to have confidence that you are not going to have inflation. The only way they are going to have that confidence is that there are enough methods suggested which will cope with the problem. If that is not in it, I think there is a big gap.

MR. PAUL: All we say is that "I suggest that you consider carefully."

H.M.JR: I will come back to that. "I have placed the fiscal problem before you. I hope you will find the best solution. In my opinion we should strike for not less than \$20 billion of annual additional funds, to be provided by Congressional action during 1943. If a revenue measure of this magnitude were passed promptly the cash yield in fiscal 1944 would be \$15 billion. The largest possible portion should be from additional taxation. The balance should be secured through requiring minimum lending to the Government, where possible by means of deductions from payroll. Any minimum lending requirement should be high enough to make allowance for any resulting reduction in other savings." Do you want to put in twenty billion dollars?

MR. BELL: That is not the problem; it doesn't solve the problem.

H.M.JR: What is that?

MR. BELL: Twenty billion dollars.

MR. PAUL: Part of it is lending, and part of it is taxes.

MR. BELL: More than that, it is only half the problem, and you may take it all out of currency, out of past savings.

MR. PAUL: We mentioned that in the last sentence.

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MR. BELL: That is the trouble with stating figures.

H.M.JR: Now look, let me do it my way for a minute without arguing; then I will explain it to you. I am going to cut out this "Moreover, I suggest." The way it reads now is, "In our wartime revenue program corporate tax rates should be increased. The special excises should be placed at maximum revenue levels..."

"I have placed the fiscal problem before you. I hope you will find the best solution." I think I would say, "In the shortest time possible."

MR. BELL: Time is of the essence.

MR. PAUL: This is a good addition, "In the shortest time possible."

H.M.JR: "The largest possible portion should be from additional taxation. The balance should be secured from--"

MR. BELL: You have cut out all reference to anything but taxation.

MR. PAUL: You will have to take out that next to the last sentence.

MR. BELL: Also "The largest possible portion should be from additional taxation."

MR. BLOUGH: You can finish up this way if you wish, and say that, "Of course, the Secretary of the Treasury has suggested--"

H.M.JR: The Treasury Department - this could go in at the end - "The Treasury Department, as always, is ready to consult with the appropriate committees in working out this very difficult problem as promptly as possible."

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Let me just write a letter to the President. Incidentally, he is leaving tonight; he is not going to be back until Tuesday, so we have plenty of time. He won't touch it now.

"My dear Mr. President:

"I am forwarding herewith a memorandum for your Budget Message which has been drawn up along the lines which you and I discussed, to wit, that it would describe the problem, lay it in the Congress's lap without specifying any particulars.

"I believe that we can make the greatest progress towards getting a tax bill passed if you should decide to follow this suggestion, as it will give us ample opportunity to work out a tax program between yourself, Members of Congress, and the Treasury.

"If after reading our first draft of suggestions you should decide that you want to make specific recommendations on the fiscal and monetary front, we are prepared to do so very promptly.

Yours sincerely,"

Now, with that in mind, I am asking you people to draw up what you think he should do. Then I would like to go over that with you.

MR. PAUL: Remembering that there will be a pressure from Budget on that front--

H.M.JR: I don't want to say that in the letter.

MR. PAUL: No, I am saying to you--

H.M.JR: But you got what I said in the letter, you see, so that when I get back here Monday you will have something which you say you (Paul) would like to do.

MR. PAUL: Why don't we put it in columns?

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H.M.JR: Any way that you want - don't you think that is a good way to approach it? What better--

MR. BELL: One thing - it won't help your relations with the Budget. I assume you appreciate that.

MR. PAUL: That is right.

MR. BELL: I think he will send that to the Budget.

MR. PAUL: There is another thing that I would like to say, that unless you think something important will be gained by having that go to the President this afternoon--

H.M.JR: I don't want it to go until Tuesday.

MR. PAUL: That is fine. I wanted you to see these other things before you--

H.M.JR: Not until Tuesday. I expect to work with you again on this Monday morning.

Who raised the question of relationship with the Budget?

MR. BELL: I did.

H.M.JR: Look, Dan, we are so far apart that there is no use, you see. I mean, I just haven't the time to try to wear them down and be worn down and then reach--

MR. PAUL: We are only apart really on one main thing and one minor thing. We went all through this thing with them yesterday and today.

MR. BELL: You are apart on two things, first, on stating the problem concretely, and two, on putting in tax figures.

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MR. PAUL: No, they agreed to this.

MR. BLOUGH: They don't feel too strongly about putting the money in, but would rather not put in a figure for the gap, because they are afraid it may not be supportable as time goes on.

MR. PAUL: I think they would yield on that. They are for the twenty billion dollar figure. The only basic place where they are apart from us is on the sales tax.

MR. BLOUGH: That is right.

MR. PAUL: We have one minor point about collection at the source. That does not even need to go in here. They agree to that, so I think what Dan says is important.

H.M.JR: Look, gentlemen, I happen to be extremely tired. I would like the thing drawn up. I am prepared to sit down with you people Monday morning and go over the kind of draft that you would like, if that is fair enough. I mean, that is fair enough.

MR. PAUL: What time do you want to see us Monday?

MR. BELL: I would rather see you take it personally to the President and bring it back in your hands after he reads it, and get a conference. The other point is that--

H.M.JR: I will see you at ten o'clock Monday.

MR. BELL: I think you will probably have a hard time getting by Smith and Byrnes that part in the letter where you say that the Treasury and the Congress will work out the tax bill in a Budget Message. I think you will have some trouble on that point, but I would like to see it go in.

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H.M.JR: I think your argument that I should walk it over is the best thing.

MR. BELL: Yes, then you can carry it back. It won't go any place.

December 18, 1942

MEMORANDUM FOR THE SECRETARY

In discussing the fiscal aspects of the Budget Message with Messrs. Jones and Coles of the Budget Bureau yesterday in Mr. Bell's office and today in Mr. Paul's office, the following points appeared to be important in their position.

A. With respect to the Budget Message:

1. Do not put exact figures for the so-called "gap". Treat this subject in general terms.
2. The necessity for a large amount of collection at source should be strongly emphasized.
3. The necessity and desirability of a minimum lending requirement (compulsory lending) should be stated.
4. Willingness to accept a general consumption (sales) tax should be indicated.
5. A program involving \$15 billion additional cash collections in fiscal 1944, or approximately \$20 billion on an annual basis should be recommended.

B. With respect to the revenue program:

1. A revenue program should be agreed upon in the Administration before the Budget Message is submitted and serving to support the revenue figure in the Message. The amount of the split between taxes and compulsory lending should be indicated, together with the sources of each.
2. A joint resolution should be passed calling for collection at source at approximately 25 percent above exemptions, to begin about April 1, and cancelling to the extent necessary the 1942 taxes on the first \$2,000 of net income.

RB:dad
12/18/42

December 18, 1942

During the coming fiscal year we face not one but two fiscal problems.

On the Governmental front the fiscal problem is to supply the funds required to pay for the war. We must look forward to meeting the financial cost of the war to a far greater extent by means of taxes. The revenue acts of the past three years, and particularly of 1942, have greatly increased tax revenues but expenditures for defense and the war have increased at vastly greater rates. Taxes, under existing law, will raise less than one-third of the amount needed to pay for the Federal expenditures in the fiscal year 1944. To borrow the rest would put on taxpayers after the war end on the next generation a larger part of the load than they should be asked to bear. They will have their problems too. The taxes will be easiest to bear now because we have the income now and we must in any event bear the actual economic cost now.

The second fiscal problem is on the economic front. The people of the United States in the aggregate will have many billions of dollars higher incomes than they have had in the past and there will be billions of dollars

- 2 -

less goods to buy than there have been recently. Half or more of our production is going directly to the war effort. Only the other half or less is available to produce civilian goods and services. Every effort will be made to keep the supply of civilian goods and services as large as is consistent with a maximum war effort and to make them available when and where they are needed most. There will be enough for decency and health but there will not be enough at present prices for the dollars people have to spend. If those dollars are spent, prices and the cost of living will rise and at an accelerated rate.

The tragedy of inflation need not be -- it must not be -- and it will not be if we take all the steps necessary to meet the danger.

Many vital steps we have already taken. We have set price ceilings, thus preventing the spiral of further price rises which is set off by rising prices. We have stabilized wages and salaries, thus avoiding rising business costs and restraining the increases in money incomes. We have limited credit expansion and brought about a great amount of debt repayment. We have rationed some essential, scarce goods to assure everyone of a necessary minimum and to protect the price ceilings.

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Other steps we must take. The amount of spending must be reduced. It should be reduced primarily by higher taxes. If taxes are not increased enough we may need to reduce spending by requiring a minimum standard of lending from current income. We must look forward to more rationing.

One thing we must always remember is this. Taxes will have to be increased. Savings will have to be increased. And rationing and controls will have to be increased. But the more taxes are increased and the more savings are increased, the less rationing and control will have to be increased.

I have tried to make clear that higher taxes are the best solution to the fiscal problem on the Government front and the fiscal problem on the economic front. This is wartime. We must use war tax measures. The backbone of our war tax program should continue to be the individual income tax. The rates should be increased from top to bottom. We should make virtually impossible the receipt of more than \$25,000 free of tax. We should eliminate special privileges and loopholes.

It is important that we collect as much as possible of the individual income tax currently by withholding at source. Thereby the tax is made as easy as possible

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for the taxpayer. Thereby also the money is brought into the Treasury more quickly and more certainly and has a greater effect on avoiding inflation.

In our wartime revenue program corporate tax rates should be increased. The special excises should be placed at maximum revenue levels. Moreover, I suggest that you consider carefully the discouragement of spending by means of a highly progressive tax measured by spending for consumption.

I have placed the fiscal problem before you. I hope you will find the best solution. In my opinion we should strike for not less than \$20 billion of annual additional funds, to be provided by Congressional action during 1943. If a revenue measure of this magnitude were passed promptly the cash yield in fiscal 1944 would be \$15 billion. The largest possible portion should be from additional taxation. The balance should be secured through requiring minimum lending to the Government, where possible by means of deductions from payroll. Any minimum lending requirement should be high enough to make allowance for any resulting reduction in other savings.

December 18, 1942
4:04 p.m.

Operator: He'll be right on.

HMJr: Hello. Hello.

Operator: He'll be right on. Calling through the White House.

W. H.
Operator: Mr. Morgenthau on the White House phone.

HMJr: Hello.

Vice Presi-
dent Wallace: Hello, Henry.

HMJr: Yes, Henry.

W: I've just been going over the - this preliminary draft of the United and Associated Nations Stabilization Fund, which your boys got up on December 11 - mimeographed on December 11.

HMJr: Right.

W: It seems to me that it's a highly necessary thing....

HMJr: Good.

W:and I don't profess to be any technician in this field, but it looks to me like the boys have done a good job and the thing to do is to press it along. It seems to be better than the alternative British plan.

HMJr: Well, that's what we're doing. Mr. Hull's asked us to have one more meeting of the technicians, and I said I'd be glad to.

W: Hmm.

HMJr: Hello?

W: Yes.

HMJr: And he said, as to the principle he - he's for it.

W: Yeah.

HMJr: So I told Harry White to call one more meeting. I'm glad you like it.

W: Yeah.

HMJr: That's very encouraging.

W: The - Frank Coe was telling me a little bit about the meeting you had this morning.

HMJr: Yeah.

W: He said you were rather inclined to shy off from getting into the thing.

HMJr: Yeah. (Laughs) I was very frank. Maybe I was too frank.

W: You had been wise that somebody ought to - somebody ought to get that thing defined, Henry.

HMJr: Well, I agree with you, and I - as I told the Lend-Lease people that I thought that they were definitely open for criticism, that they didn't have all the answers on Lend-Lease in Reverse and all the rest of the stuff.

W: I think things are a mess and it would have brought it up here on the Hill.

HMJr: Pardon?

W: I think it's a mess and it was likely to have brought it up here on the Hill.

HMJr: Yeah, well, I - I don't know whether he told you that I said Stettinius should put his hat on and go around?

W: Yeah, that's exactly what he told me.

HMJr: Yeah - and I told them - I said definitely that if they had everything under control, this thing never would have come up.

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- W: However, the way - it sort of - the slant you took this morning sort of - more or less put the "kabosh" on the committee we set up yesterday. (Laughs)
- HMJr: Well, no, I wouldn't - I was very careful that - I told them at the beginning and the end that I - I didn't want to be - here we were functioning - I didn't want to get in on any fight. I didn't have energy or strength left.
- W: Yeah.
- HMJr: And....
- W: You think there's a fight in this, do you?
- HMJr: I know there is.
- W: Is that so?
- HMJr: Oh, yes. Well, it's that - the evidence is that they didn't let Acheson come. They sent Berle today, and Acheson has attended every other meeting at my office.
- W: Well, that does tell it.
- HMJr: What?
- W: That does tell it.
- HMJr: And, frankly, I - I - (laughs) - I don't know whether it's - what it is but I just can't be fighting at home when we've got so many enemies all around us.
- W: That's right.
- HMJr: And I blame Lend-Lease on this. I told it to Stettinius and I told it to Oscar Cox afterwards.
- W: Are - are Berle and Oscar working pretty close together on this?
- HMJr: I haven't the slightest idea. Berle had never been in on this before - didn't know anything about it.

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W: I understand he's having a meeting tomorrow on it - having - having - well - what's-his-name - Myron Taylor in on it. I don't know just why.

HMJr: I don't either. No, he's - I was amazed that Acheson didn't come. He didn't - he's always attended, and that Berle should be shot in on this thing. That was one of the things that made me leary.

W: Yeah.

HMJr: Well, I hope I didn't do anything that disturbed you, but....

W: Well, it makes it a little....

HMJr: Difficult?

W: Yeah, it makes it a little difficult for this committee to go ahead.

HMJr: Well....

W: I mean sort of - it means this committee is....

HMJr: Well, if - if I continue my frankness of this morning it may be unwise, but I think that....

W: It may - it may be a good thing not for us to go ahead with it. The thing ought to be resolved some way.

HMJr: I think so. I think - and I said to them that they ought to do it in the next two, three days.

W: Is that so?

HMJr: Yeah.

W: Yeah.

HMJr: I think if it went ahead, Henry -- if you don't mind my saying -- I think it would only get us - all of us in - into another big row.

W: I getcha.

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HMJr: What?

W: Well, I'm glad to know that. I didn't know it was that - I didn't know there was that much history to it all.

HMJr: Yeah, I - I think so.

W: I wonder what the elements of this issue are?

HMJr: Well, it's just a question of - this whole question of foreign relations and all the rest of that stuff. I'd be glad to sit down and tell you everything I got on my mind anytime that - that you're free, Henry.

W: Yeah.

HMJr: And not - I'm not very good on the phone.

W: I see. (Laughs) All right, sir.

HMJr: What? But anytime that you want me over - I'm home over the week-end. I'll drop around to see you, anything that you'd like. Just give me a ring.

W: Well, I'll drop around and see you in ten minutes if you want.

HMJr: Well, I'd much rather do it either tomorrow or next day, if that was convenient to you.

W: All right.

HMJr: Quite frankly, I - I was going home. I wasn't - I wasn't feeling very well. You just caught me with my hat on.

W: Yeah. Well, how about - how about ten o'clock tomorrow morning?

HMJr: All right. You name the place.

W: Well, I'll drop in to see you tomorrow morning at your office.

HMJr: Fine. Or do you want to - hello?

W: Yeah.

HMJr: What time - what time do you - are you going to go from your home or something?

W: I thought I might be browsing around down town tomorrow morning.

HMJr: Oh, because I thought we could take a walk together.

W: Well, all right. I'll tell you what let's do. If you don't - do you feel like walking this evening?

HMJr: Well, I - you've got me bad tonight. No, I'm - I'm going out tonight. Are you going to be busy tomorrow morning all morning?

W: No.

HMJr: Well, look - let me - I gather you're going to be down town shopping or something, is that it?

W: No, I thought I might be dropping in on B.E.W.

