

DIARY

Book 616

March 12 - 16, 1943

- A -

American Federation of Labor

See Taxation

Argentina

See Federal Bureau of Investigation

Book Page

- B -

Business Conditions

Haas memorandum on situation, week ending March 13, 1943 -

3/15/43..... 616 228

- C -

Chile

See Federal Bureau of Investigation

Cleveland, Ohio

See Taxation

Collector of Internal Revenue - Cleveland, Ohio

See Taxation

Congress of Industrial Organizations

See Taxation

Correspondence

Mrs. Forbush's mail report - 3/12/43: See Book 618,  
pages 235 and 238

a) Delays in soldiers' bond deliveries noted

- D -

Deferments, Military

Secret Service: Induction into Army and reassignment  
to Treasury discussed by HMJr, Gaston, Thompson, Wilson,  
and Reilly - 3/12/43.....

a) Watson-HMJr conversation.....

b) Wilson reports on progress.....

Gaston, Thompson, and Wilson appointed Committee to  
consider - 3/16/43.....

Douglas, William O. (Justice, Supreme Court)

See General Counsel, Office of

41

63

66.67

319

- E -

Eden, Anthony

Interview with HMJr arranged by Halifax - 3/13/43.....

101

- F -

Federal Bureau of Investigation

Argentina and Chile: Transmission of American currency to  
United States in violation of Treasury regulations

reported - 3/12/43.....

61

- F - (Continued)

	Book	Page
Financing, Government		
Federal Reserve operations in Government securities - 3/13/43.....	616	124
War Savings Bonds:		
2nd War Loan Drive: Press release for \$13 billion goal - 3/12/43.....		47
Wilson, Woodrow: Connection with War Bond drives - 3/15/43.....		221
Sales, January, February, and March - 3/15/43.....		224
Foreign Funds Control		
Booklet prepared for Americans going abroad - 3/13/43..		128

- G -

General Counsel, Office of		
Paul continuously busy with tax bill; "personal counsel" discussed by Douglas and HMJr - 3/12/43.....		37
a) Paul memorandum following conversation with HMJr - 3/13/43.....		122
Gentsch, Frank F. (Collector of Internal Revenue, Cleveland) See Taxation		

- L -

Latin America		
Argentina: See Federal Bureau of Investigation		
Chile: See Federal Bureau of Investigation		
Lend-Lease		
8th quarterly report for period ending March 11, 1943..		55
a) Treasury thanked for assistance in preparation - 3/12/43.....		54
United Kingdom: Federal Reserve Bank of New York statement showing dollar disbursements, week ending March 3, 1943 - 3/12/43.....		56
United Nations: Dollar position discussed by representatives of Treasury, State, Lend-Lease, Board of Economic Warfare, and War Department - 3/16/43.....		298
(See also Book <u>622</u> , page 91 - 4/1/43)		

- M -

Military Reports		
Office of War Information - 3/12/43.....		249

- N -

Navy Department		
Incapacitated officers: Employment in Treasury to be discussed by Admiral Jacobs and HMJr - 3/15/43.....		152
(See also Book 619, page <u>315</u> - 3/26/43)		
a) FDR-Navy-Treasury correspondence - 3/27/43: Book <u>620</u> , page <u>73</u>		

North Africa  
See Occupied Territories

- O -

Occupied Territories

North Africa: Rate of exchange of French franc again discussed by Halifax and HMJr - 3/16/43.....	616	294
a) Hull-HMJr conversation - 3/20/43: See Book 618, page 5		
b) FDR's comment reported to HMJr by Miss Tully - 3/24/43: Book 619, page 34		
c) Phillips memorandum on British attitude - 3/24/43: Book 619, page 39		
d) Admiral Brown-HMJr conversation - 3/24/43: Book 619, page 41		
e) Hull-HMJr conference reported to White - 3/26/43: Book 619, page 247		
f) Phillips memorandum: British Government's position - 3/24/43: Book 620, page 34		
g) HMJr's note to FDR - 3/27/43: Book 620, page 39		
1) HMJr thinks FDR misunderstands Treasury position: Book 620, page 43		
2) Hull told of letter to FDR: Book 620, page 44		
3) Eisenhower (General) - message to: Book 620, page 46		
4) Eden "will push consideration of DeGaulle franc" - FDR memorandum - 3/30/43: Book 621, page 115		

Office of Economic Stabilization

March 19 Board meeting (later cancelled) - program for - 3/16/43.....		348
a) Consumer goods industries to be discussed		
b) "The Crisis in the Control of Prices" - Hansen memorandum		

Office of War Information

For captured German pictures see Speeches by HMJr

- P -

Post-War Planning

Treasury preparations: Mager article for United Press - 3/16/43.....		325
a) Peabody (Stuart) comment on: Book 617, page 325		

- R -

Revenue Revision

Ruml Plan: FDR opposes at press conference - 3/12/43.....		24, 33
a) HMJr's supporting memorandum - 3/13/43.....		112
b) Doughton-HMJr conversation on plan to whip Ruml plan.....		141
1) Doughton plan, Robertson plan, Ways and Means Committee plan.....		306

	Book	Page
Revenue Revision (Continued)		
Ruml Plan (Continued)		
c) Wealthy men's statements opposing forgiveness:		
Paul does not think feasible - 3/16/43.....	616	315
Odegard does not think feasible - 3/16/43.....		318
Withholding Tax: History of Treasury support reviewed by Blough and HMJr - 3/13/43.....		72, 161
a) Ruml position reviewed.....		78
HMJr and Blough confer with House Ways and Means Committee, Democratic Leader McCormack, and Speaker Rayburn - 3/15/43.....		154

- 8 -

Secret Service

See Deferments, Military

Wallace, Henry A.: Protection detail in South America  
discussed in Wilson memorandum - 3/13/43..... 126

Speeches by HMJr

Sound track and film to accompany captured German  
pictures - Schwarz memorandum concerning - 3/13/43..... 119  
(See also Book 617, page 314)

- T -

Taxation

See Revenue Revision

1942 Revenue Act:

Cleveland Collector of Internal Revenue Gentsch reports  
refusal to file returns in war plants..... 71

    a) HMJr-Sullivan conversation - 3/13/43..... 68

    b) Sullivan memorandum..... 70

American Federation of Labor and Congress of Industrial  
Organizations answers on poll concerning filing of  
returns - 3/17/43: See Book 617, page 78  
(See also Book 619, page 215 - 3/25/43)

Treasury Department

See Post-War Planning

- U -

United Kingdom

See Lend-Lease

United Nations

For dollar position see Lend-Lease

- W -

Wallace, Henry A.

See Secret Service

War Savings Bonds

See Financing, Government

Wilson, Woodrow

See Financing, Government

3/12/43

1

Z Q7T 121554 Q2U P GR31

JUST TALKED TO TED GAMBLE IN ATLANTA X HE GAVE  
ME SOME INFOR ON THE MEETINGS THERE X REQUEST  
YOU CALL ME FROM THE AIRPORT IF YOU DONT RETURN  
TO TREAJRY

TOR 1557 NMH

FROM: AID SECTREAS  
TO: SECTREAS

March 12, 1943  
1:20 p.m.

HMJr: Ted, this is the situation.

Ted  
Gamble: Yes.

HMJr: We were ready to take off at one o'clock from Washington -- I'm in Washington....

G: Yes.

HMJr: ....and at twelve-thirty they told me I could go. There was 1500 feet in Atlanta....

G: Yes.

HMJr: ....and at one o'clock they said the thing was only 100 feet, and the Washington Airport refused to clear me.

G: Yes.

HMJr: I don't know what it looks like, but they - they said there was only 100 ft. ceiling.

G: Yes.

HMJr: And they wouldn't clear me.

G: Uh huh.

HMJr: Does it look bad out of the window?

G: No, as a matter of fact, there's 1000 ft. ceiling here and will be during the afternoon.

HMJr: Well, the Washington Airport refused to clear us.

G: But, of course, it's - the weather is changing every half hour, and....

HMJr: Well....

G: ....and they may know what's going to happen in an hour from now.

- 2 -

HMJr: Yeah, they said 100 - anyway he couldn't - they - they wouldn't clear me.

G: Yes.

HMJr: I was all set to go.

G: Yes.

HMJr: So if between now and three o'clock the weather changed, I'm still ready to go.

G: Yes.

HMJr: Now I got your message.

G: Yes, well, I wanted you to know that the one meeting had already been held here.

HMJr: I got it.

G: And it's more or less of a social meeting that they're planning....

HMJr: Well....

G: ....for you, and the business, by and large, has been taken care of....

HMJr: Good.

G: ....and I think they're getting away to a good start.

HMJr: Good.

G: McLarin is very fair-minded.

HMJr: Good.

G: And our people were all here, as were the Victory Fund people, and I met with them all day yesterday.

HMJr: Good.

G: And so I did want you to have that information so that you don't have so much of an obligation with respect to tomorrow morning and tomorrow noon.

- 3 -

HMJr: Well, as....

G: And if the weather is questionable, I wouldn't come, and I would cut in - if it's convenient for you to I would make the speech in Washington.

HMJr: Well, I - I had planned that.

G: Yes.

HMJr: I'll make it right from my desk.

G: Right from your desk at 10:30, and we're - we have all arrangements made here for you to cut in.

HMJr: And then last night if I'd have gotten on that ten o'clock train it would have got me into Atlanta at 7:30 tonight.

G: Yes.

HMJr: And if the train - I'd have missed the 6:00 o'clock, say....

G: Yes.

HMJr: ....and if the train had been two hours late, I'd have missed my broadcast.

G: I understand that.

HMJr: So I thought that was silly.

G: That's correct. And it's a long, tedious, tough ride anyway.

HMJr: Has anybody said anything?

G: No, no, we haven't, of course, let the public know yet that there's any likelihood of your not coming.

HMJr: Yeah.

G: Most people think you're in town.

HMJr: I see.

- 4 -

G: And I didn't....

HMJr: Have you....

G: ....want to let anyone know until we....

HMJr: Well, now can't you take my place on the - taking the certificate and all that?

G: Oh, yes. The only thing that you would need - I think it's very important for you to make the talk....

HMJr: Well, I'd like to do that.

G: ....and we can have proper explanation made here.

HMJr: Have you seen the talk?

G: I have not seen the last draft, no.

HMJr: Well, we mailed you air mail - oh, last night we - they told - I mailed you 25 copies.

G: Yes, well, I had, of course, thought that we'd have it covered up this morning when you got here.

HMJr: But maybe the air mail didn't go.

G: No, it probably didn't go, Mr. Secretary, and if you decide to come....

HMJr: Yes.

G: ....what we will do then is to have the people here get it off the wire in Washington.

HMJr: Well, I'll - why don't I send it down on the Federal Reserve ticker to you now?

G: I think that's a very good idea.

HMJr: I'll - I'll put it on the ticker, the Federal Reserve, and - and you'll get it right away.

- 5 -

G: Fine. That's a much better idea.

HMJr: I mean you'll - you'll have - I'll simply address it to you, Federal Reserve.

G: Yes, and we'll take care of the copies here.

HMJr: Now I don't think there's a chance, because my pilot says as the afternoon gets on, the weather will get worse.

G: I think that's probably correct, Mr. Secretary, and I think we'd better plan for you to make the broadcast in Washington.

HMJr: Now - well, I'll have Mrs. Klotz get in touch with Vince Callahan, I guess.

G: Yes.

HMJr: Or - I guess - or through Chic Schwarz, I don't know.

G: Well, we - as a matter of fact, we'll have to get in touch with him from here in any event.

HMJr: Well....

G: You wouldn't want to make the decision now?

HMJr: I - I....

G: Then I'll go right ahead.

HMJr: I think that - I think we'd better make it. I'll - I'll tell Chic Schwarz - it's W.J. - to do it - I mean he....

G: Yes.

HMJr: ....to make - I'll put it in the hands of Schwarz and you work at it from your angle.

G: And we'll work at it here, because we have a - a Blue Network man from New York right here.

HMJr: Right, and I'll - I think it's better to do it from my desk than it is from the studio....

G: Yes.

HMJr: ....so that they can say I'm talking - don't you think so?

G: I do, yes, sir.

HMJr: Yeah. Now when will you come back?

G: I will come back on a late night train tonight.

HMJr: Yeah. Good.

G: After the show.

HMJr: Robbins is not coming anyway.

G: Yes, I - well, Stephens told me that this morning.

HMJr: So he - he isn't coming.

G: Yes.

HMJr: Now just a minute. Stephens wants to say something.

G: Fine.

HMJr: Oh - hello?

G: Yes.

HMJr: I would simply say I had to go up - I just had to go up to New York, and I wouldn't say why.

G: No, and I wouldn't - well, we - we will make that explanation here.

HMJr: I'd simply say....

G: That business prevented you from making the train connection, and when your plane was grounded it was impossible for you to be here.

HMJr: Yeah.

G: And there'll be no need for you to make any explanation at that end.

- 7 -

HMJr: No, and - and I would say that the Washington Airport wouldn't clear me for Atlanta.

G: That's right.

HMJr: Which is true.

G: Which is true.

HMJr: That I was ready to take off at one o'clock and the - the Washington Airport wouldn't clear us.

G: Well, I would feel better, having watched this changeable weather for 12 hours, if you did not come, Mr. Secretary.

HMJr: Yes. Well, the thing that I'm worried about - if I got down there....

G: Yes.

HMJr: ....then the weather stayed that way, I might be stuck there for a day or two.

G: That's right, and you may be stuck in some little small airport somewhere and not in Atlanta at all.

HMJr: Yeah. Well, I think I'd go ahead with the arrangements and then they won't....

G: Well, that's what we'll do.

HMJr: Right.

G: And we'll plan now definitely to do that, and we'll take care of the arrangements about....

HMJr: And you do the....

G: ....the radio people and....

HMJr: ....the certificate. After all, you're Assistant to the Secretary and go ahead and act like one.

G: Well, I'll do that, sir.

HMJr: And present them with the certificate, etc., etc.

G: Right.

HMJr: I'm delighted that - to have you there to represent me.

G: All right, sir. Well, you need have no concern about it.

HMJr: And - now what else?

G: I think that's everything. And I have been in touch with Mr. McLarin already, and he understands that there's a possibility that you will not come.

HMJr: And tell Secretary Knox I'm awfully sorry but the weather wouldn't permit it.

G: Yes. Well, he'll understand. I met him at the train this morning.

HMJr: Did you?

G: Yes, sir.

HMJr: Right.

G: All right, sir.

HMJr: Thank you.

G: Goodbye.

3-12-43

~~Robert H. ...~~~~Governor Arnall, Secretary Knox, I ... Gentlemen:~~

I welcome the opportunity to join the Secretary of the Navy in congratulating the people of Atlanta and the people of Georgia on putting their dollars to work for victory. I regret greatly that circumstances which arose at the last moment have made it impossible for me to be present physically with you in Atlanta tonight, as I had planned.

Draft E

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Saturday, March 13, 1943.

Press Service  
No. 35-70

3/11/43

(The following address by SECRETARY MORGENTHAU at ceremonies celebrating completion of a War Savings Bond campaign for a new cruiser ATLANTA is part of a program that will be broadcast at 10:30 p.m., Eastern War Time, Friday, March 12, 1943, from the Capital City Auditorium, Atlanta, Georgia, over the Blue Network.)

~~Governor A. Hall, Secretary Knox, Ladies and Gentlemen:~~

~~It is always an inspiration for me to visit Georgia, the State which is the other home of our great and beloved President.~~

I ~~especially~~ welcome the opportunity to ~~appear before you~~

*join* the Secretary of the Navy *to* congratulate the people of

Atlanta and the people of Georgia on putting their dollars to

work for victory. *I regret greatly that circumstances which had made it impossible for me to be present physically with you in Atlanta*

I have watched with admiration on other occasions the contributions made by the people of Georgia to meeting the wartime needs of their country. And now the people of Atlanta and their neighbors have responded with the unconquerable Georgia fighting spirit to a new challenge. They have made it certain that our flag will proudly fly again on a new Atlanta to take the honored place of that other Atlanta which went down in glorious combat off the coast of Guadalcanal.

The people of other communities can -- and I hope they will -- follow your example. Not all will be able to pay for cruisers or battleships, but all can buy implements of war according to their abilities, from the great battleship down to the humble but mightily useful jeep. All these are tools of freedom.

So, too, are dollars the tools of freedom. The dollars you save and turn over to the use of your government today are fighting dollars. This is true of tax dollars as well as of

- 2 -

bond dollars. Out of every hundred dollars of taxes paid on March 15, ninety-five dollars will go directly to pay the costs of this war, to supply our men at the front, to smash the Axis.

Next Monday night is the zero hour when billions of these dollars are due to go over the top to battle. There have been baseless rumors that somehow this zero hour will never come off; that somehow the taxes due on March 15 are to be forgiven or forgotten. It would be tragic for our war effort if these rumors should be widely believed. They are utterly false. We have ruthless enemies to fight and your tax dollars are desperately needed in the battle. Any American who wilfully neglects to pay his taxes on time or to invest every cent he can in War Bonds is surely giving aid and comfort to the enemy.

Even as ~~you~~ <sup>you</sup> meet ~~here~~ <sup>in Atlanta</sup> tonight your dollars are fighting the enemy. They are also fighting an important battle here on the home front. Every dollar you put into war bonds or taxes helps to keep prices down. Every dollar put into war bonds also creates future purchasing power that will mean jobs for our fighting men when they return. Your bond dollars and your tax dollars are double duty dollars.

Only a great outpouring of the people's <sup>of Atlanta</sup> money can provide a sufficient answer to our war needs. It is by such democratic initiative and community spirit as you have shown ~~that~~ that a great democracy will meet the challenge of the enemy and keep faith with our men who fight on land and sea and in the air.

We have a job to do and we are all called for service to our country. Our dollars are called to service too.

Let us ~~each one~~ <sup>all</sup> ask ourselves, "Shall we be more tender with our dollars than with the lives of our sons?"

-oOo-

3-12-43

~~Governor Arnall, Secretary Knox, Ladies and Gentlemen~~

I welcome the opportunity to join the Secretary of the Navy in congratulating the people of Atlanta and the people of Georgia on putting their dollars to work for victory. I regret greatly that circumstances which arose at the last moment have made it impossible for me to be present <sup>in person</sup> ~~personally~~ with you in Atlanta tonight, as I had planned.

Draft F.

14

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Saturday, March 13, 1943.

Press Service  
No. 35-70

3/11/43

(The following address by SECRETARY MORGENTHAU at ceremonies celebrating completion of a War Savings Bond campaign for a new cruiser ATLANTA is part of a program that will be broadcast at 10:30 p.m., Eastern War Time, Friday, March 12, 1943, from the Capital City Auditorium, Atlanta, Georgia, over the Blue Network.)

~~Governor Amell, Secretary Knox, Ladies and Gentlemen:~~

~~It is always an inspiration for me to visit Georgia, the State which is the other home of our great and beloved President. I especially welcomed the opportunity to appear here tonight with the Secretary of the Navy to congratulate the people of Atlanta and the people of Georgia on putting their dollars to work for victory.~~

I have watched with admiration on other occasions the contributions made by the people of Georgia to meeting the wartime needs of their country. And now the people of Atlanta and their neighbors have responded with the unconquerable Georgia fighting spirit to a new challenge. They have made it certain that our flag will proudly fly again on a new Atlanta to take the honored place of that other Atlanta which went down in glorious combat off the coast of Guadalcanal.

The people of other communities can -- and I hope they will -- follow your example. Not all will be able to pay for cruisers or battleships, but all can buy implements of war according to their abilities, from the great battleship down to the humble but mightily useful jeep. All these are tools of freedom.

So, too, are dollars the tools of freedom. The dollars you save and turn over to the use of your government today are fighting dollars. This is true of tax dollars as well as of

bond dollars. Out of every hundred dollars of taxes paid on March 15, ninety-five dollars will go directly to pay the costs of this war, to supply our men at the front, to smash the Axis.

Next Monday night is the zero hour when billions of these dollars are due to go over the top to battle. There have been baseless rumors that somehow this zero hour will never come off; that somehow the taxes due on March 15 are to be forgiven or forgotten. It would be tragic for our war effort if these rumors should be widely believed. They are utterly false. We have ruthless enemies to fight and your tax dollars are desperately needed in the battle. Any American who wilfully neglects to pay his taxes on time or to invest every cent he can in War Bonds is surely giving aid and comfort to the enemy.

Even as <sup>you</sup> ~~we~~ meet <sup>in Atlanta</sup> ~~here~~ tonight your dollars are fighting the enemy. They are also fighting an important battle here on the home front. Every dollar you put into war bonds or taxes helps to keep prices down. Every dollar put into war bonds also creates future purchasing power that will mean jobs for our fighting men when they return. Your bond dollars and your tax dollars are double duty dollars.

Only a great outpouring of the <sup>of Atlanta</sup> people's money can provide a sufficient answer to our war needs. It is by such democratic initiative and community spirit as you have shown ~~that~~ that a great democracy will meet the challenge of the enemy and keep faith with our men who fight on land and sea and in the air,

We have a job to do and we are all called for service to our country. Our dollars are called to service too.

Let us <sup>all</sup> ~~we~~ ask ourselves, "Shall we be more tender with our dollars than with the lives of our sons?"

DING COPY)

16

March 12, 1943

Address by Secretary Morgenthau at ceremonies celebrating completion of a War Savings Bond campaign for a new cruiser ATLANTA, part of a program broadcast at 10:30 pm from Atlanta. Secretary Morgenthau broadcast this address from his desk in Washington.

I welcome the opportunity to join the Secretary of the Navy in congratulating the people of Atlanta and the people of Georgia on putting their dollars to work for victory. I regret greatly that circumstances which arose at the last moment have made it impossible for me to be present in person with you in Atlanta tonight, as I had planned.

I have watched with admiration on other occasions the contributions made by the people of Georgia to meeting the wartime needs of their country. And now the people of Atlanta and their neighbors have responded with the unconquerable Georgia fighting spirit to a new challenge.

-2-

They have made it certain that our flag will proudly fly again on a new Atlanta to take the honored place of that other Atlanta which went down in glorious combat off the coast of Guadalcanal.

The people of other communities can -- and I hope they will -- follow your example. Not all will be able to pay for cruisers or battleships, but all can buy implements of war according to their abilities, from the great battleship down to the humble but <sup>mighty</sup> ~~mightily~~ useful jeep. All these are tools of freedom.

-3-

So, too, are dollars the tools of freedom.

The dollars you save and turn over to the use of your government today are fighting dollars.

This is true of tax dollars as well as of bond dollars. <sup>(Slow)</sup> Out of every <sup>one</sup> hundred dollars of taxes paid on March 15, ninety-five dollars will go directly to pay the costs of this war, to supply our men at the front, to smash the Axis.

Next Monday night is the zero hour when billions of these dollars are due to go over the top to battle. There have been baseless rumors that somehow this zero hour will never come off; that somehow the taxes due on March 15 are to be forgiven or forgotten.

-4-

It would be tragic for our war effort if these rumors should be widely believed. They are utterly false. We have ruthless enemies to fight and your tax dollars are desperately needed in the battle. Any American who wilfully neglects to pay his taxes on time or to invest every cent he can in War Bonds is surely giving aid and comfort to the enemy.

Even as you meet in Atlanta tonight your dollars are fighting the enemy. They are also fighting an important battle here on the home front.

-5-

Every dollar you put into war bonds or taxes helps to keep prices down. Every dollar put into war bonds also creates future purchasing power that will mean jobs for our fighting men when they return. Your bond dollars and your tax dollars are double duty dollars.

We have a job to do and we are all called for service to our country. Our dollars too are called to service ~~too~~.

Let us all ask ourselves: "Shall we be more tender with our dollars than with the lives of our sons?"

Only a great outpouring of the people's money can provide a sufficient answer to our war needs.

-6-

It is by such democratic initiative and  
community spirit as you of Atlanta have shown  
that a great democracy will meet the challenge  
of the enemy and keep faith with our men who  
fight on land and sea and in the air.

March 12, 1943  
1:40 p.m.

FINANCING AND TAXES

Present: Mr. Bell  
Mr. Paul  
Mr. Sullivan  
Mr. Thompson  
Mr. Blough  
Mr. Wenchel  
Mrs. Klotz

MR. BELL: I think you asked them to have some kind of a poll made on the number of slogans - or at least they adopted that method.

H.M.JR: I don't even know what you are talking about.

MR. BELL: Slogan for this next drive. Are you much interested in that?

H.M.JR: Not particularly.

MR. BELL: I told them to go ahead on this. I said I didn't like it so well, but they said they had given a lot of thought to it and that it had all the elements they were looking for in the slogan. So the experts agreed it was the best they could figure out at this time.

This is it: "They give their lives; you lend your money."

Out of twelve slogans that were submitted and a vote of eight hundred and fifty, about fifty percent divided between men and women, over four hundred votes came in for this title. There were very few down the line for the others.

- 2 -

About half were women and half were men that voted for this title out of the four hundred.

Independently the experts and the amateurs that were gathered around the table this morning in this room in New York also hit upon this.

H.M.JR: You told them to go ahead?

MR. BELL: Yes, because I didn't think I was going to get in touch with you. But I can call them back.

That is all I have.

H.M.JR: Do you mind staying to hear what Paul says?

MR. BELL: No.

MR. PAUL: I didn't think you were going to be here, either. I had just taken this all up with Dan.

H.M.JR: Neither did I think I would be here, Mr. Paul. (Laughter)

MR. PAUL: To start at the beginning, the President called me last night. I gave you a transcript of that.

H.M.JR: Which I read.

MR. PAUL: Then you have read that. Just a few minutes ago at his press conference he called attention to the fact that a lot of people in the high brackets saved a lot of money by the Ruml plan. He made a couple of statements there that were - one statement he made in answer to a question was that we lose revenue, which is not true. But he is perfectly--

MR. BLOUGH: In this year.

- 3 -

MR. PAUL: Yes, but he is perfectly correct in his statement that a lot of these people make money. He also authorized us to issue the statements that we had given him on which he had based his statement.

H.M.JR: At his press conference?

MR. PAUL: That is right. We are preparing - we are revising those a little bit. We have to avoid conflict with that law that requires no public divulgence of information from a return.

Of course we could divulge it if the President gave his permission, but he said in his conference - Chick was there - that no names would be given, so we are fixing up this information for a press release. We are getting this information. It will be ready this afternoon.

We talked it over with Gaston and Dan.

MR. SULLIVAN: This is already prepared in form a, b, c, d.

MR. PAUL: We can't use it the way it is.

H.M.JR: May I explain it. It is just a matter of luck that we are all right so far.

You see, the President sent me that memo, in which he didn't ask me to do anything. In no implication was anything up to the Treasury. You have seen it?

MR. PAUL: Yes, that one-page memorandum.

H.M.JR: Yesterday morning when I talked to him he didn't say anything. He said, "Are they doing anything?" and so forth, but he didn't ask me to do anything. I simply felt that this was one of the things that he wanted to do, just what he did do at the press conference, or something. So I didn't pay

- 4 -

much attention to it. I just thought this was something he wanted or that Byrnes had asked for or Hopkins had asked for, and that he would do what he thought he wanted.

MR. PAUL: Well, Chick is out calling Early now to try to get a correction on that one incorrect statement.

H.M.JR: Now what?

MR. PAUL: We are getting the material together so we can release these figures.

H.M.JR: Without the names.

MR. PAUL: As he instructed.

H.M.JR: Can I ask a question which wasn't clear? We have been so rushed recently. For instance, when it said that Mr. So-and-so had an income, say, of five million dollars, was that his gross income or his net income?

MR. SULLIVAN: On those figures it was net.

MR. PAUL: All those figures are net figures.

H.M.JR: And some varied some?

MR. SULLIVAN: Yes, capital gains.

H.M.JR: That was capital gains?

MR. SULLIVAN: Yes, it ran along seventy-five thousand, a hundred thousand, then jumped to five million.

MR. PAUL: That is one of the points about these figures, that Ruml's plan does not contemplate forgiveness on capital gains. But, on the other hand, those figures are 1941 figures, which are probably lower than 1942 in most cases. The income level was lower in that year.

- 5 -

H.M.JR: Does it sound good? Do you think anybody will run it?

MR. PAUL: I think they will run it now because of the President. They never would run it before.

H.M.JR: Of course it is like all these things, talking in the room. It is unfortunate he lets these things go so far, and then he gets in on something like this. And again in the room, it will simply get the Republicans, to make an issue out of it.

MR. SULLIVAN: They had already decided to do that.

MR. PAUL: They were going to do that anyway.

MR. SULLIVAN: Three weeks ago. It has been very, very helpful.

H.M.JR: I am awfully glad I didn't send the names over.

MR. PAUL: You did not?

H.M.JR: No.

MR. PAUL: That is what you told me. I was baffled by his statement that sixty-five of them were Republicans.

H.M.JR: I didn't send the names over. The originals are still here. He didn't get that from us. Maybe he got it from Helvering, but he didn't get it from me.

MR. SULLIVAN: I haven't talked with anybody. I gave them to you both ways.

H.M.JR: We had both sheets. I thought it over, and I decided that somebody in the White House might get them to some columnists, and then we would be in the soup. So I did not send them over.

- 6 -

MR. SULLIVAN: I think in sixty-five of those the income was greater than the previous year.

MR. PAUL: He said sixty-five were Republicans.

H.M.JR: Would you know? It is nearer ninety-five.

MR. SULLIVAN: I would think ninety-seven.

MR. PAUL: Nobody with an income of more than a hundred thousand dollars is a Democrat. (Laughter)

Following his instructions I spoke to Jere Cooper. I couldn't get him last night. I spoke to him, and I have a date with him for tomorrow noon after the morning session.

Now, I ought to tell you this one more thing, if you haven't read my memorandum on it, that I was called in by Doughton Wednesday morning before the hearing, and he sought my support of this present concoction that they finally voted. I said--

H.M.JR: You told me about that. You told me what you said to Doughton, that this was better than the Ruml plan but not as good as the Doughton or the Robertson plan.

MR. PAUL: Doughton number one or the Robertson plan.

H.M.JR: You told me that.

MR. PAUL: He seemed very satisfied with that.

H.M.JR: You told me that when we walked around the circle.

Incidentally, you look a little better today. Do you feel a little better?

MR. PAUL: Yes, I feel a little better. I feel pretty good now.

- 7 -

H.M.JR: What else?

