THE WHITE HOUSE

WASHINGTON

February 19, 1943.

MEMORANDUM FOR

H. M., JR.

Thank you ever so much for the Annual Report. It is grand. I have read it from cover to cover. I can recite the tables from memory backwards and forwards. There are only 400 pages of them.

Hoping you are the same.

F. D. R.

February 19, 1943.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

I checked my files to make certain that Senator Downey had never made a recommendation for the displacement of Collector George at San Diego and the appointment of Mr. Izac's candidate, Thomas E. Moss of North San Diego. There is no recommendation from Downey in the files, but I have a memorandum of my conversation with him on July 14, 1941, in which he said he was "under some pressure" but that his disposition was "simply to let the matter float without any recommendation one way or the other" and he wanted to know if that would be agreeable to me. I said it would. He asked if it would be all right for him to say to the people who were pressing him that the Treasury's wish was to permit George to hold on for the present. I told him it would be all right for him to say that.

We have never had a recommendation on the subject from the Democratic National Committee. We have not asked their opinion because we never had a recommendation from the Senator. Unless we get a positive recommendation from the Senators we naturally look to the Committee to initiate any strictly political action.

I believe our understanding now with Mr. Izac and Miss Gahagan is that we are to do nothing unless or until we receive a letter from the Senator.

LOUIS LUDLOW
Fifth District, Indiana

SUBCOMMITTEES
TREASURY AND POST OFFICE
CHAIRMAN
DEFICIENCY

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COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

February 19,1943.

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

Dear Mr.Secretary:

Many thanks for your kind note in regard to Ex-Congressman Schulte.

I have written to Mr.Schulte, who is at his home in Indiana, and when I hear from him I will communicate with you.

With best regards, very sincerely yours,

Louis Ludlow

MEMORANDUM FOR THE SECRETARY.

February 19, 1943.

Mail Report

Although it had lost some of its drive, tax mail was again heavy during the past week. It showed a surprising and interesting shift in opinion. As against the previous week's mail receipt, when there were 88 pro-Ruml letters and only 30 anti-Ruml, this week's receipt contained 32 pro-Ruml and 39 definitely anti. Altogether, there were 82 endorsements of some sort of pay-as-you-go plan, and 3 letters of disapproval, in addition to the 39 protests against "forgiveness". Other letters of comment, suggestion, or inquiry about income taxes totaled about 100. Among these were suggestions that Bond payments be substituted for 1942 tax payments; protests against simultaneous payment of 1942 and 1943 obligations; and a number of complaints against proposed higher taxes. Several writers urged that if tax payments are postponed, taxpayers should be required to take out insurance in order to protect the Government.

Fewer newspaper clippings were submitted during the week. The syndicated article by J. P. McEvoy entitled, "A Letter I Would Love to Mail", was sent in time after time, usually anonymously. There were also a number of copies of a cartoon showing the Secretary asking Bond subscriptions on the one hand and "complicating" tax payments for our citizens on the other.

There were 7 attacks on the Victory Tax, and 6 resolutions from CIO Unions asking that retroactive wage awards for 1942 should not be subject to the 1943 Victory Tax.

Favored last week by a ratio of 5 to 1, the Sales Tax this week had only a slight lead with a ratio of 4 to 3.

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Bond mail was light. There were occasional references to the drive planned for April -- most of them favorable. A new subject for complaint arose in connection with an apparently expensive mailing tube recently used by the War Savings Staff in distributing some of its reports. Several Members of Congress criticized the waste of metal and other materials in the tubes, as did one or two industrial leaders.

Fifty-three Bonds were sent to the Secretary personally for redemption; 12 were postmarked Patchogue, N. Y., and 5, Wurtland, Ky. Individual complaints numbered 44, two-thirds coming from personnel of the War Department; employees of the Picatinny Arsenal of Dover, N. J., expressing unusual dissatisfaction.

There were a few letters questioning the legality of the recent release of Federal Reserve greenbacks, and a few discussing the $25,000 salary limitation. In the latter, the ratio in favor of retaining the ceiling was 3 to 1.

G E Forbush

GENERAL COMMENTS

William J. VanDine, Adjutant, John H. Page Camp, No.106, Bloomsburg, Pa. We deplore the fact that we, the members of the United Spanish War Veterans John H. Page Camp, being a camp of nine members, the smallest in the State of Pennsylvania, are unable to serve in the Armed Forces of our country against the common enemy, and inasmuch as it is very doubtful whether any of our members would be alive at the maturity of the Bonds that might be purchased by the Camp, we, as an organization, desire to express our appreciation of the freedom enjoyed in this great country of ours, and so a small bit toward winning this terrible conflict. We are therefore enclosing our check drawn to the Treasurer of the United States in the sum of $25, as a small contribution toward the defraying of the expenses of the present conflict.

John A. Sessions, Chairman, Hadley Salvage Committee, Hadley, Mass. I am enclosing a check for $117.50 which represents the sale of 25,725 pounds of scrap, plus one old harrow. The scrap was collected by a group of men in that section of Hadley known as North Hadley, during the scrap drive last fall. * * * I should add that this gift is still more significant because it is the result of many hours of work after the farming work days were finished, and that the prime movers in it were Polish-Americans, many of whom have relatives in Poland. A similar group in the center of the town collected over 40 tons for the benefit of the town Fire Department. I mention this because it is indicative of the spirit we Yankees can well follow.

Ben DuBois, Country Bank Division, Independent Bankers Association, Saukcentre, Minn. (Telegram) Country Banks are encouraged in your statement in support of their contention that they should have first opportunity to supply credit needs of farmers. That competition from agencies of Agriculture Department is not justified of present condition.

W. C. Hubbell, President, The Harvard State Bank, Harvard, Ill. We wish to ask you to use your influence toward ending the multiplication of bureaus extending socialized credit. We have particular reference to the proposed revival of the RACC. In our opinion there is absolutely no necessity for renewing the activity of RACC at this time. There are two banks in Harvard having between them at least one-half million dollars which they would welcome an opportunity to invest in farm credit. * * * We respectfully call your attention to the fact that banks are daily performing valuable services for the Treasury Department in the distribution of War Bonds. Socialized Credit Agencies cannot perform such services, but if they are permitted to multiply and compete with banks, when they are not needed, it is only a question of time until thousands of banks will be forced to liquidate because of competition subsidized with Federal funds.

E. W. Clark, Chairman of Board, United Home Bank & Trust Company, Mason City, Iowa. There is much unbridled talk circulating around these days which has a bad effect on the people and on the banks. The statement is to the effect that it is the policy of the Government - the Secretary of the Treasury - as they state it, to freeze all bank deposits, or at least all savings accounts. These rumors ran rampant on the western coast of the United States and are now being circulated freely around the middle-west. Perhaps in the east too, I do not know. The source of course is that somebody from Washington told someone else, and it was straight, etc. The effect that is observed is not good. People are putting their money in safety deposit boxes or keeping it at home. We advise them if they are uneasy, to put ALL their money in War Bonds, but all they seem satisfied with is hoarding the money. Do you not believe a straight talk by the Treasury Officials over the radio as to how unfounded are such rumors would help straighten out a situation like this? The banks do not care so much for the money these days as they have more than they can loan, but it is not a good thing for the people to begin this rumor stuff.

Favorable Comments on Bonds

Senator John Thomas (Idaho) transmits letter he has received from Elbert Stellmon, (Lawyer), Lewiston, Idaho, which reads as follows: * * * I personally know of many instances at the Farragut Naval Station project where employees would work one or two months and then leave the job for some other employment. A certain percent of these persons' wages was withheld by the employer for the purchase of Bonds. These employees were making good money and many of them, especially if they worked only a short time, left without getting their Bonds, or apparently without giving them a serious thought. It would seem to me that some Governmental Agency should investigate this thoroughly, and that the simplest process would be to cancel the Bonds that were purchased and have been uncalled for, and that all moneys withheld be returned; certainly the employer or contractor should not retain them.

Larry Bell, President, Bell Aircraft Corporation, Buffalo, N. Y. * * * More than a year ago we learned that the school children of East Aurora, a small suburban community not far from Buffalo, were engaged in a project to "buy" a cannon-carrying Army P-39 Airacobra for $50,000. It was not until January 8th of this year that the goal was reached and a delegation of four youngsters, accompanied by Supt. of Schools, William Bumgardner, and High School Principal, Joseph E. Barber, came to our Niagara Falls plant with a certificate from the East Aurora postmaster testifying to the success of their effort. In addition to the thanks voiced by the Corporation, Major Milo H. Miller, Army Air Forces Resident Representative at Bell Aircraft, personally thanked the group for their patriotic action and escorted them through our plant. Later, as a more positive display of appreciation, Major Miller arranged that three Airacobras, engaged in routine flight work, should fly in formation over East Aurora. This unsolicited action so impressed the East Aurora schools

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that within two hours the students had raised another $50,000, equaling the sales record which previously had taken them an entire year to reach. They are now concentrating upon the sale of enough Bonds to buy a third P-39, and have, I understand, already sold in excess of $8,000 worth. * * *

T. G. Nicholson, President, The First National Bank, Gretna, La. It has occurred to me that there exists the possibility of an enormous saving in money and manpower in the sale of War Savings Bonds if steps were taken to encourage the purchase of Bonds of larger denomination, rather than so many of the $25 denomination. This saving would begin with the issuing agents and extend right up to your Department. Such saving would then be further extended by cutting down the number of Bonds to be redeemed. I think there are large possibilities in this connection, particularly in the payroll deduction section of the program for War Savings Bond sales. I believe this idea merits consideration.

D. Cunningham, Assistant to the General Manager, Tokheim Oil Tank and Pump Company, Fort Wayne, Ind. * * * The pamphlet accompanying your letter, entitled, "It Takes Both", produced by the War Savings Staff, is excellently done, and we should like to obtain 650 copies of it for distribution to our employees.

Unfavorable Comments on Bonds

Congressman Dave E. Satterfield, Jr., (Virginia). I have just received through the mails, a graph detailing the extent of participation in payroll savings plans for War Savings Bonds, and another graph covering sales of U. S. Savings Bonds. Unquestionably the information is valuable to each Member of Congress. I found these particular graphs in my mail box this morning, enclosed in a cylinder of heavy cardboard about a quarter of an inch thick, capped on each end with metal caps. I am utterly astounded that this information should be so expensively sent to each Member of Congress. I am writing to you to ask that you furnish me with a statement as to the cost of the graphs and container, and how many of them were sent out. I have received a lot of literature of one kind and another, but my dear Mr. Secretary, this was evidently put up with the idea of sending it to the North Pole, and in my judgment, it is the purest bit of unwarranted waste that I have seen since being in Washington.

Mrs. Morton Margolis, N.Y.C. * * * Morton Margolis has deducted every week from his salary $6.25, or 10%; for this he is supposed to receive War Bonds. The first Bond he did receive, and it was issued by the Federal Reserve Bank. However, from that time until the present he has not received any Bonds. The time mentioned is approximately 7 months. Naturally, he went to the Personnel Office of the Shipyard, (Federal Shipbuilding and Dry Dock Co. -- a subsidiary of U. S. Steel -- Kearny, N.J.) to inquire about his Bonds, and he was sent to the Federal Reserve Bank located on Liberty Street, N.Y.C. At the Bank he was informed by a Mr. Harris in the Bond Department that they are no longer issuing Bonds for the Shipyard, as the Yard is issuing its own Bonds, and because of this, nothing could be done for him at the Bank. Back again to the office at

the Shipyard he was informed that he had to go to the Federal Reserve Bank as they were the only ones who could help him. So he went back to the Bank, and was again sent to the Yard. Finally, after a few weeks of running back and forth, he was given some attention at the Yard, and told that his Bonds would be reissued. Then came week after week and no word was heard about the case. He is still contributing his 10% each week, still unshaken in his faith that at one point, something will be done in his case. * * *

Thomas J. Cody, Postmaster, Peoria, Ill. So many War Savings Bonds, especially the $25 issue, purchased by employees through payroll deductions, are being presented for payment, it is necessary for me to establish a window in the lobby for this purpose, and designate certain employees to certify to the request for payment.* *

William J. Corr, Seattle, Washington. * * * My deduction is $6.25 per week - my last Bond was delivered in Sept. This a.m. I was offered a Bond dated December. If this is an isolated case, it is not important. If it is not, I think it deserves your attention. The dollar a year man who you sent out to give us a talk, put on an act like an adagio dancer, he jumped up and down that much. However, we put it over in spite of him.

L. Charles Croy, Manager, Savoy Shoe Co., Inc., Elizabeth, Pa. In answer to your letter under date of Jan. 14, the writer first wishes to advise that all employees of this corporation are committed to purchase 10% of their gross wages in War Bonds for the duration. For your information beg to state that we brought the matter of increased percent of wage deductions to be used for the purchase of War Bonds to their attention. Their answer to us was unanimous for an increase up to 15% for all of our employees, with the provision that we obtain for them information as to why the balance of American industries is not on record as of this date of being enrolled 100% in the 10% wage deduction plan. They refer particularly to Government employees such as we find all around us, in the Army and Navy depots, as well as the airport at Middletown, Pa. * * *

A. D. Nast, Jr., President, Western Insulated Wire, Inc., Los Angeles, Calif. * * * We are hereby notifying you that as of today, we are not deducting 10% for War Bond purchases from our CIO members. Yesterday, they handed us a written petition signed by the members of Local #1421, rescinding their approval of the deduction. We regret that we have to take down our 10% flag, and that the Treasury Department will lose this weekly revenue.

Favorable Comments on Taxation

W. S. Heitzman, Osceola, Neb. I am a retired farmer, have filed my income tax report and paid the 1942 tax in full, $489.00. I expect everybody else to do the same. All people have had ample notice that the tax would be higher and if they did not save enough out of last year's earnings to pay up, let the sword of Damocles hang over them. I do not see how a farmer can pay currently. He does not know what his income will be, his taxes or his upkeep, until the end of the year. Pay-as-you-go is all right for a salaried man, but no good for a farmer.

Mrs. Vivian B. Eaton, Route 1, Renton, Wash. During the past year we have gone without many things that we needed in order to buy Bonds and save enough to pay our income tax. * * * We are quite willing to pay this tax and we desire that every one else does likewise. It is time that a lot of people learned that life is more than a song and a dance, and it is no time to let people with large incomes skip a year's taxes. If taxes aren't paid now while people have plenty of cash -- the people who have been thrifty will be paying the cost of the war in its entirety. I trust the Government will not be foolish enough to skip 1942 taxes, and I hope they start collecting 1943 before it is over.

Harold P. Ackerman, Drexel Hill, Pa. (Written from Hotel Statler, Washington, D.C.) Evidently your position on the income tax has given your local papers reason to ridicule your stand. As an ordinary white-collar citizen, I realize how tremendous your task must be to finance a War such as we now have upon our hands. * * * I walked into the Philadelphia Office of Internal Revenue yesterday. I obtained an ordinary attendant and showed him my earnings. He helped me insofar as taking out legitimate deductions and then passed me my bill for 1942. "You owe $990.90", he said. I paid one-half -- $495.45. Of course, this

seems a lot for me. I have just bought a new home; I have three children, and I love my family. Do you think $990.00 could be too much to pay for the protection we have had in 1942? And as for 1943, I'm willing to go along as you see fit. I realize how much soldiers and sailors need. I was in there for awhile last time, so please, Mr. Secretary, don't feel that what our local Washington, D. C., papers show, or try to instill into the people, is the sentiment of all America. * * * My old boss, Mr. Woodin, was blessed with being relieved by death, rather than face the type of "Americanism" displayed now by some of our patriots. May you survive this ordeal and make it possible for this our land to remain America.

(Telegram) 21,000 members of the Westinghouse Local 601, East Pittsburgh, Pennsylvania, recommend pay-as-you-go plan, but not the Ruml Plan.

Edward W. Geldreich, Emporia, Kan. * * * At this time we should also ask if the Treasury Department could not make broadcasts, either special or in the ordinary course of broadcasts, concerning the Ruml Plan, and the income tax due on the 1942 incomes in an attempt to negate the information being handed to the public in the reactionary newspapers, and on the radio. We have in mind, particularly, the radio reports of Fulton Lewis, Jr., on the Mutual Network, which are attempting to point out as a grasping, thievish uncle, our Uncle Sam. The people are entitled to know the truth and to see their obligation toward their Government.

J. D. Platt, Cleveland Heights, Ohio. * * * I am greatly concerned that as much as possible of the cost of this war be paid out of tax receipts as we go along. I am very much afraid of what inflation will do to my family if this is not done. Naturally, I look to you to do everything in your power to solve this problem quickly --

so our country will be strong financially to fight the war, and so we citizens can be spared from inflation. I take the liberty of urging on you that this can best be done by putting tax collection on a current basis. I personally favor the Ruml Plan. It is good business and will bring in more money to the Treasury. Befogging the issue with talk about having business houses cancel their claims against customers and the danger that a few rich men might profit, are simply appeals to prejudice and are not a realistic approach to "what is best for the greatest number". The fact that some of us were sufficiently self-disciplined and farsighted to save our tax is ample guarantee that we would not squander it and contribute to dangerous inflationism tendencies. I for one could pay off part of a loan against my life insurance which became necessary during the depression.

Charles G. Joseph, Recording Secretary, United Steel Workers of America, Local 1132, Hammond, Ind. At their recent meeting, this Local agreed that the 1942 income taxes should not be cancelled because our national expenses are enormous and it is expedient to collect all taxes and more taxes for the war effort. We feel that a policy should be formed on ability to pay. We oppose the Sales Tax for this reason, or any other loophole that would deprive the working man of the necessities essential in his efforts to do all he can to win this war.

Oscar H. Stemberg, Oradell, N. J. My sincere congratulations at the radio talk given by The Three Financial Musketeers -- Senator George, Congressman Doughton and yourself. It was concise and understandable, so conspicuous by its difference from explanations given by Mr. Ruml and his cohorts. * * * Please convey my felicitations to your two partners on today's radio program, the Honorable Senator and Congressman. * * *

Unfavorable Comments on Taxation

J. F. Robb, Tax Service Company, Philadelphia, Pa. * * * The problem is how to get their Corporate Income and Excess Profits Tax returns prepared and filed by March 15, 1943. In the district in which we are located, Form 1120 was not distributed until the past week. Form 1121 was distributed to some taxpayers at the same time by inserting a copy with their Form 1120. We are in the accounting business and have been unable to get a sufficient supply of Forms to serve our taxpaying clients. In fact, up until today we did not have a copy of Form 1121 in the office. Due to the complexity of the Government tax returns, most corporations require outside help so that the returns will be prepared properly, in accord with the law and regulations. The condition described above throws all the work of preparing the returns into the period of about one month preceding March 15, due to the fact that the Forms are not available to prepare. We suggest that a blanket extension be granted until April 15 to all corporations. * * *

Melda N. Jennings, Flushing, N.Y. While listening to your radio address last night, in which you urged immediate payment of 1942 taxes, the thought struck me that if the thousands of postal employees who do not receive an official statement covering the amount of their earnings for preceding year from their immediate superior, until well into March, were to receive an earlier statement, these employees could make a much earlier tax return. I don't know that all postal employees receive a last minute official statement of their earnings, but this practice is usually prevalent in the Railway Mail Service in particular. Last year we did not receive our salary statements until well into March. * * *

J. Raymond Malloy, The Commissioner of Motor Vehicles, State of New Jersey, Trenton. I'm mad -- damn good and mad, because of the income tax muddle this year. Listen, Mr. Secretary, everybody in the United States was all set to file their return and start paying their tax by March 15th until this "pay-as-you-go" plan came along, and now I doubt if anybody has as much as filled out their return as yet, although we know it must be filed. I don't think 1942 taxes should be cancelled, and I do think "pay-as-you-go" should be adopted. Since your Department has all data on this vital matter, why don't you have someone introduce a Bill or take the necessary steps to insure this idea. * * * I understand you will be on the radio tonight -- I'll be listening.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau February 19, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - The House Ways and Means Committee, which yesterday ignored the President's request to reconsider the Disney amendment on salary limitations, today expects to vote on three major proposals for putting taxes on a current basis. None of the plans, however, endorse the Ruml plan of completely skipping one year's taxes, although all three involve a certain amount of "forgiveness".

2. Post-War Planning - In a statement criticizing the Administration, Senator Byrd claims that the problem of post-war planning should be handled by Congress or, he claimed, there would be "a repetition of those fiscal policies that have nearly wrecked the nation". He urged Congress after a "full and careful investigation" to evolve a program that "will take into consideration not only the needs of the American people in the transition period from war to peace but also the preservation of those fiscal policies which are necessary for a solvent government, without which our democratic institutions will be destroyed". Continuing in the same vein, he voiced approval of the elimination of funds for the National Resources Planning Board from the Independent Offices Appropriation Bill, and differed strongly with the President's statements in his Tuesday press conference which depicted Administration policy as those of true economy.

3. Manpower - Two bills attempting to solve the farm manpower problem will be presented to Congress shortly by Senator Bankhead. The first would grant deferment from the draft to every bona-fide farm worker and further would freeze him in his job unless released by his draft board to do other agricultural work or enter the service. The second Bankhead bill would require the Secretary of War to furlough until next January all soldiers who immediately prior to induction

had engaged in some agricultural occupation. The bill also provides that where the wages for farm labor are below the army base pay of $50, the furloughed soldier will be "entitled" to the latter, and since, according to Agriculture statistics, this is frequently the case, this provision will complicate the already disputed problem of farm labor costs. Voicing the opinion of the majority of the Senate Agriculture Committee, Senator Ellison D. Smith called it "nonsense" to talk of putting 11,000,000 men in the armed forces. Dissatisfied with what he termed unsatisfactory answers on the subject from Major General Lewis B. Hershey, Smith plans to call Army Chief of Staff, General George C. Marshall, to testify before his committee. In line with this growing Congressional dissatisfaction with the manpower situation, the House Military Affairs Committee yesterday approved the Kilday Bill which would provide uniform rules for the induction of men in each state. First group of men to be called to the armed forces under the Kilday Bill would be unmarried men with no dependents; second group, unmarried men with financial dependents; the third category would include married men with no children provided the marriage took place before December 8, 1941 or when induction was not imminent; and last to be called would be married men with children. Both Bankhead and Kilday claim they have enough support for their bills to ensure their passage in both houses of Congress.

4. Dies Committee - Despite recent debate on the necessity of continuing the Committee at all, the House yesterday voted $75,000 to the Dies Committee to Investigate un-American Activities for the continuation of its program. The House also voted $60,000 to the special committee headed by Representative Cox to investigate the FCC, and $100,000 to an Appropriations sub-committee to hear disloyalty charges against government officials and employees.

Original to Dr. White 2/20

Post Office Box 6677

1601 V STREET N. W.
WASHINGTON, D. C.

February 19,1943

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

Dear Mr.Secretary,

In reference to the request of the Chinese Government for drawing U.S.$20 million from the un-earmarked portion of the U.S.$500 million loan, I wish to express on behalf of His Excellency Dr.H.H.Kung our sincere appreciation for Your Excellency's untiring assistance and cooperation and I should be obligded if you would kindly give instructions to have the said U.S.$20 million transferred to the Federal Reserve Bank of New York for the credit of the account of "The Central Bank of China as Fiscal Agent of the Government of the Republic of China".

With renewed thanks and kindest regards,

Yours respectfully,

Hsi Te-Mou
Representative of the
Ministry of Finance and
the Central Bank of Chi

Mr. Welles says that it is all right for you to discuss this cable with your friends, but he would not like to have you give out any copies.

THE UNDER SECRETARY OF STATE
WASHINGTON

February 19, 1943

Personal and
Confidential

Dear Henry:

I am sending you herewith a paraphrase of a telegram received from our Embassy in London, dated February 18, which I read to you just now on the telephone.

Believe me

Yours very sincerely,

Enclosure:

Paraphrase of
telegram from
London.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

PARAPHRASE OF TELEGRAM

FROM: American Embassy, London

TO: The Secretary of State

DATED: February 18, 1943

According to the Foreign Office, this story was given to it by the Jewish agency approximately one month ago. The British Embassy in Washington has been requested by the Foreign Office to find out if the Department has any information about the matter. It seems apparent that "officials who are in charge, in Rumania, of Jewish interests" offered the Jewish Agency to give per head the amount of 250 pounds sterling for the transfer of Jews of Rumanian nationality--about sixty or seventy thousand persons. It was stated by the Foreign Office that this might possibly be an attempt, on the part of certain circles in Rumania, to show that the Rumanians did not approve of the Nazi extermination of the Jews, although this offer was described by the Foreign Office as blackmail. It was further stated by the Foreign Office that that Office had no previous news of the injection of the Bishop of Bucharest and the Vatican into the plan.

February 19, 1943.

MEMORANDUM FOR THE SECRETARY:

The French North African authorities are attempting to use the funds frozen in the United States belonging to the former French Government to pay the salaries of the officers and crews of the French men of war now in the United States.

It is obvious that there is no real need for these funds to be used as the North African authorities have at their disposal $40,000,000 resulting from payments made by the United States military forces in North Africa.

It seems clear that the French group in North Africa are motivated by political reasons in pressing for access to the funds of the former French Government. The use of these funds under Treasury directive could not be kept confidential. It would serve to strengthen the position of the North African group as the de facto successor to French sovereignty and antagonize the Fighting French group. If it is decided that it is imperative that French Government funds be used for this purpose, it is suggested that the Free French be advised thereof and accorded similar facilities.

There need be no unreasonable delay in using the funds now available to the North African authorities.

JWPehle:AFLanford:ew

Feb. 19, 1943

Mr. White

Miss Kistler

Subject: Financial Position of the Norwegian Government in Exile

The information submitted by the Norwegian representatives gives the following picture of the financial position of the Norwegian Government in exile:

1. As of June 30, 1942, the Central Bank and Government of Norway held about $300 million of foreign exchange assets as follows:

	(In millions)
Gold..... Of this amount $34 million is held in the United States and, according to the information we received in December 1940, the remainder is held in Canada.	$ 55
U.S. dollars..... Of this $58 million is held by the Norwegian Shipping and Trade Mission, a Government agency set up to control the Norwegian Mercantile Fleet.	78
Sterling..... These balances are held by the Norwegian Shipping and Trade Mission. The figure compares to $170 million reported by the British as held by the Norwegian Government on September 1, 1942.	160
Of the $160 million of sterling held on June 30, $108 million represents insurance received for ships lost and presumably is not available for any purpose other than to reimburse the ship owners.	
Canadian dollars..... These balances are held by the Norwegian Shipping and Trade Mission.	4

2. Almost three-fourths of the expenditures of the Norwegian Government in exile are met out of earnings of the Norwegian Merchant Marine. This source accounted for $58 million of the $73 million of income received by the Norwegian Government in exile during the fiscal year 1941-42.

The loss of ships is reducing the Norwegian Government's income from this source. Of the 3.9 million gross tons of Norwegian shipping which had come under the control of the Norwegian Government in exile in April 1940 (out of total Norwegian tonnage of 4.6 million gross tons) over 40 percent, or 1.6 million, had been lost by the close of 1942.

3. Over two-thirds, or $48 million, of total expenditures of the Norwegian Government in exile during the fiscal year 1941-42, were for the Army, Navy and Air Forces. The only other significant item is the payment of interest and amortization on the Norwegian public debt. The servicing of these obligations requires about $11 million annually.

The budget for the fiscal year 1942-43 has not yet been completed.

4. The Norwegian Government in exile had a total of $175 million of direct and guaranteed obligations outstanding on June 30, 1942, of which about $100 million were obligations payable in U.S. currency. The remainder are payable in pounds sterling, Swedish kroner and Swiss and French francs.

5. Information for the current fiscal year is not available, but we are given to understand that the balances held by the Norwegian Government have been running about the same as at the close of June 1942.

TMK:rl 2/19/43

Copy

P. M.

concerning Expenditure and Income, Liabilities and Assets of the Norwegian Government, etc.

It is of course impossible to give any adequate information as to the economic and financial status of Norway, as long as the country is occupied by the Germans. The tremendous robbing and destruction of capital which has taken place and still continues is only partially known.

The consolidated Norwegian State Budget, confirmed by the Norwegian Government and the King of Norway in London, shows the following expenditure in pound sterling for the fiscal year 1941-1942 (complete budget for 1942/43 not yet adopted):

The Royal House	£ 64,000
Cabinet and Central Administration	125,880
Storting (Parliament)	5,000
Government Auditing Office	14,400
Information Office	58,525
Ministry of Foreign Affairs	337,390
Ministry of Church and Education	112,705
Ministry of Justice	4,825
Ministry of Labor and Social Affairs	555,500
Ministry of Commerce	355,121
Ministry of Supply	17,500
Ministry of Finance	1,823,857
Ministry of Defense (Army,Navy,Air Forces)	12,139,630
Sundry Expenses	367,522
Capital Outlay	2,208,127

This total Government expenditure of £18,189,982 was covered by income in the following way:

Taxes and Dues	£ 3,000,000
Various Fees	9,702
Repayments	91,914
Income from Government Agencies	426,770
Interest etc	15,000
Sundry Income	31,596
Transferred from the Norwegian Shipping and Trade Mission	14,615,000

Since the evacuation of Norway June 7, 1940, the Norwegian

merchant marine constitutes the main financial basis of the Norwegian Government. The merchant ships are entirely private property, but have been requisitioned for use by the Government. In conformity with Norwegian constitution and law the ship owners are to receive full compensation for the use of the ships, as well as for amortization and payment for ships lost. At the present time it is impossible to foresee what this compensation will amount to. According to preliminary calculations, the expenses which the Government has incurred so far, would roughly correspond to the amount of taxes and legal charges which would be due on shipping incomes, based on pre-war tax rates.

Of the total expenditure of about 72 million dollars, according to the State Budget for 1941-1942, more than 2/3 went to the Army, the Navy and the Air Forces, a little more than 1/5 for payment of interest and amortization on Norwegian public foreign debts and about 1/10 for the foreign and other civil service. The servicing of Norwegian Government and Government guaranteed dollar loans and interest payment on Norwegian municipality dollar loans requires about 11 million dollars annually.

The income from the merchant marine has been considerably reduced, owing to the big tonnage losses sustained. Norway had at the time of the invasion (April 9, 1940) a merchant fleet of about 4.6 million gross tons, of which 3.9 millions came under the control of the Norwegian Government (exercised through the Norwegian Shipping and Trade Mission, usually called Nortraship). At the end of 1942 1.6 million gross tons or more than 40% had been lost.

The Norwegian Government and Government guaranteed foreign

debt totalled about 175 million dollars on June 30, 1942, of which about 100 million dollars were obligations in dollars in the U. S. (and the remainder in Pound Sterling, Swedish Kronor and Swiss and French Francs). As a basis for the emission of currency the Norges Bank (Bank of Norway), now, together with the Government, having its seat in London, has at its disposal gold of 55 million dollars value and an additional amount of 20 million dollars as foreign exchange reserve. Of this gold a quantity valued at 33.7 million dollars was temporarily transferred to the Norwegian Government and is now held in safekeeping in the U. S. A.

The accounts of the Norwegian Shipping and Trade Mission (Nortraship) as of June 30, 1942, have not yet been completed. Nortraship had, on the said date, in cash and due from banks and in securities 40 million pound sterling, 58 million U. S. dollars and 4 1/2 million Canadian dollars. Of the said sterling amount 27 millions represented insurance received for ships lost. On the same date, the balance of dollar accounts in the Federal Reserve Bank of New York and other American banks in the name of the Norwegian Government and the Bank of Norway totalled about 28 million dollars. The Government and the Bank of Norway had securities in foreign currency (mostly Norwegian Government dollars bonds) of par value approximating 20 million dollars.

It cannot be too strongly emphasised that the above enumeration of the present assets of the Norwegian Government gives only a very onesided picture of its financial status. If one takes into account the heavy latent financial obligations which rest on the Government with regard to compensation for the use of the privately owned merchant marine, as well as regards the coming tremendous demands

for funds for rehabilitation and restoration of Norway, in addition to the heavy foreign indebtedness, it will be realized that the assets referred to cannot by any means be considered net balances.

The Norwegian authorities possess no reliable information, even of an approximate character, as to the size of private Norwegian assets and liabilities in foreign currency.

The Norwegian Government has fulfilled, after the invasion as always before, all its contractual foreign obligations (in allied and neutral countries).

Norway's needs for funds for relief, rehabilitation and reconstruction after its liberation will, of course, be very great as compared with the country's resources, and this will particularly be the case with regard to U. S. dollars.

Washington, D. C., February 9, 1943.

COPY FOR: Miss Chauncey (Secy's file)

Distributed to: Secretary
Secretary's files
Mr. Bell
Mr. B. Bernstein
Mr. E.M. Bernstein
Mr. Blough
Mr. Cairns
Mr. Foley
Mr. Gaston
Mr. Haas
Mr. Johnson
Mr. Paul
Mr. Pehle
Mr. Southard
Mr. Sullivan

The original statement was left with Mr. White by representatives of the Norwegian Legation on Feb. 16, 1943.

L.S.

FROM: MR. WHITE

February 19, 1943.

Dear Mr. Poyser:

The Secretary has received your letter of February 15, together with the copy of Mr. Nelson's February report to the President on production performance against materials and equipment commitments of the Second Russian Protocol.

Mr. Morgenthau very much appreciated receiving this report, and has asked me to thank you for sending it to him.

Sincerely yours,

(Signed) H. S. KLOTZ

H. S. Klotz,
Private Secretary.

File in Diary

Mr. E. A. Poyser,
Deputy Director, Foreign Division,
War Production Board,
Washington, D. C.

GEF/dbs

WAR PRODUCTION BOARD

WASHINGTON, D. C.

February 15, 1943

IN REPLY REFER TO:

Mr. Henry Morgenthau
Room 280, Treasury Department
Washington, D. C.

My dear Mr. Morgenthau:

I am transmitting for your information a copy of Mr. Donald M. Nelson's February report to the President on production performance against materials and equipment commitments of the Second Russian Protocol.

I would appreciate any comments you may wish to make in regard to either the report itself or the performance record to date.

Sincerely yours,

E. A. Peyser
Deputy Director
Foreign Division

Attachment

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WAR PRODUCTION BOARD

WASHINGTON, D. C.

February 15, 1943

IN REPLY REFER TO:

My dear Mr. President:

The accompanying tabulation shows the progress made during January, and during the seven months ending January 31, toward fulfilment of Second Protocol materials and equipment production programs for the Union of Soviet Socialist Republics.

As can be seen in the tabulation, production performance, except in the case of industrial equipment, cable, bearings, and certain miscellaneous items, has been generally satisfactory. Shipments of nonferrous metals have continued to equal or exceed Protocol requirements. The same is true of chemicals and of high priority carbon items, with the exception of bullet core and some wire products. Alloy steel, though still (9%) behind schedule, has shown further improvement as a result of increased melt allotments. Deliveries of low priority carbon steel, including railroad material, have, in keeping with agreements with Soviet representatives, remained extremely small because of the existence of excessive seaboard stocks (i.e. stocks sufficient to meet indefinite shipping requirements at the present rate of liftings). Ferro-alloy shipments have also begun to be affected by the size of unshipped stocks.

The lag in industrial equipment items has been the subject of a careful study by the War Production Board during the past month. While shipments have recently sharply increased, it is felt that the situation is still unsatisfactory. The Government Purchasing Commission of the Soviet Union has been requested, therefore, to select from the approximately $400,000,000 worth of industrial equipment that it has on order, items totaling $100,000,000 in value which it considers to be most urgently needed. It is intended to make every effort to effect delivery of these selected items prior to June 30, 1943. If successful, this, together with deliveries already made, will result in deliveries exceeding the guaranteed Second Protocol commitment of $150,000,000.

The situation in regard to cable has also been thoroughly investigated. Because of the extended time required in the fabrication process, deliveries, particularly in the case of power cable, have so far been such as to lead to the fear that it would be difficult

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to meet Protocol requirements by June 30. The investigation has revealed, however, that of a total of 239 contracts for various cable items, the great majority are scheduled to be completed before the end of June. It is hoped that of those extending beyond June, most can be expedited so as to secure delivery by the earlier date. In a few cases, however, it appears that because of delays in placing orders this will be impossible.

Although there is no Protocol commitment for bearings, the War Production Board has undertaken to meet relatively large Soviet requirements. Deliveries against orders have until the present been slow. The reasons for this have been an acute shortage of bearing steel, large domestic requirements for tanks, planes, and machine tools, and the fact that in many cases bearings requested by the USSR are of a type which American manufacturers are not equipped to produce. A study which has just been completed, however, indicates that an immediate improvement can be expected. Bearing steel allotments have been considerably increased, and re-tooling to take care of unique Soviet orders has been completed by several manufacturers. The General Industrial Equipment Division reports that accelerated shipments may be anticipated between February and July.

Detailed comments on other items in the Russian program are included in the tabulation.

Respectfully yours,

/s/

Donald M. Nelson

The President
The White House
Washington, D. C.

Attachment

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STATUS OF MATERIALS AND EQUIPMENT COMMITMENTS UNDER THE SECOND RUSSIAN PROTOCOL, AS OF FEBRUARY 1, 1943

(JANUARY DELIVERY DATA SUBJECT TO REVISION)

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PROTOCOL ITEM NO.	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM 3/	MADE AVAILABLE AT MILL IN U.S.A. JAN. 1 – JAN. 31 3/	MADE AVAILABLE IN U.S.A. JULY 1 – JAN. 31 3/	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF FEB. 1 3/	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT.SCHED.=100)	BALANCE TO BE PRODUCED AS OF FEB. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
	NON-FERROUS METALS								
3	ALUMINUM INGOTS	S.T.	27,188	0	13,579	50	86	13,601	AT THE REQUEST OF SOVIET REPRESENTATIVES, THE ORIGINALLY SCHEDULED DIVISION OF ALUMINUM BETWEEN ALUMINUM INGOTS AND FABRICATED ALUMINUM (DURALUMINUM) HAS BEEN REPEATEDLY SHIFTED SO AS TO INCREASE FABRICATED SHIPMENTS.
34	DURALUMINUM	S.T.	9,516	1,689	11,790	124	214	(2,280 EXCESS)	
	(TOTAL ALUMINUM	S.T.	36,694	1,689	25,369	69	117	11,321)	
4	NICKEL (NICKEL METAL & CONTAINED METAL)	S.T.	7,800	976	5,650	72	124	2,150	THE PRODUCTION PROGRAM SHOWN IS AN ESTIMATE. THE NICKEL COMMITMENT SO FAR IS FOR ONLY 5700 S.T., BUT THIS IS ONLY FOR THE PERIOD JULY 1, 1942 TO MARCH 31, 1943. THE ESTIMATE GIVEN IS BASED UPON THE ASSUMPTION THAT THE SCHEDULE FOR THE THIRD QUARTER OF THE PROTOCOL PERIOD (I.E. 700 S.T. PER MONTH) WILL BE CONTINUED IN THE FOURTH QUARTER. THE DELIVERY FIGURES INCLUDE SHIPMENTS OF NICKEL AS SUCH (1350 S.T.) AND NICKEL DELIVERED TO MILLS IN THE U.S. FOR FABRICATION OF STEEL, PURE NICKEL WIRE, AND NICHROME WIRE FOR U.S.S.R. ACCOUNT.
5	MOLYBDENUM	S.T.	4,000	0	2,492	62	107	1,508	MOLYBDENUM DELIVERIES HAVE BEEN SCHEDULED AT THE EXACT RATE CALLED FOR BY THE PROTOCOL. THE FACT THAT TO DATE DELIVERIES ARE AHEAD OF PROTOCOL REQUIREMENTS IS DUE TO OVERSHIPMENTS AGAINST CONTRACTS.
6	COPPER (COPPER METAL & CONTAINED METAL)	S.T.	(134,400)	(13,463)	(73,732)	(55)	(95)	(60,668)	THE PRODUCTION PROGRAM SHOWN IS FOR COPPER TO BE SHIPPED AS SUCH AND COPPER TO BE SHIPPED AS CONTAINED METAL IN PRODUCTS OTHER THAN MILITARY PRODUCTS. THE DELIVERY FIGURES INCLUDE COPPER IN (1) REFINERY SHAPES; (2) PURE COPPER PRODUCTS; (3) COPPER BASE ALLOYS; (4) WIRE AND CABLE; AND (5) MANUFACTURES OTHER THAN MILITARY MANUFACTURES. THE SLIGHT LAG IN DELIVERIES BEHIND PROTOCOL REQUIREMENTS IS DUE TO THE LAG IN CABLE DELIVERIES. IN ORDER TO SAFEGUARD AGAINST THIS LAG IN CABLE DELIVERIES MAKING IT IMPOSSIBLE FOR THE FULL PROTOCOL COMMITMENT TO BE EXPORTED TO THE U.S.S.R. BEFORE JUNE 30, 1942, SOVIET REPRESENTATIVES HAVE BEEN AUTHORIZED TO REQUISITION COPPER ITEMS CONSIDERABLY IN EXCESS OF PROTOCOL REQUIREMENTS.
7	ROLLED COPPER (COPPER BASE ALLOYS ONLY)	S.T.	103,511	9,389	65,561	63	109	38,050	BECAUSE OF THE URGENT NEED OF THE U.S.S.R. FOR CARTRIDGE BRASS AND OTHER COPPER BASE ALLOYS, THE COPPER DIVISION HAS SCHEDULED ON SOVIET ACCOUNT THE MAXIMUM QUANTITIES WHICH AMERICAN MILLS CAN PRODUCE.
9	ZINC	S.T.	29,000	3,500	19,618	68	117	9,382	THE U.S. IS CURRENTLY SHIPPING 1000 S.T. PER MONTH IN EXCESS OF PROTOCOL REQUIREMENTS. THE FIGURES GIVEN ARE FOR ZINC TO BE EXPORTED AS SUCH. AN EVEN GREATER QUANTITY HAS BEEN DELIVERED TO U.S. MILLS FOR USE IN PRODUCING PRODUCTS CONTAINING ZINC ON U.S.S.R. ACCOUNT.
11	COPPER RODS AND TUBES	S.T.	15,148	2,599	11,369	75	129	3,779	SCHEDULES CALL FOR CONTINUED SHIPMENTS IN EXCESS OF PROTOCOL REQUIREMENTS.
30	NICKEL-CHROME WIRE	S.T.	550	61	326	62	72	352	SCHEDULES CALL FOR A CONTINUATION OF THE ACCELERATION OF DELIVERIES SHOWN IN JANUARY.
33	MERCURY	S.T.	300	0	896	299	515	(596 EXCESS)	TO OFFSET LOSSES OF MERCURY SUPPLIES LOST IN SOUTHERN RUSSIA, MERCURY SHIPMENTS THREE TIMES AS GREAT AS CALLED FOR BY THE ENTIRE PROTOCOL COMMITMENT HAVE BEEN MADE. THESE SHIPMENTS, ACCORDING TO SOVIET REPRESENTATIVES, WILL BE AMPLE TO MEET FULL U.S.S.R. REQUIREMENTS UNTIL JULY 1, 1943. NO FURTHER DELIVERIES DURING THE SECOND PROTOCOL PERIOD ARE, THEREFORE, EXPECTED.