HMJr: Oh. Well, couldn't we take a walk around the park? Could I call for you?

W: Well, I'll tell you what - what you do, I'll meet you at your entrance....

HMJr: Yes.

W: I'll meet you at the entrance of your shop, that is, where your - the car drives in, you know, downstairs?

HMJr: Yeah.

W: I'll meet you there with my car, and we'll drive over to the park and take a little walk.

HMJr: Fine. Around ten o'clock?

W: Yeah.

HMJr: That'll be perfect.

W: Fine.

HMJr: Thank you, Henry.



THE SECRETARY OF STATE
WASHINGTON

*Copies to Mr. Bell 246
"Whit -"*

December 18, 1942

Dear Henry:

Yesterday afternoon you and I spoke on the phone about the program for international monetary cooperation and agreed that there would be a further meeting of technical groups. After this has been done, we can get together again on this matter.

Sincerely yours,

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

100-10-10

My dear Mr. President:

I have prepared for your signature the enclosed letter to Mr. Julian Goldman which you requested December 10, 1942. Copies of Mr. Goldman's plan for Fontine Bonds are being referred to members of the staff.

I am returning Mr. Goldman's letter and his other material to you.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President

The White House

Enclosures

12-11-42

Handwritten signatures and initials:
JMB RB ite
ER
Cullen

Dear Julian,

Your Tontine Plan of Insurance for the sale of bonds, which you sent me with your letter of December 10, 1942, is an interesting idea. As a possible method of stimulating bond sales, it surely merits consideration. I have asked the people in the Treasury to look into it, and they assure me that your plan will be given very careful study.

I greatly appreciate the time you have devoted to this important subject.

Sincerely yours,

Mr. Julian Goldman
Goldman Stores Corporation
440 Fourth Avenue
New York, New York

pen
RM:hd
12-16-42

JMB
RPB *hr*

THE WHITE HOUSE
WASHINGTON

December 12, 1942

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

For preparation of reply for my
signature.

F. D. R.

Enclosures

COPY

GOLDMAN STORES CORPORATION

440 Fourth Avenue

New York

December 10, 1942

Office of
The President

Hon. Franklin D. Roosevelt
President of the United States
The White House
Washington, D. C.

My dear Franklin:

For the past year and a half I have given a great deal of my time to pioneer for the curbing of inflation and for the adoption of compulsory saving. I find, however, that a moderate form of compulsory saving will not be sufficient to adequately finance the war and prevent inflation, and therefore, I propose the adoption of the Tontine Plan of Insurance for the sale of additional bonds. It is all explained in the attached paper. Dr. Frank D. Graham of Princeton University has worked with me on this plan.

I firmly believe that if this plan is properly exploited, sufficient bonds will be sold and enough civilian buying power will be syphoned off to positively curb inflation.

I hope you can find some time to read this plan because I believe it has real value.

It has been ages since I have seen you last, but I hope that notwithstanding your great burden of responsibility that you are enjoying excellent health.

With best wishes, I remain

Sincerely yours,

(Signed) JULIAN GOLDMAN

JG:EM
Encl.

TONTINE BONDS

The lack of a comprehensive fiscal program, for financing the war without resort to inflation, is a major defect in our planning of the war effort. An impartial observer gets the impression that the "program", so far, is to raise a certain more or less arbitrary amount by taxation, to sell, by traditional methods, as many bonds outside the banks, as may be, and, for the rest, to hope for the best - - which means, of course, inflation.

Success in the attack on the "inflationary gap" is dependent upon a triple assault involving (1) taxation, (2) compulsory saving, and (3) voluntary lending. Taxation must be pushed much farther than it has yet gone, and compulsory saving, on a great scale, will be required. But, in addition, every device likely to promote the sale of bonds on a voluntary basis should be explored.

Passing over taxation and compulsory saving, as already thoroughly discussed, it is the purpose of this paper to call attention to the use of the tontine principle as a potentially important device in tapping, in the government's behalf, the sources of voluntary savings. The tontine, as is well known, is an arrangement under which only the surviving members of a group of subscribers to a long-term obligation receive any benefits under the agreement. The tontine is the counterpart of ordinary term-insurance since, under term-insurance, it is only the members who die during the term of the contract who receive any benefits under the agreement.

PAGE TWO

Now, for large numbers of people, it is at least as important to be insured for living as it is to be insured against dying. This is the basis, for instance, of old-age pension systems. The relevance of this consideration to the sale of government bonds is clear. If long-term government obligations were offered to groups of persons of a given age-class, with the proviso that, at the due date of the loan, the total subscriptions, plus accrued interest, would be divided among the survivors pro rata with their subscriptions, we might confidently expect a very large sale. Depending upon the length of the term of the contract, the age-class to which it applied, and the rate of interest involved, the "pay-off" might be several times as great as that which is involved in the classes of securities now being offered by the government. To those who are unlikely to have any natural dependents at the due date of the contract, but would, otherwise, be themselves dependent, such a security would be extremely attractive. It would fill a long-felt gap in our insurance structure as well as furnish a brisk market for government securities.

The tontine has fallen into a wholly undeserved obscurity. It was well-known to our forefathers, and Alexander Hamilton, in his famous report on the Public Credit, recommended to Congress its use in the refunding of the public debt of that time.* Hamilton was so taken with its possibilities that he

*Works of Alexander Hamilton, Report of the Secretary of the Treasury on Public Credit (Jan. 9, 1790) Williams and Whiting, New York, 1810, pp. 38 et seq.

PAGE THREE

presented its virtues with enthusiasm, and in detail, along with actuarial illustrations of its operation. So far as it is known, however, his recommendations, for no good reason, completely failed of adoption. It is not yet too late for us to profit from Hamilton's intelligence.

In the field of private insurance, where it would seem to have obvious application, the principle of the tontine has been nullified on the ground, we believe, that one may not, under an insurance contract, be a beneficiary from the death of another person unless he has an "insurable interest" in that person. It seems very doubtful that this prohibition would apply to an issue of government bonds and, if it did, it could be eliminated by very simple legislation. It would, in any event, seem to be fatuous in this case since the alleged reason for the rule -- that it might promote murder -- would be obviated by the fact that no member of the group need ever know who his fellows were.

The bonds would be sold by age-classes, each of which might, perhaps, cover five years. (On this point Hamilton has suggestions which might, or might not, be followed to the letter). For the younger age-classes the bonds could be made of relatively long term, with the ultimate payments greatly increased as a consequence. Thus, for an age-class of 30-35, for instance, a thirty-year-term bond might be appropriate, though there is no reason why buyers in any age-class might not be given options as to the term of the security, all the buyers of any one option being grouped in a sub-class under a given contract.

PAGE FOUR

The bonds would not, of course, be negotiable, which is an advantage in the circumstances, but the bonds might be given a cash surrender value according to the term which they had still to run.

The same means of identification of the holders, and beneficiaries, that is used with regard to social security contracts would be apposite.

It seems very probable that an issue of bonds of this type would prove immensely popular and that a much larger volume of voluntary savings could thus be induced, and diverted to our present urgent needs, than we are likely to get under the methods now being used for the sale of government securities.

This is, it is true, only one of a number of expedients by which the voluntary purchase of government securities might be stimulated but it seems likely to be as effective as any, and other devices might well be kept in temporary abeyance while trial was made of that which is here proposed.

12/18/42
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Bank funds -

Treasury bills	\$500.00
7/8% C/Do (Est. allot.)	2.042
1 3/4% Treasury bonds	<u>2.058</u>
	<u>4.600</u>

Non-bank funds -

7/8% C/0's	\$1,207.00
1 3/4% T. bonds	770
2 1/2% T. bonds	2,480
T of notes	425
Savings bonds	<u>497</u>
	<u>5,379</u>
Total	<u>\$9,979.00</u>

TREASURY DEPARTMENT

256

INTER OFFICE COMMUNICATION

DATE December 18,
1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Recent Changes in Prices and Yields of Government Securities

During the week ended last night, there was little movement in the prices of Government securities, most issues showing no change. Some strength was displayed by taxable bonds with maturities in the early fifties, while a weak tone prevailed in the short- and medium-term tax-exempt area.

Certificates of indebtedness showed some improvement during the week. The regular offering of Treasury bills, which was increased to \$600 millions, was awarded at an average rate of 0.364 percent, as compared with 0.367 percent for last week's issue.

A comparison of present prices and yields of Government securities with those prevailing on September 1 is shown in Table II. It will be observed that prices of all but 6 Government notes and bonds outstanding on September 1 are now below their levels of that date, while yield changes are almost evenly divided between rises and declines. The difference is due to the amortization factor previously discussed in a number of memoranda of this series.

Table III, which compares yields on the basis of the September 1 pattern of rates, gives the best comparison of the actual change in the market since that date. Reference to the last column of this table will show that the market, as a whole, has risen in yield (lost ground) since that date -- the average adjusted increase in yield amounting to about .03 percent.

Purchases of Government securities by the Federal Reserve System totaled \$103 millions during the week. This amount consisted of \$35 millions of bills, \$8 millions of certificates, \$8 millions of other taxable issues, and \$52 millions of partially tax-exempt securities. Sales, confined entirely to bills, aggregated \$43 millions, and bill and note maturities totaled \$52 millions, with the result that the net increase in the System's holdings was \$8 millions. These figures do not include the special one-day certificates issued directly to the Federal Reserve System.

Attachments

Table I 251

Price and Yield Changes of United States Securities
December 10, 1942 to December 17, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	Dec. 10, 1942	Dec. 17, 1942	Change	Dec. 10, 1942	Dec. 17, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
TAXABLE SECURITIES						
<u>Bills</u>						
Average rate last issue	-	-	-	.37	.36	-.01
<u>Certificates</u>						
5/8 2/1/43	-	-	-	.34	.30	-.04
.65 5/1/43	-	-	-	.53	.50	-.03
7/8 8/1/43	-	-	-	.68	.67	-.01
7/8 11/1/43	-	-	-	.79	.78	-.01
7/8 12/1/43	-	-	-	n.q.	n.q.	n.p.
<u>Taxable Notes</u>						
3/4 3/15/43	100.02	100.02	.00	.51	.49	-.02
3/4 9/15/44	99.20	99.20	.00	.97	.97	.00
1-1/4 3/15/45	100.04	100.04	.00	1.19	1.19	.00
3/4 12/15/45	99.01	99.00	-.01	1.08	1.09	+.01
1 3/15/46	99.04	99.04	.00	1.28	1.28	.00
1-1/2 12/15/46	100.02	100.02	.00	1.48	1.48	.00
<u>Taxable Bonds</u>						
2 3/15/48-50	101.07	101.07	.00	1.76	1.76	.00
1-3/4 6/15/48	100.01*	100.01*	.00	1.74	1.74	.00
2 6/15/49-51	100.13	100.16	+.03	1.93	1.92	-.01
2 9/15/49-51	100.10	100.12	+.02	1.95	1.94	-.01
2 12/15/49-51	100.07	100.10	+.03	1.97	1.95	-.02
2 3/15/50-52	100.04	100.06	+.02	1.98	1.97	-.01
2 12/15/51-55	100.02	100.03	+.01	1.99	1.99	.00
2-1/2 3/15/52-54	103.15	103.16	+.01	2.09	2.08	-.01
2-1/4 6/15/52-55	101.05	101.04	-.01	2.12	2.12	.00
2-1/2 3/15/56-58	102.29	102.29	.00	2.25	2.25	.00
2-1/2 6/15/62-67	100.03	100.03	.00	2.49	2.49	.00
2-1/2 12/15/63-68	100.01*	100.01*	.00	2.50	2.50	.00
2-1/2 9/15/67-72	100.16	100.15	-.01	2.47	2.47	.00
TAX-EXEMPT SECURITIES						
<u>Wholly Tax-exempt Notes</u>						
1-1/8 6/15/43	100.13	100.12	-.01	.33	.36	+.03
1 9/15/43	100.16	100.15	-.01	.34	.37	+.03
1-1/8 12/15/43	100.26	100.25	-.01	.32	.34	+.02
1 3/15/44	100.24	100.24	.00	.40	.39	-.01
3/4 6/15/44	100.13	100.13	.00	.48	.48	.00
1 9/15/44	100.29	100.29	.00	.48	.48	.00
3/4 3/15/45	100.16	100.15	-.01	.53	.54	+.01
<u>Partially Tax-exempt Bonds</u>						
3-3/8 6/15/43-47	101.16	101.14	-.02	.43	.45	+.02
3-1/4 10/15/43-45	102.06	102.06	.00	.64	.59	-.05
3-1/4 4/15/44-46	103.12	103.12	.00	.72	.69	-.03
4 12/15/44-54	106.08	106.08	.00	.86	.83	-.03
2-3/4 9/15/45-47	104.27	104.26	-.01	.97	.97	.00
2-1/2 12/15/45	104.14	104.14	.00	1.00	.99	-.01
3-3/4 3/15/46-56	108.18	108.17	-.01	1.07	1.06	-.01
3 6/15/46-48	106.21	106.21	.00	1.06	1.05	-.01
3-1/8 6/15/46-49	107.01	107.01	.00	1.08	1.07	-.01
4-1/4 10/15/47-52	114.01	113.31	-.02	1.26	1.26	.00
2 12/15/47	103.27	103.27	.00	1.21	1.20	-.01
2-3/4 3/15/48-51	107.06	107.06	.00	1.33	1.33	.00
2-1/2 9/15/48	106.16	106.14	-.02	1.32	1.33	+.01
2 12/15/48-50	103.22	103.20	-.02	1.36	1.37	+.01
3-1/8 12/15/49-52	110.11	110.11	.00	1.56	1.56	.00
2-1/2 12/15/49-53	105.30	105.30	.00	1.60	1.60	.00
2-1/2 9/15/50-52	106.10	106.10	.00	1.63	1.63	.00
2-3/4 6/15/51-54	107.30	107.30	.00	1.74	1.74	.00
3 9/15/51-55	110.01	110.01	.00	1.76	1.76	.00
2-1/4 12/15/51-53	104.17	104.17	.00	1.71	1.70	-.01
2 6/15/53-55	103.03	103.03	.00	1.68	1.68	.00
2-1/4 6/15/54-56	104.23	104.23	.00	1.79	1.79	.00
2-7/8 3/15/55-60	109.02	109.02	.00	2.04	2.03	-.01
2-3/4 9/15/56-59	108.09	108.09	.00	2.06	2.06	.00
2-3/4 6/15/58-63	108.12	108.12	.00	2.11	2.11	.00
2-3/4 12/15/60-65	108.31	108.31	.00	2.15	2.15	.00

Treasury Department, Division of Research and Statistics.

December 17, 1942.

* 100.00 bid, 100.02 asked.