MR. PAUL: I don't know. That covers the picture as I see it, unless you want to go into the details of these various plans. There is one more thing I think I ought to tell you. This suggestion made by the President about the twenty percent doesn't work out very well as we have analyzed it. It is a flat addition, non-progressive.

H.M.JR: What I would like to do tomorrow morning is do what I had set to do Wednesday and was unable to do. I have been so busy on this financing. I want to sit down and prepare a very, very simple statement, as I have told you, so that a high-school person could understand it. I still would like to do that tomorrow morning.

MR. PAUL: We have quite a simple statement on the thing.

H.M.JR: I would like to do it tomorrow morning when I get in.

MR. PAUL: We have to go up on the Hill tomorrow morning.

H.M.JR: Both of you?

MR. PAUL: Blough could stay down, and I could go up there.

H.M.JR: I would like to make a tentative appointment with Roy for ten o'clock tomorrow.

MR. PAUL: All right. I can get along up there.

H.M.JR: I have five minutes more.

MR. SULLIVAN: I have a statement which has been approved by Vandenberg, George and Doughton, and since

- 7 -

H.M.JR: What else?

MR. PAUL: I don't know. That covers the picture as I see it, unless you want to go into the details of these various plans. There is one more thing I think I ought to tell you. This suggestion made by the President about the twenty percent doesn't work out very well as we have analyzed it. It is a flat addition, non-progressive.

H.M.JR: What I would like to do tomorrow morning is do what I had set to do Wednesday and was unable to do. I have been so busy on this financing. I want to sit down and prepare a very, very simple statement, as I have told you, so that a high-school person could understand it. I still would like to do that tomorrow morning.

MR. PAUL: We have quite a simple statement on the thing.

H.M.JR: I would like to do it tomorrow morning when I get in.

MR. PAUL: We have to go up on the Hill tomorrow morning.

H.M.JR: Both of you?

MR. PAUL: Blough could stay down, and I could go up there.

H.M.JR: I would like to make a tentative appointment with Roy for ten o'clock tomorrow.

MR. PAUL: All right. I can get along up there.

H.M.JR: I have five minutes more.

MR. SULLIVAN: I have a statement which has been approved by Vandenberg, George and Doughton, and since

- 7 -

H.M.JR: What else?

MR. PAUL: I don't know. That covers the picture as I see it, unless you want to go into the details of these various plans. There is one more thing I think I ought to tell you. This suggestion made by the President about the twenty percent doesn't work out very well as we have analyzed it. It is a flat addition, non-progressive.

H.M.JR: What I would like to do tomorrow morning is do what I had set to do Wednesday and was unable to do. I have been so busy on this financing. I want to sit down and prepare a very, very simple statement, as I have told you, so that a high-school person could understand it. I still would like to do that tomorrow morning.

MR. PAUL: We have quite a simple statement on the thing.

H.M.JR: I would like to do it tomorrow morning when I get in.

MR. PAUL: We have to go up on the Hill tomorrow morning.

H.M.JR: Both of you?

MR. PAUL: Blough could stay down, and I could go up there.

H.M.JR: I would like to make a tentative appointment with Roy for ten o'clock tomorrow.

MR. PAUL: All right. I can get along up there.

H.M.JR: I have five minutes more.

MR. SULLIVAN: I have a statement which has been approved by Vandenberg, George and Doughton, and since

- 8 -

they signed it Treadway telephoned in his approval. It does not have the suggestion about ninety-five cents out of every dollar.

It was shown to Mr. Gaston yesterday morning before I submitted it--

H.M.JR: I wouldn't go back again on it.

MR. SULLIVAN: That is what I suggested, that I shouldn't.

H.M.JR: Is it too late to get OWI to use it on Saturday, Sunday and Monday?

MR. SULLIVAN: We asked them to stress just the five hundred and twelve hundred, you remember.

(Statement of Congressional tax leaders read by the Secretary, copy attached.)

H.M.JR: I think this is fine. I still think that my idea to give it out this afternoon for Sunday morning papers--

MR. SULLIVAN: I am going to give it to Chick right away.

H.M.JR: I would hold it until Sunday and then get it in all the Sunday papers, and you get this extra big circulation.

MR. SULLIVAN: Incidentally, brother Ruml still has not paid up the taxes on '41 income.

H.M.JR: Now wait a minute, say that again.

MR. SULLIVAN: His income tax on '41 income was twenty-three thousand dollars, and he still owes us over five thousand.

- 9 -

H.M.JR: Wait a minute, Ruml's tax was twenty-one thousand?

MR. SULLIVAN: Twenty-three thousand.

H.M.JR: For '41?

MR. SULLIVAN: That is right, and he still owes us over five thousand dollars.

MR. PAUL: He hasn't paid all he should have paid December 15 - last December.

H.M.JR: You mean it is from December 15?

MR. PAUL: Yes.

H.M.JR: How much was due on December 15?

MR. SULLIVAN: I don't know.

MR. PAUL: About a quarter.

H.M.JR: Roughly five thousand.

MR. SULLIVAN: He may have paid part of it, Randolph.

H.M.JR: I would like all the facts when I come back from Cabinet.

MR. PAUL: About five thousand dollars, that would be right.

H.M.JR: I would like all the facts.

## TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Sunday, March 14, 1943.  
3/12/43

Press Service  
No. 35-72

Congressional tax leaders united today in an appeal to last-minute income tax filers to get their returns in before the Monday midnight deadline.

Senators Walter F. George and Arthur H. Vandenberg of the Senate Finance Committee and Representatives Robert L. Doughton and Allen T. Treadway of the House Ways and Means Committee made the following joint statement:

"Monday is the last day for getting in your income tax returns on 1942 income and paying the first quarterly installment of your tax. No new revenue plan now before Congress or that might come before Congress changes or postpones that obligation in the slightest. It is the duty and the privilege of every one of us to send our fighting dollars into battle alongside of our fighting men.

"This is a legal and patriotic responsibility on all single persons who received \$500 or more last year and on all married people who received, together, \$1,200. The nation needs your taxes to smash the Axis. For the benefit of late filers, all Internal Revenue offices will be kept open until midnight Monday. Be sure that your return is in before that time.

"This year for the first time it is not necessary for you to have your tax return notarized. It can be signed and mailed along with the first quarterly payment. So if you can't get to the Collector's office, be sure to mail your return in time so that it will be postmarked before midnight Monday, March 15. That will be accepted as filed on time. And remember that in addition to filing your return, at least one-quarter of the tax must be paid by midnight Monday."

-oOo-

## PRESIDENT OPPOSES RUMI PLAN (PRESS CONFERENCE)

President Roosevelt told his press conference that adoption of the Ruml Tax Plan would mean that the Government would collect less revenue this year than it did last year.

Prefacing his remarks with a statement that the final decision on proposed changes in the Federal tax structure was purely a Congressional function, Mr. Roosevelt said he thought it wise to point out that individual taxpayers, particularly those in the higher brackets, would save a great deal of money under the Ruml Plan.

The President told his press conference he had Treasury figures to prove that if the Ruml Plan were adopted, the next tax revenue of the Government would be lower this year than it was last year.

By way of contrast, he said, in other countries such as Great Britain, the more money had or made, the more they paid to the Government.

Told that Beardsley Ruml, the New York banker who drafted the new tax proposal, contended that the Treasury would not lose, Mr. Roosevelt said there was only one answer and that answer was mathematically correct. He said he saw no reason why the Treasury should not release the figures on which he based his statement.

Washington City News Service  
March 12, 1943 12:07 P.M.

MEMORANDUM

March 12, 1943.

TO: The Secretary

GHS

FROM: Mr. Sullivan

I attach herewith copy of statement approved by Senator George, Senator Vandenberg and Congressman Doughton. I left a copy of this at Congressman Treadway's office and since then his secretary has phoned advising that he, too, approves this copy.

Mr. Gaston saw it before I submitted it to the Congressmen and I plan to give this to Mr. Schwarz this afternoon for release by newspapers and radio stations Sunday morning. I doubt if it is worth troubling these four men again to put in the statement that 95 cents out of every dollar goes for the war effort.

Congressional tax leaders united today in an appeal to last-minute income tax filers to get their returns in before the Monday midnight deadline.

Senators Walter F. George and Arthur H. Vandenberg of the Senate Finance Committee and Representatives Robert L. Doughton and Allen T. Treadway of the House Ways and Means Committee made the following joint statement:

"Monday is the last day for getting in your income tax returns on 1942 income and paying the first quarterly installment of your tax. No new revenue plan now before Congress or that might come before Congress changes or postpones that obligation in the slightest. It is the duty and the privilege of every one of us to send our fighting dollars into battle alongside of our fighting men.

"This is a legal and patriotic responsibility on all single persons who received \$500 or more last year and on all married people who received, together, \$1,200. The nation needs your taxes to smash the Axis. For the benefit of late filers, all Internal Revenue offices will be kept open until midnight Monday. Be sure that your return is in before that time.

"This year for the first time it is not necessary for you to have your tax return notarized. It can be signed and mailed along with the first quarterly payment. So if you can't get to the Collector's office, be sure to mail your return in time so that it will be postmarked before midnight Monday, March 15. That will be accepted as filed on time. And remember that in addition to filing your return, at least one-quarter of the tax must be paid by midnight Monday."

March 12, 1943  
3:42 p.m.

HMJr: Hello.

Operator: Justice Douglas coming on.

HMJr: Thank you.

Justice Wm.  
Douglas: Hello.

HMJr: Hello.

D: Hello, Henry.

HMJr: How are you?

D: Fine.

HMJr: Bill, I wondered if by any chance you are free to have lunch with me at the Treasury tomorrow?

D: I can't tomorrow, unfortunately, because that's conference day. We convene at twelve o'clock.

HMJr: Oh.

D: And we probably won't get through until six o'clock. We sit right through.

HMJr: You work till six.

D: Well, we work until we get through.

HMJr: Oh, yeah. Monday a bad day?

D: Uh....

HMJr: Monday....

D: Monday is....

HMJr: Court day.

D: The Court meets at twelve. We adjourn Monday, however, and any day after Monday is all right.

- 2 -

HMJr: How about Tuesday?

D: Tuesday I could do it.

HMJr: Damn it all - make it Tuesday, eh?

D: Yeah.

HMJr: Well, I tell you what I got in mind, because I wish you'd be thinking about it - hello?

D: Yeah.

HMJr: I'd like to get hold - this is the situation: Paul, as General Counsel, is busy all the time with the tax bill.

D: Yeah.

HMJr: And I have - and I've talked this all over with him and he's entirely agreeable and recognizes it - I don't have anybody as a personal counsel to me, you see?

D: Yeah.

HMJr: Who can sit around and listen to my troubles and advise me and with no administrative responsibility.

D: Yeah.

HMJr: And I'm looking to - to get the most eminent person I can induce to come with me, you see?

D: Yeah.

HMJr: He ought to be an attorney.

D: Yeah.

HMJr: He ought, if possible, to have previous Government experience so he doesn't have to learn it all over again.

D: Yeah.

HMJr: But I've just got to have somebody who's really outstanding, who's forward-looking, will think a little bit about post-war....

- 3 -

D: Yes.

HMJr: ....and that sort of thing.

D: Yeah.

HMJr: I wish you'd be thinking about it.

D: I will. I'll turn it over in my mind, and come over and see you on Tuesday.

HMJr: Tuesday about one o'clock?

D: Yeah, that'd be fine.

HMJr: He can't be too good as far as I'm concerned....

D: Yeah. I....

HMJr: ....and....

D: I get - I get you.

HMJr: I mean with just - I'm just short-handed because, as I say, while Paul's a swell fellow and doing a wonderful job, he's got all he can do to wrestle with Congress.

D: Yeah.

HMJr: And leaves me without anybody.

D: Yeah.

HMJr: See that?

D: Sure.

HMJr: I've got nobody like Oliphant, who spent half his day in my office working with me.

D: Yeah. I understand, Henry. I'll think it over, and see what I can chip up in my own mind.

HMJr: Will you?

D: Yeah.

- 4 -

HMJr: One suggestion was made to me, and that's -- I don't know what you think of him -- and that's Judge Magruder.

D: Oh, he'd be excellent if you could get him.

HMJr: I don't know whether I can get him.

D: He's on the First Circuit Court of Appeals. He's the Senior Circuit Judge up there.

HMJr: I know.

D: And while he isn't....

HMJr: That - that - I wanted to give you the level at which I'm aiming.

D: Yeah, yeah. You bet. I'll think it over.

HMJr: Thank you.

D: You bet, Henry. Goodbye.

March 12, 1943  
4:05 p.m.

SECRET SERVICE (White House Detail)

Present: Mr. Gaston  
Mr. Thompson  
Mr. Wilson  
Mr. Reilly

H.M.JR: Now, Chief, what I did was, in order to protect my own people - the way I always do - I gave you hell over the phone and then I protected you. I asked the President if I couldn't talk with him and the Secretary of War afterwards.

I said, "My understanding was that the War Department was going to enlist these fellows - I don't know all the technical rigmarole - and put them back here in the Treasury."

I said, "After the War Department had refused to accept that, when a fellow is up to be drafted - and so far they have taken in only one man" - I left you out, and I put it all on the War Department--

MR. WILSON: Thank you.

H.M.JR: I was amazed to find out today when they take the number one man that he wasn't already in the Army. I said, "I understood they were all in the Army." He said they took them all to Casablanca, and everything else. I said, "The whole understanding was" - I mean I left you out, see?

MR. WILSON: Thank you.

H.M.JR: I always do that. But my understanding was that these fellows were then to have gone in; and if the Army had not taken them you should have come and told me.

- 2 -

Stimson said it was the first he had heard about it.

The President said, "I want these fellows all inducted into the Army and" - I don't know the legal language, but reassigned to the Treasury.

MR. GASTON: Placed on permanent furlough. We had a letter from McNarney in which he said that when a man was about to be inducted to let them know and they would arrange that he be placed on permanent furlough.

H.M.JR: That wasn't my understanding. There were about twelve. It leaves a fellow in an awful spot. He waits until he gets a notice, and then we have to rush over to the Army and get him an exemption. It isn't good for the man; it isn't good for the White House. It leaves the man in a tough spot.

Stimson made no argument. He agreed about it. But my understanding was that all twelve were to be taken in. It was twelve, wasn't it?

MR. WILSON: About twelve.

H.M.JR: There is only one so far?

MR. WILSON: Only one gone in, that is right.

H.M.JR: Now some time today - I am not going to ask exemptions for these fellows because it isn't fair for them. If they are willing - that is why I sent for Mike, because, after all, this is a free country and he can do as he wants. If they are willing I want to go through with the plan, and that is what the President wants. Wasn't it last November we agreed to that?

MR. WILSON: That is right.

H.M.JR: We agreed that these fellows would all be taken into the Army at that time and then be refurloughed, or whatever they call it, to the Treasury.

- 3 -

MR. GASTON: McNarney's letter tells the procedure.

H.M.JR: Some time this afternoon we are going to hear from it, and I am going to turn it over to you, Herbert. And for the last time I say to you, Chief, and that closes the issue, that that is what I wanted. Didn't you understand that, Norman?

MR. THOMPSON: That was the understanding. The Chief was working on it.

H.M.JR: If it didn't go that way I should have been told promptly. That is what the President understood.

MR. REILLY: Mr. Secretary, if I might point out, sir, that a number of the agents could have had commissions. I had a commission which I gave up after getting a letter from the Chief to the Navy Department.

H.M.JR: Mike, what we are asking - what the President of the United States is asking you to do and what I am asking you to do is to make a sacrifice to protect that man against assassins, and it is a real sacrifice. You fellows have to decide whether you want to do it or not, but I don't want you in the position where you wait until the draft board drafts you and then everybody scurries around to get you exempted. I don't think it is fair to you.

I not only want you but everybody of draft age on the White House detail to be inducted into the Army and then refurloughed back to the Treasury; and that is what the President wants.

That is what I had understood had been done, and somebody should have told me that it wasn't so. I am mad.

MR. WILSON: I am sorry, Mr. Secretary. I will get busy at once and we will put it through.

- 4 -

H.M.JR: I haven't got time to follow people up, Chief. I just haven't got the time. I don't know whether the men are willing now.

MR. WILSON: I think there is going to be some question with reference to their being willing to do that.

H.M.JR: How about you, Mike?

MR. REILLY: I think so for the President.

H.M.JR: This is what he wants, very much. He said so this afternoon to the Secretary of War and to me.

Let's go ahead with it now.

MR. WILSON: We will, sir.

H.M.JR: I told Mr. Stimson I wanted to hear from him this afternoon. I think you had better wait now until he gets in touch with this McNarney.

MR. WILSON: We don't have to wait.

MR. GASTON: We can take it up right away with McNarney so he will take care of it and there will be no slip, because this is imminent.

MR. WILSON: All we need to do is put it up to the men and get their names and go ahead with the procedure. The procedure is all worked out.

H.M.JR: I told the President - I think I am right - that the Army wouldn't do it until they were called. Is that right?

MR. WILSON: The Army suggested in their letter that we give them their names when the case was close to draft.

- 5 -

H.M.JR: That is stupid.

I don't know how fast Stimson will work, but you had better get busy now.

MR. WILSON: All right. We will get busy and we can act on one case now, or we can act on the group now without any further instructions or cooperation from Stimson.

MR. REILLY: There is just one point, Mr. Secretary. There are a number of the agents on the detail who are qualified for commissions. Is there any change in procedure there where a man would be given a commission and put on furlough?

H.M.JR: I don't know.

MR. GASTON: I think we had better ask them that, if they can put people on commissions and give them furloughs. Of course it would be much more satisfactory to a man if he were a major or a captain on furlough.

H.M.JR: If you do it for one, do it for all. If you do it - you can't have one fellow a captain or a major on furlough and another fellow a private, they both getting the same salary.

MR. GASTON: Not if they were in the same status.

H.M.JR: I am not thinking of Mike. Take these other fellows - you have half a dozen of them, and some of them could be captains and majors and the others privates. If you are going to do it for one, I would commission all of them.

MR. GASTON: Their only offer on that was they would take them all in as sergeants and keep them in the Army and detail them to the White House, but they would all suffer serious loss in pay.

H.M.JR: You had better follow through. After all, if they can make the stenotype operator at

- 6 -

Casablanca a captain they ought to at least be able to make Mike Reilly a major. (Laughter)

Well, Chief, you know me, I give you hell and then it is finished.

MR. WILSON: I understand.

H.M.JR: But next time if you have something like that that affects the President and it doesn't go through that way, for heaven's sake come and see me. I thought it was all settled. I was just floored over it.

If you are going to commission all these fellows, make them all commissioned. I don't care.

MR. THOMPSON: I think that is what caused the delay on it.

H.M.JR: They do a lot better than a lot of these colonels - lawyers who are nothing but law clerks.

The class is dismissed. (Laughter)

TREASURY DEPARTMENT  
Washington

For Release, Morning Newspapers  
Friday, March 12, 1943

Press Service  
No. 35-71

Secretary Morgenthau announced today that the United States Treasury will borrow during the month of April the huge sum of \$13,000,000,000 in its Second War Loan drive.

"Eight billion dollars of this total," he said, "will come from non-banking investors and the balance from banking sources, including the increased weekly offerings of Treasury Bills.

"This money, which is needed to back up our armed forces, will be raised through the continuing sale of War Savings Bonds, and Tax Savings Notes, Treasury Bills, and the offering of a number of new Treasury issues designed for every class and type of investor.

"As we move forward into full production in the war effort, it is increasingly important that every American invest in his Government's securities to the limit of his or her ability.

"As announced on March 3, a new organization under the title of United States Treasury War Finance Committee, will conduct the sales campaign beginning April 12 on the several issues of securities offered. In order to combine all of our forces behind the Second War Loan drive, this organization will bring together the Victory Fund Committees, which so successfully carried out the December campaign, and the War Savings Staff organizations, which have done such a grand job in the sale of War Savings securities. The President of the Federal Reserve Bank in each of the twelve districts is Chairman of the War Finance Committee in his district and will be in complete charge of the drive for that area."

The offerings to be sold under the direction of the War Finance Committee will consist of:

1. Twenty-six year 2½ per cent bonds dated April 15, 1943, due June 15, 1969, callable June 15, 1964, to be issued in coupon or registered form at the option of the buyers. Commercial banks, which are defined for this purpose as banks accepting demand deposits, will not be permitted to own these bonds until April 15, 1953. There will be no limit to the amount of this issue and no restriction upon the issuance excepting the temporary exclusion of commercial banks from ownership for their own account. Subscription books will be opened April 12 and will remain open several weeks. The bonds will be sold in denominations from \$500 to \$1,000,000.

- 2 -

2. Two per cent Treasury bonds dated April 15, 1943, due September 15, 1952, callable September 15, 1950. This security will be available for subscription by commercial banks for their own account for the period April 28, 29 and 30. It will be available for subscription by all other classes of investors for the entire period of the drive. Sales to commercial banks will be limited to \$2,000,000,000 or thereabouts. Applications from commercial banks in amounts up to \$100,000 will be allotted in full and larger bank subscriptions on an equal percentage basis. All applications from other than commercial banks will be allotted in full. These bonds will be in denominations of from \$500 to \$1,000,000 and will be issued in coupon or registered form at the option of the buyer.

On individual subscriptions of \$1,000 or less, no accrued interest will be charged on the 2% or 2½% Bonds during the period of the drive, but accrued interest from April 15 will be collected on all subscriptions in excess of that amount entered after that date.

3. A 7/8 per cent Certificate of Indebtedness dated April 15, 1943, due April 1, 1944. This security will be available for subscription by commercial banks for their own account for the first three days of the drive, namely, April 12, 13 and 14, and will be available for subscription by all classes of investors during the entire period of the drive. Sales to commercial banks will be limited to \$2,000,000,000 or thereabouts. Applications from commercial banks up to \$100,000 will be allotted in full and larger bank subscriptions on an equal percentage basis, and all applications from other than commercial banks will be allotted in full. The certificates will be in denominations of \$1,000 to \$1,000,000 and will be issued in coupon form only.
4. Tax Savings Notes of Series C.
5. Series E War Savings Bonds.
6. United States Savings Bonds, Series F and G.

Any bank or trust company qualified to hold war loan deposits will be permitted to make payment by credit for securities, whether for its own account or that of its customers up to any amount for which it shall be qualified in excess of existing deposits.

In addition to the foregoing securities offered during the month of April, the Treasury will offer on April 20, outside of the Second War Loan campaign, a 7/8 per cent one-year certificate of indebtedness dated May 1, in exchange for the Treasury certificates of indebtedness in the amount of \$1,506,000,000, and Commodity Credit Corporation notes in the amount of \$289,000,000, all maturing on that day. This exchange offering should not be considered as a precedent for future refunding operations of the Treasury.

oOo

R.A.C.C. Copy of Byrd letter

50

THE BYRD JOINT CONGRESSIONAL ECONOMY COMMITTEE RECOMMENDED THAT THE DEPARTMENT OF AGRICULTURE "IMMEDIATELY DISCONTINUE THE LENDING ACTIVITIES OF THE REGIONAL AGRICULTURAL CREDIT CORPORATION PROGRAM" THROUGH WHICH \$225,000,000 RECENTLY WAS ANNOUNCED AS AVAILABLE TO FARMERS.

THE COMMITTEE RECOMMENDED ALSO THAT CONGRESS CONSIDER LEGISLATION "FOR THE IMMEDIATE LIQUIDATION OF THE RACC" AND THAT FUNDS NOW AVAILABLE TO IT BE RETURNED TO THE TREASURY.

THE REPORT, PRESENTED TO CONGRESS TODAY, FURTHER CALLS ON SECRETARY WICKARD TO ADVISE CONGRESS HOW HIS DEPARTMENT'S VARIOUS LENDING AGENCIES CAN SIMPLIFY AND CONSOLIDATE THEIR ACTIVITIES TO PREVENT DUPLICATION AND OVERLAPPING IN THE POWER TO MAKE LOANS.

3/12--SB402P

ADD BYRD COMMITTEE, SENATE

THE REPORT SAID THAT 20 FEDERAL AGENCIES ARE NOW IN EXISTENCE "FOR IDENTICAL, SIMILAR, OR RELATED PURPOSES IN THE FIELD OF AGRICULTURAL CREDIT," THREE ARE MAKING LOANS "IDENTICAL IN CHARACTER WITH THOSE OF THE RACC LOAN PROGRAM AND SIMILAR IN MOST RESPECTS TO THE COMMERCIAL TYPE LOANS OF PRIVATE LENDING INSTITUTIONS."

AT THE SAME TIME, THE COMMITTEE SAID, "CONDITIONS OF COMMERCIAL TYPE LOANS MADE TO FARMERS BY MORE THAN 11,000 COUNTRY BANKS HAVE BEEN MOST LIBERAL" INTEREST RATES VARY FROM 3 PER CENT TO 6 PER CENT COMPARED TO 4 PER CENT TO 5 PER CENT IN FEDERAL LENDING AGENCIES, IT WAS SAID.

THE REPORT CHARGED THAT THE GOVERNMENT WAS CARRYING ON "A CONCENTRATED PUBLICITY CAMPAIGN, UTILIZING THE RADIO AND PRESS" TO SECURE LOANS WITH "NO ATTEMPT TO SAVE THIS CREDIT FOR FARMERS WHO WERE UNABLE TO SECURE CREDIT FROM COUNTRY BANKS."

3/12--SB410P

MAR 12 1943

My dear Mr. Speaker:

The Secretary has requested me to inform you that reconsideration has been given to the application of The First National Bank of Fort Worth, Fort Worth, Texas, for designation as a general depository of public moneys in connection with the various Governmental activities in Fort Worth and the outlying districts. I am enclosing, for your information, a copy of my letter of today's date addressed to the bank, advising them that the Treasury will, upon receipt of appropriate resolutions, grant the designation desired.

Very truly yours,

(Signed) D. W. BELL

Under Secretary of the Treasury

Honorable Sam Rayburn  
Speaker of the House of Representatives  
Washington, D. C.

Enclosure

EDB:ec 3/12/43

MAR 12 1943

Mr. M. A. Fuller  
President  
The First National Bank of Fort Worth  
Fort Worth, Texas

Dear Mr. Fuller:

At the request of Speaker Rayburn, the Secretary has given further consideration to the application of your bank for designation as a general depository of public moneys in connection with the various Governmental activities in Fort Worth and the outlying districts, and has decided to grant the desired designation at this time in order that your bank may be in a position to participate in the essential Government business to be transacted at that point.

In order to qualify for this designation it will be necessary for your bank to execute the following listed forms. The original and two copies of each form, when completed, should be returned to the Treasury.

1. Form No. 387, Subscription Form for 2% Depository Bond
2. Form No. 388, Resolution Authorizing Execution of Depository, Financial Agency and Collateral Agreement
3. Form No. 389, Depository, Financial Agency and Collateral Agreement

As you are doubtless aware, the amount of the Treasury balance maintained with general depositories, and the amount of 2% Depository Bonds to be allotted, are fixed in direct proportion to the amount and character of the essential Government business transacted. Inasmuch as it is not definitely known at this time how much business your bank will perform, it is suggested that an initial balance of \$25,000 be placed on your books to the credit of the Treasurer of the United States, which balance you will be permitted to invest in 2% Depository Bonds. The amount of your subscription on Form No. 387 should be \$25,000 and you should indicate that Method A, as outlined on the reverse of the form, is to be used in making payment for the bond.

- 2 -

Immediately upon receipt of the foregoing documents, properly executed, the designation will be authorized and detailed instructions will be forwarded to your bank.

You understand, of course, that the balance of \$25,000 is purely a nominal balance and will be subject to adjustment within a reasonable time after a determination has been made as to the amount of service to be rendered by your bank.

Very truly yours,

(Signed) D. W. BELL

Under Secretary of the Treasury

Enclosures

EDB:ec 3/12/43

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

E. R. Stettinius, Jr.  
Administrator

March 12, 1943

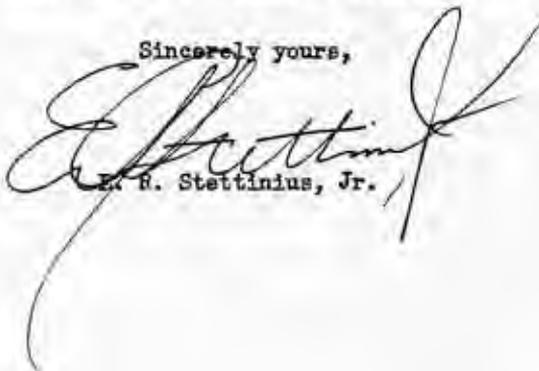
The Honorable Henry Morgenthau  
Secretary of the Treasury  
Treasury Department  
Washington, D. C.

Dear Mr. Secretary,

I wish to thank you for the fine cooperation given us by your Department in the preparation of the Eighth Quarterly Report to Congress on Lend-Lease Operations.

The time available was short and the prompt assistance of Mr. Eberly, in Clifton Mack's office, is greatly appreciated.

Sincerely yours,



E. R. Stettinius, Jr.



.....

**EIGHTH QUARTERLY REPORT  
TO CONGRESS  
ON LEND-LEASE OPERATIONS**

.....

**For the Period Ended March 11, 1943**

.....

**CONFIDENTIAL:**

Not to be released until transmitted to Congress.  
This is expected to be at 12:00 noon, Thursday,  
March 11, 1943. Extreme care must therefore  
be exercised to avoid premature publication.

**EDWARD R. STETTINIUS, JR.,**  
*Lend-Lease Administrator.*

✓  
Mr. Edward R. Stettinius, junior

.....

**EIGHTH QUARTERLY REPORT  
TO CONGRESS  
ON LEND-LEASE OPERATIONS**

---

**For the Period Ended March 11, 1943**

.....

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

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

## CONTENTS

---

Chapter	Page
Letter of Transmittal .....	5
1. Lend-Lease Aid to Date .....	7
2. Mutual Aid .....	17
3. Lend-Lease in Action .....	22
4. Lend-Lease and Food .....	34

### Appendix

I. Lend-Lease Act .....	41
II. Public Law 1, 78th Congress, Section 4 .....	44
III. Amounts of Lend-Lease Aid Authorized .....	45
IV. Executive Order Establishing Office of Lend-Lease Administration .....	48
V. Status of Nations .....	49
VI. Soviet Master Agreement .....	50
VII. United Kingdom Reciprocal Aid Agreement .....	54

LETTER OF TRANSMITTAL

TO THE CONGRESS OF THE UNITED STATES OF AMERICA:

Under the authority vested in me by the Executive Order of October 28, 1941, and pursuant to the direction of the President, I am submitting herewith to the Congress the eighth quarterly report on operations under the Lend-Lease Act, for the period ended March 11, 1943.