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PROTOCOL ITEM NO.	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM 1/	MADE AVAILABLE AT MILL IN U.S.A. JAN. 1 - JAN. 31 2/	MADE AVAILABLE IN U.S.A. JULY 1 - JAN. 31 3/	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF FEB. 1 4/	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT.SCHED. =100)	BALANCE TO BE PRODUCED AS OF FEB. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
29	LEAD	S.T.	8	0	8	100	172	0	COMMITMENTS FOR TIN, LEAD AND HARDSUB FOILS WERE INCLUDED IN THE SECOND PROTOCOL TO MEET SPOT SOVIET REQUIREMENTS. THESE REQUIREMENTS HAVING BEEN SATISFIED, NO FURTHER SHIPMENTS ARE ANTICIPATED.
30	TIN	S.T.	2	0	2	100	172	0	
31	FOIL								
A	ALUMINUM	S.T.	35	0	35	58	169	2	
B	TIN	S.T.	52	0	52	100	172	0	
C	NICKEL	S.T.	1	0	2	200	345	(1 EXCESS)	
32	BABBITT METAL	S.T.	4	0	4	100	172	0	SOVIET REPRESENTATIVES HAVE BEEN AUTHORIZED TO REQUISITION 59 S.T. OF BABBITT METAL IN EXCESS OF THE PROTOCOL COMMITMENT TO MEET THE NEEDS OF THE FISHING INDUSTRY.
33	CADMIUM	S.T.	100	12	137	137	136	(37 EXCESS)	THE ENTIRE SECOND PROTOCOL COMMITMENT FOR CADMIUM WAS SATISFIED BY THE END OF OCTOBER, 1942. NEVERTHELESS, BECAUSE OF NEW REQUIREMENTS RESULTING FROM MILITARY REVERSES, SHIPMENTS ARE BEING CONTINUED AT THE RATE OF 12.5 S.T. PER MONTH.
34	COBALT	S.T.	144	0	134	93	160	10	ORIGINALLY, THE U.K. WAS EXPECTED TO FULFILL SECOND PROTOCOL COBALT REQUIREMENTS. IN SEPTEMBER, 1942, HOWEVER, THE U.S. ASSUMED THE OBLIGATION. SHIPMENTS DURING NOVEMBER AND DECEMBER WERE GREATLY ACCELERATED SO AS TO MAKE POSSIBLE TAKING ADVANTAGE OF FAVORABLE SHIPPING OPPORTUNITIES.
	TOTAL NON-FERROUS METALS EXCLUDING ITEM 6 (COPPER)	S.T.	203,293	16,226	135,413	67	166	67,880	THE FIGURES SHOWN AGAINST ITEM 6, COPPER, ARE NOT INCLUDED IN THE TOTAL FOR NON-FERROUS METALS BECAUSE THEY ARE DUPLICATED ELSEWHERE IN THIS REPORT. IT SHOULD BE NOTED THAT ALL NON-FERROUS METALS ARE HIGH ON THE SOVIET PRIORITY SHIPPING LISTS, AND OVERSEAS SHIPMENTS TAKE PLACE AS RAPIDLY AS SHIPMENTS REACH PORT.
FERRO-ALLOYS									
12	FERROSILICON	S.T.	9,600	728	4,069	43	74	5,391	STOCKS OF FERRO-SILICON AND FERRO-CHROME ADEQUATE TO MEET APPROXIMATELY SIX MONTHS SOVIET REQUIREMENTS HAVE ACCUMULATED IN WAREHOUSES, IN RAILWAY CARS, AND AT SEABOARD. OVERSEAS SHIPMENTS CURRENTLY ARE VERY SMALL, FERRO-ALLOYS BEING LOW ON THE SOVIET PRIORITY SHIPPING LIST.
13	FERROCHROME	S.T.	5,576	0	2,573	46	83	2,003	
35	FERROPHOSPHORUS	S.T.	4	0	4	100	172	0	COMMITMENTS FOR FERROPHOSPHORUS, FERROVANADIUM, AND FERROTUNGSTEN WERE INCLUDED IN THE SECOND PROTOCOL TO MEET SPOT SOVIET REQUIREMENTS. THESE REQUIREMENTS HAVING BEEN SATISFIED, NO FURTHER SHIPMENTS ARE ANTICIPATED.
36	FERROVANADIUM	S.T.	2	0	2	100	172	0	
37	FERROTUNGSTEN	S.T.	2	0	2	100	172	0	
	TOTAL FERRO-ALLOYS	S.T.	14,782	728	6,598	45	77	8,184	

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PROTOCOL ITEM NO.	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM 1/	MADE AVAILABLE AT MILL IN U.S.A. JAN. 1 – JAN. 31 1/	MADE AVAILABLE IN U.S.A. JULY 1 – JAN. 31 1/	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF FEB. 1 1/	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT.SCHED.=100)	BALANCE TO BE PRODUCED AS OF FEB. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
	ALLOY STEEL								
16	POLISHED DRILL RODS								
B	HIGH SPEED	S.T.	60	12	46	77	126	16	
C	OTHER ALLOY	S.T.	45	11	18	40	69	27	
17	HIGH SPEED TOOL STEEL	S.T.	3,600	192	1,574	44	69	2,026	
18	TOOL STEEL								
B	ALLOY X12	S.T.	700	110	281	40	69	419	
C	ALLOY X12M	S.T.	650	123	390	60	103	260	
D	ALLOY – OTHER	S.T.	6,700	858	3,502	60	103	3,198	
19	COLD FINISHED BARS								
E	ELECTRIC FURNACE OR O.H. ALLOY	S.T.	10,635	1,825	3,698	35	60	6,937	
20	HOT ROLLED ALLOY BARS AND BILLET	S.T.	95,000	11,178	56,180	59	102	38,820	
21	CR-NI-MN BILLETS	S.T.	95,000	6,271	58,488	62	107	36,512	
23	STAINLESS STEEL								
A	SHEETS	S.T.	2,200	0	382	17	29	1,818	
B	STRIP	S.T.	350	11	287	82	141	63	
C	HOT ROLLED BARS	S.T.	800	87	244	31	55	556	
25	STEEL WIRE								
A	BALL WIRE (ALLOY)	S.T.	1,344	179	366	27	47	978	
B	ALLOY ASTM 232	S.T.	2,400	64	835	37	64	1,565	
C	ALLOY 8140	S.T.	1,200	20	171	14	24	1,029	
27	STEEL ALLOY TUBES								
A	STAINLESS 18—8	S.T.	2,200	43	341	16	28	1,859	
B	4–6% CHROME	S.T.	15,500	1,344	2,795	18	31	12,705	
C	CARBON .5% MOLY. PIPE SIZES	S.T.	600	0	0	0	0	600	
D	CARBON .5% MOLY. COLD DRAWN	S.T.	2,700	0	0	0	0	2,700	
E	CARBON .5% MOLY. HOT FINISHED	S.T.	3,000	1,417	2,573	86	146	427	
F	H.R. BALL BEARING TUBES	S.T.	5,400	83	83	2	3	5,317	
28	STAINLESS WIRE	S.T.	2,000	488	1,599	80	138	401	
29B	OTHER ALLOY WIRE	S.T.	2,600	500	1,518	58	100	1,082	
	TOTAL ALLOY STEEL	S.T.	254,984	24,812	135,229	53	91	119,255	

ALL ALLOY STEEL DELIVERY FIGURES SHOWN FOR JANUARY ARE BASED UPON ACTUAL DELIVERIES FOR THE PERIOD JANUARY 2 TO JANUARY 23, AND MILL SCHEDULES FOR THE PERIOD JANUARY 23 TO JANUARY 30. ALLOY STEEL ITEMS ARE HIGH ON THE SOVIET PRIORITY SHIPPING LIST. EVERY EFFORT IS CONSEQUENTLY BEING MADE TO MEET FULL PROTOCOL REQUIREMENTS. BECAUSE OF DELAYS IN DEFINING PROTOCOL COMMITMENTS AND, AS A RESULT, DELAYS IN THE PLACING OF ORDERS, DELIVERIES DURING THE FIRST MONTHS OF THE PROTOCOL PERIOD WERE SLOW. IN NOVEMBER, HOWEVER, THE ALLOY SITUATION WAS REVIEWED AND MILL SCHEDULES WERE REVISED IN SUCH A WAY AS TO ENSURE BRINGING SHIPMENTS UP TO PROTOCOL REQUIREMENTS BY THE END OF MARCH, 1953. AS A RESULT OF THESE STEPS, DELIVERIES AS OF FEBRUARY 1 HAD IMPROVED TO A POINT WHERE TOTAL ALLOY SHIPMENTS WERE ONLY 5% BEHIND PROTOCOL REQUIREMENTS. THE TWO MOST IMPORTANT ALLOY ITEMS, AIRCRAFT STEEL (ITEM 20) AND SHELL STEEL (ITEM 21), WERE AHEAD OF REQUIREMENTS. ALLOY TUBES, COLD FINISHED BARS, STAINLESS STRIPS AND BARS, AND SEVERAL TYPES OF TOOL STEEL WERE STILL CONSIDERABLY BEHIND REQUIREMENTS, HOWEVER.

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Item No.	Item	Unit	Adjusted 2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Jan. 1 – Jan. 31 2/	Made Available in U.S.A. July 1 – Jan. 31 2/	Percent of 2nd Prot. Program Completed as of Feb. 1 1/	Ratio of Actual Deliveries to Prot. Schedules (Prot. Sched.=100)	Balance to be Produced as of Feb. 1 to Satisfy 2nd Protocol Prod. Program	Comments
HIGH PRIORITY CARBON STEEL									
14	BIMETAL (COPPER CLAD STRIP)	S.T.	20,000	1,076	12,853	59	102	8,147	DELIVERY FIGURES FOR HIGH PRIORITY CARBON STEEL FOR JANUARY ARE BASED UPON ACTUAL DELIVERIES FOR THE PERIOD JANUARY 2 TO JANUARY 23, AND MILL SCHEDULES FOR THE PERIOD JANUARY 23 TO JANUARY 30. ITEMS INCLUDED IN THIS CATEGORY ARE THE CARBON ITEMS WHICH THE U.S.S.R. HAS INDICATED THAT IT INTENDS TO EXPORT DESPITE SHIPPING LIMITATIONS. IN THE CASE OF ONE OR TWO OF THESE ITEMS, NOTABLY TIN PLATE, ACCUMULATED STOCKS HAVE BECOME SO LARGE THAT RECENTLY PRODUCTION HAS BEEN SOMEWHAT SLOWED DOWN. DELIVERIES OF OTHER ITEMS, EXCEPT BULLET CORE AND ONE OR TWO WIRE PRODUCTS, HAVE KEPT APPROXIMATELY UP TO PROTOCOL REQUIREMENTS. THE LAG IN BULLET CORE AND SQUARE WIRE, THE MOST SERIOUS LAGS SHOWN, ARE DUE TO LIMITATIONS ON FABRICATING FACILITIES.
16	POLISHED DRILL RODS								
A	PLAIN CARBON	S.T.	125	26	66	53	91	59	
18	TOOL STEEL								
A	PLAIN CARBON	S.T.	3,400	355	2,235	66	114	1,165	
19	COLD FINISHED BARS								
D	R.O.M. BULLET CORE	S.T.	10,000	861	2,160	21	36	7,840	
24	TIN PLATE	S.T.	67,200	645	34,648	52	89	32,552	
25	STEEL WIRE								
D	MUSIC WIRE	S.T.	12,000	1,090	5,494	46	79	6,506	
E	SPRING WIRE	S.T.	12,000	1,433	6,104	51	88	5,896	
F	ROPE WIRE	S.T.	20,000	2,230	13,355	70	121	6,645	
G	CARD WIRE	S.T.	350	48	176	50	86	174	
H	ELECTRIC WELDING WIRE	S.T.	3,000	0	1,175	29	50	2,825	
I	GALVANIZED TEL. & TEL. WIRE	S.T.	20,000	2,374	13,538	68	117	6,462	
J	LOW CARBON	S.T.	8,000	302	5,873	73	126	2,127	
K	SQUARE WIRE	S.T.	270	64	64	24	41	206	
L	TINNED WIRE	S.T.	700	96	302	43	74	398	
M	MISC. WIRE PRODUCTS	S.T.	350	1	212	61	122	88	
26	WIRE ROPE								
A	AIRCRAFT	S.T.	3,000	157	1,652	55	95	1,348	
B	OTHER WIRE ROPE	S.T.	20,000	9,457	12,435	60	103	7,565	
	TOTAL HIGH PRIORITY CARBON STEEL	S.T.	201,345	17,024	111,522	55	95	89,823	
OTHER CARBON STEEL									
19	COLD FINISHED BARS								
A	BENDING 1/4" – 2"	S.T.	60,000	4	25,350	42	72	34,650	DELIVERY FIGURES FOR JANUARY ARE BASED ON ACTUAL DELIVERIES FOR THE PERIOD JANUARY 2 TO JANUARY 23 AND ON MILL SCHEDULES FOR THE PERIOD JANUARY 23 TO JANUARY 30. IN THE CASE OF ITEMS INCLUDED IN THIS CATEGORY, SUFFICIENTLY LARGE STOCKS ARE HELD IN STORAGE TO MEET SHIPPING REQUIREMENTS FOR AN INDEFINITE PERIOD AT THE PRESENT RATE OF LIFTING. CURTAILMENT OR SUSPENSION OF PRODUCTION HAS, THEREFORE, BEEN AGREED TO BY SOVIET REPRESENTATIVES. SCHEDULES ARE KEPT SUFFICIENTLY FLEXIBLE, HOWEVER, TO TAKE CARE OF SUDDEN CHANGES IN THE SHIPPING SITUATION.
I	B.A.E. 1015-1050 & OTHER PLAIN CARBON	S.T.	20,000	1,135	1,897	9	16	18,103	
22	COLD ROLLED SHEETS	S.T.	75,000	396	11,417	15	26	63,583	
A	COLD ROLLED STRIP	S.T.	40,000	2,792	22,524	38	66	17,476	
23A	BARBED WIRE	S.T.	40,000	891	22,514	56	97	17,490	
B	STAPLES	S.T.	2,600	40	1,755	68	117	845	
32	PIPE AND TUBING								
A	[illegible] PRESS AND MECHANICAL	S.T.	6,000	466	3,623	60	103	2,377	
B	[illegible] PRESS AND MECHANICAL	S.T.	12,000	35	4,953	16	28	10,047	
C	[illegible] DRAWN PRESS AND MECHANICAL	S.T.	6,000	1,127	2,854	48	83	3,146	
D	H.F. PRESS AND MECHANICAL	S.T.	24,000	0	14,571	61	105	9,429	
E	ELECTRIC WELD CASING	S.T.	15,000	0	0	0	0	15,000	
F	ELECTRIC WELD LINE PIPE	S.T.	35,000	0	728	2	3	34,272	
	SEAMLESS CASING	S.T.	15,000	40	12,364	82	141	2,636	
	SEAMLESS LINE PIPE	S.T.	40,000	0	12,100	30	52	27,900	
I	SEAMLESS DRILL PIPE	S.T.	15,000	0	2,318	15	26	12,682	
J	SEAMLESS OIL WELL TUBING	S.T.	15,000	0	0	0	0	15,000	
K	TOOL JOINTS	S.T.	3,000	0	1,341	45	78	1,659	

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[illegible]	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM 1/	MADE AVAILABLE AT MILL IN U.S.A. JAN. 1 - JAN. 31 2/	MADE AVAILABLE IN U.S.A. JULY 1 - JAN. 31 2/	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF FEB. 1 2/	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT. SCHED.=100)	BALANCE TO BE PRODUCED AS OF FEB. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
	OTHER CARBON [illegible] (CONTINUED)								
[illegible]	HOT ROLLED								
A	SHEETS	S.T.	28,000	599	21,369	107	189	(1,369 EXCESS)	
B	GALVANIZED ROOFING SHEETS	S.T.	5,000	52	2,650	53	91	2,350	
C	PLATES	S.T.	75,000	379	27,316	36	62	47,684	
D	U.S.BARS AND BAR MILL SHAPES	S.T.	6,500	53	3,052	47	81	3,448	
E	STRUCTURAL SHAPES	S.T.	13,000	337	3,663	28	48	9,337	SEE PRECEDING PAGE FOR COMMENTS
F	STRIP	S.T.	11,000	1,011	10,390	94	162	610	
G	TERNE PLATE AND LONG TERNE	S.T.	4,000	1,438	3,916	98	169	84	
[illegible]	BOLTS,NUTS,RIVETS,CHAINS AND SCREWS	S.T.	6,000	382	1,216	20	34	4,784	
H	NAILS	S.T.	7,000	208	2,328	33	57	4,672	
	TOTAL OTHER CARBON STEEL	S.T.	591,100	11,905	213,295	36	62	377,805	
[illegible]	OTHER METALS AND STEEL PRODUCTS	S.T.	-	-	-	-	-	-	
	RAILROAD MATERIALS								
[illegible]	RAILS	S.T.	175,000	99	59,767	34	59	115,233	
[illegible]	ACCESSORIES	S.T.	80,000	446	15,151	19	33	64,849	DELIVERY FIGURES FOR JANUARY ARE BASED ON ACTUAL DELIVERIES FOR THE PERIOD JANUARY 2 TO JANUARY 23, AND MILL SCHEDULES FOR THE PERIOD JANUARY 23 TO JANUARY 30. VERY LARGE STOCKS OF RAILROAD MATERIALS ARE NOW IN STORAGE, AND SHARP CURTAILMENTS IN PRODUCTION HAVE BEEN AGREED TO BY SOVIET REPRESENTATIVES. SCHEDULES, HOWEVER, ARE KEPT SUFFICIENTLY FLEXIBLE TO MAKE POSSIBLE MEETING DEMANDS THAT MAY ARISE AS A RESULT OF CHANGES IN THE SHIPPING SITUATION.
[illegible]	MOUNTED SETS OF WHEELS AND AXLES	S.T.	36,000	7,338	16,975	46	79	19,525	
[illegible]	CAR AXLES	S.T.	60,000	1,068	31,444	52	96	28,556	
[illegible]	LOCOMOTIVE CAR WHEEL TIRES	S.T.	13,500	893	5,137	38	66	8,363	
[illegible]	ROLLED STEEL CAR WHEELS	S.T.	18,000	514	7,470	42	72	10,530	
[illegible]	STEEL LOCOMOTIVE AXLES	S.T.	255	85	255	100	172	0	
[illegible]	ELECTRIC LOCOMOTIVE AXLES	S.T.	300	0	222	74	128	78	
	TOTAL RAILROAD MATERIALS	S.T.	583,055	10,465	135,921	33	60	397,135	
	CHEMICALS								
36	PHENOL	S.T.	12,000	1,322	7,997	67	116	4,003	
38	[illegible]ENE GLYCOL	S.T.	2,400	0	2,400	100	172	0	LARGE STOCKS OF CHEMICALS ARE ACCUMULATING AT PLANTS AND AT SEABOARD. DELIVERIES, WHICH FORMERLY WERE CONSIDERABLY AHEAD OF THE REQUIRED PROTOCOL RATE, ARE CONSEQUENTLY BEING REDUCED. NEVERTHELESS, WITH THE ONE EXCEPTION OF CENTRALITE, DELIVERIES HAVE EXCEEDED THE AMOUNT CALLED FOR BY THE PROTOCOL.
39	[illegible] BROMIDE	S.T.	1,800	155	1,196	63	110	659	
40	[illegible]NE	S.T.	2,400	5	1,466	61	105	934	
41	[illegible]YL PHTHALATE	S.T.	3,600	255	2,421	67	116	1,179	
[illegible]	DIMETHYLANILINE	S.T.	3,000	207	2,313	77	133	687	
[illegible]	DIPHENYLAMINE	S.T.	1,000	196	1,209	67	116	596	
44	COLLODION	S.T.	4,000	551	3,792	69	119	1,508	
45	METHANOL	S.T.	12,000	1,303	6,954	58	100	5,046	

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[illegible]	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM 3/	MADE AVAILABLE AT MILL IN U.S.A. JAN. 1 – JAN. 31 3/	MADE AVAILABLE IN U.S.A. JULY 1 – JAN. 31 3/	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF FEB. 1 3/	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT. SCHED.=100)	BALANCE TO BE PRODUCED AS OF FEB. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
	CHEMICALS (CONTINUED)								
[illegible]	URETHANE	S.T.	5,600	822	4,185	89	153	635	SEE PRECEDING PAGE FOR COMMENTS
[illegible]	AMMONIA CHLORIDE	S.T.	4,000	300	3,303	73	126	1,297	
[illegible]	POTASSIUM NITRATE	S.T.	3,600	100	3,413	95	164	187	
[illegible]	AMMONIUM CYANIDE	S.T.	3	0.2	2.3	77	133	0.7	
[illegible]	COUMALITE	S.T.	600	40	326	54	93	274	
[illegible]	RESARIN (RESORCINOL)	S.T.	140	10	80	57	116	60	
[illegible]	BARIUM PEROXIDE	S.T.	300	25	175	58	100	125	
[illegible]	STRONTIUM (S. OXALATE)	S.T.	96	12	60	63	109	36	
[illegible]	NOBALITE (RHODAMINE B)	S.T.	4	1.5	3.5	58	100	25	
[illegible]	THORIUM (T. NITRATE)	S.T.	3	0	3	100	172	0	
[illegible]	CERIUM	S.T.	18	1.5	13.5	75	129	4.5	
[illegible]	CRESOL	S.T.	–	–	–	–	–	–	THE SECOND PROTOCOL CRESOL COMMITMENT IS BEING SATISFIED BY THE U.K.
[illegible]	POTASSIUM SULPHATE	S.T.	1,000	250	1,050	61	105	705	
[illegible]	ANTHRACENE	S.T.	9	0	9	–	–	(9 EXCESS)	
	TOTAL LISTED CHEMICALS	S.T.	59,746	5,439.2	31,977.3	70	121	17,766.7	
[illegible]A	OTHER CHEMICALS	S.T.	60,000	N.A.	N.A.	N.A.	N.A.	N.A.	EXACT DATA ON DELIVERIES OF "OTHER CHEMICALS" ARE NOT AVAILABLE. IT IS UNDERSTOOD, HOWEVER, THAT DELIVERIES ARE GENERALLY SATISFACTORY.
	INDUSTRIAL EQUIPMENT								
[illegible]	HARD ALLOYS AND SMALL CUTTING TOOLS	$	22,000,000	1,392,511	10,216,896	46	79	12,187,104	DELIVERIES TO DATE ARE CONSIDERED UNSATISFACTORY. THE INDUSTRIAL SPECIALTIES BRANCH OF THE TOOLS DIVISION IS CURRENTLY INVESTIGATING THE CAUSES OF DELAYS.
[illegible]	MACHINE TOOLS)								THE PRODUCTION PROGRAM SHOWN IS THE GUARANTEED SECOND PROTOCOL COMMITMENT. DELIVERIES AGAINST THIS, DESPITE A STEADY ACCELERATION DURING THE PAST THREE MONTHS, ARE CONSIDERED UNSATISFACTORY. TO IMPROVE THIS, THE SOVIET GOVERNMENT PURCHASING COMMISSION HAS BEEN REQUESTED TO SELECT FROM THE APPROXIMATELY $[illegible] WORTH OF EQUIPMENT WHICH IT HAS ON ORDER, $[illegible] WORTH WHICH IT IS MOST ANXIOUS TO HAVE COMPLETED. A THOROUGH SURVEY WILL BE MADE OF THE PRODUCTION STATUS OF THE SELECTED ITEMS, AND EVERY EFFORT WILL BE MADE TO SPEED UP DELIVERIES TO THE EXTENT DESIRED.
[illegible]	ELECTRIC FURNACES)								
[illegible]	FORGING PRESSES AND HAMMERS)	$	[illegible]	15,683,536	76,667,658	57	61	79,132,342	
[illegible]	VARIOUS INDUSTRIAL EQUIPMENT)								
[illegible]	ABRASIVES	$	1,000,000	907,023	2,238,923	56	96	1,761,077	DELIVERIES ARE CONSIDERED SATISFACTORY.
	TOTAL INDUSTRIAL EQUIPMENT	$	176,000,000	17,933,000	83,523,477	47	81	93,000,523	

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Item	Unit	Adjusted 2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Jan. 1 – Jan. 31 2/	Made Available in U.S.A. July 1 – Jan. 31 2/	Percent of 2nd Prot. Program Completed as of Feb. 1 3/	Ratio of Actual Deliveries to Prot. Schedules (Prot. Sched.=100)	Balance to be Produced as of Feb. 1 to Satisfy 2nd Protocol Prod. Program	Comments
Marine and Submarine Cable								
Marine Cable	Km.	1,921	197	684	48	83	737	Deliveries of marine and submarine cable have been slow because of the necessary interval between the placing of contracts and the completion of fabrication. A recent survey indicates, however, that the situation is generally satisfactory and that practically all orders will be completed by June 30, 1945.
Submarine Cable	Km.	700	36	338	43	73	362	
Total Marine and Submarine Cable	Km.	2,801	197	1,022	46	73	1,179	
Power and Other Cable								
Electric Power Cable	S.T.	52,666	319	527	1	1.7	52,139	The production programs shown for power cable and miscellaneous wire and cable differs from the second protocol commitments for these items because the Soviet Government Purchasing Commission elected to take a part of the power cable commitment in the form of miscellaneous wire and cable. This part of the power cable commitment has, therefore, been added to the miscellaneous wire and cable commitment. Deliveries of cable in both categories have been considered very unsatisfactory. For this reason, a careful check has been made of the status of every outstanding contract. This has revealed that the primary reason for delays has been the lateness in which orders were placed. A considerable acceleration of deliveries is anticipated during the remaining months of the protocol period. Despite this, however, a number of steps to improve the situation further are planned.
Misc. Copper Cable and Wire	S.T.	52,386	2,579	15,781	30	52	36,605	
Total Power and Other Cable	S.T.	105,052	3,200	16,308	15	29	88,744	
Clothing								
Shoe Leather	S.T.	18,676	N.A.	1,569	8	15	17,101	Deliveries of leather have been slow because of delays in the placing of orders. The breakdown between January deliveries and total deliveries is not possible at the present time, due to a reversion of War Department data.
Army Boots	Prs.	2,400,000	128,315	1,528,543	64	116	871,457	Deliveries are satisfactory.
Army Cloth	Yds.	18,000,000	516,000	8,540,905	47	81	9,459,095	In addition to the Army cloth shown, a large number of woolen blankets and considerable quantities of various cotton materials are being supplied.
Miscellaneous Materials Items								
Armor Plate	S.T.	13,000	0	759	6	10	12,632	Soviet representatives have stated that for the time being they do not desire further deliveries of armor plate to be made.
Petroleum Products	S.T.	200,000	10,152	79,362	33	57	160,638	Delivery figures are actual export figures. Shipping conditions, rather than production conditions, have governed performances.
Nickel	Yds.	56,000,000	3,757,442	18,563,979	33	66	37,469,021	Nickel deliveries have been slightly behind protocol requirements because of limited manufacturing facilities. A recently arranged conversion of rub rolls is expected to result in an acceleration in deliveries.

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[illegible]	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM 1/	MADE AVAILABLE AT MILL IN U.S.A. JAN. 1 – JAN. 31 2/	MADE AVAILABLE IN U.S.A. JULY 1 – JAN. 31 2/	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF FEB. 1 2/	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT. SCHED.=100)	BALANCE TO BE PRODUCED AS OF FEB. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
	MISCELLANEOUS MATERIALS ITEMS (CONTINUED)								
36	[illegible]	TONS.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	DELIVERIES ARE AHEAD OF PROTOCOL REQUIREMENTS.
37	[illegible]	S.T.	-	-	-	-	-	-	
38	SHEET FIBER	S.T.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	MORE THAN 90% OF THE SHEET FIBER COMMITMENT WAS NOT REQUISITIONED UNTIL THE LAST OF AUGUST, 1952. THE REQUISITION INVOLVED WAS HELD IN THE O.L.L.A. FOR APPROXIMATELY TWO MONTHS BEFORE BEING CLEARED FOR ALLOCATION AND PROCUREMENT. AS A RESULT CONTRACTS WERE PLACED ONLY IN DECEMBER AND JANUARY. DELIVERIES CONSEQUENTLY HAVE BEEN CONSIDERABLY BEHIND PROTOCOL REQUIREMENTS. IN ADDITION, PRESENT SCHEDULES DO NOT CALL FOR COMPLETION OF ORDERS UNTIL AUGUST, 1953. SOVIET REPRESENTATIVES HAVE STATED THAT THEY UNDERSTAND THE CIRCUMSTANCES RESPONSIBLE FOR THE DELAY AND DO NOT ANTICIPATE FULL SATISFACTION OF THE PROTOCOL COMMITMENT UNTIL AFTER THE END OF THE SECOND PROTOCOL PERIOD.
39	CONDENSER PAPER	S.T.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	DELIVERIES AGAINST ALL REQUISITIONS SUBMITTED TO DATE HAVE BEEN COMPLETED. THE SOVIET GOVERNMENT PURCHASING COMMISSION HAS NOT REQUISITIONED 188 S.T. OF THE 250 S.T. ALLOTTED THE U.S.S.R. IN THE SECOND PROTOCOL.
39a	CIGARETTE PAPER	S.T.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	DELIVERIES ARE CONSIDERABLY AHEAD OF SCHEDULE.
39b	PARCHMENT PAPER	S.T.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(X EXCESS)	THE ENTIRE PROTOCOL COMMITMENT HAS BEEN SATISFIED. ADDITIONAL REQUISITIONS ARE BEING ACCEPTED TO MEET THE NEEDS OF THE SOVIET FISHING INDUSTRY.
	MISCELLANEOUS EQUIPMENT ITEMS								
40	GRAPHITE ELECTRODES	S.T.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	BOTH SCHEDULES AND DELIVERIES ARE IN ACCORD WITH PROTOCOL REQUIREMENTS.
41	BEARINGS	EA.	–	[illegible]	[illegible]	–	–	–	A LARGE NUMBER OF ORDERS FOR BEARINGS HAVE BEEN ACCEPTED DESPITE THE FACT THAT THERE IS NO GIVEN PROTOCOL COMMITMENT. DELIVERIES AGAINST THESE HAVE BEEN SLOW TO DATE BECAUSE OF THE TIGHTNESS OF BEARING STEEL, THE LARGE DOMESTIC AIRCRAFT, TANK, AND MACHINE TOOL REQUIREMENTS, AND THE UNUSUAL NATURE OF MANY RUSSIAN BEARING SPECIFICATIONS. A THOROUGH SURVEY OF OUTSTANDING ORDERS, WHICH HAS JUST BEEN COMPLETED, INDICATES THAT FROM THIS POINT ON SOME IMPROVEMENT CAN BE EXPECTED. THE STEEL ALLOTMENT HAS BEEN INCREASED, AND SEVERAL PLANTS HAVE COMPLETED THE RETOOLING NECESSARY TO HANDLE RUSSIAN ORDERS.
42	[illegible] ROLLERS	EA.	[illegible]	[illegible]	[illegible]	–	–	–	DELIVERIES HAVE EXCEEDED PROTOCOL REQUIREMENTS. HOWEVER, REQUISITIONS HAVE BEEN ACCEPTED WITHOUT REGARD TO STRICT PROTOCOL LIMITATIONS. DELIVERIES ON SEVERAL IMPORTANT ORDERS ARE AT PRESENT BEHIND SCHEDULE. AS A RESULT OF THE ABOVE MENTIONED SURVEY, IT IS ANTICIPATED THAT BECAUSE OF THE FACTORS MENTIONED IN CONNECTION WITH BEARINGS, SOME IMPROVEMENT CAN BE EXPECTED IN THESE ORDERS FROM THIS POINT ON.
43	TIRES, TUBES, OTHER RUBBER PRODUCTS (RUBBER CONTENT)	S.T.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	DELIVERY FIGURES ARE FOR RUBBER CONTENT OF TIRES AND TUBES PROCURED BY THE TREASURY DEPARTMENT ONLY.

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PROTOCOL ITEM NO.	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM 1/	MADE AVAILABLE AT MILL IN U.S.A. JAN. 1 - JAN. 31 2/	MADE AVAILABLE IN U.S.A. JULY 1 - JAN. 31 2/	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF FEB. 1 3/	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT. SCHED.=100)	BALANCE TO BE PRODUCED AS OF FEB. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
MISCELLANEOUS EQUIPMENT ITEMS (CONTINUED)									
59	HIGH PRESSURE HOSE	S.T.	448	0	161	25	43	487	
61	SHOCK ABSORBER CORD	S.T.	44	1	38	59	102	26	DELIVERIES TO THE U.S.S.R. REPRESENT A LARGE PERCENTAGE OF TOTAL DOMESTIC PRODUCTION.
62	METALLIC CLOTH AND SCREEN	$	1,000,000	177,992	736,632	74	126	263,368	THE PRODUCTION PROGRAM SHOWN IN A TRANSLATION CALCULATED BY THE SOVIET GOVERNMENT PURCHASING COMMISSION OF THE PROTOCOL COMMITMENT INTO DOLLAR VALUE. DELIVERIES HAVE BEEN SATISFACTORY.
63	MISC. EMERGENCY EQUIPMENT	$	-	-	-	-	-	-	REQUISITIONS TOTALING $68,000,000 HAVE BEEN ACCEPTED AGAINST THIS ITEM. PRACTICALLY ALL OF THE ORDERS PLACED ARE FOR INDUSTRIAL EQUIPMENT REQUIRING PROLONGED FABRICATION PROCESSES.

1/ SECOND PROTOCOL PRODUCTION PROGRAMS HAVE BEEN ADJUSTED (A) TO TAKE ACCOUNT OF THE MODIFICATION OF STEEL REQUIREMENTS UNDER THE 2ND PROTOCOL WORKED OUT BY THE STEEL DIVISION, W.P.B., AND REPRESENTATIVES OF GOVERNMENT PURCHASING COMMISSION OF THE SOVIET UNION, AND APPROVED BY THE REQUIREMENTS COMMITTEE, W.P.B., IN PROGRAM DETERMINATION NO. 2501 (B) TO TAKE ACCOUNT OF THE PORTION OF FERROSILICON AND FERROCHROME COMMITMENTS WHICH ARE BEING SUPPLIED BY THE U.K., AND (C) THROUGH TRANSLATING SOME COMMITMENTS FROM SHORT TONS INTO THE UNITS OF MEASURE COMMONLY USED IN CONNECTION WITH THE ITEMS IN QUESTION.

2/ MADE AVAILABLE DATA IN THE CASE OF ALL ITEMS EXCEPT STEEL, RAILWAY MATERIALS, "OTHER CHEMICALS," MACHINE TOOLS, ELECTRIC FURNACES, FORGING PRESSES AND HAMMERS, VARIOUS INDUSTRIAL EQUIPMENT, TIRES, TUBES AND OTHER RUBBER PRODUCTS, ELECTRIC POWER CABLE, MISCELLANEOUS COPPER CABLE AND WIRE, TARPAULIN, SHOCK ABSORBER CORD, SHEET FIBER AND METALLIC CLOTH AND SCREEN INCLUDE STOCKS WHICH WERE ON HAND AS OF JUNE 30, 1942, AND WHICH WERE AVAILABLE FOR SHIPMENT AGAINST 2ND PROTOCOL COMMITMENTS. STOCKS OF STEEL ITEMS WHICH WERE ON HAND AS OF JUNE 30, WERE TAKEN INTO ACCOUNT IN THE ADJUSTMENT OF STEEL REQUIREMENTS UNDER 2ND PROTOCOL COMMITMENTS MENTIONED IN NOTE 1 ABOVE.

3/ THE 2ND PROTOCOL CALLS FOR DELIVERIES IN "EQUAL MONTHLY INSTALLMENTS." THUS 58% OF EACH COMMITMENT SHOULD HAVE BEEN DELIVERED BY JAN. 31, IF PROTOCOL SCHEDULES WERE TO BE MAINTAINED.

WAR PRODUCTION BOARD
FOREIGN DIVISION
REVIEW AND ANALYSIS SECTION
FEBRUARY 15, 1943

BRITISH AIR COMMISSION
1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE
REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statement No. 72 - Aircraft Despatched
- for week ended February 9, 1943.

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

February 19, 1943.

T SECRET

STATEMENT NO.72

Aircraft Despatched from the United States

Week Ended February 9th, 1943

E	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
NSTER muda	U.K.	U.K.	6		
SOLIDATED					
erator III	Bahamas	Nassau		2	
erator GR V	U.K.	Canada enroute		2	
erator GR V	Bahamas	Nassau		2	
GLAS					
ton III A	U.K.	U.K.		1	
ton III A	U.K.	Canada enroute		16	
ota I	U.K.	U.K.		3	
ta I	U.K.	Greenland enroute		1	
a I	U.K.	Goose enroute		1	
TCHILD rnell PT26	Canada	Canada			15
EN MARTIN ltimore III A	Middle East	Middle East		11	
CHEED dson VI	West Africa	Freetown		2	
TH AMERICA					
tchell I	Bahamas	Nassau		1	
tchell II	Bahamas	Nassau		1	
rvard	S'Rhodesia	Durban	1		
rvard	S'Africa	Capetown	10		
rvard	India	Bombay	2		
LTEE ngeance	India	Bombay	3		
NORTHROP Vengeance	India	Bombay	7		
		Total	29	43	15

Note:- The delay in the completion of this report was occasioned by the moving of the offices of the Air Transport Command, during which their reports (daily) of Aircraft movements and positions were suspended for several days.

Movements Division, British Air Commission
February 17, 1943.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 57

Information received up to 7 A.M., 19th February, 1943.

1. NAVAL

HOME WATERS. HIPPER and SCHEER were located at WILHELMSHAVEN 18th.

AUSTRALIA. 9th Australian Division from MIDDLE EAST arrived FREEMANTLE 18th.

2. MILITARY

TUNISIA. 1st Army. Attack on SBEITLA during night 16th/17th held until town was evacuated in afternoon 17th. Withdrawal westward by U.S. forces and further north by U.S. and French forces was continued without serious interruption from enemy who are now in occupation of SBEITLA, KASSERINE and FERIANA. No further information regarding U.S. detachment previously isolated 5 miles southeast of SIDI BOUZID.

8th Army. Our patrols reached MEDENINE at last light on 17th.

3. AIR OPERATIONS

WESTERN FRONT. 18th. Successful attacks made on TOURS, VEZIN AUBE, OUISTREHAM and a number of locomotives.

18th/19th. Aircraft despatched - WILHELMSHAVEN 194 (4 missing), sea mining 89 (2 missing), leaflets 9 (1 missing) anti-shipping 25, Intruders 23 (2 missing). Preliminary reports indicate fairly successful attack on WILHELMSHAVEN where many fires were started especially in dock area. 2 2,500 ton ships hit in a large convoy off IJMUIDEN.

TUNISIA. 17th. U.S. fighters destroyed many tanks and M.T. vehicles in sweeps over wide areas.

SARDINIA. 17th. 3 airfields bombed by 73 U.S. aircraft. Bombs fell amongst 30/50 aircraft.

MEDITERRANEAN. A 3,500 ton ship torpedoed and sunk off TRAPANI (SICILY) by Wellingtons from MALTA.

February 20, 1943
9:37 a.m.

Guy Helvering: How are you this morning?

HMJr: I'm all right. Guy, you must know this fellow, Lou Holland, don't you?

H: Yeah.

HMJr: Uh....

H: No, I don't know him to say - Mr. Secretary, I know who he is and I have met him, and I know a little about his background.

HMJr: Well, tell me something about him.

H: Well, he's a very energetic sort of a fellow and is considered a very good business man out in Kansas City.

HMJr: Yeah.

H: And he - well, I think that his recommendations from business men in Kansas City would be very high.

HMJr: Is he a Democrat?

H: Well, sir, I couldn't tell you.

HMJr: Well, I was reading that he was a protege' of Truman's.

H: Well, I think they are very friendly.

HMJr: Yeah. Well, what I was thinking was this - I mean I - I wondered whether he got a rough deal there and whether this was somebody that I could use.

H: Well, (laughs) I'm quite well acquainted with his first assistant, a Mr. Graham who worked over there....

HMJr: Yes.

H: ....and I had lunch with him the other day, and he, of course, told me that Holland did get a "hell of a rough deal", as he put it. (Laughs)

HMJr: Yeah.

H: But, of course, he's been working with him.

HMJr: What's that?

H: I say he's been working with him.

HMJr: Yeah.

H: This man, Graham, is his first assistant over there in that Little Business concern.

HMJr: You don't know what business Gra.. - Holland was in in Kansas City?

H: No, I can't tell you.

HMJr: Could you do a little inquiring around?

H: Oh, I can find out all about him.

HMJr: And - you see, what I was thinking, here's a man and he's most likely got a house, and he's - he's severed his connections and everything, you see?

H: Yeah.

HMJr: Just between us, what I've been looking for is somebody, you see, who would supervise Procurement for me. That's what I got in mind.

H: Uh huh.

HMJr: You see?

H: Yeah. Well, I - I don't know just off-hand. From what I know of him, I think he's got the ability to do it, but I, of course, want to verify that a little.

HMJr: Supposing you do a little checking around.

H: All right.

HMJr: Find out how he feels about the President.

H: Yeah, all right.

HMJr: See?

H: I'll do that.

HMJr: How much of a New Dealer is he, and so forth.

H: Yeah, well, all right. I'll do that.

HMJr: Could you let me know? And whether he stayed or whether he's left town, or whether he's got a house here, you know, and all that kind of business.

H: Yeah. All right.

HMJr: As soon as you know, give me a ring.

H: All right. I - I can know by Monday.

HMJr: Okay.

H: All right.

HMJr: Thank you.

February 20, 1943
10:10 a.m.

FINANCING

Present: Mr. Bell
Mr. Eccles

H.M.JR: Marriner, Bell and I wanted a chance to bring you up where we were before we say any more. I won't go into all the gory details, but after being "on again, off again, Finnigan" the Seventh District has gotten together - Chicago - on what looks to me like a workable basis.

MR. ECCLES: That is for this drive, you mean?

H.M.JR: That is for this drive.

This is the one they signed. Before we go further I want to see how it hits you. (Copy of Seventh District memorandum handed to Mr. Eccles.)

MR. ECCLES: Of course, they have gotten along there better than most of them all the time.

H.M.JR: Did Bell explain what I am doing? I am making these fellows sit down together by districts.

MR. ECCLES: Yes, he told me.

H.M.JR: It bore results, anyway, in one district.

MR. ECCLES: I think that is all right. It looks all right to me. I think that is all you can do for the April drive. I think that you just can't do anything else, and that is a practical way of carrying out the April drive without disrupting the thing. I think

to do anything that would be a fundamental change in the organization might disrupt the thing before you could effect the fundamental change. That is the difficulty. It seems to me that this would give pretty good results.

Of course, the way I have felt - and I think sooner or later the thing has to be streamlined - is you have to get a man in here. It takes time to do that and you can't wait for that to be done.

H.M.JR: Just to show you, for instance - my dates are approximately right - fully a week ago the representatives of the Advertising Council were down - this Harold Thomas group. It must be at least a week, isn't it?

MR. BELL: A week ago last Thursday.

H.M.JR: Here they have all these businesses, radio and newspaper chains combined into a Council. I said, "Give me a half a dozen names," and I have been calling them on the phone and calling, and they claim they put it in the mail last night. Now, here are the people in the business in New York. It takes them eight or nine days to get together some names.

Now, I offered it to a fellow - I don't want to repeatedly get turned down - the chairman of Coca Cola at Atlanta, Harrison Jones. I cleared it with the President, and I got a telegram last night saying that on account of family reasons, he can't do it.

MR. ECCLES: He is in Atlanta all the time? I don't know him.

H.M.JR: I know him. He helped us nine years ago. I happen to know that he is the only man in the Coca Cola Company that is a New Dealer. He is the only person I have asked to come up to see me. But it is that kind of fellow, you know.

Here is this Advertising Council. Do you know who they are?

MR. ECCLES: Yes.

H.M.JR: It has taken them eight days and they have yet to give me a list of names.

MR. ECCLES: Yes, I talked to this fellow, Thomas. He came over to see me and I talked to him. He explained what the Council was, and so forth.

Of course, this sort of job, there is nothing else that is like it in private business. I mean, I don't altogether - I don't agree with Allan and these people entirely - I do agree that you need somebody that has got a national point of view and that has got some selling concept, but what you need as much or even more than that is a good executive - a fellow that is just an all-around good strong fellow that is clear thinking and is decisive, and that has got just all-around capacity. Now, that is the first thing.