Regraded Unclassified

Table 11
Price and Yield Changes of United States Securities
September 1, 1942 to December 17, 1942

Issues outstanding on both dates only

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	Sept. 1, 1942	Dec. 17, 1942	Change	Sept. 1, 1942	Dec. 17, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
TAXABLE SECURITIES						
<u>Bills</u>						
Average rate last issue	-	-	-	.37	.36	-.01
<u>Certificates</u>						
5/8% 2/1/43	-	-	-	.52	.30	-.22
7/8 8/1/43	-	-	-	.76	.67	-.09
<u>Taxable Notes</u>						
3/4% 3/15/43	100.03	100.02	-.01	.57	.49	-.08
3/4 9/15/44	99.17	99.20	+.03	.92	.97	-.01
3/4 12/15/45	99.01	99.00	-.01	1.05	1.09	+.04
1 3/15/46	99.05	99.04	-.01	1.24	1.28	+.04
1-1/2 12/15/46	100.05	100.02	-.03	1.46	1.48	+.02
<u>Taxable Bonds</u>						
2% 3/15/48-50	101.05	101.07	+.02	1.78	1.76	-.02
2 6/15/49-51	100.11	100.16	+.05	1.95	1.92	-.03
2 9/15/49-51	100.08	100.12	+.04	1.96	1.94	-.02
2 12/15/49-51	100.06	100.10	+.04	1.97	1.95	-.02
2 12/15/51-55	100.02	100.03	+.01	1.99	1.99	.00
2-1/2 3/15/52-54	103.23	103.16	-.07	2.07	2.08	+.01
2-1/4 6/15/52-55	101.06	101.04	-.02	2.12	2.12	.00
2-1/2 3/15/56-58	103.03	102.29	-.06	2.23	2.25	+.02
2-1/2 6/15/62-67	100.13	100.03	-.10	2.47	2.46	-.01
2-1/2 9/15/67-72	101.06	100.15	-.23	2.44	2.47	+.03
TAX-EXEMPT SECURITIES						
<u>Wholly Tax-exempt Notes</u>						
1-1/8% 6/15/43	100.20	100.12	-.08	.33	.36	+.03
1 9/15/43	100.22	100.15	-.07	.33	.37	+.04
1-1/8 12/15/43	100.30	100.25	-.05	.39	.34	-.05
1 3/15/44	100.25	100.24	-.01	.49	.39	-.10
3/4 6/15/44	100.14	100.13	-.01	.50	.48	-.02
1 9/15/44	101.01	100.29	-.04	.49	.48	-.01
3/4 3/15/45	100.16	100.15	-.01	.55	.54	-.01
<u>Partially Tax-exempt Bonds</u>						
3-3/8% 6/15/43-47	102.08	101.14	-.26	.50	.45	-.05
3-1/4 10/15/43-45	102.28	102.06	-.22	.66	.59	-.07
3-1/4 4/15/44-46	103.28	103.12	-.16	.83	.69	-.14
4 12/15/44-54	106.29	106.08	-.21	.94	.83	-.11
2-3/4 9/15/45-47	105.08	104.26	-.14	.99	.97	-.02
2-1/2 12/15/45	104.31	104.14	-.17	.96	.99	+.03
3-3/4 3/15/46-56	109.00	108.17	-.15	1.15	1.06	-.09
3 6/15/46-48	106.31	106.21	-.10	1.11	1.05	-.06
3-1/8 6/15/46-49	107.13	107.01	-.12	1.12	1.07	-.05
4-1/4 10/15/47-52	114.28	113.31	-.29	1.24	1.26	+.02
2 12/15/47	104.09	103.27	-.14	1.16	1.20	+.04
2-3/4 3/15/48-51	107.10	107.06	-.04	1.37	1.33	-.04
2-1/2 9/15/48	106.28	106.14	-.14	1.31	1.33	+.02
2 12/15/48-50	104.06	103.20	-.18	1.30	1.37	+.07
3-1/8 12/15/49-52	110.19	110.11	-.08	1.58	1.56	-.02
2-1/2 12/15/49-53	106.09	105.30	-.11	1.58	1.60	+.02
2-1/2 9/15/50-52	106.20	106.10	-.10	1.62	1.63	+.01
2-3/4 6/15/51-54	108.12	107.30	-.14	1.72	1.74	+.02
3 9/15/51-55	110.15	110.01	-.14	1.74	1.76	+.02
2-1/4 12/15/51-53	105.01	104.17	-.16	1.66	1.70	+.04
2 6/15/53-55	103.15	103.03	-.12	1.65	1.68	+.03
2-1/4 6/15/54-56	105.13	104.23	-.22	1.74	1.79	+.05
2-7/8 3/15/55-60	110.02	109.02	-.10	1.97	2.03	+.06
2-3/4 9/15/56-59	109.10	108.09	-.10	1.99	2.06	+.07
2-3/4 6/15/58-63	109.15	108.12	-.10	2.05	2.11	+.06
2-3/4 12/15/60-65	110.02	108.31	-.10	2.09	2.15	+.06

Yield Changes of Government Securities Relative to September 1, 1942 Pattern of Rates
September 1, 1942-December 17, 1942

Issues with 3 months or more term outstanding on both dates

(Based on mean of closing bid and asked quotations)

Security	Actual yield as of Sept. 1	Actual yield as of Dec. 17	Change in actual yield	Estimated change in yield required to maintain Sept. 1 pattern of rates	Estimated change in yield relative to Sept. 1 pattern of rates
TAXABLE SECURITIES					
Bills					
Average rate last issue	.37	.36	-.01	.00	-.01
Certificates					
7/8% 8/1/43	.76	.67	-.09	-.11	+.02
Taxable Notes					
3/4% 9/15/44	.98	.97	-.01	-.07	+.06
3/4 12/15/45	1.05	1.09	+.04	-.06	+.10
1 3/15/46	1.24	1.28	+.04	-.06	+.10
1-1/2 12/15/46	1.46	1.48	+.02	-.05	+.07
Taxable Bonds					
2% 3/15/48-50	1.78	1.76	-.02	-.04	+.02
2 6/15/49-51	1.95	1.92	-.03	-.02	-.01
2 9/15/49-51	1.96	1.94	-.02	-.02	.00
2 12/15/49-51	1.97	1.95	-.02	-.02	.00
2 12/15/51-55	1.99	1.99	.00	-.01	+.01
2-1/2 3/15/52-54	2.07	2.08	+.01	-.01	+.02
2-1/4 6/15/52-55	2.12	2.12	.00	-.01	+.01
2-1/2 3/15/56-58	2.23	2.25	+.02	-.01	+.03
2-1/2 6/15/62-67	2.47	2.49	+.02	-.01	+.03
2-1/2 9/15/67-72	2.44	2.47	+.03	.00	+.03
TAX-EXEMPT SECURITIES					
Wholly Tax-exempt Notes					
1-1/8% 6/15/43	.33	.36	+.03	-.06	+.09
1 9/15/43	.33	.37	+.04	-.06	+.10
1-1/8 12/15/43	.39	.34	-.05	-.05	.00
1 3/15/44	.49	.39	-.10	-.04	-.06
3/4 6/15/44	.50	.48	-.02	-.04	+.02
1 9/15/44	.49	.48	-.01	-.03	+.02
3/4 3/15/45	.55	.54	-.01	-.03	+.02
Partially Tax-exempt Bonds					
3-3/8% 5/15/43-47	.50	.45	-.05	-.08	+.03
3-1/4 10/15/43-45	.66	.59	-.07	-.08	+.01
3-1/4 4/15/44-46	.83	.69	-.14	-.06	-.08
4 12/15/44-54	.94	.83	-.11	-.05	-.06
2-3/4 9/15/45-47	.99	.97	-.02	-.05	+.03
2-1/2 12/15/45	.96	.99	+.03	-.05	+.08
3-3/4 3/15/46-56	1.15	1.06	-.09	-.04	-.05
3 6/15/46-48	1.11	1.05	-.06	-.04	-.02
3-1/8 6/15/46-49	1.12	1.07	-.05	-.04	-.01
4-1/4 10/15/47-52	1.24	1.26	+.02	-.04	+.06
2 12/15/47	1.16	1.20	+.04	-.04	+.08
2-3/4 3/15/48-51	1.37	1.33	-.04	-.04	.00
2-1/2 9/15/48	1.31	1.33	+.02	-.03	+.05
2 12/15/48-50	1.30	1.37	+.07	-.03	+.10
3-1/8 12/15/49-52	1.58	1.56	-.02	-.03	+.01
2-1/2 12/15/49-53	1.58	1.60	+.02	-.03	+.05
2-1/2 9/15/50-52	1.62	1.63	+.01	-.03	+.04
2-3/4 6/15/51-54	1.72	1.74	+.02	-.02	+.04
3 9/15/51-55	1.74	1.76	+.02	-.02	+.06
2-1/4 12/15/51-53	1.66	1.70	+.04	-.02	+.06
2 6/15/53-55	1.65	1.68	+.03	-.02	+.05
2-1/4 6/15/54-56	1.74	1.79	+.05	-.01	+.06
2-7/8 3/15/55-60	1.97	2.03	+.06	-.01	+.07
2-3/4 9/15/56-59	1.99	2.06	+.07	-.01	+.08
2-3/4 6/15/58-63	2.05	2.11	+.06	-.01	+.07
2-3/4 12/15/60-65	2.09	2.15	+.06	-.01	+.07

Treasury Department, Division of Research and Statistics.

December 17, 1942.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 12/18/42

TO Secretary Morgenthau

FROM R. D. Welch

R.D.W.

I am sending the copy of the Australian version of "Any Bonds Today" to the New York office with a recommendation that it be considered for use on a radio program.

Professor Welch
Secretary Morgenthau

December 17, 1942

I think it would be interesting to do the Australian version of "Any Bonds Today" on one of our radio programs soon. Please let me know if and when it will be done.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE December 15, 1942

TO Secretary Morgenthau
FROM Mr. White
Subject: The Treasury Song

We have just received word that the Treasury of the Commonwealth of Australia has written to the American Minister to express its appreciation of the assistance of the United States Treasury Department in permitting the use of this song. A copy of the Australian version of the song is attached.

You will note that full credit is given to the United States Treasury on the cover of the song.



DEPARTMENT OF STATE
WASHINGTON

December 14, 1942

In reply refer to
FD 847.51/468

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch no. 288, dated November 27, 1942, from the American Legation, Canberra, Australia, transmitting the Australian edition of "Any Bonds Today".

Enclosure:

From Legation, Canberra,
despatch no. 288,
November 27, 1942,
with enclosure.



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AIR MAIL

Canberra, Australia, November 27, 1942.

Subject: Transmission of Australian
Edition of "Any Bonds Today".

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Department's telegram no. 390 of September 30, 1942 which relates to permission for the Commonwealth Treasury to print and publish and to manufacture devices serving to reproduce mechanically or electrically the words and music of Irving Berlin's musical composition "Any Bonds Today".

The Commonwealth Treasury was informed through the Department of External Affairs in the sense of the Department's telegram and steps were taken to publish and to broadcast the song as amended for use in Australia in a manner permitted by the owner of the copyright.

The Department of External Affairs has written me to express on behalf of the Commonwealth Treasury its great appreciation of the assistance which has been forthcoming from the United States Treasury Department in connection with this matter.

As of possible interest, I am enclosing in single copy the Australian publication of the piece. It will be noted that on the cover full credit is given to the United States Treasury and a statement is made regarding the use of the proceeds in behalf of the Australian armed forces, as requested by the United States Treasury.

Respectfully yours,
for the Minister:

John R. Winter
First Secretary of Legation

Enclosure:
Song.
File no. 102.1
RAK/amm
To the Department in triplicate.

A true copy
of the signed
original

Won't you buy a share in freedom today?

ANY BONDS TODAY?

Published for use in the Commonwealth War Loans Campaign
by the Commonwealth Treasury, by permission of the United
States Treasury Department.

WORDS AND MUSIC

BY

IRVING BERLIN

At the request of the U. S. Treasury Department
ANY PROCEEDS DERIVED FROM THE SALE OF THIS
COMPOSITION WILL BE USED FOR THE BENEFIT OF
THE ARMED FORCES OF THE COMMONWEALTH AT
THE DISCRETION OF THE FEDERAL TREASURY.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE Dec. 18, 1942

TO THE SECRETARY
FROM PETER H. ODEGARD

Mr. Houghteling reported to me this afternoon concerning the difficulty that seemed to be brewing among the Consolidated Aircraft workers at San Diego, California.

Mr. Charles West our A.F.L. representative from the War Savings Staff in California, is now in San Diego working on this problem

Eric Peterson, Acting President of the International Association of Machinists, is sending a telegram to the President of the San Diego local, Harvey Brown, urging him to make sure that nothing be done which would in any way affect adversely the participation of the union members in payroll savings plans.

SUPPLEMENTAL REPORTChristmas Poster - THE PRESENT WITH
A FUTURE.Shipments to State Administrators

STATE	QUANTITY RECEIVED	QUANTITY DISTRIBUTED	REMARKS
Alabama	6000	6000	(wire 12/14,-15
Arizona	2500	2500	(wire 12/12; letter 12/15)
California Los Angeles	15,000	15,000	(wire 12/15)
Indiana	12,500	12,500	(wire 12/15)
Oklahoma	10,000	10,000	(wire 12/14)
Oregon	3,000	2,700	(wire 12/14;) 10% retained for stock)
Pennsylvania	20,000	12,375	(wire 12/14) Balance utilized shortly.
Utah	1,500	1,500	(wire 12/15)
Virginia	6,200	6,200	(wire 12/15) (letter to Mr. Coyne 12/14)

NOTE- Florida and Maryland have not yet received their shipments.
These are being traced.

John M. Delehanty
John M. Delehanty 51

Jan. 18, 1942

Analysis of Exposure to Payroll Savings Plans
December 12, 1942

	Number exposed to payroll savings plans	Total number in the country (estimated)	Percent of total exposed
Part A - Summary by Number of Organizations Exposed			
I. Business organizations			
(1) Firms with 5,000 employees or more.....	470	473	99
(2) Firms with 500 to 4,999 employees.....	5,655	5,792	98
(3) Firms with 100 to 499 employees.....	<u>25,217</u>	<u>29,120</u>	<u>87</u>
(4) Subtotal - large firms.....	31,342	35,385	89
(5) Firms with less than 100 employees.....	<u>132,532</u>	*	*
(6) Total business organizations.....	163,874	*	*
II. Governmental organizations.....	*	*	*
III. Grand Total.....	<u>163,874</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed

I. Business organizations			
(1) Firms with 5,000 employees or more.....	8,645,091	*	*
(2) Firms with 500 to 4,999 employees.....	7,416,802	*	*
(3) Firms with 100 to 499 employees.....	<u>5,712,341</u>	*	*
(4) Subtotal - large firms.....	21,774,234	*	*
(5) Firms with less than 100 employees.....	<u>3,221,545</u>	*	*
(6) Total business organizations.....	24,995,779	32,900,000 ^{1/}	76
II. Governmental organizations			
(1) Federal Government.....	2,376,067	2,800,000 ^{1/}	85
(2) State and local governments.....	<u>1,408,894</u>	<u>2,900,000</u>	<u>49</u>
(3) Total governmental organizations.....	<u>3,784,961</u>	<u>5,700,000</u>	<u>66</u>
III. Grand Total.....	<u>28,780,740</u>	<u>38,600,000 ^{1/}</u>	<u>75</u>

Treasury Department

December 18, 1942.

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

* Data not available.

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

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	Dec. 5	Dec. 12		Apr. 18	Dec. 5	Dec. 12
Alabama.....	149	256	256*	347	43	74	74
Arizona.....	43	71	71	71	61	100	100
Arkansas.....	44	54	54*	100	44	54	54
Northern California.....	512	720	722	793	65	91	91
Southern California.....	756	1,072	1,086	1,256	60	85	86
Colorado.....	113	137	137	142	80	96	96
Connecticut.....	277	576	579	701	40	82	83
Delaware.....	21	59	59	65	32	91	91
District of Columbia.....	52	166	170	212	25	78	80
Florida.....	147	214	214	214	69	100	100
Georgia.....	133	392	392*	419	32	94	94
Idaho.....	31	33	33	33	94	100	100
Illinois.....	1,300	2,081	2,086	2,253	58	92	93
Indiana.....	415	691	699	864	48	80	81
Iowa.....	160	176	176	263	61	67	67
Kansas.....	276	288	288	299	92	96	96
Kentucky.....	136	226	226*	303	45	75	75
Louisiana.....	179	286	291	321	56	89	91
Maine.....	60	160	160*	168	36	95	95
Maryland.....	177	347	347	405	44	86	86
Massachusetts.....	639	1,155	1,173	1,553	41	74	76
Michigan.....	689	1,010	1,013	1,309	53	77	77
Minnesota.....	376	440	440*	446	84	99	99
Mississippi.....	59	96	98	113	52	85	87
Missouri.....	472	715	719	966	49	74	74
Montana.....	40	49	49	49	82	100	100
Nebraska.....	103	137	137	143	72	96	96
Nevada.....	14	21	21	27	52	78	78
New Hampshire.....	89	145	146	169	53	86	86
New Jersey.....	463	986	989	1,185	39	83	83
New Mexico.....	33	41	41	42	79	98	98
New York.....	2,060	3,929	3,938	4,257	48	92	93
North Carolina.....	282	485	486	552	51	88	88
North Dakota.....	14	20	20	20	70	100	100
Ohio.....	1,126	1,743	1,752	2,039	55	85	86
Oklahoma.....	166	301	301	323	51	93	93
Oregon.....	211	295	297	309	68	95	96
Pennsylvania.....	1,682	2,285	2,300	2,300	73	99	100
Rhode Island.....	154	292	294	348	44	84	84
South Carolina.....	71	158	158	172	41	92	92
South Dakota.....	21	26	26	26	81	100	100
Tennessee.....	199	411	418	512	39	80	82
Texas.....	326	712	726	1,001	33	71	73
Utah.....	36	44	44	44	82	100	100
Vermont.....	59	68	69	74	80	92	93
Virginia.....	281	364	364	382	74	95	95
Washington.....	234	358	366	459	51	78	80
West Virginia.....	134	220	220*	314	43	70	70
Wisconsin.....	278	491	492	680	41	72	72
Wyoming.....	17	23	23	23	74	100	100
Alaska.....	2	2	2*	2	100	100	100
Railroads.....	49	49	49	52	94	94	94
Total.....	<u>15,360</u>	<u>25,076</u>	<u>25,217</u>	<u>29,120</u>	<u>53</u>	<u>86</u>	<u>87</u>

December 18, 1942.