In addition to the eight quarterly reports, there was submitted on January 25, 1943 a special report to the 78th Congress, covering the period from the passage of the Act, March 11, 1941, to December 31, 1942.

EDWARD R. STETTINIUS, JR.,  
*Lend-Lease Administrator.*

WASHINGTON, D. C.,  
*March 11, 1943*

## TOTAL LEND-LEASE AID \$9.6 BILLION TO FEB. 28, 1943



## Chapter 1

### LEND-LEASE AID TO DATE

The total dollar value of lend-lease aid rendered by the United States in the first two years of lend-lease operations is \$9,632,000,000. Of this amount \$7,831,000,000 is the value of goods transferred—munitions, industrial materials for war production, and food for the fighting men and war workers of our allies. \$1,801,000,000 is the value of services rendered—shipping and ship repairs, production facilities, and various supply services. These figures are for the period from March 11, 1941 to March 1, 1943.

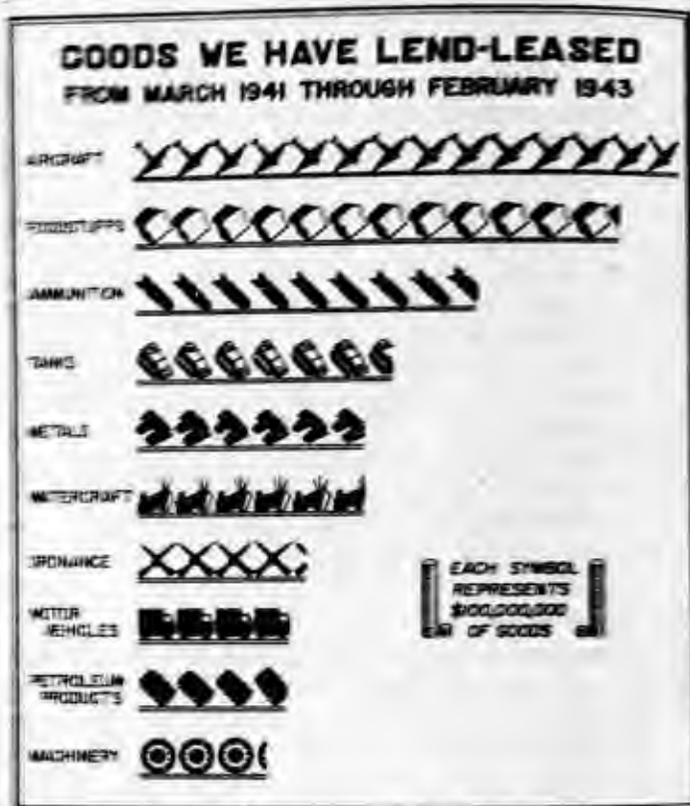
The value of aid in the first year of Lend-Lease operations, from March 11, 1941 to March 1, 1942, was \$1,954,000,000—approximately one-fifth of all lend-lease aid to date. Almost four-fifths of total aid to date, or \$7,678,000,000, was provided in the year just ended, from March 1, 1942 to March 1, 1943. Almost as much aid was provided in the last six months as in the previous eighteen months.

#### Goods Transferred

Of all goods transferred to date, about 90 percent have been shipped. The value of goods transferred in the last three months is \$1,977,000,000, compared to \$1,844,000,000 in the preceding three months and \$680,000,000 in the three months from December 1, 1941, to March 1, 1942.

Of goods transferred from March 11, 1941 to date, munitions have made up 55 percent, or \$4,294,000,000; industrial materials and equipment 27 percent, or \$2,088,000,000; food and other agricultural products 18 percent or \$1,449,000,000.

In the last three months 60 percent of lend-lease transfers have been munitions, such as planes, tanks, guns and trucks. These had a value of \$1,375,000,000. In this same period agricultural products made up 16 percent and industrial materials 24 percent.

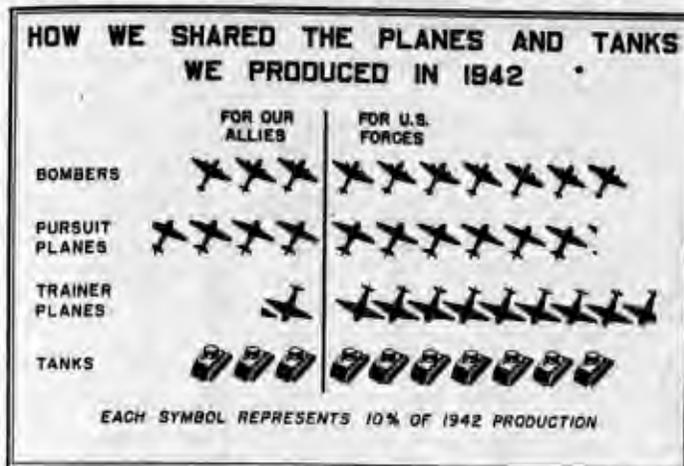


These proportions are in contrast to those which prevailed in the first year of the lend-lease program, when munitions constituted only 35 percent of all lend-lease transfers, industrial materials 30 percent and agricultural products 35 percent.

In the past twelve months we shipped to our allies, under lend-lease or in fulfillment of previous direct purchase

8

contracts, 30 out of every 100 bombers we produced. We shipped 38 out of every 100 fighter planes, 28 out of every 100 light tanks and 33 out of every 100 medium tanks.



These shipments were in addition to the very large numbers of planes and tanks that we sent to our own forces overseas. Of our total munitions production, we shipped to our allies 19 percent.

#### Services Rendered

Of the value of services rendered, 49 percent has been for the rental and charter of ships to carry lend-lease goods and for the operation of air ferry routes and supply lines and bases abroad. These routes and bases are now being used by our own forces as well as by our allies. Another 20 percent has been for the repair of allied warships and merchant ships in American yards and for training of United Nations air forces in this country.

There has been little additional expenditure in the last three months for plant facilities in the United States for the production of lend-lease goods. These, however, constitute 31 percent of the total value of all lend-lease services since the beginning of the program.

515152-41-1

9

4815151 10 1943

**TOTAL LEND-LEASE AID**  
Value of Goods Transferred and Services Rendered  
- Millions of Dollars

	Monthly			Cumulative		
	1941	1942	1943	1941	1942	1943
Jan	0	322	682	0	1,566	8,935
Feb	0	388	697	0	1,954	9,632
Mar	10	468		10	2,422	
Apr	28	554		38	2,976	
May	45	449		83	3,425	
June	63	548		146	3,973	
July	101	595		247	4,568	
Aug	126	560		373	5,128	
Sept	181	643		554	5,771	
Oct	182	915		736	6,686	
Nov	234	810		970	7,496	
Dec	274	757		1,244	8,253	

**Where Lend-Lease Aid Is Going**

Total lend-lease aid to date, including both goods and services, has been distributed by areas as follows:

United Kingdom	\$4,430,000,000	46%
U. S. S. R.	\$1,826,000,000	19%
Africa and Middle East	\$1,573,000,000	16%
China, India, Australia, and New Zealand	\$1,344,000,000	14%
Other Areas	\$459,000,000	5%

**The First Year of Lend-Lease**

From March 11, 1941 to March 1, 1942 about two-thirds of lend-lease goods went to Britain. In 1941 Britain was the last remaining important base standing between Hitlerism and the United States, and Britain was threatened with invasion. Lend-lease shipments also went to British and allied forces in

**LEND-LEASE AID—GOODS AND SERVICES**  
Millions of Dollars

**VALUE OF GOODS TRANSFERRED**

	Monthly			Cumulative		
	1941	1942	1943	1941	1942	1943
Jan	0	220	627	0	1,130	7,175
Feb	0	260	656	0	1,390	7,831
Mar	6	362		6	1,752	
Apr	20	455		26	2,207	
May	35	394		61	2,601	
June	41	459		102	3,060	
July	73	504		175	3,564	
Aug	95	446		270	4,010	
Sept	144	544		414	4,554	
Oct	132	680		546	5,234	
Nov	164	620		710	5,854	
Dec	200	694		910	6,548	

**VALUE OF SERVICES RENDERED**

	Monthly			Cumulative		
	1941	1942	1943	1941	1942	1943
Jan	0	102	55	0	436	1,760
Feb	0	128	41	0	564	1,801
Mar	4	106		4	670	
Apr	8	99		12	769	
May	10	55		22	824	
June	22	89		44	913	
July	28	91		72	1,004	
Aug	31	114		103	1,118	
Sept	37	99		140	1,217	
Oct	50	235		190	1,452	
Nov	70	190		260	1,642	
Dec	74	63		334	1,705	

Egypt and the Red Sea Area. The lend-lease program for Russia was begun in October 1941 but shipments to the Soviet did not go in important quantities until the early months of 1942. Lend-lease help in the development of the southern supply route to Russia by way of the Persian Gulf and Iran was begun in 1941. Lend-lease aid to China in 1941 consisted principally in improvements on the Burma Road that doubled its previous capacity and in building a new railroad line from Burma into China. Over these expanded supply lines it had been hoped to send full equipment for 30 Chinese Divisions. Before the railroad was completed the Japanese took Burma and cut all communications in this area except by air.

In the first year 68 percent of lend-lease goods went to the British Isles, 13 percent to Africa and the Middle East, 6 percent to U. S. S. R., 9 percent to India, China, Australia and New Zealand and 4 percent to other areas.

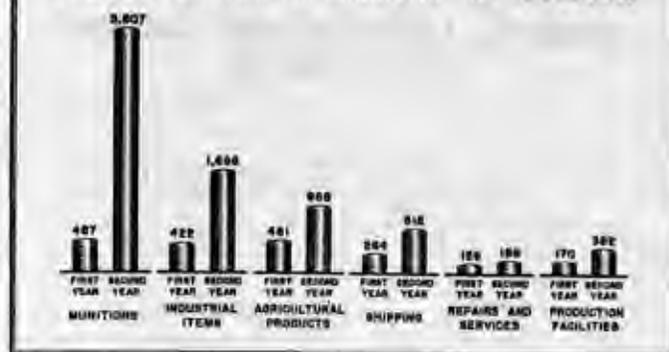
### The Second Year

From March 1, 1942 to March 1, 1943 the emphasis shifted from the United Kingdom. More than half of all lend-lease goods went to the Middle and Far East and to Russia. Substantial shipments, however, were continued to the British Isles, which were being built up into a base for offensive operations against the European end of the Axis. The expeditionary force which invaded North Africa in November used the British Isles as its principal base. At the same time lend-lease supplies helped to strengthen Britain as a base for large-scale air operations against Axis Europe and for future land offensives.

About 29 percent of lend-lease goods in the second year went to the U. S. S. R. The value of goods exported to Russia was \$1,553,000,000. In the three important categories of combat planes, tanks and other military motor vehicles, we sent more to Russia than to any other military theatre. Half of all the tanks shipped so far under lend-lease have gone to Russia and 40 percent of all the tactical planes. We also developed the southern supply route to Russia as an alternative for the

Murmansk-Archangel route, and we began lend-lease shipments to Russia by both air and water from the Pacific Coast. By the end of 1942 the capacity of the Persian Gulf-Iran route to Russia was three times what it was at the beginning of the year. Aid to Russia is steadily increasing.

### TWO YEARS OF LEND-LEASE AID VALUES SHOWN IN MILLIONS OF DOLLARS



Lend-lease supplies sent to the allied forces and countries of the Middle East and Africa in the second year were 15 percent of total lend-lease exports. The value of the goods sent to this area was \$804,000,000. This was five times the 1941 figure. To date we have sent 16 percent of all lend-lease tanks and 17 percent of all lend-lease planes to British and allied forces in Egypt and Africa. These weapons had a significant part in the British Eighth Army's success last summer in preventing Rommel from taking Suez and breaking through into Iran and India. They had a significant part last fall in driving Rommel out of Egypt and back about 1,300 miles across Libya into Tunisia. They are playing a vital part in the Battle of Tunisia today.

About 38 percent of lend-lease goods in the second year went to the British Isles. These totalled \$2,039,000,000. Approximately 43 percent of lend-lease shipments were munitions, some of which were sent on to British and allied forces on

other fronts. About 28 percent of the shipments to the British Isles consisted of foodstuffs, and 29 percent of industrial items, materials and machinery for British production of guns and planes, and fuel for the R. A. F. and the British Navy.

Lend-lease goods for the war against Japan, sent to Australia, New Zealand, India and China, were 14 percent of lend-lease exports in the past year, and had a value of \$741,000,000. Most lend-lease shipments to Australia and New Zealand were



munitions. We also sent Australia materials and tools for her munitions industry. Lend-lease shipments into China in the second year, carried in by air transport from India, were very small. Additional supplies for China shipped from the United States are now in India awaiting transport into China. Lend-lease shipments for India were aimed at building up India as a base for offensive operations against the Japanese in Burma and as a supply base for offensive action against the Japanese in China itself. In addition to military equipment for General Wavell's army, lend-lease helped to expand India's considerable war production capacity, to improve railroads and docks and highways, to build airfields, other military bases and repair and assembly depots.

The dollar value of total lend-lease aid to date, including both goods and services, for this area is divided as follows:

China	\$158,000,000
India	\$595,000,000
Australia	\$452,000,000
New Zealand	\$139,000,000

### New Developments

In the first two months of 1943 lend-lease shipments have continued the trend evident in 1942. The principal new developments have been: (1) An increase in the proportion of total lend-lease shipments going to the Soviet Union as compared with that going to the United Kingdom; (2) a sharp increase in the amount of food going to U. S. S. R.; (3) assignment of additional planes to the India-China air transport routes; (4) shipment to North Africa of lend-lease arms for General Giraud's army, and of food, clothing, and other supplies to the liberated people of French North Africa. Shipments of civilian supplies to North Africa have been small, but they are relieving acute shortages and will help restore North Africa as an important area for the production of food and strategic raw materials, both greatly needed by the United Nations.

In the last few months the percentage of total aid going to Russia has been increasing as compared with the percentage going to the United Kingdom. Because of acute and growing food shortages in the Soviet Union, food shipments have become as important to the Russian Army as planes and tanks. Food shipments to Russia in January and February were 35 percent greater than in the previous two months and five times what they were in January and February 1942. In 1943 we may ship more food to the U. S. S. R. than to any other country.

Further development of the air route from India into China is one of several new measures being taken to increase lend-lease aid to China in 1943.

### Lend-Lease and Cash Exports

In addition to lend-lease exports the United States has shipped to lend-lease countries large quantities of supplies that have been paid for in cash.

The value of lend-lease exports from March 11, 1941, to January 31, 1943 (the last month for which export figures are available), was \$6,500,000,000. In this same period the value of cash exports to lend-lease countries was \$7,000,000,000.

Cash exports from the United States to all countries in the past 12 months exceeded 1938 and 1939 pre-war cash exports. The 1938 exports totaled \$3,004,000,000 and 1939 exports \$3,073,000,000, compared to \$3,173,000,000 of cash exports in the 12 months ended January 31, 1942.

### Lend-Lease Procurement

Lend-lease munitions are procured by the War and Navy Departments and transferred by them to lend-lease countries in accordance with the allocations made by the Munitions Assignments Board. Lend-lease food is procured by the Department of Agriculture, and non-military supplies and equipment by the Treasury Department. Merchant ships chartered to lend-lease countries are built by the Maritime Commission. Lend-lease shipping services are provided under the direction of the War Shipping Administration.

## Chapter 2 MUTUAL AID

While lend-lease supplies have been going abroad for use against the enemy in greatly increased quantities during the past eight months, we have also been arming American forces moving into battle. We now have more than a million and a half men overseas. Wherever American forces are on foreign soil they are receiving from our allies supplies and services as reciprocal aid.

This aid from our allies—provided without dollar payment—has already reached substantial proportions and it will continue to grow in proportion to the increasing size of our overseas armies.

Virtually all of the supplies furnished by the British to our troops in the United Kingdom are supplied as reverse lend-lease, in addition to almost all of the facilities our troops use and the transportation and other services they require. Part of the equipment our troops are using in North Africa is British equipment provided as reciprocal aid.

American forces under General MacArthur and Admiral Halsey in the Southwest and South Pacific are receiving much of their food as reciprocal aid from Australia and New Zealand, in addition to many other supplies and services.

American troops in Iceland and the Fijis, in India, Egypt, and Iran, and in various parts of Africa, are being supplied by Great Britain, the Dominions and India with reciprocal aid.

The Fighting French are providing our forces with reciprocal aid in Equatorial Africa. Belgium is providing aid to our forces in the Congo. Even hard-pressed China is providing supplies for the U. S. Air Forces in China as reciprocal aid.

Outgoing lend-lease and lend-lease in reverse are both parts of one process—effective pooling of United Nations' resources for the fighting of the war. They are not a process of barter. They are the application in practice of the principle of a united war effort, in which each nation supplies, to the extent of its available resources, the needs of its partners.

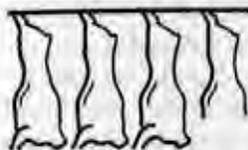
We send supplies needed by our allies because they are fighting our enemies. They supply us with things we need because we are fighting their enemies.

### LEND-LEASE WORKS BOTH WAYS

LESS BEEF WAS LEND-LEASED IN 1942  
THAN WAS RECEIVED UNDER REVERSE LEND-LEASE

#### WE SENT

TO OUR ALLIES



#### WE RECEIVED

FROM AUSTRALIA  
AND NEW ZEALAND  
FOR OUR TROOPS



EACH SYMBOL REPRESENTS 5,000,000  
POUNDS OF BEEF

The volume of reciprocal aid cannot be accurately measured at the present time. Unlike outgoing lend-lease aid, which comes from a central source, incoming lend-lease is provided in literally hundreds of different places all over the world through local supply officers. Reciprocal aid is being recorded, however, in terms of quantities and types of items. These reports are now beginning to come in to Washington. The records lag behind the figures for outgoing lend-lease, but the incomplete reports so far at hand show:

(1) In 1943 the British have agreed to provide our troops in the European theater with more than 400,000,000 pounds of food. This year the United Kingdom is furnishing our men with:

89,100,000 pounds of potatoes,  
89,200,000 pounds of fresh vegetables,  
148,000,000 pounds of flour,  
55,000,000 pounds of sugar,  
18,000,000 pounds of fruit,  
4,100,000 pounds of jam,  
2,300,000 pounds of dry cereals,  
2,300,000 pounds of cocoa.

This food is either produced by the British in the United Kingdom or it is imported from countries other than the United States. Since the beginning of the war the United Kingdom has increased its acreage under cultivation by one-third. This year the British have undertaken a further intensification of their farm program for raising potatoes and other garden vegetables on every available quarter-acre of land in order to provide American troops with the kinds of food Britain is able to produce. This food-growing program is also helping to keep down British requirements for lend-lease foods from the United States.

(2) The British have made available as reverse lend-lease more than 700,000 dead weight tons of shipping for American military operations.

(3) From July 1 to December 31, 1942, the British furnished to our forces in the United Kingdom as reverse lend-lease 1,121,000 ship tons of supplies, not including construction materials. This was more than we shipped to our troops from the United States in that period. In addition, construction materials totaling another 1,595,000 tons were supplied. The United States spent only \$25,000 in the United Kingdom in December for supplies for our armed forces there.

(4) In addition to other supplies, the United Kingdom is furnishing new facilities for our troops including hundreds of airfields, barracks and hospitals. The cost of these facilities is estimated at over a half billion dollars. Transportation,

heat, light and telephone and other communications services are being provided free of charge on reverse lend-lease without payment by us in cash.

(5) Australia's shipyards are building many hundreds of landing craft, barges, and other small boats for General MacArthur's men as reverse lend-lease. In addition, scores of trawlers and coastal steamers have been turned over for our use by Australia.

(6) Most American troops and their equipment have been carried from the United States to the British Isles in British ships. Whenever American troops are carried in British ships to any area they are transported under reverse lend-lease, without any payment by us.

(7) From June 1, 1942, to January 1, 1943, India built or turned over to American air forces more than a score of airfields; provided 3,500,000 gallons of gasoline and several hundred trucks; constructed warehouses, repair shops, barracks, hospitals, and miles of roads; is furnishing such quartermaster supplies as shoes, shirts, mosquito- and gas-proof clothing; engineers' stores; small arms and other munitions; and is providing such services as light, heat and communications as reverse lend-lease.

(8) Australia and New Zealand together furnished our troops with more than 235,000,000 pounds of food from June to December, 1942. This was the equivalent of 26 pounds from each man, woman, and child in these two countries. In the same period the United States lend-leased 2,109,000,000 pounds of food to Russia, the United Kingdom, and all other countries, the equivalent of 16 pounds from each man, woman, and child in the United States. In 1942 we received as reciprocal lend-lease from Australia and New Zealand more beef, veal, lamb and mutton than we exported to all lend-lease countries.

(9) Australia is also providing munitions to our forces out of its own production. New Zealand and Australia both have constructed bases, barracks, and airfields for our forces. Australia is providing uniforms made in Australian mills, and New Zealand is providing army boots for our forces there.

## Lend-Lease by Other Countries

Lend-lease and reverse lend-lease are not limited to transfers between the United States and other United Nations. They are also supplying each other on substantially the same terms.

During the last year Canada has provided Great Britain, Russia, Australia, and New Zealand with a billion dollars' worth of supplies without payment. In proportion to population, this is the equivalent for the United States of at least 12 billion dollars' worth of lend-lease aid. The Canadian Government is now proposing to grant mutual aid to the extent of another \$1,000,000,000 for the United Nations.

Already Canada has supplied its allies with important quantities of war equipment, for the most part without cash reimbursement. Shipments have included \$50,000,000 of tanks to Russia alone, in addition to large shipments to the United Kingdom. More than 400,000 military motor vehicles, excluding tanks, have been sent to other United Nations. More than 1,000,000 shells a month are going abroad. Canada is producing rifles and light machine guns at the rate of 1,500,000 a year, and most of these are going to the forces of other United Nations.

Canada and the United States up to now have been on a cash basis in both directions but our respective war production programs have been closely integrated.

The United Kingdom has furnished very large quantities of arms to Russia on a lend-lease basis. In such items as tanks and planes, British aid to Russia has substantially matched our own. In addition, the British have equipped under lend-lease the forces of many of the governments-in-exile, and British lend-lease aid has been extended to Chinese forces.

The Soviet Union has been engaging the main force of Hitler's armies in a desperate struggle for over 20 months on its own soil. It has not been in a position to provide lend-lease aid to its allies in any considerable amount, nor has there been occasion to request such aid. However, the U. S. S. R. has agreed to provide reciprocal aid to the United States whenever it is able to do so on the same terms as reciprocal aid is being provided us by other countries.

### Chapter 3

## LEND-LEASE IN ACTION

### North Africa

As the struggle in North Africa progresses, it becomes ever more apparent that lend-lease is playing a vital part in the United Nations war effort in that theatre. A constant flow of new lend-lease aid is helping to sustain the allied battle lines in Tunisia. Lend-lease aid which was supplied to our allies many months ago is only now bearing its full fruit there. Our allies are in turn supplying the United States forces in North Africa with important tools of war as reciprocal aid.

The United Nations offensive in North Africa may be said to have started in the early fall of 1942 with the British Eighth Army's decisive expulsion of Rommel's Afrika Korps from Egypt, Libya, and finally Tripolitania. The United States played an important role in this campaign both with American air forces, which aided the R. A. F. in the air battles over the desert, and with lend-lease tanks, planes and food which we supplied to the British.

Equally vital to that advance, although more remote from the actual field of battle, were the docks and naval facilities, the supply bases, the railroad equipment and new roads, the air bases and air ferry routes, the repair and assembly shops developed by the joint efforts of Britain and the United States. These ensured the supply lines of the Eighth Army, and lend-lease funds had an important part in their development.

The present campaign in Tunisia is in every sense a united military effort. General Eisenhower commands combined American, British and French forces; he is aided in the direction of the campaign by generals of all three nations.

The Tunisian campaign is a joint effort also in weapons and war supplies. Both the British Eighth Army on the east and the British First Army on the west are supplied in part with lend-lease equipment. The British Air Forces are flying many American light and medium bombers, chiefly Havocs and Mitchels; British ground forces are making good use of American-made General Sherman and General Lee tanks as well as British Valentine tanks. Some of our fighter squadrons are flying British Spitfires provided by British reciprocal lend-lease. Many of the planes of our own air forces are



landing and taking off on portable airfield runways furnished us by the British. Among our ground forces, one entire division is using British 25-pounder guns in place of United States 75's. In addition, the British have furnished us with over 3,800 tons of ammunition, 30,000 tons of engineering equipment, 80,000 tons of coal, over 2,000 tons of army rations, and many other essentials of war.

The French forces under General Giraud were inadequately equipped when they began fighting side by side with British and American forces. They are being provided with American lend-lease arms as fast as we can get equipment there. The

## LEND-LEASE AID

Cumulative from March 1941 through February 28, 1943

Thousands of Dollars

TYPE OF AID	UNITED KINGDOM	U. S. S. R.	AFRICA AND MIDDLE EAST	CHINA, INDIA, AUSTRALIA AND NEW ZEALAND	OTHER	TOTAL
<b>GOODS TRANSFERRED</b>						
<b>MUNITIONS:</b>						
Ordnance.....	150,067	48,207	103,331	88,430	37,973	428,008
Ammunition.....	245,903	194,117	202,059	163,090	46,385	851,554
Aircraft and Parts.....	354,538	354,938	247,131	224,742	164,437	1,345,786
Tanks and Parts.....	96,158	213,412	149,023	186,403	25,065	670,061
Motor Vehicles.....	56,851	165,160	93,185	81,014	8,122	404,332
Watercraft and Parts.....	397,664	52,307	105,646	25,369	13,544	594,530
<b>TOTAL.....</b>	<b>1,301,181</b>	<b>1,028,141</b>	<b>900,375</b>	<b>769,048</b>	<b>295,526</b>	<b>4,294,271</b>

### INDUSTRIAL PRODUCTS:

Machinery.....	149,660	84,770	54,174	43,883	3,463	335,950
Metals.....	258,250	146,266	80,147	85,128	8,905	578,696
Petroleum Products.....	275,965	18,007	39,011	43,468	5,779	382,230
Other Industrial Products.....	415,492	129,996	124,193	85,856	35,112	790,649
<b>TOTAL.....</b>	<b>1,099,367</b>	<b>379,039</b>	<b>297,525</b>	<b>258,335</b>	<b>53,259</b>	<b>2,087,525</b>

### AGRICULTURAL PRODUCTS:

Foodstuffs.....	981,047	127,580	38,989	25,290	8,430	1,181,336
Other Agricultural Products.....	247,669	514	4,008	13,667	1,870	267,728
<b>TOTAL.....</b>	<b>1,228,716</b>	<b>128,094</b>	<b>42,997</b>	<b>38,957</b>	<b>10,300</b>	<b>1,449,064</b>

### TOTAL GOODS.....

	3,629,264	1,535,274	1,240,897	1,066,340	359,085	7,830,860
--	-----------	-----------	-----------	-----------	---------	-----------

### SERVICES RENDERED

Ship Repairs, Etc.....	165,150	30,399	56,359	43,743	16,263	311,914
Shipping.....	435,867	126,799	148,742	125,561	42,921	879,890
Production Facilities.....	167,271	131,940	115,931	98,817	38,091	552,050
Miscellaneous.....	32,496	1,188	11,089	9,106	3,200	57,079
<b>TOTAL SERVICES.....</b>	<b>800,784</b>	<b>290,326</b>	<b>332,121</b>	<b>277,227</b>	<b>100,475</b>	<b>1,800,933</b>

<b>TOTAL LEND-LEASE AID.....</b>	<b>4,430,048</b>	<b>1,825,600</b>	<b>1,573,018</b>	<b>1,343,567</b>	<b>459,560</b>	<b>9,631,793</b>
----------------------------------	------------------	------------------	------------------	------------------	----------------	------------------

Certain transfer totals include small amounts of goods diverted to United States armed forces after lend-lease transfer, but subject to future replacement.

Fighting French column which came across the desert from Lake Chad in Equatorial Africa to join the British Eighth Army in the attack on Tunisia is also equipped to an important extent with American lend-lease arms and supplies. These troops rode in lend-lease trucks. They were supplied during their 2,000-mile advance by cargo planes flying from a base on the African air ferry route which lend-lease funds helped to develop. This same ferry route is now being used also to send to the battlefield in Tunisia planes and supplies which have come from the United States.

Lend-lease is also helping to strengthen the civilian front behind the lines where famine or pestilence might seriously jeopardize our chances of success on the actual fighting lines. North Africa, normally a food-exporting region, has been stripped bare by the Nazis. We and the British are sending vitally needed food, clothing, and medical supplies to that area. 123,000 tons of supplies have gone from the United States up to the present; the British also have sent supplies in considerable volume. This program is going forward under the supervision of General Eisenhower. With such emergency aid to tide them over until they can get their own production going again, the North Africans should be able to supply most of their own food needs and contribute substantially to the support of our forces there. Besides wheat, fruits and vegetables, lamb and mutton, and olive oil, North Africa produces such critical raw materials as manganese, cobalt, cork, and phosphates. More than 50,000 tons of these materials have already been shipped to the United Kingdom and the United States for use in the united war effort.

The Lend-Lease Administration is working in close relationship with the Office of Foreign Relief and Rehabilitation Operations in the North African civilian supply program. Although under present arrangements the United States will be reimbursed for the bulk of nonmilitary supplies sent into North Africa, a small portion of these supplies is being distributed as direct relief. These relief operations are being conducted by a field mission of the OFRRO which is working

through such agencies as the Red Cross. In planning for the extension of this relief program into Tunisia, OFRRO and Lend-Lease are collaborating.

The French in North Africa have offered to the United Nations cause not only their armies and the raw materials available there. They have pledged to the United Nations war effort those ships of the French Fleet which were in African ports. Some of these—the *Ricoulieu*, the *Montcalm*, and other French warships—are now in American ports being repaired through Lend-Lease so that they may as soon as possible join the United Nations' navies.