The next thing he ought to have is some conception of what a Government Bond is and what the problem is; what the difference is between your long bonds and why we are selling these two's and a half - why they were designed; what a bill is - I mean, after all, to do a selling job you have got to know something about the article and why, and of course, the average fellow that might sell automobiles or something else, he doesn't have that. We have lived with that doggoned thing for weeks and months and years, and it has a background.

H.M.JR: It is a language.

MR. ECCLES: It is awfully difficult.

H.M.JR: A language of its own. I said to somebody the other day - he started to talk to me about styles in women's clothes - "It is a language I don't know anything about." Styles in shoes--

MR. ECCLES: You have to be a little more than a salesman; you have to have a pretty exhaustive picture of the aspect of this. Why shouldn't you go to the banks. The banks have got the money, let them buy them. It doesn't make any difference. They can't relate the Government financing to the inflation problem.

H.M.JR: Incidentally, I wouldn't let the newspapermen let us get into the wrangle because they gave your testimony a bad twist. Did you see the headlines in the "New York Times"?

MR. ECCLES: I didn't see it at all.

H.M.JR: "Eccles says bad job has been done on war financing" - something like that.

MR. ECCLES: The article didn't say that.

H.M.JR: No, no, but the headlines. Do you know what I told them? I said, "Mr. Eccles and I are not only in the same boat, but we are entirely in agreement."

MR. ECCLES: What I was giving to Congress up there, you have to get the background. These fellows - you see, I had to go up on this--

H.M.JR: I know, on this joint bill.

MR. ECCLES: We had no problem on that, but of course, me being there gave Tobey and two or three of them - Danaher - and they treated me very well - a chance to want to know what about this six hundred and sixty million of Federal Reserve bank notes and they got into the inflationary aspect of it.

Well, of course, they wanted to know why the Treasury - I said that the Treasury didn't have anything to do with that. I said, "We take the complete responsibility for it." I said the initiation for that came from the Federal Reserve and if, I said, we had to do it over we would do exactly the same thing again.

Then I proceeded to put right on the line why we did it and to justify it.

I said, "You have got to believe that the purpose of this thing was merely to save that paper and material at the time" - and then I explained the legal end. But they kept on pressing that the use of it was creating inflation. So I said, "Do you know that there is absolutely no more currency out by reason of us printing that paper than if we hadn't printed it? We have exactly the same amount of currency. The amount of currency that goes out is determined by the public." Now, I said--

MR. BELL: Did you read the Tribune editorial?

MR. ECCLES: Yes, I did - much ado about nothing. I read it to the committee. I got it in the record.

But here was the point I wanted to make on this inflation thing, and I gave it to Congress. I said that people can't get demand currency from the banks except in proportion as they get income. I said, "Where is this great mass income coming from today? It is coming from Congress and appropriations."

I said that any inflation that develops comes - you can't get inflation except that Congress appropriates a lot more money than they provide means for financing.

I said, "You have appropriated all this money; you have got to provide means of getting it." I said, "Your taxes are entirely inadequate so you can't lay it on the Federal Reserve." I said, "There is nothing we can do about inflation, and you might just as well know it. If people get the money to spend, and it isn't taken away from them either in taxes or in the sale of bonds - if they have got it to spend, that is where the inflation comes from and not because you issue currency of one kind or another."

I said, "So far as our financing is concerned, as compared with the British and the Canadians, we have done a bad job; our taxes are just about half what their taxes are."

I said, "Any taxes that are enacted must be enacted by the Congress."

H.M.JR: They just picked that one thing up. I told my press on Monday that my formula was this: "The way to raise money was, first, taxes; second, from the public; and third, from the banks."

MR. ECCLES: I read that.

H.M.JR: I said, "Mr. Eccles, I am sure, would subscribe to that."

MR. ECCLES: I said, "You have got to get a lot more taxes than you have got." They admitted that.

Danaher and what's-his-name said, "Why don't you tell that to the public? That's a fine statement on this inflationary thing. Why isn't more said about it?"

I said, "I will send you a copy if you will take time to read some of the stuff I have done."

Yesterday I sent him - of course, I know he won't read it - I said, "You were so interested in this question," I said, "here is a copy of the statements that I have made and the speeches I have made for over a period of two years." I said--

H.M.JR: Now let's get back to this. I just wanted to mention it because I am not going to let anybody drive a wedge between us.

This sounds all right to you for April?

MR. ECCLES: Yes, I don't know what else you can do.

H.M.JR: All right. Let me say this - you (Bell) tell Eccles about the little talk this morning with Sproul and what has happened. I want to bring him up to date.

MR. BELL: Sproul and Perry Hall were in just for a few minutes. They said they had a meeting yesterday - luncheon with Dick Patterson and some of his people - it extended to some time in the afternoon.

Allan had a memorandum which he had drawn up himself somewhat along this line - not in as much detail - which Dick Patterson said he thought he could agree to.

He didn't commit himself entirely, but he said, "I think we can go along with that." This morning they are meeting across the hall.

MR. ECCLES: I would think this would meet both Sproul and Williams.

MR. BELL: He talked to Hap this morning. They met at the hotel.

MR. ECCLES: Sproul did?

MR. BELL: Yes, they said they were about the same channel. I haven't seen Al Williams yet.

MR. ECCLES: I had been in hopes that we could get - maybe could do some bank financing the first of April and then put the drive off until May, and in the meantime streamline--

H.M.JR: We can.

MR. ECCLES: What I meant was, if you put the drive off for a month, you would give us enough time, maybe, to get the whole thing set up.

MR. BELL: Can you do it in that time - even if you went to May?

MR. ECCLES: I don't - there is a question on the part of Sproul and the rest of them of getting the man in - to doing all this by that time - that it might press you.

MR. BELL: Hasn't this man got to go through at least one drive?

MR. ECCLES: You have this other thing, too; you have this whole question of voluntary, plus the compulsory savings, in the mill, too. That is another thing. If we knew what Congress was going to do on withholding it would - your financing program is going to have to be influenced, to some extent, on what is done there. Isn't that right?

H.M.JR: Look, Marriner, I didn't want to say anything that would look as though I was conceited, or anything - but the best man that we can get in the United States is going to have to sit around here for a couple of months and learn.

MR. ECCLES: I think he ought to get around the country, too.

H.M.JR: This thing that you and Bell and I aren't salesmen, and can't direct this thing as executives, is cock-eyed. What they really want, you and I know it - Bell - the three of us know it - there is always this thing to try to plant one of the boys in the Treasury and take over. You know that.

MR. ECCLES: Well, I---

H.M.JR: I know.

MR. ECCLES: I know some of them do.

H.M.JR: Here is Collins.

MR. ECCLES: That isn't true outside of some of the banks.

H.M.JR: Here I was amazed - here is Collins, our State administrator for Illinois, who was in here - he signed this thing - he said, "Mr. Morgenthau, what about George Harrison for this?" See?

Now I have been here for the President for ten years, and I had something to do with moving the financial center to Washington and putting it in the hands of the Government. Now, certainly in the last two years I am here, I am not going to sell out to these fellows.

MR. ECCLES: Well, I mentioned that the other day, here, because I had felt an underground wave on it.

H.M.JR: George Harrison or Randolph Burgess or one of these fellows - now I got word yesterday that the General Motors crowd had been saying for the last couple of months that they were going to take this thing over.

MR. BELL: I hadn't heard that.

H.M.JR: Well, you see, on account of Grant being in here, and Bathrick and that crowd being in here, that they were going to do that. Well, nobody is going to take it over as long as I am here. But we need - Bell and I need a couple of good assistants.

MR. ECCLES: Well, you have got, in the banks outside, like those of John Peyton, Chester Davis, Hap Young, and Al Williams, I mean they are not fellows that would want to put a New York banker in this picture.

MR. BELL: No, I don't believe they would.

MR. ECCLES: They have a public point of view and I am sure that they would never like the control of things to go back to Wall Street.

H.M.JR: But Marriner, the sad thing is - I am crazy to see these names when they come in. They are not in yet. When the fellows come in I am going to say to them, "Do you believe in our President" - and I don't mean

the farm credit policy or the foreign credit policy - "Do you believe in the President, and how do you stand on Labor and all the rest of that stuff?" The Labor unions have been grand, and we can't just kick them in the shins.

MR. ECCLES: You can't have some fellow in here whose record is bad or that of his company is bad. Of course, we can't do it because somebody will play it up.

H.M.JR: Look, if this is agreeable to you, what I would like to do is this. These boys across the street - across the room - I don't want to see them until they get together, and I didn't want to move any further until I knew that this kind of thing was agreeable to you. It is all right, is it?

MR. ECCLES: It is all right with me. If this meets the wishes of the presidents, who have got, really - I don't want them to be able to shift responsibility in this thing.

H.M.JR: What?

MR. ECCLES: I don't - if that is agreeable to them, I can't see why it shouldn't be agreeable to me, but I don't want to take a position that is going to relieve them, in any sense, of responsibility.

H.M.JR: No, no, but I didn't want to go - here is one group - I didn't want to go a step further until I heard from you that this - let's call it the Chicago plan - was all right with you.

MR. ECCLES: Yes. Well, it looks all right to me. I can't see any bugs in it.

MR. BELL: It would be fine if everybody can come through with something like that, but the thing that worries me a little bit now, Ohio isn't together. The War Savings Staff side of the picture say that if that is what the Secretary wants, they will gladly go along with it.

MR. ECCLES: How is Fleek?

MR. BELL: He is all right. He says that will work, but they say they can't conscientiously sign the paper because they don't think it will work. They are loyal to the Secretary and had to advise him that they didn't think it would work, but if that is what he wants, they will put their whole heart and soul behind it.

H.M.JR: But I understand the president of the Federal Reserve Bank says O.K.

MR. BELL: Yes, Fleek called Fleming in Florida and he said that was O.K. if they all had agreed to it; but if the Secretary gives a directive along this line to all of the banks and all of the administrators, some will not agree with it. Will they put their heart and soul behind it, or will there be some sabotage going on because they don't like it?

MR. ECCLES: You have to take that chance.

MR.BELL: It will work a hundred percent in some districts and eighty in others.

MR. ECCLES: If this will work in New York, it ought to work most any place.

H.M.JR: If it works in New York, Philadelphia, Chicago, and Cleveland, it has to work in other places. Supposing we hear that one of the districts isn't working - O.K. I am going to get on the plane and go out there myself and straighten it out.

MR. ECCLES: If you give this directive to your State administrator and he doesn't cooperate, he ought to put in his resignation. He either ought to play ball or he ought to get out. After all, a fellow, if he feels strongly enough about a thing that he doesn't want to accept the responsibility, he shouldn't sabotage it, and certainly if he does he ought to be kicked out if he doesn't resign.

MR. BELL: I don't mean in the sense of undermining it, but just not cooperating - just letting the thing ride.

MR. ECCLES: Just letting it take its own--

MR. BELL: If they don't believe in it--

H.M.JR: Well, we will hear about it quick enough.

Well, Marriner, if that is all right with you, I don't want to tie you up any longer than necessary because I am going to need you off and on today and tomorrow. Let me ask you another thing. I would like to keep this in the room. The way I feel, I would like to do some bank financing early in April, and I tell you why. I think all the time that we can gain on account of the war news will be to the good, because this Tunisian thing has got to get worse before it gets better. I think part of the success of our December drive was because we got favorable war news.

MR. ECCLES: I don't know. There are a lot of people that, when they get favorable war news, begin to think, well, the war is getting close to an end, and they are thinking about business as usual; they become less interested in this thing. I still think that a good hard drubbing--

MR. BELL: Pearl Harbor had a wonderful effect on savings bonds.

MR. ECCLES: That is right. I wouldn't be concerned.

H.M.JR: Well, anyway, Hap Young says the more time I give them the better.

MR. ECCLES: You mean instead of starting the drive on the 5th of April you might put it over to a little later date?

MR. BELL: I don't mean in the sense of undermining it, but just not cooperating - just letting the thing ride.

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MR. ECCLES: You mean instead of starting the drive on the 5th of April you might put it over to a little later date?

H.M.JR: I told OWI around the middle of April, tentatively.

MR. ECCLES: Yes, that would be the 12th of April.

MR. BELL: The 12th would be the second Monday.

MR. ECCLES: The 12th or the 19th--

H.M.JR: I would - the way I feel today, I would rather make it the 19th than the 12th.

MR. BELL: That means it goes over a month end. You have to run into May.

H.M.JR: That is all right.

MR. BELL: One thing about going into May, you cross over May 1, where you have got to do a billion and a half certificate offering.

H.M.JR: What is that?

MR. BELL: A billion and a half of certificates mature on May 1, and you have got to do that financing about the 20th of April.

H.M.JR: Maybe we could get ready by the 12th.

MR. ECCLES: I would like to see us - if we finish it up in April that would give three weeks.

MR. BELL: Why don't we plan for a certificate issue on April 1, 2, and 3; that is Thursday, Friday and Saturday.

MR. ECCLES: For the banks?

MR. BELL: Yes. The market needs a certificate; it is really running away with things. It needs a certificate, now, as a matter of fact.

MR. ECCLES: You might even do it a little before the first of April

H.M.JR: The 12th would give us three weeks, and clean it up in April. Why not let's keep talking the 12th, Marriner?

MR. ECCLES: I would think the 12th is all right. I think that ought to give us enough time with this plan.

If you put a certificate out for that for the banks, then to my way of thinking it is a question if you want to give - I doubt if you want to give a certificate in the drive.

MR. BELL: I would like to have a short note - a one and a quarter note.

MR. ECCLES: Yes, because a certificate is competitive with the other issues.

H.M.JR: Six weeks to get ready.

MR. ECCLES: When you offer a certificate to the public it lets people come in and buy a certificate when they ought to buy something else, and it just means a year from now you have that much more maturity. I don't believe - I think a certificate is a money market piece of paper. It isn't an investor's piece of paper.

MR. BELL: But there are a lot of people going into it, because in order to be on a short basis, you can't keep them from it.

MR. ECCLES: You have your two-purpose tax note.

MR. BELL: I am afraid that a certificate is replacing it to a large extent.

MR. ECCLES: It can't help but do it as long as you make the certificate available and use that as part of the drive. I think the certificate belongs pretty largely to the banks, and in the drive I would not like to have the competition of the certificate along with your two-purpose tax note. It may well be that you want a--

MR. BELL: I would rather see them go into the certificate. Virtually you have a demand obligation over on the other side.

MR. ECCLES: Only after six months.

MR. BELL: After six months you give thirty days' notice. A certificate is much better from our standpoint.

MR. ECCLES: If you take your analysis of that two-purpose tax note, practically none of those are being cashed in, except in payment of taxes. You will find that you are selling a very much larger proportion of those certificates than are being cashed in. Practically nothing is being cashed in, as we saw by the analysis, except in the payment of taxes.

MR. BELL: That is right, but they will be cashed in right after the armistice.

MR. ECCLES: So would your certificates be sold if they needed the money. There is this advantage to the two-purpose note, that there is a great big inducement to hold those certificates because the yield is gradually increasing on them, and they are not going to cash them in unless they absolutely need the money.

Now, if they need the money, certainly we want them to have the money to use. There is no point in borrowing money from banks instead of using, well, say,--

MR. BELL: No, let them hold a marketable obligation they can sell to the banks. Well, let them take their choice. I don't want to restrict the issues of certificates of indebtedness. I think we have enough restrictions on our securities now.

MR. ECCLES: Don't restrict it, but just don't offer it during that time. I think that when you offer it on the first of May, you can't say that only banks can take it.

H.M.JR: But we are talking about the first of April.

MR. ECCLES: That is what I meant, the first of April.

MR. BELL: I think probably the certificate should come out of the drive; because if you have one on April 1, you have to have another on May 1. I think you ought to have them on June 1, because you have a billion of maturities in June to meet.

H.M.JR: You want one for the banks on April 1, or for the public?

MR. ECCLES: When you offer it to the banks, it is pretty difficult to say, "You should take no subscriptions from the public."

MR. BELL: No. As a matter of fact, we should go the other way by saying, "We allot in full to everybody else."

MR. ECCLES: Make a public offering of the certificate, letting the banks know, however, that it is primarily their issue, which they would know in any case, instead of filling the subscriptions in full outside of the banks, which we did last time, and have a lot of complaint on it.

H.M.JR: Did we?

MR. ECCLES: Yes, we had a lot of it. I would say that we would offer a certificate of whatever the amount is, and that we would fill the subscriptions up to a hundred thousand in full and would allocate the balance.

Now, what we did last time was to fill the subscriptions in full outside of the banks. The dealers are loaded up now on the certificates. Then the banks only got a fourteen-percent allotment, and they had had a lot of certificates that they owned run off, you see; and when they only got a fourteen-percent allotment, they went out in the market to buy it, and up went the certificate. So, these dealers just made a killing, and the banks were sore as they could be about it, because they said, "It looks like the Treasury is playing the dealer game. Why should we have to go and pay the dealers a premium? Why shouldn't we get them directly without paying a premium to the dealer?"

H.M.JR: Let's think this over. We don't want to load the public up and have them come back a couple of weeks later and say, "We bought them already."

MR. ECCLES: The public wouldn't likely do it. I think what you would find is the dealers would buy some, but I would cut their subscriptions to beat the band, and just tell them in New York to cut them clear down so they wouldn't get the lot.

MR. BELL: If you give everybody the same percentage, it would be all right.

MR. ECCLES: But they might put in very heavy subscriptions. I would cut their subscriptions. I wouldn't even let them put in subscriptions for all they wanted.

MR. BELL: I don't think you would have the same thing in a two-billion dollar cash offering because you had a billion and a half maturing in February. You really only had half a billion in new money.

MR. ECCLES: Of course, you might even offer the certificates to the banks only, have only bank subscriptions.

MR. BELL: No, I wouldn't do that.

MR. ECCLES: That is worth thinking about.

H.M.JR: That is my inclination at the moment.

MR. BELL: I think you would get criticism like "What are you trying to do, just sell to banks now?"

MR. ECCLES: This is a bank offering, because we are going to offer a drive for the public and there would be no bank subscriptions.

H.M.JR: Say we are in need of this money to carry us through--

MR. ECCLES: This is purely for the banks. We don't want other subscriptions, because we have a drive to start on the 12th of April, and we don't - the banks can't take subscriptions during that time.

Say that the drive is going to be made for the public, and banks are going to be out of it. It seems perfectly reasonable to say that this is purely for the banks.

I think it is worth thinking about.

H.M.JR: I would like to think about it.

MR. BELL: What are you going to do with the short-term securities that you put in the drive?

MR. ECCLES: What do you mean?

MR. BELL: Not let the banks subscribe?

MR. ECCLES: No.

MR. BELL: Then they buy them in the market or from the dealers.

MR. ECCLES: I would limit the dealers on that.

MR. BELL: How about an individual?

MR. ECCLES: You would get a certain amount of it; you can't help that. A lot of the banks are going to get them through somebody else. But, if the banks buy the securities offered to them on the first of April, then they are not going to be interested in short securities during the drive, because they will have been taken care of in April.

I think you have to let it be known that some time in May or June you will let the banks come in on the two's, if you offer two's.

MR. BELL: You have to let them in some time. Otherwise, they will buy through individuals.

H.M.JR: Can I stop now? I want to set a time for Sunday. I want to get this organization thing straightened out. As soon as that is straightened out, I want to go into this phase. I don't want to get my mind converted today and tomorrow.

MR. BELL: Are you going to work here tomorrow?

H.M.JR: If necessary. I think it is more comfortable, and we have more rooms here. I am figuring on that.

MR. BELL: I just wanted to know about having secretaries, and so forth.

H.M.JR: We may get finished tonight. If New York is satisfied with everything, we may be able to clean it up. I put my people on notice for tomorrow.

MR. ECCLES: Would you want me tomorrow or late this afternoon sometime?

H.M.JR: Yes.

This is the way I feel - I am dealing with these people step by step. As I get agreement or don't get agreement,

where it affects the Federal Reserve - I want to check with you and have you thoroughly happy.

Now, I don't know when we will get a call. The way I left it is, when these fellows have gotten somewhere they are to give Bell a call, and they will come in here. Then, let's say that if they have an agreement I will ask you to come over or talk to you on the phone and say, "Is this agreeable to you?" Is that all right? Do you like working like that?

MR. ECCLES: That is O.K.

H.M.JR: Want to play some golf this afternoon?

MR. ECCLES: No, I have no gas.

(Mr. Bell left the conference.)

MR. ECCLES: I have an appointment this afternoon.

H.M.JR: What time?

MR. ECCLES: Two o'clock. I can get in touch with you about four. Is that O.K., or should I call you at twelve-thirty or one?

H.M.JR: Yes, either me or Dan, whoever is here. I am going home for lunch today.

(Mr. Bell reentered the conference.)

MR. BELL: We have had no calls yet.

MR. ECCLES: No jams?

MR. BELL: It may not work a hundred percent in one or two districts, but this is a cooperative effort.

MR. ECCLES: I don't think you will have any trouble as far as the Fed is concerned. If you have any trouble it is going to be with the War Savings people, and there is nothing I can do about that.

H.M.JR: I am going to listen today and tomorrow. I have served notice on them - I served notice on Harold Graves last night. I said, "Harold, I am going to listen here for two days. When we get to the end on Sunday night, Bell and I are just going to make up our minds as far as War Savings Staff is concerned."

MR. ECCLES: Dan, I will call you sometime late this afternoon. That will give you a chance to see what the situation is, and possibly you will know by that time whether or not you are going to have a meeting this evening or tomorrow. Is that all right?

MR. BELL: Yes.

February 20, 1943
10:50 a.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Fleek

H.M.JR: I just wanted to checkwhat Mr. Fleming said to you. Who has talked to Fleming?

MR. FLEEK: I have talked to Fleming.

H.M.JR: What did he say?

MR. FLEEK: About the Seventh District memorandum, you mean?

H.M.JR: What did he say about how he would go along?

MR. FLEEK: I read the memorandum which I gave to Mr. Bell.

H.M.JR: This one (indicating Seventh District memorandum)?

MR. FLEEK: No. I have been trying to get him to read the Seventh District one. They are almost identical.

MR. BELL: That is the memorandum of theirs (indicating memorandum signed by Mr. Fleek, copy attached).

H.M.JR: What I want to know is this - can I quote that Fleming is for this?

MR. FLEEK: He and I discussed that before I wrote it.

H.M.JR: Is he for this (indicating Seventh District memorandum)?

MR. FLEEK: They are the same, and I am sure he would be for Mr. Young's memorandum. I am trying to get him so we can be together.

H.M.JR: Where is he?

MR. FLEEK: St. Petersburg.

H.M.JR: You are having trouble getting there?

MR. FLEEK: So far.

(The Secretary read Mr. Fleek's memorandum.)

H.M.JR: They will do this (c), independently?

MR. BELL: They had programs with the retail stores going.

H.M.JR: No, no, that should all be coordinated.

MR. BELL: They have been going just like the payroll savings plans.

H.M.JR: No, I want in each Federal Reserve district an advertising manager who will be under the president of the Federal Reserve, and he will be boss of all the publicity.

MR. FLEEK: Mr. Fleming would certainly like that.

H.M.JR: Just like this thing that popped yesterday on newspapers. Every president of the Federal Reserve has to have an advertising manager in charge of all publicity and promotion.

MR. FLEEK: It has to be, because otherwise there is a very great wastage of effort and confusion.

MR. BELL: This (c) doesn't mean publicity.

MR. FLEEK: No.

MR. BELL: Mr. Secretary, they have a program on selling bonds through radio stations as issuing agents.

H.M.JR: But I don't care. All publicity - I was trying to think of this name - the war something--

MR. BELL: What was the name of this organization that was brought up the other day?

MR. BUFFINGTON: National War Financing Committee.

MR. BELL: That was in what - in some memorandum that we had?

MR. BUFFINGTON: It started in the Thomas memorandum. It was in the Chicago directive.

H.M.JR: I think War Finance Committee is enough.

MR. BUFFINGTON: They just added the "National" to make it a--

H.M.JR: No, but any promotional work will have to come--

MR. BUFFINGTON: He wouldn't object to that.

MR. FLEEK: No. I think, as a matter of fact, that the publicity is covered in another part of the memorandum.

H.M.JR: When it comes to promotion or advertising or radio or anything, it has to come under the advertising manager in the district, who will get his suggestions and so forth from a national advertising manager, here.

MR. BELL: I didn't look upon (c) as an advertising program.

MR. FLEEK: I think that is right. Mr. Fleming will agree.

H.M.JR: They might get every department store in Cleveland to subscribe, say, to a full page during April for the sale of war stamps. Let's just say stamps.

MR. BELL: That isn't what (c) means, though; (c) means these programs you have where a department store becomes an issuing agent.

H.M.JR: But it isn't clear.

MR. BELL: That is what you mean?

MR. FLEEK: Yes.

H.M.JR: They might say, "All right, we will put on a drive to fill up the stamp books in April, and every department store will take a page and say, "Fill your stamp book."

MR. BELL: Look under 4.

H.M.JR: I know, but there are loopholes there.

MR. FLEEK: We can eliminate that. Mr. Fleming will be for it. In fact, Mr. Fleming has given me rather broad authority.

H.M.JR: Of course, 5 pretty well covers the thing.

MR. BUFFINGTON: But you still do want to say that that thing is coordinated, even from the retail store advertising.

H.M.JR: I don't give a damn what the thing is. We have tentatively set April 12; that gives us three weeks.

During this time we will have an executive committee here at the top. For the time being, I will be it - and most likely continue.

Under me we have to have some people, and I certainly will have an advertising manager, and through him all promotion will have to clear. During that month, whatever it is - I don't want anything on the radio that isn't either cleared nationally or in one of the twelve districts, so that we concentrate the thing.

Some fellow might be mean. He might start a campaign to fill the stamp books and tie up all the radios on that thing.

MR. FLEEK: And the newspaper advertising, worth millions of dollars, wasted for a few stamps.

MR. BELL: I agree. I thought that was what was in mind.

MR. FLEEK: I would eliminate (c), there.

H.M.JR: You see what I have got, and I would like to be able to say that Fleming is with me on this thing.

MR. FLEEK: I can assure you he will be, but I shall, of course, be talking with Fleming as soon as I can get a call through.

MR. BELL: You will read the Seventh District memorandum to Fleming?

MR. FLEEK: Yes, that is what I wish to do. I thought that, although ours was much like Mr. Young's, if Matt would say to me - I am sure he will, as we are so close - "Yes, that is fine," then we have two presidents we know are thinking along identical lines. I have no doubt that that will be the case.

H.M.JR: Eccles approved the Chicago District memorandum. He said, "Swell." He has just left here.

MR. BUFFINGTON: Williams and Bendere from Philadelphia are in my office now waiting to see the State people. They haven't come yet. They are here, but have been meeting and haven't been able to see them yet.

MR. BELL: Has Sproul seen his people?

MR. BUFFINGTON: He saw his people at nine o'clock this morning.

MR. BELL: They were supposed to be in the Chart Room.

MR. BUFFINGTON: They were in your office the last time I saw them. Prior to that they had met at the Carlton with Dick Patterson and Nevil Ford and whoever else was here from that district.

Williams and Bendere have been waiting for two hours until these fellows are available to talk to them.

H.M.JR: Who is Williams?

MR. BUFFINGTON: Philadelphia Federal Reserve.

H.M.JR: They are waiting on whom?

MR. BUFFINGTON: The War Savings people.

MR. BELL: They are in conference in other places.

MR. BUFFINGTON: You, I believe, Mr. Secretary, asked Mr. Fleek to get together with Hap Young, Francis Patton, Isbey, Norman Collins, and the two Ohio people yesterday to discuss the Seventh District plan, which he has been unable to do.

H.M.JR: That is not so important.

MR. FLEEK: Our men don't think that anything can be gained by our talking with Hap Young. My skirts are clean, anyhow.

H.M.JR: I don't think that is important - that he see Hap Young, now that he has seen us.

MR. BELL: Who?

H.M.JR: Fleek.

MR. BELL: No.

MR. FLEEK: The Ohio War Savings Staff representatives, in reply to the suggestion that we might get together with the Seventh District, say that they have talked to Mr. Isbey and Mr. Collins, and that I, no doubt, have talked to Mr. Young and Mr. Patton, and therefore there is nothing much to be gained by having a joint meeting with all four or five or six in together.

MR. BELL: You haven't seen those men this morning?

MR. FLEEK: No, I am waiting. I had an appointment with them and was waiting until I got clear with Fleming on the Chicago plan.

H.M.JR: That is all right. You have your call in, and let Bell know if there is any difference. But I take it, from what you have said, that he certainly ought to agree to that.

MR. FLEEK: Absolutely. There will be no question about it. I could agree for Mr. Fleming right now, except I think it would be better to read the memorandum to him.

H.M.JR: Let me ask you a question. Supposing a couple of these State chairmen resign in the Cleveland district. How much will that hamper you in your April drive?

MR. FLEEK: County or State chairmen?

H.M.JR: Anybody.

MR. FLEEK: It won't affect us at all as far as what we are doing. I should hope that the promotion of pay-roll allotments would continue and there would be no difficulty there.

H.M.JR: We can make it continue.

MR. FLEEK: Mr. Trounstine and Mr. Moore both said yesterday when we met with Mr. Bell that they didn't agree with certain phases of the Chicago memorandum, or with mine, but they would be very happy to follow any instructions or directives which you sent out.

H.M.JR: Nobody has threatened to resign yet, but I was just wondering - supposing they did.

MR. FLEEK: I suppose the pay-roll allotment plan is sufficiently organized so you should have someone to head it right up.

H.M.JR: That is the best organized thing we have.

MR. FLEEK: Other than that, it wouldn't worry me. But both Mr. Trounstine and Mr. Moore had not thought of resigning. They want to obey orders.

H.M.JR: I don't think they will.

MR. BELL: They said if the Secretary decided the Seventh District plan was what should be done, they would be glad to cooperate. There would be no difference. They said they had worked with Mr. Fleek and Mr. Fleming and they could continue to do it on good relations.

MR. FLEEK: They told me that -later, as we walked down the hall - that if the Secretary wished that plan to go through, they would be very happy to cooperate with it.

H.M.JR: O.K.

Washington, D. C.,
February 19, 1943.

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Pursuant to your request, representatives of the Ohio War Savings Staff and the Federal Reserve Bank of Cleveland, have twice met and have tried to reach an agreement as to coordination of their respective activities in the April drive. It was found that their difference could not be resolved and that each would submit his own recommendations. The undersigned, as authorized by Mr. M. J. Fleming, President of the Federal Reserve Bank of Cleveland, respectfully submits the following recommendations for the purpose of accomplishing a coordinated and effective effort to produce maximum sales of Government securities in the April drive.

1. The War Savings Staff will continue to function independently in the following:

   (a) Payroll allotment plans and promotion.

   (b) War stamp sales and promotion.

   (c) Other special situations now in operation, such as radio station, department store, and other special issuing agents, except banks and savings and loan associations.

2. The Presidents of the Federal Reserve Banks as representatives as well as fiscal agents of the Secretary of the Treasury will have charge of solicitations for and sale of all Government securities, except in those fields listed above, during the month of April.

3. An over-all quota for the District will be established for an aggregate of all issues, including Series E.

4. Publicity and advertising will be directed to the achievement of the over-all quota.

5. A Directive is to be issued by the Secretary of the Treasury, to all State Administrators of the War Savings Staff, to cover the foregoing and to instruct them to offer the services of their personnel residing in the counties within the boundaries of their district, not engaged in the work set forth in paragraph one, to the Presidents of their respective Federal Reserve Banks; and these Presidents may use them wherever they think best, in collaboration with and through the channels of such State Administrators.

John S. Fleek

February 20, 1943
11:45 a.m.

FINANCING

Present: Mr. Graves
Mr. Gamble

H.M.JR: I have a new name for the selling of Treasury securities for the April drive: "Treasury War Finance Committee." What do you think of it?

MR. GAMBLE: I like it. I think it ought to be the name of our whole operation.

H.M.JR: That is what I mean. It would be.

MR. GAMBLE: I put "War Finance Committee" on my chart.

H.M.JR: That is right. I have added the word "Treasury." They have been trying to use the word "national" and I said I didn't like it.

How are these fellows coming, do you know? Does anybody know what is happening?

MR. GAMBLE: They are meeting and stewing and fretting. I think you have given them a difficult task, Mr. Secretary. I certainly think that it can be solved.

H.M.JR: Well, I got Mr. Eccles - I didn't get him, but he just read that memorandum and he said, "O.K."

MR. GAMBLE: You mean the Chicago one?

H.M.JR: Yes. He was pleased.

MR. GAMBLE: May I comment?

H.M.JR: Sure.

MR. GAMBLE: I am not taking exception to this. I just want to point out to you some of the things that our people who are now studying this, don't like about it, because you told them they should talk to everybody, and they have.

First of all, several of them question the advisability of the appointment of a national sales director until we have a program. Now, you can put that in reverse and say you should have the director before you have a program, but they think we have had too much experience to turn over these two organizations to a single person until we decided on a program, and how they are going to fit into a program.

This is not too serious.

H.M.JR: No, we haven't found a man yet.

MR. GAMBLE: No. This is all on the assumption that the War Savings is going to do this and that and the other. There isn't anything that says the Secretary of the Treasury is going to tell the Victory Fund and War Savings organization that a program has been arrived at for the month of April and that they both shall do thus and so - that says the War Savings is going to do this and that, and isn't going to do something else. There is an assumption there that they are being asked to subordinate their activity to some other group. It is a perfectly natural conclusion, if you study the memorandum. (Indicating Seventh District memorandum)

Now, Isbey and Mr. Young and Mr. Collins will say that isn't our understanding, but we have had too much confusion, if we are going to arrive at an understanding, not to put it all down. That goes on and says further that the War Savings organization should continue their efforts on pay-roll savings, and by inference, says that is all they should do.

I am just pointing out to you how our people have reacted to this, and I agree with them. I think they are right. I haven't analyzed it for them, but they are pretty good at it themselves, as you know from your talks with some of them.

I think that there are certain fundamentals here. I certainly agree that they can work together, even though you don't put them together, if you give them a program to work on. I don't think you will get any opposition on that score from anybody, Mr. Secretary. I think that is the thing that you are reaching for in the final analysis, anyway. But I do think this has put our people in a little bit of a bad spot with respect to making a deal.

If you sent me down town to sell futures on your crops or your apples or something and I came back with an agreement where you were going to do this and that, and do something else, and you would say, "What is this fellow going to do?"--

H.M.JR: Well, it is the way it is written up. I mean, when the thing goes out, I will write the directive, with help.

MR. GAMBLE: For example, it says the War Savings Staff shall continue their pay-roll savings. Now, it says about as plainly as you can say anything, that that is all they are going to continue. Anything else that they do is going to be under the direction of, and for, some other program.

H.M.JR: No, both organizations will come under the Treasury fiscal agent during April.

MR. GAMBLE: Did you read the Ohio - not the memorandum, but did you read the Ohio Victory Fund program?

H.M.JR: Yes, I have it here.

MR. GAMBLE: I don't think anything could be any more plain than this. (Indicating preliminary draft of the Ohio Victory Fund program.)

(Memorandum dated February 19, signed by Mr. Fleek, handed to Mr. Gamble.)

MR. GAMBLE: This isn't the one they submitted to our people.

H.M.JR: This came in this morning.

MR. GAMBLE: They have changed it.

Do you have on your desk Mr. Moore's and Mr.Trounstine's report?

H.M.JR: No.

MR. GAMBLE: They attached to it the one Mr. Fleek submitted to them.

H.M.JR: What about this (indicating Mr. Fleek's memorandum)?

MR. GAMBLE: It isn't the same.

H.M.JR: This is a revised one.

MR. GAMBLE: I know, but that is Mr. Fleek's own, that he revised for you, and not the one Mr. Fleek submitted to Moore and Trounstine.

H.M.JR: Let them see this one (indicating Mr.Fleek's memorandum).

MR. GAMBLE: Mr. Fleek says here, "The Presidents of the Federal Reserve Banks as representatives as well as fiscal agents of the Secretary of the Treasury will have charge of solicitations for and sale of all Government securities, except in those fields listed above, during the month of April."

The one Fleek submitted to Moore and Trounstine said that the Victory Fund Committees, under the presidents of the Federal Reserve Banks, shall have the exclusive--

H.M.JR: That is the one he handed me. Show him that, but give it back to me.

MR. GAMBLE: You see, it is that part which is the thing we have to deal with, and until we can break that up and get these people to start on the same basis we are not going to get them together. That is, I think, where we have had trouble.

I would like for you to see the two of them, just to show you how these things differ. I have a copy of the other one.

H.M.JR: That is the one he said - that is the draft.

MR. GAMBLE: That isn't the one he submitted to them.

H.M.JR: Well, he has changed his mind. I told him I wanted some changes in that. I didn't think it went far enough. They could go - for instance, a department store advertising on its own without clearing - I don't want that.

For instance, they could go ahead with a big campaign, "Fill up your stamp books during the month of April," and just concentrate on that. That won't help much.

Incidentally, tentatively, I have set the date for April 12. It gives us three weeks.

MR. GAMBLE: That is a week later.

H.M.JR: Clean it up in April.

February 20, 1943

Secretary's suggested name of the new organization for the April drive.

Treas. War Finance Committee

February 20, 1943
12:05 p.m.

FINANCING

Present: Mr. Bell
Mr. Sproul
Mr. Hall
Mr. Manning
Mr. Patterson
Mr. Ford

MR. SPROUL: We started out with a memorandum of points which the Victory Fund people and the War Savings Staff people from the Seventh District had agreed on yesterday and which they said they had submitted to you.

We went over that point by point and made only one change of any significance. That was that where it said that the War Savings Staff should lend its people to the Victory Fund Committee, we said that the War Savings Staff through its administrators should head up to the president of the Federal Reserve bank in the district.

H.M.JR: That is what we had in mind.

MR. SPROUL: And we wanted it to be clear that we had in mind there that under your direction, or whoever you put in charge of this whole effort here, the War Savings Staff, consulting with the president of the Federal Reserve bank of the district, would get its final decisions there rather than having them coming through Mr. Graves at Washington for final decisions as to War Savings Staff activities.

H.M.JR: Let me put it the way it is in my mind and see if we are in any way different.

What we are going to do is to set up an executive committee here in Washington. Let's say for the time being that that is my responsibility. It is an executive

committee with full authority. If we wanted something done in the New York Federal Reserve District, the order would go from this committee to the fiscal agent, who is my representative, and he would pass it on to the various State chairmen of the War Savings.

Is that what you have in mind?

MR. SPROUL: And, to be perfectly clear, they would then not come back to Mr. Graves to see whether that was all right?

H.M.JR: No, it would clear through you to this committee and the committee to Mr. Graves.

MR. BELL: And back through the same channels as it went out.

H.M.JR: Isn't that the way?

MR. BELL: That is right.

H.M.JR: Mr. Graves will be on this executive committee, just the way Mr. Buffington will be.

MR. SPROUL: That is up to you here.

H.M.JR: There is no difference.

MR. BELL: That is right.

H.M.JR: I am giving this thing this morning a new name. I am calling it the "Treasury War Finance Committee", here and in each district.

How do you like that for a name?

MR. SPROUL: That is for everything?

H.M.JR: Yes.

MR. SPROUL: That would include the Victory Fund Committee and the War Savings Staff?

H.M.JR: Yes.

MR. SPROUL: It suits me fine.

H.M.JR: In other words, you, as my fiscal agent, would be the chairman of the Treasury War Finance Committee for your Federal Reserve District.

MR. SPROUL: As the Chicago memorandum and ours are drawn up, there is no committee in the district. It is just the chairman in the district, who is the president of the Federal Reserve bank, and he works with the two existing committees for the April drive.

H.M.JR: You would have to have a committee of some kind.

MR. SPROUL: You don't have to have a committee. You would have one man, and he works with these two organizations.

H.M.JR: That is right, but some places they will want a committee.

I am going to call the thing here the "Treasury War Finance Committee."

For instance, if an ad appears in the district I would like it signed "Treasury War Finance Committee."

MR. SPROUL: You may run into something there because of these memoranda - the Chicago one and ours - as we say that for the April campaign the identity of the two groups should be retained, that is, the War Savings and Victory Fund Committee.

Now, that is put in there more at the request of the War Savings people than it is of the Victory Fund Committee people, I think, but nevertheless we agreed to it.

H.M.JR: Yes, but this is something which I have evolved this morning. If you have an advertisement, you see, for this basket of securities, my thought was to say neither Victory Fund or War Savings Bonds, but it would be "Treasury War Finance Committee."

(Mr. Patterson and Mr. Ford entered the conference.)

MR. HALL: Mr. Secretary, this is just a suggestion. We have all thought about this a great deal. I don't want to in any way superimpose any idea, but have you thought of the word "National"?

H.M.JR: I don't like it. I don't like the "National Democratic Committee" or the "National Republican Committee." I don't like it. I like the word "Treasury" because that is what it is. If it were not "Treasury", then I would rather use the words "American" or "United States."

MR. HALL: I think that is a good name - "United States Treasury War Finance Committee." I agree with that.

H.M.JR: "United States" or "American", or something, but I don't like the word "National."

MR. HALL: I think "United States" in there is good. I think that "United States Treasury Finance Committee" is an excellent name.

H.M.JR: But that is a very secondary thing. They were talking to me about buttons, and so forth, this morning. We can talk about those things afterwards, if we get everything else together.

Before we get started, how did that meeting of yours with your Congressmen go the other night?

MR. PATTERSON: Mr. Secretary, my colleagues and I agreed that we got excellent results. We had twenty-one

Congressmen there. We had thirty-four acceptances two hours before the dinner, and twenty-one came. At the last minute the Ways and Means Committee was called. Seven were out of town, and five were sick.

Congressman Taber was there, and Ham Fish. When the mention was made of compulsory savings, they rose, almost unanimously, and said, literally, "We don't understand what you mean. Nobody in the Congress has raised the question of compulsory savings. That has only come from the Treasury."

H.M.JR: They had better read Senator George's statements.

MR. PATTERSON: We disabused their mind of that, and they were unanimous in feeling that the voluntary system was the only system, with the exception of Congressman Andrew Somers. He said, "We are going to have forced savings in due time, but I believe in trying a voluntary system out for the moment."

We talked twenty minutes ourselves and wanted to stop, but they questioned us for nearly an hour.

We were delighted with the results, Mr. Secretary.

H.M.JR: I appreciate very much your doing it.

MR. FORD: In fact, they suggested we do it again, Mr. Secretary. They seemed to like it.

(The New York memorandum handed to the Secretary by Mr. Patterson, copy attached.)

H.M.JR: (Reading) "The following suggestions, in order to be helpful, are offered to the Secretary of the Treasury:

"1. We believe that time does not permit, prior to April 1, to consolidate or merge the War Savings organization and Victory Fund Committees.

"2. Prompt appointment of National Sales Director responsible to the Secretary of the Treasury."

Incidentally, I asked Harold Thomas last Friday, a week ago, to give me a list, and I haven't gotten it. This morning I had somebody call him up on the phone, and I got it over the phone this morning.

So they have this whole Advertising Council at their disposal, and it takes them eight days to come through, and I am supposed to do it in one day.

(Reading) "3. War Savings Organization should continue their efforts on Payroll Savings plans.

"4. A Directive be issued by the Secretary of the Treasury to each State Administrator of War Savings organization to offer to the President of each Federal Reserve Bank the services of the Administrator. He will direct his own staff under direction of Federal Reserve President for the month of April only."

MR. SPROUL: That is the difference from the Chicago memorandum. They said that the Victory Fund Committee, or, the president of the Federal Reserve bank, should take over the staff from the War Savings organization. We have said that the administrator should offer his services and the president of the Federal Reserve bank should use the services of the War Savings Staff through the administrator.

MR. BELL: I think they meant the same thing.

H.M.JR: When you say "the services of the Administrator" you mean also his organization?

MR. SPROUL: That is right, but working through the administrator.

H.M.JR: But you mean the services of the administrator and his organization?

MR. SPROUL: Yes.