Treasury Department

* Data are for December 5, inasmuch as no December 12 report was received.

Regraded Unclassified

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

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	Dec. 5	Dec. 12		Apr. 18	Dec. 5	Dec. 12
Alabama.....	41	67	67*	68	60	99	99
Arizona.....	9	14	14	14	64	100	100
Arkansas.....	16	17	17*	17	94	100	100
Northern California.....	122	130	130	131	93	99	99
Southern California.....	121	151	152	155	78	97	98
Colorado.....	25	31	31	31	81	100	100
Connecticut.....	114	154	154	165	69	93	93
Delaware.....	15	23	23	23	65	100	100
District of Columbia.....	32	50	50	51	63	98	98
Florida.....	28	44	44	48	58	92	92
Georgia.....	86	126	126*	126	68	100	100
Idaho.....	11	11	11	11	100	100	100
Illinois.....	391	494	495	500	78	99	99
Indiana.....	88	148	148	165	53	90	90
Iowa.....	22	40	40	47	47	85	85
Kansas.....	23	25	25	25	92	100	100
Kentucky.....	38	49	49*	51	75	96	96
Louisiana.....	29	52	52	52	56	100	100
Maine.....	48	55	55*	55	87	100	100
Maryland.....	84	111	111	111	76	100	100
Massachusetts.....	237	320	321	331	72	97	97
Michigan.....	265	287	287	287	92	100	100
Minnesota.....	79	81	81*	81	98	100	100
Mississippi.....	26	36	36	36	72	100	100
Missouri.....	103	138	138	140	74	99	99
Montana.....	3	4	4	4	75	100	100
Nebraska.....	23	28	28	28	82	100	100
Nevada.....	4	5	5	5	80	100	100
New Hampshire.....	29	32	32	32	91	100	100
New Jersey.....	142	196	197	198	72	99	99
New Mexico.....	5	5	5	5	100	100	100
New York.....	759	908	908	931	82	98	98
North Carolina.....	103	137	137	140	74	98	98
North Dakota.....	0	0	0	0	-	-	-
Ohio.....	412	484	484	502	82	96	96
Oklahoma.....	31	52	52	52	60	100	100
Oregon.....	48	55	55	55	87	100	100
Pennsylvania.....	551	623	625	638	86	98	98
Rhode Island.....	61	78	78	85	72	92	92
South Carolina.....	84	98	99	99	85	99	100
South Dakota.....	5	5	5	5	100	100	100
Tennessee.....	50	88	88	92	54	96	96
Texas.....	63	120	121	122	52	98	99
Utah.....	8	10	10	10	80	100	100
Vermont.....	12	12	12	12	100	100	100
Virginia.....	93	102	102	102	91	100	100
Washington.....	49	73	74	74	66	99	100
West Virginia.....	36	77	77*	77	47	100	100
Wisconsin.....	127	154	154	154	82	100	100
Wyoming.....	1	4	4	4	25	100	100
Alaska.....	3	3	3*	3	100	100	100
Railroads.....	109	109	109	115	95	95	95
Total.....	<u>4,864</u>	<u>6,116</u>	<u>6,125</u>	<u>6,265</u>	<u>78</u>	<u>98</u>	<u>98</u>

Treasury Department

December 18, 1942.

* Data are for December 5, inasmuch as no December 12 report was received.

Regraded Unclassified

December 18, 1942.

Dear Mr. Landis:

Thank you for sending me a copy of your "Handbook for the United States Citizens' Service Corps". Your thought in calling my attention to the pages allotted to the sale of War Stamps and Bonds is much appreciated.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable James M. Landis,
Director, Office of Civilian Defense,
Washington, D. C.

GEF/dbs

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OFFICE OF CIVILIAN DEFENSE
WASHINGTON, D. C.

DEC 15 1942

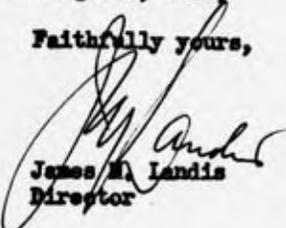
Mr. Henry Morgenthau, Jr.
Secretary
Department of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

I am sending you a copy of our "Handbook for
the United States Citizens' Service Corps."
On page 11 is a quotation attributed to you.
I thought you would be interested in seeing
this.

With warm personal regards, I am,

Faithfully yours,



James M. Landis
Director

Enclosure-

The U. S. CITIZENS SERVICE CORPS



U. S. OFFICE OF CIVILIAN DEFENSE
Washington, D. C.

OCD Publication 3601

Every man, woman, and child must battle on the home front if we are to win this war. Already millions of these fighters are salvage chairmen, child care workers, war bond salesmen, hospital assistants. These and other volunteers in the civilian war services are the U. S. Citizens Service Corps. Their vigor, determination, and unflagging devotion will hasten our victory.

—James M. Landis, Director
Office of Civilian Defense
November 2, 1942.



HANDBOOK FOR THE UNITED STATES CITIZENS SERVICE CORPS

Illustrated by Xavier Gonzalez

UNITED STATES OFFICE OF CIVILIAN DEFENSE
WASHINGTON, D. C., NOVEMBER 1942

THE UNITED STATES CITIZENS SERVICE CORPS

The United States Citizens Service Corps is an army of unpaid civilian workers, mobilized to do the many civilian war jobs that must be done to keep the home front strong. As the Citizens Defense Corps comprises a force inclined in protection against enemy air attack, so the Citizens Service Corps is charged with responsibility of leading the fight against inefficiency, insecurity, and poor health within the community, and thus of increasing the total striking power of the nation.

WHO MAY JOIN. Anyone may join provided he is willing to give his spare time to volunteer war work on the home front. All persons in the United States, its territories and possessions, without distinction as to race, color, sex, or religion, are eligible for membership, once they have fulfilled the requirements. A person may belong to the Service Corps as well as the Defense Corps. His assignment in either must not, however, interfere with his satisfactory performance in both. Many of the volunteers will be eligible to membership because of their service in established agencies engaged in activities important to the war effort. It is the policy of the Citizens Service Corps to encourage to the fullest extent the work of established agencies. For existing volunteer groups working with such agencies, membership in the Citizens Service Corps is a recognition of the service which they are already rendering. In addition, just as the Citizens Defense Corps includes new protective services as needed, the Citizens Service Corps may include volunteers organized directly under committees of the local Defense Council when new activities are required which cannot satisfactorily be performed through existing agencies.

HOW TO JOIN. Persons sixteen or over may register with the Volunteer Office of their local Defense Council, or, if a Volunteer Office has not yet been established, with the Defense Council directly. Boys and girls under sixteen should inquire of their teachers or club leaders how they may join the Service Corps.

The local Defense Council, through its Service Corps executive, has the power to decide who should be admitted to the Service Corps in its community. Not all communities will need the same services, therefore, not all Councils will demand exactly the same qualifi-

cations. But all Councils will ask that candidates be qualified in one of these three ways:

1. By completing a prescribed training course, officially approved by the Council, in preparation for a volunteer work assignment.
2. By completing a prescribed period of apprenticeship, mutually agreed upon by the agency using the volunteer and by the local Civilian Defense Volunteer Office.
3. By completing 50 hours of work, for which no specific training course is required, in a volunteer position approved by the local Defense Council through its Volunteer Office.

Some persons in the community will already have completed the required amount of work in an approved position and will thus immediately be eligible for membership.

The only type of training course which qualifies a person for membership in the Service Corps is one which prepares that person for community war service. Housewives who take nutrition courses solely for the purpose of feeding their families better, and other persons assisting in the war effort by saving needed materials, by buying war bonds and stamps, or by cooperating in similar ways, are not thereby eligible for membership in the Service Corps. A person who enters the Corps by completing an approved training course will not be allowed to continue in membership if he fails to give community war service. Hence, the Corps is not merely a training school; it is, in the best sense, a service corps.

An introductory course in the Community's War Program should be organized and conducted under the auspices of the Defense Council. This course should deal with the meaning of total war, the impact of the war on the community, the Defense Council as a unit for mobilizing community resources, including manpower, and the regulations and activities of the Defense Corps and the Service Corps.

Basic training courses in preparation for volunteer service in the Service Corps should be drawn up and conducted by the agencies engaged in the specific field of work. Such courses must be approved by the Defense Council. Certain agencies, both public and private, will already have training programs recognized as adequate by the community.

In such cases, the entrance requirements, training courses, and performance schedules for volunteers used by these agencies have often been carefully worked out and should, therefore, be accepted by the Defense Council.

Some jobs in the Service Corps do not require formal training. Volunteers serving in such jobs will ordinarily obtain membership in the Corps through a period of apprenticeship or the giving of 50 hours of service.

Service opportunities for the Corps are many and varied. In general, they include whatever volunteer work—outside of civilian protection—the community needs to prepare itself for war. Members of the Service Corps receive instruction from, and work under, the supervision of the community agency or committee of the Defense Council to which they are assigned. Working instructions are not issued directly to them by the head of the Defense Council or the executive of the Service Corps.

Clerical workers are needed in virtually all divisions of the Corps. They may take the training course for the unit in which they are serving, but are not required to do so.

Service opportunities and training courses for professional volunteers are not described in the following pages, since it is assumed that the volunteer work which professionals will perform will parallel professional service in that field. Their training, if any, will be of a refresher nature.

The *insigne* of the Corps is a red block V placed in the center of a white equilateral triangle, a red C and a red D placed respectively to the left and the right of the V and half its size, and the white triangle embossed on a circular field of blue.

How a member is appointed. The local Defense Council should appoint an executive of the Citizens Service Corps to keep records and control admissions to the Corps, in accordance with the general requirements set forth above. The executive may delegate responsibility for record keeping to the Volunteer Officer. This executive or his representative will appoint qualified persons who have applied for membership.

Existing agencies, using organized groups of volunteers in the extension of well-established programs in support of the war effort, will often have adequate training and service requirements. The executive of the Service Corps, with the approval of the Defense Council, should make arrangements to accept for membership volunteers whose names have been certified to the executive by the agencies using their services, on the basis of the established training and service requirements of the agencies.

Each appointee shall take an oath to defend and uphold the Constitution of the United States and to perform properly all duties as a member of the Service Corps. The appointee shall then be entitled to wear the *insigne* of the Corps until his membership is terminated. Membership of any person who willfully fails to perform the volunteer duties to which he is assigned as a member of the Service Corps may be terminated by the executive of the Service Corps upon recommendation of the agency, organization, or committee of the local Defense Council which is supervising and using the services of the member.

A *Certificate of Membership* may be furnished by the local Defense Council to all persons appointed to the Corps. A sample certificate is shown in this booklet. These Certificates of Membership are official articles and must be manufactured and distributed in accordance with Regulations No. 2 of the Office of Civilian Defense, except that permission has been granted to manufacture and sell these Certificates of Membership without a License.

Identification cards bearing the official *insigne* may also be issued to members of the Corps.

This handbook is for the use of persons desiring to volunteer in the community war services, Defense Councils and their Volunteer Officers, and agencies using the services of volunteers. It is not intended as a guide for Defense Council organization and operation, nor as a comprehensive statement on the use of volunteers. Defense Councils and agencies using volunteers should consult other publications of the Office of Civilian Defense and publications of other Federal agencies engaged in particular aspects of the war program.



SALVAGE FOR VICTORY PROGRAMS

"The only way we can meet the requirements of war production is to collect every last bit of scrap from every farm and home, and from every commercial enterprise and industry in the country."—Donald M. Nelson, Chairman, War Production Board.

PERSONNEL. Adults and young people, boys and girls—energetic, willing workers.

SERVICE OPPORTUNITIES. Under supervision of the Salvage Committee of the local Defense Council:

Assist in organization and promotion of the community's salvage campaign.

Help organize and conduct the salvage drive in organizations and neighborhoods.

Assist in listing agencies, schools, and other organizations now engaged in salvage or desiring to take part.

Arrange for pick-up of collections by waste-materials dealers, social agencies, or others.

RECOMMENDED TRAINING. In addition to general introductory training in the community's war program, a basic course to prepare volunteers for work in the salvage-for-victory program should be developed by the Salvage Committee of the Defense Council and formally approved by the Defense Council. The course should deal with such subjects as industry's needs for waste materials, methods of organizing and promoting the Salvage Campaign, local agencies engaged in collection and conversion of salvage, and responsibilities of volunteers.

RECOMMENDED READING. "War on Waste" series. American Junior Red Cross, 1942.

"Salvage-for-Victory Program." War Production Board, Bureau of Industrial Conservation, 1942.

"War Against Waste." War Production Board, Bureau of Industrial Conservation, 1942.



WAR STAMP AND WAR BOND SALES

Buying a war bond is buying a share in America's future."

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

PERSONNEL. Good salesmen, young and old; experienced persons who can organize sales campaigns or promote sales; teachers who can train salesmen.

SERVICE OPPORTUNITIES. Selling bonds and stamps and taking pledges for bonds and stamps.

Organizing sales campaigns.

Training other salesmen.

RECOMMENDED TRAINING. The prospective salesman should have all technical information about war savings bonds and stamps, and the general aims and methods of the war savings program. If he is not an experienced salesman, he should have some training or guidance in salesmanship.

RECOMMENDED READING. "Help Win the War With the Money You Save." Treasury Department, 1942.

"How to Install and Successfully Operate a Payroll War Savings Plan." Treasury Department, 1942.

"Madame Chairman—Mr. Chairman." Treasury Department, 1942.

"Mrs. Brown Buys a Bond." Treasury Department, 1942.

"Questions and Answers about U. S. War Savings Bonds (Series E) and Stamps." Treasury Department, 1942.

"Questions and Answers about U. S. War Savings Bonds (Series F and G)." Treasury Department, 1942.

"A Wartime Program for United States Farmers." Treasury Department, 1942.



**TO FIGHT, TO WIN, HE MUST
KNOW THEY'RE SAFE**

FAMILY SECURITY SERVICES

"The most insidious threats to our way of life are not enemy agents or saboteurs, but the breaking down of services which uphold the security of homes and families."

—Paul V. McNutt, Director, Office of Defense Health and Welfare Services.

PERSONNEL. Adults and young people of mature judgment, objective viewpoint, and ability to safeguard confidential information.

SERVICE TO—Families broken up because of military service or employment in war industry; families needing assistance because of military casualties; families needing assistance because of displacement unemployment; families having difficulty in adjusting to new communities, new schools, new jobs, and new home conditions, to which they have been brought by war.

SERVICE OPPORTUNITIES. Assist staffs of family welfare agencies in making Selective Service investigations, inquiry into the possibility of suitable employment for applicants and recipients of public assistance, serving as receptionist in the office, making visits to newcomers in a war industry community, assisting with inquiries from agencies in other cities, and checking records to verify essential information such as birth dates, property ownership, and school attendance.