### HALF OF ALL TANKS LEND-LEASED HAVE GONE TO U.S.S.R.

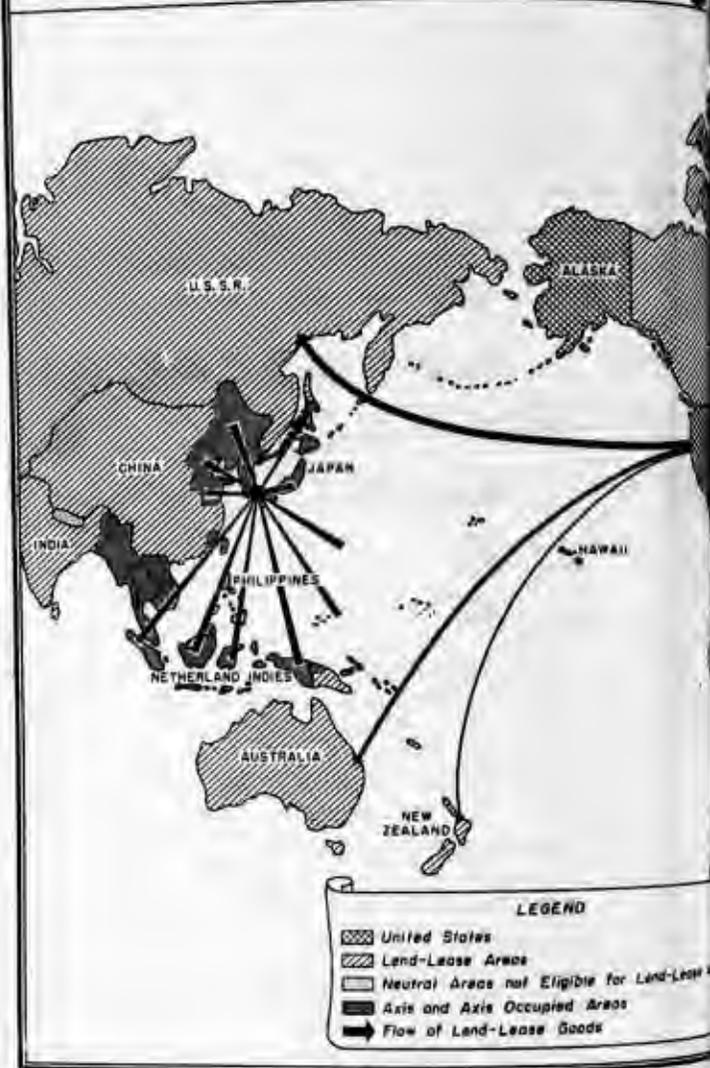


EACH SYMBOL REPRESENTS 5% OF ALL TANKS  
EXPORTED UNDER LEND-LEASE

### Russia

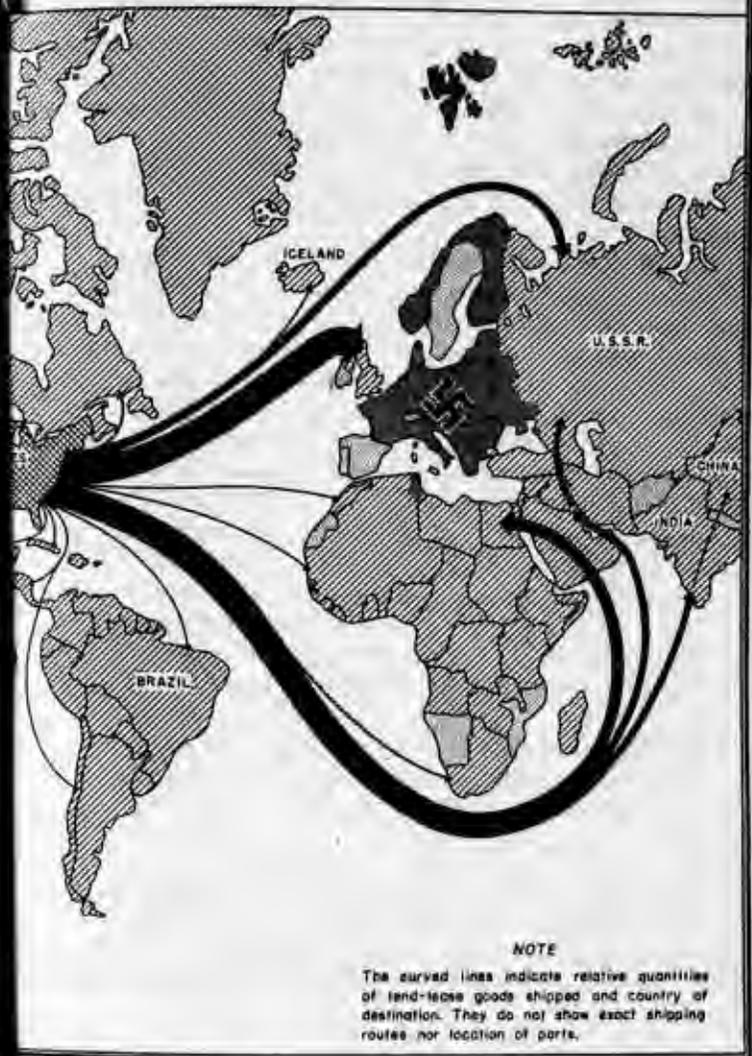
Although the Soviet Union has carried on its magnificent struggle against the Nazis principally with equipment produced in Russian factories, Lend-Lease has been a factor in supplying the armies fighting on the Russian front. Up to March 1, 1943, we had shipped more than 3,250,000 tons of supplies to the Soviet Union. The value of Lend-Lease aid, including supplies and services such as ship repairs and shipping, totals \$1,826,000,000 up to March 1, 1943.

# LEND-LEASE MAP



## LEGEND

- United States
- Lend-Lease Areas
- Neutral Areas not Eligible for Lend-Lease
- Axis and Axis Occupied Areas
- Flow of Lend-Lease Goods



## NOTE

The curved lines indicate relative quantities of lend-lease goods shipped and country of destination. They do not show exact shipping routes nor location of ports.

OFFICE  
SECRETARY OF TREASURY

This aid has been rendered in accordance with two protocols under which the United States has given the Soviet Government formal assurance that we would furnish specified quantities of weapons and supplies. The first of these, signed two months before we entered the war, called for the transfer to the Soviet Government of specified articles estimated to be worth nearly \$1,000,000,000. In spite of the great increase in the demands of our own armed forces after Pearl Harbor, the terms of this protocol were substantially carried out. A second protocol covers the period from July 1, 1942 to June 30, 1943, and aid is now being extended to Russia under this agreement.

The volume of aid to Russia is increasing. Thus lend-lease shipments in January to the Soviet Union were almost ten percent greater than the month before. In February shipments increased 30 percent further. In addition to sending to the Soviet more lend-lease planes, tanks, and trucks than to any other area, we have shipped more than 130,000 submachine guns, more than 98,000,000 pounds of TNT and toluol, more than 188,000,000 pounds of copper and brass, hundreds of thousands of miles of telephone wire, 92,000 tons of rails, car wheels and other railroad equipment, and almost 3,000,000 pairs of Army boots. We have sent as well many other munitions and war supplies and considerable quantities of raw materials, such as steel and chemicals, which have been used to manufacture bombs and high-explosive shells. British aid to Russia in planes and tanks has substantially matched our own in volume.

Two-thirds of all supplies sent to Russia from this country have been transported in American ships. Moreover, the great majority of the supplies to the Soviet Union are arriving safely.

### China

The Chinese are now holding a 3,000-mile front against the invading armies of the Japanese. This line is a crucial battle-front of the war. We are determined to provide the aid to China which is necessary to enable her to drive the Japanese from her soil.

The fall of Burma and the seizure of the southern portion of the Burma Road by the Japanese closed a supply route to the improvement of which we had devoted a large proportion of our lend-lease aid to China during the year 1941. The closing of the Burma Road left air transport as the only effective means of getting supplies into China. Constant efforts have been made to enlarge this air service but up to now the amount of lend-lease supplies that we have been able to get into China itself has been very small.

There is much more to the story of lend-lease aid for China than the quantity of goods which have been actually sent into China. The Chinese troops which retreated into India after the fall of Burma have been issued new weapons and other equipment under lend-lease and have been instructed in the use of this equipment by American Army officers. The British also have made available supplies and facilities to Chinese troops in India. In addition to Chinese pilots now training in India, over four hundred Chinese student pilots have come to this country to go through the standard U. S. Army Air Corps training; more are coming. A hundred of these have completed the course and returned to China to aid in the struggle against Japan.

In addition, arrangements are now under way for making available to China cargo ships which will be manned by Chinese seamen.

In estimating our aid to China, there must be considered also the large amounts of supplies sent to allied forces under the command of General Wavell and General Stilwell in China, India and Burma. These forces are cooperating with the Chinese in operations looking toward eventual reopening of the Burma supply routes. Military operations to open these routes, as well as other military measures, may well be considered the most important type of aid which we could possibly render China at the present time.

United States air forces under General Chennault, stationed in China itself, are maintaining the control of the air over unoccupied China which the famous Flying Tigers won in

December 1941 and which has never been lost since. The supplies sent by the British and American Governments to their forces in this area and the actual services of those forces are not recorded in the lend-lease figures.

The air route into China is being flown by planes of both the China National Aviation Corp. and the U. S. Army Air Transport Command. Cargo planes have been supplied to CNAC under lend-lease and additional planes are now being made available. However, the large majority of the planes on the India-China run are flown by the Air Transport Command. The value of this service, carried on over wild and mountainous country under most difficult weather conditions by U. S. Army personnel with U. S. Army equipment, is not reflected in the statistics of lend-lease aid.

The problem of lend-lease to China has always been more than anything else a problem of securing adequate routes of supply. Almost half of the lend-lease supplies sent from the United States for China are now in storage in India. The volume of lend-lease supplies getting into China cannot be expanded until the supply routes are expanded. American efforts are being concentrated, therefore, on enlarging the capacity of the air routes to China, on exploration and development of new routes, and on preparations for recapturing those which have been seized by the enemy.

It takes many months to manufacture supplies in the United States and transport them to India. We are therefore planning to have a balanced reserve of supplies in India to be sent into China as fast as the supply routes can handle them.

Recent lend-lease aid to India will play an important part in future aid to China. As India assumes more and more the role of a supply reservoir for the Burma-China-India war front, more emphasis is being placed in lend-lease operations on the development of India's own natural resources, her factories and arsenals, and her transportation system. One-fifth of the \$595,000,000 of aid rendered to India from March 11, 1941 to March 1, 1943, represents machinery, tools, and raw materials.

India is the second largest producer of iron ore in the British Empire. She has the largest single steel plant in the British Empire. Labor is plentiful there. With the aid of the machines, tools, and raw materials which we are sending her, India can step up her production of arms, military vehicles, lumber for war construction, textiles for uniforms and tents, and she can improve her internal transportation system so as to get these supplies more quickly to the battlefronts.

With the industrial and transportation facilities thus provided, the factories and arsenals of India can produce many vital war supplies for China. This will free much shipping over the long route from the United States for additional supplies for China.

The lend-lease aid we have extended to Australia and New Zealand, totaling \$591,000,000 up to March 1, 1943, is also directed against the Japanese. The President has said, "There are many roads which lead right to Tokyo. We shall neglect none of them."

## Chapter 4

# LEND-LEASE AND FOOD

Mutual aid between the United Nations in the provision of food supplies is as indispensable in this total world-wide war as the interchange of guns or planes.

Some of the United Nations are not able to produce enough food for their soldiers and sailors and for their men and women working behind the front. Others of the United Nations can produce more food than they need for their own essential requirements. Thus, the United States, Canada, Australia, New Zealand, and South Africa are able to export food products to Great Britain or the Soviet Union, which cannot supply all of their own needs. Similarly, we expect that French North Africa, to which we are now sending food, will revitalize its agricultural production and begin to export food to these nations.

Mutual aid in the provision of food is also necessary as a part of the strategy of war supply. Because of the shipping shortage we cannot afford to send food instead of munitions to those of our soldiers who are stationed in parts of the world where local food production can meet their needs. Thus Australia and New Zealand have curtailed their own food consumption and are supplying our troops with almost all of their food requirements as reciprocal aid. Shipping is thereby freed to carry more munitions and essential equipment to those areas. Even our soldiers in the United Kingdom, although receiving most of their food from the United States, are receiving large quantities of flour, potatoes, fresh vegetables, and other locally produced commodities. This lend-lease aid and reciprocal aid in food are essential elements in the pooling of war supplies by the United Nations.

## Dehydration of Foods

During the past two years, lend-lease has done much to encourage the development of food dehydration. The amount of lend-lease funds invested in food dehydration plants has been small, but the large lend-lease orders have caused private food companies to expand greatly their dehydration facilities and to experiment with new dehydrated food products.

Dehydrated foods require only 10 to 30 percent of the cargo space which would be required to ship the same foods in their normal form. In addition, dehydrated foods require no refrigeration and do not spoil easily.

Our own armed forces are now making good use of some of the techniques and facilities for dehydrating foods developed as a part of the lend-lease food program.

Prior to lend-lease, there were 18 egg-drying plants in the United States with a capacity of 10,000,000 pounds annually; today there are 94 plants with an annual capacity of 315,000,000 pounds and 29 plants under construction which will increase capacity to 400,000,000 pounds. Some 259,000,000 pounds of these dried eggs have already been purchased for lend-lease purposes. Nearly 90 percent of the egg requirements of our own armed forces overseas are now being supplied by dried eggs.

There were, before lend-lease, only 20 vegetable dehydration plants in this country, with a capacity of around 15,000,000 pounds annually. This summer, a total of 110 plants will be operating. Before the end of 1943, it is probable that 100 additional plants will come into operation.

There have been similar large increases in the facilities for producing dried milk and concentrated fruit juices.

In addition to encouraging the expansion of existing processes for dehydrating foods, lend-lease has encouraged the development of important new food products of reduced bulk.

The process of meat dehydration, which was not fully developed when the war began, has now been largely perfected and dehydrated meat is becoming available for shipment overseas. Lend-lease orders have resulted in the con-

struction of plants for large-scale production, and within the next six months at least eleven processing units, principally in the mid-west, will be producing dehydrated pork. This product is made of pre-cooked, fresh, lean pork. It has about one-third the volume of the original boneless meat and weighs about one-fourth as much.

Another type of concentrated pork product known as Tushonka is made of a boneless cut of lean meat, highly spiced and packed with lard. This is prepared especially to suit Russian needs and is being provided in large quantities for the Soviet Army. It can be eaten hot or cold, as a stew, a soup, or even as a meat loaf. It saves valuable shipping space on the routes to Russia.

A new custard powder has been developed which will keep in all climates. When a little water is added and the mixture boiled, the result is an easily digested, highly nutritious food. Over a half million pounds of this product have already been purchased for lend-lease purposes.

A number of new uses for soybeans have been developed. An excellent sausage made of pork and twenty-two per cent soybean flour has been sent to the British armed forces in the United Kingdom and overseas through lend-lease, and it is very popular. Soybean products such as dehydrated soya soups, grits and flour are rich in proteins, vitamins, and minerals. They are highly concentrated and take up a minimum of cargo space.

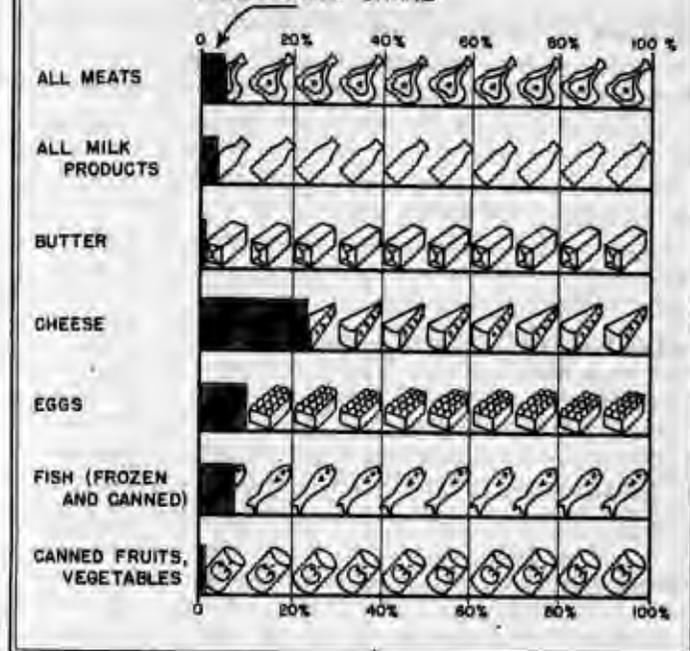
A number of other products which possess valuable nutritive properties in a small bulk have been developed or are in experimental stages.

An even further advance in the techniques of preparing food products of high nutritive value which can be shipped in small space has been made by the development of compressed dehydrated foods. These compressed foods save an additional 30 to 50 per cent of shipping space. These food products are still largely in the experimental stage, but certain foods such as dried eggs, are already being shipped in compressed form.

## LEND-LEASE SHARE OF OUR 1942 FOOD SUPPLY

(TOTAL SUPPLY EQUALS 100%)

LEND-LEASE SHARE



### Lend-Lease Food Shipments

During the two years in which lend-lease has been operating, we have sent to our allies over 4,000,000 tons of food-stuffs, costing approximately \$1,250,000,000. This amount, however, represented only a small percentage of our total food supply. The accompanying picture chart and table show the relation of lend-lease food exports to supply in 1942.

The quantity of beef which Australia and New Zealand together supplied to our forces was 40 percent larger than the amount of beef which we shipped to all lend-lease countries.

The small amount of butter we shipped all went to the Soviet Union for the use of the Soviet Army in the cold climate on the Russian front. It was used particularly for wounded soldiers in military hospitals. Lend-lease exports of butter substitutes were many times larger than the exports of butter.

### LEND-LEASE FOOD EXPORTS IN RELATION TO SUPPLY Year Ended December 31, 1942

	Exports in Percent of Supply	Exports per 1,000 Units
Beef .....	0.2	2 pounds.
Veal .....	0.0	0 pounds
Lamb and Mutton .....	0.4	4 pounds.
Pork .....	9.7	97 pounds.
All Milk Products (Fluid Milk Equivalent) ..	3.4	34 quarts.
Dry Whole Milk .....	6.1	61 pounds.
Dry Skim Milk .....	23.0	230 pounds.
Condensed & Evaporated Milk .....	7.2	72 cans.
Butter .....	0.7	7 pounds.
Cheese .....	23.1	231 pounds.
Fats and Oils .....	13.2	132 pounds.
Dried Eggs <sup>1</sup> .....	10.0	100 dozen.
Fish (Frozen and Canned) .....	7.1	71 pounds.
Canned Vegetables .....	0.8	8 cans.
Canned Fruits and Juices .....	1.7	17 cans.
Corn and Corn Products .....	0.1	1 bushel.
Wheat Products .....	0.3	3 bushels.
Dried Beans .....	5.0	50 pounds.
Dried Peas .....	6.0	60 pounds.
Dried Fruits .....	15.7	157 pounds.

<sup>1</sup> Expressed in terms of fresh egg equivalent.

Until December 1942 most lend-lease exports of foodstuffs went to the United Kingdom. The British have increased their own production of food by one-half since the beginning of the war but are still dependent on overseas sources for about 40 percent. They have been able to obtain from Canada most

of the wheat they have imported and have received large quantities of meat, cheese and other foodstuffs from Canada, New Zealand, Australia, and South American countries. In addition, they had to import from the United States in 1942 about ten percent of their meat (practically all in the form of pork), twenty percent of their edible fats, and about twenty percent of their other protein foods such as cheese, dried and evaporated milk, and dried eggs. The amounts which we sent, however, constituted less than 25 percent of Britain's total food imports and only 10 percent of her total supply of all foods.

In the last three months, shipments of food to the Soviet Union have shown a sharp increase, and we may send more food to the Soviet Union than to Great Britain in 1943.

The foods which we have sent to Russia have been energy foods with meat and animal fats accounting for about thirty percent of the total, wheat and flour about twenty-five percent, sugar about seventeen percent, dried beans, peas, rice and cereals about twelve percent, vegetable oils about six percent, and dairy products about five percent.

In 1942, we exported for lend-lease purposes between 5½ and 6 percent of our total food supply. In order to meet the urgent war needs in the coming year it is hoped and expected that more will be sent.

In the first two months of 1943 lend-lease shipments of food have increased in many items and decreased in others. Further increases in some items may be expected. The Russian Army, and the Russian people will need all that we can send them. In addition we must be prepared to meet the requirements of areas now held by the Axis which will be liberated by United Nations forces in the coming months. Food must be sent into those areas not merely to alleviate the suffering of the populations, but as a military necessity. We need the active assistance of the people of the liberated areas, with those who are able to do so fighting by our side. This help can be secured only if we take steps to counteract the starvation imposed on the occupied countries by their Axis conquerors.

The amount of food actually shipped under lend-lease in 1943 will depend, of course, upon the total volume of production achieved in the United States, the amount of the different kinds of food available for our military and civilian consumption, and the availability of shipping. Our own armed forces and civilian population must be adequately fed and food must be supplied to our fighting allies. The allocation of food between the requirements of our own armed forces, our civilians, our territories, and our allies is made by the Food Administration of the Department of Agriculture, after consultation with the Food Advisory Committee, in which the Army, the Navy, Lend-Lease, Board of Economic Warfare, and other food claimant agencies are represented. The Food Administration's program is coordinated with the allocations of United Nations supply made by the Combined Food Board.

---

## APPENDICES

---

### Appendix I LEND-LEASE ACT

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

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

#### Section 2.

As used in this Act—

(a) The term "defense article" means—

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

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

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

#### Section 3.

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

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

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

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

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

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

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

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

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

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

#### Section 4.

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

#### Section 5.

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

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

#### Section 6

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

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

#### Section 7

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

### Section 8.

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

### Section 9.

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

### Section 10.

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

### Section 11.

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

APPROVED, March 11, 1941.

## Appendix II

### PUBLIC LAW 1—78TH CONGRESS

#### Chapter 1—1st Session

SEC. 4. Hereafter any ship, boat, barge, or floating drydock of the Navy may be leased in accordance with the Act approved March 11, 1941 (55 Stat. 31), but not otherwise disposed of, for periods not beyond the termination of the present wars, but title thereto shall remain in the United States.

## Appendix III

### AMOUNTS OF LEND-LEASE AID AUTHORIZED

#### Lend-Lease Act—March 11, 1941

This Act appropriated no money, but empowered the President to transfer a maximum of \$1,300,000,000 of defense articles, obtained with funds appropriated prior to the date of the Act.

#### First Lend-Lease Appropriation Act—March 27, 1941

This Act appropriated \$7,000,000,000 for lend-lease, of which \$13,000,000 was transferred to the Treasury Department to cover the cost of 10 Coast Guard cutters turned over to Great Britain.

#### First Supplemental Nat'l Defense Approp. Act—August 25, 1941

Title III of this Act added \$1,296,650,000 in appropriated funds and contract authorizations to the Maritime Commission's general funds, established by the 1936 Merchant Marine Act, for ship and facilities construction, and empowered the President to lease vessels constructed or acquired with funds appropriated by this title.

#### Second Lend-Lease Appropriation Act—October 28, 1941

Title I of this Act appropriated \$5,985,000,000 for the procurement of defense articles, information and services under the Lend-Lease Act. In addition, it authorized the President to enter into contracts for the procurement of defense articles, information or services for the government of any country whose defense has been deemed vital to the defense of the United States upon the agreement of such country to pay for the same, and also authorized the President to dispose of such articles, information, and services upon payment of the full cost thereof. This authority to contract is limited by the provision that the total amounts remaining to be paid under outstanding contracts shall not exceed \$600,000,000 at any one time.

#### Third Supplemental Nat'l Defense Approp. Act—Dec. 17, 1941

Title I of this Act appropriated money to the War Department and changed the provisions of the Lend-Lease Act in regard to the transfer of defense articles. The President was empowered to transfer War Department articles procured from funds appropriated prior to or since March 11, 1941, to the value of \$2,000,000,000. The limitation of \$1,300,000,000, which applied to goods obtained from appropriations made prior to March 11, 1941, was reduced to \$800,000,000, and this new limitation was made to apply only to articles other than War Department articles.

#### Fourth Supplemental Nat'l Defense Approp. Act—Jan. 30, 1942

Title I of this Act appropriated money to the War Department and empowered the President to lend-lease War Department articles procured from funds appropriated in this title to the value of \$4,000,000,000. These articles will come principally from the aircraft category and to a lesser extent from ordnance and other categories.

#### Naval Appropriation Act—February 7, 1942

Title III of this Act empowered the President to lease, for a period of time not exceeding the duration of the existing emergency, ships to be constructed at a cost not to exceed \$3,900,000,000, and to transfer defense articles procured from funds appropriated by this Act to the value of \$2,500,000,000.

#### Fifth Supplemental Nat'l Defense Approp. Act—March 5, 1942

Title I of this Act appropriated money to the War Department and empowered the President to lend-lease defense articles procured from funds appropriated in this title to the value of \$11,250,000,000. These articles will come principally from the ordnance category and to a lesser extent from other categories.

Title II of this Act appropriated to the Maritime Commission additional funds and authorized contracts totaling \$3,850,000,000 for construction of ships and facilities, and empowered the President to lease ships authorized in this title.

Title III of this Act appropriated directly to the President \$5,425,000,000 for lend-lease.

#### Sixth Supplemental Nat'l Defense Approp. Act—April 28, 1942

Title I of this Act appropriated money to the War Department and empowered the President to lend-lease defense articles procured from funds therein appropriated up to the value of \$2,220,000,000, and defined "defense article" to include defense information and services, and the expenses incurred in connection with the procurement of defense articles, information and services.

#### Military Appropriation Act, 1943—July 2, 1942

This Act appropriated money to the War Department and empowered the President to lend-lease defense articles procured from funds therein appropriated up to the value of \$12,700,000,000, and defined "defense article" to include defense information and services, and the expenses incurred in connection with the procurement of defense articles, information and services.

#### Second Suppl. Nat'l Defense Approp. Act, 1943—Oct. 26, 1942

Title I of this Act empowered the President to lend-lease defense articles, information, and services procured from any funds appropriated to the Navy

Department subsequent to March 11, 1941 up to a value of \$3,000,000,000 for defense articles (other than ships), information and services, and authorized the leasing of ships without limitation as to amount—the \$3,000,000,000 limitation on the lend-lease of defense articles, information and services replacing the \$2,500,000,000 limitation imposed by the Naval Appropriation Act of February 7, 1942.

Title II of this Act expressly provided that funds appropriated for lend-lease purposes shall be available retroactively as well as prospectively for the procurement, disposition or furnishing of defense information or defense services whether or not such information or services are necessary to or connected with the procurement or disposition of any defense article.

### RECAPITULATION OF AID AUTHORIZED

The amount of lend-lease aid that may be provided under the various acts is summarized as follows:

#### Lend-Lease Appropriations to the President

First Lend-Lease Appropriation.....	\$7,000,000,000
Second Lend-Lease Appropriation.....	5,985,000,000
Third Lend-Lease Appropriation (Fifth Supp. 1942).....	5,425,000,000
Total.....	18,410,000,000

#### Transfers Authorized From Other Appropriations

War Department—Third Supplemental, 1942.....	\$2,000,000,000
War Department—Fourth Supplemental, 1942.....	4,000,000,000
War Department—Fifth Supplemental, 1942.....	11,250,000,000
War Department—Sixth Supplemental, 1942.....	2,220,000,000
War Department—Military Appropriation Act, 1943.....	12,700,000,000
Navy Department—Second Supplemental, 1943.....	3,000,000,000
Departments other than War—Third Supplemental, 1942.....	800,000,000
Total.....	35,970,000,000

#### Value of Ships Which May Be Leased

Maritime Commission—First Supplemental, 1942.....	1,296,650,000
Maritime Commission—Fifth Supplemental, 1942.....	3,850,000,000
Navy Department—Naval Appropriation Act, 1942..... (no limitation as to amount. <i>See note.</i> )	

*Note.*—Title III of the Naval Appropriation Act of February 7, 1942, authorized the leasing of specified naval ships to be constructed at a cost not exceeding \$3,900,000,000. Under Title I of the Second Supplemental National Defense Appropriation Act, 1943, however, naval ships may be leased, but not otherwise disposed of, without limitation as to amount.

In previous reports, the value of ships which may be leased was included in the table of transfers authorized. It is more accurate to separate this item since the appropriation acts provide that the ships may only be leased.

## Appendix IV

### EXECUTIVE ORDER ESTABLISHING OFFICE OF LEND-LEASE ADMINISTRATION

By virtue of the authority vested in me by the Constitution and statutes of the United States, and particularly by the Act of March 11, 1941, entitled "An Act further to promote the defense of the United States and for other purposes" (hereafter referred to as the Act), and by the Defense Aid Supplemental Appropriation Act, 1941, approved March 27, 1941, and acts amendatory or supplemental thereto, in order to define further the functions and duties of the Office for Emergency Management of the Executive Office of the President in respect to the national emergency as declared by the President on May 27, 1941, and in order to provide for the more effective administration of those Acts in the interests of national defense, it is hereby ordered as follows:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Lend-Lease Administration, at the head of which shall be an Administrator, appointed by the President, who shall receive compensation at such rate as the President shall approve and, in addition, shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies as the President may from time to time prescribe, the Administrator is hereby authorized and directed, pursuant to Section 9 of the Act, to exercise any power or authority conferred upon the President by the Act and by the Defense Aid Supplemental Appropriation Act, 1941 and any acts amendatory or supplemental thereto, with respect to any nation whose defense the President shall have found to be vital to the defense of the United States: *Provided*, That the master agreement with each nation receiving lend-lease aid, setting forth the general terms and conditions under which such nation is to receive such aid, shall be negotiated by the State Department, with the advice of the Economic Defense Board and the Office of Lend-Lease Administration.

3. The Administrator shall make appropriate arrangements with the Economic Defense Board for the review and clearance of lend-lease transactions which affect the economic defense of the United States as defined in Executive Order No. 8839 of July 30, 1941.

4. Within the limitation of such funds as may be made available for that purpose, the Administrator may appoint one or more Deputy or Assistant Administrators and other personnel, delegate to such Deputy or Assistant Administrators any power or authority conferred by these orders, and make provision for such supplies, facilities, and services as shall be necessary to carry out the provisions of this Order. In so far as practicable, the Office of Lend-Lease Administration shall use such general business services and facilities as may be made available to it through the Office for Emergency Management.

5. Executive Order No. 8751 of May 2, 1941, establishing the Division of Defense Aid Reports and defining its functions and duties, is hereby revoked.

THE WHITE HOUSE,  
October 28, 1941.