H.M.JR: (Continuing reading)

"5. That over-all quota be established for month of April and both organizations to sell all bonds offered.

"6. The objective of all advertising should be the obtainment of over-all quota."

MR. PATTERSON: That is exclusive of pay-roll savings, the stamp booths, and so on.

MR. FORD: The thought is to preserve the esprit de corps of the War Savings Staff. They take great pride in it, and it holds them together as a unit.

MR. SPROUL: We did not like that word "obtainment" in there.

H.M.JR: What I want is to have the president of the Federal Reserve bank engage the services of an advertising manager who will be responsible for all promotion in the district. It all has to clear through one man, just the way we will have one man here.

MR. SPROUL: There again, we have a man, but I should say we would work through the administrator to see that all of our advertising was coordinated for the April campaign.

Isn't that your understanding?

MR. FORD: I should think so, Allan.

We have this publicity and promotion division which is all set up, Mr. Secretary. Our thought was just to make use of that.

H.M.JR: Fine. That is just the same as we will do here, make use of Callahan and his organization. We

are not going to build another one. But there has to be somebody who is going to coordinate the thing in the district.

MR. SPROUL: We start right in at the beginning and raise some question with you about this March campaign of yours which is announced in the papers now.

MR. FORD: That is not a campaign.

H.M.JR: I have already raised the point through Graves.

MR. FORD: That is this group of newspaper people who are going to obtain space to be devoted to any purpose which we want to put it.

MR. SPROUL: We can work it out with you for the April drive.

MR. FORD: That is just a guarantee of so much space each week of the year in the New York papers, to be devoted to any advertisement of any type we want.

H.M.JR: I think there will have to be somebody - Mr. Smith or Mr. Jones - in the twelve Federal Reserve districts, who will be advertising manager for the district. He may already be in your organizations. If we want to send stuff from here we have to know where to send it.

MR. HALL: We have that kind of a man and you (Patterson) have the organization, and we can dovetail the two.

MR. PATTERSON: We have been doing this for a year and a half, Mr. Secretary.

MR. SPROUL: There again, the president of the Federal Reserve bank would finally decide in the district how that was to be done?

H.M.JR: Definitely. I said that the other day.

(Continuing reading)

"7. Such Directive should not be issued until the State Administrators have had sufficient time to contact and inform their organization of the contemplated action for the April drive."

That is all right. I take it you want a couple of days, is that it?

MR. FORD: Mr. Secretary, I think it would be possible to have meetings - we have them every Thursday of all our chairmen.

H.M.JR: Won't you want a directive from me at that time in your hands?

MR. FORD: Very glad to have it, or we could just explain it to them.

MR. SPROUL: This is their baby. I think they don't want it in the press before they tell their people.

H.M.JR: I am in no hurry about getting it in the press, but I think it should be drafted here and then distributed through the Federal Reserve presidents in each district.

MR. BELL: There are about forty other State administrators and eight Federal Reserve presidents who know nothing about this conference.

H.M.JR: That is right.

MR. BELL: So they have to be advised in order to advise their people.

MR. FORD: My point was that if you will advise us and let us carry the news to our people - and that equally applies to all the administrators.

H.M.JR: We have always done that way, haven't we?

MR. PATTERSON: You have always sent me a telegram, Mr. Secretary, and I in turn have advised Mr. Ford, as the general manager.

H.M.JR: Haven't we always done it that way?

MR. PATTERSON: Yes, sir, and I assume it will be done that way in this case.

MR. SPROUL: Sometimes things have gotten in the press before they were known to the organization, and that is what I think he wanted to avoid.

MR. FORD: Yes, if possible.

H.M.JR: (Continuing reading)

"8. War Savings organization and Victory Fund Committees shall maintain their identities."

That is all right for April.

(Continuing reading)

"9. All publicity should make it clear that this is a joint effort of the two organizations."

That is a thing I would like you to think over. I would like to use the name for all publicity for this drive - I suggested "Treasury War Finance Committee" or "United States Treasury War Finance Committee." Any publicity for this drive would appear over that name.

MR. MANNING: Don't you think that might be confusing to the War Savings Staff people?

H.M.JR: Let's think of the public. Let's think of our consumers.

This is not something which has settled over this week end, but I was just thinking about it. I want to avoid in the minds of the public - they may one day see a War Savings ad, and then the next day they might see something by the Victory Fund, and the third day they might see something - if these fellows got soft-hearted - by the Federal Reserve Bank of New York. (Laughter)

MR. SPROUL: They won't see that. (Laughter)

MR. BELL: I think that is pretty definitely settled.

H.M.JR: So there is a possibility of three different things. I thought that all the advertising during the drive would be "Treasury" or "United States Treasury War Finance Committee."

Now, in the minds of the public what does that mean?

MR. FORD: My off-hand reaction, Mr. Secretary, would be that that might tend to confuse them further because then there would be three names.

H.M.JR: This would be the ultimate name.

MR. FORD: That was my point. If it is going to be done, why not do it?

H.M.JR: This would be the ultimate.

MR. HALL: I think it is a good idea myself, off-hand. I like it.

MR. SPROUL: I think if you are going to have such an ultimate name eventually but are going to try to preserve the identity of these two organizations for this one drive, which is the way I see this, then you could throw in "United States Treasury War Finance" and then "War Savings Staff-Victory Fund Committee."

That would be for the April drive, and then for the next drive you would drop out those two and just have "United States Treasury War Finance Committee."

H.M.JR: I will get our publicity people working on it. We could set up some things and send them out in the field and let you take a look at them.

MR. BELL: I would write underneath, "War Savings Staff-Victory Fund Committee."

MR. SPROUL: And the next time drop those two out, and it would be just "United States Treasury War Finance Committee."

H.M.JR: This is a very happy thought. I haven't tried that on anybody yet.

I would say, off-hand, that this is about ninety percent O.K. (indicating New York memorandum).

Before you go I would like, if you don't mind, to have you put your names on it.

MR. FORD: I have just this one question, Mr. Secretary, and I am not raising it because I have any feelings but just so we will be clear.

If Allan and Dick and I agree on doing something, does that stick or will somebody down here have to approve it?

MR. SPROUL: I raised that.

MR. FORD: How about the converse? Supposing Allan got an idea he thought was pretty good and Dick and I did not think so favorably of it, then who prevails?

H.M.JR: After when?

MR. FORD: During April when we are moving forward under this plan here.

H.M.JR: Let me put it this way. When we get under way there has to be a boss, and let's say it is going to be the president of the Federal Reserve bank. Supposing you are very unhappy. After all, all orders are just worth the paper they are written on. You say, "Look here, Sproul, you are human and we are human, and we are not satisfied. We would like to go down on the train and see Mr. Morgenthau."

MR. SPROUL: I say it is all right if you see Mr. Morgenthau, but I don't want you coming down or telephoning Harold Graves. Don't go that way.

MR. HALL: Or Buffington.

MR. SPROUL: Mr. Morgenthau or Mr. Bell; you go to see them.

H.M.JR: Or Mr. "X" when we get him.

MR. SPROUL: That is right.

MR. BELL: You have to see the policy-making people.

MR. PATTERSON: We could relieve the Secretary, Allan and Perry and Nevil, and go right to Danny.

MR. SPROUL: The Secretary says himself, Mr. Bell, or Mr. "X" when he is appointed.

H.M.JR: Does that answer your question?

MR. FORD: Yes, it does, thank you.

H.M.JR: For two weeks I have done nothing, practically, but this. I am going to continue to do this thing until I think it is launched; and until I find somebody, I still have to give the major portion of my time to it because it is my major responsibility.

As I said the other day, when it goes wrong I am the guy that gets it. I can say, "Well, I picked this

marvelous man, who is this world wonder, who is going to have all the answers" and when it gets all through and done it is me. It is Donald Nelson who has to take it on the chin as between Eberstadt and Wilson, and he did, right or wrong. I could bring in a Wilson or an Eberstadt, and when it is all through it is me.

So I can't just wash my hands of this thing, and I don't intend to. I don't think it is wholly immodest to say that so far we have had a succession of successes.

But we want to strengthen our manpower. So we will have a committee, and I will continue to take a very active part in the thing. I have got to. That is my principal job.

I get a little distracted by the Chairman of the Board of the Federal Reserve of New York, and that takes up a little time, but that is all right. (Laughter)

MR. SPROUL: I have been interested to notice they always put that in the publicity. (Laughter)

H.M.JR: Oh, boy, that is always in there.

But I can't duck it, and I don't want to duck it. The President holds me responsible, and I am responsible to get it.

But supposing a district was very unhappy. Let's say that Mr. Day of San Francisco was unhappy. I would get in a plane and go out there between now and the twelfth of April when we hope to start this thing. I have got to.

But somebody might not like the stationery, or somebody might not like this or that. I don't expect to settle those things. Dan is my right arm and is here to help. When we get the other fellow, he is going to help the two of us. We will shove just as much on him and as fast as he can take it. That is the way we feel.

At this level making policy we will have Harold Graves and some of his group, and we will have Buffington and some of his group, and we will meet just as often as is necessary. We will give you all the support and a minimum of annoyance.

MR. MANNING: We can't ask for more than that.

H.M.JR: Mr. Bell, I have said a lot. What have you got to say?

MR. BELL: I haven't anything to say. I think this will work, and I think these problems will largely resolve themselves right in the districts. The only thing you will have to decide, it seems to me, in this local advertising, is as to whether or not it conflicts with something that comes out of Washington as a national matter. Anything decided here from a national standpoint will have to follow into the local. Otherwise, I think most of the problems will be settled between you gentlemen.

MR. PATTERSON: Danny and Mr. Secretary, I think it is a question in all these districts of personalities - of men.

Now, if Allan, heading up his end of it, and if Patterson, being the responsible voice in New York, just get together from time to time, we will be relieved of all these things. But if Allan Sproul is going to start giving me orders or if I am going to start telling him what to do in a belligerent attitude, we won't get across the street.

I will go to his office; he doesn't need to go to my office.

MR. SPROUL: When you say if "Sproul is going to start giving me orders", of course I am not going to start giving you orders and getting tough. But, on the other hand, the Secretary has said that the president

of the Federal Reserve bank is the man he is going to look to to be responsible in the district.

H.M.JR: That is right.

MR. PATTERSON: I was generalizing on personalities all over the country.

H.M.JR: Supposing things don't go right - I told Sproul this the other day - I said, "Supposing somebody gets extra tough and you have personalities - I will come up to New York and I will take the brunt of it."

Didn't I tell you that? And I expect to do that.

MR. SPROUL: That is right.

H.M.JR: I am on tap. If you have a personality situation which is very difficult, I will come up to New York. I will sit there; I will assist you. That is all you can ask for.

MR. SPROUL: That is all right, but I should hope you would never have to come.

H.M.JR: I hope so, too.

MR. HALL: Glad to see you there any time. (Laughter)

MR. SPROUL: He is a diplomat. (Laughter)

H.M.JR: I don't know whether that is an insult or a compliment. I take it as a compliment.

MR. HALL: The second time I met you was at the bank, and it was a privilege.

If you (Patterson) can't get along with Allan Sproul there is something the matter with you. That is not meant to be sarcasm, but you are just building up trouble or thinking about it when it isn't ever going to happen. He doesn't deal that way.

MR. PATTERSON: I think you have taken the wrong attitude. Now, Nevil, it is your turn to say that if they can't get along with Dick Patterson it is their fault. (Laughter)

MR. HALL: And then I think the meeting is over. (Laughter)

MR. FORD: Then we would have a lot of fun. (Laughter)

MR. PATTERSON: Perry missed the point. I was generalizing over the United States - that personalities is ninety-five percent of the problem.

H.M.JR: Dick, it is a little bit more than that, if you don't mind my interrupting.

I said here yesterday - I got a little excited because some of the boys didn't want to go along. They are worried about the War Savings Staff.

This fellow is the State chairman, and I said to him, "Now, these people aren't working for you; they are not working for me as an individual. They want to help win this war. I can't deliver the War Savings Staff; I can't deliver the Victory Fund Committee. But I can make an appeal to individual men and women to help me sell securities because they want to help win the war."

You (Patterson) can't deliver your volunteer organization, and you (Sproul) can't deliver yours.

MR. HALL: They can deliver it to the Treasury - the Government.

H.M.JR: If they feel that this is something that they want to do to help win the war. They don't give a darn about Allan Sproul or me or Dick Patterson. The man or the woman wants to do something to help win the war.

MR. HALL: You are dead right.

H.M.JR: On that basis, if this appeal is made - the way it has been before - that we have a job, and so forth and so on, I think it can be done.

There will be trouble and friction and misunderstandings, and of course some people's feelings will get hurt, and so forth and so on, but the upshot of it is I think it is going to work.

MR. FORD: Mr. Secretary, this is a bit of detail and not the place to discuss it, but there is a question of budgets. We are set up separately and if we get together on a general advertising campaign how are we to handle that? Have you any thoughts on that?

H.M.JR: You people aren't paying for any advertising.

MR. FORD: No, but the employment of people for an advertising department, and that sort of thing.

H.M.JR: I think you will just have to work it out. They have got a budget, and we have, and we will just have to work the thing out, that is all. The Fed has been grand. When we didn't have any money they went ahead and put the money on the line and said that when we got it we could refund it. I don't know whether we have or not.

MR. BELL: No, we haven't, but they work all the time on a reimbursable basis.

H.M.JR: They went ahead and laid out a million and a half dollars, wasn't it?

MR. SPROUL: A hundred and fifty thousand dollars.

H.M.JR: I am sorry - a hundred and fifty thousand dollars. They didn't know whether they were going to get it.

MR. SPROUL: We still don't know, and we still are satisfied.

H.M.JR: So on that end they are pretty good partners. But an old-line department is good. We have budget offices and the rest of the stuff.

MR. BELL: We will have to work that out.

H.M.JR: We haven't gotten that far.

I showed Mr. Eccles the memorandum this morning from Chicago, and he was delighted. The only comment he made was, "Now be sure there is plenty of authority on the president of the Federal Reserve bank." I think he would be satisfied on that issue. So if he was satisfied with that, he will be satisfied with this.

MR. SPROUL: He came in to see us, but we had not gotten down to the point of agreement. I think he would be satisfied with this, though. Certainly he would be if he were satisfied with the Chicago.

MR. BELL: He said he didn't want the presidents ducking any responsibility.

H.M.JR: I don't see why these fellows can't go home.

New York

February 20, 1943

MEMORANDUM FOR THE SECRETARY:

The following suggestions, in order to be helpful, are offered to the Secretary of the Treasury:

1. We believe that time does not permit, prior to April 1, to consolidate or merge the War Savings organization and Victory Fund Committees.

2. Prompt appointment of National Sales Director responsible to the Secretary of the Treasury.

3. War Savings Organization should continue their efforts on Payroll Savings plans

4. A Directive be issued by the Secretary of the Treasury to each State Administrator of War Savings organization to offer to the President of each Federal Reserve Bank the services of the Administrator. He will direct his own staff under direction of Federal Reserve President for the month of April only.

5. That over-all quota be established for month of April and both organizations to sell all bonds offered.

6. The objective of all advertising should be the obtainment of over-all quota.

7. Such Directive should not be issued until the State Administrators have had sufficient time to contact and inform their organization of the contemplated action for the April Drive.

8. War Savings organization and Victory Fund Committees shall maintain their identities.

9. All publicity should make it clear that this is a joint effort of the two organizations.

Allen Sproul
Walter S. Gifford
Jerry Hall
Nat'l Bank

February 20, 1943
3:40 p.m.

FINANCING

Present: Mr. Bell
Mr. Williams
Mr. Bendere
Mr. Ross
Mr. Ludlow

H.M.JR: All right, gentlemen.

MR. WILLIAMS: As I told Dan Bell, we started with the Chicago memorandum. We went through it point by point, and then put it aside as something that was unnecessary in our area.

We felt that no acute problems had arisen during December, and we anticipated none in April; that there was a will to cooperate, and that it was unnecessary to enter into a formal agreement. We felt that there was a very heavy job to be done and the only way it could be done successfully was for us to collaborate and that we could call our organizations together at the county level and down below that and tell them what the problem was - your desire to have the two integrate their efforts.

We felt that out of that would come as good a result as we could expect, and to go on a more formal basis would be to give the appearance of friction where it did not exist; would be perhaps to give status to one organization, putting it before the other, and that would cause as much trouble, or more trouble, than it would allay.

We would like to proceed on that basis.

H.M.JR: Well, I don't think, gentlemen, it is good enough, because I am afraid that I can't get the results I want.

We have seen these several other groups, and I think we are just going to have to ask you all - those of you who are interested in helping finance the war - from now until the April drive is over, to make available to the president of the Federal Reserve Bank as my fiscal agent, the various groups and facilities that you have. Then after this April drive is over, we will take another look at it.

I have listened now to a lot of people. The President holds me responsible for raising the money, and I am going to raise it without worrying him.

So, come Monday, Mr. Bell and I will get together and we will draw up some kind of an order, a directive, or whatever you want to call it. We plan to send it to the presidents of the banks and to the forty-eight War Savings organizations so that they can look at it. We will give them all a chance to make some corrections if they want to, which would ease the situation.

But I have listened now to a lot of people, and the way it stacks up is this: We will have a little executive committee here at this end, and we will decide on what the national policy is, and we will send out our directives to my twelve agents. Then I expect them to see that they are carried out in the field. Then we will contact the State chairman of the War Savings committee and tell him what is wanted and work it out with him in the field.

Then, during this drive, the communications from the Treasury to the field on everything other than payroll savings would be through the fiscal agents of the Treasury, who are the presidents of the Federal Reserve Banks.

MR. WILLIAMS: That will result in no difficulty in our area because when such communications come from you, I shall immediately get in touch with Mr. Ludlow for Pennsylvania - at least, for two-thirds of it -

and Mr. Ross in Delaware, and I think our capacity to work together is not going to interfere with the result.

MR. LUDLOW: No question of that.

H.M.JR: Now, after all, I know I am very unimportant - I just have a job here - and I know when you get down to the State line, the people want to help win this war and are interested in giving their services to winning the war. Names don't mean anything to them. They are interested in helping their Government, or they are not, and a rose by any other name, smells just as sweet.

What I am interested in has been in getting everybody I can in one of these organizations now, or who has helped the Red Cross, the Women's Volunteer organization - whatever it is - to help us go out and sell these fifteen billion dollars' worth of securities in three weeks. We want to try to sell everybody that has the money at least one security. In order to do that during this drive, we have just got to get together, that is all there is to it.

MR. WILLIAMS: Do you think I have made an accurate statement?

MR. LUDLOW: You have stated it quite accurately. I am not quite sure that the result of the Secretary's statement will let us proceed.

I mean we had a job, Mr. Secretary, down on the level of the people who are doing the whole job, until December; then you gave us the order, you recall, dividing the work between Victory Fund and the War Savings Committees. It is a matter of trying to keep everybody at home satisfied and enthusiastic.

The way Dr. Williams and I have worked it out, we think that when the communication comes to the Third District, so far as Pennsylvania and Delaware are concerned, that we will go to it and do the job. But if

the word goes down into the district - and we will do it under him - but if the word goes down into the district that the Victory Fund Committee is over the other committee, then we will be in trouble.

H.M.JR: They are not.

MR. LUDLOW: If we can keep that clear, and if any publicity that goes out keeps that clear, we are all right.

H.M.JR: They are not. I have a new name. I am going to call this the "Treasury War Finance Committee," as far as Washington is concerned. It is the "Treasury War Finance Committee" and this man - seventy-five percent of your time now is on fiscal agency stuff for the Treasury?

MR. WILLIAMS: Yes.

H.M.JR: I don't know whether you know that relationship, but as the fiscal agent of the Treasury, he is directly responsible to the Secretary of the Treasury, and seventy-five percent of his time is devoted to that, now.

MR. LUDLOW: I don't know the percentage, but I thought it was even larger.

H.M.JR: Isn't it?

MR. WILLIAMS: Yes, fully that.

H.M.JR: We will get ninety-nine percent of his time, now; and he isn't going to ask you to do something as chairman of the Victory Fund Committee. He is going to do it as a personal representative of the Secretary of the Treasury in the Philadelphia district.

Now, I have looked all around. Where can I get somebody - somebody to represent me, who has the connections, and all the rest of that stuff. We have all this relationship established.

MR. WILLIAMS: Twenty-five years of it.

H.M.JR: There it is, and here is a man who is devoting seventy-five percent of his time now to the United States Treasury, and when he calls on you he is going to call on you in that capacity.

MR. LUDLOW: I am not concerned about his calling on me. I am concerned about the thousands of workers whose absolute good will and cooperation we want in April.

H.M.JR: But they won't know that - they won't know he exists. He is not going to come and address meetings. He is going to let you do that.

After all, whether you get a wire directly from me, or whether you get a wire directly from Philadelphia, or are asked to come in to Philadelphia and talk things over, or if he drops over to your office, or whether you are asked to come down here - the country is too big - we have got to divide it up into twelve sections for this drive. I can't do it. I mean, there isn't any national sales organization but what has district officers and district managers if they are good.

MR. BENDERE: Our main approach to relationship is that between the War Savings and the Victory Fund, and it has been almost a hundred percent in the whole area. We have had no controversies.

H.M.JR: The whole point is this: I want everybody in both organizations selling everything in this drive.

MR. ROSS: That is precisely what we agreed to do.

MR. LUDLOW: We feel it is the only way to do it.

H.M.JR: I want you to sell everything.

MR. ROSS: That is what we agreed to.

H.M.JR: Leave the pay-roll savings plan by itself. Leave it alone. It is doing all right. But these securities which we make available, we hope on the 12th of April, for three weeks, will be made available to everybody.

MR. LUDLOW: And in the meantime, from now until then, we go on as we are going?

H.M.JR: Yes, but with this exception. I don't want anything out of the ordinary started. In other words, I don't want any big drives started between now and the 12th of April.

MR. LUDLOW: Just keep up the pace.

H.M.JR: Just keep up the pace. I don't want any big drives started. Do just the steady pressure, but nothing out of the way.

MR. LUDLOW: That would steal from the other, you are perfectly right, but we do want to keep up the pace because we have hit it, and want to keep it going.

H.M.JR: Yes. On the publicity there has got to be somebody in the district who is sort of publicity manager. I don't know who the person is.

MR. BENDERE: We have a publicity director now in the Victory Fund in our district.

H.M.JR: In New York - the way they are talking, they thought they would use the New York War Savings publicity staff because that seems to be much bigger, but that is something which I won't attempt to settle from here. Mr. Williams and you gentlemen would have to settle it - who has the best, you see.

What I don't want is what happened last time - two full-page ads, one for E Bonds, one page, and on the other page the Victory Fund. We can't have that.

MR. BENDERE: It just adds to the confusion in the public mind.

H.M.JR: The suggestion this morning that was made, which we can see about, was that we have all of the ads - for instance, this was the suggestion made - signed "Treasury War Finance Committee" and underneath that, "War Savings Committee - Victory Fund Committee." Then, looking forward, if that is successful and we get that name established, the next time we will drop the others and just call it "United States Treasury War Finance Committee."

How does that sound?

MR. WILLIAMS: Fine.

MR. LUDLOW: I suppose at the end of April we will cross that other bridge when we come to it.

H.M.JR: We have learned our lesson by hard knocks.

MR. LUDLOW: Of course, your periodical drives coming every three or four months, which you must have for these big sums, will be handled one way, but we don't want to lose the roll-up we have been getting on this intermediate stuff, which is very important.

H.M.JR: That is true, but let's say that somebody came today and said, "We can name a battleship 'The Philadelphia' or 'The Camden' or 'The Trenton' or something like that - let's start it," then I would try to do it during the last three weeks of April. I mean, I wouldn't start something like that now.

MR. LUDLOW: We can get ready to do it at that time as a part of the big show.

H.M.JR: That is right. I have postponed the thing until the 12th to give you all the time possible - all the time necessary to do this thing.

But, as I say, if somebody comes along and says that he can name a destroyer or an aircraft carrier, I would take the money in in the last part of April.

MR. WILLIAMS: We would expect to begin almost immediately to call the chairmen from the field - there are some sixty counties in our district - and effect a working relationship at the county level between these two organizations.

It was our conviction this morning that in Pennsylvania we would have no difficulty, and in Delaware they have had throughout, in effect, one organization.

MR. BENDERE: We are practically tied together in Delaware.

MR. ROSS: The Victory Fund and the War Savings Staff.

H.M.JR: And I also said in talking to these people that I don't expect each district will do it in the same way. In New York, each bank had a campaign committee and the fifteen banks competed with each other. Well, it worked very well in New York. I don't think they did it anywhere else, as far as I know.

So I mean the Philadelphia district might get something unique which is good, and Cleveland may have something else, and each one can profit from the others. But I don't expect to say that every district has to have a committee of each bank - each bank competing with each other, the way they did in New York.

In other words, we leave it more or less to the district, and when Mr. Williams gets stumped, we are here. We will have suggestions to make to him. If something goes very radically wrong, I can jump on the train and be there in a couple of hours and meet with your group. If something goes wrong, I am available, and I can come up there and sit down. I want you to know I am available if it gets bad enough. I hope it won't.

MR. WILLIAMS: I wouldn't expect it to. Ben, I think that is a workable arrangement, don't you?

MR. LUDLOW: I almost suspect the Secretary of having listened to our session this morning, because he states in his own way what we said was the thing to do. Don't you think so?

MR. WILLIAMS: Yes.

MR. LUDLOW: In publicity, Mr. Secretary, whatever is done should give the impression that you set forth a minute ago, that under this new name here are these two organizations working as part of it so that neither one, down in the home county - the little locality - feels it is being overridden by the other. It is a matter of tact in getting the greatest support from our workers.

H.M.JR: How do you like the name "United States Treasury War Finance Committee"?

MR. LUDLOW: That is a good name.

MR. WILLIAMS: Yes.

MR. LUDLOW: You will preserve, certainly during April, these other two names so that if they do fade out, they fade out gracefully.

H.M.JR: They will both be there underneath, but if we have advertisements, they will be under that name and put both the names underneath. The same way, if Lucky Strike is trying to change its package, it tries to do it gradually. It was "Lucky Strike green has gone to war" and that didn't work.

MR. WILLIAMS: They overdid it.

H.M.JR: So they have got to do something else.

What do you gentlemen think? You have been very quiet.

MR. ROSS: I think it makes perfect sense. I told Mr. Williams that in our State we are so small and we are limited in the talent that we have available, so we have had to have an interlocking organization.

We were meeting here in December when they were airing their troubles about the friction, and when it came my turn to make my report, I was a little ashamed because we had no friction to air - or embarrassed. (Laughter)

MR. WILLIAMS: I think we can go back and go to work on this basis.

H.M.JR: I think you can go back and go to work, and Monday night we will get off wires to the fiscal agents and to each of the War Bond people and give them a couple of days to look at it, make suggestions, and give them a chance to talk to their people.

MR. WILLIAMS: Yes.

MR. BELL: Each of these organizations, Mr. Secretary, has such good relations with the workers in their specific organizations that they are a little bit disturbed that there might grow out of this the impression, all the way along the line, that there is a conflict where there isn't any. I think we have got to draw our telegrams rather carefully, putting it on the basis that here is a big job to be done and we need all the help we can get and that you are asking these administrators to help out the president of the Federal Reserve Bank in this drive.

H.M.JR: Most of the conflict - the competition - seems to be here in Washington. That is why I wanted to see you people by districts - and competition is good, that is all right.

MR. LUDLOW: We came as friends and we are leaving the same way.

H.M.JR: Thank you.

February 20, 1943
4:05 p.m.

FINANCING

Present: Mr. Bell
Mr. Graves
Mr. Gamble
Mr. Isbey
Mr. Trounstine
Mr. Moore
Mr. Collins

(Memorandum dated February 20, 1943 handed to the Secretary, copy attached.)

MR. GAMBLE: We think, Mr. Secretary, that this plan meets every request you have made. We think in addition, it solves the things that we have been fighting about or scrapping about. We think it keeps the self-respect of the War Savings organization and makes it possible for you to get full cooperation from it, not only at the local level, but at the national level as well.

It won't take but a minute to read it; and as long as Mr. Moore and Mr. Trounstine are the authors of it, I think I will ask Mr. Moore to read it to you.

Mr. Bell has heard it.

H.M.JR: Have you?

MR. BELL: Just before I came in here.

MR. MOORE: I talked with Fleek, and he said that he was in agreement in principle, but he couldn't sign it because he had already cleared his. This first part is rather outdated now because Fleek hasn't signed it.

(The memorandum was read by Mr. Moore.)

MR. MOORE: If I might add, Mr. Secretary, our thinking on that is that in such an agreement, which, I think, Mr. Fleek accepts - he said that we could say to you that he is in agreement with this, but that he would not sign it because of the lack of authorization from Mr. Fleming - this does not recognize any confusion or conflict.

It does not attempt to particularize or to state anything that is subject to interpretation. It leaves everything for this big operation strictly in the hands of your own fiscal agent, and no one can refuse to accept that. There can be no quarrel with the imperative necessity for this drive.

H.M.JR: Where is this different from what we have been talking about?

MR. GRAVES: The thing that you have been talking about did not touch, for example, the local community organizations at all. It simply dealt with the thing at the top - the management. Nothing was said in this Chicago memorandum about what you would do with the people that are actually going to do the work on this job. Nothing was said about what your county organizations would do. It talked only about the head men at the top of the organization. This adds to the thing down at the operating level, which is a very necessary thing.

H.M.JR: I don't understand it.

MR. BELL: Of course, the other, I take it, tried to get around the statements that you have all made that you can't deliver to the presidents of the Federal Reserve Banks your organizations because they are voluntary. That was the reason for leaving it that way, as I understood it.

You said that the administrator will cooperate and work with the president of the Federal Reserve Bank as fiscal agent of the Treasury, meaning that his organization would go along with him to the extent that was necessary for it to go.

MR. GAMBLE: I think that is just the point. We can't deliver them, but on a program that they are to be a part of--

MR. MOORE: We can deliver Mr. Trounstine and me to Mr. Fleming in Cleveland, and Mr. Trounstine and I can control our own organization. But, there is down in the lower levels a recognition of this conflict through what I would call bad handling of the publicity in the December drive.

H.M.JR: I still don't understand it. I still don't understand what you are talking about.

MR. GAMBLE: Can I put it another way?

H.M.JR: Let me put it this way. Let me tell you what I have decided. I am past the arguing stage.

Monday Mr. Bell and I are going to draft a letter which is going to go to every one of the forty-eight State administrators. We are going to ask you (Gamble, Graves, and Buffington) to help us. It will also go to the twelve fiscal agents, and it is going to say something like this: "For the April drive, which will start on April 12, I have appointed as my representative in the various districts the fiscal agent of the Federal Reserve Bank, who will represent me."

Incidentally, I just asked Williams, and he spends seventy-five percent of his time for me. I asked him, and he said that seventy-five percent of his time is now spent for me. I am asking each of the State administrators and State chairmen to cooperate with the fiscal agent of the Treasury on this United States Treasury War Finance Committee. From now on it shall be known as the United States Treasury War Finance Committee.

MR. ISBEY: For this drive?

H.M.JR: For this drive. In the advertisements it will be "United State Treasury War Finance Committee," and underneath that will be "Victory Fund Committee," and "War Savings Staff," so as to continue the name.

I said that all matters within these districts will be settled for this drive, with the exception of pay-roll savings, on the level as between the fiscal agent and you State chairmen and State administrators, particularly advertising, so we won't have what we had in Chicago: two full pages, one for E bonds, and one for the Victory Fund.

Furthermore, I want you people to continue through March with steady pressure, but no particular drives. If there are going to be any particular drives, save them for the last three weeks in April.

I also said that the flow of authority will be from a committee here composed of people like Graves, Buffington, Mr. Bell, and myself and any new people we bring in. It will be a policy committee, and for the drive the authority and directives will flow from this committee to the fiscal agents and from there out. It will flow back in the same order.

In other words, if there is something to be done that we would like to have done, I will tell Mr. Young, and he will get in touch with you (Isbey). If there is any question asked about how you will get back to Washington, or anything you want, it will be through Mr. Young for this drive.

Now, I used the example that in New York they had fifteen banks, each bank had a team, and they competed with each other. As far as I know, they didn't do it in any other district. They liked it in New York. Did I say you had to do it in eleven other districts? No. Did I say they had to do it at all? No. It was decided by each one. You people may do it entirely different than any other district, working out how you work with the fiscal agent.

But, the main thing is, I can't find - every time I go out in the territory, I can't find a conflict when the fellows are living together in the same community; I don't find the conflict. Ninety percent of the conflict

is right here in the Treasury. I am not going to have it any more.

When I went to Kansas City, and when I went to St. Louis, there wasn't any trouble.

I just talked to these people from Pennsylvania and Delaware. They said, "We get along; we live in the same community. We get along; we live together. We are part of the same community." In Delaware they said, "We have been doing this anyway, because we have such a small State." This Delaware man said, "When they asked me at a meeting, I felt ashamed of myself because I had no complaints. We get along in Delaware."

What I was saying is, where is there a difference in this. I don't get any difference.

MR. GAMBLE: I don't think there is, Mr. Secretary. It is one small added step that you don't take there that I think is important.

MR. BELL: I think it all comes back to the form of the directive.

MR. GRAVES: That is right.

MR. ISBEY: Nobody knew what the directive was going to be, Mr. Secretary, and that was something that would - it is the thing they are all afraid of. You have explained it, and I think they are all entitled to that.

H.M.JR: Not only are they going to be entitled to it, Frank, but they are going to see the damned thing, and you are going to see it at home. You are going to see it, and have a chance to write your own corrections and send it back for me to look at before it goes into effect. You are going to have a chance to consult your own people before it goes into effect.

MR. ISBEY: What I am thinking of is the other forty-four States that are not here. I didn't want you to get into difficulty with them.

H.M.JR: No, no, it is going on the wires Monday night. I am going to give the people in the District forty-eight hours to mull it over and send it back to me so I get it Thursday morning. What is the matter with that?

MR. ISBEY: I have no complaint.

MR. TROUNSTINE: Mr. Secretary, I know what Mr. Gamble was going to say.

H.M.JR: We didn't give him a chance.

MR. GAMBLE: First of all I would like to say that I agree with you a hundred percent, and I think I know what is in your mind.

H.M.JR: You ought to by now.

MR. GAMBLE: But I do think, Mr. Secretary, there is one little point you don't quite make clear in the way you told it to us, which is the danger of it. We can correct it when we send these instructions out.

You assume for just a moment that this is something that the War Savings people are being brought into that is already an established operation. That is, I think, the weakness of it. If you put it this way and said when you sent this out that you wanted the two organizations combined for this effort, so that you are not just directing it at the War Savings organization but you say that you want the Victory Fund people and the War Savings, just as you are going to say in your advertising--

H.M.JR: I do.

MR. GAMBLE: But, as I pointed out this morning, that has been the weakness of it.

H.M.JR: That can be taken care of.

MR. GAMBLE: I think it is vital.

H.M.JR: The two are to be brought together. Every one of these Federal Reserve Bank presidents speak to me as my representative, my fiscal agent.

MR. GAMBLE: Of both organizations, not one.

H.M.JR: None of them has come in here and said one single word about Victory Fund. I haven't heard it mentioned in this room.

MR. GAMBLE: I am not criticizing.

H.M.JR: Am I right?

MR. BELL: Yes, I think they have all had the same thing in mind, even the presidents of the Federal Reserve Banks, that from a morale standpoint they think that that ought to be very carefully drawn.

MR. GAMBLE: Mr. Bell, I want to clear this up, when we decide this - I think your policy committee is right - we should immediately here in Washington start changing every piece of advertising, every radio announcement, everything we have, look ahead to our posters and billboards so that they are all changed for April, and changed at once. There is no reason why you should have any advertising or promotional problems for this drive when we already have ten million dollars of material available to us. Instead of these fellows worrying about a few ads, we can deliver thousands of ads to them, and almost over night, Mr. Secretary.

H.M.JR: I hope you are right.

MR. GAMBLE: I am certain of it.

H.M.JR: If the only thing that is worrying you is that the directive is going to say that the War Savings should get together with the others--

MR. GAMBLE: I think it has been an important difference.

H.M.JR: They both should get together under my agent.

MR. ISBEY: That is right, they both get the directives.

MR. BELL: That was planned.

MR. GAMBLE: Understand this is a new deal.

MR. TROUNSTINE: Let me say a thing about conflict. There is no conflict on top in the States as far as I know. The conflict has been down in the county and township level.

H.M.JR: Between whom?

MR. TROUNSTINE: The two groups.

MR. GAMBLE: This will clear it all up.

H.M.JR: This will clear it up.

MR. MOORE: It will, and that is without knowledge or consciousness of any conflict that might exist in Washington, of which Phil and I were not conscious.

H.M.JR: Well, if we say it this way, that the Victory Fund Committee and the War Savings should cooperate with the fiscal agent of the Cleveland District during the April Drive--

MR. MOORE: That is fine.

MR. TROUNSTINE: In the county, if you can--

H.M.JR: That is up to you fellows to do that.

MR. ISBEY: If the Secretary is giving the instructions to the Victory Committee, and he is giving instructions to the State administrators and the chairmen, isn't that doing the job?

H.M.JR: The complaint that I have heard is that I give these instructions and they go to the State chairmen and the State administrator, and they don't go down to the counties.

MR. GAMBLE: They don't get the same instructions.

H.M.JR: They don't get the same instructions.

MR. GAMBLE: This way they will get them.

H.M.JR: Whose fault is that?

MR. ISBEY: The Secretary's. (Laughter)

H.M.JR: No, it is not. I send you a telegram about F and G bonds. I don't know how many counties you have in Michigan, but it is up to you to get it down.

MR. ISBEY: They like to hear from you once in a while.

MR. BELL: We have heard complaints on the other side. Philadelphia didn't want it to go down to the counties. They thought that would cause conflict. They only wanted the instructions to go to the administrator and the president, and let them carry them down to the counties.

MR. GAMBLE: I think that is right. If you brought in forty-eight States, you would get forty-eight interpretations. I think that is one of the weaknesses of some of our past planning, and I think that there should be no question in anybody's mind that every man and woman working for the Treasury anywhere in the United States is behind this operation. We should not leave it up to either the State administrator or the Victory Fund man in any State to decide how far they are going with it. We should tell them how far they are going to go, and they are going to go all the way. That is why some of these States say these things. They have their own ideas.

The Victory Fund people think, "We will do it our way;" the State administrators think, "We will do it our way.

We get along fine." We should leave no question about that. We should set a pattern that goes all the way down to every community in this country so we can support it from the top with the national promotion.

MR. BELL: You don't think it would help the morale of the worker to get a directive of this kind?

MR. GAMBLE: No, sir.

MR. ISBEY: You don't mean that the Secretary is going to wire both county chairmen and--

MR. GAMBLE: I know what is in some of these people's minds. We have lived with them too long not to know. I know in New York - I say, in all fairness to everybody, that I don't think New York spent ten minutes thinking about this, and that was, who was going to be the boss. Everyone of them - and I don't think they got down for one minute--

H.M.JR: I told them who was going to be boss.

MR. GAMBLE: I don't think they meant much other than the metropolitan area in New York. If we are going to be part of this, we are concerned about it in every one of the three thousand seventy-two counties, and I think by and large everyone else is. You can't take a chance on it.

MR. BELL: Would you make this public?

MR. GAMBLE: Yes, sir, I would have the Secretary announce it at a press conference, make it the major subject at a press conference, and follow it all the way through as one of the greatest operations the Treasury has ever undertaken.

MR. BELL: Ludlow is afraid that it would be made public too soon.

MR. GRAVES: Not until after it had been communicated to the fellows first.

H.M.JR: As long as these people know the date is the 12th, that is M-Day, and that is what they have got to do. They have almost six weeks to get ready.

MR. GAMBLE: I think everybody should know it. You see, they admit when they say that they don't want it made public that they are afraid of something. No one should be afraid of the kind of campaign the Secretary has just said he wanted.

MR. MOORE: No one can afford to oppose it.

In the Seventh District agreement, Mr. Secretary, it starts out on the premise that there isn't time to merge and consolidate these operations. Yet, that is our proposal, that they be merged and consolidated entirely under the direction of your fiscal agent.

H.M.JR: Well, where I think we differ is this, if I understand Gamble: I am not going to give instructions which will go beyond the level of the State chairman or the administrator or the fiscal agent, or whatever they call the head of the Victory Fund.

MR. MOORE: That is perfectly all right.

H.M.JR: I am not going to give any instructions beyond that level. I have enough confidence in you boys to know that you can get together, but I don't think I can write instructions which will get down to the county level.

It is one of the great troubles with this. Every time in Washington that OPA tries to give an instruction on how I should run my farm, my truck, or how I should get lumber to build a burned-down barn and won't leave it to the county chairman to decide how I should rebuild my barn - there might be stacks of lumber in Dutchess County rotting there on the pier at Poughkeepsie.

To give you an example, when they first put in this gasoline rationing - let me be a little bit wordy - you talk about trying to write the thing. I had a station wagon on the farm, and my wife had a car, and I didn't know how to do the thing; I didn't have time to read it. This is as good an illustration as I can give you. So, I got one

of our best lawyers here, and I called up Henderson's office. He sent over the lawyer in charge, plus the assistant lawyer of that thing. They spent three hours here making out my requisition - three hours. That was on Friday.

I went up Saturday morning, and I walked into my local office and asked for the man in charge, who happened to be the leading Republican attorney, a very nice fellow by the name of Folger. I said, "I came here to get my tickets."

He is a nice fellow. He said, "What have you got here, Mr. Morgenthau?"

I said, "I have this thing - I thought I would save you the trouble of having it made out."

He said, "Don't bother with that; you are lucky. A friend of mine showed me the regulations from Washington so I could read them over tonight. But, we still haven't our instruction books. Now just tell me what your problem is."

I told him, and he said, "O.K., you get so many tickets."

I said, "What about this?"

He said, "We can't bother with Washington; we just do it by rule of thumb to fit the community."

It worked out that I got approximately the same number of tickets. I got a few more than these three lawyers here would have given me. Now, it is impossible - here they spent three hours, and this fellow said that he was lucky, we saw the regulations. He said, "Don't bother," and pushed my thing aside and said, "What do you want? What do you need it for? What are you doing?" Then he said, "You get so many tickets; that is the way to do it; that is the only way."

MR. GAMBLE: I didn't make myself clear, Mr. Secretary.

H.M.JR: I am trying to say it is the whole trouble, and the fellow did it on the community level.

MR. GAMBLE: I didn't mean you should contact every community.

H.M.JR: I think you mean that I should say how every community should organize.

MR. GAMBLE: I thought you should say, so there isn't any doubt, that every county is to get together on this drive.

H.M.JR: I am going to word it so everybody - the State administrator, the State chairman, the chairman of the Victory Fund Committee, and everybody - should do everything humanly possible to help the United States Treasury finance the war. I want everybody - everybody that they can lay their hands on - who is not now working for the Treasury; in other words, anybody who has any free time, man, woman, or child, who will help us for three weeks during April - we want him.

MR. GAMBLE: I don't disagree with that.

H.M.JR: No, I cannot, I will not, and I think it would be the height of stupidity for me to follow in the tracks of OPA and try to tell them on a county level what they should do.

Claude Wickard went out to see how his hogs were getting along. He rode around, and here were his hogs rooting up his this year's alfalfa crop just seeded. He said, "I tore into the house and said to the hired man, 'Why are you letting these hogs do this?' He said, 'O.K., Mr. Wickard, you get me the copper for the nose rings; I can't get it; I don't know how to do it; I can't get the copper. Maybe you can give me silver or gold.' He said, 'I can't get a nose ring.'"

Every time you go to the community - I know, living in a rural community, that they are the difficult ones to handle. You can handle your tenement houses, but you can't do it from Washington.

MR. GAMBLE: My thought is that this directive should be so clear that Richmond Meyer in your community knows that he and the Victory Fund man in your county are to work this problem out together.

H.M.JR: They won't hear it from me.