Assist Traveler's Aid Societies in giving information in railway, bus, and airline terminals.

Assist Legal Aid Societies in giving advice to families in connection with Soldiers and Sailors' Civil Relief Act and other matters.

Serve as member of Red Cross Staff Assistants Corps and Home Service Corps.

Assist the Civilian Evacuation Service.

RECOMMENDED TRAINING. In addition to general introductory training in the community's war program, a basic course to prepare volunteers for work in family security programs should be developed locally by family welfare agencies in the community and approved by the local Defense Council. This course should deal with such subjects as family problems, agencies serving families, casework principles, the purpose and confidential nature of records, and volunteer-agency relationships.

RECOMMENDED READING. "Volunteers in Family Security." Office of Civilian Defense with the cooperation of the Office of Defense Health and Welfare Services, 1942.

"Volunteers in Family Service." Family Welfare Association of America, 1942.



TODAY'S MADONNA WORKS FOR VICTORY

CHILD CARE SERVICES

"For children whose mothers are employed . . . it is the responsibility of the community . . . to see that parents have assistance in planning for their needs and that the children have the best possible care. . . Children must be safeguarded—and they can be safeguarded—in the midst of this total war . . . so that they will be strong to carry forward a just and lasting peace."—A Children's Charter in Wartime.

PERSONNEL. Adults and young people who like and understand children.

SERVICE TO—Children whose parents are mobilized for war or war production; children subject to neglect, exploitation, or undue strain because of the war.

SERVICE OPPORTUNITIES. Assist in day nurseries, nursery schools, and play groups, and in organizing neighborhood nurseries, where necessary.

Aid in the organization of care for children left homeless by war; help locate possible foster homes for investigation.

Assist in wartime health education programs for parents; organize health study groups and plan programs to meet the unusual drains on health in wartime; supervise sewing projects and the making of home equipment for care of children.

Assist in the daily care of children in hospitals, convalescent homes, or other institutions left short-handed by war; help in diet kitchens, dormitories, and supply rooms; supervise play periods, rest periods, and occupational therapy.

Assist in securing facts about wartime needs of children in the community; aid in organizing groups to study these needs and ways of meeting them; participate in planning and securing community support for essential child care programs.

Assist in care of children for the Civilian Evacuation Service.

RECOMMENDED TRAINING. In addition to general introductory training in the community's war program, a basic course to prepare volunteers for work in child-care program should be developed locally by agencies working in this field, and approved by the Defense Council. The course should include a background of information concerning the normal development and every-day care of children, their problems and special needs, and the community services available. This may be supplemented by study and practice in a specific field of child care. For suggestions as to the nature of this course, see "Volunteers in Child Care," listed below.

RECOMMENDED READING. "Volunteers in Child Care." Office of Civilian Defense with the cooperation of the U. S. Children's Bureau, Department of Labor, and the Office of Defense Health and Welfare Services, 1942.

"Children Bear the Promise of a Better World." Children's Bureau, 1941, 1942. A series of pamphlets under above general title, discussing such subjects as child health, proper food, and safeguarding of children whose mothers work.

"Community Program of Day Care for Children of Mothers Employed in Defense Areas." Children's Bureau, 1942.

"To Parents in Wartime." Children's Bureau, 1942.



**A HEALTHY NATION IS
A STRONG NATION; WE
MUST KEEP OUR STRENGTH**

HEALTH AND HOSPITAL SERVICE

"... the strength of any nation does not exceed the strength and health of its people."

—Surgeon General Thomas Parnan, U. S. Public Health Service.

PERSONNEL. Adults and young people who meet special requirements for the field of health service.

SERVICE TO—Ill and injured persons in areas where professional medical service has been reduced due to requirements of the Armed Forces, or to increasing demands on peacetime facilities.

SERVICE OPPORTUNITIES. In clinics and hospitals, convalescent homes, institutions for the handicapped, in health associations, in tuberculosis, cancer and social hygiene societies, in public health nursing programs, in local health departments, and in the Civilian Evacuation Service.

Serve as First Aid teacher and Home Nursing teacher.

Serve as health department assistant—receptionist, messenger, clinic assistant, research assistant, statistical assistant, or information center clerk for health department buildings.

Serve as hospital ward assistant for such duties as directing visitors, keeping bedside tables in order, delivering mail and books to patients, making telephone calls for patients; as clinic assistant for such duties as directing patients to proper rooms, putting clinic rooms in order, cleaning equipment trays, helping patients to dress, weighing and measuring patients.

Serve as laboratory assistant—general laboratory helper to care for equipment, technician's assistant to prepare equipment for specific procedure.

Serve as medical social service assistant—receptionist, interpreter, operator of clothing storeroom, making arrangements for convalescent care and appliances.

Serve as occupational therapy assistant—assisting with craft instructor, assisting patients from wards to occupational therapy department, helping patients obtain work materials, putting rooms in order after work periods.

Serve as physiotherapy assistant—assisting patients from wards to physiotherapy department, helping patients dress and undress, putting treatment rooms in order, assisting with baths or other simple treatments under supervision.

Serve as member of American Red Cross Hospital and Recreation Corps—to assist in maintaining morale of service and ex-service men in hospitals, providing recreational work for patients, receptionist.

RECOMMENDED TRAINING. In addition to the general introductory training in the community's war program, specific training courses are available from hospitals and health agencies to prepare volunteers for work in some of the fields of health and hospital services. For suggestions as to these courses, see "Volunteers in Health, Medical Care and Nursing," listed below.

RECOMMENDED READING. "Volunteers in Health, Medical Care and Nursing." Office of Civilian Defense with the cooperation of the Office of Defense Health and Welfare Services, 1942.

Community Health Series Folder No. 1. "Wake Up Main Street." Public Health Service, 1941.



KNOWLEDGE OF NUTRITION MAKES FOODSTUFF AN ARMAMENT OF WAR

NUTRITION SERVICES

"We are pledged to the proposition that no one in this great democracy shall starve, even with hidden hunger."—M. L. Wilson, Assistant Director in Charge of Nutrition, Office of Defense Health and Welfare Services.

PERSONNEL. Adults and young people who are interested in nutrition.

SERVICE TO—Workers in war industries, farmers and farm workers, school children, and housewives faced with war scarcities.

SERVICE OPPORTUNITIES. Work with local Nutrition Committee of the Defense Council and in related programs or agencies devoted primarily to nutrition; participate in group-feeding projects in war-production factories, defense areas, and civilian evacuation; advise on food buying and preparation; assist in planning nutrition institutes and conferences; serve as member of American Red Cross Canteen Corps.

RECOMMENDED TRAINING. In addition to general introductory training in the community's war program, a basic course to prepare volunteers for work in nutrition programs should be developed locally by agencies authorized by the State Nutrition Committee, such as local Red Cross Chapters, Extension Service of the Department of Agriculture, public schools and universities, and colleges offering courses in food and nutrition. The basic training course must be approved by the Defense Council. It should deal with such subjects as the purpose of the National Nutrition Program, fundamentals of nutrition and food preparation, and their application to problems such as provision of school lunches, use of available food surpluses, and industrial feeding programs.

RECOMMENDED READING. "Volunteers in Nutrition." Office of Civilian Defense with the cooperation of the Office of Defense Health and Welfare Services, 1942.

"Are We Well Fed?" Department of Agriculture, 1941.

"Consumers' Guide." Department of Agriculture. Monthly.

The National Nutrition Conference for Defense, June 13, 1941. Vol. 56, No. 24, of Public Health Reports, U. S. Public Health Service.

"Nutrition Education in the School Program." Office of Education, Federal Security Agency, 1941.



**WISE PLANNING AND
USE WILL SPEED THE
SMASHING OF THE AXIS**

CONSUMER PROGRAMS

"We must produce more than we have produced before . . . we must learn to live on less."

—Leon Henderson, Director, Office of Price Administration.

PERSONNEL. Adults and young people who are interested in consumer problems.

SERVICE TO—Consumers.

SERVICE OPPORTUNITIES. Serve on War Price and Rationing Boards; assist in issuing ration cards, and in other special activities of these boards; assist in arranging meetings for discussion and explanation of price control and rationing programs.

Work with Consumer Committee of the Defense Council to assemble and distribute information on supplies, substitutes, careful buying, and other consumer problems; analyze and summarize consumer reports; promote the setting up of exchanges for necessary articles made scarce by war; promote projects for sharing automobiles and other limited equipment; take part in food conservation programs which arrange for the collection of local food and vegetable surpluses and their distribution in fresh and preserved forms through school lunches and community kitchens.

Assist in arranging and holding consumer classes and discussions; assist in promoting such consumer projects as low cost and repaired furniture demonstrations, clothing clinics, and group buying plans.

RECOMMENDED TRAINING. In addition to the general introductory training in the community's war program, a basic course to prepare volunteers for work in consumer programs should be developed locally by the Consumer Committee of the local Defense Council. It should include a general orientation in consumer problems, the why and how of price control, maximum price regulations, and rationing, the methods of operation of the local war price and rationing boards, and special consideration to each commodity as it is rationed.

RECOMMENDED READING. "Volunteers in Consumer Programs." Office of Civilian Defense with the cooperation of the Consumer Division, Office of Price Administration, 1942.

"What War Time Price Control Means to You." Consumer Division, Office of Price Administration, 1942.

"Economics of the Home Front." Consumer Division, Office of Price Administration, 1942.

"Basic Speech on Price Control." Consumer Division, Office of Price Administration, 1942.

"The ABC of Ceiling Prices." Consumer Division, Office of Price Administration, 1942.



WAR WORKERS MUST HAVE DECENT HOMES

HOUSING PROGRAMS

"To bring our war production to its maximum level, all war workers must be housed; and to conserve critical materials, existing housing must be utilized to the fullest possible extent."

—National Housing Agency.

PERSONNEL. Adults and young people who are interested in housing.

SERVICE TO—Workers in war production industries and their families, families of men in the armed forces, farm workers in migratory labor camps, families in war production or military camp communities.

SERVICE OPPORTUNITIES. In Homes Registration Offices: Aid in canvassing for and maintaining file of housing vacancies; interview persons desiring housing accommodations; inspect reported housing vacancies to ascertain whether conditions and facilities meet necessary standards; assist in making housing surveys.

In municipal housing authorities or the Housing Committee of the Defense Council: Assist in making surveys to determine housing needs; assist in the preparation of special reports; assist in housing aspects of civilian evacuation.

In public housing projects and migratory labor camps: Assist in recreation and social activities, conduct demonstrations in low-cost home furnishing and food preparation and service, assist in educational activities and child care services.

In housing associations: Inspect housing and prepare reports on violations of local housing ordinances, assist in making surveys of housing conditions and needs.

RECOMMENDED TRAINING. In addition to general introductory training in the community's war program, a basic course to prepare volunteers for work in housing programs should be developed locally by the Housing Committee of the Defense Council and local housing agencies and approved by the Defense Council. The course should consist of lectures, discussions, and field observation under supervision, and should deal with such subjects as the national housing problem, federal agencies in the housing field, the local housing situation, minimum housing standards for health and safety, and local ordinances governing housing, health, billeting, and safety standards.

For work in a specific activity in the housing field special training may be required. For example, volunteers preparing for work in nursery schools in housing projects should be required to take the Child Care course and may substitute this course for the basic course in housing.

RECOMMENDED READING. "War Production Board and National Housing Agency Policy for War Housing." National Housing Agency, 1942.

"Introduction to Housing—Facts and Principles." Edith Elmer Wood, 1939.

"Housing for Health." Committee on the Hygiene of Housing of the American Public Health Association, New Haven, Connecticut, 1941.



RECREATION RELIEVES THE STRESS AND STRAIN OF WAR

RECREATION AND YOUTH GROUP SERVICES

"The recreation services being provided for the armed forces, for the workers in war industries, and for the morale of civilian groups are very definitely contributing to our war effort."

—President Roosevelt.

PERSONNEL. Adults and young people with leadership ability and an interest in working with groups.

SERVICE TO—Soldiers on leave, war industry workers and their families, farm workers and their families, groups of young people in need of leadership for participation in the war effort or for their own development as responsible citizens in our democracy.

SERVICE OPPORTUNITIES. With Recreation Committees of local Defense Councils and with such agencies as public recreation departments, the Civilian Evacuation Service, public school recreation centers, settlement houses, libraries, community centers, 4-H Clubs, Future Farmers of America, Boy Scouts, Girl Scouts, Campfire Girls, Junior Red Cross, YWCA, YMCA, and church groups; organize social events for men in the armed forces; supervise playgrounds; serve as game leader, athletic coach, or referee; conduct classes in swimming, tennis, gymnastics; make simple playground equipment; lead and instruct groups in woodworking, sewing, weaving, carpentry; provide and direct entertainment; lead club projects devoted to war effort; lead forum discussions and lecture groups.

RECOMMENDED TRAINING. In addition to general introductory training in the community's war program, a basic course to prepare volunteers for work in recreation and group work should be developed by the Recreation Committee of the Defense Council and local recreation and group work agencies, and approved by the Defense Council. The course should deal with the aims and philosophy of recreation and group work, with particular stress on their wartime application; various types of programs for all-age levels; and leaderships and personal relationships involved in group work programs. If possible, training should be given in the minor skills of some of the program activities.

For work in a specific field of recreation or group work, special training may be required. For example, volunteers preparing to work in community center libraries should be required to take the library training course, and may substitute this for the basic course in Recreation and Group Work.

RECOMMENDED READING. "Volunteers in Recreation." Office of Civilian Defense with the cooperation of the Office of Defense Health and Welfare Services, 1942.

"Handbook for Recreation Leaders." Ella Gardner, 1936.

"Neighborhood Activities in Country Communities." Alfred G. Arnold—Extension Service, North Dakota Agricultural College, 1940.

"The Home Front in National Defense." Office of Defense Health and Welfare Services, 1941.

"Training Volunteers for Recreation Service." National Recreation Association, 1942.



NEVER TOO OLD TO LEARN

SCHOOL AND EDUCATION PROGRAMS

"... we must begin now to prepare both youth and adults to help form that public opinion which will insure the organization of the peace upon an enduring basis."

—John W. Studebaker, Commissioner, U. S. Office of Education.

PERSONNEL. Adults and young people who are interested in working in education.

SERVICE TO—School children, foreign-born adults desiring citizenship and Americanization training.

SERVICE OPPORTUNITIES. In public schools: Help make up wartime shortage of teachers by assisting in record keeping; assist home economics and agriculture teachers with supervision of home projects; coach handicapped or retarded children; assist with visiting homes of school children; assist in organizing and leading children's clubs and events; assist attendance officers in checking on reasons for children's absence from school; assist in school health department; assist in wartime activities for children, such as the Salvage for Victory program; assist in gardening projects; assist nutritionists in school lunch program; assist in nursery schools.

In groups and organizations: Assist in organizing and teaching classes for foreign-born adults; assist in organizing and teaching special war subjects to adults.

RECOMMENDED TRAINING. In addition to general introductory training in the community's war program, a basic training course to prepare volunteers for work in schools and education programs should be developed by local leaders in the educational field, and approved by the Defense Council. The course should deal with subjects such as the wartime programs of the schools and the role of the schools in a democracy.

For work in some aspects of school programs, the basic course should be supplemented by special training. For example, volunteers preparing to work with after-school clubs, should be required to take the Recreation and Group Work course, modified as necessary to adapt it to after-school-age groups.

RECOMMENDED READING. "Morale." Civilian Morale Service, Office of Education, 1941.

"The Use of Volunteers—A Collection of Suggestions." National Citizenship Education Program, Office of Education, with the cooperation of the Department of Justice, and the Federal Works Agency, 1941.

"Education for Victory." Office of Education, Federal Security Agency. Bi-weekly.

"What the Schools Can Do." No. 4 of Education and National Defense Series, Office of Education, 1941.