FRANKLIN D. ROOSEVELT

## Appendix V

### STATUS OF NATIONS (LEND-LEASE COUNTRIES AND UNITED NATIONS)

 UNITED NATIONS DECLARATION SIGNED  
 ELIGIBLE FOR LEND-LEASE AID  
 LEND-LEASE AGREEMENT SIGNED  
 RECIPROCAL LEND-LEASE AGREEMENT SIGNED

ARGENTINA					INDIA				
AUSTRALIA					IRAN				
BELGIUM					IRAQ				
BOLIVIA					LIBERIA				
BRAZIL					LUXEMBOURG				
CANADA					MEXICO				
CHILE					NETHERLANDS				
CHINA					NEW ZEALAND				
COLOMBIA					NICARAGUA				
COSTA RICA					NORWAY				
CUBA					PANAMA				
CZECHOSLOVAKIA					PARAGUAY				
DOMINICAN REPUBLIC					PERU				
ECUADOR					PHILIPPINES				
EGYPT					POLAND				
EL SALVADOR					SOUTH AFRICA				
ETHIOPIA					TURKEY				
FIGHTING FRANCE					UNITED KINGDOM				
GREECE					UNITED STATES				
GUATEMALA					U.S.S.R.				
HAITI					URUGUAY				
HONDURAS					VENEZUELA				
ICELAND					YUGOSLAVIA				

## STATUS OF NATIONS (Continued)

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

The reciprocal aid agreement with United Kingdom is contained in Appendix VII. Reciprocal aid agreements have also been signed with Australia, New Zealand, Fighting France and Belgium. The terms of all these agreements are substantially similar.

### Appendix VI

#### SOVIET MASTER AGREEMENT

Agreement between the United States of America and the Union of Soviet Socialist Republics on the principles applying to mutual aid in the prosecution of the war against aggression.

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

And whereas the Governments of the United States of America and the Union of Soviet Socialist Republics, as signatories of the Declaration by United Nations of January 1, 1942, have subscribed to a common program of purposes and principles embodied in the Joint Declaration, known as the Atlantic Charter, made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, the basic principles of which were adhered to by the Government of the Union of Soviet Socialist Republics on September 24, 1941;

And whereas the President of the United States of America has determined, pursuant to the act of Congress of March 11, 1941, that the defense of the Union of Soviet Socialist Republics against aggression is vital to the defense of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the Union of Soviet Socialist Republics aid in resisting aggression;

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

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

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

#### Article I

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

#### Article II

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

#### Article III

The Government of the Union of Soviet Socialist Republics will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act of March 11, 1941 of the Congress of the United States of America or permit the use thereof by anyone not an officer, employee, or agent of the Government of the Union of Soviet Socialist Republics.

#### Article IV

If, as a result of the transfer to the Government of the Union of Soviet Socialist Republics of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of

America who has patent rights in and to any such defense article or information, the Government of the Union of Soviet Socialist Republics will take such action or make such payment when requested to do so by the President of the United States of America.

#### Article V

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

#### Article VI

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

#### Article VII

In the final determination of the benefits to be provided to the United States of America by the Government of the Union of Soviet Socialist Republics in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of worldwide economic relations. To that end, they shall include provision for agreed action by the United States of America and the Union of Soviet Socialist Republics, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom, the basic principles of which were adhered to by the Government of the Union of Soviet Socialist Republics on September 24, 1941.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

#### Article VIII

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

Signed and sealed at Washington in duplicate this eleventh day of June, 1942.

For the Government of the United States of America

CORBELL HULL,  
Secretary of State of the United States of America.

For the Government of the Union of Soviet Socialist Republics

MAXIM LITVINOFF,  
Ambassador of the Union of Soviet Socialist Republics at Washington.

The following is an exchange of notes between the Secretary of State and the Ambassador of the Union of Soviet Socialist Republics at Washington:

DEPARTMENT OF STATE,  
Washington, June 11, 1942.

#### EXCELLENCY:

In connection with the signature on this date of the Agreement between our two Governments on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, I have the honor to confirm our understanding that this Agreement replaces and renders inoperative the two prior arrangements on the same subject between our two Governments, the most recent of which was expressed in the exchange of communications between the President and Mr. Stalin dated respectively February 13, February 20, and February 23, 1942.

Accept, Excellency, the renewed assurances of my highest consideration.

CORBELL HULL,  
Secretary of State of the United States of America.

His Excellency MAXIM LITVINOFF,  
Ambassador of the Union of Soviet Socialist Republics.

JUNE 11, 1942.

#### EXCELLENCY:

In connection with the signature on this date of the Agreement between our two Governments on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, I have the honor to confirm our understanding that this Agreement replaces and renders inoperative the two prior arrangements on the same subject between our two Governments, the most recent of which was expressed in the exchange of communications between the President and Mr. Stalin dated respectively February 13, February 20, and February 23, 1942.

Accept, Excellency, the renewed assurances of my highest consideration.

MAXIM LITVINOFF,  
Ambassador of the Union of Soviet Socialist Republics at Washington.

His Excellency CORBELL HULL,  
Secretary of State of the United States of America,  
Washington, D. C.

## Appendix VII

### UNITED KINGDOM RECIPROCAL AID AGREEMENT

The Honorable CORDILLA HULL,  
*Secretary of State, United States Department of State,  
Washington, D. C.*

Six: In the United Nations declaration of January 1, 1942, the contracting governments pledged themselves to employ their full resources, military or economic, against those nations with which they are at war and in the Agreement of February 23, 1942, each contracting government undertook to provide the other with such articles, services, facilities or information useful in the prosecution of their common war undertaking as each may be in a position to supply. It is further the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the general principle to be followed in providing mutual aid as set forth in the said Agreement of February 23, 1942, is that the war production and the war resources of both Nations should be used by the armed forces of each and of the other United Nations in ways which most effectively utilize the available materials, manpower, production facilities and shipping space.

With a view, therefore, to supplementing Article 2 and Article 6 of the Agreement of February 23, 1942, between our two Governments for the provision of reciprocal aid, I have the honour to set forth below the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland of the principles and procedures applicable to the provision of aid by the Government of the United Kingdom of Great Britain and Northern Ireland to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. While each Government retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

2. As to financing the provision of such aid, within the fields mentioned below, it is the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the general principle to be applied, to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services which each Government may authorize to be provided to the other shall be in the form of reciprocal aid so that the need of each Government for the currency of the other may be reduced to a minimum.

It is accordingly the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its war production made available to the United Kingdom. The Government of the United Kingdom will provide on the same terms and as reciprocal aid so much of its war production made available to the United States as it authorizes in accordance with the Agreement of February 23, 1942.

3. The Government of the United Kingdom will provide the United States or its armed forces with the following types of assistance as such reciprocal aid, when it is found that they can most effectively be procured in the United Kingdom or in the British Colonial Empire:

(a) Military equipment, munitions, and military and naval stores.

(b) Other supplies, materials, facilities, and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Government of the United Kingdom as specified in paragraph 4.

(c) Supplies, materials, and services needed in the construction of military projects, tasks and similar capital works required for the common war effort in the United Kingdom or in the British Colonial Empire, except for the wages and salaries of United States citizens.

(d) Supplies, materials and services needed in the construction of such military projects, tasks and capital works in territory other than the United Kingdom or the British Colonial Empire or territory of the United States to the extent that the United Kingdom or the British Colonial Empire is a more practicable source of supply than the United States or another of the United Nations.

4. The practical application of the principles formulated in this note, including the procedure by which requests for aid by either Government are made and acted upon, shall be worked out as occasion may require by agreement between the two Governments, acting when possible through their appropriate military or civilian administrative authorities. Requests by the United States Government for such aid will be presented by duly authorized authorities of the United States to official agencies of the United Kingdom which will be designated or established in London and in the areas where United States forces are located for the purpose of facilitating the provision of reciprocal aid.

5. It is the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that all such aid, as well as other aid, including information, received under Article 6 of the Agreement of February 23, 1942, accepted by the President of the United States or his authorized representatives from the Government of the United Kingdom will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit, appropriate record of aid received under this arrangement, except for miscellaneous facilities and services, will be kept by each Government.

If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honour to be, with the highest consideration, Sir, your most obedient, humble servant,

HALIFAX.

His Excellency the Right Honorable The Viscount HALIFAX, K. G.,  
*British Ambassador.*

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of the United Kingdom of Great Britain and Northern Ireland to the armed forces of the United States of America.

In reply I wish to inform you that the Government of the United States agrees with the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland as expressed in that note. In accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

This further integration and strengthening of our common war effort gives me great satisfaction.

Accept, Sir, the renewed assurances of my highest consideration.

CORBELL HULL,

*Secretary of State of the United States of America.*

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

March 12, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended March 3, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

*Int. E. M. B*

inc:3/12/43

C  
O  
P  
YFEDERAL RESERVE BANK  
OF NEW YORK

March 11, 1943

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

I am enclosing our compilation for the week ended March 3, 1943, showing dollar Disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke,

L. W. Knoke,  
Vice President.

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

Enclosure

Copy:imc:3/12/43



- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (e) Includes payments for account of French Air Commission and French Purchasing Commission.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) Includes \$3.0 million transferred to official Canadian account here.
- (h) Includes \$ 5.0 million transferred from Commonwealth Bank of Australia;  
3.0 million deposited by British Ministry of Supply.

STATEMENTS OF LIABILITIES AND ASSETS OF AUSTRALIA  
(In millions of dollars)

Week Ending April 3, 1941  
Issued April 10, 1941

PERIOD	BANK OF CANADA (and Canadian Government)								COMMERCE BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Funds	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits
First year of war** and period through December, 1940	323.0	15.6	306.4	504.7	412.7	20.9	28.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.8
Second year of war**	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Third year of war**	460.4	-	460.4	468.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 3.0
1940	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 10.5	107.2	57.4	49.8	112.2	17.2	95.0	- 3.9
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.2	28.0	20.5	7.5	18.1	-	16.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	20.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1941																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.2	+ 164.0	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
WEEK ENDED:																
February 10	2.0	-	2.0	34.2	-	-	-	34.2	+ 32.2	(d)	-	(d)	(d)	-	(d)	(d)
17	14.0	-	14.0	37.9	-	27.1	-	10.8	+ 23.9	-	-	-	12.4	-	12.4	+ 12.4
24	8.9	-	8.9	13.8	-	7.6	-	6.2	+ 4.9	10.0	10.0	-	2.6	-	2.6	- 7.4
March 3	10.2(b)	-	10.2	15.3(c)	-	3.0	-	12.3(d)	+ 5.1	5.9	5.0	0.9	1.0	-	1.0	- 4.9

Weekly Average of Total Debits Since Outbreak of War  
through March 3, 1941 \$ 8.6 million

- \*For monthly breakdown see tabulations prior to April 23, 1941.  
\*\*For monthly breakdown see tabulations prior to October 8, 1941.  
\*\*\*For monthly breakdown see tabulations prior to October 14, 1940.
- (a) Reflects changes in all dollar holdings payable on demand or maturing in one year.  
(b) Does not reflect transactions in Treasury bills.  
(c) Includes \$6.2 million deposited by War Supplies, Ltd.

March 12, 1943.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

The following communications were received today from Director Hoover of the F.B.I., addressed to the Secretary of the Treasury for the attention of Mr. Klaus:

(1) Letter stating in view of our interest in matters relating to foreign funds - one H. Ebury recently stated to the Bureau that he had information in his possession regarding the transmission of American currency to the United States in violation of current Treasury regulations. Specifically, Mr. Ebury cited as an example, that he has information that Raul Morales Beltrami, the Chilean Minister who came to the United States last year in place of the Chilean President brought with him \$60,000 in currency which he turned over to another individual of Chilean nativity and received a considerable percentage of the amount. Mr. Ebury is said to have also made the general statement that he was aware that thousands of dollars worth of currency were being transmitted to the United States through various diplomatic channels having their origin in Argentina. Mr. Hoover states that the information has also been transmitted to Assistant Secretary Berle.

(2) Report of F.B.I. Special Agent covering investigation relating to an individual who has purchased or made application to purchase at least \$10,000 in German Rueckwanderer Marks.

*WAG*

13  
COPY NO \_\_\_\_\_NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRET  
U.S. SECRETCPTEL NO. 81

Information received up to 7 a.m. 12th March, 1943.

NAVAL.

11th/12th. Motor Torpedo Boats torpedoed an enemy ship in convoy off the North coast of BRITTANY. 11th/12th. Motor Gunboats and Motor Torpedo Boats torpedoed a large enemy ship off CALAIS. One of H.M. Destroyers was torpedoed and sunk by U-Boat while escorting a homeward convoy in Mid-Atlantic. Survivors picked up.

MILITARY.

TUNISIA. 10th. 8th Army. In the area of KSAR RHILANE, 60 miles South-west of FENJENE, the enemy attacked and surrounded our positions, which were subjected to heavy shelling and bombing throughout the day. R.A.F. support was most effective and by evening fighting seemed to be dying down, though still continuing. The enemy suffered heavy casualties and many vehicles were left burning. First Army. In the afternoon, the enemy, estimated about a brigade, attacked our positions west of SEDJENANE. Attack was repulsed and a few prisoners taken. French desert patrols have occupied METLACUI, south-west of GAFSA.

RUSSIA. South-west of SYCHEVKA, the Russians have occupied a number of localities, including the district centre of ANDREYES-KOYE. A considerable quantity of equipment was captured and destroyed. South of BELYI, 16 localities have been occupied, over 600 Germans killed and much booty captured. In the C 1 sector Russian attacks continue.

3. AIR OPERATIONS.

WESTERN FRONT. 11th. In Northern France, our fighters successfully attacked railway and other objectives. 2 F.W. 190's were destroyed and 1 Spitfire is missing. About 20 F.W. 190's made a sharp attack on HASTINGS, where 29 persons were killed and 55 seriously wounded. 2 enemy aircraft shot down by A/A. 11th/12th. Following aircraft despatched - STUTTGART 314 (11 missing) Sea-king 14, Intruders 8 (2 missing). Preliminary reports state that bombing was well concentrated on the markers and some good fires were started. 25 enemy aircraft operated in 2 phases over north-eastern counties. Some bombs were dropped, but no serious damage caused. Enemy casualties - 4, 1, 1.

TUNISIA. 10th. 71 U.S. Fortresses attacked 2 enemy airfields, causing many fires among aircraft and buildings. Enemy casualties 8, 2, 6, - 1 Fortress missing. 10 U.S. Marauders bombed GAFSA. In the KSAR RHILANE area, 48 escorted Fighters supported our land forces. 1 tank, 1 armoured car, and 51 vehicles were destroyed or damaged. 6 attacks were made by enemy Fighters and a heavily escorted formation of Dive Bombers was diverted. Enemy casualties 5, nil, 1; ours, 6 missing.

TREASURY

PDS MAR 13

SEEN

March 13, 1943  
9:38 a.m.

HMJr: Hello.

Operator: General Watson.

HMJr: Hello.

Gen. Edwin  
Watson: Good morning.

HMJr: Good morning to you.

W: E.M.W.

HMJr: H.M.Jr.

W: Yes, and look here - I wanted to ask you before I spoke to the President since this Ginsburg thing started - has come up, whether it would be better to have Mike Riley deferred from this draft or try to get him a commission, because....

HMJr: Yes.

W: ....any commission has to go before what they call the Craig Board if a man's in draft age, and they muddle over it.

HMJr: Well now, Pa, when I got your request yesterday....

W: Yeah.

HMJr: ....to defer him....

W: Yes.

HMJr: ....I thought it was a mistake, and I thought I'd arranged it last November that all these boys be put in the Army and then furloughed to us. That....

W: Yeah.

HMJr: ....was the understanding.

W: Yes, I understood it too.

- 2 -

HMJr: But this damn General over there said he'd only do one at a time. So I took it up after Cabinet with the President....

W: Yes.

HMJr: ....and Stimson....

S: Yeah.

HMJr: ....and told them that I was against - thought it was a mistake to defer them. They should all be put in the Army and detailed back.

W: Yeah.

HMJr: And I understand that was done yesterday afternoon.

W: It was?

HMJr: Well, I - I got word from Stimson's office it was okay, and I sent Chief Wilson over there.

W: Good. That's all right then.

HMJr: But I agreed with you. I thought it was a mistake to - to ask for a deferment.

W: Oh, yes. Well, I - I was wondering which would cause the most comment, because....

HMJr: Well, this will....

W: ....they're looking on something - they're looking out, you know, to get into something to comment on anyhow.

HMJr: Well, I don't think that this will - the plan, as of yesterday, wasn't to commission them. It was simply, I think - I don't know what the technical thing is - they enroll them in the Army and then furlough them to the Treasury.

W: Well, that's all right. That's okay then.

HMJr: And....

- 3 -

W: And I won't - I won't - I wouldn't want to take it up with Arnold because he - he wanted to be an officer in the Intelligence Division and then....

HMJr: No.

W: ....put on inactive status.

HMJr: Well....

W: I was afraid that would cause a hell of a lot of trouble.

HMJr: I think - I'm quite - well, if it isn't the way I tell you it is, I'll call you back.

W: Oh, well, I'm just going to forget it, unless you call me.

HMJr: Unless you hear from me....

W: Well, of course, the President told me yesterday to - to get busy on it....

HMJr: Yes.

W: ....and I - I tried to get you and you weren't here yesterday morning, and then....

HMJr: No, well, you and I had the same idea.

W: Oh, sure. All right.

HMJr: Right.

W: Then I'll just stand pat.

HMJr: Unless you hear from me, all twelve of them, including Mike, ought to be in the Army today or yesterday.

W: Good, fine. That's fine.

HMJr: Right.

W: Thank you. (Laughs)

HMJr: Goodbye.

W: (Laughs) All right.

March 13, 1943  
9:45 a.m.

HMJr: What is the status?

Chief Frank  
Wilson:

Well, the - I've given Mr. Riley instructions to give me the names and local draft board number of each one of the men. Some of them are - are on leave today, but I told him to have it in to my office by 9:30 on Monday morning, and....

HMJr: Well....

W: ....we will furnish it to the War Department. Yesterday afternoon I received a telephone message from Colonel Nelson, stating that he'd been instructed to advise me to furnish the names of the agents and their local draft boards, and the War Department would have the matter attended to as desired by this Department, and....

HMJr: Well now, Chief, are they going to be given commissions or are they going to be just enrolled and then furloughed back?

W: They're going to be enrolled and furloughed back, unless some man is eligible for a commission that can get it.

HMJr: Well, you better -- so that there's no misunderstanding -- you better let - inform General Watson what's going on, because I don't - so he - he knows.

W: Yes, sir.

HMJr: You better go over and see him and tell him what's going on.

W: All right, sir. I'll be glad to do that.

HMJr: Thank you.

W: Yes, sir.



OFFICE OF THE CHIEF  
U. S. SECRET SERVICE

## TREASURY DEPARTMENT

WASHINGTON, D. C.

March 13, 1943

Memorandum for Assistant Secretary Gaston

From: Chief, U. S. Secret Service

As requested by the Secretary this morning I called on General Watson in reference to the decision to induct all Agents eligible for draft who are engaged on Presidential protection duties. The arrangements made by this Department with the War Department whereby I am to furnish the names of all eligible Agents, the local draft board address of each Agent and that they would be immediately inducted and given military furlough were explained to him. I informed him that the list of names and addresses would be in my hands and forwarded to Colonel O. L. Nelson on Monday morning in accordance with Colonel Nelson's request made to me yesterday afternoon. General Watson stated that he considered this a proper method to handle the matter and that he was in accord with same.

*ZG*

FOR DEFENSE



March 13, 1943  
10:15 a.m.

HMJr: Hello.

Operator: Sullivan.

John L.  
Sullivan: Hello, Mr. Secretary.

HMJr: John, that collector out in Cleveland, Gentsch....

S: Yes, sir.

HMJr: ....I think he's a jackass.

S: Carried by a vote of a thousand to nothing.

HMJr: Well, see if you can't get him out there to give a decent statement out today, will you?

S: Well, I talked with the Commissioner this morning....

HMJr: Yes.

S: ....and he's an old man, and the damage has been done. I doubt whether it can be straightened out. I'll talk with him again, and see if....

HMJr: Well, make - make an effort.

S: Oh, we'll make the effort, but I may - I may want to come back to you, and....

HMJr: Yes.

S: ....when I find out more about him, and he - he might make it even worse. It's the only place in the country....

HMJr: Well....

S: ....that's gone sour.

HMJr: Right. Okay.

S: Yes, sir.

- 2 -

HMJr: I'll leave it in your hands.  
S: All right. I'll call you back.  
HMJr: Thank you.  
S: Goodbye.

MEMORANDUM

March 13, 1943.

TO: The Secretary  
FROM: Mr. Sullivan

JNS

I talked with Mr. Gaston, Mr. Helvering and Mr. Schwarz about your suggestion for a new statement on the Cleveland situation.

Commissioner Helvering phoned Cleveland and learned from the Collector's assistant that today there are about 600,000 unopened pieces of mail in the Cleveland office. This is made up of a very large amount of returns that arrived this morning and a few that were left over from last night. Everyone in the Collector's office is now working on this mail, and it appears that there has been a marked turn for the better.

I gathered from the Commissioner's conversation with Cleveland that there may have been some justification for the Collector's remarks and that the remarks had a salutary effect. Messrs. Gaston, Helvering, Schwarz and I are in accord that we should not ask the Cleveland office to make any further statement on this situation today.

Any inquiry addressed to Commissioner Helvering he is to answer with the statement that we have had no complaints of this nature from anywhere other than the Cleveland district, and that a re-survey of the situation this morning indicates that the situation is vastly improved.

# The Evening Star

MAR 12 1943

## Thousands of War Workers Reported Refusing to Pay Taxes

By the Associated Press.

CLEVELAND, March 12.—Thousands of war plant workers in the Cleveland area, are assuming a "come and get me" attitude toward the income tax collector, Frank F. Gentsch, collector of internal revenue, declared today.

With the number of returns to date showing a decrease of 30 per cent from the same period last year, Mr. Gentsch said lawyers touring war plants to aid workers in filling out income tax forms reported a rebellious undercurrent.

"They tell me," Mr. Gentsch revealed, "that thousands of workers, approached on the matter of making out returns, have refused point blank. They have replied: 'Let the Government come and get me; I'm not going to file.'"

"There is only one thing left to us in those cases. That is to gather up the evidence and take it to the

United States attorney. Those who willfully refuse to file returns or who willfully fail to pay their taxes are liable to a fine up to \$10,000 or imprisonment of from 1 to 10 years, or both. Besides, we can place a lien against their property and their wages and collect.

"We are not anxious to put people in jail, but if they will not obey the law there is no alternative."

The income tax deadline is March 15.

The latest figures in the Cleveland office show 277,365 returns received up to Wednesday, a decrease of 119,106 for the comparable 1942 period.

"That decrease is even worse than it appears on the surface," Mr. Gentsch said. He explained that 907,000 filed last year, while lowered exemptions and the increase in workers' numbers was expected to boost the number who should file this year to 1,500,000.

March 13, 1943

10:15 a.m.

TAXES

Present: Mr. Blough

H.M.JR: Will you proceed, please?

MR. BLOUGH: This is a little out of date, I am sorry to say, because some things have happened since Wednesday. (Memorandum handed to the Secretary, copy attached.)

H.M.JR: That is my fault. Talk at me, will you - I don't want to read this.

MR. BLOUGH: I would rather talk at you.

You are interested in knowing what this is all about?

H.M.JR: That is it, just let's go back. I am a junior in high school.

MR. BLOUGH: You recall back in November, 1941, when you were still a junior in high school, that you went down to the Ways and Means Committee in executive session about this withholding tax?

H.M.JR: What month was that, November?

MR. BLOUGH: November, '41.

H.M.JR: Did I have a prepared statement? Didn't I have something on a piece of paper?

MR. BLOUGH: Yes, you had something on a piece of paper.

H.M.JR: Will you dig that out for me, please? I remember I had a piece of paper.

- 2 -

MR. BLOUGH: Yes. You wanted at that time a fifteen-percent withholding tax. The Ways and Means Committee was very--

H.M.JR: Didn't I want a sliding scale?

MR. BLOUGH: Not at that time.

H.M.JR: Fifteen percent?

MR. BLOUGH: Yes, fifteen percent. The Committee was very cold to it, you recall, and did not feel there was any particular necessity--

H.M.JR: May I interrupt? If anybody wrote up what happened at that meeting, I would like to get that out, too. Somebody must have written up what happened.

MR. BLOUGH: I think I wrote it up.

H.M.JR: I got turned down flat.

MR. BLOUGH: Very flat, and nothing happened then. Then in March of '42 in your statement before the Ways and Means Committee of March 3 you asked for the sliding scale up to ten percent, to be collected at the source as part of the regular income tax.

H.M.JR: Give me what I said on that, too.

MR. BLOUGH: Then there was such hostility in the Committee to the idea of a sliding scale that the situation would become substantially worse anyway, so later on the sliding part of it was dropped and they asked for the straight ten percent. I am not sure whether you personally made that or whether that was simply conveyed to the Committee by Paul.

H.M.JR: Whoever did it - let's put that in.

MR. BLOUGH: The Ways and Means Committee was worried about the amount of doubling up that would result from

adding that ten percent withholding in 1942. We then worked out a compromise with them in which in '42 it was to start at five percent and go to ten percent in '43. That passed the House. It went over to the Senate, and in your statement to the Senate you again asked for the collection-at-source mechanism in your Senate statement.

The Senate considered various arrangements, one of which was a suggestion by the Treasury that they take ten percentage points off of the '42 rates they were considering and add ten percentage points to the '43 rates and collect at fifteen percent at the source. That was mixed up in their minds with other things, and I don't know whether they ever really leveled on that, as Cooper would say, in a clear-cut fashion, but that failed by one vote in the Senate Finance Committee.

The Senate then proceeded to eliminate the collection at the source with respect to the income tax and put in the victory tax, which is a five percent collection at the source. That is what passed in Congress in 1942.

Mr. Ruml also appeared before the Senate Finance Committee in the spring or summer - I think it was June or July - of '42 and asked to have his plan accepted, forgiving 1941 taxes, going on the so-called pay-as-you-go plan. The Senate, as a matter of fact, appointed a subcommittee to look into it. Senator Clark was chairman of the subcommittee. They held hearings on it, and the subcommittee recommended the acceptance of the Ruml plan to the main committee. There are three people on the subcommittee - everybody else on the Finance Committee turned it down. They got - the final vote in the Finance Committee for the Ruml plan was three for it and eighteen or over - whatever it was - were against it - the rest of the Committee. That ended that for that time.

Then, of course, Ruml kept working during the fall and winter, and more and more people became convinced that collection-at-the-source certainly was necessary and the public mind became generally confused as to

- 4 -

what it was all about. The Republicans began to put on the heat in January for immediate consideration of pay-as-you-go taxation.

In the meantime you and Mr. Paul had had a couple of talks with Doughton - at least he had, and I think you had - in which he indicated that the Treasury was prepared at any time they wished to make suggestions as to pay-as-you-go tax legislation if they desired to do it.

When the Republicans accused the Treasury of holding things up - as they said the Treasury had done last year - the statement was issued in which it was pointed out that we had been in touch with the House leaders and that you were prepared at any time to present suggestions.

The House leadership then - the Ways and Means Committee Democrats, consisting of Doughton and Cooper and Disney and Robertson - held several conferences with Paul about the general subject, and you talked to Doughton and George, as you recall, and we had meetings with other groups around the Government here. The upshot of it was that hearings were opened on the 2nd, I think, of February, with Mr. Paul's statement - you were out at the time--

H.M.JR: It was the 2nd of February, this year?

MR. BLOUGH: Yes, February 2.

Our position was what you would call a weak, as distinguished from a strong position. I don't mean that either commendatory or critically. It pointed out the problem; it made suggestions; it didn't take any position as to what ought to be done, although it did indicate what ought not to be done.

Ruml then followed. There were two weeks of public hearings. The Ways and Means Committee then went into an executive session for another two weeks. They could not solve the problem, so they appointed a subcommittee which

- 5 -

took another two weeks or thereabouts, and they came out with a plan for collection which did not do anything about getting up to date.

The Ways and Means Committee then adopted a plan which is not pay-as-you-go, but collection at the source taxes, which is applicable to past liabilities. It is preparing to report that to the House. The Republicans, in the meantime, with one exception, have all agreed to support the Rum1 plan in the form of a bill which Mr. Carlson has introduced.

That is the legislative history up to this point.

H.M.JR: That is very well done. Could you give me the story of where Rum1 started and where he is now? Would you call the Carlson thing the Rum1 plan?

MR. BLOUGH: Yes.

H.M.JR: Could you go back to where he first approached the thing and give me the various stages it has gone through?

MR. BLOUGH: The Rum1 plan in its bare form is very simply this: He proposed that 1941 taxes simply be dropped out of the picture - that taxes on 1941 income just be dropped out of the picture - they just cease to be.

H.M.JR: That is, taxes paid on 1941 income?

MR. BLOUGH: They would just be cancelled - wiped out completely. People in 1942 would keep on paying taxes. In fact, they would keep on paying taxes, measured by their 1941 income.

H.M.JR: Measured by their 1941 income?

MR. BLOUGH: Yes, but those would be tentative payments on 1942 income. They would be counted as tentative payments on '42.

- 6 -

Then in March of 1943 under Mr. Ruml's proposal, there would be a reckoning with the Treasury; if those tentative payments were too small, there would be a deficiency owed, and that would be paid.

If those tentative payments in '42 were too large, then a tax credit would be allowed against the following year's taxes, or a refund would be paid.

H.M.JR: Are you finished?

MR. BLOUGH: That is the basic idea.

H.M.JR: Where do you get this thing of doubling up? Supposing we had forgiven '41 taxes and paid '42 on the basis of what '41 was and the adjustment in March '43 - where is all this thing coming in the people's minds that you are paying twice?

MR. BLOUGH: You aren't; under the Ruml plan there is no doubling up.

H.M.JR: At no time did he advocate a withholding tax, did he?

MR. BLOUGH: In his original presentation he didn't mention the withholding tax, as I recall.

H.M.JR: Has he up until recently?

MR. BLOUGH: Later on he adopted the withholding tax.

H.M.JR: I didn't know that. How much?

MR. BLOUGH: That is more or less immaterial as far as he is concerned. There may have been a definite figure; but he didn't, as far as I can find out, indicate a definite figure.