MR. GAMBLE: They don't have to hear it from you.

H.M.JR: But they will hear it from Dick Patterson and from whoever the Victory Fund fellow is.

MR. BELL: Whatever you say that is made public can be distributed.

H.M.JR: I have to stop.

MR. ISBEY: Is there a time limit when it will be made public? How much time are you going to take after you send this wire?

H.M.JR: I am going to give everybody forty-eight hours to come back. Then it will take us a couple of days to get it together, so I doubt whether it will be made public before Monday, a week.

MR. ISBEY: Everybody wanted to know what your directive was, and we are entitled to know that.

H.M.JR: You are going to have a chance to. Now, what is the matter with that?

MR. ISBEY: That is all right.

H.M.JR: Harold?

MR. GRAVES: It is all right.

H.M.JR: You will have a chance at it. You can start drafting now. (Laughter)

February 20, 1943

MEMORANDUM TO THE SECRETARY OF THE TREASURY:

Mr. John Fleek, representing the Fourth Federal Reserve Victory Fund Committee, Phil Trounstine and Roy Moore, State Chairman and State Administrator, respectively, of the War Savings Staff in Ohio, have discussed in several meetings the most logical procedure for the integration of the Victory Fund and War Savings volunteer organizations for the successful completion of the April drive.

This suggestion to the Secretary of the Treasury is fully agreed upon.

That instructions shall be issued by the Secretary of the Treasury that for the duration of the April drive and for later financing campaigns the Ohio War Savings organization and the Victory Fund organization combine on the State, county, and community levels, under the direction of the President of the Fourth Federal Reserve Bank as Coordinator;

That, under his direction, both committees may request their local chairmen to act as co-chairmen for the period of preparation and during the April drive;

That all volunteers who act as salesmen and canvassers during the drive shall have the entire basket of Treasury offerings, including E bonds.

We feel this would result in a complete elimination of conflict and confusion at the local levels, and in a greater push for the huge effort we all want to put behind

the big campaign. We can assure you that these instructions would be enthusiastically received, and leave an amicable relationship for the continuance of the sustained War Savings program. Moreover, it would bring a much finer receptivity throughout the State for the big drives that are to come later.

February 20, 1943.

Dear Randolph:

Thank you for your letter of February 18, together with the draft of a report bearing upon the forthcoming April financial campaign.

You may be sure that I am glad to have the material, and shall go through it with close attention. I know that it also will have extremely careful study in the various Treasury offices to which you have sent it.

With cordial personal regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Dr. W. Randolph Burgess,
52 Wall Street,
New York, New York.

GEF/dbs

Mr. Haas says he thinks this is the best job the bankers' crowd have done.

Rancroft Burgess
Recent plan - this is
[illegible]

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE FEB 25 1943

TO Secretary Morgenthau

FROM Mr. Haas

Subject: First Draft of Report on the Banks' Place in the 1943 Financing Program, by the Economic Policy Commission of the American Bankers Association

I have gone over the draft of the proposed report which was sent to you by Mr. Randolph Burgess. The figures in the report appear to be substantially correct.

On the whole, my reaction to this report is a favorable one. It presents the budgetary situation for the coming year and the inflationary potentialities of that situation, pointing up especially the necessity of placing as large a proportion as possible of new Government securities in the hands of other investors than commercial banks.

In this connection, it is stated in the report that banks have an important function in promoting the sale of Government securities to nonbanking investors; that the performance of this task will not result in a permanent reduction in bank deposits as the deposits paid out as a result of customers' subscriptions will return, although under different ownership; and that, even in the case of individual banks, the gap can generally be bridged by the use of War Loan account. It is also pointed out that if the pending bill to exempt War Loan deposits from reserve requirements is passed, customers' subscriptions to Government securities paid for in this manner will have the effect of actually increasing the excess reserves of the banks through which the subscriptions are entered.

The report estimates that $11 billions of new Government securities will be absorbed by the banks during the first six months of calendar 1943. It argues that this absorption can take place on the basis of excess reserves of about $1.5 billions -- their approximate level when the draft report was written; they are now about $1.9 billions. It is pointed out that reserves lost as a result of bank purchases of Government securities tend to come back as the funds are spent, and that individual banks which are less fortunate than the average can always fall back on the Federal Reserve Banks which will buy

their Treasury bills either outright or under repurchase agreement or will lend at 1/2 of one percent against short-term Governments.

I see no objection to such a statement on the part of a private organization, although I believe that it would be clearly injurious to the market if it were made by the central banking authorities as part of a campaign to urge member banks to go into debt in order to acquire Government securities.

With reference to the matter of self-imposed quotas, the report suggests that "The bank carrying continuously large excess reserves is not doing its share in the program."

Other suggested criteria for determining the amounts of individual bank subscriptions are (1) the percentage of deposits invested in Governments, and (2) the ratio of the individual bank's deposits to total deposits in the country. It should be noted that these criteria, if applied rigidly, would tend to force a substantial number of banks into debt to acquire Government securities. Here again there is probably no harm in these criteria being suggested by the Bankers Association as long as the central banking authorities see to it that it is not, as a matter of fact, necessary for any substantial amount of bank borrowing to take place. If applied by the central banking authorities without this precaution, these criteria might seriously threaten the present pattern of rates.

The Economic Policy Commission sees no danger that the deposits created by financing the war effort will disappear suddenly at the end of the war -- a fear which tends to retard some individual bank subscriptions. Neither are declining capital ratios considered cause for alarm so long as the proportion of loans and investments in Government securities is increasing; but a continuance of conservative policies with respect to maturities is urged.

Chron file 323 copy

FEB 27 1943

Dear Randolph:

This is in reply to your letters of February 15, 1943, to the Secretary and to me, with which you enclosed copies of a draft of a report by the Economic Policy Commission of the American Bankers Association entitled, "The 109 Billion Budget and the Banks".

I think it is a very good report, and I have only a few suggestions to make.

On page 5 the report says ". . . the December financing included the sale of $5 billions of securities to the commercial banks, which is directly inflationary." It seems to me that this characterization is incorrect and might well be modified. Sales of securities to commercial banks are inflationary only when the proceeds are expended and the individual deposits created thereby fall into the hands of persons desirous of spending them rather than holding them as a form of saving. It appears that quite a proportion of the deposits created by the war financing has been held by their recipients as a form of saving. It seems to me that it might be more accurate to characterize the sale of securities to commercial banks in the December financing as "laying the basis for inflation" rather than as "directly inflationary."

In Table 4 on page 10 you estimate that Treasury borrowing from nonbanking investors will decrease from $15.5 billions in the six months ended December 31, 1942, to $13.1 billions in the six months ending June 30, 1943. This estimate is rather puzzling. I suppose it arises because the current six-month period begins immediately following a financing campaign and will end shortly before the beginning of another. If this is the case, I believe that it should be spelled out. In any event, I believe that the figure deserves some explanation in order to avoid unfavorable comment. In the same table it is estimated

that borrowing from banks will decrease from $18.4 billions in the last six months to $11.3 billions in the current six-month period. This appears to be due to an underlying assumption that the working balance on June 30, 1943, will be the same as on June 30, 1942. This would mean that, whereas a large proportion of borrowing from banks in the last six months went to build up the working balance, borrowing from banks during the current six months would be reduced by drawing on the working balance. I believe that this should be spelled out too and its rather arbitrary character pointed out. There is, of course, no a priori reason why the working balance on June 30, 1943, should be the same as on June 30, 1942.

The chart on page 16a is labeled "Ownership of U. S. Government Securities", but actually shows ownership only in the case of marketable issues; nonmarketable issues being shown by type of security only. This might be clarified by changing the title of the chart.

Finally, it seems to me that the objective of increasing sales of Government securities outside the banking system would be helped a great deal if the report urged banks to furnish lists of prospective purchasers of Government securities to the local sales committees.

Very truly yours,

(Signed) D. W. BELL

Under Secretary of the Treasury

Mr. W. Randolph Burgess
55 Wall Street
New York, New York

W. RANDOLPH BURGESS
55 WALL STREET
NEW YORK

#44329.

February 18, 1943.

Dear Henry:

The president of the American Bankers Association has asked the Economic Policy Commission to make another study of the position and duties of the banks with respect to Treasury financing in the light of recent developments.

Enclosed herewith is a first draft of a report prepared in response to this request. If you could find time to glance through this draft and give me your suggestions we should be most appreciative. I am sending copies also to Dan Bell and George Buffington.

With best wishes,

Sincerely yours,

Randolph

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

The object is to help prepare the way for the April drive —

THE 109 BILLION BUDGET AND THE BANKS

With the announcement of another Victory bond drive in April, the banks face a new challenge. The December drive was a success - better than any had dared hope. The banks are proud of their share in this success.

The April drive must be even better. More money is needed. A larger part of it should be obtained from individuals; the coverage must be broader if inflationary price advances are to be checked.

This task calls for understanding as well as for action for bankers are being asked to interpret to their neighbors and customers the meaning and the dangers of war finance. So it is the purpose of this report to examine the present financing problem and bring up to date the report of last April - "Treasury War Borrowing and the Banks."

The New Budget

Once more the President has startled the country with a budget of gigantic proportions - $24 billions larger than the current fiscal year's probable expenditures and six times as large as the biggest year of World War I. These relationships are shown in Diagram I (page 1-A).

This budget is the bookkeeping aspect of a huge job of production and organization of manpower and physical forces. The objective is the ships, guns, and planes, and the men to arm them and overcome the enemy in battle.

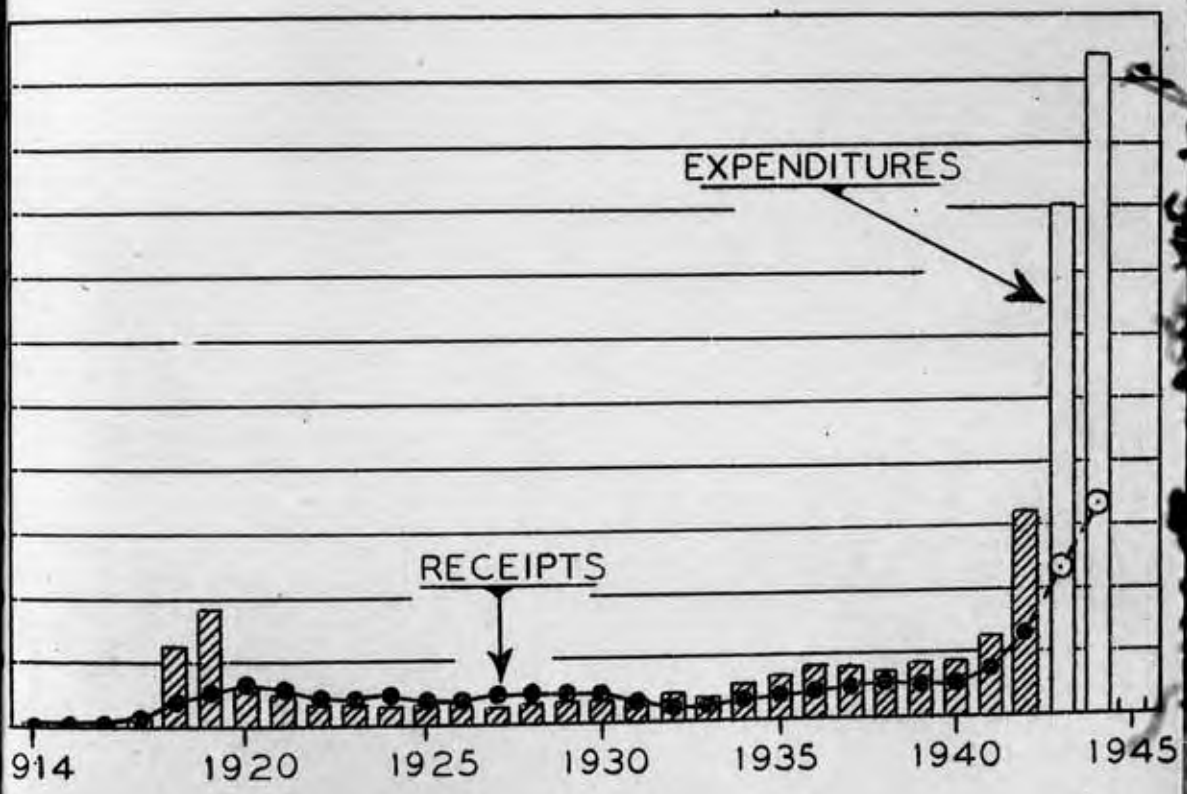
This means an almost incredible increase in the country's output. We must produce for war alone as much as was produced for every purpose in our best years of the past, and, in addition, we must produce enough to feed and clothe our population and carry forward essential civilian services.

1-A

Diagram I

UNITED STATES RECEIPTS AND EXPENDITURES

(Billions of Dollars)



The accomplishment of this great task will require, as the President said in his message, the full harnessing of the nation's manpower and resources. "Victory," he said, "cannot be bought with any amount of money, however large; victory is achieved with the blood of soldiers, the sweat of working men and women and the sacrifice of all people."

The experience of the past two years gives confidence that the objectives set are within our reach. A year ago the budget estimate for 1942-43 spending was $59 billions. The actual figures will be nearer to $80 billions. Production goals for ships and tanks and guns and planes which seemed utterly fantastic have largely been realized, and the sights have again been raised. All along the line apparent ceilings have been lifted. It can be done.

The Inflation Threat

The task before us requires not only great national effort, but also great national restraint. This huge spending program will pour into the hands of our people vast sums; the national income will be at new high levels. But spending must be restrained because we cannot produce and import all the goods civilians would like. If spenders compete for a limited amount of goods they will knock prices sky-high; in other words, we shall have inflation.

The inflation threat, the peril of unrestrained consumer spending, is being dealt with on several fronts:

1. Price controls and rationing.
2. Taxation.
3. Bond sales to the people.
4. Voluntary savings.

All of these forms of restraint are necessary and we are daily learning more about them, their uses and their limitations. Especially are we learning how hard it is to make laws and rules to restrain some people without

inflicting undue and perhaps unnecessary hardships on others. People who make the loudest outcry may not be those hurt most, but they may be those with most political power. The administrator of these functions needs every sympathy and every aid from patriotic citizens.

The banks are aiding in the administration of the rationing program as it expands to cover an increasing number of commodities. It may safely be stated that their work will be done thoroughly and efficiently and will ease the burden on the rationing administration and on business.

The country is also learning that there is no painless form of taxation which will draw off all the excess buying power and thus prevent inflationary spending. No one has yet devised a plan for extracting the spendable surplus from a war worker whose wage has jumped from $30 to $80 a week without wrecking the living arrangements of the white collar worker whose increase from $40 to perhaps $45 has failed to keep pace with the rise in his cost of living.

The tax program still leaves much to be desired, especially in reaching the newly-created income where it is and bringing a reasonable amount back into the Treasury currently. Nearly all are now agreed that some form of pay-as-you-go tax is essential and very many qualified students think a sales tax is also necessary.

But no equitable tax program can take the whole surplus income. Compulsory savings plans encounter the same limitations. There will still remain much spending power which can be reached only by voluntary means. It is in this area, which means points three and four above, that the banks have their special opportunity.

Selling Governments Outside the Banks

The December drive, under the leadership of the Victory Fund committees, was more successful than had been expected. A goal of $9 billions was set and nearly $13 billions of securities were sold, including December sales of War Savings Bonds. But at the Treasury and among the members of these committees it is recognized that only a start was made in the great task before us.

In the first place, the amounts of money required by the Government are steadily increasing. Table I shows the amount of funds to be raised through public financing in accordance with present budget estimates.

Table I

RECEIPTS - EXPENDITURES - PUBLIC FINANCING

(In Billions of Dollars)

	Fiscal 1942 Actual	Fiscal 1943 Budget	Fiscal 1944 Budget
Total expenditures including gov. corp. net outlays *	36.3	85.4	108.8
Total net receipts **	12.8	23.0	33.1***
Increase in public debt	23.5	62.4	75.7
Borrowing from trust accounts and refunding of gov. corp. obligations	3.8	4.1	5.7
Total public financing - net	19.7	58.3	70.0

* Exclusive of debt retirement.
** Exclusive of social security tax receipts
*** Exclusive of any new taxes.

In the present fiscal year, which ends on June 30, 1943, the total amount of public financing will be about $58 billions. Of this total about $34 billions was completed in the first six months, leaving something like $24 billions in the period January-June. In the next fiscal year, from June 30, 1943 through June 1944, the total to be raised will jump to $70 billions

on the basis of present estimates of expenditures and present tax laws. This may and should be reduced through additional taxes but, in any event, represents a huge task if it is to be financed without serious inflationary consequences.

Also, the December financing included the sale of $5 billions of securities to the commercial banks, which is directly inflationary. It is most desirable that in the next drive a far larger proportion of the securities should be taken by other investors, and particularly by individuals. For it is money in the hands of individuals which is the chief inflationary menace.

Table 2 gives an analysis of the results of the December drive. It shows that next to the banks the largest buyers were corporations and then insurance companies. Individuals, partnerships and personal trust accounts purchased only about $1.5 billion out of a grand total of $12.9 billions.

Table 2

DECEMBER DRIVE - ANALYSIS OF BUYERS

(In Millions of Dollars)

	Net increase in Treasury Bills outstanding	Sales of other securities					Total
		7/8% Certificates of indebt. 12-1-43	1 3/4% Treas. Bonds, 1948	2 1/2% Treasury Bonds, 1963-68	Tax Notes, Series A & C	Savings Bonds, Series E,F & G	
...king sources	897	2,117	2,058	-	-	-	5,072
...er sources:							
...surance companies	-	75	237	1,367	-	-	1,677
...vings banks	-	48	82	479	-	-	609
...her corporations	-	668	182	150	1,147	66	2,213
...dividuals, partnerships, & personal trust accounts	-	118	82	253	188	948	1,589
...alers and brokers	-	447	319	115	-	-	881
...eemosynary institutions	-	12	10	31	-	-	53
...S. Gov. agencies & trust funds	-	1	2	260	-	-	263
...ate & local governments, their agencies and sinking and trust funds	-	83	28	83	-	-	194
...l other (including unclassified)	-	232	62	92	-	-	386
...tal from other sources	~~897~~ 0	1,682	1,004	2,830	1,335	1,014	7,865
...al from all sources	897	3,799	3,062	2,830	1,335	1,014	12,937

The conclusion must be drawn that, while this drive was successful in raising money and in raising a substantial part of it outside the banking system, it was not wholly successful as an anti-inflationary measure. It did not get enough money from individuals. This is shown also in the number of subscriptions. A total of 340,000 subscribers is not large in a nation of 130,000,000.

It should, of course, be added that the war savings program is steadily reaching more than 20,000,000 persons through payroll deductions but the dollar amount of these purchases is running less than half a billion dollars a month. The program is only a good beginning at absorbing the huge outflow of funds from government spending.

Another way of analyzing the results of the December financing is to compare the sales in 12 Federal Reserve districts with the total bank deposits in those districts, which are a fairly good measure of the capacity of different districts to buy government securities. These data are shown in the following table and appear to indicate that in relation to their resources some districts did a much more effective sales job than others.

Table 3

SALES OF U.S. GOVERNMENT SECURITIES IN DECEMBER 1942, EXCLUSIVE OF SALES TO BANKS. SALES IN PERCENTAGES OF TOTAL DEPOSITS, BY FEDERAL RESERVE DISTRICTS

(In Millions of Dollars)

District	Sales	Total Deposits 6/30/42	Per Cent
Boston	583.3	3,426.5	17.02
New York	3,991.2	22,080.1	18.08
Philadelphia	319.4	3,620.0	8.82
Cleveland	556.6	5,026.1	11.07
Richmond	267.1	2,742.5	9.74
Atlanta	178.4	2,403.9	7.42
Chicago	845.1	9,554.0	8.84
St. Louis	143.2	2,285.2	6.27
Minneapolis	97.5	1,370.3	7.10
Kansas City	154.3	2,412.7	6.39
Dallas	127.6	2,094.8	6.09
San Francisco	309.5	6,388.3	4.84
Total	7,573.0	63,404.4	11.94

From all these figures, it is perfectly clear that the program of selling government securities must plow deeper and reach more individuals. The December drive - to the extent that sales were made outside the commercial banks - reached primarily corporation and institutional funds which are ordinarily not inflationary. This points the way for the next drive which must be directed more largely to individuals, and especially to those individuals who are receiving the bulk of the newly-created funds.

The Next Drive

The Secretary of the Treasury has announced that the next drive to sell bonds will take place early in April. A series of conferences have been held to lay the basis for this drive. The Victory Fund committees in several districts have drawn up their suggestions and are carrying forward their plans of organization. Their representatives have met in Washington with the Treasury and officials of the Federal Reserve System. The committee of the American Bankers Association appointed by President Hemingway in November has held two meetings at the Treasury since the first of the year. Thus the whole question of the organization and methods of the drive has been reviewed and announcements will be made from time to time on specific points. In this report it seemed desirable to deal only with some of the principles which are likely to determine the success or failure of the drive.

The first point is that the banks have now demonstrated their key position in this whole enterprise, and they will be looked to for leadership and accomplishment.

A second conclusion from the December experience was that results were in proportion to the amount and quality of manpower applied, and the best results were obtained from personal interviews by bankers and investment bankers.

A third principle is that more preparation must be made ahead of time. More and better publicity is needed through both the press and the radio, to lay a background for individual appeals. The experience of the drive also indicated the need for a careful preparation of lists of prospects well in advance of the time when actual canvassing is done, removing duplications as far as feasible. It is helpful for bank presidents and others to write personal letters to these prospects before they are interviewed by salesmen. The salesmen in turn will prove more effective if they are trained specifically for this task, so that they know more about the securities that are being offered and the kind of appeal which brings the best results.

In the fourth place it now seems clear that the approach to bank depositors as such will need to be supplemented by appeals to individuals in the places where they work and through their religious and social organizations. The present organization plans for the next drive are including these additional approaches.

Answers to Two Questions

There are still a few bankers who question whether they can afford the drain on their deposits which will result from a vigorous program of sales of government securities to their depositors. This question, fortunately, is being answered by the experience of banks all over the country. For they are finding that the deposits which go out of one window through the sale of government securities come back through another window in some other account.

The whole overall program of government financing carries with it inevitably a large increase in deposits and these new deposits are finding their way into almost every bank in the country. It is true that banks

in munitions production areas are growing most rapidly, but it is remarkable how the increase spreads itself out and is distributed into nearly all corners of the banking structure.

When a bank depositor buys bonds from the Government it means only a temporary reduction in deposits because the Government promptly spends the money and it comes into the hands of some other depositor. While to many this was only banking theory a few months ago, it has now been demonstrated conclusively through the experience of bank after bank. As the deposits go out through customer subscriptions for bonds or through government withdrawals, there is reasonable certainty that over a period they will return, though under different ownership.

Another question troubling bankers is how they can find the time for this effort with staffs reduced through loss of personnel to military and other service, and with the volume of work increasing. This problem finds its answer both in patriotism and in enlightened self-interest. There is no other agency in the strategic position to perform this service. Industry is heavily engaged in direct war production. The sale of bonds is the banks' great opportunity. Moreover, the record shows many cases where in the last war the banks which actively and energetically did the war work were the ones that recorded lasting growth in their volume of business. The same seems likely to be true this time. Customers want to associate themselves with institutions that are vigorous and energetic and are performing their banking function in a broad way. Also, the place of the banks in the body politic will be affected by the way they do this job. It is an unusual opportunity to demonstrate the public usefulness of the private banking system.

THE BANKS' OWN SUBSCRIPTIONS

Even after the best possible efforts to sell securities to their customers, the banks themselves will be called upon to absorb a substantial amount of government securities. ~~Diagram 8 (page 10-A) shows how~~ Their holdings have increased by leaps and bounds in the past few years, and diagram 3 (page 10-B) shows that commercial banks now hold 34 per cent of total outstanding government securities.

It is perhaps helpful to make some estimate of the probabilities for the remainder of this fiscal year. This is done in table 4 which shows to whom government bonds have been sold for the past two fiscal years, for the first six months of the current fiscal year and an estimate for the current six months.

Table 4

ACTUAL AND ESTIMATED CHANGES IN HOLDINGS OF PUBLICLY HELD DIRECT AND GUARANTEED GOVERNMENT DEBT - 1941-43

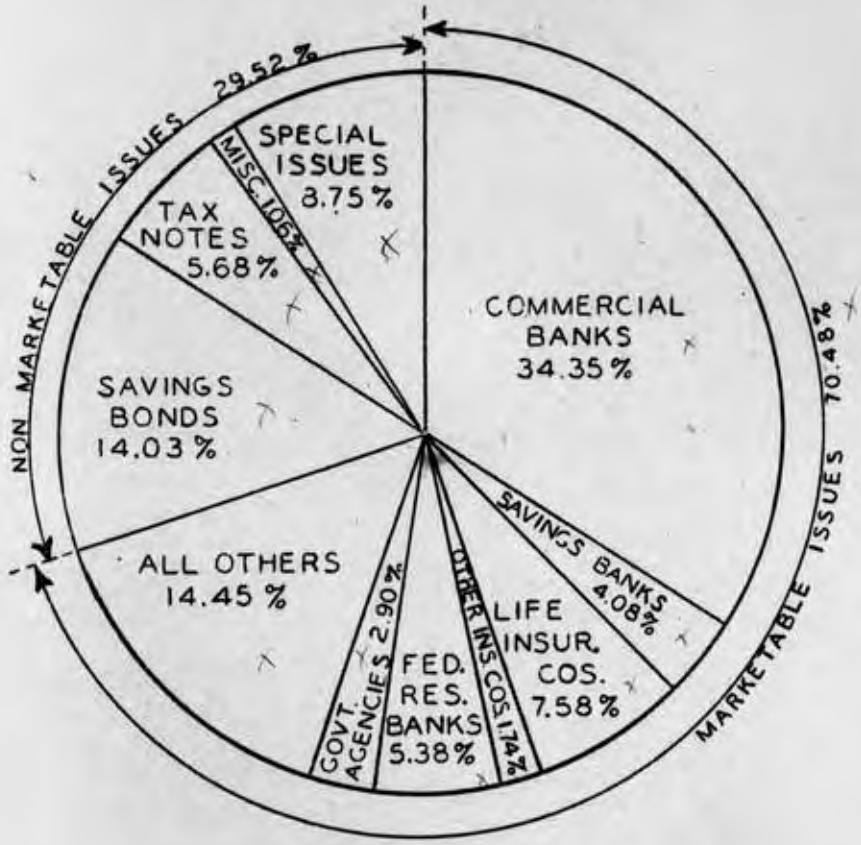
(In Billions of Dollars)

	Fiscal 1941 Actual	Fiscal 1942 Actual	Fiscal 1943 estimated		
			1st 6 mos. Actual	2nd 6 mos. Estimated	Full Year
War savings bonds	+ 1.4	+ 5.9	+ 4.9	+ 6.0	+ 10.9
Tax anticipation notes	-	+ 3.0	+ 3.4	+ 1.5	+ 4.9
Insurance companies	+ .4	+ 1.9	+ 2.1	+ 1.3	+ 3.4
Mutual savings banks	+ .3	+ .5	+ .7	+ .3	+ 1.0
Other	+ .1	+ 1.6	+ 4.4	+ 4.0	+ 8.4
Subtotal	+ 2.2	+ 12.9	+ 15.5	+ 13.1	+ 28.6
Commercial banks	+ 3.6	+ 6.3	+ 14.9	+ 9.3	+ 24.2
Federal Reserve banks	- .3	+ .5	+ 3.5	+ 2.0	+ 5.5
Subtotal	+ 3.3	+ 6.8	+ 18.4	+ 11.3	+ 29.7
Total	+ 5.5	+ 19.7	+ 33.9	+ 24.4	+ 58.3

Diagram 2

OWNERSHIP OF U.S. GOVERNMENT SECURITIES

November 30, 1942



These current figures will be largely determined by the success of the April drive, and they will, of course, be influenced by the tax program and many other factors. The estimate shown in the table assumes that the April drive will produce moderately better results than the December drive, though this ought to be a minimum estimate for sales outside the banks. It would suggest that the banks would be called upon to absorb about 9 billion dollars worth of government securities in the current six months' period. This is less than they purchased in the last six months of 1942 but is, nevertheless, a substantial sum which is inflationary and should be reduced to a minimum. In the coming fiscal year the amounts will be larger still.

The pattern of financing through the banks is becoming well established. While it looks like an impossibility for banks with approximately 1 1/2 billion dollars of excess reserves to buy 9 billion dollars of government securities, we have learned by experience how the process of buying these securities works out.

What happens is simply this. A bank subscribes for government securities, making the payment by an increase in its war loan account. This requires immediately an increase in its reserves,* but those reserves have in one way or another been made available as the Federal Reserve System has purchased securities in the market, or has reduced reserve requirements. For example, in the last six months of 1942 the member banks of the Reserve System bought over $13 billions of government securities and supplied depositors with $3 billions net of additional currency. Despite the

* A bill now before Congress would eliminate the requirement for reserves against government war loan deposits as well as F.D.I.C. assessment against such deposits. With this arrangement the requirement for reserve would take place only when war loan deposits are withdrawn, the funds spent by the Treasury and returned to the banks as ordinary deposits. This would make more gradual the need for added reserve.

dollar for dollar loss of reserves occasioned by currency withdrawals and despite also the increased reserves needed to back the new deposits created by government borrowing, excess reserves were reduced by only about half a billion dollars. This was mainly because the Federal Reserve Banks made $4 1/2 billions available through open market operations and through reducing the legal percentages of required reserve to deposits of central reserve city banks.

Thus the process as a whole is not difficult to understand. During the period, however, individual banks have often found themselves short of reserves through shifting of deposits, withdrawals of currency, or otherwise. The usual method of meeting this situation has been through selling Treasury bills or certificates in the market or to the Federal Reserve Banks. These channels have been freely open at all time. This period has in fact provided a demonstration of the ease of making reserve adjustments through the use of these facilities. The proof is to be found in the fact that at no time during the period has there been any substantial borrowing by member banks at the Reserve banks, although the discount rates have been reduced to 1/2 of one per cent on short governments and the Reserve System has been prepared to discount freely.

This experience suggests that the whole operation can be carried through with relatively little need for banks' borrowing at the Reserve banks. Under present circumstances there is clearly no odium attached to such borrowing, and it would rather be a sign that a bank is prepared to do its share in carrying through war financing. But any bank which does not wish to borrow is likely to find little difficulty in making adjustments in other ways.

WHAT IS EACH BANK'S SHARE?

One question frequently asked is how a bank can decide how large a subscription it ought to enter. A first principle is that banks should now be fully invested. With the large amount of Treasury bills and certificates available there is no longer any reason for a bank to carry more than a very minimum of excess reserves. To do so is to lose earnings unnecessarily. The bank carrying continuously large excess reserves is not doing its share in the program.

In fact, the weight of government financing is now being taken by banks with no excess reserves. Banks in this condition find that if they go ahead and subscribe their share for each new issue they are able to maintain their positions in ways indicated above without serious difficulty.

A second yardstick is therefore desirable to govern banks in their subscriptions, apart from their reserve position. Perhaps the simplest such measure is the percentage of the bank's deposits which is invested in government securities. On December 31, 1942 the average bank in the United States held government securities equal to nearly 50 per cent of its total deposits, and banks which are holding less than this amount might well examine their position to see whether they might not do more. This percentage would of course be a good deal influenced by a bank's loan portfolio. A bank which had a relatively large loan portfolio would not be able to subscribe quite so heavily for government securities.

Another measure which may be applied in subscribing for new issues is the ratio of a bank's deposits to the total for the country. For example, a bank with $8,500,000 of deposits holds approximately one-hundredth of one per cent of the $85,000,000,000 bank deposits of the

country and might be expected to enter a subscription for at least $200,000 for a new issue of $2,000,000,000 offered to the banks.

The Treasury and the Reserve System have steadily rejected suggestions that quotas should be fixed for bank subscriptions in the belief that this was not necessary or desirable. It seems much wiser for each bank to decide its own policy in the light of the suggestions given above and in all the circumstances of its own position.

WILL DEPOSITS DISAPPEAR?

Some banks have been reluctant to become fully invested because of a feeling that their greatly expanded deposits were in the nature of fluff which would blow away with the first strong wind. They recall that in 1920 and 1921 bank deposits shrank very rapidly and compelled quite a liquidation of bank assets, and they wonder whether something like this will occur again.

The two situations are quite different, for the great expansion in bank deposits in 1917 to 1920 was in commercial loans for the purpose of carrying large inventories of commodities. When the prices of these commodities dropped the loans were liquidated and, with them, the deposits.

In the present case the expansion of deposits is due to increased holdings of government securities and the deposits would normally be liquidated as these securities are redeemed by the Government or are sold to other investors. This is likely to be a gradual operation and there may be some offsetting increases from commercial lending.

Even though the total of bank deposits is likely to change rather slowly after the war there may, of course, be substantial shifts in deposits between different regions of the country and different banks.

The answer to this problem appears to lie in the character of the securities purchased. Many careful bankers are putting a large part of their

newly acquired funds into Treasury bills and certificates which can always be liquidated promptly to meet any decline in deposits but which, nevertheless, enable the bank to do its share in the financing program and to add to its income without incurring any real hazard.

The Treasury has made every effort to design the issues it has created to meet this specific problem. The volume of Treasury bills and certificates outstanding has been steadily increased. The Federal Reserve System, moreover, has maintained a constant market for Treasury bills by announcing its willingness to buy such bills at any time at 3/8 of 1 per cent and to re-sell them again at the same rate to the bank which offered them. It has in addition given support when necessary to the market for Treasury certificates. Under these circumstances banks have been justified in treating bills and certificates as the equivalent of cash.

With respect to the low yields on these securities it may be noted that they represent largely the employment of new money, so that the yield is not comparable with the usual cost of obtaining money. While it requires something of a readjustment of thinking for country banks to employ funds at rates as low as 3/8 or 7/8 of one per cent, increasing numbers of such banks are recognizing an unusual situation and employing a substantial part of their newly acquired deposits in this way.

CONDITION OF THE BANKS

Concern is sometimes expressed about the bank position with nearly 50 per cent of their assets in government securities and their capital ratio steadily declining. The changes are shown in table 5 for all member banks, with estimates for June 30, 1943.

Table 5

EFFECT OF GOVERNMENT SECURITY PURCHASES ON ALL MEMBER BANKS, ASSUMING PURCHASES AS INDICATED IN TABLE 4

(In Billions of Dollars)

	June 30 1941	Dec. 31 1941	June 30 1942	Dec. 31 1942	June 30 1943
TOTAL LOANS & INVESTMENTS:					
Loans	16.7	18.0	16.9	16.1	16.1
Governments	18.1	19.5	24.1	37.5	45.7
Other Investments	5.8	6.0	5.8	5.7	5.7
Total	40.6	43.5	46.8	59.3	67.5
LIABILITIES:					
Deposits	58.5	61.7	64.0	77.0	84.0 *
Capital Funds	5.8	5.9	6.0	6.1	6.2
CAPITAL FUNDS RATIOS:					
To Deposits	9.9%	9.6%	9.4%	7.8%	7.4%
To Loans and Investments	14.3%	13.6%	12.8%	10.3%	9.2%

* Allows for increase of $1.5 billion in money in circulation Jan. 1, 1943 to June 30, 1943.

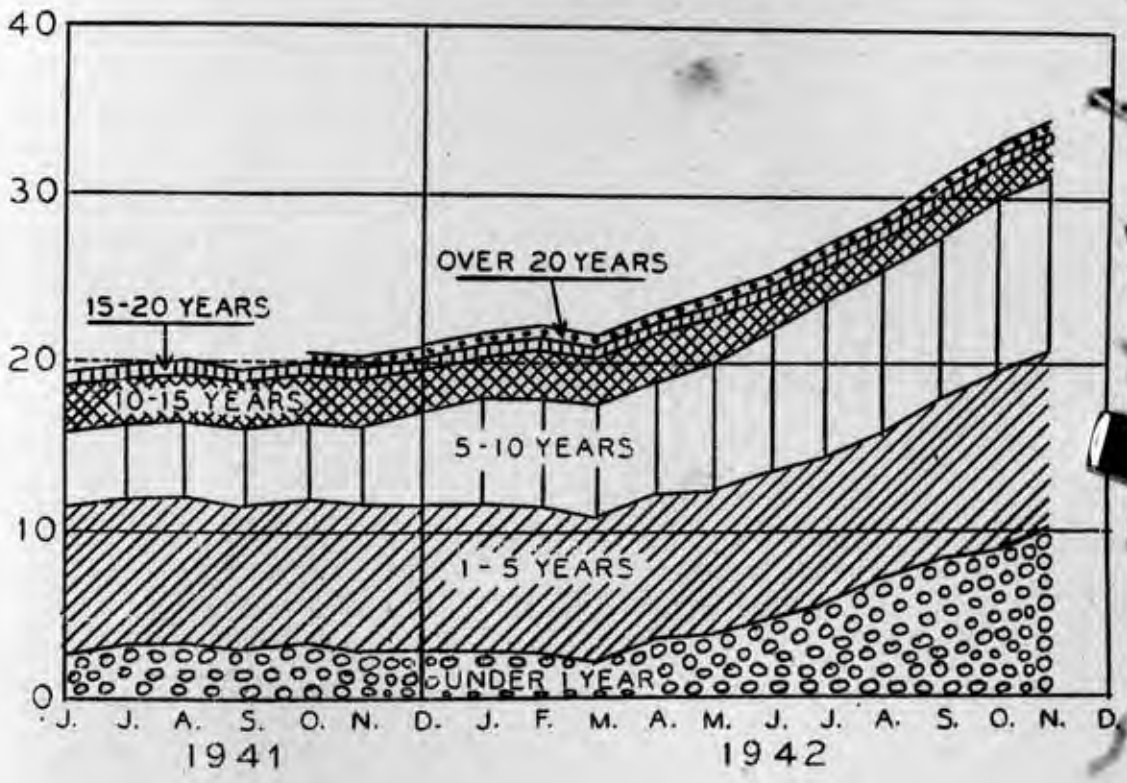
These are indeed trends which justify careful consideration and their indefinite continuance would be serious. There are certain alleviating elements. First, the decline in loans and in investments other than government securities represents a reduction in risk and in many cases a cleaning up of old sores. For some years past, for example, banks as a whole have been steadily writing down the book value of bank premises.

Second, banks have been following a conservative policy in their purchases of government securities as is shown in diagram 3. All of the increase recently has been in securities under ten years maturity (to call date) and most of it under five. More than 10 billions matures within one year.

Diagram 3

OWNERSHIP OF GOVERNMENT SECURITIES
BY COMMERCIAL BANKS, BY CALL CLASSES

(Billions of Dollars)



Under these conditions it may be stated that the amount of risk to be covered by capital has not increased. The real question is not as to the position today, which is wholly dependent on the war and the success in selling securities outside the banks, but as to the post-war position when the huge volume of bank funds may seek more active employment. It will then be desirable that the bank capital position should be strong enough to justify the banks in taking the risks necessary in financing their share of the business ventures essential to full employment. To that end it is most desirable that bank capital be augmented gradually from earnings and later perhaps by obtaining new capital in the market.

There is nothing in this situation to prevent a bank's doing its full share in the financing program provided it follows a conservative policy in the maturity of purchases, and a conservative policy also in dealing with any doubtful assets and in the payment of dividends.

DANGERS OF THE GIGANTIC DEBT

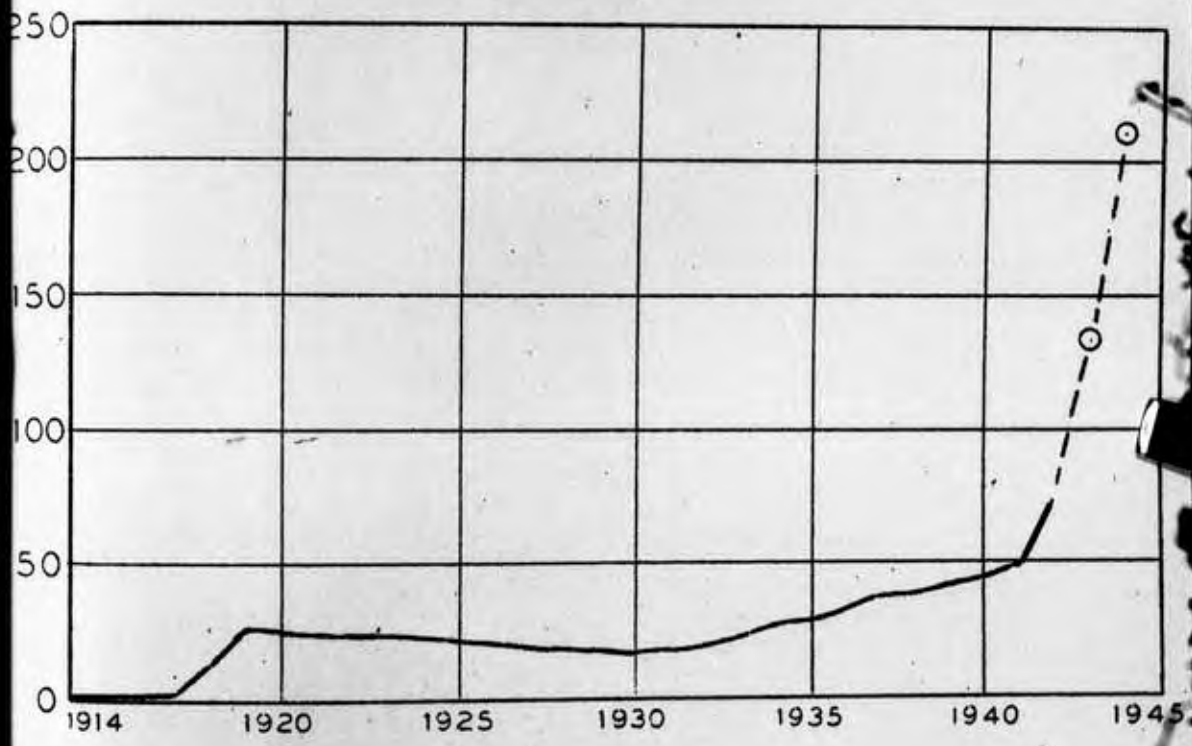
Behind all of these more technical problems lies a growing apprehension as to the effect of the mounting government debt. A few years ago a 50 billion dollar debt was dreaded as a grave danger and today we face one perhaps five or six times that large. The trend is shown in diagram 4(page 17-A). debt will shortly reach a total twice as large as even today's greatly expanded national income.

The first and inevitable result is an annual interest cost larger than the whole national budget of a few years ago. This means higher taxes for an indefinite period and higher taxes always hurt through the discouragement of initiative and enterprise. While no one can foretell the ultimate effects of this tax burden upon the economic system, it is a risk in war we have

Diagram 4

UNITED STATES GOVERNMENT DIRECT DEBT

(In Billions of Dollars)



to take. If taxes are applied wisely and are accompanied by post-war policies that are conducive to a sound increase in national productivity and wealth, the menace in this heavy debt charge to our currency and free institutions will be lessened.

The more immediate danger attaches to the expansion of bank credit through which the huge debt is created and carried. For it is this bank credit that represents potential inflation. It is spending power in vast amounts which could blow prices through the roof if its owners started to spend it freely.

For all these recent years when bank deposits have been growing with the climbing national debt the saving grace has been an attitude of caution on the part of the owners of deposits. This had both its good and its bad aspects. Its good aspect was its avoidance of inflationary price increases. Its bad aspect a few years ago was that it slowed down recovery. The financial expansion which would in times past have stimulated business expansion and higher prices was damped down and thwarted by an atmosphere of fear and caution. Deflation was still in the air.

What happens from here on depends more on this question of attitude of mind than on the mechanics of the situation. Mechanically all the elements of a serious inflation are here, psychologically we are fortunately still somewhat cautious.