AMERICA READS BOOKS; THE AXIS BURNS THEM

LIBRARY SERVICES

"In this war, we know books are weapons."—President Roosevelt.

PERSONNEL. Adults and young people interested in books.

SERVICE TO—Families living in housing projects and in trailer or farm workers' camps, men in the armed forces on leave, war workers needing technical and vocational book service, community leaders needing current war information.

SERVICE OPPORTUNITIES. In public school, college, university, and special libraries; assist in reference service at war information centers; assist in reading guidance in school and public libraries; assist in extending library service to war industries and outlying communities without such facilities; act as custodian of books in outlying communities; prepare books, pamphlets, and materials for wartime emergency use; prepare clippings and other materials for war information centers; assemble and arrange book exhibits on subjects pertinent to the war; give expert advice on book selection in specialized fields such as aviation, civilian protection, nutrition; assist in Victory Book Drives; serve as part time librarians at hospitals, health centers, and institutions.

RECOMMENDED TRAINING. In addition to the general introductory training in the community's war program, a basic course to prepare volunteers for work in library programs should be developed locally by representatives of libraries, and approved by the local Defense Council. It should deal with the war program of the library, the policies and functions, the procedures and routines of the library. This course may be supplemented by additional preparation for work in a specific aspect of library service.

RECOMMENDED READING. "Volunteers in Library Service." Office of Civilian Defense with the cooperation of the Library Service Division of the Office of Education and the Office of Defense Health and Welfare Services, 1942.

"The Public Library—A Peoples' University." Alvin S. Johnson, American Association for Adult Education, 1938.

"Books, Libraries and You." Jesse Boyd, Leo B. Blaisden, Carolyn Mott, and Gertrude Memmler, 1941.

"Morale." Civilian Morale Service, Office of Education, 1941.



FACTS ARE FISTS TO SMASH THE AXIS

INFORMATION SERVICE

"This is a people's war, and to win it the people should know as much about it as they can."—Elmer Davis, Director, Office of War Information.

PERSONNEL. Writers, speakers, artists, editors, radiomen, photographers, and other adults and young people.

SERVICE TO—Men in the armed forces, newcomers to war plant or military camp areas, civilians in general.

SERVICE OPPORTUNITIES. In the Speakers Bureau of the Defense Council: Serve as director of Victory Speakers Bureau, serve as V Speaker.

On the Information Committee of the Defense Council: Assist in publicizing the Nation's and the community's war program, through writing, making exhibits and posters, organizing Town Meetings for War, showing films, arranging radio programs.

In Information Centers: Assemble information on community facilities, recreation facilities, current amusements, restaurants and lodging; conduct information service for men on leave from the armed forces and newcomers to the community.

Organize and conduct discussion groups on war subjects.

RECOMMENDED TRAINING. General introductory training in the community's war program should be provided for all volunteers in information services. A special institute or training session for speakers should be prepared. For volunteers who will work in Information Centers a basic training course should also be developed locally, and approved by the Defense Council. This course should deal with such subjects as techniques of interviewing, meeting various types of people, use of the telephone, and community resources and agencies.

RECOMMENDED READING. "Local Civilian Defense Information Committees—A Suggested Plan of Organization." Office of Civilian Defense.

"Victory." Published monthly by the Office of War Information.

"OCD News Letter." Published by the Office of Civilian Defense.

"Divide and Conquer." Office of War Information, 1942.

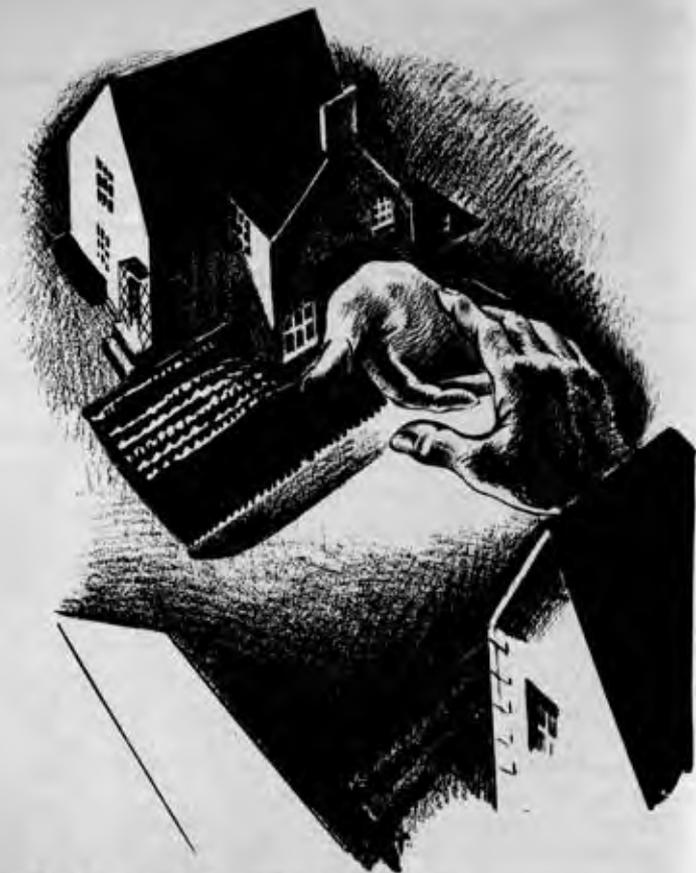
"A Manual for Speakers." Office of Civilian Defense, 1942.

"The Four Freedoms." Office of War Information, 1942.

"The Thousand Million." Office of War Information, 1942.

"The Unconquered People." Office of War Information, 1942.

"Toward New Horizons." Office of War Information, 1942.



**GOOD NEIGHBORS UNITE
TO FIGHT FOR VICTORY**

NEIGHBORHOOD OR BLOCK LEADERS

"The Block Plan of community organization is beyond doubt the best mechanism yet devised to enroll every household in the war effort."

—James M. Landis, Director, Office of Civilian Defense.

PERSONNEL. Adults and young people who have satisfactorily completed the basic training course.

SERVICE TO—Civilians on the home front, urban or rural.

SERVICE OPPORTUNITIES. Serve as Neighborhood or Block Leader—helping to keep neighbors informed about the war and stimulating neighbors to participate in the war effort; direct neighborhood contact in promoting and assisting special war programs such as salvage, sale of war bonds and stamps, car-sharing clubs, and other civilian war services. Collect information from households for planning of civilian war service programs.

RECOMMENDED TRAINING. In addition to an introductory training course in the community's war program, a basic course to prepare volunteers to serve effectively as neighborhood or block leaders should be developed locally by agencies such as the Extension Service of the Department of Agriculture, local group work agencies or the Defense Council directly. The basic training course must be approved by the Defense Council. It should deal with such subjects as the techniques of democratic leadership and participation, the general duties and responsibilities of block leaders, and the organizational plan of the block system. Training also should be provided for specific projects undertaken through the block plan of organization.

RECOMMENDED READING. Report of National Conference of Voluntary Local Leadership, March 19 to 21, 1942, Division of Field Studies and Training, Extension Service, U. S. Department of Agriculture.

"The Block Plan of Organization for Civilian War Services in Local Defense Councils." Office of Civilian Defense, 1942.



OTHER WAR SERVICES

"There can be no half measures. North, South, East, West, and Middle West—the will of the American people is for complete victory."—Vice President Wallace.

The jobs outlined in the preceding pages are those likely to be needed in every community and those in which relatively large numbers of volunteers will be engaged. They do not cover the whole front of civilian war activity. There is other work to do now and as time goes on additional types of work will undoubtedly be needed. In the group of essential civilian war services needed now and not outlined in the previous pages, the following stand out:

TRANSPORTATION. Furnish volunteer help in connection with the various projects related to transportation which have already been undertaken by the local Defense Council, by the Highway Traffic Advisory Committee, and by the Local Administrator appointed by the mayor. Assist with such undertakings as:

Promotion of car-sharing and car-pooling groups;

Surveys to assist the school officials to increase the effective use of existing school busses;

Promotion of truck and private car maintenance programs;

Promotion of car-pooling among housewives on shopping trips;

Promoting programs for safe driving;

Selling the need for conservation with special emphasis on less frequent retail delivery services.

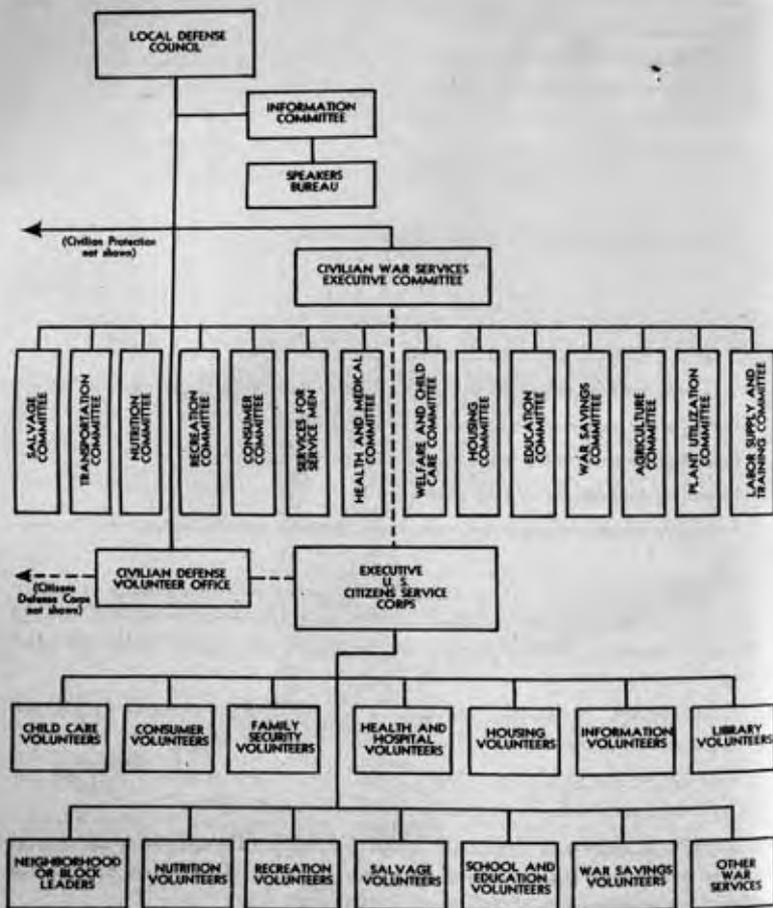
VICTORY GARDENS. Assist Agriculture Committee of Defense Council: In organization and supervision of victory gardens; in helping with a community victory garden; in helping with harvesting, storing or preserving of vegetables and fruits for school and community uses.

WAR CHESTS. Assist local war chests or united community campaign for essential local services by helping with organization, soliciting, assisting with publicity.

RED CROSS PRODUCTION CORPS. Assist in this corps or other local production units by knitting and sewing or making surgical dressings and supplies.

OTHER VOLUNTEER CIVILIAN WAR SERVICES. Perform volunteer services approved by the local Defense Council as contributing to the war effort and not included in any of the preceding units of the Citizens Service Corps.

THIS CHART SHOWS the organization of the civilian war services and the Citizens Service Corps. It does not show the organization for civilian protection.



THE CITIZENS SERVICE CORPS AND THE LOCAL DEFENSE COUNCIL

The local Defense Council is the central planning and coordinating body for all programs relating to community and civilian war effort. As such, it has the responsibility of mobilizing all forces in the community which can help to protect the community and to prosecute the war. This responsibility extends to the mobilization of civilian volunteers.

The defense council carries out its charge with respect to volunteers through the establishment of a Volunteer Office and through the appointment of a Commander of the Citizens Defense Corps and an Executive of the Citizens Service Corps. The Volunteer Office is the central place to which all requests for volunteers come and where volunteers register for referral either to the Citizens Defense Corps or the Citizens Service Corps.

The following chart pictures the relationship of the Citizens Service Corps to the local defense council. The defense council appoints an Executive of the Citizens Service Corps who acts as leader of the Corps. The members serve in the war programs planned by the various committees of the defense council which operate under the civilian war services executive committee. They are responsible to the agencies, organizations, or defense council committees directing these programs.

SAMPLE CERTIFICATE

UNITED STATES OF AMERICA



Certificate of Membership

This certifies that

*has fulfilled the necessary requirements, and
by reason of service to his country
is hereby designated
a member of the*

UNITED STATES CITIZENS SERVICE CORPS

of _____

Dated _____

(Authorized Official)



OOD Form No. 708

This form should be strictly followed except that:

- The name of the State and/or community may be added under the heading "United States of America."
- The Certificates may be printed in one color (either black or blue) or in two colors (red and blue).
- The size may be varied from 8 x 12 inches to 9 x 12 inches to accommodate stock frames.
- Provision may be made for signature by such person or persons as shall be approved by the local Defense Council.

SAMPLE IDENTIFICATION CARD



ENROLLMENT NO. _____

U. S. CITIZENS SERVICE CORPS OF 

(CITY) _____ (STATE) _____

THIS CERTIFIES THAT

(NAME) _____

(ADDRESS) _____

(FIELD OF SERVICE—USE OPTIONAL.) _____

IS ENROLLED IN THE U. S. CITIZENS SERVICE CORPS OF THE OFFICE OF CIVILIAN DEFENSE AND ENTITLED TO WEAR AND USE ITS INSIGNIA.

SIGNATURE OF EXECUTIVE OF CITIZENS SERVICE CORPS OR HIS REPRESENTATIVE

OOD FORM NO. 708

(Actual size)

This identification card may be printed in one color, black, or in two colors, red and blue.

Secretary Morgenthau

December 18, 1942

Ferdinand Kuhn, Jr.

You asked me yesterday to describe in writing the work I have been doing, and to make any suggestions that I might have about the handling of this work after January 1. The work has grown to be so miscellaneous that I think I had better itemize it, building up from the routine details, which are relatively easy to dispose of, to the more important jobs and the intangibles that are hard to classify.

1. Secretary's correspondence: A small but steady correspondence has been coming almost every day from Miss Chauncey's office, with a few letters to be prepared for your signature and a larger number that I have written and signed on your behalf. Many of these are requests for speeches, articles, messages and the like. Other letters for your signature are submitted to me in draft form by members of the War Savings Staff and others at the Treasury, for me to rewrite and put into shape.

I would suggest that Mrs. Forbush be brought to this floor of the building, and relieved of enough of her present routine duties to handle this correspondence, with whatever new title would enable her to sign letters on your behalf. She is a most capable, discreet and courteous writer, with good judgment at all times, and she knows your style and your wishes from long service at the Treasury. The job here is to make the letters simple and sincere, to say "no" without giving offense, and to build up the feeling of friendliness toward you.

2. Secretary's public messages: This involves the writing of the telegrams, or in some cases the letter-messages, which go out over your name to individuals or groups. More than 90 percent of these relate to the War Bond campaign. I now have a carbon-copy file of scores of such messages suitable for almost all occasions, and this file should be useful to anyone who does this work in the future.

I would suggest that Emerson Waldman, one of the best writers on the War Savings Staff, should take over this work. He should show the finished messages to Peter Odegard and Harold Graves as I have been doing, and then send them to you except in cases of the routine messages such as those to factories on Payroll Savings. It might help Peter to bring Waldman to this building as his assistant, to take some of the burden of reading radio scripts and printed promotion material.

3. Visitors: A small number of visitors are sent to me, as a buffer for you. Some of them are sent by Mr. Fitzgerald and some of them by War Savings people who feel that special courtesies are needed. This could be split among Odegard, Gamble and others of the staff.

4. Public information on taxes and inflation: You will remember that two or three months ago, following a meeting at your house, we started a program of public speeches, magazine articles, and the like, to show (a) the need of higher taxes, (b) the merit of the spendings tax, and (c) the importance of saving to help fight inflation. This has been hard uphill work, held together by Mr. Crampton under my supervision, with the help of a weekly committee meeting attended by Messrs. Paul, Gaston, Odegard, Schwarz, Street and Ecker-Racz.