H.M.JR: I have never gotten through my head what difference it makes to the individual whether in '42

- 7 -

you are paying a tax on your '42 income or whether in '42 you are paying a tax on what you earned in '41. You are just going to pay so much in taxes anyway in one year.

MR. BLOUGH: If his income is the same year after year, the difference won't appear until he retires, he dies, or his income ceases to come in.

H.M.JR: It doesn't make any difference.

MR. BLOUGH: No, not in the amount he pays to the Government if his income remains the same year after year until he ceases to get his income. At that point it makes one year's tax difference. Where it makes a difference is when his income goes up or his income goes down. If his income goes up, he will be paying a little sooner on that larger income under the Ruml plan.

H.M.JR: Well now, what does the Carlson bill do?

MR. BLOUGH: Instead of forgiving '41, which was Ruml's original idea, the Carlson bill forgives '42.

H.M.JR: Completely?

MR. BLOUGH: Yes, with this exception, that for incomes above twenty thousand dollars it forgives '42 or '43, whichever is smaller.

H.M.JR: Whichever is smaller?

MR. BLOUGH: The forgiveness is the '43 income.

H.M.JR: How does that work, whichever is smaller? I don't follow that.

MR. BLOUGH: Supposing a man had a fifty-thousand-dollar income in '42, and a forty-thousand-dollar income in '43, and his tax on the '43 income at the same rates is smaller than his tax on the '42 income, under the pure Ruml plan the tax on the fifty thousand dollars

- 8 -

would be forgiven. Under the Carlson plan, the tax on the forty thousand dollars would be forgiven. If the income is less than twenty thousand dollars, then it is the '42 tax which is forgiven, regardless of whether it is the larger or the smaller.

H.M.JR: Let me ask you this: What about all this arguing as to whether the Treasury gains or loses?

MR. BLOUGH: The Treasury has never told the Committee at any time that we would take in less money in 1943 or 1944 or any specific year under the Ruml plan than under the existing law. The Treasury has pointed out that when income goes up we take in more money because we get it a little sooner. When income goes down we take in less money because the falling tax rates come into operation a little sooner since you are paying closer to the income. Instead of waiting a year for a lag, whether it is up or down, you pay a little earlier.

However, as people lose their incomes as individuals, due to retirement, due to sickness, due to the fact that they haven't had as good a year, due to death, a year's taxes are lopped off at the end of their tax-paying history, you might say.

H.M.JR: I don't get that.

MR. BLOUGH: If in '43 you are paying your '43 taxes, and not your '42 taxes, and when you come to '44 and you haven't any income, you don't pay any taxes in '44; whereas under existing law you would pay taxes in '44 on '43 income.

H.M.JR: I see.

MR. BLOUGH: In other words, under existing law you keep on paying taxes for one year longer. Under the Ruml plan that year's taxes drop out of the picture so far as money coming into the Treasury is concerned. Now, how is that made up? That is made up out of the fact that

- 9 -

a new taxpayer gets paying taxes a year sooner than he would under existing law. A man who has income for the first time in '43 or whose income is higher in '43 than it was before begins to pay more quickly, a year sooner, approximately, on that higher income than under existing law. Accordingly, we have a quicker response to new taxpayers coming in, and that is what is counted on to make up for the money which the people whose incomes decline or who die go out of the picture. There is no loss to the Treasury if we count on these new taxpayers coming in and making up so if the national income - this is an important element - if the national income remains stable or goes up, and if the distribution among people is substantially as it is, no substantial difference in taxes, then the fact that you have skipped a year and are collecting taxes a year sooner than otherwise won't affect your tax; that is, if your income remains stable.

If your income goes up - national income goes up, you get it a little sooner. If your income goes down, you lose. Now, if we should have right after the war a falling off in income, then is when we would find the Treasury taking in less money.

H.M.JR: Have we said that?

MR. BLOUGH: Yes. Everything I have just said has been pointed out to the Committee. The quotations in the papers haven't been--

H.M.JR: Excuse me - let me just say this, Roy. What you have told me is this, that if you could put the country on a current basis - I mean, psychologically, it is a much more comfortable feeling, "Well, I am paying this month on what I earn this month."

MR. BLOUGH: That is right.

H.M.JR: That is, of course, where Ruml gets his great appeal.

- 10 -

MR. BLOUGH: We would like to do that, too.

H.M.JR: Would you like to do that?

MR. BLOUGH: Oh, yes, the Treasury has come out strongly for that.

H.M.JR: You have?

MR. BLOUGH: Not for the forgiveness, but insofar as possible getting this.

H.M.JR: How can you get them current and still not forgive the rich boys?

MR. BLOUGH: Well now, there, of course, has been the rub, and that is the reason the Committee is in the jam it is in.

H.M.JR: How can you get on a current basis?

MR. BLOUGH: I think it will take a few minutes to lay the foundation for it. About ninety percent of the taxpayers never have had or don't have now incomes above the first surtax bracket. In other words--

H.M.JR: What is the first surtax?

MR. BLOUGH: Two thousand dollars above exemptions. In other words, here is a married couple with no children. They get a twelve-hundred-dollar exemption, and they get certain deductions for interest and taxes, and so on. Then the first surtax bracket of thirteen percent is two thousand dollars on top of that. If they have a net income not in excess of thirty-two hundred dollars, they never pay more than the first surtax bracket. About ninety percent of the taxpayers of the country do not pay more than that first surtax bracket.

H.M.JR: That brings them up to what income?

MR. BLOUGH: If they are married and have no dependents, it is thirty-two hundred dollars. If they

- 11 -

are married and have two dependents, it is thirty-nine hundred, and so on.

Moreover, for most of the rest of the taxpayers, in addition to that ninety percent, most of the rest of them don't have incomes so large but what that first surtax bracket rate of thirteen percent plus the normal tax wipes out a large proportion or accounts for a large proportion of their liabilities.

For instance, take a Congressman's salary of ten thousand dollars - or assuming a net income of ten thousand dollars - three-fourths of his tax is represented by that basic six-percent normal, plus thirteen-percent surtax, or nineteen percent.

Above ten thousand dollars, less than three-fourths of it is represented by that. If you get to a hundred thousand dollars, I think it is only about forty percent, perhaps less than that, perhaps thirty percent, is represented by it. There aren't very many people up there. They are usually people with property, and so on, where this is not so important.

So we made this suggestion quite early in the game. We made it to other people in the Government who were much interested in it, and, in fact, seemed to be quite in favor of it. Paul took it down to Doughton, Cooper, Disney, and Robertson. It is this: Let us start collection at the source as soon as possible at a high enough rate to cover this six-percent normal tax and the thirteen-percent surtax. They put that part of it into the bill.

H.M.JR: That would bring people current on that?

MR. BLOUGH: That would bring them current - ninety percent of them would be fully current. Ninety-nine percent of them would be at least seventy-five percent current, and there would only be the remaining one percent of the taxpayers who would be less than seventy-five percent or less than three-fourths current. You accompany those figures - I assume you would accompany that by a sort of quarterly return or other method.

- 12 -

H.M.JR: Or monthly, or both.

MR. BLOUGH: ... to get farmers, businessmen, and self-employed on the same basis, much like the Rural plan suggested as far as that is concerned, for that nineteen percent.

H.M.JR: You mean, forgive?

MR. BLOUGH: Forgive one year's taxes at the nineteen percent. Then drop out one year at nineteen percent.

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

MR. BLOUGH: I will put it this way: The amount we would collect by this collection at source--

H.M.JR: In '43?

MR. BLOUGH: In '43 we would forgive with respect to '42, so you would not have any doubling up. You would fit this new collection at the source in.

H.M.JR: You will have to give me an example. I don't understand.

MR. BLOUGH: All right, suppose we have a fellow with a three-thousand-dollar income - net income. He is married and has no dependents, so he gets a twelve-hundred-dollar exemption. He has a net income of eighteen hundred dollars, and, roughly, his tax would be three hundred dollars. We would collect at source three hundred dollars, which is his whole tax.

H.M.JR: In '43?

MR. BLOUGH: Well, to make it a little simpler, suppose we had started on January 1, '43--

H.M.JR: I was taking that for granted.

MR. BLOUGH: To make it simple we start January 1, 1943, and we collect from that fellow three hundred

- 13 -

dollars. Now in order not to double up on him we just cancel--

H.M.JR: And we would assume his income was the same in '42?

MR. BLOUGH: We would cancel his '42 tax due in '43.

H.M.JR: I get it.

MR. BLOUGH: He would start on January 1, 1943 - his 1942 liability is wiped out. He pays at the source, and he is current - he is fully current.

Doughton didn't like it, and Disney didn't like it, so in order to be as cooperative with the Committee as possible Paul didn't push it. Robertson liked it, and has been pushing it as the so-called Robertson plan.

Let me give you another example. Suppose this fellow had an income of a hundred thousand dollars instead of three thousand. Suppose that is above exemptions, just to save a little time in computing. His tax is about sixty-four thousand dollars, of which about nineteen thousand would be collected at the source.

Now the way the plan would have worked with that fellow would be this: We would start collecting January 1, and we would collect nineteen thousand dollars. We would forgive an equivalent amount on his 1942 tax, not the whole sixty-four thousand, but up to the nineteen percent. Then he would pay in '43 on '43 income at source nineteen thousand dollars, and he would pay the balance of his '42 liability in '43.

H.M.JR: So he wouldn't be doubling up either?

MR. BLOUGH: No, but he isn't current; he is current only with respect to the nineteen thousand.

- 14 -

H.M.JR: Is there any way to get him current?

MR. BLOUGH: There is the pub. A lot of people didn't like it because he doesn't get current. The only way you can get him current without forgiving all of it is to say, "Well, you pay that extra forty-five thousand dollars. You would gradually liquidate that over a five-year period."

H.M.JR: That is fair.

MR. BLOUGH: And a plan of that kind was suggested.

H.M.JR: What is that in, the Robertson plan?

MR. BLOUGH: That was not in the Robertson plan when it was originally presented. We asked for a suggested modification. We put that in the suggestion we made, that that would be spread over a period of, say, five years, and that the taxpayer would be - no, we made a little different proposition. We said this; that the taxpayer would be given his option as to whether he wanted to get current on that forty-five thousand or not. Many of them have no particular reason to get current. They have property, they are borrowing money from the Government now at zero percent interest for a year, or they have businesses and they don't know how much the income is going to be at the end of the year. So we said, "All right, if the fellow does not want to get current he can continue to be a year behind on that amount above the nineteen percent. But if he wants to get current, we will allow him a discount, say, of ten percent if he will pay in March on his previous year's liabilities. Or if he wants to do it gradually over a period, whenever he gets it paid up we will give him a ten-percent discount on his previous year's liability for paying it all up and for promising to pay on a current basis from there on."

That makes it a voluntary plan for everybody who wants it. If they don't want it, they don't do it, and they don't get the discount.

- 15 -

That means this, that for the ninety percent of the taxpayers you get them fully current, and for the others if they want to get current they can, but they will have to pay up the amount above the nineteen percent. You would give them some inducement in the form of a discount to do that. But it is optional with them whether they do it or not.

H.M.JR: I understand that. Now let me ask you this - let's take that list of those people who have an income in '42 of around five million dollars - do you have that there?

MR. BLOUGH: Yes, I think so. (List, contained in memorandum to President, dated March 4, handed to the Secretary.)

H.M.JR: What I want to say is this - incidentally, who is Swebilus?

MR. BLOUGH: I do not know, but I can have that checked in you are interested.

H.M.JR: I would like to know who he is. I know who Grace is, but I don't know who Owsley is, and I don't know who Hawley is; I don't know who C. S. Woolman is, or Countway. I would like to know who those people are.

This is what I would like to ask you. Let's take this Swebilus - these are salaries, this isn't--

MR. BLOUGH: Go back a little further to the next list.

H.M.JR: Swebilus doesn't show up in this, does he? I was just curious to know who those people are. Take these people in the five-million-dollar bracket and let's say that, for instance, that they have the same amount of income in '42. According to this plan, Ruml's plan, these people would just be able to keep that five million dollars and pay no tax on it whatsoever.

MR. BLOUGH: That is right.

- 16 -

H.M.JR: That would stay in their estate?

MR. BLOUGH: Yes.

H.M.JR: Now, the argument, as I understand it - during their lifetime they would have the use of it, but, on the other hand, if they lose it--

MR. BLOUGH: We never get anything out of it - or if they give it away.

H.M.JR: Or what else?

MR. BLOUGH: They can give it away and save on their gift tax. They may lose it entirely, in which case we never see it; and even if it goes into their estate we get just a fraction of it in estate taxes - we probably would get quite a sizable amount out of the fellow at this level. Our estate taxes go to about seventy-seven percent at the very top. We would collect from some of these people quite handsomely eventually.

H.M.JR: If they died promptly.

MR. BLOUGH: If they died fairly promptly. Mr. Dillon there in the second - a lot of that is capital gains. Mr. Ruml's plan would not have forgiven him.

H.M.JR: How about Rockefeller?

MR. BLOUGH: His is not capital gains in any substantial degree, as I understand it.

H.M.JR: I would like to see those two returns for '41, the Rockefeller and the Dillon. I don't know who S. W. Richardson is - I would like to know. But those three, I would like to see those '41 returns.

MR. BLOUGH: Now take that Rockefeller case, that case number one. We haven't analyzed that income,

- 17 -

but if that income was all ordinary income and not capital gains, his tax for '42 would be about four million six hundred thousand dollars. Under the Ruml plan that four million six hundred thousand is his. He doesn't owe that to the Government. Now if and when he dies he hasn't given it away, hasn't lost it, or hasn't given it to charity, we step in at that time and take substantially--

H.M.JR: Just a second.

(The Secretary held a telephone conversation with Miss Elliott.)

H.M.JR: What I was thinking was this: What would you think of this, of trying to get Miss Newcomer - why do you smile?

MR. BLOUGH: You have been trying that off and on for some time. I was wondering if you were having any more success now.

H.M.JR: I was just thinking - what I would like to do is - she writes so well - or have you got the time yourself?

MR. BLOUGH: It depends on what you want.

H.M.JR: What I want is this. I would like to have something prepared, in case I do get invited to go before the Senate Committee, and propose a Treasury plan on being current, just along the lines you have been talking. Then go on and get a little dramatic and say, "Now, let's be frank on this - here is a man with an income of around five million dollars. I am sure the man doesn't want to be forgiven in the middle of the war, but let's say that he did, what is the Government's position then?"

I could go on and say what could happen to them. You say the best that could happen is - let's say, he kept it in Government bonds and it was there when he died. But, let's say, he didn't - let's say he gave it away, and so forth - the various things that he could do - and why in the

- 18 -

middle of a war when our expenses are so great should we hand this man this present. Isn't it just the sort of thing we don't want? I just wonder, that is all.

MR. BLOUGH: I think for the purpose you have in mind we ought to do it, because we know more of the cross currents, and so on.

H.M.JR: I would like to have you start now, and then as I say, I want to make it - how should I put it - I want it appealing, you see. I want to explain what the Treasury's position is, and then I think that we ought to trace the history of the Treasury, what we are trying to do, just the way you told me this morning. I don't care how long it is. I think we should try to do this thing, and whether it was myself or Paul, I think we ought to start this thing - we have been conscious of this thing - and then say the other suggestions which were made. You can name them - maybe call them by name, or not - now, let's just take a look at this thing. When anybody is willing to give his life, at the same time I don't think we should hand a small group of people in the middle of the war this present, and I am sure the majority of them don't want it.

MR. BLOUGH: There is another point you might want to emphasize in that connection which the press has never gotten. It has been made several times, but they have never gotten it or else they chose not to get it. It is this, that we need - the President pointed out in the Budget Message that we need about sixteen billion dollars more - we would like more than sixteen billion.

Where are you going to get sixteen billion dollars? Obviously it is going to come from largely the lower and middle income groups; you aren't going to get it from these top groups. So if to become current you forgive or cancel some taxes for the lower income groups, you are going to get it back again when you raise these taxes; but if you forgive it for the upper income groups you are not going to get it back. So in effect, when this '42 tax is forgiven it is returned to some people in the

- 19 -

lower income groups in exchange for more taxes in '43, '44, and '45.

H.M.JR: It is terribly important. In other words, the rich group can't be taxed any higher because we are up in the very highest brackets and we can't get any more, but we turn around and make them a present of one year's income tax for them to do whatever they want with.

In the lower income group we bring them current. True, we do cancel the previous year's tax, but we come back and charge them more.

MR. BLOUGH: That is right.

H.M.JR: Paul has made that the basis of his speech up in New York the other day before the Brooklyn women.

Who writes Paul's speeches?

MR. BLOUGH: All sorts of people.

H.M.JR: Just strictly between us I don't think they are too clear. I read that one. Don't repeat that, but I don't think they are - well, I read it, and just in the room here, I was going to circulate it here, but I didn't.

MR. BLOUGH: That is the Brooklyn speech? I helped write that, so I will have to take responsibility for part of it.

H.M.JR: He didn't get over what you said here.

When can you start working on this thing?

MR. BLOUGH: I can give part of my time to the thing now. You won't need it for a little while, and I can't give my whole time to it right away.

H.M.JR: I may want to give it - when will this thing be in the House?

- 20 -

MR. BLOUGH: I should think it would be in the House next week.

H.M.JR: It will be before the Senate - that will be the proper place.

MR. BLOUGH: Then you want to talk over, I think, with Paul as to just what our position is, not so much the plan, but have we put ourselves in the position by playing the thing down in the House--

H.M.JR: Quiescent is the word.

MR. BLOUGH: By being quiescent we stopped ourselves from being too active in the Senate.

H.M.JR: I would go before Doughton.

MR. BLOUGH: Paul has a deal with Doughton.

H.M.JR: What is that?

MR. BLOUGH: Doughton will say that this plan which the House has is better than the Ruml plan, and in exchange for that his hands are fairly free in the Senate to--

H.M.JR: Whose hands?

MR. BLOUGH: Paul's hands and your hands are fairly free in the Senate to try to work out some other plan besides the Ruml plan, which maybe can be gotten through.

H.M.JR: I like this thing that you are talking about, this nineteen percent, and bringing these people current, as I understand it, and then giving the rich man five years to become current if he wants to.

MR. BLOUGH: Yes, and our suggestion would make it optional for them. They wouldn't have to if they didn't want to. Cohen, Byrnes, Eccles, Smith, and his man Colm - in fact, all the people who were here that night seemed to think that was a good stunt.

- 21 -

I would say that if we had taken a strong position on that we wouldn't have gotten anywhere on it - I doubt if we would. I think the House Committee just had to struggle around in it - it might still emerge as a compromise. Robertson is working hard on it.

H.M.JR: A speech like this takes a couple of weeks to write.

MR. BLOUGH: I will start a draft of it today.

H.M.JR: It is a good session.

March 9, 1943

MEMORANDUM FOR THE SECRETARY

The Ruml Plan

A. Major elements of the original Ruml Plan

1. Tentative payments

The taxpayer would file a return by March 15 of each year and make quarterly tax payments based on his income in the preceding year, exactly as he does under present law. Quarterly installments would be considered tentative payments on the current-year liability, not payments on the prior-year liability.

2. Annual adjustment for underpayment or overpayment in preceding year

By March 15 of each year the taxpayer would compute his final tax for the preceding year on the basis of his actual income for that year. If the final tax liability proved to be greater than the tentative payments actually made during the preceding year, the taxpayer would make up the deficiency while he was also paying his tentative tax for the current year. If the final tax liability proved to be less than the tentative payments, he would receive a credit or refund.

3. Cancellation of one year's taxes

To avoid the payment of two years' taxes in the year of transition to pay-as-you-go, taxes for one year would be cancelled. Mr. Ruml considers the cancellation of one year's taxes the "one principle" feature of his plan.

- 3 -

## B. Amendments to the original Ruml plan

### 1. Special provisions for fluctuating incomes

Taxpayers with a decrease in wage and salary income would be permitted to substitute expected current-year income for known prior-year income as the basis for their tentative tax payments.

Taxpayers with an increase in income from whatever source would also be permitted to use expected income as the basis for tentative tax payments.

### 2. Special provisions governing tax cancellation

- a. Cancellation would apply to the tax on 1942 income instead of on 1941 income as originally proposed.
- b. Cancellation would not apply to the tax on capital gains.
- c. In the case of persons dying in 1942, "or during some appropriate transition period," the amount representing the cancelled income tax would be subject to a special death tax.
- d. In the case of persons with abnormally high 1942 income, the amount of taxes cancelled would be determined by the average income during 1941, 1942, and 1943.
- e. Persons in the armed forces or in the Federal Civil Service would be given the option of cancelling the tax on either their 1941 or 1942 income.

### 3. Collection at source

Mr. Ruml has endorsed collection at source for wages and salaries, and has suggested two possible methods of adapting it to his plan:

- 3 -

- a. The taxpayer would be allowed to deduct from each quarterly payment the actual amount collected at source during the preceding quarter, or
- b. The taxpayer would be allowed to deduct from his quarterly payment an amount which would be collected at source from his wages and salaries, assuming them to be the same as in the preceding year.

C. The Treasury's objections to the Rumf plan

1. Cancellation of a full year's taxes

- a. Full cancellation of individual income taxes on the high 1942 incomes would seriously violate the principle of ability to pay:

It would bestow the greatest benefit on those best able to pay and the smallest benefit on those least able to pay. About 60 taxpayers with million-dollar incomes in 1942 would each receive a benefit of at least \$854,000. At one stroke, the Rumf plan would add to their wealth more than they could save in six years, even if they saved every cent of their income after taxes. The benefit to a person with a \$100,000 net income would be about \$64,000; to one with a \$10,000 income, about \$2,150; and to one with \$2,000, only \$140. Those who had no income in 1942 would receive no benefit at all.

It would, in effect, wipe out much of the tax increases imposed to finance the war. In the case of a person with a \$2,000 net income, it would wipe out 77% of the tax increases imposed in the last three years. At the \$100,000 level, the amount forgiven equals 102 percent of these tax increases and at the \$1,000,000 level, 320 percent.

- 4 -

It would, in effect, shift part of the tax burden from the few at the upper end of the income scale to the many at the middle and the lower end. To meet war revenue needs, tax collections have to be increased substantially. If we collect during 1943 taxes on both 1942 and 1943 incomes, the revenue required can be raised without increases in tax rates. If, however, taxes on 1942 incomes are cancelled, the needed revenue can be obtained only by raising rates on 1943 incomes. Such rate increases, however, have to be concentrated on lower and middle incomes since the rates on upper incomes are already high.

It would, in effect, shift tax burdens from old taxpayers to new taxpayers. Only those who had incomes in 1942 would benefit from tax cancellation, but all who will receive incomes after 1942 would bear the burden of the tax increases. Those who entered the armed services before 1943 would not get a full share of the benefits but would have to pay a full share of the costs when they returned to civilian life.

b. Full tax cancellation would be a psychological deterrent to the war effort:

It would be injurious to the morale of the armed forces, since it would imply economic gain rather than economic sacrifice on the home front.

It would lead people to expect lower taxes at a time when higher taxes cannot be escaped.

It would release funds which had been set aside for taxes already due and would thereby contribute to the psychology of inflation.

## 2. Technical deficiencies

Without collection at source, the Ruml plan cannot place the income tax on a pay-as-you-go basis. The tax paid in any one year would be determined by incomes received during the two preceding years. Tax payments

- 5 -

in 1944 would consist of a tentative tax based on 1943 income, together with an adjustment for overpayment or underpayment during 1943 (because of changes in income between 1942 and 1943). The Ruml plan would work satisfactorily if incomes were stable. However, in more than two-thirds of the cases, income fluctuates substantially from year to year.

Without collection at source, the Ruml plan does not make it easier for individuals to budget for taxes.

If collection at source is superimposed on the Ruml plan, the collection system would become unnecessarily complex.

With or without collection at source, both the taxpayer and the Government would have to work with two years' incomes to determine one year's taxes.

#### D. Comparison of the Ruml and the Ways and Means Subcommittee Plans

##### 1. Cancellation of taxes

The subcommittee's plan leaves the decision on how to handle the doubling up of two year's taxes when the pay-as-you-go system is adopted. The Ruml plan would cancel 1942 taxes in full.

##### 2. The pay-as-you-go plan

The subcommittee's plan like the Ruml plan is directed toward placing taxpayers on a current basis.

The technical aspects of the subcommittee's plan differ from those of the Ruml plan.

- 6 -

Wages and salaries: the subcommittee's plan would withhold 20 percent of wages and salaries in excess of exemptions. Where the full liability is not collected at source, the balance is payable currently in quarterly installments. Mr. Ruml does not specify how he would integrate collection at source with quarterly payments.

Farm income: the subcommittee's plan requires farmers to pay at least two-thirds of their estimated current liability before December 31 and the balance when the annual return is filed on March 15 of the following year. Farmers are expected to estimate their income before the end of the year. Mr. Ruml would require farmers to pay a full year's tentative tax on the basis of their previous years' income.

Other income: the subcommittee's plan requires quarterly payments on the basis of estimates of current-year income (which may be revised each quarter). The final year-end return would be filed on March 15 of the following year. Mr. Ruml would use a similar procedure, but would base the estimates on the previous year's income.

#### E. Congressman Carlson's Modifications of the Ruml Plan (H. R. 2042)

##### 1. Tax cancellation

The 1942 tax would be cancelled for persons with 1942 net incomes of less than \$20,000. For all others, the lower of 1942 or 1943 taxes would be cancelled. The plan would go into effect on July 1, 1943, and the March and June, 1943, installments would be treated as tentative payments on 1943 liabilities.

##### 2. Tentative tax payments

Taxpayers would be given the option of basing their tentative tax payments on either prior-year income or estimated current-year income. To discourage gross underestimates of current-year income, a 6 percent penalty would be imposed on the amount by which the final tax liability on the income for any year exceeds 120 percent of the tentative payments made during that year.

- 7 -

### 3. Collection at source

Taxes would be collected at source from wages and salaries at a rate of 20 percent in excess of exemptions. Taxes actually collected at source could be credited against quarterly installments of tentative tax; any balance would be a credit against the final tax.

#### F. Tax Payments under Present Law, Ruml Plan, and Ways and Means Subcommittee Plan

Taxes payable on incomes received in 1942, 1943, and subsequent years and tax payments during 1943, 1944, and subsequent years under (a) present law, (b) Ruml plan, and (c) Ways and Means Subcommittee plan are shown in Table 1 for individuals with selected incomes. These calculations are based on the assumption that the amount of income is identical from year to year. Substantial fluctuations in income from year to year would materially alter the pattern of tax collections under the Ruml plan.

Table 1

Individual income tax liabilities <sup>1/</sup> and payments, 1942 and subsequent years, under present law, Ways and Means Subcommittee plan, and Ruml plan, for selected net incomes <sup>2/</sup>

Married person - no dependents

	Tax liability on income received in		Taxes payable in		
	1942	1943 and subsequent years	1943	1944	1945 and subsequent years
<u>\$2,500 net income</u>					
Present law	\$ 232	\$ 297	\$ 341	\$ 297	\$ 297
W. & M. Subcommittee plan	232	297	436	390	297
Ruml plan	0	297	297	297	297
<u>\$5,000 net income</u>					
Present law	\$ 746	\$ 894	\$ 985	\$ 894	\$ 894
W. & M. Subcommittee plan	746	894	1,313	1,221	894
Ruml plan	0	894	894	894	894
<u>\$10,000 net income</u>					
Present law	\$ 2,152	\$ 2,467	\$ 2,676	\$ 2,467	\$ 2,467
W. & M. Subcommittee plan	2,152	2,467	3,648	3,438	2,467
Ruml plan	0	2,467	2,467	2,467	2,467
<u>\$25,000 net income</u>					
Present law	\$ 9,220	\$10,035	\$10,578	\$10,035	\$10,035
W. & M. Subcommittee plan	9,220	10,035	14,917	14,373	10,035
Ruml plan	0	10,035	10,035	10,035	10,035
<u>\$50,000 net income</u>					
Present law	\$25,328	\$27,075	\$28,075	\$27,075	\$27,075
W. & M. Subcommittee plan	25,328	27,075	40,239	39,239	27,075
Ruml plan	0	27,075	27,075	27,075	27,075
<u>\$100,000 net income</u>					
Present law	\$64,060	\$68,584	\$69,584	\$68,584	\$68,584
W. & M. Subcommittee plan	64,060	68,584	101,114	100,114	68,584
Ruml plan	0	68,584	68,584	68,584	68,584

March 9, 1943

<sup>1/</sup> Including net Victory tax.

<sup>2/</sup> Income is assumed to remain constant in 1942 and subsequent years.

March 13, 1943  
12:20 p.m.

Operator: Go ahead.

HMJr: Hello.

Lord  
Halifax: Hello.

HMJr: Morgenthau speaking.

H: Good morning. Halifax here.

HMJr: How are you?

H: I'm very well, thank you. Are you well?

HMJr: Very well.

H: Look here, I called you up because I wanted you to see Eden and he wants to see you.

HMJr: I'd love to.

H: And I - I was not - I was not proposing to ask you to allow him to dinner because you'd never get any talk to him and he'd sooner see you alone.

HMJr: Yes.

H: Would it have been possible for you to let him call and see you on Tuesday morning?

HMJr: Oh, surely.

H: Uh....

HMJr: Any time that....

H: What time would - what time would suit you?

HMJr: Any time that's agreeable to him.

H: Well, then may I - may I call you back about that, because the only thing that's holding me up, he asked me to fix him up to see Sumner Welles....

- 2 -

HMJr: Yes.

H: ....on Tuesday, and I offered him a time and I haven't been able to get him back yet.

HMJr: Yes.

H: So might I just - have adjusted that together and then call you?

HMJr: There wouldn't be any chance of getting you and Eden for lunch - would there be?

H: On Tuesday?

HMJr: Well, either Tuesday or Wednesday?

H: He can't on Wednesday, I know, as he's lunching with Litvinoff.

HMJr: Yes.

H: But I think he's - as far as I know, he's clear for lunch on Tuesday.

HMJr: Well, that would be wonderful if the - if the two of you would have lunch with me, if you think he can do it....

H: Just - just one moment. I - I have his secretary in the room with me. I'll ask him.

HMJr: Please.

H: The only difficulty, he reminds me, about that is that Harry Hopkins said something about the President might possibly either - either want him for lunch himself or possibly arrange for him to meet, or for Sol Bloom to get him to meet some of his Foreign Relations people.

HMJr: How - how about Monday?

H: Well, that was another day, I believe, that Harry Hopkins kept as a - as possible, but I would - I would think Monday is rather - is in any case short notice for them.