There are two things the banks can do about it. The first is to sell bonds outside the banks. This reduces the amount left for the banks to absorb, - it keeps down the mechanical base for inflation by retarding the expansion of bank credit, which is spending power.

The second and more important is to encourage a habit of thought. It is a time to teach the old fashioned doctrines of work and save. For in the thinking habits of the people lie salvation as well as in the mechanics of money. If we are spendthrift and improvident we can go haywire no matter how small the debt, but if we are industrious and saving we may survive a very large one even though it predisposes to trouble.

What we do today will in large measure decide whether we can have full employment later. Every period of under-employment in times past has been the penalty for excesses which had gone before. 1921 paid for the excesses of 1918-20, and 1932 for those of the late 20's. We keep trying to explain everything in terms of mechanics. Actually the explanation goes much deeper into the roots of human behavior.

A school of thought has developed which believes our problems can be taken in hand by government and readily solved, that government can guarantee full employment or can prevent inflation. It is possible that a totalitarian government might do these things by regimenting the people, though the proof of its ability to do so over an extended period is far from clear.

Happily in a democracy the economic life of the people is really determined not by government, though it has an important influence, but by the people themselves. If there is a spirit of enterprise among millions of people, there is full employment. If there is despair and caution there is unemployment and all the Government can do is alleviate these swings a little.

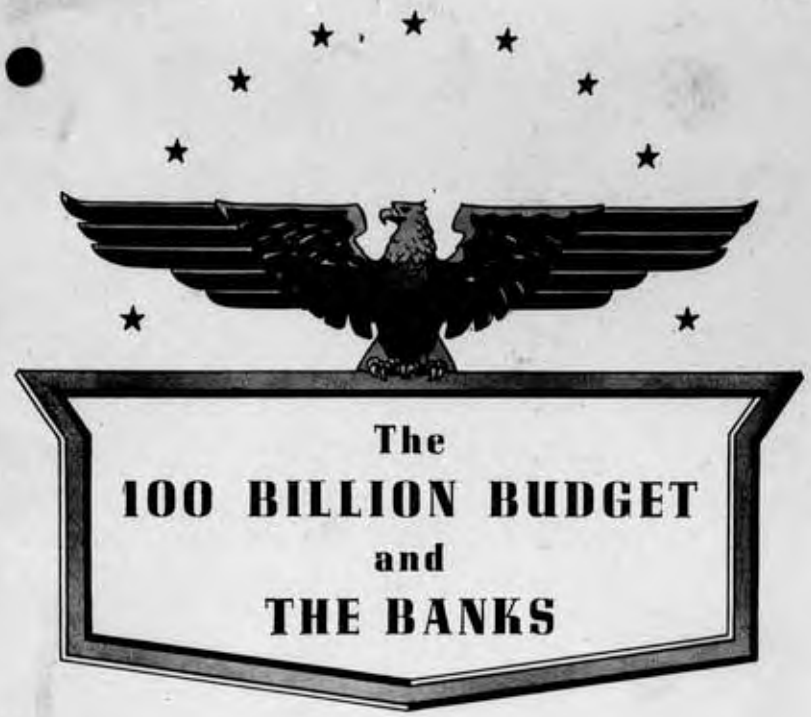
We as bankers are close to the people. They consult us in their financial and business affairs. If we are wise we can have some influence on the way the people behave under these unusual circumstances. The gospel to be taught is the one that we wholly believe, that of working and saving. If this gospel is taught and followed now it is the best way to avoid inflation now, to provide an economic support for the maximum war effort and to assure full employment after the war.

A PROGRAM FOR BANKS

By way of summary, it may be helpful to list in brief terms the desirable program for banks, that they may play their full part in financing the $109 billion budget:

1. Be an outpost for current sale of savings bonds.
2. Be prepared to advise customers and correspondent banks.
3. Organize for drives.
4. Welcome temporary loss of deposits.
5. Buy own share in percentage of deposits.
6. Use war loan account.
7. Give local leadership.
8. Preach the gospel of savings.

With the inspiring achievements of the armed forces, with miracles in production by American industry, the bankers of the country can be counted on to do their share.



The 100 BILLION BUDGET and THE BANKS

ECONOMIC POLICY COMMISSION
AMERICAN BANKERS ASSOCIATION

The 100 BILLION BUDGET AND THE BANKS

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REPORT BY THE ECONOMIC POLICY COMMISSION OF THE AMERICAN BANKERS ASSOCIATION, MARCH 1943

American Bankers Association

The Commission wishes to acknowledge many helpful suggestions received during the preparation of this report from members of the Research Council of the American Bankers Association and from a number of individual bankers and public officials.

THE 100 BILLION BUDGET

and the Banks

With the announcement of a new Treasury war bond drive in April, the banks face a new challenge. The December drive was successful, and bankers are proud of their share in this success.

The April drive calls for a still greater effort. More money is needed. The coverage must be broader, more individuals must subscribe, if this bond drive is to play its part as a means for checking inflation.

This task calls for understanding as well as for action. Bankers are being asked to interpret to their neighbors and customers the meaning and the dangers of war financing. It is the purpose of this report to examine the present financing problem and bring up to date the report of last April—"Treasury War Borrowing and the Banks."

The New Budget

Once more the President has startled the country with a budget of gigantic proportions—$24 billions larger than the current fiscal year's probable expenditures and six times as large as the biggest year of World War I. These relationships are shown in Diagram I on the next page.

This budget is the bookkeeping aspect of a huge job of production and organization of manpower and physical forces. The objective is the ships, guns, and planes, and the men to arm them and overcome the enemy in battle.

This means a further increase in the country's output piled on top of the almost incredible increases of the past two years. We must produce for war alone as much as was produced for every purpose in our best years of the past, and, in addition, we must produce enough to feed and clothe our population and carry forward essential civilian services.

The accomplishment of this great task will require, as the President said in his message, the full harnessing of the nation's manpower and resources. "Victory," he said, "cannot be bought with any amount of money, however large; victory is achieved with the blood of soldiers, the sweat of working men and women and the sacrifice of all people."

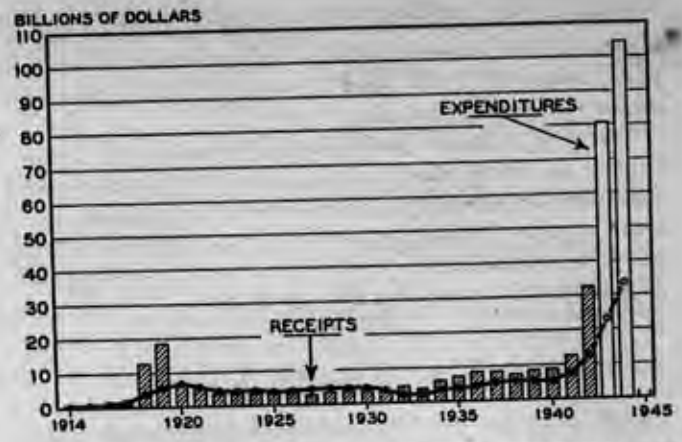

DIAGRAM I—UNITED STATES GOVERNMENT RECEIPTS AND EXPENDITURES

(Fiscal years July 1—June 30; 1943 and 1944 estimated. Excludes outlays of government corporations.)

The experience of the past two years gives reason to believe that the objectives set are within our reach. A year ago the budget estimate for the fiscal year 1942-43 spending was $59 billions. The actual figures will be nearer to $80 billions. While this increase is partly due to price and wage advances, production goals for ships and tanks and guns and planes which seemed fantastic have largely been realized, and the sights have again been raised. Our country is producing as never before, and the curve is still rising.

The Inflation Threat

The task before us requires not only great national effort, but also great national restraint. This huge spending program will pour into the hands of our people vast sums; the national income will be at new high levels. But civilian spending must be restrained because we cannot produce and import all the goods civilians would like. If spenders compete for a limited amount of goods they will drive prices sky-high; in other words, we shall have inflation.

The inflation threat, the peril of unrestrained consumer spending, is being dealt with on several fronts:

1. Price controls and rationing
2. Cuts in non-essential government spending
3. Taxation
4. Bond sales to the people
5. Other voluntary saving

All of these forms of restraint are necessary and we are daily learning more about them, their uses and their limitations. Especially are we learning how hard it is to make laws and rules to restrain some people without inflicting undue and perhaps unnecessary hardships on others. Strongly intrenched pressure groups resist restraints. The administrator of the functions of rationing and price control needs every sympathy and every aid from patriotic citizens.

The banks are aiding in the administration of the rationing program as it expands to cover an increasing number of commodities. It may safely be stated that their work will be done thoroughly and efficiently and will ease the burden on the rationing administration and on business.

Some economy in the non-war activities of government has been achieved. More pruning in the non-essential expenditures of national, state, and local governments is possible and urgently necessary, and also more economical administration of essential functions.

The country is also learning that there is no painless form of taxation which will draw off all the excess buying power and thus prevent inflationary spending. No one has yet devised a plan for extracting the spendable surplus from a war worker whose wage has jumped from $30 to $80 a week, without wrecking the living arrangements of the white collar worker whose increase from $40 to perhaps $45 has failed to keep pace with the rise in his cost of living.

The tax program still leaves much to be desired. A larger proportion of the newly-created income should be drawn back into the Treasury currently. Nearly all are now agreed that some form of pay-as-you-earn tax is essential and very many qualified students think a sales tax is also necessary.

But no equitable tax program can take the whole surplus income. Refundable taxes, commonly called compulsory savings, encounter the same limitations. There will still remain much spending power which can be reached only by voluntary means. It is in this area—bond sales to the people and voluntary savings—that the banks have their special opportunity.

The nation looks to its bankers for leadership in sound finance. This applies to bankers in small communities as well as in larger ones. Whatever its effect on us as individuals, we must urge increased taxes up to the maximum that can be borne without checking the war effort. We must encourage purchase of more and more government bonds by individuals.

Selling Governments Outside the Banks

The December drive, under the leadership of the Victory Fund committees, was more successful than had been expected. A goal of $9 billions was set and nearly $13 billions of securities were sold, including December sales of War Savings Bonds. But at the Treasury and among the members

of these committees it is recognized that only a start was made in the great task before us.

In the first place, the amounts of money required by the Government are steadily increasing. Table 1 shows the amount of funds to be raised through public financing in accordance with present budget estimates.

TABLE 1—RECEIPTS—EXPENDITURES—PUBLIC FINANCING
(IN BILLIONS OF DOLLARS)

	Fiscal year 1942 Actual	Fiscal year 1943 Budget	Fiscal year 1944 Budget
Total budget expenditures	32	80	104
Government corporation net outlays	2	4	3
Total expenditures	34	84	107
Total net receipts*	13	23	33**
Excess of expenditures	21	61	74
Borrowing from trust accounts, etc.	2	3	4
Total public financing—net	19	58	70

* Exclusive of social security tax receipts.
** Exclusive of any new taxes.

In the present fiscal year, which ends on June 30, 1943, the total amount of public financing will be about $58 billions. Of this total about $34 billions was completed in the first six months, leaving something like $24 billions in the period January-June. This difference is due to the timing of sales drives, as a drive was just completed on December 31 and a new bond drive will be necessary soon after the new fiscal year begins next July 1. In the next fiscal year, from July 1, 1943, through June 1944, the total to be raised will jump to $70 billions on the basis of present estimates of expenditures and present tax laws. This may and should be reduced through additional taxes but, in any event, represents a huge task if it is to be financed without serious inflationary consequences.

Also, the December financing included the sale of $5 billions of securities to the commercial banks, which is potentially inflationary. It is most desirable that in the next drive a far larger proportion of the securities should be taken by other investors, and particularly by individuals. For it is money in the hands of individuals which is the chief inflationary menace.

Table 2 gives an analysis of the results of the December drive. It shows that next to the banks the largest buyers were corporations and then insurance companies. Individuals, partnerships and personal trust accounts purchased only about $1.5 billion out of a total of $12.9 billions.

The conclusion is inescapable that, while this drive was successful in raising money and in raising a substantial part of it outside the banking system, it was not wholly successful as an anti-inflationary measure. It did not get enough money from individuals. This is shown also in the number of subscriptions. A total of 340,000 subscribers is not large in a nation of over 130,000,000.

It should, of course, be added that the war savings program is steadily reaching about 25,000,000 persons through payroll deductions; but the dollar amount of these purchases is running less than half a billion dollars a month. The program is only a good beginning at absorbing the huge outflow of funds from government spending.

Second only to the need for selling more securities outside the banks is the need for spreading the geographical distribution of these issues more broadly.

In the December drive and in the case of earlier Treasury offerings, too much of the financing has been carried in the principal money centers—where large corporate and insurance balances are kept. Since Treasury borrowing and tax collections in the financial centers are spent chiefly in the war industry areas, disproportionate subscriptions in the money centers tend toward unbalanced distribution of funds. It means a constant drain on these centers and accumulation

TABLE 2—DECEMBER DRIVE—ANALYSIS OF BUYERS

(IN MILLIONS OF DOLLARS)

	Net increase in Treasury Bills outstanding	Sales of other securities					Total
		¾% Certificates of indebt. 12-1-43	1¼% Treas. Bonds, 1948	2½% Treas. Bonds, 1965-68	Tax Notes, Series A & C	Savings Bonds, Series E, F & G	
Banking sources	897	2,117	2,058	—	—	—	5,072
Other sources:							
Insurance companies	—	73	237	1,367	—	—	1,677
Savings banks	—	48	82	479	—	—	609
Other corporations	—	668	182	190	1,147	66	2,213
Individuals, partnerships, and personal trust accounts	—	118	82	253	188	948	1,689
Dealers and brokers	—	447	319	115	—	—	881
Elemosynary institutions	—	12	10	31	—	—	53
U. S. Govt. agencies and trust funds	—	1	2	260	—	—	263
State and local governments, their agencies and sinking and trust funds	—	85	28	83	—	—	194
All other (including unclassified)	—	232	62	92	—	—	386
Total from other sources	—	1,682	1,004	2,890	1,335	1,014	7,925
Total from all sources	897	3,799	3,062	2,890	1,335	1,014	12,897

of unused funds in the interior, thus detracting from the most effective utilization of available resources in the war effort and complicating the task of the Reserve Banks of keeping the money markets adequately supplied.

This situation should be remedied, of course, not by any let-up in the sales effort in the money centers, but by redoubled efforts in other districts.

The Next Drive

The Secretary of the Treasury has announced that the next drive to sell bonds will take place in April. A series of conferences has been held to lay the basis for this drive. The Victory Fund committees and War Savings staffs in the different districts have drawn up suggestions and are carrying forward their plans of organization. Their representatives have met in Washington with the Treasury and officials of the Federal Reserve System. The committee of the American Bankers Association appointed by President Hemingway in November has held two meetings at the Treasury since the first of the year. An important step toward greater efficiency in the organization of the drive is the Secretary's appointment of a National War Finance Committee to coordinate the activities of the Victory Fund Committee and the War Savings Staff. As further specific plans are to be announced from time to time, it seems desirable in this report to deal only with some of the principles which are likely to determine the success or failure of the drive.

Of first concern is the manner of organizing for a broader coverage of individual prospects. Solicitations made directly by commercial and investment bankers will need to be supplemented by committee activity reaching people where they work and through their social and religious groups.

In whatever improvements of organization each community may develop, the banks should and will continue to play a major role. Their effectiveness was demonstrated in

the December campaign, and they will be looked to for further leadership.

As a primary contribution to the success of the campaign, the commercial banks should make staff assignments for efficient handling of the great volume of work involved in entering subscriptions, collecting payments, and making deliveries of securities. Services of this nature are regularly performed by the banks in connection with the War Savings issues, but new problems and pressures on staff develop under the stress of a drive.

Secondly, the banks are expected to assume a direct sales responsibility. We are asked in effect, either to solicit our own depositors or to accept the aid of professional or volunteer salesmen in this solicitation. There was ample evidence in December that depositors are glad to have the Treasury's sales appeal made to them by their bankers, and this obligation should be willingly accepted both as a patriotic duty and as a service to our depositors.

The time between drives should be utilized for painstaking preparation. Better results will reward the careful selection of names of prospects and their assignment to the staff members best qualified to approach them. Where feasible, duplication of assignments among banks and other selling units should be eliminated both for the sake of the prospects and even more to save the time of salesmen, thus making possible broader coverage.

As an opening move in the sales effort, it has been found helpful to have bank presidents write personal letters to prospects. This is an effective means of explaining the purpose and scope of the campaign and introducing the salesmen as volunteers entitled to a courteous reception.

Then we must make every effort to increase the number of personal interviews with depositors, for these are generally far more effective than telephone calls or letters alone.

One of the most important phases of preparation is to train men specifically for this task, so that they will know more

about the securities that are being offered and the best presentation. Results will come in proportion to effort expended and to the ability and training of the salesmen. This is a cause worthy of the best talent available in a bank's personnel, and senior executives should show the way.

A good basis for selling to others is first to buy for oneself. It is surprising how much more fervor and conviction our sales appeal will carry if we have participated personally on the relative basis that we ask of our depositors.

Finally, but of primary importance, bankers should exert every influence to afford more and better publicity for the next drive. The press, the radio and the movies all can help immeasurably to prepare the way for the sales approach. Far from limiting it to the choice of a good investment, the appeal should be made to patriotism and teamplay, dramatized when possible by the personally related experiences of our fighting men.

In facing the task of selling more bonds in April than in December we should be encouraged by remembering that we can draw upon a larger body of funds. Bank deposits and currency held by individuals and corporations are several billion dollars larger than last December first, due to the huge outpouring of government spending. Other uses for money are being restricted, so there is more money available. The goals can be reached if we who are responsible for selling the bonds do a good job of presenting the case to those who have the money. Higher taxes are drawing off part of these funds but there is still a large surplus not yet at work in the war.

Answers to Two Questions

There are still a few bankers who question whether they can afford the drain on their deposits which will result from a vigorous program of sales of government securities to their depositors. This question, fortunately, is being answered by the experience of banks all over the country. For they are

finding that the deposits which go out of one account through the sale of government securities come back a little later in some other account.

The overall program of government financing carries with it inevitably a large increase in deposits and these new deposits are finding their way into almost every bank in the country. It is true that bank deposits in munitions and food production areas are growing most rapidly, but it is remarkable how the increase spreads itself out and is distributed into nearly all corners of the banking structure.

When a bank depositor subscribes for government bonds the bank through which the subscription is made does not at first lose any funds if it is carrying a government war loan deposit account; there is simply a transfer from private deposits to a government deposit on the bank's books. When the Government draws down its deposit, it means only a temporary reduction in aggregate deposits because the Government promptly spends the money and it comes into the hands of some other depositor somewhere. While to many this was only banking theory a few months ago, it has now been demonstrated conclusively through the experience of bank after bank. As the deposits go out through customer subscriptions for bonds or through government withdrawals, there is reasonable certainty that over a period they will return, though usually under different ownership.

Another question troubling bankers is how they can find the time for a sales campaign with staffs reduced through loss of personnel to military and other services and with the volume of work increasing. This problem finds its answer both in patriotism and in enlightened self-interest. There is no other agency in the strategic position to perform this service. The sale of bonds is the banks' great opportunity. Moreover, the record of the last war shows that in many cases the banks which actively and energetically did the war work were the ones that recorded lasting growth in their volume of business. The same seems likely to be true this time. Cus-

tomers want to associate themselves with institutions that are vigorous and energetic and are performing their banking functions in a broad way. Also, the place of the banks in the body politic will be affected by the way we do this job. It is an unusual opportunity for us to demonstrate the public usefulness of the private banking system.

The Banks' Own Subscriptions

Even after the best possible efforts to sell securities to customers, the banks themselves will be called upon to absorb a substantial amount of government securities. Bank holdings have increased by leaps and bounds in the past few years, and Diagram II shows that commercial banks now hold 37 per cent of total outstanding government securities.

It is perhaps helpful to make some estimate of the probabilities for the remainder of this fiscal year. This is done in Table 3 which shows to whom government bonds have been

TABLE 3—ACTUAL AND ESTIMATED CHANGES IN HOLDINGS OF PUBLICLY HELD DIRECT AND GUARANTEED GOVERNMENT DEBT—1941-43

(IN BILLIONS OF DOLLARS)

	Fiscal Year 1941 Actual	Fiscal Year 1942 Actual	Fiscal Year 1943 1st 6 mos. Actual	Fiscal Year 1943 2nd 6 mos. Estimated*	Fiscal Year 1943 12 months Estimated
War savings bonds	1.4	5.9	4.9	6.0	10.9
Tax anticipation notes	—	3.0	3.4	1.5	4.9
Insurance companies	.4	1.9	2.1	1.3	3.4
Mutual savings banks	.3	.5	.7	.4	1.1
Other	.1	1.6	4.4	4.5	8.9
Subtotal	2.2	12.9	15.5	13.7	29.2
Commercial banks	3.6	6.3	14.9	8.7	23.6
Federal Reserve banks	−.3	.5	3.5	2.0	5.5
Subtotal	3.3	6.8	18.4	10.7	29.1
Total	5.5	19.7	33.9	24.4	58.3

* These figures are greatly affected by the timing of the bond sale drives. The current six months' period began immediately following the December campaign, which supplied to a large extent the funds required to meet expenditures for the first part of the period. The current half-year period is likely to include only one bond drive.

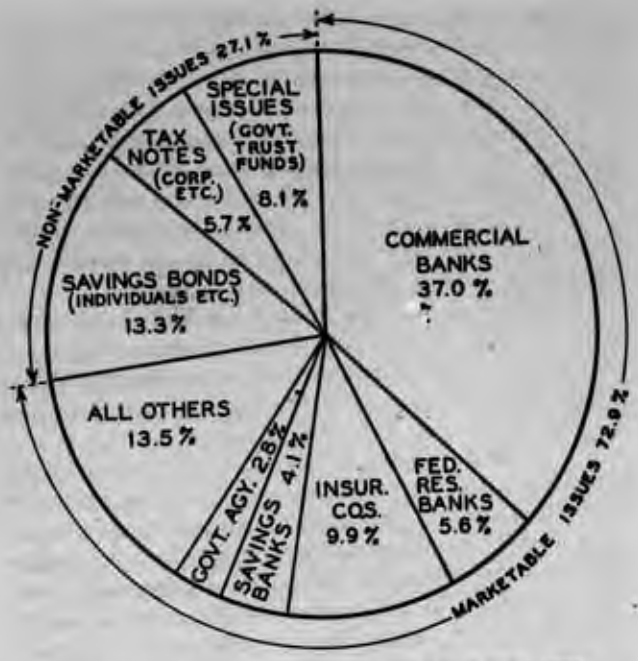

DIAGRAM II—OWNERSHIP OF U. S. GOVERNMENT SECURITIES DECEMBER 31, 1942

sold for the past two fiscal years, for the first six months of the current fiscal year and an estimate for the last six months of the current fiscal year (January-June, 1943).

The results for the current half year, when the total public financing is estimated at $24 billions against $34 billions raised in the period July-December 1942, will be largely determined by the success of the April drive, and they will be influenced by the tax program and many other factors. The estimate shown in the table assumes that the April drive will produce moderately better results than the December

drive, though this ought to be a minimum estimate for sales outside the banks. It would suggest that the banks would be called upon to absorb about $9 billions worth of government securities in the current six months' period. This is less than they purchased in the period July-December, because the Treasury entered January with huge balances, but it is, nevertheless, a substantial sum which is inflationary and should be reduced to a minimum. In the coming fiscal year (1944) the amounts will be larger still unless taxes are substantially increased, or sales to other investors are larger.

The pattern of financing through the banks is becoming well established. While it looks like an impossibility for banks with less than $2 billions of excess reserves to buy $9 billions of government securities, we have learned by experience how the process of buying these securities works out.

The procedure is about as follows. A bank subscribes for government securities, making the payment by an increase in its war loan account. This requires immediately an increase in its reserves,* but those reserves have in one way or another been made available as the Federal Reserve System has purchased securities in the market, or has reduced reserve requirements. For example, in the last six months of 1942 the member banks of the Reserve System bought over $13 billions of government securities and supplied depositors with $3 billions net of additional currency. Despite the dollar for dollar loss of reserves occasioned by currency withdrawals and despite also the increased reserves needed to back the new deposits created by government borrowing, excess reserves were reduced by only about half a billion dollars. This was mainly because the Federal Reserve Banks made $4½ billions available through open market operations and through

* A bill now before Congress would eliminate the requirement for reserves against government war loan deposits as well as F.D.I.C. assessment against such deposits until six months after the war. With this arrangement the requirement for reserve would become effective only when war loan deposits are withdrawn, the funds spent by the Treasury and returned to the banks as ordinary deposits. This would make more gradual the need for added reserve.

reducing the required percentage of reserves to deposits of central reserve city banks.

During the period, however, individual banks have often found themselves short of reserves through shifting of deposits, withdrawals of currency, or otherwise. The usual method of meeting this situation has been through selling Treasury bills or certificates in the market or to the Federal Reserve Banks. These channels have been freely open at all times. These operations have in fact provided a demonstration of the ease of making reserve adjustments through the use of the various facilities available. The proof is to be found in the fact that at no time in recent months has there been any substantial borrowing by member banks at the Reserve Banks, although the discount rates have been reduced to ½ of one per cent on short governments and the Reserve System has been prepared to discount freely.

This experience suggests that the whole operation can be carried through with relatively little need for banks' borrowing at the Reserve Banks, although there is clearly no odium attached to such borrowing, and it would rather be a sign that a bank is prepared to do its share in carrying through war financing. Any bank which does not wish to borrow is likely to find no serious difficulty in making adjustments in other ways.

For a bank to handle these operations efficiently the two essentials are, first that it should pay for its subscriptions by war loan account, and second that it should carry a portfolio of Treasury bills and certificates.

What Is Each Bank's Share?

One question frequently asked is how a bank can decide how large a subscription it ought to enter for Treasury issues. A first principle is that banks should now be fully invested. With the large amount of Treasury bills and certificates available there is no longer any reason for a bank to carry

more than a minimum of excess reserves. The bank carrying continuously large excess reserves is not doing its share in the program, and is losing earnings unnecessarily.

In fact, the weight of government financing is now being carried by banks with practically no excess reserves. Banks in this condition find that if they go ahead and subscribe their share for each new issue, making payment through war loan account, they are able to maintain their positions in ways already indicated without serious difficulty.

The facts show that at the present time there are still a great many banks that are not taking advantage of the facilities which are offered through the war loan accounts. The following table shows the percentage of banks qualified as war loan depositaries in each Federal Reserve district.

TABLE 4—PERCENTAGE OF BANKS QUALIFIED AS WAR LOAN DEPOSITARIES DECEMBER 1942

District	
Boston	49%
New York	66
Philadelphia	49
Cleveland	36
Richmond	32
Atlanta	38
Chicago	23
St. Louis	19
Minneapolis	75
Kansas City	33
Dallas	31
San Francisco	18
	37%

A second yardstick is therefore desirable to govern banks in their subscriptions, apart from their reserve position. Perhaps the simplest such measure lies in the percentage of the bank's deposits invested in government securities. On December 31, 1942 the average bank in the United States held government securities equal to nearly half of its total deposits, and banks which are holding less than this amount might

well examine their positions to see whether they might not do more. This percentage would of course be somewhat dependent upon a bank's loan portfolio. A bank which had a relatively large loan portfolio would not be able to subscribe quite so heavily for government securities.

Another measure which may be applied in subscribing for new issues is the ratio of a bank's deposits to the total for the country. For example, a bank with $8,500,000 of deposits holds approximately one-hundredth of one per cent of the $85,000,000,000 bank deposits of the country and might be expected, excepting under special individual conditions, to enter a subscription for at least $200,000 of a new issue of $2,000,000,000 offered to the banks.

The Treasury and the Reserve System have steadily refrained from fixing quotas for subscriptions of individual banks in the belief that this was not necessary. It seems much better for each bank to decide its own policy in the light of the foregoing suggestions and bearing in mind all the circumstances of its own position.

Will Deposits Disappear?

Some banks have been reluctant to become fully invested because of a feeling that their greatly expanded deposits were in the nature of fluff which would blow away with the first strong wind. They recall that in 1920 and 1921 bank deposits shrank very rapidly and compelled quite a liquidation of bank assets, and they wonder whether something like this will occur again.

The two situations are quite different, for the great expansion in bank deposits in 1917 to 1920 was primarily in commercial loans for the purpose of carrying large inventories of commodities. When the prices of these commodities dropped the loans were liquidated and, with them, the deposits. Farmers also borrowed heavily and later went through a period of liquidation.

In the present case the expansion of deposits is due to increased bank holding of government securities and the deposits would normally be liquidated as these securities are redeemed by the Government or are sold to other investors. This is likely to be a gradual operation during which there may be some offsetting increases from commercial lending.

Even without much change in the total of bank deposits after the war, there may be substantial shifts in deposits between different regions of the country and different banks. The answer to this problem appears to lie in the character of the securities purchased. Many careful bankers are putting a large part of their newly acquired funds into Treasury bills and certificates which can always be liquidated promptly to meet any decline in deposits but which, nevertheless, enable the bank to do its share in the financing program and add to its income without incurring real hazard.

The Treasury has made every effort to design the issues it has created to meet this specific problem. The volume of Treasury bills and certificates outstanding has been steadily increased. The Federal Reserve System, moreover, has maintained a constant market for Treasury bills by announcing its willingness to buy such bills at any time at 3/8 of 1 per cent and to re-sell them again (if desired) at the same rate to the bank which offered them. It has in addition given support when necessary to the market for Treasury certificates. Under these circumstances banks have been justified in treating bills and certificates as the equivalent of cash.

With respect to the low yields on these securities it may be noted that they represent largely the employment of new money, so that the yield need not be comparable with the usual cost of obtaining money. While it requires something of a readjustment of thinking for country banks to employ funds at rates as low as 3/8 or 7/8 of one per cent, increasing numbers of such banks are recognizing an unusual situation and employing a substantial part of their newly acquired deposits in this way.

Condition of the Banks

Concern is sometimes expressed about the position of the banks with nearly 50 per cent of their assets in government securities and their capital ratios steadily declining. The changes are shown in Table 5 for all member banks, with estimates for June 30, 1943.

TABLE 5—EFFECT OF GOVERNMENT SECURITY PURCHASES ON ALL MEMBER BANKS, ASSUMING PURCHASES AS INDICATED IN TABLE 3 (IN BILLIONS OF DOLLARS)

	June 30 1941	Dec. 31 1941	June 30 1942	Dec. 31 1942	June 30 1943
TOTAL LOANS AND INVESTMENTS:					
Loans	16.7	18.0	16.9	16.1	16.1
Governments	18.1	19.5	24.1	37.5	44.9
Other Investments	5.8	6.0	5.8	5.6	5.6
Total	40.6	43.5	46.8	59.2	66.6
LIABILITIES:					
Deposits	58.5	61.7	64.0	76.0	81.7*
Capital Funds	5.8	5.9	6.0	6.1	6.2
CAPITAL FUNDS RATIOS:					
To Deposits	9.9%	9.6%	9.4%	8.0%	7.6%
To Loans and Investments	14.3%	13.6%	12.8%	10.3%	9.3%

* Allows for increase of $2 billions in money in circulation Jan. 1, 1943 to June 30, 1943.

These are indeed trends which justify careful consideration and their indefinite continuance would be serious. There are certain alleviating elements. First, the decline in loans and in investments other than government securities represents a reduction in risk and in some cases elimination of undesirable assets. For some years past, for example, banks as a whole have been steadily writing down the book value of bank premises.

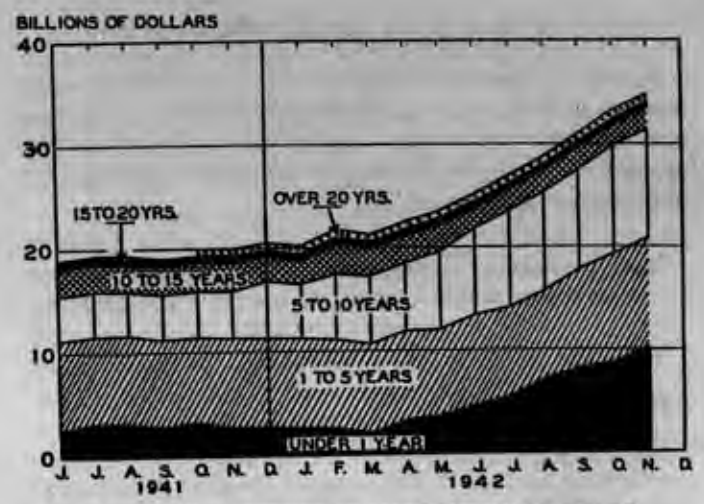

DIAGRAM III—OWNERSHIP OF GOVERNMENT SECURITIES BY COMMERCIAL BANKS—BY CALL CLASSES

Second, banks have been following a conservative policy in their purchases of government securities as is shown in Diagram III.

All of the increase recently has been in securities under ten years maturity and most of it under five. More than $10 billions matures within one year. Figures for the last date shown in the diagram are as follows:

TABLE 6—MATURITY DISTRIBUTION (TO DATE OF CALL) OF GOVERNMENT SECURITIES HELD BY COMMERCIAL BANKS NOVEMBER 30, 1942 (IN MILLIONS OF DOLLARS)

Under one year	$10,175	29.5%
1 to 5 years	10,517	30.5
5 to 10 years	10,522	30.5
10 to 15 years	2,004	5.8
15 to 20 years	581	1.7
Over 20 years	674	2.0
Total	$34,473	100.0%

Under these conditions it may be stated that the amount of risk to be covered by capital has not increased. The real question is not as to the position today, which is wholly dependent on the war and the success in selling securities outside the banks, but as to the post-war position when the huge volume of bank funds may seek more active employment. It will then be desirable that the bank capital position should be strong enough to justify the banks in taking the risks necessary in financing their share of the business ventures essential to full employment. To that end it is most desirable that bank capital be augmented as much as possible from earnings and later perhaps by obtaining new capital in the market.

There is nothing in this situation to prevent a bank's doing its full share in the financing program provided it follows a realistic policy in the maturity of purchases, and a conservative policy also in dealing with any doubtful assets and in the payment of dividends.

Dangers of the Gigantic Debt

Behind all of these more technical problems lies a growing apprehension as to the effect of the mounting government debt. A few years ago a $50 billions debt was dreaded as a grave danger and today we face one perhaps four or five times that large. The trend is shown in Diagram IV. The debt may shortly reach a total more than twice as large as the national income of the calendar year 1941.

The first and inevitable result is an annual interest cost nearly as large as the whole national budget in the twenties. This means high taxes for an indefinite period and high taxes always tend to discourage initiative and enterprise. While no one can foretell the ultimate effects of this tax burden upon the economic system, it is a risk in war we have to take. Our capacity to carry the heavy debt without endan-

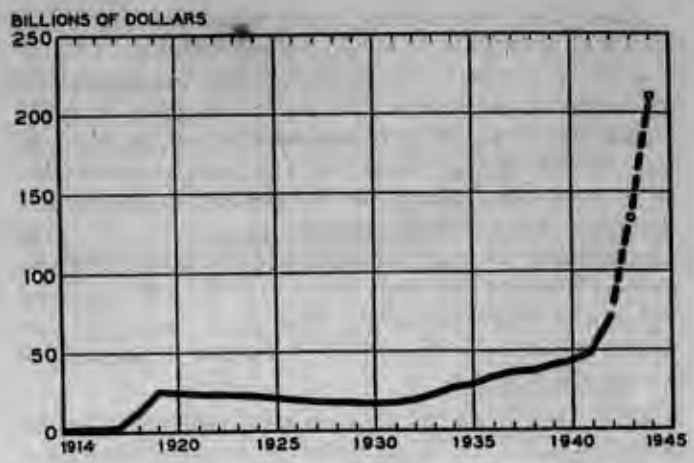

DIAGRAM IV—UNITED STATES GOVERNMENT DIRECT DEBT

gering our currency and our free institutions will depend upon the national economic policies that are followed after the war. If these policies are conducive to a sound increase in national productivity and wealth, even this heavy debt charge can be borne.

The more immediate hazard attaches to the expansion of bank credit through which the huge debt is created and carried. For it is this bank credit that represents potential inflation. It is spending power in vast amounts which could blow prices through the roof if its owners started to spend it freely.

For all these recent years when bank deposits have been growing with the climbing national debt the saving grace has been an attitude of caution on the part of the owners of deposits. This had both its good and its bad aspects. Its good aspect was its avoidance of inflationary price increases. Its bad aspect a few years ago was that it slowed down recovery. The financial expansion which in times past would have stimulated business expansion and higher prices was damped

down and thwarted by an atmosphere of fear and caution. Deflation was still in the air.

What happens from here on depends as much on attitude of mind as on the mechanics of the situation. Mechanically all the elements of a serious inflation are here; psychologically we are fortunately still somewhat cautious. All reports indicate that the people have been saving substantial portions of their income, either in the form of cash, purchase of war bonds, or payment of debts.

There are two things the banks can do in this situation. The first is to sell bonds outside the banks. This reduces the amount left for the banks to absorb—it keeps down the mechanical base for inflation by retarding the expansion of bank credit, which is spending power.

The second is to encourage a habit of thought. It is a time to teach the old fashioned doctrine of work and save. For salvation lies in the thinking habits of the people as well as in the mechanics of money. If we should be spendthrift and improvident we should court disaster no matter what the size of the debt, but if we are industrious and saving we can manage a very large debt even though it predisposes to trouble.

What we sow today will in large measure determine what we reap in the post-war period. In the past, inflation and overexpansion have been forerunners of depression and unemployment. The excesses of 1918-20 were paid for in 1921, and those of the late 20's in 1932.

A school of thought has developed which believes all our problems can be taken in hand by government and readily solved, that government can by itself prevent inflation or guarantee full employment. A totalitarian government might do these things by regimenting the people, though the proof of its ability to do so over an extended period is far from complete. Happily in a democracy the economic life of the people is determined not by government alone, though it has great influence, but by the people themselves.

We as bankers are close to the people. They consult us in their financial and business affairs. If we are wise we can have some influence on the way the people behave under present unusual circumstances. The gospel to be taught is the one that we wholly believe, that of *working* and *saving*. If this gospel is taught and followed now it will be a great aid toward avoiding inflation and providing a sound base on which full employment may be built after the war.

A Program for Banks

By way of summary, it may be helpful to list in brief terms the desirable program for banks, that we may play our full part in financing the $100 billion budget.

1. Promote actively the continuing sale of savings bonds
2. Organize for Treasury War Financing drives, to sell to our customers and other non-bank investors
3. Welcome temporary loss of deposits caused by customers' purchases of government securities
4. Invest idle funds and then buy our share of new issues in relation to deposits
5. Use war loan account
6. Preach the gospel of savings

In step with the inspiring achievements of the armed forces, and with marvels in production by American industry, the bankers of the country can be counted on to do their share.

350

MR. W. RANDOLPH BURGESS

2/20/43

TREASURY BILLS

	Feb. 24	Feb. 17	Feb. 10	Feb. 3
Amount offered	$700 M	$700 M	$700 M	$700 M
Bids tendered	1,054	1,114	1,042	1,302
Low rate	.297%	.257%	.237%	.297%
High rate	.376	.376	.376	.372
Average rate	.374	.373	.372	.369
Amount in New York	$438 M	$413 M	$445 M	$287 M
Amount in Chicago	76	58	60	134
Amount in San Francisco	36	71	51	41
Amount in balance of country ..	150	158	244	238

Feb. 20, 1943

FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Page 1

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

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

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

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

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Last Week																Index	Description	This Week													
Monday r		Tuesday		Wednesday		Thursday		Friday		Saturday		Full Week r						Monday		Tuesday		Wednesday r		Thursday		Friday		Saturday		Full Week	
Feb. 8		9		10		11		12		13								Feb. 15		16		17		18		19		20			
A	B	A	B	A	B	A	B	A	B	A	B	A	B					A	B	A	B	A	B	A	B	A	B	A	B	A	B
																	I. Summary														
+79.5	---	+30.9	---	+227.5	---	+123.9	---		Holiday	+109.5	---	+571.3	---				Marketable issues:														
-89.5	---	-47.8	---	-108.0	---	-32.7	---			-47.5	---	-253.5	---				Market purchases	+51.2	---	+35.8	---	+139.6	---	+59.3	---	+51.2	---	+87.7	---	+424.1	---
---	---	---	---	---	---	---	---			---	---	---	---				Market sales	-54.5	---	-58.7	---	-67.9	---	-74.9	---	-32.5	---	-35.5	---	-325.0	---
---	---	---	---	+143.0	---	---	---			---	---	+143.0	---				Direct purchases from Treasury	---	---	---	---	---	---	---	---	---	---	---	---	---	---
---	---	---	---	---	---	---	---			---	---	---	---				Maturities	---	---	---	---	+86.2	---	---	---	---	---	---	---	+86.2	---
																	Special one-day certificates:														
+50.0	---	-16.9	---	-23.5	---	+91.2	---			+62.0	---	+162.8	---				Net change														
---	---	---	---	5718.9	---	---	---			---	---	---	---				Total net increase (+) or decrease (-)	-3.3	---	-32.0	---	-15.5	---	-22.6	---	+3.5	---	+51.2	---	-18.7	---
																	Wednesday report of total portfolio	---	---	---	---	5795.1	---	---	---	---	---	---	---	---	---
																	II. Taxable securities														
+46.5	---	+30.9	---	+227.5	---	+123.9	---			+109.5	---	+538.3	---				Bills - all issues combined														
-15.6	---	-13.7	---	-51.6	---	-19.0	---			-47.5	---	-147.4	---				Market purchases	+43.5	---	+33.6	---	+139.6	---	+59.3	---	+43.2	---	+87.7	---	+403.1	---
---	---	---	---	+143.0	---	---	---			---	---	+143.0	---				Market sales	-48.5	---	-59.7	---	-55.4	---	-64.1	---	-22.0	---	-32.5	---	-272.2	---
+30.9	---	+17.2	---	+32.9	---	+104.9	---			+62.0	---	+247.9	---				Maturities	---	---	---	---	+86.2	---	---	---	---	---	---	---	+86.2	---
																	Total net increase (+) or decrease (-)	-5.0	---	-15.9	---	-2.0	---	-4.8	---	+21.2	---	+55.2	---	+44.7	---
+20.0	---	---	---	---	---	---	---			---	+.01	+20.0	+.01				Certificates														
+13.0	---	---	---	---	---	---	---			---	---	+13.0	---	C	1		.6% C - 5-1 43	+5.0	---	+8.0	---	---	---	+4.0	+.01	+10.0	---	---	---	+21.0	+.01
---	+.02	---	+.01	---	-.02	-1.0	-.01			---	---	-1.0	---	C	2		7/8 B - 8-1 43	---	---	---	---	---	---	---	---	---	---	---	---	---	---
-2.5	---	-7.5	---	-6.0	-.02	---	-.01			---	---	-16.0	-.02	C	3		7/8 D - 11-1 43	-1.0	---	-9.0	---	-12.5	---	-8.5	+.01	-4.0	---	---	---	-35.3	+.01
-11.4	---	-15.5	---	-6.5	-.02	---	---			---	---	-33.4	-.02	C	4		7/8 E - 12-1 43	---	-.01	---	---	---	-.01	---	---	---	+.01	---	-.01	---	-.02
														C	5		7/8 A - 2-1 44	---	-.01	---	---	---	---	---	---	---	+.01	---	---	---	-.02
																	Special one-day certificates	---	---	---	---	---	---	---	---	---	---	---	---	---	---
																	Treasury notes														
---	---	---	-1	---	---	---	---			---	---	---	-1	N	1		3/8% D - 3-15 43	---	---	---	---	---	---	---	---	---	---	---	---	---	---
---	---	---	---	---	---	---	---			---	---	---	---	N	2		3/4 D - 9-15 44	---	---	---	-1	---	---	---	---	---	---	---	---	---	-1
---	---	---	+1	---	---	-1.0	---			---	---	-1.0	+1	N	3		1-1/8 C - 3-15 45	---	---	---	---	---	---	---	-1	-5.0	---	---	---	-5.0	-1
---	+1	-.8	---	---	---	---	---			---	---	-.8	+1	N	4		3/4 B - 12-15 45	---	---	---	---	---	---	---	---	---	---	---	---	---	---
---	---	---	---	---	---	-.5	+1			---	---	-.5	+1	N	5		1 A - 3-15 46	---	---	---	---	---	-1	---	---	-1.5	---	---	---	-1.5	-1
---	---	---	---	---	---	---	---			---	---	---	---	N	6		1-1/2 B - 12-15 46	---	-1	---	---	---	---	-2.0	-1	---	---	---	---	-3.0	-2
																	Treasury bonds														
---	---	---	---	---	---	---	---			---	---	---	---	B	1		2% - 3-15 48-50	---	-1	---	-1	---	-1	---	-1	---	---	---	---	---	-4
---	---	---	---	---	+1	---	-1			---	-1	---	-1	B	2		1-3/4 - 6-15 48	---	---	---	---	---	-1	---	-2	---	---	---	---	---	-3
---	-1	---	+1	---	+1	-1.0	-2			---	---	-1.0	-1	B	3		2 - 6-15 49-51	---	-1	---	-1	---	-2	---	-2	---	---	---	+1	---	-4
---	-1	---	+1	-4.7	---	---	---			---	-1	-4.7	-1	B	4		2 - 9-15 49-51	---	-1	---	-1	---	-2	---	-4	---	---	---	-1	---	-4
---	---	-.5	+1	-2.3	---	---	-1			---	---	-2.8	---	B	5		2 - 12-15 49-51	---	-1	---	-1	---	-2	---	-2	---	-1	---	---	---	-2
---	---	-5.0	---	---	+1	---	-1			---	-1	-5.0	-1	B	6		2 - 3-15 50-52	---	-1	---	-1	---	-1	---	-1	---	-1	---	---	---	-3
---	---	-.6	---	---	---	---	---			---	---	-.6	---	B	7		2 - 12-15 51-53	-5.0	-1	---	---	---	---	---	-4	---	---	-4.0	---	-9.0	-3
---	-1	-.5	+1	-5.5	+1	---	---			---	---	-6.0	+1	B	8		2-1/2 - 3-15 52-54	---	-1	---	-1	---	---	---	-1	---	---	---	---	---	-3
---	-1	---	---	---	---	---	---			---	---	---	-1	B	9		2-1/4 - 6-15 52-55	---	-1	---	-1	---	---	---	-1	---	---	---	---	---	-3
---	---	-3.7	+1	-29.7	+1	---	---			---	---	-33.4	+2	B	10		2-1/2 - 3-15 56-58	---	-2	---	---	---	---	---	-1	---	---	---	---	---	-3
---	---	---	---	---	+1	---	---			---	-1	---	---	B	11		2-1/2 - 6-15 58-63	---	-2	---	-1	---	-1	---	-2	---	---	---	---	---	-4
---	-1	---	+1	---	+1	---	---			---	-1	---	---	B	12		2-1/2 - 12-15 63-66	---	-1	---	-2	---	-1	---	-3	---	---	---	---	---	-4
---	-1	---	---	---	+1	---	-1			---	-2	---	-3	B	13		2-1/2 - 9-15 67-72	---	-1	---	-1	---	-2	---	-4	---	+1	---	---	---	-3
																	Guaranteed securities														
---	---	---	---	---	---	---	---			---	---	---	---	G	1		CCC 1-1/8% G - 2-15 43	---	---	---	---	---	---	---	---	---	---	---	---	---	---
---	---	---	---	---	---	---	---			---	---	---	---	G	2		RFC 1-1/8 F - 7-15 43	---	---	---	-1	---	---	---	---	---	---	---	---	---	-1
---	---	---	---	---	---	---	---			---	---	---	---	G	3		RFC 1 H - 4-15 44	---	---	---	---	---	-1	---	---	---	---	---	---	---	-1
																	All taxable securities														
																	Marketable issues:														
+79.5	---	+30.9	---	+227.5	---	+123.9	---			+109.5	---	+571.3	---				Market purchases	+48.5	---	+35.8	---	+139.6	---	+59.3	---	+53.2	---	+87.7	---	+424.1	---
-89.5	---	-47.8	---	-108.5	---	-32.5	---			-47.5	---	-253.6	---				Market sales	-54.5	---	-58.7	---	-67.9	---	-74.9	---	-32.5	---	-35.5	---	-325.0	---
---	---	---	---	---	---	---	---			---	---	---	---				Direct purchases from Treasury	---	---	---	---	---	---	---	---	---	---	---	---	---	---
---	---	---	---	+143.0	---	---	---			---	---	+143.0	---				Maturities	---	---	---	---	+86.2	---	---	---	---	---	---	---	+86.2	---
																	Special one-day certificates:														
																	Net change														
+50.0	---	-16.9	---	-21.8	---	+101.4	---			+62.0	---	+174.7	---				Total net increase (+) or decrease (-)	-6.0	---	-22.9	---	-14.9	---	-15.6	---	+20.7	---	+51.2	---	+12.5	---

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

* Less than $50,000.

r Original figures revised.