One product of this program has been the new Disney film, which will be ready in mid-January. Another is that a good deal of anti-spending propaganda is now in full swing. The speeches of Mr. Paul, Miss Newcomer and others have also helped to revive interest in the spendings tax, to combat the sales tax and the Ruml plan, and generally to create better understanding of the Treasury's position.

I feel that the work of this committee should be continued, with Mr. Crampton as a kind of executive secretary, but that the subject-matter of the speeches should be altered to take account of the attitude of Congress and the imminence of the March 15 tax collection date. Our emphasis until March 15 should be placed on (a) the reasons for the present heavy taxes, (b) the steps the Treasury has taken to help the taxpayer, and (c) the need of saving to meet tax payments when they come due. Where future policies are concerned, the speeches could be on the safe side by taking the President's coming Budget Message as their guide.

Another reason for the continuance of our committee is what you and I call the "HMJr. Department" -- the quiet effort to build you up for the sake of the Treasury's effectiveness and prestige. Harold Mager's New Republic article was the first result of this work; Herbert Gaston has been working on Marquis Childs, and Peter Odegard has put a lot of effort into the John Nesbitt film.

5. Reports: Almost every day John Shea, of the Legislative Counsel's office, brings me a marked copy of the Congressional Record with items which need correction or which you would like to see. There are not many of these. In future I suggest that whichever member of the staff handles your relations on the Hill should be responsible for getting these items to you. Otherwise I have been getting no reports for you except the O.W.I. Intelligence Reports (public opinion surveys). Peter Odegard gets these and reads them every week, and could easily mark them for you. They are not always worth sending to you.

6. Clearance with O.W.I.: This involves (a) getting Treasury speeches cleared with other Government agencies through O.W.I., and (b) getting Treasury clearance for speeches from other Government agencies, or for over-all O.W.I. documents which bear on the Treasury's problems. This is not just a mechanical operation, but needs judgment and tact, and a knowledge of Treasury policies. One man ought to be responsible, maybe Mr. Crampton or Mr. Ecker-Racz of Roy Blough's shop, whom I have found to be a crackerjack

on public relations in economic fields. Both men are painstaking and competent, and both have a real interest in the information and education of the public.

Allied to this clearance work is the job of liaison with O.W.I., which has grown to be a real problem in the last few months. Long ago you appointed me as your representative on the Committee on War Information, which has gone out of existence as far as the Treasury is concerned, but I have continued to do the liaison job wherever necessary. We are now being crowded by the rest of the Government in the field of public campaigns, and the O.W.I. has collided with our War Bond people repeatedly in radio and retailers' activities. Many of these collisions have come to me in the first instance, and lately to Peter Odegard. Since most of these difficulties involve War Bonds, I think Peter should handle all such Treasury relations with the O.W.I.

7. Secretary's speeches: Now we are coming to the more important and difficult items on the list. The problem is smaller than it used to be; in the last half of 1941 you made four big, major speeches and two important statements to Congress, whereas in the last half of 1942 you have made only two short public speeches, (both on War Bonds) and two important tax statements to Congress.

I think that Harold Mager can do very well in preparing the drafts of your general speeches. But a speech cannot be written in a committee, least of all when there are economists around. The committee procedure is unfair to you, maddening to the writer, and detrimental to the quality of the finished product.

The system that has worked so well with you and me in the past is (1) for you to "talk" your ideas with the writer, (2) have him discuss the problem with people like Peter Odegard and Herbert Gaston, who can contribute further ideas, (3) let him write a first draft and submit it to you, to see whether it comes close to your ideas and your wishes, and (4) then circulate a second draft to all the sharpshooters for their comments and suggestions. This takes the burden off your shoulders and puts it squarely where it belongs -- on the writer himself.

After that, the committee system can be followed for successive drafts, either in your office or outside. Incidentally, it might be helpful to bring Huntington Cairns in on these discussions. When you have such a good writer and scholar on the staff it seems a shame not to get his help on speeches as a regular thing.

8. Other Treasury speeches: Speeches by other Treasury officials are usually brought to me for editing. This is becoming increasingly important, not only for style but for content, and someone with sure judgment and sure knowledge of Treasury policy should do it as a standing assignment. Nobody else would fill the bill as well as Herbert Gaston, acting with the fullest authority from you.

9. Coordinating Bond Campaigns: Assuming that the Victory Fund and War Savings campaigns continue on the present basis, I think it will be important to continue the procedure you started with me in October and November. Someone should sit in as a kind of reporter and messenger at all possible meetings that deal with financing or with the planning of a bond drive -- primarily to keep others in the Treasury informed, but also to act as your eyes and ears at such times. I felt that this device was useful to you in the October and November financings; it was still more useful, I think, to the War Savings people and the Victory Fund people, who knew from me what was happening at all stages. You need someone here who is not identified with either group, but who enjoys the easy confidence of both.

10. New talent: This brings me to one other subject which I should like to discuss orally with you for five or ten minutes soon. In the last few months I have found excellent people right here in the Treasury whom you do not know well and who might easily become more useful to you. Three or four of these are comparative newcomers; others can be found, for example, in George Haas's shop, where there is so much ability to the square inch that it seems a pity to keep it all in research fields. Let's talk about it soon.

MEMORANDUM FOR THE SECRETARY.

December 18, 1942.

Mail Report

Into this week's mail, slightly less in volume than for the last two weeks, entered one new note -- a strong protest against the salary stabilization ruling which precludes the giving of War Bonds as bonuses, if such gifts constitute an increase over the remuneration received by the employee during the preceding year. Such ruling, it was said, jeopardizes employee morale, as well as the campaign for the sale of Bonds. With the approach of Christmas, most of the communications concerning the auspiciousness of the occasion for increased Bond sales were limited to suggestions for Stamps on cards, often accompanied by samples of the personal cards that will be sent this season. Other ideas concerning Bonds were rather stereotyped except that one person advised that Bonds be made negotiable at the close of the War in order to avoid the necessity for refinancing, and another wanted a Bond at 6% interest, redeemable only at the will of the Government.

There was a slight increase in the number of Bonds submitted for redemption; however, only 3 or 4 letters reported particular instances of excessive cashing of Bonds. Of the 50 personal complaints regarding delays in the several stages of handling Bonds, about 30 came from employees of the War Department, and nearly all of these stated that they were writing in behalf of fellow employees as well.

Taxes were of no great import to our correspondents. The occasional letters in favor of the new Tax Bill were usually offset by an equal number of letters in opposition. Occasionally a conscientious objector was opposed to payment of the Victory Tax, or a member

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Memorandum for the Secretary.

December 18, 1942.

of the Clergy expressed disapproval of the system which required churches to withhold this tax from the salaries of their employees. Aside from the usual questions in regard to the particular application of the new tax measure, interest was chiefly centered on some kind of pay-as-you-go plan, the Ruml Plan still finding greatest favor. The advantages of smaller Tax Saving Stamps were several times pointed out, and scattered endorsements of a Sales Tax, or of a Savings Sales Tax, continued to arrive.

Publicity regarding the shortage of coins has resulted in numerous suggestions as to new denominations, new designs, and substitutes. Pieces worth $2\frac{1}{2}\%$, a design which carries the head of Benjamin Franklin, and stamps -- either postage or War -- as a temporary medium of exchange are typical suggestions.

Anti-labor letters were noticeably few. Pleas for Government economy showed a decided drop from the high peak reached last week, and the problem of inflation was usually incidental to the subject of Bonds or taxes. Charges for cashing checks, Bond coupons, and Bonds again provoked several letters of protest. In this connection, a few persons asked for additional Government-sponsored facilities, and one suggested, as a defense economy, that banks be kept open one evening a week for the benefit of war workers who should stay on the job during the hours that banks are open.

S. E. Forbush
by Kay Pearson

General Comments

R. E. Heintz, Manhasset, N. Y. * * * Up to this time I have been buying Government Bonds with any surplus funds that I have had and the purchases exceed the 10% customarily referred to by a wide margin. My income, because of an increased volume of business has also increased, and I am in a position to pay off the mortgage on my home. This mortgage, incidentally, bears an interest rate of $4\frac{1}{2}\%$. I am advised by the insurance company holding this mortgage that they will not take any additional payments of principal because I have reached my limit, which is one-fifth of the principal sum payable under the terms of our agreement. The war has necessitated many changes in my business and we have gladly conformed to the Government's stipulations and directions. The Government is appealing to its citizens to buy War Bonds and reduce indebtedness. This I want to do, but the agreement in existence on my mortgage won't permit it. What I would like to know from you is whether in the face of our nation's crisis the insurance company holding the mortgage on my home is justified in enforcing such a stipulation made before this country was involved in war.

C. S. Hampton, Vice President, Cashier, The Craig County Bank, Vinita, Oklahoma. We are just in receipt of your pamphlet picturing a farm with two children surrounded by golden grain with the words, "Our good earth, keep it ours". This circular I think is very attractive and carries an impression, but on the other hand, there is a great change taking place in the farm population of our country at this time. In our small county, which is not so heavily populated, there have been over 125 good farmers retire this year. They claim that the draft board has cleaned them of all available farm help and that they aren't able to carry on themselves. We have posted in our windows at various times a large number of sale bills like the one enclosed. Now these farmers have sold out, lock, stock and barrel,

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of this Union urgently request the Management of the Company, if and when it becomes necessary to work on either or all of these holidays, (New Year's Day, Washington's Birthday, Patriot's Day, Memorial Day, Fourth of July, Labor Day, Armistice, Thanksgiving and Christmas), that the money so saved between time and one-half and double time shall be sent by check to Henry Morgenthau, Jr., Secretary of the Treasury of the United States, to assist in defeating the enemies of our country. * * *

F. L. Smith, Beverly Hills, Calif. * * * I have conducted a personal "poll", merely asking what was happening to this or that small tradesman (grocers, butchers, etc.). The unanimous complaint is over the delayed action in rationing and the unbalanced price regulations. No blame, naturally, is being laid at your door, but there is no doubt that it has already reacted unfavorably in the matter of "small business" continuing to buy Bonds. * * * The writer is a congenital Democrat, vintage of 1870, a competent appraiser of the great work you are doing.

Favorable Comments on Bonds

Karl W. G. Hiller, Pastor, First Methodist Church, Newell, Iowa. I have just had occasion to secure one of the new style ten-cent Stamp albums and am greatly pleased with the improvement. * * *

C. C. Whittlesey, Project Manager, Defense Plant Corporation, Charleston, W. Va. * * * The employees on this project put on a special "Pearl Harbor Day" Bond campaign in which over 95% of the employees subscribed at least a full day's pay beyond their regular 10% deductions. Our payroll on this construction job for the last week will be \$301,000, and the Bond subscriptions during that week are as follows:

"Pearl Harbor Day"	\$45,000
Regular Weekly Deductions	<u>37,300</u>
Total deductions for week	\$82,300.

Brigadier General Isaiah Davies, Office of the Commanding Officer, Army Air Forces Bombardier School, Midland, Tex. On the first anniversary of Pearl Harbor, the officers, cadets and men of this world's largest bombardier college sponsored a War Bond drive in the neighboring cities of Midland and Odessa which resulted in \$1,024,000 in a single day. Since the two West Texas towns have a combined population of only 20,000, we believe the local per capita of about \$51 stands a chance of setting a record for the nation. I would appreciate your having someone check this figure and advise me of the national per capita record.

Joseph R. Levene, Board of Education, Brooklyn, N.Y. I am the proud owner of 11 Defense Bonds which I bought in my name, payable on death to a young lady whom I expected to marry some day soon. She was at one time

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my wife and we were divorced. We then started to go together again, but it seems we can't make a go of it and have decided to go our separate ways. My question is this -- may I have the right to change my beneficiary to my brother who is now serving in the Armed Forces, or will I have to leave same to the young lady in question? * * * The Federal Reserve Bank told me this a.m. that I'd have to get the permission of my beneficiary if I wanted her name withdrawn. I don't think it fair to me in view of the circumstances to be compelled to get my beneficiary's consent, which I don't think she'll give me. I have the Bonds in my possession -- she returned them to me last week. I shall continue buying Bonds religiously if this matter is adjusted for me without any trouble with the Government concerning present 11 Bonds.

David Phillips, President, Granada Hotel Corporation, Brooklyn, N. Y. We have a deposit of \$1,000 with the New York Telephone Company. * * * We believe that if most of the corporations having a sizeable deposit in public utility corporations would change their deposit into Bonds, it would be a great help to our Government.

Unfavorable Comments on Bonds

W. Bruce Earl, Jr., Treasurer, Local #365, UAW-CIO, United Automobile, Aircraft, and Agricultural Implements, Hatboro, Pa. We are acquainted with your letter of congratulations to the Brewster Aeronautical Corporation on the success of the Bond drive instituted there. In view of the fact that this drive was instituted and carried through to a successful conclusion by Local #365, UAW-CIO, the accredited representative of all the employees, we feel that the congratulatory letter was misaddressed. * * * We regret to enter a note of disharmony, but the fact should be recorded that it was among the executive staff, those who are not members of our Local Union, that the success of the drive was seriously curtailed. It was their poor showing in the amount of Bonds purchased that seriously affected our total percentage. To be specific, according to the company's latest payroll records, the total Bond deductions for Union employees was 14.2%; that of the executive staff being only 6.1%. * * *

Miss Marion L. Sherman, Altadena, Calif. * * * Last week when your elaborate appeal came, to buy more War Bonds, I was so angry I threw the bunch of stuff into the fire. What use have I for the President's picture? I felt as though I never wanted to buy another War Bond if the money was to be wasted in clogging the mails with such trash. Of course I shall buy more, when I can spare the money, but why don't you spend the money for guns, tanks and planes to really help our brave boys overseas? This Administration is the very acme of wasteful extravagance and inefficiency.

Chas. D. Ammon, General Manager, Cushman Motor Works, Lincoln, Neb. We believe that we spend not less than \$50 a week, in the time of our employees, in keeping up the sale of Defense Bonds and Stamps to our employees. * * * We have been glad to do this, up to thirty minutes

ago. The writer took a check to the Post Office for \$130 worth of Defense Stamps, and the man at the window would not accept the check, stating it could only be accepted for collection. We have paid this Post Office hundreds of thousands of dollars, we believe, in checks, and there has never been one turned down. The man at the window said, "Sure, we know it is good, only we just got this ruling recently". This is a case of monkeying and red tape that is most disgusting, under the circumstances, and it makes one wonder what kind of Government and what sort of Administration we are fighting and working for. The burden of carrying this war through to a successful conclusion is certainly on the Administration, and it cannot be successful unless they get the cooperation of the people, and you cannot get it by kicking them around this way. * * *

Senator John H. Bankhead (Alabama) sends letter he has received from Russell D. Lanier, Monro-Warrior Coal & Coke Company, Birmingham, Ala., which reads in part: We were much interested in reading in Birmingham papers yesterday that Augustis D. Zanzing, consulting expert on music for the War Savings Staff of the U. S. Treasury, arrived in Alabama Monday for a visit to higher institutions of learning in the state. * * * We have received the impression from press dispatches that the Administration takes exception to criticisms of expenditures not connected with the war effort. * * * Needless to say, those who are paying the taxes do not agree with this position and resent bitterly any expenditures now made which are not absolutely essential for the functioning of the Government and the furtherance of the war effort. It is hoped that you will exert your influence to separate from the payroll of the Government such consulting experts on music, fan dancing, and others who may be thought by some to represent social gains, but do not seem so to the "man on the street", who pays the bills, as they are simply looked upon as evidence of incompetence in Government.

William J. Beard, Allura Farm Dairy, Upland, California. I have read your pamphlet, "A Wartime Program for U. S. Farmers". It sounds good. I am paying off my debts while my kids are buying War Stamps and Bonds. Besides this pamphlet I read in the papers how necessary it is for the farmers to produce to the utmost, to get along with what machinery they have, and with what labor is available. I am beginning to believe it is all propaganda because the action of the Government does not even half match their words. * * * The OPA puts ceilings on farm products that prohibits production. * * * It rations rubber without regard to need; it allocates passenger car rubber in one quota and in another includes tractor tires with trucks. Besides my dairy here in California, I have a farm in Niangua, Webster County, Missouri. On this Missouri farm I have a tractor and all its equipment laying useless because this tractor is short one tire. How well can we think of a Government that will make a new tractor stay idle when this same Government allows its Bureaus and alphabets to make rulings that virtually condemn a piece of farm machinery to uselessness. * * * The local rationing board doesn't have a farmer on it. It is made up of a lawyer, a telephone man, and a preacher.