- 3 -

HMJr: I see.

H: So if Monday was possible for you for lunch....

HMJr: Well, I'll tell you what I'll do - I have appointments for both days but I'll rearrange them because I would like to see both of you. And - and you could make it either Monday or Tuesday.

H: Well, I - I think Monday.

HMJr: Monday.

H: If that's - that we could make - that we could make firm, if that's really possible for you.

HMJr: Oh, definitely.

H: Well, that will be awfully nice.

HMJr: Fine.

H: That he - he'd lunch with you on Monday?

HMJr: And you also.

H: You'd like me.

HMJr: Very much.

H: Well, I would like it too.

HMJr: Very much.

H: That will be very nice. All right then, we'll present ourselves on Monday.

HMJr: Around one o'clock.

H: Around one o'clock at your quarters.

HMJr: And, sir, we eat right in the Treasury.

H: Righto. That will be fine.

HMJr: That's one o'clock....

H: One o'clock on Monday.

- 4 -

HMJr:       Definite.  
H:            Thank you so much.  
HMJr:        Thank you.  
H:            Good.

- 4 -

HMJr: Definite.  
H: Thank you so much.  
HMJr: Thank you.  
H: Good.

- 4 -

HMJr:       Definite.  
H:            Thank you so much.  
HMJr:        Thank you.  
H:            Good.

March 13, 1943  
2:15 p.m.

HMJr: Hello.

Secretary  
Frank Knox: Hello, Henry.

HMJr: Well, I was sorry to have missed out on you.

K: I'm awfully sorry you couldn't come, because it was a wonderful affair. It went off amazingly well, and they were surprisingly successful. They got \$63 million dollars.

HMJr: Good heavens! Well....

K: They wanted to put \$2 million more after the party began. Somebody took \$2 million dollars in bonds.

HMJr: Well, I was at the airport at one o'clock yesterday. At 12:30 they told me I could go, and at one o'clock the airport control said, no, they wouldn't clear any flights for Atlanta.

K: Well, it was just too bad.

HMJr: And I was very....

K: Rather, it was a - a gorgeous affair and you would have enjoyed it very much, and the crowd was very sympathetic....

HMJr: Yes.

K: ....and very full of enthusiasm.

HMJr: You came over very well.

K: Oh, did you listen to it?

HMJr: Oh, sure.

K: Uh huh.

HMJr: Very good.

- 2 -

K: They cut me off, I guess, about the last paragraph....

HMJr: Something like that.

K: ....but that was all right.

HMJr: But it came over very well.

K: That's good. Well....

HMJr: Well....

K: ....every - I left everybody happy down there and brought your man, Gamble, back with me.

HMJr: Oh, did you?

K: Yeah. We had a nice flight up this morning. Got in here in two hours and a half.

HMJr: He's a nice young fellow.

K: Yes, he is, fine.

HMJr: Well....

K: And Allen down there who's - Marion Allen, I think it is....

HMJr: Oh, yes.

K: He's a very good man. He's your - chairman of your committee.

HMJr: Yes.

K: I forgot now what you call it....bond sales work.

HMJr: Well, I hope I have better luck next time.

K: I hope so. Maybe you can plan to go to Indiana with me. I've got a tentative acceptance to go there. They're raising money for the Vincennes.

HMJr: I see. Well....

K: That's some time between the 1st and the 15th of April.

- 3 -

HMJr: Well - well, when you get the date, let me know.

K: I will. I will, Henry.

HMJr: Thank you.

K: All right. Goodbye.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE March 13, 1943

TO Mrs. Klotz  
FROM Secretary Morgenthau

I think Mr. Brown of O.P.A. wrote me a letter asking me whether I wouldn't help investigate people who broke their laws, and I replied that I wouldn't. I wish you would look up the letter and bring it to my attention, please.

*Let Anne come with Brown 3/13/43*

March 13, 1943  
2:29 p.m.

Operator: Prentiss Brown.  
HMJr: Hello.  
Operator: Go ahead.  
HMJr: Hello.  
Prentiss Brown: Hello.  
HMJr: Morgenthau speaking.  
B: Yes, this is Prentiss Brown.  
HMJr: How are you?  
B: Good.  
HMJr: Mr. Brown, the purpose of my call is this. I've been thinking over this question of black markets and meat and that sort of thing, that you wrote me about some time ago.  
B: Yes.  
HMJr: And if you would like us to try some of these cases where there are big gangs involved, I'd be glad to see what we could do to help you.  
B: Well, that's fine.  
HMJr: I mentioned it yesterday to the Attorney General - I mean in front of the President - what he was doing, and he said, "Nothing" and that they didn't want to touch it, you see?  
B: Yes.  
HMJr: But I was up in New York overnight and I - from what I gather the thing is so flagrant, and we do have the technique - I mean now on - I mean some of these wholesale butchers or something, I take it that....  
B: Yes, I see.

- 2 -

HMJr: ....that comes under you, doesn't it?

B: Yeah, that's right. Who would be your - your top man on that?

HMJr: Elmer Irey.

B: Oh, yes, I know him.

HMJr: Yeah, he coordinates all that for us.

B: I-r-e-y.

HMJr: That's right.

B: Well, that's good news. I'm glad to have you tell me that, and I appreciate it. It just happens Mr. Emerson is here right now....

HMJr: Yes.

B: ....and I'll have him get in touch with Irey.

HMJr: Do that - and now so-just so you don't - (laughs) I mean I - I'm not - I don't want to shoulder the whole thing, but....

B: No, I understand.

HMJr: But on some of these, if you have - if you're suspicious or think that the wholesale butchers or something like that - and that's what I heard up in New York....

B: Yes.

HMJr: ....are doing this thing in a big way, we'd - we'd be glad to take on the investigation for you.

B: All right. I'll turn that information over to Emerson, and he'll - he'll see Irey next week some time.

HMJr: In my ignorance, I don't know who Emerson is.

B: He's our top enforcement man.

- 3 -

HMJr: I see.

B: That's his problem here....

HMJr: I see.

B: ....under me.

HMJr: Well....

B: Much obliged. How are you?

HMJr: I'm all right.

B: That's good.

HMJr: Hope to see you....

B: I hope I see you before very long.

HMJr: I hope so.

B: I was over to lunch when you were not there a few weeks ago.

HMJr: Oh.

B: Had a very pleasant time, and when I can help you on your - up on the Hill, be sure and call on me.

HMJr: Well, I - we need help always.

B: (Laughs) All right.

HMJr: Thank you.

B: Thank you.

HMJr: Goodbye.

March 13, 1948

Dear Mr. President:

I am enclosing a memorandum in regard to your press conference yesterday. I am also enclosing a memorandum from Mr. Paul regarding your telephone conversation with him Thursday evening.

Faithfully yours,  
(Signed) H. Mergenthau, Jr.

Secretary of the Treasury

The President

The White House

*Sent by Secret Service 10:30 P.M.*



REP:s

March 13, 1943

Memorandum to the President:

In your press conference yesterday, you were quoted as answering in the affirmative the question as to whether the Treasury would collect this year less than last year under the Ruml plan. For your information in connection with future inquiries, I think I should point out that the Treasury might not collect less under the Ruml plan in the fiscal year 1943 than under existing law and would probably collect just as much or perhaps more in the fiscal year 1944. It would probably collect as much or more in the latter fiscal year because of the expected higher general level of incomes in 1943 and 1944.

The reason why the Government might collect less under the Ruml plan than under existing law in the fiscal year 1943 is that the Ruml plan has a relief provision which permits persons with lower incomes in 1943 than 1942 to reduce their 1943 payments below what they would pay under existing law in 1943.

The main point you emphasized in your press conference is completely justified. Higher bracket taxpayers would "save a good deal of money under the Ruml plan." This is the real objection to the Ruml plan, not the fact that less cash comes into the Treasury. The plan is prejudicial to the lower and middle income brackets because it distributes to these brackets the load of taxes from which the upper brackets are relieved.

(Signed) H. Morgenthau, Jr

REP:s

*HM*

March 12, 1943

MEMORANDUM FOR THE SECRETARY

From: Mr. Paul

I could not get to Congressman Jere Cooper Thursday evening but I saw him Friday noon regarding the matters mentioned by the President in his telephone call to me last evening. I have an appointment to see him at greater length Saturday noon.

I understood the President to suggest that it might be desirable to leave the income tax as it is and add an additional 20 percent withholding tax as an extra tax for five years. If the President meant simply to collect 20 percent more from each taxpayer each year for five years and thus collect 100 percent of an additional year's liability by the end of that time, a similar idea was considered by the Committee, but was discarded on the ground that it resulted in too much postponement and doubling up of taxes, especially in the higher brackets.

However, the President may have had in mind a withholding tax of 20 percent of income above exemptions to be added for five years to the present tax structure. Such a tax would double the taxes on the lower brackets and would constitute a flat rate addition to our progressive rate structure, which might not be deemed a desirable distribution of the additional tax burden. Also it would not result in a current collection system after the five years, though some way might be found to transfer the collection at the source device to the regular tax at the end of the five-year period.

We are continuing to study these and other interpretations of the President's suggestion. We are in full sympathy with your thought that any plan should be as simple as possible.

RB:REP:mv

WAR  
SAVINGS STAFF

## TREASURY DEPARTMENT

WASHINGTON

March 13, 1943.

TO: The Secretary of the Treasury

FROM: James L. Houghteling

In the matter of getting a "sampling" of income tax practice in various labor unions throughout the country, as requested by you last Wednesday, I have enlisted the help of President Green of the A. F. of L., national officers of the C.I.O., and Secretary Luhræn of the Railway Labor Executives' Association. I also contacted the presidents of a number of international labor unions having headquarters in Washington. All of these labor officials, without exception, promised cooperation. I also contacted field representatives of the Labor Section of the War Savings Staff in Boston, Chicago, Atlanta, Jacksonville and Los Angeles. I believe that everything is set for the taking of a poll on Monday afternoon in at least one hundred labor union locals in different centers of population, which will enable Commissioner Helvering to determine the percentage of members claiming exemption from all income tax, the percentage who will have filed a return by midnight Monday, and the percentage who have obtained tax return forms but are still working on them. With these three percentages supplied by telegram to the Commissioner on Tuesday morning, it will be possible to determine in addition the percentage of union members who are taking no steps to handle this new problem.

James L. Houghteling

FOR DEFENSE

BUY  
UNITED  
STATES  
SAVINGS  
BONDS  
AND STAMPS

March 13, 1943.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Rogers of O.W.I. tells me that the radio tax plugs started on Thursday, the day we discussed it in your office. Agreements to use the plugs that day included the following: Major Bowes Amateurs, Maxwell House, Lum and Abner, Good Old Days. Additional agreements for Friday were: Mystery Stories, The Goldbergs, The Thin Man, Boake Carter, Cities Service, People Are Funny. For Sunday: One Man's Family, Charlie McCarthy, Take It or Leave It.

Rogers will have a more complete report for us on Monday.

*M.S.*

March 13, 1943

Chio Schwarz

Secretary Morgenthau

Did they ever finish the picture that I made for O.W.I. in connection with the German pictures? If the picture has been made, I would like to see it this morning -- see myself in it anyway, that part of it.

Let me know, please. *See Schwarz's memo of 3/13/43-*

This is in answer to the dictaphone memo  
w'ch the Secretary sent Mr. Schwarz this  
morning.

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

The film and sound track which you made to precede the captured German pictures is in New York being circulated among the newsreels by OWI. They are asking New York to ship prints down here and promise them early next week. I'll deliver them to the projection room and notify you of their arrival.

@ 3/13

March 13, 1943

TO: Mr. Mack  
FROM: The Secretary

The idea is good, but the poster is inadequate and I suggest that they try to improve it.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

March 13, 1943

OFFICE OF THE DIRECTOR

MEMORANDUM TO THE SECRETARY:

It is proposed to use the attached poster, subject to OWI clearance, as one of the approaches in a campaign to inform the employees of the importance of their work to the war effort. This poster is the result of a suggestion by John Holmead, one of our Commodity Group Chiefs, that it would be of interest to the employees if they knew what the Procurement Division is doing insofar as purchasing materials used for the construction of the Mosquito Bomber is concerned.

The objective is to let the employees know, when they read of the spectacular and constant bombings of Germany by the Allied forces using the de Havilland Mosquito Fighter-Bomber, that they had a part in making it possible.

Also, I am planning to spend fifteen minutes in each section of the Procurement Division every few days to briefly outline to the employees the relation of their seemingly routine tasks to the war picture. I am convinced that the results will be very satisfactory. Subject matter is now being developed for other similar posters.

*John L. Mack*  
John L. Mack  
Director of Procurement

*4/2/43  
- 1/2/43  
- 1/2/43  
- 1/2/43  
- 1/2/43*



(37861)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

March 13, 1943

TO Secretary Morgenthau  
FROM Randolph Paul

I have given considerable thought to the subject of the conversation you had the other day with Mr. Gaston and myself as supplemented by your conference with me during our walk on March 10, 1943.

In this memorandum I want briefly to indicate certain aspects of the problem which I think should be given careful consideration.

Let me say at the outset that I can appreciate the inconvenience caused you by my frequent absences on the Hill and elsewhere in connection with tax problems. Of course, this did not occur where you had a General Counsel who was not involved in tax matters and you were then able to secure more personal attention from the General Counsel than you are under the present arrangement. However, you have very generously understood that it is impossible for me to do better by way of giving you more personal attention than I am now doing.

My best thought on the subject after our two conversations and a good deal of thought is that you should rely upon some specific one of the Assistants General Counsel in my absence -- a certain Assistant in whom you have confidence being specifically designated for the purpose. If the one so designated does not satisfy you, we can make a redesignation. I feel quite confident that either Mr. Lynch or Mr. Roth would fill the bill. Mr. Lynch has the advantage of having a good deal of experience in Washington, which is one of the points you made.

My reasons for the above suggestions are as follows:

1. I think it would be unfortunate to divide up the legal work of the Treasury into two departments. With the best of good will, there would be jurisdictional difficulties and an inevitable lack of coordination.

- 2 -

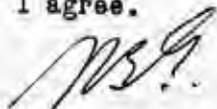
2. Insofar as you are interested in advice on non-legal matters or matters on the border-line between law and policy, I would like to see the General Counsel's office in on the job. I would not like to see the General Counsel's office functioning on any narrow legalistic basis, but rather on the broader basis of tackling problems, if you desire, irrespective of whether they are strictly legal problems.

3. I doubt if an Assistant to the Secretary with legal qualifications would be a satisfactory solution. If he attempted to solve legal problems he would be another general counsel's office (see 1 above); if he did not do so he would not be adequately serving you.

4. As you have agreed, the important thing is the man rather than the title. For this reason it seems to me better from the standpoint of organization to use an Assistant General Counsel, seeing to it that the Assistant General Counsel used can work satisfactorily with you.



I agree.



FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Year 1

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

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

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

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

STRICTLY CONFIDENTIAL

Last Week										Today	Description	This Week																	
Monday		Tuesday		Wednesday		Thursday		Friday		Saturday		Full Week <sup>1</sup>		Mar. 7	8		9		10		11		12		13		Full Week		
A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
I. Summary																													
Marketable issues:																													
Market purchases.....																													
Market sales.....																													
Direct purchases from Treasury.....																													
Maturities.....																													
Special one-day certificates:																													
Net change.....																													
Total net increase (+) or decrease (-).....																													
Wednesday report of total portfolio.....																													
5090.1																													
II. Taxable securities																													
Bills - all issues combined																													
Market purchases.....																													
Market sales.....																													
Maturities.....																													
Total net increase (+) or decrease (-).....																													
Certificates																													
1 5/8% C - 5-1 45																													
2 7/8 B - 8-1 45																													
3 7/8 D - 11-1 45																													
4 7/8 B - 12-1 45																													
5 7/8 A - 2-1 44																													
Special one-day certificates.....																													
Treasury notes																													
1 3/4 B - 3-15 45																													
2 1-1/4 C - 3-15 45																													
3 3/4 A - 12-15 45																													
4 1 A - 3-15 46																													
5 1-1/2 B - 12-15 46																													
Treasury bonds																													
1 2% - 3-15 46-50																													
2 1-3/4 - 7-15 46																													
3 2 - 5-15 46-51																													
4 2 - 9-15 46-51																													
5 2 - 12-15 46-51																													
6 3 - 3-15 50-52																													
7 2 - 12-15 51-55																													
8 2-1/2 - 3-15 52-54																													
9 2-1/4 - 5-15 52-55																													
10 2-1/2 - 3-15 56-58																													
11 2-1/2 - 5-15 58-57																													
12 2-1/2 - 12-15 53-58																													
13 2-1/2 - 3-15 57-72																													
Guaranteed securities																													
1 5% 1-1/8 C - 2-15 45																													
2 4% 1-1/8 F - 7-15 45																													
3 4% 1 W - 4-15 44																													
All taxable securities																													
Marketable issues:																													
Market purchases.....																													
Market sales.....																													
Direct purchases from Treasury.....																													
Maturities.....																													
Special one-day certificates:																													
Net change.....																													
Total net increase (+) or decrease (-).....																													

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

<sup>1</sup> Less than \$10,000.

1/ Purchases and sales recorded as of day of transaction and 2nd 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.

Note: Data are rounded and may not add to the totals.

x Original figures revised.





OFFICE OF THE CHIEF  
U. S. SECRET SERVICE

## TREASURY DEPARTMENT

WASHINGTON, D. C.

March 13, 1943

Memorandum for Assistant Secretary Gaston

From: Chief, U. S. Secret Service

In accordance with arrangements made by the President I called on Vice President Wallace this morning to discuss a protection detail to accompany him to South America. Mr. Wallace furnished me with an itinerary of the trip which starts March 16, 1943, and calls for his return to Washington on April 25. I arranged to take Supervising Agent Boos to Mr. Wallace's office to meet him on Monday and to discuss further details.

A handwritten signature in dark ink, appearing to be "J. Edgar Hoover", written in a cursive style.

FOR DEFENSE



BUY  
UNITED  
STATES  
SAVINGS  
BONDS  
AND STAMPS

March 13, 1943.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

The following communications were received today from Director Hoover of the F.B.I., addressed to the Secretary of the Treasury for the attention of Mr. Klaus:

(1) Bank balances of Russian Government accounts at the Chase National Bank, February 26.

(2) Report of F.B.I. Special Agent concerning a French alien employed by the French Line, for our information; also report of F.B.I. Special Agent regarding one Rudolph Wullen, of interest to Foreign Funds Control.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAR 13 1943

TO Secretary Morgenthau  
FROM Randolph Paul

Following your suggestion, there is attached a draft of a booklet about the United States currency program, which has been prepared in Foreign Funds Control.

For some time we have had notices posted in airline and shipping terminals warning people about our restrictions on currency imports, and several press releases have been issued explaining our program. We still find, however, that people traveling to and from the United States are not fully aware of our controls or of the purposes for which the controls were established.

This is a field in which Foreign Funds Control regulations affect American citizens and others not ordinarily familiar with them, and we feel that it would be desirable to have a somewhat less formal statement of the program which could, for instance, be handed to all persons obtaining passports for overseas travel. The proposed booklet is designed to be used for this purpose.

If you approve, we will proceed to have copies printed and distributed.

This procedure has the approval of Mr. Bell and Mr. White.

Mr. Nager cooperated in the preparation of this draft of the booklet.

Approved:

*John P.*

*NSP*

## TO AMERICANS GOING ABROAD

If you are going abroad, for your own protection and for the protection of your country, you should not carry with you any United States currency.

To finance your trip abroad you should:

- (1) Transfer funds to foreign countries through regular banking channels, and
- (2) Carry travelers checks, or travelers letters of credit.

In returning from abroad, avoid carrying currency into this country and save yourself from the possibility of having such currency seized.

Restrictions on importation of currency into the United States. The following regulations are in effect with respect to importations of currency into the United States by travelers:

1. Persons entering the United States from any foreign country (except persons coming directly to the United States from Mexico or from Great Britain, Canada, Newfoundland, or Bermuda) may bring in only \$50 or its equivalent. Any amount in excess of \$50 must be surrendered to customs authorities. (This \$50 exemption may not be obtained by the encashment after arrival in this country of any bill of a denomination larger than \$50. Thus, if you

- 2 -

enter the United States with only a \$100 bill in your possession, no exemption will be allowed you.)

2. Persons entering the United States from Mexico may bring in only United States two dollar bills and minor coins, and Mexican currency. Currency of any other kind or denomination must be surrendered to customs authorities.
3. Currency surrendered to customs authorities pursuant to the regulations described above is delivered to a Federal Reserve Bank where it is held until such time as the Treasury Department issues a license authorizing its release. Persons seeking release of such currency must file an application for a license setting forth facts, supported by documentary proof, concerning the origin of the currency, the place and manner of its acquisition, the rate of exchange at which it was acquired, and other relevant facts.

It is in your own self-interest to refrain from carrying United States dollar currency into foreign countries. In most Latin American countries, local laws severely restrict the importation of dollar currency or require its surrender. As a result, dollar currency in those countries can be disposed of only on the "black market" and sells far

- 3 -

below its true value. In European countries its value has also declined, largely as a result of the importation restrictions on currency which this Government itself has imposed. If you take United States currency abroad, therefore, you run the risk of having to surrender it in countries imposing import restrictions or having to exchange it for local currency at a disadvantageous rate.

If you are going only to Mexico, there is no objection to your taking United States two dollar bills and minor coins; the taking of any other kind of United States currency to Mexico is prohibited, both under United States law and Mexican law.

It is in the interest of the United States Government that dollar currency should not be carried into foreign countries. European countries and Latin American countries are already deluged with "tainted" dollars-- American money serving the designs of the Axis. These accumulations of United States currency, which had been derived from international financial transactions, from remittances to the families in Europe of immigrants in the United States, and from purchases of dollars as a safe and liquid investment by persons abroad who feared the outbreak of war, became part of the loot of Axis conquest. The enemy has tried to use those dollars against us. A dramatic example is the

- 4 -

case of the eight Nazi saboteurs who had been furnished by their Axis principals with \$187,000 in United States currency for their proposed inimical activities in the United States.

By carrying dollar currency abroad, Americans hamper the attempts of the Government to isolate this looted currency and to destroy its marketability. Most of the Latin American countries which have imposed controls on the importation and circulation of United States currency have done so at our request and as a cooperative measure in the effort to defeat our common enemy. Americans should in turn cooperate with those countries by not carrying United States currency with them when going abroad.

For the protection of the United States, Americans should not only refrain from taking dollar currency abroad, but should also refrain from purchasing it abroad, even though the rates are favorable. Such currency is very apt to be of Axis origin; and its purchase may assist Germany, Italy, and Japan in obtaining foreign exchange with which to purchase the goods and services that will be used against us.

The object of this aspect of our economic warfare against the Axis is to isolate the Axis powers, to prevent their obtaining from the outside world the strategic

- 5 -

resources they so desperately need, and to make them fight with the limited resources at their command. By keeping our dollar currency at home, by refusing to support dollar currency markets abroad, by controlling the import of currency into this country, we can assist in the achievement of this object-- thus making it more difficult for the Axis to pay its agents for espionage and sabotage, and interfering with the production of the Axis bomber before it is a bomber, the Axis tank before it is a tank, the Axis submarine before it can go to sea.

Your Government wants you to realize how important currency control is as a weapon on the unseen front of economic warfare. It urges you, for your own protection and for the protection of this country, not to carry dollar currency abroad, not to purchase it in other countries and not to bring it back into this country. The Treasury Department intends to continue to enforce strictly the regulations on importation of dollar currency into the United States.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 13, 1943

FROM Frances McCathran

## CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Salary Limitation - By a vote of 268 to 129, the House passed and sent to the Senate yesterday the Debt Limit Bill with the controversial rider nullifying the President's blanket limitation of all salaries to \$25,000 after taxes. Instead, the rider proposed by Representative Disney would limit all salaries to their pre-Pearl Harbor levels or to \$25,000 net. The object of this measure, according to Disney, was to prevent the amassing of war-time fortunes, yet at the same time place no ceilings on high salaries which started before the war. However, Administration supporters argued that the Disney salary standard was too lax, definitely inflationary, and that its passage would make even more difficult attempts to curb wage increase demands. During the debate yesterday another Administration objection--that a purely political rider should not be tacked on to a vital war measure--was ignored by the House after two attempts by Representative Cooper failed. First, Cooper moved to strike the salary limitation section from the bill completely, but, on losing that, moved that the House recommit the entire Debt Limit Bill with instructions to eliminate the Disney Rider. Since the minority has the prerogative on the one motion allowed to recommit, however, Representative Wolcott, simply to prevent Cooper's motion, moved that the bill be sent back to the Committee for the purpose of reducing the debt limit from 210 billion to 200 billion, a political maneuver which the House laughingly voted down, as he intended it should. Other amendments, offered by Representatives Smith and Gearhart, were also turned down. General consensus of opinion is that the Senate will consider the measure promptly and that its passage there is also pretty certain. Senator George, Chairman of the Senate Finance Committee, which will first receive the measure, has already stated that he agrees with the Disney Rider "in principle."

2. Tax: Pay-As-You-Go - The House Ways and Means Committee yesterday approved a plan whereby a taxpayer would receive a percentage discount for paying taxes on his estimated year's income in advance. The advantage of this, according to supporters of this "compromise plan," would be that the taxpayer would have the option of putting himself on a pay-as-you-go basis. But the amount of "doubling up" necessary to achieve this, is discussed in this morning's Wall Street Journal: "...A taxpayer in 1943 theoretically would be entitled to pay his 1942 tax on March 15, his 1943 tax on June 15, receiving a 3% discount; and on July 1 the withholding tax--previously approved by the Committee--would commence operating and the deductions applied against 1944 liability."
3. Post-War Planning - As President Roosevelt again insisted at a press conference yesterday that post-war planning must be done now, Congress, which is said to have received his Social Security plans, prepared by the National Resources Planning Board, somewhat coolly, yesterday appointed their own committee to study the problem. Headed by Senator George, the 10-member committee made it clear that while it will give the President's proposals careful consideration, it will also consider other methods of dealing with post-war problems. Also indicating that whatever planning is done should be done under the supervision of Congress, the Senate passed yesterday the Deficiency Appropriations Bill minus \$200,000 requested for the National Resources Planning Board.

U.S. SECRET  
BRITISH MOST SECRET

COPIE NO. 15

OPTEL No. 82.

Information received up to 7 a.m. 13th March, 1943.

1. NAVAL.

Early this morning our light forces attacked a convoy off the Dutch coast and claimed 3 hits. One of H.M. Submarines is overdue from patrol and must be presumed lost.

2. MILITARY.

Tunisia. 11th. 8th Army. In the Ksar Rhilane Area the enemy has withdrawn northwards having lost a number of vehicles and 7 guns. First Army. 3 enemy attacks against our positions in Tamers Area were all repulsed -- and a few prisoners taken. In the central Sector a French reconnaissance force supported by tanks reached the hills 13 miles north of Pichon. After capturing some prisoners it withdrew under orders.

3. AIR OPERATIONS.

Western Front. 11/12. Stuttgart. 769 tons of bombs were dropped including 130 4,000 pound high explosive. Weather good no cloud but some ground haze and smoke. Main force attacked from 1045 to 1150 p.m. early bombing somewhat scattered but became more concentrated later producing many good fires which joined up into a fierce conflagration. Anti-aircraft moderate and few searchlights but fighters were operating over the objective. One Halifax shot down a Messerschmidt 109 over Eastern France. 12th. 63 Fortresses attacked Rouen Railway centre. 11 Mosquitoes one missing bombed an Engineering and Armament Works near Lille obtaining hits on several important buildings. Enemy activity overland comprised 24 aircraft over Essen during the morning and 6 over Devon in the afternoon. R.A.F. Fighters on interception escort and sweep operations inflicted casualties 8.3.10. One Spitfire missing. Beau fighters destroyed a German aircraft over the Bay of Biscay. 12th/13th. Following aircraft despatched - Essen 457 (23 missing), Sea-mining 9, Leaflets 7, "Intruders" 7. Preliminary reports Essen - "Pathfinders" operated punctually and accurately in clear weather. A big concentration of fires resulted with 2 notable explosions and a large flash seen from the Dutch coast by the last returning aircraft. Our bombers claimed 2 enemy aircraft destroyed and our "Intruders" one. 12 enemy aircraft attacked Tyneside Area. One was shot down by a Night-fighter.

Mediterranean. 12/13. Our aircraft torpedoed a tanker off North-West Sicily.

4. HOME SECURITY. 12th. About 7.30 a.m. bombs were dropped and machine-gunning took place in the outer eastern suburbs of London, Ilford, Barking and Dagenham, 46 fatal casualties estimated. 12/13. 10 persons killed in Newcastle area.

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRET  
U.S. SECRETOPTSEL NO. 85

Following is supplementary resume of operational events covering the period 6th - 13th March, 1943.

1. NAVAL.

A convoy of 26 ships from North Russia arrived in Icelandic waters. The Home Fleet provided cover and escort. In attacks by U-boats one ship was sunk and two others torpedoed. Twelve Junkers 88 also attacked unsuccessfully. Photographic reconnaissance has shown that three German Destroyers have arrived at Bordeaux. "Tirpitz" with two Destroyers and two torpedo boats was reported outward bound from TRONDHEIM on morning 11th. Considerable activity by light craft of both sides in southern North Sea and Channel. Convoys arrived at Malta and Tripoli (L) during the week.

BLACK SEA. There is considerable movement of small craft westwards across the Kerch Strait.

SUBMARINE WARFARE. February figures of losses by enemy action at 308,000 tons, although higher than December and January, were only about half the monthly average March-October, 1942. Eighty-two percent of the February losses due to U-boats in Atlantic. 12 tankers were sunk totalling 96,000 tons. Of 33 attacks reported on U-boats during week ending 10th March, 15 by aircraft 18 by ships, 7 attacks considered promising. Reports confirm extent of dislocation and disorganization suggested by photographs at both LORIENT and ST. NAZAIRE U-boat bases following recent heavy air attacks.