1/ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day.

2/ Transactions are entered as of the day following that to which they apply, since data are not available until the following morning.

FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

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

Market purchases 1/..... +
Market sales 1/..... -
Maturities..... -

Column B shows price changes in points.

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Index	Description	Last Week Monday Feb. 8 A	B	Tuesday 9 A	B	Wednesday 10 A	B	Thursday 11 A	B	Friday 12 A	B	Saturday 13 A	B	Full Week A	B	This Week Monday Feb. 15 A	B	Tuesday 16 A	B	Wednesday 17 A	B	Thursday 18 A	B	Friday 19 A	B	Saturday 20 A	B	Full Week A	B
	III. Tax-exempt securities																												
	Treasury notes																												
101	1-1/8 A - 6-15 43				-1					Holiday									-1										
102	1 C - 9-15 43						+1		-1						-1						-1								-1
103	1-1/8 D - 12-15 43																				-1								-1
104	1 B - 3-15 44																				-1				-1				-1
105	3/4 A - 6-15 44																				-1								-1
106	1 C - 9-15 44						+1		+1										-1										-1
107	3/4 A - 3-15 45																	-1.1				-2.0						-3.1	
																						-4.5						-4.5	
	Treasury bonds																												
101	3-3/8 - 6-15 43-47		-2												-2	+2.7	-2								-2			+2.7	-2
102	3-1/4 - 10-15 43-45								-2						-2										-2				-2
103	3-1/8 - 4-15 44-46								+2						-2										-2				-2
104	4 - 12-15 44-54								-1						-1										-2				-2
105	2-3/4 - 9-15 45-47																				-1				-1				-1
																									-1				-1
106	2-1/2 - 12-15 46		-1														-1												-1
107	3-3/4 - 3-15 46-56								-1						-1				-1				-1	-3.9				-3.9	-1
108	3 - 6-15 46-48		-1												-1				-1				-1						-1
109	3-1/8 - 6-15 46-49		-1						-1						-1				-1						-1		-1		-1
110	4-1/4 - 10-15 47-52		-1												-1				-1						-1				-1
																							-1		-1				-1
111	2 - 12-15 47				-1										-1														-1
112	2-3/4 - 3-15 48-51																						-1		-1				-2
113	2-1/2 - 9-15 48					-1.4								-1.4							-1								-1
114	2 - 12-15 48-50				+1										+1								-1						-1
115	3-1/8 - 12-15 49-52														-1				-1				-1		+1				-1
																							-1						-1
116	2-1/2 - 12-15 49-53				+1		+1								+1				+1										+1
117	2-1/2 - 9-15 50-52				+1		+1		-2.0					-2.0	+2														+1
118	2-3/4 - 6-15 51-54						+2								+2						+1		-1	-2.8	+1			-2.8	+1
119	3 - 9-15 51-55						-1								-1				+1				-1		+1				+1
120	2-1/4 - 12-15 51-53						+1		-.5					-.5	+1									-10.5				-10.5	
																		-6.0							+1			-6.0	+1
121	2 - 6-15 53-55					-.3	+1		-1					-.3															
122	2-1/4 - 6-15 54-56				+1										+1				+1				-1		+1				+1
123	2-7/8 - 3-15 55-60				-1		+1								+1		-1												+1
124	2-3/4 - 3-15 56-59				+2		+1		-6.1					-6.1	+2			-2.0		-1.0					+1			-3.0	-1
125	2-3/4 - 6-15 58-63						+1		-1.6					-1.6	+1		-1								+1				+1
126	2-3/4 - 12-15 60-65						+1														-1		-.5					-.5	-1
									-1						-1														
	Guaranteed securities																												
101	CCC 3/4% F - 5-1 43																		-1										-1
102	FFMC 3-1/4 - 3-15 44-64								-1						-1						-1				-1				-2
103	FFMC 3 - 5-15 44-49								-2						-2						-2								-2
104	HOLC 3 A - 5-1 44-52								-1						-1				-1						-2				-2
105	HOLC 1-1/2 B - 6-1 45-47				-1												-1								-1				-2
106	FFBA 1-3/8 - 8-1 44																												-1
	All tax-exempt securities																												
	Market purchases															+2.7												+2.7	
	Market sales					-1.7		-10.2						-11.9				-9.1		-1.0		-7.0		-17.2				-34.3	
	Maturities																												
	Total net increase (+) or decrease (-)					-1.7		-10.2						-11.9		+2.7		-9.1		-1.0		-7.0		-17.2				-31.6	

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

r Original figures revised.

* Less than $50,000.

1/ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day.

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DICTATED BY HAROLD THOMAS

2/20/43

NATIONAL DIRECTOR OF SALES FOR WAR FINANCING

Clarence Frances,
President,
General Foods, New York.
(Up through sales to President)

Will Dodge,
Marketing Vice President,
Texas Company,
New York.

C. R. Palmer,
President,
Clewett Peabody.
(Up through sales to President)

Robert W. Woodruff,
Chairman,
Coca-Cola,
Former President White Motors.

Alexander Patterson,
Executive Vice President of Mutual Life.

Dwight Armstrong,
Vice President of Armstrong Cork.

Harry Bullitt,
President of General Mills.

William O'Neill,
President of General Tire and Rubber.

John Stevenson,
President of Penn Mutual Life.

NATIONAL SALES MANAGER FOR LARGE INVESTORS' MARKET

Joseph Ripley,
Harriman, Ripley & Co., New York.
(Averill Harriman's firm)

Charles McCain,
Dillon Reed,
New York.

B. A. Tompkins,
Vice President of Bankers Trust.

NATIONAL SALES MANAGER FOR GENERAL MARKET

Robert Strickland,
President of Trust Company of Georgia,
Atlanta, Georgia.

Thomas K. Smith,
President,
Boatman's National Bank, St. Louis.

James Kemper,
President,
Commerce Trust Company,
Kansas City.

NATIONAL SALES MANAGER FOR MASS MARKET

William A. Packer,
Vice President and General Sales Manager,
Packard Company.

Roy Reed,
Vice President of DeSoto Division,
Chrysler Company.
(former sales manager)

George Mason,
President of Nash Kelvinator,
(Former top sales executive of Chrysler)

Mervin Cotes,
Vice President,
Motor Wheel Corporation, Detroit.

Thomas McCabe,
President, Scott Paper Company,
Philadelphia.

NATIONAL SALES MANAGER FOR FARM MARKET

J. L. McCaffrey,
Vice President and Sales Manager,
International Harvester Company,
Chicago.

J. Y. Williams,
Vice President and Sales Manager,
American Agricultural Chemical Company,
New York.

A. F. McGraw,
General Sales Manager,
Tractor Division,
Allis Chalmers,
Milwaukee.

C. L. Reisner,
Sales Manager,
DeLaval Separator,
New York.

NATIONAL MANAGER FOR ADVERTISING AND PROMOTION

Raymond Rubicam,
Chairman of Executive Committee,
Young & Rubicam,
New York.

Neil McElroy,
Member of Executive Committee,
Proctor & Gamble.

James Gamble Rodgers,
O.W.I.,
Washington, D.C.
(Former Executive Vice President of
Benton & Bowles, New York)

NATIONAL SALES MANAGER FOR PAYROLL MARKET

Theodore Gamble,
War Savings Staff,
Washington, D.C.

John A. Stevenson,
President of Penn Mutual Life,
Philadelphia.

ADMINISTRATIVE ASSISTANT

Harold Graves,
War Savings Staff,
Washington, D.C.

NATIONAL MANAGER OF WOMEN'S DEPARTMENT

Miss Harriet Elliott,
War Savings Staff,
Washington, D.C.

February 20, 1942.

My dear Senator:

Thank you for your letter of February 18, which enclosed copies of the two reports recently authorized by the Joint Committee on Reduction of Non-essential Federal Expenditures. I am very glad to have these and appreciate your sending them to me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Harry F. Byrd,
United States Senate,
Washington, D. C.

Photo. file - Diary
Orig. " - Thompson

GEF/dbs

HARRY FLOOD BYRD, SENATOR FROM VIRGINIA, CHAIRMAN
ROBERT L. DOUGHTON, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN

SENATE

WALTER F. GEORGE, SENATOR FROM GEORGIA
ROBERT M. LA FOLLETTE, JR., SENATOR FROM WISCONSIN
CARTER GLASS, SENATOR FROM VIRGINIA
KENNETH DE ROSSITT, SENATOR FROM TENNESSEE
GERALD P. NYE, SENATOR FROM NORTH DAKOTA

HOUSE OF REPRESENTATIVES

THOMAS H. CULLEN, REPRESENTATIVE FROM NEW YORK
ALLEN T. TREADWAY, REPRESENTATIVE FROM MASSACHUSETTS
CLARENCE CANNON, REPRESENTATIVE FROM MISSOURI
CLINTON A. WOODRUM, REPRESENTATIVE FROM VIRGINIA
JOHN TABER, REPRESENTATIVE FROM NEW YORK

HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY
HAROLD D. SMITH, DIRECTOR OF THE BUREAU OF THE BUDGET

Congress of the United States

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CHAIRMAN'S OFFICE, SENATE OFFICE BUILDING

February 16, 1938

Honorable Henry Morgenthau, Jr.
The Secretary of the Treasury

My dear Mr. Secretary:

It gives me pleasure to enclose you copies of the two reports recently authorized by the Joint Committee on Reduction of Nonessential Federal Expenditures.

These reports have been presented to the President and to both branches of Congress, as required by the law creating this committee.

With best wishes, I am

Faithfully yours,

Harry F. Byrd

enclosures

Congress of the United States

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CREATED PURSUANT TO SEC. 601, OF THE REVENUE ACT OF 1941

February 18, 1943 SS

Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury

My dear Mr. Secretary:

It gives me pleasure to enclose you copies of the two reports recently authorized by the Joint Committee on Reduction of Non-essential Federal Expenditures.

These reports have been presented to the President and to both branches of Congress, as required by the law creating this committee.

With best wishes, I am

Faithfully yours,

Harry F. Byrd

enclosures

78TH CONGRESS, 1st Session | SENATE | DOCUMENT No. 4

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

ADDITIONAL REPORT

OF THE

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES CONGRESS OF THE UNITED STATES

PURSUANT TO

SECTION 601 OF THE REVENUE ACT OF 1941

AND

S. CON. RES. 38

(77th Congress)

FEBRUARY 11, 1943—Referred to the Committee on Appropriations and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1943

CONGRESS OF THE UNITED STATES

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CREATED PURSUANT TO SECTION 601, OF THE REVENUE ACT OF 1941

HARRY FLOOD BYRD, Senator from Virginia, *Chairman*

ROBERT L. DOUGHTON, Representative from North Carolina, *Vice Chairman*

SENATE	HOUSE OF REPRESENTATIVES
WALTER F. GEORGE, Senator from Georgia.	THOMAS H. CULLEN, Representative from New York.
ROBERT M. LA FOLLETTE, JR., Senator from Wisconsin.	ALLEN T. TREADWAY, Representative from Massachusetts.
CARTER GLASS, Senator from Virginia.	CLARENCE CANNON, Representative from Missouri.
KENNETH McKELLAR, Senator from Tennessee.	CLIFTON A. WOODRUM, Representative from Virginia.
GERALD P. NYE, Senator from North Dakota.	JOHN TABER, Representative from New York.

HENRY MORGENTHAU, JR., *Secretary of the Treasury*

HAROLD D. SMITH, *Director of the Bureau of the Budget*

LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES,
February 11, 1943.

The VICE PRESIDENT,
United States Senate, Washington, D. C.

SIR: In accordance with title 6 of the Revenue Act of 1941, Public Law No. 250, Seventy-seventh Congress, as chairman of the Joint Committee on Reduction of Nonessential Federal Expenditures, it gives me pleasure to present to you an additional report of this committee, which I ask that you lay before the Senate of the United States, with a view to its being printed as a Senate document.

Respectfully submitted.

HARRY F. BYRD,
Chairman.

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

FEBRUARY 11, 1943.

Report to: The PRESIDENT OF THE UNITED STATES.
The VICE PRESIDENT OF THE UNITED STATES, PRESIDENT OF THE SENATE.
The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

In accordance with title 6 of the Revenue Act of 1941, Public Law No. 250, Seventy-seventh Congress, an additional report herewith is presented by the Joint Committee on Reduction of Nonessential Federal Expenditures.

Senate Concurrent Resolution 38, introduced by Senators Vandenberg and Byrd, was adopted by the Senate. This resolution is as follows:

CONCURRENT RESOLUTION

Resolved by the Senate (the House of Representatives concurring), That the Joint Committee on Reduction of Nonessential Federal Expenditures be directed to investigate the existing methods of all departments and bureaus in respect to the manner and form of questionnaires, reports, and all other methods of inquiry to which citizens and/or corporations are required to respond in connection with all phases of the war effort; and be it further

Resolved, That the committee be directed to report any legislative recommendations which would either eliminate or simplify or concentrate these processes to the end that citizens and/or corporations shall be relieved of any needless irritation, labor, or expense in this connection and that the war effort shall be relieved of any needless obstacles or complications and that the Federal pay rolls shall be relieved of any needless personnel.

In accordance with the mandate contained in this resolution, the Joint Committee on Reduction of Nonessential Federal Expenditures made an investigation of the questionnaires and reports required from the public by the different agencies of Government.

The committee conducted public hearings and heard all the witnesses who desired to testify.

The committee required each agency of the Government to submit to the committee a complete list and a sample of all questionnaires sent out by the various agencies of the Government during the period from July 1, 1941, to December 1, 1942.

The responses made by the agencies show that a total of 7,025 separate and distinct Government reports and questionnaires were required by 48 agencies to be answered by the public.

This figure is exclusive of the reports requested by the Agricultural Adjustment Administration, the Farm Credit Administration, and the Bureau of Agricultural Economics, this information not having been furnished the committee.

This number, also, does not include a large number of letters asking for specific information and only includes the printed forms.

The committee has obtained sample copies of each of the questionnaires and reports, but has not been able to secure from the different agencies exact information as to the number of each report distributed,

although it is indicated that the number sent to corporations and individuals will run into the millions. The Office of Price Administration, for example, has issued and requested statistical data on 7,715,229 report forms, exclusive of rationing forms and instructions.

Number of separate and distinct forms required to be answered by the public

Agency or department	Number
Agriculture	642
(Did not furnish figures for Agricultural Adjustment Administration, Farm Credit, or Bureau of Agricultural Economics.)	
Department of Commerce:	
Reconstruction Finance Corporation	87
Census Bureau	281
Bureau of Foreign and Domestic Commerce	46
Coast and Geodetic Survey	5
Civil Aeronautics Authority	138
Weather Bureau	12
Interior Department	530
Justice Department	27
Labor Department	227
Navy Department	48
State Department	27
Treasury Department	38
War Department	109
Executive Offices of the President:	
Office for Emergency Management:	
Alien Property Custodian	25
Coordinator of Inter-American Affairs	1
Economic Stabilization Board	2
Office of Civilian Defense	21
Office of Defense Transportation	60
Office of Scientific Research and Development	2
Office of War Information	12
War Manpower Commission	178
War Production Board	741
Board of Economic Warfare	71
Office of Price Administration	1,096
Civil Aeronautics Board	26
Board of Investigation and Research	28
Civil Service Commission	437
Employees' Compensation Commission	192
Federal Communications Commission	436
Federal Deposit Insurance Corporation	5
Federal Power Commission	62
Federal Security Agency	258
Federal Trade Commission	92
Interstate Commerce Commission	241
Library of Congress	78
Maritime Commission (War Shipping Board)	32
National Archives	1
National Housing Agency	244
National Labor Relations Board	2
Railroad Retirement Board	229
Securities and Exchange Commission	138
Tariff Commission	28
Tennessee Valley Authority	6
Administrative Office of United States Courts	6
Veterans' Administration	10
Federal Works Agency:	
Office of Administrator	5
Public Roads Administration	43
Total of separate reports required by various agencies of the Government	7,025

(This does not include further information and reports asked for by letters and special requests.)

It would, of course, be a monumental task to analyze each of these carefully as to form and content, and this the committee could not accomplish without a long and exhaustive investigation, but the committee, after a careful survey, reports—

1. That there has been no attempt at uniformity of these numerous reports.
2. The purpose and use of many forms are not clear.
3. Identical information has been requested by several agencies.
4. The Budget Bureau's attempt at uniformity, simplicity, and conciseness has often been circumvented by the use of so-called "administrative forms," which requested statistical data at great length.
5. Many of the questions are couched in language too technical for the small businessman.
6. The forms were not constructed with a view toward saving the businessman or the Government time and money and, in many instances, have been prepared without regard to the accounting practices of the particular industry.
7. Where the purpose of the form is clear many superfluous questions have been added.
8. The investigation of the committee indicated that many of these reports serve no useful purpose; that a great many are filed away by governmental agencies, and the information contained therein is not tabulated.

The committee, of course, appreciates that some reports are necessary, but the vast number of reports requested, and the complexity and details of the questionnaires have, in the judgment of the committee, constituted a serious obstacle to the full utilization of the resources of the country for the war effort. Many business enterprises have been compelled to divert trained personnel from essential and important war work in order to prepare reports, many of which thereafter serve no useful purpose. War production is vastly more important than reports.

It is impossible to estimate the cost of preparing, analyzing, and tabulating these reports on the part of the Government, but this cost is necessarily high. The nearest approximate estimate that can be used is that of Mr. Joseph I. Lubin, former chairman of the War Production Board Committee for Review of Data Requests From Industry, who stated that the War Production Board had eliminated 20 percent of the existing forms and reports and, according to Mr. Lubin, has thereby released the equivalent of 15,000 men working every day, which means a saving of 30,000,000 man-hours a year now consumed in compiling such reports.

The War Production Board issued 741 questionnaires; therefore, the elimination of approximately 140 occasioned this saving in manpower, which, if applied to the entire number of more than 7,000, in similar ratio, the saving of manpower and cost would reach very great proportions.

Mr. Lubin stated that he hoped to reach an elimination of at least 40 percent of these reports. The committee are inclined to the opinion that 60 to 75 percent of the reports now required can be eliminated without in any way impairing the necessary records of the Government.

On the part of private business the cost of preparing these reports has been colossal in comparison to the benefits derived by the Government, and the task of preparing them has confused and discouraged many private business enterprises engaged in essential war work.

An investigation of the more than 7,000 questionnaires impresses the committee with the importance of protecting the businessmen of the country in the emergency now existing from a continuation of the necessity of diverting thousands of trained men from vital war activity to useless paper work.

The committee is driven to the irresistible conclusion that much of this "paper work" involves an intolerable waste of time and resources not only for the victims of these needless inquisitions but also for the Government itself. The committee also could not escape the conclusion that one of the chief sources of unpopularity, irritation, and resentment in connection with rationing and price controls is the nature and extent of the needless complex "reports" too often required by the Government. While fully recognizing that the war effort unavoidably requires a substantial increase in the "paper work" which our unavoidable war controls entail, the committee believes that this necessity should be serviced with a minimum of "red tape" and a maximum of simplicity; and it condemns the excessive, costly, and often unintelligible quiz-mania which has been too often exemplified in some of these bureaucratic zeals.

The committee commends the action of the Bureau of the Budget in accepting all-over control of questionnaires and reports with a view to reducing this burden.

The committee commends the action of the Treasury Department and the War Production Board in voluntarily abandoning some of the "paper work" and commends this excellent example to other branches of the Government.

The committee is hopeful that its clear exposure of this hazard—a menace which frequently actually threatens the war effort itself through a needless diversion of time and effort—will contribute to curbing substantially these excesses, and that the supervision of the Bureau of the Budget will substantially reduce this "paper output."

RECOMMENDATIONS

The committee recommends that the Budget Bureau, under the power it now has, or with additional power granted by Congress, should such be necessary, exercise full and complete control over the various agencies of the Government that are issuing questionnaires and reports not absolutely essential to the prosecution of the war; that the Budget Bureau endeavor not only to simplify but to eliminate most of these 7,025 reports now being required by the Government, and to coordinate the remainder; that, wherever possible, one annual, semiannual, or quarterly report be sent to the Budget Bureau as a central agency, containing the information required by the various agencies; that such reports be filed with the Budget Bureau and be accessible to the other agencies of government that need the information; that the entire question of these unnecessary reports is of such paramount importance that it be reviewed and simplified by further planning and coordination on the part of all Government agencies under the central control of the Budget Bureau; that the questionnaire mania be curbed by persuasion, if possible, and, if not, by strong congressional action.

The committee further recommends that the appropriation bills limit definitely the amount available to each agency of the Government issuing forms and questionnaires; that full information as to the number of reports issued, their character and purpose, be made a part of the records of the respective appropriations committees, so that such information will be readily available as to the number printed and distributed, and the cost thereof.

By exercising such careful supervision of that part of the appropriation available for the preparation, analysis, and cost of printing and distributing the reports, the Congress can retain in a very effective measure control over this questionnaire problem in the event proper cooperation of the various agencies affected is not forthcoming.

ADDENDA TO THE REPORT

ANALYSIS OF TESTIMONY AND INFORMATION RECEIVED BY THE COMMITTEE

A survey of 89 companies in 10 war industries revealed that 84 of these units completed 3,479 Government reports in the second quarter of 1942. This is an average of 164 reports per company per year. Industries with the heaviest war production carry the heaviest burden of reports. To complete the forms, the 89 companies require a total of 495,480 man-hours a year. Of this total, 13 percent is for nonrecurring and 87 percent for recurring reports. The machinery group of manufacturers believes that 43 percent of these reports are unnecessary.

In the Worthington Machinery & Pump Corporation, which employs 4,000 people, 6 departments must perforce devote full time to the preparation of 545 reports of 66 different types; in addition, there are 478 reports to 80 State, county, and city governments. Reports vary from 1 to 20 pages in length, and the number of questions varies from 10 to 100. The cost of the Federal reports for this corporation alone is approximately $90,000 a year.

Manufacturers declare that Federal red tape delays production and lengthens the war. Priorities and allocations involve entirely new sets of routines. Allocations of vital war materials to a plant must frequently wait until all other plants in the same production field have placed their requisitions.

In his testimony, Eric A. Johnston, president of the United States Chamber of Commerce, told our committee that "it requires a Philadelphia lawyer or an Indian crystal gazer to figure out the answers to some Government questionnaires." He said the requirements for necessary and basic information in wartime are bound to place a great burden on individuals and business concerns. "That makes it all the more important," he declared, "that requests for information should be kept at a minimum and be put in such form as to make for practical replies and utilization of their contents."

The War Production Board reports that a large automobile company complained that preparation of Government forms cost $125,000

and required more than 100,000 man-hours. In another large industry elimination of a single form will save 400,000 man-hours annually and also 100,000 man-hours for the Government.

Senator Vandenberg told the committee about a Chicago businessman who employs some 2,000 men. Excluding tax and social-security reports, it cost this firm $55,000 in 9 months to answer Government questionnaires.

A large drug manufacturer testified that some Office of Price Administration reports are impossible to fill out, both from the standpoint of time involved and ability to understand what is wanted. For example, it would take months to determine how to proceed with Report 1-1071 PL of 5 ROBV-COS-WP, entitled "Report on New Proprietory or Cosmetic Product." This one dealt with new products. Later it was revised to include any alteration in the size, style, and shape of the container or formula of any existing product. Mostly at the request of the War Production Board, hundreds of these changes have occurred in products marketed before March 1942. Bottles are now used to replace cartons; corks, to replace caps; glassine paper and label varnish have been eliminated. Now the company is asked by Office of Price Administration to go back to March and fill out forms for every change made in 450 products and about 1,200 sizes. This involves 600 to 800 changes requiring 600 to 800 reports. This would require months because it takes a competent man from 1 to 2 days to make a report. All this is supposed to be for price approval by the Office of Price Administration, although the law has already fixed these prices as of March.

The same manufacturer testified that his company has recently completed work on a product designed to reduce the mortality rate of 16 children a day who die of whooping cough. The Office of Price Administration was requested to act promptly on the price rate for this formula so that the company could market the product and save human lives. Weeks passed. Telephone calls brought no action. After 6 weeks a price was received from the Office of Price Administration. This procedure would be necessary for each of the 600 items.

The manufacturer presented to us another report, OPA Form Q-51, Budget Bureau No. 08-ST029-42. Completed, it would be 4 feet wide and 20 feet long. The company was unable to discover the purpose of the report, which was supposed to be completed in 4 days. The first page asked for the following: Name of product, unit ingredient cost, unit fabricating cost, unit factory overhead, unit administrative expense, unit sales, and advertising expense, etc.

To make matters worse, the Office of Price Administration asked for a type of cost break-down different from that of the Treasury Department and different also from that of previous Office of Price Administration questionnaires. The manufacturer said that assignment of unit cost to a vitamin product would involve administrative expense and research which could not be estimated. He said the probable cost of filling out all Federal questionnaires would be over $100,000 annually in a firm of 3,800 employees. Office of Price Administration, War Production Board, the Treasury Department, and the Department of Commerce all require separate reports.

Another manufacturer testified the latest Office of Price Administration report was the straw that breaks the camel's back. Declaring there had been a 90 percent turn-over of personnel in his accounting department since January this witness could not determine when the report might be completed, although it was due November 7. It would require, he estimated, 300 to 350 additional hours of work by a highly experienced employee. In July, two men from the Office of Price Administration visited this manufacturer and asked for detailed information covering 31 sheets. They wanted the material in 2 days and a large number of people were taken from their work to prepare it. In November the same Office of Price Administration man asked for much the same information on another vitamin questionnaire. The manufacturer told our committee that civilian needs and greatly increased war needs, plus a labor shortage, made the compiling of all this information virtually impossible.

A witness from a large industrial laboratory told us of duplication in questionnaires on vitamins issued by the Office of Price Administration, the Fish and Wild Life Service, the Bureau of the Census, and the Army-Navy Munitions Board. Two of these questionnaires have been changed from a quarterly to a monthly basis.

A representative of a large contractors' association said his office has sent out 178 bulletins explaining governmental regulations. These concerns must file 47 to 52 reports for the Treasury Department, the Office of Defense Transportation, the Office of Price Administration, and the War Production Board. Form No. 21 of the Office of Defense Transportation requires 6 or 7 reports, some recorded daily, some monthly. Involved questions are asked, such as tire mileage for each tire, mileage for each vehicle per year and an estimate for the next half year, number of trips, average load per trip, gallons of gasoline used, and so forth.

Senator Vandenberg presented a letter to the committee from a Kansas farmer who had filled out a two-page report in order to get a pair of rubber boots. If he lost the boots he was subject to a $10,000 fine or 10 years' imprisonment.

Eastman Kodak employs 84 persons 3,224 hours a week, enough to build 3 flying fortresses, to complete 409 reports for each quarter.

Constructive criticism includes:

1. Clarify subject matter.
2. Allow sufficient space for reply.
3. Eliminate superfluous requests for information.
4. Avoid "peaking" the reports required.
5. End duplication.
6. Don't penalize a company on priority by failing to win the "paper race."
7. Change method by which companies must wait until all similar companies have filed returns for priorities.

Mr. Fred A. Baughan, of the Retail Food Dealers Association of California, was the next witness. Mr. Baughan testified as to the complexity of regulations issued by the Office of Price Administration, pointing out that calculations must be made on 1,800 to 3,600 items by the neighborhood grocer. He also expressed the belief that Office of Price Administration regulations, red tape, and price ceilings will eventually force all small-size grocery stores out of business. According to Mr. Baughan, the lists which the retailers have compiled —tons and tons of them—remain piled up in the garages of California, unexamined by anyone, unclassified by anyone.

and required more than 100,000 man-hours. In another large industry elimination of a single form will save 400,000 man-hours annually and also 100,000 man-hours for the Government.

Senator Vandenberg told the committee about a Chicago businessman who employs some 2,000 men. Excluding tax and social-security reports, it cost this firm $65,000 in 9 months to answer Government questionnaires.

A large drug manufacturer testified that some Office of Price Administration reports are impossible to fill out, both from the standpoint of time involved and ability to understand what is wanted. For example, it would take months to determine how to proceed with Report 1-1071 PL of 5 ROBV-COS-WP, entitled "Report on New Proprietory or Cosmetic Product." This one dealt with new products. Later it was revised to include any alteration in the size, style, and shape of the container or formula of any existing product. Mostly at the request of the War Production Board, hundreds of these changes have occurred in products marketed before March 1942. Bottles are now used to replace cartons; corks, to replace caps; glassine paper and label varnish have been eliminated. Now the company is asked by Office of Price Administration to go back to March and fill out forms for every change made in 450 products and about 1,200 sizes. This involves 600 to 800 changes requiring 600 to 800 reports. This would require months because it takes a competent man from 1 to 2 days to make a report. All this is supposed to be for price approval by the Office of Price Administration, although the law has already fixed these prices as of March.

The same manufacturer testified that his company has recently completed work on a product designed to reduce the mortality rate of 16 children a day who die of whooping cough. The Office of Price Administration was requested to act promptly on the price rate for this formula so that the company could market the product and save human lives. Weeks passed. Telephone calls brought no action. After 6 weeks a price was received from the Office of Price Administration. This procedure would be necessary for each of the 600 items.

The manufacturer presented to us another report, OPA Form Q-51, Budget Bureau No. 08-ST029-42. Completed, it would be 4 feet wide and 20 feet long. The company was unable to discover the purpose of the report, which was supposed to be completed in 4 days. The first page asked for the following: Name of product, unit ingredient cost, unit fabricating cost, unit factory overhead, unit administrative expense, unit sales, and advertising expense, etc.

To make matters worse, the Office of Price Administration asked for a type of cost break-down different from that of the Treasury Department and different also from that of previous Office of Price Administration questionnaires. The manufacturer said that assignment of unit cost to a vitamin product would involve administrative expense and research which could not be estimated. He said the probable cost of filling out all Federal questionnaires would be over $100,000 annually in a firm of 3,800 employees. Office of Price Administration, War Production Board, the Treasury Department, and the Department of Commerce all require separate reports.

Another manufacturer testified the latest Office of Price Administration report was the straw that breaks the camel's back. Declaring there had been a 90 percent turn-over of personnel in his accounting

department since January this witness could not determine when the report might be completed, although it was due November 7. It would require, he estimated, 300 to 350 additional hours of work by a highly experienced employee. In July, two men from the Office of Price Administration visited this manufacturer and asked for detailed information covering 31 sheets. They wanted the material in 2 days and a large number of people were taken from their work to prepare it. In November the same Office of Price Administration man asked for much the same information on another vitamin questionnaire. The manufacturer told our committee that civilian needs and greatly increased war needs, plus a labor shortage, made the compiling of all this information virtually impossible.

A witness from a large industrial laboratory told us of duplication in questionnaires on vitamins issued by the Office of Price Administration, the Fish and Wild Life Service, the Bureau of the Census, and the Army-Navy Munitions Board. Two of these questionnaires have been changed from a quarterly to a monthly basis.

A representative of a large contractors' association said his office has sent out 178 bulletins explaining governmental regulations. These concerns must file 47 to 52 reports for the Treasury Department, the Office of Defense Transportation, the Office of Price Administration, and the War Production Board. Form No. 21 of the Office of Defense Transportation requires 6 or 7 reports, some recorded daily, some monthly. Involved questions are asked, such as tire mileage for each tire, mileage for each vehicle per year and an estimate for the next half year, number of trips, average load per trip, gallons of gasoline used, and so forth.

Senator Vandenberg presented a letter to the committee from a Kansas farmer who had filled out a two-page report in order to get a pair of rubber boots. If he lost the boots he was subject to a $10,000 fine or 10 years' imprisonment.

Eastman Kodak employs 84 persons 3,224 hours a week, enough to build 3 flying fortresses, to complete 409 reports for each quarter.

Constructive criticism includes:

1. Clarify subject matter.
2. Allow sufficient space for reply.
3. Eliminate superfluous requests for information.
4. Avoid "peaking" the reports required.
5. End duplication.
6. Don't penalize a company on priority by failing to win the "paper race."
7. Change method by which companies must wait until all similar companies have filed returns for priorities.

Mr. Fred A. Baughan, of the Retail Food Dealers Association of California, was the next witness. Mr. Baughan testified as to the complexity of regulations issued by the Office of Price Administration, pointing out that calculations must be made on 1,800 to 3,600 items by the neighborhood grocer. He also expressed the belief that Office of Price Administration regulations, red tape, and price ceilings will eventually force all small-size grocery stores out of business. According to Mr. Baughan, the lists which the retailers have compiled —tons and tons of them—remain piled up in the garages of California, unexamined by anyone, unclassified by anyone.

The average number of reports and questionnaires from a business of moderate size is as follows:

1. Federal Power Commission.
2. United States Department of Agriculture.
3. United States Department of Justice.
4. Federal Communications Commission.
5. War Production Board.
6. Interstate Commerce Commission.
7. Office of Price Administration.
8. Bureau of Internal Revenue.
9. Social Security Board.
10. Federal Trade Commission.
11. Salary Stabilization Unit—Bureau of Internal Revenue.
12. Federal Manpower Commission.
13. National War Labor Board.
14. Wage and Hour Division.
15. Alcohol Tax Unit—Treasury Department.
16. Board of Economic Warfare.
17. Defense Savings Staff—War Bonds—United States Treasury Department.
18. Collector of Internal Revenue—Richmond.
19. Collector of Customs.
20. War Department.
21. Navy Department.
22. United States Department of Labor—Labor Statistics.
23. United States Department of Commerce.
24. Office of Defense Transportation.

One company furnished the committee with the following information as to the cost of the preparation of these reports:

Number of Federal bureaus or agencies which requested information	24
Number of types of reports or questionnaires	134
Number of reports submitted	24,160
Man-hours required to prepare information	132,500
Cost of personnel	$192,500

The cost shown above does not include related expenses, such as traveling, telephone, telegraph, postage, and rent.

On the basis that there are 43,000,000 people gainfully employed (not including agriculture), it would indicate that the time of 188,000 persons is consumed in preparing Federal Government data. This number would be increased if it were to include the man-hours used in agriculture to prepare the many Federal returns required in that field.

The problem of answering questionnaires and making reports to the Government has become so great that it has been necessary to assign to an executive of the company the full-time job of following up this matter. This man is specializing in this field and at the present time one other man is devoting his full time to the study of priorities as it affects the company.

Mr. Hugh F. Hall represented the American Farm Bureau. Mr. Hall testified that the questionnaires sent to farmers had a deleterious effect in that farmers were overwhelmed by the enormity of the problem of estimating past and future gasoline consumption, mileage, etc. The impracticability of the questionnaires, the consumption of time in filling them out, the lack of understanding by officials of farmers' problems, all caused Mr. Hall to believe that the paper work required of farmers is overdone. Many will suffer. Some will not be able to harvest. Ultimately the purpose of the questionnaries will be defeated.

Mr. Fred Brenckman, of the National Grange, testified that farmers, for-hire operators, and large utility companies are harassed by complicated questionnaries which ask questions no one can answer.

Mr. Brenckman suggested suspending regulations that have been issued so far as they affect operation of farm trucks, and call in committees of practical farmers to assist in the preparation of a conservation program that will meet the desired objectives.

Objections to Questionnaires as Reported to the Committee

1. Severin Electric Co., San Francisco, Calif.: "Overhead costs due to questionnaires have increased 35 percent. Questionnaires have delayed vital work—cannot get manpower to do the job—has to put keymen on this job."
2. T. L. Rosenberg Co., Oakland, Calif.: "Questionnaires and Government requirements of forms, etc., have caused increase of 5 percent overhead—loss in productive manpower is 1 percent—increased field staff 7 to 10 percent."
3. Pacific Electric Motor Co., Oakland, Calif.: "Questionnaires and forms cause 14.6 percent direct increase in overhead, and a loss in productive manpower equal to five employees on a 44-hour week."
4. S. C. Sachs Co., St. Louis, Mo.: "Government questionnaires and forms has increased office personnel 55 percent."
5. Carl I. Schaeffer Electric Co., St. Louis, Mo.: "Government forms and red tape have increased overhead 2 percent—loss in productive manpower equals 25 percent."
6. Hensley Electric Co., Fort Worth, Tex.: "34 percent of total man-hours devoted to Government forms, etc."
7. Mill & Marine Electric, Inc., Gastonia, N. C.: "Burdensome forms, questionnaires, etc., of Government costing us 30 percent more to handle business—taking into consideration inexperienced men overhead would be nearer 50 percent."
8. Charles A. Langlais, San Francisco, Calif.: "Object to Office of Price Administration and Labor Department questionnaires and forms—increased cost of doing business 25 percent and decreased available manpower, 25 percent."
9. Huntington & Guerry, Greenville, S. C.: "Estimate questionnaires and forms increase expenses 10 percent and field staff expense increased 50 percent."
10. Electric Constructors, Inc., Pascagoula, Miss.: "Red tape increases overhead from 10 to 20 percent, aggravated by lack of manpower."
11. Paul Heydon: "Six contractors say increased overhead as follows: First, 5 percent; second, 10 percent; third, 5 percent; fourth, 5 percent; fifth, 7 percent; sixth, 3 percent—average, 5.83 percent."
12. National Electrical Contractors, Fort Worth, Tex.: "Contractors there say 15 to 20 percent increase in overhead and 30 percent loss in man-hours."
13. Webb Electric Co., Anderson, S. C.: "Red tape increased overhead and man-hours 48 percent."
14. Jack Moorman, Shreveport, La.: "60 percent office time used on red tape, 15 percent supervisor's time, 15 percent total manpower. OPA Form 251 is impossible."
15. C. C. C. Cadwallader, Detroit, Mich.: "12 contractors reporting show 12 percent increase in overhead; delays hard to estimate."
16. E. H. Hersberg, Milwaukee, Wis.: "Government red tape caused among contractors the following: One additional stenographer, 50 percent supervisor's time, 50 percent manager's time, 35 percent bookkeeper's time, 25 percent supervisor's time, 33 percent manager's time, overhead 20 percent higher, overhead 5 percent higher, overhead 10 percent higher, 80 percent manager's time."
17. Brooker Engineering Co., Detroit, Mich.: "Red tape causes increase in overhead of 25 percent; productive manpower loss, 50 to 75 percent; causes delay in executing contracts."
18. R. H. Bouligny, Inc., Charlotte, N. C.: "Loss is 5 percent; ties up keymen; time required 5 percent."
19. White Electrical Construction Co., Atlanta, Ga.: "Serious burden—increased overhead 10 percent; can't see what use could be made of information."
20. Enterprise Electrical Co., Philadelphia, Pa.: "Increased overhead 10 percent—no uniform procedure on Office of Price Administration forms, etc.; red tape is awful and hinders war effort."

21. Foshee Electric Co., Fort Worth, Tex.: "Increases overhead 25 to 30 percent. Information requested is useless."

22. Davenport Electric Contract Co., Davenport, Iowa: "Increases overhead 9 percent and we pass it off on the public."

23. Leithner & Weishar, Rock Island, Ill.: "Increased overhead 15 percent—caused us to refuse contracts over $500. Believe 95 percent of questionnaires are unopened by Government."