Grace Hodgson, Phoenix, Arizona. I should like to know if it is legal for a bank to charge for issuing War Savings Bonds? A well-known bank here in Phoenix charges 10¢ per \$18.75 Bond because they say they have been forced to put on more clerks to take care of it. This charge is made when a big trucking company purchases its Bonds for its employees in a payroll deduction plan. I have never been charged when I buy my Bonds at the banks or at the Post Office. One employee that I know of cancelled his future orders for Bonds because it seemed to him unfair for him to pay that 10¢ per Bond when he wouldn't need to if he purchased it directly.

Copy of letter from C. L. Boston, President, The First National Bank, Angleton, Texas, to Mr. Coyne. I acknowledge receipt of your card requesting that I advise you whether or not I wish to continue receiving the publication, "The Minute Man". In my opinion, this publication belongs in the same category with a large number of other pamphlets and cheap advertising which comes to my desk almost every day from not only the War Savings Staff, but from other Federal Agencies. * * *

The following are comments contained in a letter written by Mrs. Paul B. Metzger, Akron, Ohio, to the President, and forwarded to the Treasury for handling: * * * I also would like to ask you the reason the Bond buyers at the Portage Ordnance Depot in Ravenna, Ohio, have not received any of their Bonds up to this writing. My husband has bought an \$18.75 Bond every week since May 22, 1942, through December 4, 1942, but has not received one Bond. * * * Last week we cancelled them with the War Department and are buying from our Church as we paid for 27 and have not received any. Yesterday an order came through that it was mandatory to take 10% out of their pay. I think if you will have it checked, the reason for the cancellations is no Bonds to show you the pay deductions. My utmost mission in writing this is we cannot buy a Bond a week and also the 10%, as my husband only has \$34 left, and transportation 70 miles per day comes out of that, besides other obligations. I always buy \$2 worth of Stamps from my paper boy. I almost have 4 Bonds that way. So they claim its 10% or a lay-off. It seems unfair to make it mandatory in a case like ours. I wrote Henry Morgenthau, Jr.'s office; he referred me to the Chief of Finance, but we still have no Bonds. Please do not mention my husband's name in any communication you may send to the Portage Ordnance Depot as they might lay him off and cause trouble between Major Kafar and he. * * *

Favorable Comments on Taxation

Moe Weintraub, Los Angeles, Calif. Mr. Morgenthau, let me thank you for this simplified form. It is the most accurate calculation yet issued from the tax office of the Federal Government for the greatest number of taxpayers. Wish such a form could be established for the small business man whose gross income does not exceed \$12,000 a year. * * * Thank you again, and God bless you and our beloved President.

Unfavorable Comments on Taxation

Victor J. Veatch, Climax, Colo. * * * We have had a little argument out here about Defense and War Bonds. Several men here say that by buying Bonds, one does not have to pay income tax. One man said that he knows a very wealthy man in Missouri and that person buys Bonds and does not have to pay any income tax by doing so. Another man stated that his wife works in Washington, D. C., and has for ten years, and he is positive you do not have to pay income tax if you buy Bonds. Another said he bought several \$100 Bonds and did not have to pay income tax by doing so. I still say that if one buys Bonds 98%, he still has to pay income tax. If one could turn his money into Bonds every person would then do this and avoid paying the tax. Please enlighten me in this matter.

Henry P. Benson, Boston, Mass. Yesterday I sent sufficient Tax Saving Notes to pay my final installment on my wife's and my Federal income tax, together with a small check to the Collector of Internal Revenue. My secretary brought them all back with the information that payment was not acceptable because none of the notes were in my wife's name. If I am contented to surrender these notes in payment of my wife's tax, the payment should certainly be as acceptable to the Government as my personal check, with which I am accustomed to pay her tax as well as my own. The Collector was inclined to apologize for this stupid regulation he was obliged to follow, but I think one of your Assistant Secretaries could find time to remedy this situation, even if it is a small but unnecessary annoyance.

Maurice J. Sopp, Chevrolet Sales and Service, Huntington Park, Calif. * * * I have just returned from the Office of the Collector of Internal Revenue in Los Angeles, attempting to pay my December 15 installment

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of income tax, using Treasury Tax Saving Notes which I purchased in September of 1941. I went in prepared to pay a total of \$7,466.50; \$800 of which was on Mrs. Sopp's return. I was told that I could not use the notes to pay her tax. There is possibly a justifiable reason for this. I then asked to pay my own return of \$6,666.50 with the seven \$1,000 notes, and was advised that it was not possible for them to pay out any cash in change where Government Notes were accepted; regardless of how small the amount might be. This seems so ridiculous to me that I think it should be called to the attention of the proper authority. Of course, I may be all wrong; but I can see no reason why a Government Note for \$1,000 should be any different than tendering payment with a \$1,000 bill and expecting to get change back. In my case I can mail them a check for the difference, but thousands of small taxpayers are certainly going to be inconvenienced and are going to be obliged to make unnecessary trips to the tax office because of this rule. I dare say thousands of miles of additional driving will be caused by just such an experience as I had today, which certainly does not accomplish the purpose of mileage rationing. We are urged, and strongly, to buy Bonds and Tax Notes, which we are willing to do; but when we run into this sort of petty red tape, we are not only disgusted and discouraged from buying more, but we begin to wonder just how good they are when the Government itself refuses to accept them in lieu of cash. It would seem that when the Government needs tax money so badly, and people are being taxed so heavily, that the taxpayer might be entitled to a little accommodation and consideration.

John A. Plumer, Swarthmore, Pa. * * * I am a defense worker. I have worked for a shipyard for the last four years and have worked my way to a reasonably good job. We have always made a living but never much more until

the last two years when I started making more per hour and quite a bit overtime. * * * I realize that it will not continue to come in like that for long, however, I have not been able to buy everything for my family that I wanted to before the war, and now that I am in the position to do all those things that I wanted to do for them, I must admit that I have spent an awful lot this year. However, I have not wasted it. I have spent it on items that we really were in need of. Our plant has a payroll deduction for buying Bonds, and I have subscribed to that for 30% of my pay. By the end of the year I will have about \$1,500 safe in Bonds. I have paid off quite a few debts that I owed before this year started. I have only about \$100 in the bank at the present time. * * * Now, I must pay about \$700 in taxes this year and the only way I can do it is to cash in 50% of my Bonds. I do not want to do that. I have worked hard for those Bonds and I know that if I had not bought them, and millions of others like me, that we would be in a pretty sad state as far as this war is concerned. * * * What I can't understand is why a plan like one suggested by that New York gentleman (sorry I cannot remember his name) that was the plan of paying as we earn, cannot be put into effect. I would welcome a plan like that for it would allow me to keep my Bonds which I hoped would give me some security when this war is over. I would have about \$15 a week deducted from my salary, but believe me, it would be a lot easier than that \$700 at one crack. You certainly do not want all those Bonds turned back to you, but if I know anything at all about the situation, they all will have to redeem their Bonds to pay their tax. I can't see the objections to such a plan. However, I don't pretend to know all the wrinkles to the plan, but I just can't see how the Government can gain by paying off Bonds in order to receive taxes. * * *



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

December 18, 1942

MATTERS TO DISCUSS WITH THE SECRETARY

(Items 1 and 2 brought forward)

1. Determination of Requirements:

The Procurement Division is undertaking a program to develop material standards for the determination of requirements whereby guessing the needs for an agency will be substituted by specific standards based on experience avoiding waste and promoting efficiency.

2. Elimination of Paper Work:

Emphasis is being placed upon reviews of paper work within the Procurement Division both as to regular and special activities to keep paper work at a minimum. As to the regular activities, we have made real progress and have streamlined the procedures material. Concerning Lend-Lease, a simplified purchase procedure eliminating use of contracts except in special cases, is being inaugurated. We are now working on a plan to simplify the paper work in connection with transportation which presents certain problems because there are so many agencies requiring copies of all papers, likewise the foreign governments which in turn need numerous copies of all documents; the total of which places a heavy load on suppliers of Lend-Lease goods.

We have closed up our bid room and practically all purchases are now being negotiated rather than using the statutory or formal methods of purchase.



I am attaching a photostatic copy of a letter from a supplier which is very pleasing in that it contains in part as follows: "The writer has been in the lumber business 40 years and I have always maintained that any inquiry sent out by the Government calling for lumber could be put on one page such as you have done. *** I congratulate you."

3. North African and Relief Clothing Programs:

(a) North African Clothing Program

\$40 million has been allocated for these purchases. Thus far the following have been requisitioned and purchases are now being made to meet current sailing dates. It is expected that the most part of the items will be purchased and delivered to docks within the specified loading dates.

Used clothing	500 tons
Cotton pc. goods	* 5,000 tons
Matches	100 tons
Cotton ready-made clothing	500 tons
Cotton knitted wear and hosiery	400 tons
Cotton thread	200 tons
Shoes	200,000 pairs
Lamp chimneys	80,000 each
Phonograph records	1,000 each
Std. flat newsprint	10 tons
Std. printers' ink	200 lbs.
Book paper	2 tons
Rolled newsprint	1 ton
Soap	1,000 tons
Cordage (1/8 string, 1/4 twine bal. 1/2")	300 tons

*To relieve market of pressure 25% of this quantity is being transferred from W.P.A.

(b) Relief and Rehabilitation Clothing Program

\$100 million has been allocated for these purchases and detailed lists of requirements are being prepared in order that we may be authorized by OLLA to make purchase accordingly. It is expected that purchasing will start on this program within the next few days.

(c) Transfer of Vichy French supplies seized by Foreign Funds Control

Supplies originally purchased for the Vichy French Government have been acquired under Lend-Lease for use in North Africa.

4. Use of Treasury guards rather than PBA guards for Procurement Division:

Arrangements are being made with the Public Buildings Administration to transfer the necessary funds to the Treasury Department in order that their guards now assigned to duty guarding the Procurement building, Seventh and D Streets, S. W., may be relieved and Treasury guards substituted. Since the Public Buildings Administration moved from this building we have the entire use of it and because of the confidential nature of the work now being done in connection with war procurements it is believed that it will be decidedly advantageous to have Treasury guards rather than continue to use the present guards.

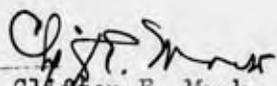
5. Discuss possibility of BEW buying.

The testimony offered by Vice President Wallace and Milo Perkins before Congress recently indicates the possibility that BEW may be given funds to develop strategic materials and acquire them for use in this country. Milo Perkins has recently indicated to me that if funds were appropriated to the BEW he would prefer to look to us for the buying rather than RFC. I will keep in touch with this matter.

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6. Liquidation of WPA procurement or curtailment
of WPA procurement activities:

In view of the President's recent order to liquidate the WPA, we are advised that they propose to close certain of their state offices by February 1st and progressively curtail their remaining activities in accordance with the President's directive. We are keeping in close touch with these changes so that we may curtail accordingly, subject however to the necessity for processing the records relating to purchases and incidental to payment which follows the making of purchase commitments.


Clifton E. Mack
Director of Procurement

BEW-140

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Board of Economic Warfare
Executive Director's Office

MEMORANDUM

December 18, 1942.

To be attached to report
entitled, "Importation of Strategic
Materials by Air" which was part of
the Agenda of the meeting of the
Board of Economic Warfare held on
December 17, 1942.

A D D E N D U M

to

"IMPORTATION OF STRATEGIC MATERIALS BY AIR"Prepared in the Office of Economic Warfare Analysis
December 1, 1942

In connection with the figures of anticipated capacities of Air Transport Command lines presented in Exhibit II, on page 5, the reference to "the present program" (capacity figures given for December 1942) is to be understood as reference to the program projected in October, based on estimates of planes, ground facilities, and operating personnel which it was hoped at the time would be available from December 1942 on.

The program has in fact lagged substantially -- primarily through the shortage of aircraft deliveries to the Air Transport Command. For purposes of comparison, daily capacities in terms of actual operations at the beginning of December 1942, set opposite the estimates made last October for December operations, are as follows:

DAILY CAPACITIES IN POUNDS, ATC OPERATIONS

Route	October Estimates for December 1942	Approximate Operating Capacities		
		Week ending Dec 5	Week ending Nov.28	
Miami - Natal	60,000	42,000		42,000
Natal - Africa	60,000	27,000		38,000
Accra - Cairo	25,000	3,500		9,000
Accra-Habbaniyah & East)	25,000	800		1,400
Accra - Karachi)		7,000	8,000	9,300
Edmonton - Alaska)	55,000	26,000		17,400
Edmonton - U. S.)		4,000	30,000	4,800
Hamilton Field-Australia	20,000	7,000		8,000
U.S.-United Kingdom	30,000	11,000		9,000
Panama - San Antonio	22,000	9,000		9,000
Guayaquil - Panama	5,000	0		0

The Air Transport Command still feels that if its requests for aircraft, ground facilities, and personnel are supplied, the capacity estimates indicated in Exhibit II for the year 1943 can be substantially achieved.

BRITISH MOST SECRET
U.S. SECRET

OPTeL No. 437

Information received up to 7 A.M., 18th December, 1942.

1. NAVAL

Early on 17th one of H.M. Destroyers escorting an outward convoy was torpedoed and sunk in mid-Atlantic. 26 survivors have been rescued. One of H.M. Submarines probably torpedoed a ship off BIZERTA on the 14th and probably torpedoed another and a destroyer on 17th. Another of H.M. Submarines patrolling off BIZERTA and TUNIS sank one ship and torpedoed another.

2. MILITARY

LIBYA. 16th. U.K. armoured elements continued advancing westward to join up with our advanced formations. Enemy rearguards east of these formations began withdrawing at dawn and at 0830 hours 1000 M.T. were reported moving westwards past MARBLE ARCH. 51st Division advancing along the coastal road in spite of numerous mines and craters cleared the road forward through EL AGHEILA and by 1800 hours it was reported clear up to about 10 miles west of EL AGHEILA.

RUSSIA. Still no information from other sources to support German statement that Russians are continuing their attacks against the sector of middle Don held by Italian forces. Hard fighting continues southwest of STALINGRAD.

3. AIR OPERATIONS

WESTERN FRONT. 17th. 4 Mosquitos successfully bombed railway centres at GHENT, COURTRAI and ROOSENDAAL. 4 enemy fighters crossed our coast, 2 of which were shot down by 2 Typhoons. 17th/18th. 104 aircraft were sent out - various objectives in northwest Germany 49, (17 missing), seaming 50 (1 missing), leaflets 5. About 6 enemy aircraft crossed the YORKSHIRE Coast. Some bombs, mainly incendiary, were dropped on YORK and surrounding districts.

TUNISIA. 16th. 12 U.S. Bostons attacked MASSICAULT and 12 others obtained hits on the railway junction east of MATEUR. Spitfires destroyed 3 ME 109's at MATEUR Airfield. Hurricanes successfully bombed an ammunition depot southwest of PJEDAIDA.

MEDITERRANEAN. 17th. Malta Spitfires destroyed 4 Italian bombers and damaged one ME 110 on the airfield at LAMPEDUSA. Other Malta fighters shot down 3 JU 52's and 2 torpedo carrying JU 88's. 2 Spitfires missing.

TRIPOLITANIA. 15th/16th. Hurricanes machine-gunned retreating enemy in the NONILIA area throughout the night. 16th. Light bombers and fighters continued to attack military objectives. Enemy casualties 2, nil, nil.

4. Although there has been considerable activity amongst French merchant shipping at MARSEILLE since German occupation, so far only about 6 former French ships have been moved to Italian ports in the Gulf of Genoa.