24. Tennessee Armature Electric Co., Knoxville, Tenn.: "Three contractors in city overhead jumped 30 percent; ours has jumped 45 percent."

25. Southern Electric Service Co., Inc., Charlotte, N. C.: "Increased personnel 7 percent and increased overhead of $1,200 per month."

26. Eugene Ashe Electric Co., Fort Worth, Tex.: "40 percent of total man-hours used on Government forms, etc."

27. Bryant Electric Co., High Point, N. C.: "Increased productive labor cost 6 to 7 percent."

28. Chewning & Wilmer, Richmond, Va.: "Increase in cost is 13 percent."

29. Ross Electric Construction Co., Philadelphia, Pa.: "Increased work 15 to 20 percent. Can't understand need for 20 copies of each form. Complained to the Office of Price Administration, citing drive on scrap paper, when so much was used in forms, etc."

30. Beacon Electrical Engineering & Construction Co., Buffalo, N. Y.: "Our members report increase in cost as follows: 30, 20, 40, 50, 50, 10, 40, 50, 40, and 40 percent. Strenuous objection to Form OPA 251."

31. Shreveport Electrical Contractors Association, Shreveport, La.: "Increase in cost of operation of members are respectively: 34, 38, 37, and 32 percent."

32. National Electrical Contractors Association, Los Angeles, Calif.: "4-percent increase in overhead, 2½-percent loss of productive manpower, 2.43-percent increase in staff."

33. National Electrical Contractors Association, Atlanta, Ga.: "Increased cost, 20 percent."

34. Empire Electric Co., Forth Worth, Tex.: "Increased total job cost, 5 percent; increased overhead, 50 percent."

35. Robinson Electrical Co., Philadelphia, Pa.: "Increases cost of every job 1 percent and one extra employee."

36. Electrical Employers' Association, Cincinnati, Ohio: "Eight contractors report average of 15.8-percent overhead increase, of 43-percent loss in productive manpower, of 25.4-percent increase in field staff."

37. Tri-City Electric Co. of Iowa, Davenport, Iowa: "Increase of 5 to 15 percent of overhead."

38. Robbins Electric Co., Moline, Ill.: "Increase overhead 2 to 5 percent per customer. Object to M. P. R. 251."

39. Richardson-Wayland Electrical Corporation, Roanoke, Va.: "Increased cost from 10 to 15 percent plus confusion due to nonconformity and lack of standardization of forms and answers. Objects to Office of Defense Transportation, Federal Works Agency, and Office of Price Administration red tape and confusion and duplications."

40. Independent Electrical Machinery Co., Kansas City, Mo.: "Increased clerical help, 20 percent; loss of productive manpower, 8 to 10 hours per day; increased cost, 15 percent."

41. Alber Electric Co., Kansas City, Mo.: "Increased overhead, 10 percent; 20-percent loss in productive manpower, 5-percent increase in field staff."

42. Evans Electrical Construction Co.: "Increase in overhead, 25 percent; loss in manpower, 20 percent; increase in staff, 15 percent."

43. Squire Electric Co., Kansas City, Mo.: "Overhead increased 33 percent, increase in field staff of 25 percent."

44. W. T. Foley Electric Co., Kansas City, Mo.: "Overhead increase, 10 percent; loss in manpower, 25 percent; increase in staff, 10 percent."

American Paper & Pulp Co., New York, N. Y.:

	Company A	Company B	Company C
1. The approximate number received in quarter ending Sept. 30, 1942:			
A. Recurring	63	154	48
B. Nonrecurring	7	4	[1] 76
C. Total	69	158	124
2. Estimate of man-hours required to complete these reports:			
A. Recurring	2,725	.....	1,079
B. Nonrecurring	234	.....	1,008
C. Total	2,959	3,442	2,087
3. Estimate of cost of completing reports:			
A. Recurring	$3,299	.....	$2,178
B. Nonrecurring	386	.....	2,079
C. Total	3,685	$3,966	4,478

[1] Includes PD 1A.

78TH CONGRESS, 1st Session | SENATE | DOCUMENT No. 5

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

ADDITIONAL REPORT

OF THE

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES CONGRESS OF THE UNITED STATES

PURSUANT TO

SECTION 601 OF THE REVENUE ACT OF 1941

FEBRUARY 15, 1943.—Referred to the Committee on Appropriations and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1943

CONGRESS OF THE UNITED STATES

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CREATED PURSUANT TO SECTION 601, OF THE REVENUE ACT OF 1941

HARRY FLOOD BYRD, Senator from Virginia, *Chairman*

ROBERT L. DOUGHTON, Representative from North Carolina, *Vice Chairman*

SENATE	HOUSE OF REPRESENTATIVES
WALTER F. GEORGE, Senator from Georgia.	THOMAS H. CULLEN, Representative from New York.
ROBERT M. LA FOLLETTE, JR., Senator from Wisconsin.	ALLEN T. TREADWAY, Representative from Massachusetts.
CARTER GLASS, Senator from Virginia.	CLARENCE CANNON, Representative from Missouri.
KENNETH McKELLAR, Senator from Tennessee.	CLIFTON A. WOODRUM, Representative from Virginia.
GERALD P. NYE, Senator from North Dakota.	JOHN TABER, Representative from New York.

HENRY MORGENTHAU, JR., *Secretary of the Treasury*
HAROLD D. SMITH, *Director of the Bureau of the Budget*

LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON REDUCTION OF
NONESSENTIAL FEDERAL EXPENDITURES,
February 15, 1943.

The VICE PRESIDENT,
United States Senate, Washington, D. C.

SIR: In accordance with title 6 of the Revenue Act of 1941, Public Law No. 250, Seventy-seventh Congress, as chairman of the Joint Committee on Reduction of Nonessential Federal Expenditures, it gives me pleasure to present to you an additional report of this committee, which I ask that you lay before the Senate of the United States, with a view to its being printed as a Senate document.

Respectfully submitted.

HARRY F. BYRD, *Chairman.*

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

FEBRUARY 15, 1943.

Report to: The PRESIDENT OF THE UNITED STATES.
The VICE PRESIDENT OF THE UNITED STATES, PRESIDENT OF THE SENATE.
The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

In accordance with title 6 of the Revenue Act of 1941, Public Law No. 250, Seventy-seventh Congress, an additional report herewith is presented by the Joint Committee on Reduction of Nonessential Federal Expenditures.

The investigation of the cost of passenger automobiles, both owned and rented by the United States Government, convinced the committee a year ago that very substantial economies could be effected by eliminating all nonessential traveling by automobile.

The committee decided last year, and so reported to Congress, that the traveling expenses of the different agencies of Government were exorbitant and should be carefully supervised by the Appropriations Committees, and a substantial reduction required.

The committee now presents to Congress a report on the number of automobiles owned and operated by the various Government agencies, exclusive of those used by the Army and Navy.

Despite the growing automobile crisis, both in tires and gasoline, the investigation of the committee indicates that for the first 4 months of the present fiscal year (July 1, to November 1, 1942) the various agencies of the Government, exclusive of the Army and Navy, continued for the most part to use as many passenger cars, to drive as many miles, and to consume about as much gasoline as did these agencies in a comparable period of the previous year, and this, notwithstanding the efforts of the Government to reduce the consumption of gasoline and to conserve rubber.

The committee believes that the same standard of strictly essential driving should be applicable to Government employees as it now applies to individual citizens. This, the committee is convinced, is not being done, assuming that the latest figures available for the first 4 months of this fiscal year are a criterion for the current fiscal year.

In the last fiscal year the Federal Government owned 17,305 passenger automobiles, exclusive of the Army and Navy, and exclusive of trucks and motorcycles. It now owns and operates 18,953 passenger automobiles, which represents an increase of more than 1,600 cars over the number owned and operated during fiscal year 1942.

In the last fiscal year the cost of operating these passenger automobiles, exclusive of interest and depreciation on the cars, was $4,243,602. The cost of operating these cars for the first 4 months of

this fiscal year was $1,308,023, or on a yearly basis the cost would be $3,924,069, which is substantially the same.

In the last fiscal year these Government-owned cars traveled 203,550,280 miles. In the first 4 months of this fiscal year they traveled 66,610,310, or 199,830,930 miles on a yearly basis.

The amount of gasoline used by Government-owned cars in the past fiscal year was 13,793,594 gallons. For the first 4 months of this fiscal year the amount was 4,284,511 gallons or, on a yearly basis, 12,853,533 gallons.

Considering, therefore, the cost, the mileage traveled, and the amount of gasoline consumed for the first 4 months of this fiscal year (according to the latest information available) there has been no appreciable decline in the use of these Government automobiles by peacetime agencies although the Government itself is compelling the private citizen to reduce the use of automobile travel and ban all nonessential driving.

But these figures by no means tell the entire story of travel by employees on Government business. The various departments allow their employees to use privately owned cars for official business on a reimbursable mileage basis. The figures from all the agencies are not available to the committee, but 5 agencies out of 47 have reported the mileage of these cars for the fiscal year 1942. The extent of the use of privately owned cars as reported by these 5 agencies shows that they traveled 145,606,241 miles at a total cost of $7,261,856.32. Adding this mileage of 145,606,241 to the 203,550,280 miles traveled by the Government-owned cars, and making reasonable allowance for those agencies not reporting, it would appear to be conservative to estimate that in the fiscal year 1942 the various agencies of the Government operated passenger cars to the extent of from 400,000,000 to 500,000,000 miles, and used from 25,000,000 to 30,000,000 gallons of gasoline.

The committee desires again to call attention to the great extravagance of the traveling costs of the various agencies of Government, and in more detailed statement which will be made to the Congress later, but at this time the committee regards, as most important, the complete elimination of nonessential operation of motorcars by the Government. In a crisis such as this the Government itself must set an example to the people. It should not ask sacrifices of the people which the employees of the Government do not themselves make. The committee has had presented to it many instances of duplicated travel of these thousands of Government employees who travel in separate cars instead of using the same car. The committee finds this practice especially reprehensible in the Department of Agriculture, which in the fiscal year 1942 traveled 143,206,000 miles in rented cars and 49,856,594 in Government-owned cars. The committee is of the opinion that a large proportion of this travel is unnecessary and should be dispensed with, and for much of the balance the same car can be used by different employees of the Agriculture Department.

It is, of course, true that in certain agencies of the Government, such as the Department of Justice, there is justification for a reasonable increase in the cars operated, due to the enlarged activities of the Federal Bureau of Investigation. In fact, the increase of 551 cars in the past year in the Department of Justice for the most part may be

attributed to the Federal Bureau of Investigation. On the other hand, in the judgement of the committee, there is no justification for an increase of nearly 100 cars in the Agriculture Department, which already had 4,359 passenger cars, or an increase of 120 in the Federal Works Agency, as in this latter Agency the activities have been greatly reduced. An increase of 34 in the National Housing Agency, as well as other increases, are noted in the itemized statement which is a part of this report.

The committee further believes that substantial economies can be made in the employment of full-time and part-time chauffeurs. In the last fiscal year there were 403 full-time chauffeurs; now there are 439, an increase of 36. In the last fiscal year there were 695 part-time chauffeurs; now there are 693, a reduction of 2.

In the last fiscal year the salaries of full-time chauffeurs was $555,295 while it is estimated their salaries this year will be $590,000, in addition to these the Government employs many chauffeurs on a part-time basis.

The committee believes the plan which the Office of Emergency Management has adopted to regulate use of the cars assigned to it, is a step in the right direction. They require every person using a car to sign a statement for permanent record that the person is traveling on official business, and to give the destination and reason for the use of the car. Such a plan adopted by the other agencies, combined with a decentralized automobile-pooling arrangement, would do much to reduce the use of Government-owned automobiles and greatly reduce the cost to the Government.

EFFECTIVE USE OF MATERIAL

The information gathered by the committee has been very useful to several departments of the Government concerned with this problem. Last year the Bureau of the Budget and the Office of Defense Transportation availed themselves of the information to be used as a basis for their regulations and to effect economies in the use of Government owned and operated cars and trucks.

In a statement to the press on February 7, 1943, Harold D. Smith, Director of the Bureau of the Budget, pointed out that—

> Preliminary surveys conducted by the Bureau and data provided by the Byrd committee indicate approximately 100,000 tires will be pooled as a result of the order, which means that until now Government cars have had an average of 6½ tires each. This is an "unwarranted situation."

RECOMMENDATIONS

The committee recommends:

1. That the Appropriations Committees carefully survey the need for the existing passenger cars of each of the agencies of Government and adjust accordingly the appropriation for the necessary cars.

2. That all Government officials and employees give complete endorsement to the Office of Price Administration's mileage-conservation program as it relates to automobiles used in the public service.

3. That there should be established immediately in Washington for the duration of the war a passenger-automobile pooling arrangement to transport Government employees engaged in official business

when no other transportation is available within the metropolitan area of Washington. Each agency shall certify the names of those persons entitled to use official cars on official business, and at no other time, by no other person, and in no other way shall they be used.

4. That any Government official or employee who uses or authorizes the use of any Government-owned or leased vehicle other than for official purposes shall be summarily removed from office, and may, also, upon conviction thereof, be subject to a fine of not more than $1,000, or imprisoned for not more than 1 year, or both.

5. That every Government automobile have displayed in a conspicuous place a sign such as the following: "Owned and operated by the United States Government ——— agency."

The following is a list of passenger automobiles as reported by the various agencies. This list does not include the cars that are rented by the various agencies, neither does it include trucks, pick-up trucks, or motorcycles, and is exclusive, also, of all passenger automobiles and trucks owned and operated by the Army and Navy.

AUTOMOBILE (PASSENGER)

[Re questionnaire dated Oct. 21, 1942]

Agency or department	Number owned		Cost of operating		Number miles traveled, fiscal year 1942	Number miles traveled this fiscal year to Oct. 31, 1942	Number of chauffeurs				Chauffeurs salaries, full time		Number gallons gasoline used	
							Full time		Part time					
	Fiscal year 1942	Fiscal year 1943	Fiscal year ending June 30, 1942	This fiscal year to Oct. 31, 1942			Fiscal year 1942	Fiscal year to date	Fiscal year 1942	Fiscal year to date	Fiscal year 1942	Estimated for fiscal year	Fiscal year 1942	Fiscal year to date
Agriculture Department	[1] 4,359	[1] 4,454	$1,004,601.89	$278,722.81	69,459,494	13,722,631	7	6	5	7	$9,700	$8,395.00	3,143,706	855,028
Alley Dwelling Authority	None													
Bituminous Coal Consumers' Counsel	None	2	252.05	686.26	15,435	18,300	3	3	3	3	4,140	4,140.00	2,972	1,719
Board of Economic Warfare	5	3	706.90	196.31	22,407	9,273	2	2	2	2			2,083	622
Budget Bureau	3	20	3,114.49	1,765.01	265,360	94,172	1	1			1,380	1,380.00	17,958	5,371
Civil Aeronautics Board	17													
Civil Service Commission	None	430	98,381.57	26,440.23	5,488,265	2,089,667	9	9			13,140	13,140.00	322,904	117,794
Commerce Department	414	175	30,321.98	15,139.15	1,871,428	725,789					12,840	12,840.00	65,513	35,489
Federal Communications Commission	148													
Federal Deposit Insurance Corporation														
Federal Power Commission	16	18	4,779.80	2,952.00	107,530	49,231	1	1	37	30	1,500	1,500.00	11,743	2,903
Federal Security Agency	[1] 1,952	[1] 1,940	417,279.36	194,024.20	18,296,945	6,032,599	[1] 97	[1] 103			122,125	122,984.00	1,290,031	660,653
Federal Trade Commission	None	685	83,315.68	32,922.74	5,344,225	2,274,951	15	15	2	3	20,980	21,180.00	344,500	126,413
Federal Works Agency [2]	685	2	78.44	35.76	6,304	3,115	1	1			1,030	1,030.00	924	278
General Accounting Office	None													
Gorgas Memorial Institute	2													
Government Printing Office	None	4	1,418.66	846.01	30,806	8,777	4	4			7,502	[1] 2,757.84	2,940	719
Interior Department [2]	4	2,756	[1] 507,903.50	[1] 204,686.13	33,209,049	8,864,963	9	10	2	2	12,840	4,080.00	2,345,589	651,521
Interstate Commerce Commission	2,911													
Justice Department	130	130	29,697.16	10,752.95	1,262,140	447,395		10	16	6	14,940	14,940.00	80,159	32,923
Labor Department	2,807	2,915	636,613.55	192,268.74	33,407,575	13,211,990		10	3	6	5,700	4,020.00	2,337,152	904,811
Library of Congress	6	6	2,046.15	615.61	78,000	19,078		3	1	1	1,320	1,320.00	7,115	1,941
Maritime Commission [1]	1	1	144.19	78.51	8,428	3,269		1	3	3	2,520	2,520.00	6,971	2,555.3
National Advisory Commission for Aeronautics	15	20	2,326.01	847.10	81,461	20,823			3	3	4,000	2,000.00	6,269.55	
National Archives	10	15	926.08	677.18	72,157	42,457		1					8,137	3,448
National Capital Park and Planning Commission	1	1	66.98	34.20	4,148.4	2,060.8	1	1			1,320	1,320.00	477	147
National Housing Agency	2	2	107.79	6.91	905		1	1			1,440	1,440.00	550	27
	105	[1] 142	10,326.51	7,657.51	472,648	411,057	15	15	2	2	20,700	20,700.00	22,900	36,066

See footnotes at end of table.

AUTOMOBILE (PASSENGER)—Continued

[Re questionnaire dated Oct. 31, 1942]

Agency or department	Number owned		Cost of operating		Number miles traveled, fiscal year 1942	Number miles traveled this fiscal year to Oct. 31, 1942	Number of chauffeurs				Chauffeurs salaries, full time		Number gallons gasoline used	
							Full time		Part time					
	Fiscal year 1942	Fiscal year 1943	Fiscal year ending June 30, 1942	This fiscal year to Oct. 31, 1942			Fiscal year 1942	Fiscal year to date	Fiscal year 1942	Fiscal year to date	Fiscal year 1942	Estimated for fiscal year	Fiscal year 1942	Fiscal year to date
National Labor Relations Board	None													
National Mediation Board	None													
Office of Censorship	10	10	$350.77	$962.30	23,377	31,935	11	11	8	8	$15,120	$15,120.00	1,380	3,880
Office of Emergency Management [1]	206	150	15,336.07	14,062.79	883,478	408,853	60	89			73,960	118,200.00	69,259	34,655
Office of Price Administration														
Office of Strategic Services	20	18	4,117.04	([2])	135,854	77,918	14	14			16,920	18,840.00	12,406	5,054
Panama Canal	1	2	174.63	43.73	6,838	892			2	2			531	236
Post Office Department	51	52	14,284.24	4,709.24	278,805	90,191	2	2			3,000	3,180.00	37,271	8,080
Railroad Retirement Board	5	5	758.70	212.62	20,972	8,301	[3] 5	[3] 2			[3] 7,080	[3] 4,140.00	3,211	832
Reconstruction Finance Corporation and subsidiaries	18	21	756.33	417.12	38,165	25,648	4	4			5,340	5,700.00	3,600	2,127
Securities and Exchange Commission	1	1	257.84	43.13	4,850	651							441	51
Selective Service System	25	143	4,818.03	8,757.87	696,043	633,514	5	10		2	6,240	13,560.00	23,615	41,147
Smithsonian Institution	1	1	198.84	26.50	6,030	1,810	1	1			1,380	1,320.00	670	201
Supreme Court of United States	None													
State Department	[12] 51	[12] 53	18,919.71	6,515.15	870,515	264,455	4	4			5,700	5,700.00	56,055	13,713
Tennessee Valley Authority	[11] 700	[11] 835	502,454.84	111,142.89	12,407,852	2,514,545	7	6			8,100	6,860.00	808,742	154,862
Treasury Department	2,505	2,491	476,219.00	164,652.00	34,430,943	11,540,728	5	5			7,480	7,480.00	2,463,000	694,476
U. S. Tariff Commission	None													
Veterans' Administration	385	385	70,021.12	19,700.42	3,498,807	976,212	104	104	620	520	151,410	151,410.00	348,809	83,674
Total	17,305	18,953	4,243,602.55	1,306,622.10	203,550,280.5	66,610,310.8	408	429	695	693	555,295	590,061.84	13,792,594.55	4,284,311.3
Civilian Conservation Corps (not included in total) [14]	[13] 1,179		405,896.00		16,655,261		29				28,500		1,665,526	

[1] This report excludes Civilian Conservation Corps cars.
[2] 65 Public Health chauffeurs used for driving trucks and tractors also.
[3] Does not include Work Projects Administration cars.
[4] Actual salary paid.
[5] Cars from the Division of Territories and Island Possessions not included. Civilian Conservation Corps cars not included.
[6] Cost of operating not complete for all divisions.
[7] Includes War Shipping Administration.
[8] 24 of these cars acquired in September 1942 from the Federal Works Agency from cost-plus-a-fixed-fee projects on a recapture basis. No records on them available.
[9] Does not include all War Relocation Authority cars. No operating cost available on War Relocation cars.
[10] Not available.
[11] Average for period.
[12] 42 Foreign Service cars and station wagons not included.
[13] 52 Foreign Service cars not included.
[14] This report on Civilian Conservation Corps cars not included in Federal Security Agency. Report does not include cars put in storage, due to contraction of operations, by Civilian Conservation Corps units within War Department, Agriculture Department, and Department of the Interior. No report on Civilian Conservation Corps this fiscal year to Oct. 31, 1942, because it is in process of liquidation; 883 cars transferred to Army, Navy, Civil Aeronautics Administration, and other agencies, as of Jan. 29, 1943.
[15] Does not include 28 Civilian Conservation Corps cars transferred to the Alaskan Highway.

Source: Replies to questionnaire sent out by the Joint Committee on Reduction of Nonessential Federal Expenditures. Does not include the legislative branch, the Architect of the Capitol, the Botanical Gardens, the White House, or the Army and Navy Departments. Rental and mileage payments for use of private cars not included.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 20, 1943

TO Secretary Morgenthau

FROM Randolph Paul

I have just learned from Jere Cooper, on a very confidential basis, how the voting went yesterday afternoon in respect to the pay-as-you-go controversy.

The strongest vote was obtained by the Doughton No. 1 plan (the plan involving the forgiveness of the difference between 1941 and 1942 taxes). The smallest vote was obtained by the Doughton No. 2 plan (the 50% Ruml plan). The Robertson plan (the 19% forgiveness plan) obtained a vote between Doughton's No. 1 and No. 2. The Carlson slightly modified Ruml plan obtained 5 votes.

After the voting, Gearhart, who seems to have joined up with Camp, strongly urged that the Committee should establish collection at the source with no forgiveness of taxes apparently leaving the question of forgiveness up in the air until the 1943 rates had been enacted.

At the end of the session, Cooper made a motion to appoint a subcommittee. The motion passed and the Chairman appointed the three available ranking Democrats - Cooper, Disney and Dingell (Cullen being away) - and the two available ranking Republicans - Knutson and Reed (Treadway being ill).

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau February 20, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - After reaching a stalemate yesterday on all the tax proposals they were considering, the House Ways and Means Committee turned the job over to a sub-committee with instructions to draft a new bill embodying the features of pay-as-you-go and withholding at the source. How much tax forgiveness the new tax bill should allow will be a major decision, according to Representative Cooper, an Administration supporter and Chairman of the sub-committee. Others serving with him are Representative Dingell (another Administration supporter), Representatives Disney, Knutson, and Reed (anti-Administration), and Representative Doughton as an ex officio member. The House Ways and Means Committee also reaffirmed their approval of the Disney Amendment yesterday and gave unanimous consent to Representative Disney (instead of to Chairman Doughton) to report the Debt Limit Bill with his salary limitation rider. This action was taken to protect the bill from a technical point of order on the floor of the House. In regard to his amendment, Representative Disney said it would leave salary control largely in the hands of the Treasury since it has the authority to disallow for Federal income tax purposes unreasonable salary increases. However, since a corporation could continue to pay salaries which the Treasury considered unreasonable by absorbing the tax loss themselves, Treasury officials and Administration supporters on Capitol Hill are reported wondering how adequate this authority will be.

2. Farm Loans - Appearing before the Byrd Economy Committee yesterday in hearings on Secretary Wickard's proposal to revive the RACC, Governor Black of the Farm Credit Administration admitted yesterday that "considerable savings" could be made by streamlining the Government's farm lending program. When, however, Black said that Secretary Wickard planned to use present personnel of the Department of

Agriculture to administer the revised RACC, Senator Byrd replied, "You either cannot do it or the Department is employing far too many employees." Governor Black agreed with Senator Wherry that it would be desirable for farm loans to be handled through private banks with the Government simply guaranteeing the risk as in the HOLC, and said, "I would be happy if we made no loans at all." But both Senators George and Wherry disagreed with this statement, claiming that if a Government agency of this sort is set up, Government agents, anxious to "make good", will "solicit" and "advertise" for clients.

3. Criticism of OPA - For several days two Congressional committes have been hearing consistent criticism of the OPA's system of price fixing. Specifically, the House Small Business Committee was told yesterday that black markets in meat could be stopped by "down the line" raising of OPA meat prices and that otherwise strikes in the meat industry will probably spread over the country. Equally bitter have been complaints over the OPA emergency order freezing fluid milk prices at January levels for 60 days. Consequently, J. K. Galbraith, Deputy Administrator of OPA, promised a Senate Agriculture Subcommittee that there would be "substantial adjustments". Galbraith, however, disagreeing with farm state senators that increased prices would stimulate farm production, endorsed the theory of incentive payments instead.

TREASURY DEPARTMENT

Fiscal Service

369

TO Miss Chauncey

These were signed by the Secy yesterday and returned to Mr. Cavins at the National Gallery.

WJ

7/20

MR. HEFFELFINGER

Minute recording action
of the Finance Committee,
Board of Trustees,
National Gallery of Art.

The Treasurer reports that at the present time the Gallery has on deposit with the National Metropolitan Bank, Washington, D. C., surplus trust funds aggregating $4,980.00, which are available for investment purposes. $3,500.00 of this amount represents a contribution from The A. W. Mellon Educational and Charitable Trust for the purchase and installation of revolving doors at the Constitution Avenue entrance to the National Gallery of Art building. However, it is not possible to proceed with this improvement because the material required is restricted by priority rulings. The balance, $1,480.00, represents the Gallery's share of the net operating profit from the cafeteria which is reserved for the ultimate replacement of depreciable cafeteria equipment. The Treasurer suggests that these funds might well be invested in United States War Savings Bonds, Series "F".

Following discussion the members of the Finance Committee, whose signatures appear below, hereby recommend that the Board of Trustees of the National Gallery of Art invest such trust funds in the amount of $2,960.00 and $1,480.00, respectively, in United States War Savings Bonds, Series "F", and that the Treasurer of the National Gallery of Art be authorized to purchase for and on behalf of the Board of Trustees of the National Gallery of Art six $1,000.00 face value United States War Savings Bonds, Series "F" at a total cost of $4,440.00.

The Committee further recommends that these bonds, when received, be placed in the Gallery's safe deposit box at the National Metropolitan Bank, Washington, D. C., to be held in trust for the purpose or purposes for which the money was intended and that the increment in the value of the bonds, when realized, be considered as representing current income to the Endowment Fund of the National Gallery of Art.

Henry Morgenthau, Jr., Secretary of
the Treasury, Chairman Ex-Officio

Cordell Hull, Secretary of State,
Member

Minute recording action
of the Finance Committee,
Board of Trustees,
National Gallery of Art.

The members of the Finance Committee of the Board of Trustees of the National Gallery of Art, whose signatures appear below, have reviewed the financial statements submitted by Mr. D. D. Shepard, former Treasurer of the National Gallery of Art, showing the financial condition of private funds of the National Gallery of Art, as of the close of business December 31, 1942, and a statement of cash receipts and disbursements applicable to the private funds of the Gallery for the six months period July 1, to December 31, 1942, the effective date of his resignation as Treasurer of the National Gallery of Art, a copy of which has been submitted herewith, and have by their signatures indicated their approval of the same, and hereby recommend that the financial statements be submitted to the Board of Trustees and the same be approved by the Board.

Henry Morgenthau, Jr., Secretary of the Treasury, Chairman Ex-Officio

Cordell Hull, Secretary of State, Member

David K. E. Bruce, Member Ex-Officio

F. Lammot Belin, Member

Samuel H. Kress, Member

David K. E. Bruce, Member
Ex-Officio.

F. L. Belin

F. Lammot Belin, Member

Samuel H. Kress, Member

FEB 20 1943

Dear Jesse:

I have for acknowledgment your letter dated February 16th, which has reference to the purchase made by the RFC Mortgage Company of the Empire Hotel at San Francisco for use by the Treasury Department and other governmental agencies.

In the second paragraph of your letter it is indicated that you would like to have the Treasury Department lease the entire building and arrange for subletting to other departments the portion occupied by them. In our letter to you on this subject dated July 14, 1942, it was pointed out that the Public Buildings Administration would undertake reimbursement to the RFC Mortgage Company and that the Treasury Department would make any necessary representations to the Public Buildings Administration to accomplish that purpose. In view of this, would it not be more appropriate for the RFC Mortgage Company to negotiate this lease with the Public Buildings Administration, who, in turn, would look to the several agencies for reimbursement commensurate with the space occupied.

In the above connection, the Treasury Department will be happy to assist the RFC Mortgage Company in concluding suitable arrangements with the Public Buildings Administration looking toward a satisfactory adjustment of this matter.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Honorable Jesse Jones,

The Secretary of Commerce.

Sent by Brown 2:03 2/20/43
Copy to Miss Edelin
Photo file in Diary
File to Thompson

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 18, 1943

TO Secretary Morgenthau

FROM Mr. Bell

Subject: Background of Empire Hotel

(1) On May 6, 1942, Public Buildings Administration ordered the Treasury Department out of the Federal Building in San Francisco in order that the Navy might take over this space. In this letter it was indicated that the Navy would pay for the rental of commercial space both in the remainder of the fiscal year 1942 and all of the fiscal year 1943.

(2) In August 1943 the RFC Mortgage Company purchased the Empire Hotel Building for $2,000,000, in response to our request of July 14, 1942, on the understanding that the Public Buildings Administration would reimburse them for a satisfactory rental.

(3) The Public Buildings Administration and the RFC Mortgage Company we understand have not been able to agree as to the rent. RFC wants $300,000, which is 15 percent of the purchase price. PBA thinks this is too much money, so they have told us.

(4) RFC had a bitter experience with PBA when they rented 1610 Park Road for Government use in the matter of getting PBA to pay the rental and negotiate the lease. In view of this, RFC has indicated that they do not care to do business with PBA.

(5) RFC has endeavored to work out a scheme which would lease to the Treasury Department this entire area and hold us responsible for collecting rents from State Department, Army, Federal Communications Commission, and our own people.

(6) Since we were ordered out of the Federal Building by PBA and did not want to move, we feel that the lease negotiations should be left between PBA and RFC to negotiate.

THE SECRETARY OF COMMERCE
WASHINGTON

February 16, 1943

Dear Henry:

At the request of your Department, The RFC Mortgage Company purchased the Hotel Empire in San Francisco, California, last July, and converted it into office quarters, and subsequently certain units of the Treasury Department and the Army and Navy moved into the building.

The Treasury is to rent the entire building, sub-leasing to the Army and the Navy or others who might move in from time to time. The matter of The Mortgage Company obtaining a lease from the Treasury is dragging, the Company's expenses in connection with this particular project are accruing daily, and we would like to get the lease situation cleared up with as little delay as possible. I would appreciate it if you would have the matter looked into.

With best wishes,

Sincerely yours,

Secretary of Commerce

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

My dear Mr. Secretary:

This letter is with further reference to prior correspondence between us concerning the purchase of the Empire Hotel [illegible] San Francisco, California. In your letter of [illegible], [illegible] you indicated that the RFC Mortgage Company would be willing to purchase the hotel, on terms satisfactory to us, and that our needs for space would be provided therein at a satisfactory rental. You also indicated that you would expect us, at an appropriate time, to ask Congress for funds to reimburse the RFC Mortgage Company for its expenditure.

Representatives of this Department have been in negotiation with the owners of the hotel for sometime past in an endeavor to come to a mutually satisfactory understanding as to the terms under which the building can be acquired. As the situation now stands, the William Taylor Company, which owns the building, is willing to sell the building for $[illegible],000, the purchase price to include up to $125,000 to be spent by the owner in making alterations to the building as directed by the purchaser, and also to include venetian blinds, laid carpet and whatever office furniture and office equipment the purchaser may select.

Although the price asked is substantially in excess of appraisals made at our request by the Internal Revenue Agent in Charge at San Francisco, by the Home Owners' Loan Corporation, and by the District Engineer of the Public Buildings Administration (none of these appraisals exceed $1,500,000), we are persuaded that under all the circumstances there is no reasonable course open to us other than to request you to acquire the building in general accordance with the terms proposed.

[illegible] are being prepared [illegible] alterations to be made by the owner, and it is expected that the building, as renovated will [illegible] 100,000 square feet of usable space for [illegible] offices [illegible]. Should it seem more desirable to you that the owner deliver the building renovated in accordance with drawings and specifications [illegible] we would be willing to accept this modification without reference to the cost of producing that result; such an arrangement would, of course, be entirely agreeable to us as an alternative to having the contract of purchase provide for the expenditure of $100,000 by the present owner for alterations.

Our Mr. Edward [illegible] Berne, who has been handling the negotiations with the owners, will be in San Francisco [illegible] the end of this week to assist in working out the details preliminary to a closing. He is familiar with the entire situation, being closely in touch with the owners and with our architect who is working on the drawings showing the necessary alterations. Should you desire to instruct your San Francisco office to proceed in the matter without further discussion with this office, Mr. Berne will be available there.

On the question of requesting Congress to appropriate funds to reimburse the [illegible] Company for this expenditure, as we understand it, such request would be made through the Public Buildings Administration. We are entirely agreeable to make the necessary representations to the Public Buildings Administration preliminary to having the matter presented to the Congress.

As you know, we are under a great deal of pressure from the Navy Department to make available to it the

space in the Federal Office Building in San Francisco now occupied by this Department, and are very desirous of concluding arrangements looking toward new space at the earliest possible moment. Your prompt attention to this matter will be greatly appreciated.

Sincerely yours,

Secretary of the Treasury.

The Honorable

The Secretary of Commerce.

JJO'C.Jr/lsw
7-14-42

FEB 20 1943

MEMORANDUM FOR MR. FORSTER,
Executive Clerk, The White House.

In answer to your inquiry, it is perfectly legal for the President to autograph a dollar bill.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

JJO'C.Jr/lsw
2-19-43

Del. by Brown 2:03 2/20/43

(Treasury seal and blue ribbon affixed)

Copies to Thompson

Copy in Diary

BRITISH AIR COMMISSION
1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE
REFERENCE NO.....

With the compliments of British Air Commission

who enclose Statement No. 73 - Aircraft Despatched

- for week ended February 16, 1943.

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

February 20, 1943.

MOST SECRET

STATEMENT NO. 73

Aircraft Despatched from the United States

Week Ended February 16th, 1943

Type	Destination	Assembly Point	By Sea	By Air	Flight Delivered for use in Canada
BREWSTER					
Bermuda	U.K.	U.K.	19		
BOEING					
Fortress II	U.K.	Gander enroute		1	
CONSOLIDATED					
Liberator III	Bahamas	Nassau		1	
Liberator GR V	Bahamas	Nassau		1	
Liberator GR V	U.K.	Canada enroute		1	
CURTISS					
Kittyhawk	Middle East	Port Sudan	3		
DOUGLAS					
Boston III A	U.K.	Canada enroute		13	
GLENN MARTIN					
Baltimore III A	Middle East	Middle East		9	
LOCKHEED					
Hudson VI	West Africa	Freetown		4	
NORTH AMERICA					
Harvard	S' Africa	Capetown	30		
STINSON					
* Reliant	Trinidad	Trinidad		4	
		Total	52	34	

* reported week ended Feb.9th

Movements Division, British Air Commission
February 20th, 1943.

THE UNDER SECRETARY OF STATE
WASHINGTON

February 20, 1943

Dear Henry:

I am sending you herewith a paraphrase of the brief cable of February 19 from our Embassy in London which I just read to you on the telephone.

Believe me

Yours very sincerely,

Enc.

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

PARAPHRASE OF TELEGRAM

FROM: American Embassy, London

TO: Secretary of State, Washington

DATED: February 19, 1943

With reference to this story, I have discreetly consulted Sulzberger, who tells me that a Dutchman in Turkey started the story. Sulzberger thinks that it is probably a Nazi trick, and does not attach much importance to it.

Re: Miss Chauncey 384
Positive to: Bell
~~D.H. Bell~~
White
Pehle
(negative attached)

White & Bell told that they had "better do something about this."

2/22/43

From: Lieut. Stephens

DEPARTMENT OF STATE
WASHINGTON

Reply refer to

February 20, 1943

My dear Mr. Secretary:

Prior to the rupture of relations between the United States Government and the French Government at Vichy the shipment from this country of supplemental supplies in the form of meat at a rate not to exceed 500 tons a month consigned to the International Red Cross for distribution among French prisoners of war in German custody was permitted under an arrangement between the British and United States Governments. Such shipments were financed from blocked French Government funds in this country, the necessary licenses submitted by the French Embassy having been issued from time to time by the Treasury Department, at the request of this Department.

Upon the severance of Franco-American relations, the shipment of supplies financed from official French funds ceased. Except for a small number of food parcels paid for by private French relief societies, no supplies have been sent to these prisoners of war from this country since that time.

The plight of these prisoners of war, numbering one million sixty-three thousand according to recent information from reliable sources, is serious. French North Africa was the primary source of supplemental supplies for these prisoners of war prior to the occupation of that area by American and British forces. Supplies are no longer available from that area for this purpose. Consequently, with the flow of supplies virtually cut off from the United States and entirely cut off from French North Africa, these prisoners are dependent solely on the rations furnished

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

furnished them by the Detaining Power. These rations are not considered to be sufficient to prevent serious physical deterioration of these prisoners.

For humanitarian reasons, as well as for reasons of an important political nature, the Department of State is of the opinion that the shipment of supplemental supplies from this country to French prisoners of war should be resumed and maintained on a continuing basis. Moreover, it should be mentioned that the French Government accords free use of its railroad and mail facilities for the transport of supplies to American and United Nations prisoners in transit through France. The use of these facilities may be denied if the United States Government takes a position which prevents the dispatch of supplies to French prisoners of war. The American Red Cross will soon be in a position to supply 100,000 standard food parcels per month which might be sent to these prisoners. The distribution of these parcels would be limited, in so far as possible, to those prisoners who are kept in base camps and who are not performing work of a nature prohibited by the Geneva Prisoners of War Convention of 1929.

As noted above, the French Government, prior to the severance of relations, financed the purchase and shipment of supplies for these prisoners from its blocked funds in this country. I am convinced that at the present time a French Government which was at all responsive to the will of the French people would wish to continue financing the purchase and shipment of supplies for these prisoners in the same manner. Under present circumstances, however, in order that French Government balances in this country might be employed for this purpose, it is necessary for the Treasury Department to issue a directive under Section 5 (b) of the Trading with the Enemy Act, as amended, to the New York office of the French American Banking Corporation. I strongly recommend that the Treasury Department do issue such a directive. The first such directive license should authorize and direct the New York office of the French American Banking Corporation to pay, transfer, or withdraw, from appropriate accounts of the French Government the sum of $1,050,000, to be paid to the American Red Cross for the purpose of financing the purchase and shipment of 300,000 parcels. This will permit the American Red Cross to make arrangements for shipments on a temporary basis for a three-month period, pending the receipt and evaluation of additional information from which it may be determined

whether

whether the arrangement should be continued. All parcels shipped by the American Red Cross under this arrangement will be consigned to the International Red Cross in Geneva for distribution by that organization. The shipment of food in bulk is not contemplated. The Department will advise you further as additional sums are required by the American Red Cross to carry out the program.

The Department of State will take such steps as it may deem appropriate in an endeavor to protect the interests of American citizens or corporations which act in pursuance of and in reliance on the Governmental directive herein outlined.

Sincerely yours,

Cordell Hull

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO. 13

OPTEL No. 56.

Information received up to 7 a.m. 20th February, 1943.

1. NAVAL

Air reconnaissance (?Spezia) yesterday showed that one of 3 Littorio class battleships has left.

2. MILITARY

Tunisia 18th 8th Army. Our patrols occupied Foum Tatahouine.

Russia The Russians are reported to be continuing their attacks south of Lake Ladoga in the Leningrad area and in the Lake Ilmen area. Pressure on the German positions south east of Orel continues. The Russians have occupied Obuyan on the Kirsk-Kharkov road Lubotin on Kharkov-Poltava railway and Merefa on Kharkov-Lozovaya railway.

3. AIR OPERATIONS

Western Front 18/19th Wilhelmshaven. 582 tons dropped almost equal proportion H.E. and I.B. including 117 4,000 pound bombs. Main attack lasted 22 minutes. No cloud, excellent visibility, bright moonlight, most crews could identify objective visually. Smoke screen in operation increased during attack. Number of good fires spread over city and especially in docks one very large. A/A fire moderate, some enemy aircraft met 2 of them claimed destroyed. 19th. 10 escorted Venturas dropped 11 tons of bombs on Den Helder in good visibility and hit the torpedo boat establishment. 19/20th. 374 aircraft sent out - Wilhelmshaven 338, (11 missing, 2 crashed) Ruhr 2, transformer stations in north France 34 (3 missing). Wilhelmshaven was attacked in good weather, but with slight haze over objective.

Tunisia and Libya 17/18th. 12 Bisleys dropped 5½ tons of bombs on mechanical transport in the Fondouk/Gafsa area, one Bisley is missing. 11 enemy aircraft, one of which was destroyed, bombed Benghazi town and harbour, no damage reported but some casualties. 18th. U.S. fighters attacked mechanical transport and troops in the Sbeitla/Feriana area.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 59

Information received up to 7 A.M., 21st February, 1943.

CORRECTION. OPTEL No. 56 - Information received up to 7 A.M., 20th February, 1943, should have been OPTEL No. 58.

1. NAVAL

On the 14th one of H.M. Submarines possibly torpedoed a large ship off CORFU. Amongst ships engaged in a promising attack on a U-boat northeast of BENGHAZI yesterday was one of H.M. South African A/S Whalers.

2. MILITARY

TUNISIA. 9th. First Army. Our forward troops in the OUSSELTIA Valley have been withdrawn from the Eastern to the Western line of hills. Allied forces repelled a light enemy attack in the area northwest of KASSEROE. General Alexander took over command of Tunisian front.

RUSSIA. In KURSK Province the Russians have occupied the district and railway centre of KRASNAYB-YARUSA, 45 miles west-northwest of BYELGOROD. In the KHARKOV Sector they have captured KRASNOGRAD and PAVLOGRAD. In the KUBAN Bridgehead, in spite of continuing thaw, the Russians have not relaxed their pressure.

3. AIR OPERATIONS

WESTERN FRONT. 19th/20th. WILHELMSHAVEN. 350 tons H.E. and 500 tons incendiaries were dropped. Some cloud, ground haze and smoke screen, but leading pathfinders identified the Bauhafen and dropped their markers accurately on which most crews bombed though some managed to obtain visual identification of certain land marks. Good fires appeared to be taking hold though accurate observation hampered by cloud and haze. A/A fire heavier than previous night, some enemy fighters seen and one claimed destroyed. A total of 23 tons of bombs were released by aircraft of Army Co-Operation Command during attacks on 3 transformer stations on the LOIRE. Bursts were seen in the target area. 20th/21st. 18 aircraft laid 35 sea mines, one R.A.F. Wellington is missing.

BURMA. 19th. 10 escorted Blenheims bombed objectives in the AKYAB area. Fighters attacked railway and road transport in the same area and at MANDALAY.