SHIPPING CASUALTIES. During the week 6th to 12th 38 ships reported torpedoed. In the North Western approaches one British ship (reported salvable), one Norwegian and 3 United States ships in home-bound convoy 900 miles west of LANDS END; 2 British ships (one a tanker) south of CAPE FAREWELL in the ICELAND (C) area; one Norwegian, one United States and 3 British ships (one salvable) in homebound convoy, one United States ship (stern of which still afloat). In another convoy one British and one Yugoslav (straggler from convoy) and one Norwegian tanker and one United States ship independently routed. In the South Western Approaches four British ships sunk in homebound convoy west of CAPE ORTSKAL and two British ships (one taken in tow) in outward convoy southwest of CAPE ST. VINCENT. One British ship also sunk southwest of SAN MIGUEL 27th February. 7 United States ships and one British ship torpedoed in convoy east of GEORGETOWN. A Honduranian ship west-north-west of CUBA, and a Brazilian ship southeast of BAHIA BRAZIL. Two British ships torpedoed in the MEDITERRANEAN but both reported afloat. In the SOUTH INDIAN OCEAN, one British ship torpedoed southeast of MOSSEL BAY and in the PACIFIC a Dutch ship torpedoed west of PORT MORESBY.

TRADE. Imports in convoy into United Kingdom week ending 6th 868,000 tons including 393,000 oil.

2. MILITARY.

RUSSIA. Axis satellite forces. Two Satellite Divisions considered equivalent one German Division.

- (A) Italian. Expeditionary Force originally 10 Divisions. 3 were completely destroyed and remainder claimed as routed by Russians. Estimate that not more than half original force survives and no formations for fighting likely to be available until considerable reorganization has taken place. Italian Division smaller than British Division.
- (B) Hungarian. Expeditionary Force originally consisted equivalent 10 Hungarian Divisions with light armoured formations. Four at least virtually annihilated and remainder badly battered and not fit for action till fully reorganized. Approximately half original force survives. Hungarian Division smaller than British Division.

- (c) RUMANIAN. Expeditionary Force originally consisted equivalent 21 Rumanian Divisions. 2 destroyed at STALINGRAD, 5 reported practically eliminated and 4 reported so severely battered on DON BESS that only one Division could be formed of remnants. Six Divisions described as routed by Russians. Present Rumanian Forces in RUSSIA may amount to equivalent 10 Rumanian Divisions of which only 3 are in rear areas and have done little fighting. Two only remain in ROMANIA. Rumanian Division smaller than British Division.

GERMAN DIVISIONS, FRANCE and LOW COUNTRIES. Indications that further Divisions may be moving east and that some new Divisions are forming in BRITANNY. Total number now 30 - 2 armored (of which one refitting), 2 SS formations, and 26 Infantry Divisions, compared with 49 at beginning of January.

NORTH AFRICA. 18th Army Group has been constituted under command of General Alexander to command all Allied Troops engaged in clearing the Axis from TUNISIA. The subordinate commands are: 1st - Army (Lieutenant-General I. Anderson) consisting of British 5th Corps (Lt.-General Alfrey) and French 15th Corps (General Juin). 2nd - United States Corps (General Fredendall) Eighth Army (General Montgomery) consisting of 10th and 13th British Corps.

Note: These formations are not rigid, for instance, there are United States and French Troops operating under command British 5th Corps and also British and French troops operating under command of 2nd United States Corps.

Estimated enemy combatant strength. No change number enemy divisions in TUNISIA as a whole, but new clear Armored Forces previously employed FAID-SHREVIYA area took part in recent operations at MARETH. Estimated serviceable tanks, approximately: (A) Arnim's Army - 40 German.  
(B) Rommel's Army - 120 German  
30 Italian.

BURMA. ARAKAN COAST. Japanese strength now estimated 3 Bataibans, resulting in increased activity. The position on the MAYU PENINSULA is unchanged. In the RATHEDAUNG area, as a result of Japanese movements in the hills northwest of the town our troops have formed a defensive flank facing east. An enemy attack during the night 10th/11th on the left of this offensive flank caused an orderly withdrawal of our forward troops. On the east bank of the MAYU RIVER an enemy force has succeeded in infiltrating through the SANGROVE and is directly in rear of our positions facing RATHEDAUNG. Counter attacks to dislodge this force have failed. The Japanese captured KYAUKTAW in the KALADAN VALLEY on the night 6th/7th. Our troops have withdrawn to the RATHEDAUNG area.

UPPER BURMA. Kachin Levies are being reorganized on positions 12 miles north of SUKPRABUM where on the 11th they engaged the enemy, inflicting casualties.

CHINA. Japanese anti-guerilla operations in Central China now apparently ending. Chinese claim advances, but similar operations have occurred regularly for last three years, usually in Spring or Autumn and have had no military significance other than interference caused to supply lines and usually have had seizure of crops as principal objective. In northwest YUNNAN Chinese forces on SALWEEN, north of TINGYUEN, have disintegrated in face of an all Japanese drive.

### 3. AIR OPERATIONS.

WESTERN FRONT. Day. Successful attacks by United States Bombers on LORIN, REMUS and ROUEN. United States Thunderbolt Fighters (P.47) operated for first time in offensive sweep. Royal Air Force Mosquitos continued attacks on industrial objectives in occupied territory and GERMANY.

Night. Bomber sorties 1595, with 62 losses. 4 main attacks NUREMBERG successful, MUNICH successful. STUTTGART heavy attack, but somewhat scattered, ESSEN outstanding success. 38th sea mine laid. German Air Force flew about 150 sorties against United Kingdom and lost 24 aircraft.

-3-

MEDITERRANEAN. Both in TUNISIA and in SICILY-SOUTHERN ITALY area weather was unfavourable. Our main activity in TUNISIA was in support of our troops in the MARETH area and from NORTH AFRICA and MALTA against Axis sea communications.

RUSSIA. Russian Air Operations reduced by weather, were greatest south of LAKE ILMEN in UKRAINE and WESTERN CAUCASUS. In LAKE ILMEN area the Russian Air Force strongly supported their land forces around DEMYANSK. On the southern front they were engaged defensively against German advances and in raids on ports and shipping around KERCH STRAIT and on objectives in the CRIMEA. Main weight of German Air Force engaged in south where considerable support given to their counterattacks in DONETS and KHARKOV areas. German Bomber Force largely directed upon Russian railways.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE.

ESSEN RAID 5th/6th. Photographic estimation. Total devastated area 450 acres. Largest single area 160 acres in centre. Factories, public services, railway communications, commercial property and workers dwellings have all suffered severely. In KRUPPS 53 separate shops show damage, some serious, and large area of severe damage in works and also in adjacent working class quarter. Additional destruction in other factories and also at Gasworks and Tram depot.

COLCOGNE. Photographs 27th and 28th February show recent industrial damage in engineering works, chemical works, two rubber factories, railway wagon works, and also to tramway depot, railway marshalling yards and two stations.

HAMM. Daylight United States attack 4th. Severe damage to station buildings at main station and to several shops in steel works.

NUREMBERG. Photographs 10th show heavy damage following plants - M.A.N. Engineering, Siemens Schuckert Electrical, and an aluminum factory.

ST. NAZAIRE. Photographs show very heavy damage spread over the whole town, docks and shipyards. A large area of residential property has been devastated.

LORIENT. Daylight United States raid 6th. Photographs 7th confirm accurate bombing in area of power station.

5. HOME SECURITY.

Estimated civilian casualties for week ending 10th - killed 62, seriously wounded 113.

TREASURY  
SECRET  
1945 MAR 15 PM 12 17  
TREASURY DEPARTMENT

COPY NO 13

NOT TO BE RE-TRANSMITTED

BRITISH MOST SECRET  
U.S. SECRET

OPTEL NO. 83.

Information received up to 7 a.m. 14th March, 1943.

1. NAVAL.

One of H.M. Destroyers was sunk by E-boat on the 12th off North African coast. A 21,500 ton Merchant Ship, independtly routed Capo to United Kingdom, was torpedoed yesterday 600 miles south-south-west of Freetown, no further details available.

2. AIR OPERATIONS.

WESTERN FRONT. 12th/13th. ESSEN. About 1025 tons of bombs were dropped, including 156 4-ton bombs, (?) H.E. and over 9,000 30-lb. incendiaries. Cloudless sky with moonlight and good visibility, but some industrial haze. Pathfinders operated over objective for an hour. Main attack lasted 40 minutes. Marker bombs seems to have been very accurately dropped around Krupps and Bombers made a well concentrated attack. Large rectangular blaze created with smoke to 15,000 ft. Many heavy explosions with eruptions of flame and smoke. One huge white flash illuminating the whole sky was seen from the Dutch Coast. Defences strengthened since last attack, intense heavy and light anti-aircraft co-operating with large numbers of well-handled searchlights, but defences faltered somewhat towards end of attack. One Messerschmidt 110 and one Junkers 88 claimed destroyed. Photographs taken 2/30 p.m. 13th show area partly obscured by smoke, but reveal very great damage. (?) oil fires still burning. 13th. 72 United States Fortresses attacked railway centres at AMIENS (44), POIX (20), and ABBEVILLE (8) with generally unobserved results. Fighters provided cover. Enemy casualties 5, 5, 4. Cors 6 Spitfires. Eight enemy aircraft crossed the south-west coast, 4 destroyed and one damaged. 13th/14th. Following aircraft despatched - Sea-mining 70 (3 missing). Leaflets 23, "Intruders" 9. 21 enemy aircraft operated off south-east and east coasts, mainly sea-mining, nine of them reported overland.

TUNISIA. 12th. 15 Bostons bombed enemy positions South-east of MARETH. 39 U.S. Fortresses successfully attacked docks and railway centre at SOUSSE. 15 U.S. Marauders obtained hits on a supply dump at ENFIDAVILLE. Enemy casualties in all operations 11, 2, 8. Cors 3, Nil, 3.

MEDITERRANEAN. 12th/13th. Enemy shipping successfully attacked off Palermo by Beauforts and Naval Albacores from MALTA. One ship and one large tanker torpedoed. Intense anti-aircraft opposition, two Beauforts and one Albacore missing.

SICILY. 11/12th. 41 Bombers attacked Palermo and started fires, no detailed results were unobserved.

March 15, 1943  
9:18 a.m.

HMJr: Go ahead.

Operator: Go ahead.

HMJr: Hello.

Congressman  
Robert  
Doughton: Secretary Henry, how are you?

HMJr: Fine, Bob. How are you?

D: Well, I'm kinda befuddled.

HMJr: What's the trouble?

D: Well, I'm worried about this tax situation,  
terribly.

HMJr: Well, what can I do to help?

D: Well, I don't know what you'd feel like doing,  
or what - you could do a lot if....

HMJr: I....

D: You know you kept pretty well up with our work  
down here and our difficulties and....

HMJr: Yeah.

D: ....what we finally tentatively agree to do.  
Now I see in the papers that the House leader-  
ship, and I don't know how much the Treasury's -  
anybody at the Treasury's in sympathy with it -  
say in looking around for some compromise plan  
other than what the Committee has agreed on.

HMJr: Yeah.

D: Well, if we - they're looking for some compromise  
plan that we've tried out a dozen times and  
couldn't get through any compromise plan they'd  
suggest. I'm not willing to line up now and -  
well, the only thing we've got we could at this  
time whip the Ruml plan with, why, we'd just as  
well surrender and let them take it.

HMJr: Well, I saw those stories that you refer to. I  
don't know where they came from. Now would -  
would you like to see me, Bob?

- 2 -

D: Well, I - will you see the President this morning?

HMJr: I'm not seeing him this morning, no.

D: You'll not see him? You could communicate with him.

HMJr: Yeah.

D: Well, now confidentially, two or three others - Mr. Cooper and Disney and myself who are fighting against this Ruml plan and trying to work out something - I had a conference with the House leadership Saturday afternoon.

HMJr: Yeah.

D: With the speaker and the majority leader.

HMJr: Yeah.

D: And they talked like they'd line up for our bill, but at the same time the majority leader kept talking about having some kind of a compromise ready. Well if this - these newspaper stories emanated from him....

HMJr: I....

D: ....which some of our boys think. I don't know. But, of course, that's just a hittin' us below the belt....

HMJr: Yeah.

D: ....right now, and it may be - might be later on they get to the Senate. It might be we'd - be a good policy and the best thing to do,.....to talk compromise - talk about compromise now, you know.

HMJr: Yes.

D: In the first place, we can't change it in our committee.

HMJr: Well, what's the time table, Bob?

D: Well, we hope to - the drafting service are going to report the bill this morning for what they've - the draft they have, and if we don't change it some way and send it back for corrections, I ought to be able to introduce it by tomorrow....

HMJr: Yeah.

D: ....and we ought to get - be able to get it up in the House next week.

- 3 -

HMJr: When do you meet today?

D: At 10 o'clock.

HMJr: I see.

D: At 10 o'clock. I know Mr. Paul is not pleased with what - he preferred the suggestion I made to the Robertson suggestion. The Robertson suggestion don't have a chance.

HMJr: Yeah.

D: Because it don't recognize the progressive system of tax, and that's about 90% slick out of 95, and about three - forgives about three-fourths of '42 taxes....

HMJr: Yeah.

D: ....and that's more than - well, we - if we're going to let out 92 or 93% of the tax - forgive three-fourths of them, we just as well forgive the whole thing, and treat it all alike. And we can't do that. Now it might be later that some of that - it'd be necessary to work out, but if we ever take the - show any - divide up on that now, why, of course, the Rumfites will just.....it up.

HMJr: Would you be - what will you be doing this afternoon? Will you be busy?

D: No, I won't be busy any time but what I could talk to you.

HMJr: Well, I mean will you be in session around three o'clock?

D: The House will probably be in session. Our Committee won't.

HMJr: Well, could I come and see you around three?

D: You certainly could, and I'd be - I reckon you know - and I'll meet you in my office any time and if you'd like for me to have Mr. Cooper, or some of the other members working - well, just come and see me.

HMJr: Well, I'll leave that to you.

D: Well, all right. I think I'd have two or three of the boys with me.

- 4 -

HMJr: Well, now where should I come?  
D: How's that?  
HMJr: Where should I come?  
D: You'll come to the Committee room.....  
HMJr: In the....  
D: The Committee room in the Capitol where you and I had that piece of a lunch that day.  
HMJr: Yeah, a very nice lunch.  
D: I thank you. Now do you want to fix the time now or let me know later?  
HMJr: Three o'clock would be good for me.  
D: That will suit us, Henry, exactly, and another thing, if anything should happen that I knew that couldn't be done, I'll call you.  
HMJr: Right.  
D: But I'll - and if you don't hear from me, why, I'll expect you there at 3 o'clock. In the meantime, if you can catch the President this morning before - before he has his conference - if you should think well of it and could do it....  
HMJr: And ask him what, if I can get to him?  
D: How's that?  
HMJr: What should I ask him?  
D: Ask him to ask the leadership to stand up courageously and boldly and definitely for our bill....  
HMJr: Yeah.  
D: ....and if we all agree on something else - if we could all agree on something else it would be better, but until we do - the agreement from the Treasury and the President and our Committee that they change, why, we better stand in a courageous, robust manner....  
HMJr: Yeah.  
D: Because if we'd immediately offer any concessions now, you know, Ruml can beat us.

- 5 -

HMJr: Yeah.

D: Now if later, why, it's decided that we can all agree on something we can get through, why, I'll be glad to cooperate, but right now is the wrong time to show the white feather and leave.

HMJr: Yeah.

D: Can you get that message to the President?

HMJr: I'll - I'll see. I'll see if he - if I can get at him. If I can't I can certainly see him the first thing tomorrow morning.

D: Tell him - you can tell him that this stuff brought out in the paper - if the House leadership is looking around for some kind of a compromise now, then what we've done is hurting us terribly.

HMJr: Yeah.

D: The purpose is against defeating - we've got to defeat the Ruml plan. If we don't, I wouldn't be interested in trying to raise taxes any more.

HMJr: Yeah.

D: If we forgive all last year's taxes, I wouldn't know where to start then to impose - write into the law provisions for forced savings and increased taxes and sales tax and all that, I wouldn't know where to start.

HMJr: Yeah.

D: I don't believe you would.

HMJr: No, I wouldn't either.

D: No, well, you come down at 3 o'clock. Find out all you can before then.

HMJr: I'll do that.

D: Thank you very kindly.

HMJr: Thank you.

March 15, 1943  
11:58 a.m.

HMJr: Hello.

Operator: Mr. Paul?

HMJr: Yeah.

Operator: Go ahead.

Randolph Paul: Hello.

HMJr: Randolph?

P: Yes.

HMJr: The Chairman called me up. He seems very much - just a minute. (talks aside: Do you mind - I can't - do you mind? I'm sorry.)

P: Is he very much worried?

HMJr: Hello?

P: Yes.

HMJr: He seemed very much disturbed on some newspaper stories as though the President wanted a plan. Hello?

P: Yeah, that was probably yesterday morning's Times.

HMJr: Yeah, and he sort of again - sort of intimated<sup>?</sup> maybe we had something to do with it. Well, I....

P: It must be a new idea, if we could put things in the Times.

HMJr: Yeah. Well, I said - he seemed upset again, and I said I'd go up there at 3 o'clock. Hello?

P: Yeah.

HMJr: ....which I'm going to do, and I'll take Roy with me.

P: Yeah. Well, that's fine.

HMJr: And....

P: Now let me tell you what - I think that story is probably in yesterday morning's Times.

HMJr: Yeah.

P: And it's a pretty accurate story. Now this is the background of it.

HMJr: Yeah.

P: We've always steadfastly backed up plan No. 1.

HMJr: Yeah.

P: And then when he came out with plan No. 2, which is the Haynes plan....

HMJr: Yeah.

P: ....we refused to back that .

HMJr: Yeah.

P: And when they asked me, as they constantly did, "What are you for?" I said, "Doughton's No. 1 plan first."

HMJr: Well, I can't (Talks aside: I can't - this is terribly important - I can't do it. If you want to talk you'll have to go out.) Hello? Wait a minute. I couldn't hear. They were talking here. I can't concentrate. Go ahead, Randolph.

P: He said - he kept asking me, "What are you for?" and I said "I'm always for your No. 1 plan...."

HMJr: Yeah.

P: \*....first. If I have to take another plan, second, I'm for Robertson's plan....

HMJr: Yeah.

P: "....and I'm for Robertson's plan ahead of your No. 2 plan."

HMJr: Now wait a minute. The whistle is blowing. We've got lots of noises here in Washington.

P: It's just twelve.

HMJr: Just a second. Now, wait a minute. All right, the whistle is through.

P: We - I - I've never wavered for a moment in supporting Doughton's first plan....

HMJr: Yeah. Well, I understand.

P: ....and I was - I said I was second for Robertson's plan.

HMJr: That's all right.

P: Now, you'll find a memorandum in your file of the conversation I had with him two or three days ago....

HMJr: Yeah.

P: ....in which he said that if I would support the Committee plan, the one finally adopted....

HMJr: Yeah.

P: ....against the Ruml, I told him that I would have to say, if they asked me, that the Robertson plan was better than that plan, and he said that was all right, as long as I would support the Committee plan against the Ruml plan.

HMJr: Well, I remember that.

P: And you get out that memorandum. Now, Roy knows all about this.

HMJr: That's the memorandum of the conversation you had with Doughton a couple days ago?

P: Two or three days ago.

HMJr: All right.

P: Now, one more thing. There's a very serious parliamentary situation....

HMJr: Yeah.

P: ....which I have discussed with Roy and he knows all about it. And I have also discussed it with Cooper.

HMJr: Well, Cooper is going to be there. They're going to have two or three people there.

P: Yeah. Well, I - Cooper knows about it, and I told Cooper - I had another conversation with Cooper Saturday afternoon. He was down....

HMJr: Well....

P: Saturday afternoon.

- 4 -

HMJr: He wanted me to contact the President this morning, but I - I just couldn't do it, and didn't want to do it, and I understand you're coming back at 12:30.

P: I'll be in the - if the train's on time, I'll be in the office by five.

HMJr: Okay. All right.

P: Roy knows everything about this.

HMJr: Well, I'll take him with me.

P: Okay.

HMJr: Thank you.

P: Wait a minute. Hello?

HMJr: Yes.

P: I wonder if it's a good idea to take him with you to see Doughton?

HMJr: Do you think it will upset him?

P: Well, just think about that. You can get all your information from Roy.

HMJr: Yeah.

P: You might do better if you took Surrey with you.

HMJr: Well, if I didn't take him, I told Roy I'd go alone.

P: Well, then take Roy with you. That's all right.

HMJr: All right.

P: He seems - he seems to rub Doughton the wrong way.

HMJr: All right.

P: Okay.

HMJr: Thank you.

March 15, 1943  
4:59 p.m.

Congressman  
Ludlow:

Mr. Secretary.

HMJr:

Hello, how are you?

L:

I'm very well, Mr. Secretary. Mr. Secretary, some time ago you recall you very kindly said you might be able to find a place for ex-Congressman Schulte up there.

HMJr:

That's right.

L:

And I took it up with him and at the time, why, he - he had another prospect, but he phoned me today to say that he would be very glad today if that could be worked out.

HMJr:

I see.

L:

Is - is it too late, or....?

HMJr:

No, not that I know of.

L:

I wonder what - what could I advise him then?

HMJr:

Where is he located?

L:

He's at Hammond, Indiana.

HMJr:

Hammond?

L:

I'm sure he'd be glad to - if I sent him a word - he'd be glad to come over and talk to anybody that....

HMJr:

Well, I think if he'd come over and possibly, in the first instance, if he'd let me talk to him, and then I could turn him over to the right person.

L:

Well, when would that be agreeable to you, Mr. Secretary?

HMJr:

Any time this week.

L:

Any time this week?

HMJr:

Or next week. Any time that he comes on.

L:

Well, all right. And I'll advise him to that effect.

HMJr:

Right.

- 2 -

L: Now, we - we put back that item which the Senate out today. In our conference we restored that Treasury item. (laughs)

HMJr: Oh, did you?

L: Yes, they had out it - the \$250,000 away down, you know.

HMJr: Oh, yes.

L: But we put it back up where it ought to be, of course.

HMJr: Well, that's fine.

L: Yeah.

HMJr: I appreciate that.

L: Well, all right, Mr. Secretary.

HMJr: Yeah.

L: I hope that can be worked out. Do you think there's a good prospect?

HMJr: Oh, yes. We'll - we'll find a place for him just the way I said I would.

L: Uh huh.

HMJr: Yeah.

L: Well, I'll have him come on.

HMJr: Right.

L: And I'll have him report to you.

HMJr: Right.

L: Thank you very much.

HMJr: Thank you.

L: It's a....

March 15, 1943  
5:15 p.m.

HMJr: Hello.

Operator: Admiral Jacobs.

HMJr: Hello.

Admiral Jacobs: Admiral Jacobs.

HMJr: Morgenthau speaking.

J: Yes, sir, Mr. Secretary.

HMJr: Admiral, I was talking the other day to Admiral Ross McIntire, asking him what happens to officers who have been incapacitated through wounds in battles. I mean, what's being done with them. Hello?

J: Yes.

HMJr: And he suggested that I call you up, because he said you are working on that.

J: Well, the officers....

HMJr: I mean, what placement - I mean I'm very much interested - what happens to them? Are places found for them and that sort of thing, because I had an idea we might be able to use some of them in the Treasury.

J: Well, most of the people who are physically able to do anything, they are using in the Navy, Mr. Secretary. They put them in jobs where they can sit at a desk and do some sort of work.

HMJr: Well now, there wouldn't be men, for instance, that have training which would be particularly useful to the Treasury, that we might use?

J: Well, there might be some of our supply officers who have had experience in fiscal matters and accounting, but I'll have that list gone over and see whether there are any who might be useful to you that we're not employing.

HMJr: Would you do that? And I'd like to get acquainted, and if you'd care to, would you like to come over and have lunch with me Thursday in the Treasury?

- 2 -

J: Thursday? I'm sorry I can't, Mr. Secretary. I have a previous engagement that day.

HMJr: Are you doing anything Friday?

J: No, sir.

HMJr: Well, about one o'clock?

J: One o'clock? Thank you very much. I'll be glad to do that.

HMJr: I used to know Admiral Nimitz very well but - and I'd like to get acquainted with you.

J: Yes, sir. Well, I appreciate that very much.

HMJr: And then - then we could talk about it at that time.

J: And I'll have some information for you then.

HMJr: Thank you.

J: All right.

March 15, 1943

MEMORANDUM FOR THE SECRETARY.

From: Mr. Blough

Subject: Conference on Tax Bill at Capitol, March 15, 1943.

The Secretary and Mr. Blough went to the Ways and Means Committee room in the Capitol at 3 p.m. Chairman Doughton and Congressmen Jere Cooper and Disney were present. The Chairman left the room and returned with Democratic Leader McCormack, who was followed shortly by Speaker Rayburn. The Secretary indicated that Mr. Paul was in New York on matters growing out of the death of his mother. The Ways and Means Committee members present understood the situation and were sympathetic.

Chairman Doughton said that the Ways and Means Committee were ready to report their tax bill tomorrow and that he had called this group together in the hope that everyone would pull together to put the bill through and to kill the Ruml plan. He said the Republicans had been getting together to support the Ruml plan and had scheduled a conference for this afternoon, but that the conference had been postponed until Thursday.

Speaker Rayburn then asked if a rule would be required for the bill and the group discussed this question for some time. Speaker Rayburn said he would rule the bill to be privileged so that no special rule would be required to bring it to the floor. Speaker Rayburn said he hoped there would not be any rule asked

-2-

for. He said that no rule, certainly not a closed rule, could be gotten through the House in its present temper.

Mr. Cooper said that Mr. Knutson had asked for eight hours debate on the Republican side. Chairman Doughton said he thought the Democrats would need fully eight hours. The Chairman said he hoped to have amendments limited to one substitute amendment, namely: the Carlson bill, but the Speaker and others were of the opinion that the House would not vote a rule to limit amendment. Mr. McCormack said he did not know of any point at which amendments could be limited and he thought that free, unlimited amendment would have to be allowed in the debate.

The opinion was expressed that the Republicans would agree to a unanimous consent rule to limit debate to eight hours on each side plus amendments debated under the five minute rule.

On prompting by Speaker Rayburn, Chairman Doughton then turned from the subject of the rule to the bill itself. He said the Committee had found it impossible to agree on any plan which involved forgiveness and had accordingly agreed on the bill which was to be reported.

Secretary Morgenthau then asked what it was that Chairman Doughton wished of him. The Chairman said that he wanted the Treasury to support the bill and not to come out against it. The Secretary said so far as he knew, the only basis for believing that the Treasury had suggested any changes for the bill was in the New York Times stories and the Times had opposed the Treasury most strongly. The Secretary said that the Treasury wasn't going to do anything to handicap the work of the Committee; that it wanted to be helpful and not harmful.

-3-

There was then considerable discussion of the position the Treasury had taken. Mr. Cooper and Chairman Doughton both agreed that Mr. Paul had consistently come out in favor of the first Doughton plan as the Treasury's first choice, with the Robertson plan second, and with the Ways and Means Committee bill third, but much to be preferred to the Ruml plan. Chairman Doughton then discussed his first plan, saying that the Treasury had first indicated it was not workable and had later said it could be worked, but that in the meantime the Chairman had arrived at his second plan which the Treasury had jumped on rather vigorously and killed. The Chairman indicated that he had agreed with Paul that after the bill was through the House, the Treasury could propose any other plans it might wish in the Senate and if the Senate passed a plan other than the Ruml plan that that would be all right.

The Secretary said he understood that Congressman McCormack had been to see the President on the tax bill, but Mr. McCormack indicated that he has not seen the President on the matter.

The Speaker said that so far as he was concerned there were only two plans now: one was the Ruml plan and the other was the Ways and Means Committee bill. He said it was one thing to kill the Ruml plan and another thing to pass the Committee bill. He said he was for the Committee's bill, but that, in his opinion, the law as it was finally passed and signed would contain some forgiveness. The others seemed to feel, in general, that such was likely to be the case.

In the discussion of the length of debate, Mr. Disney said the longer the debate the better, since the more people heard about it the more they would be against the Ruml plan. Secretary Morgenthau

-4-

indicated that the tone of his correspondence had changed; that whereas formerly the letters had been strongly in favor of the Ruml plan, they were now coming in against it. Mr. Disney indicated that he had received very few letters in favor of it and said he thought the correspondence for it was coming mostly from New York; that people in the Middle West were against it. He said the more they thought about it and learned about it, the more against it they would be.

Chairman Doughton said he thought someone ought to come out and blast the Republicans for making taxes a partisan issue if they adopted the Ruml plan at their conference. He said it was by no means sure that they would agree to support the Ruml plan.

Mr. Disney thought it might be well to attack the Republicans both before and after their conference, but upon further discussion it was decided not to say anything until after they had made their decision. Secretary Morgenthau expressed the opinion that it might be a good thing politically if the Republicans did adopt the Ruml plan and the others appeared to agree.

Mr. Disney and Mr. Cooper said they knew of no Democrats who were going to speak in favor of the Ruml plan or vote in favor of the Ruml plan and that they knew a number of Republicans who were going to speak and vote against the Ruml plan. They mentioned Congressman Crawford, of Michigan, and Congressman Gearhart, of California. Mr. Disney pointed out that the support of these two men would be immediately lost if any forgiveness were to be recommended by the Committee.

-5-

Chairman Doughton indicated that if there was any doubt in the minds of the Congress about the Treasury's support of the Committee bill, it would hurt the fight against the Ruml plan very much. The Chairman said he would go along with any bill aside from the Ruml plan except the Robertson plan which he thought was very discriminatory. He did not make it clear, but seemed to indicate that he would go along with even that if the majority were in favor of it.

The Secretary said that throughout the course of the bill it was his understanding that the Committee had not asked the Treasury to submit a plan and that the Treasury had been there in the capacity of adviser and helper and had not presented a plan of its own. They all agreed that such was the case.

Mr. McCormack asked the Secretary if the Treasury had a plan and the Secretary said of course the Treasury could not work on the matter for months without having a plan. Mr. McCormack asked if it would not be a good idea to have the Treasury's plan presented to them. The Secretary suggested that the legislation was too far advanced for the statement of a Treasury plan to be useful. The Speaker and the Chairman agreed that it was too late now; that the only plan the Ways and Means Committee would agree to report to the House was the plan it had already adopted.

When the Speaker left the room, Secretary Morgenthau talked with him briefly about another matter. While he was doing so, Chairman Doughton said to Messrs. Cooper and Disney that if the Treasury wanted to do something helpful it could indicate that Ruml was responsible for the failure of people to file their returns and for instances like the taxpayers' strike in Cleveland, reported in the papers, where workers were refusing to file their returns.

-6-

After the Speaker, Mr. McCormack and Mr. Disney had left, Secretary Morgenthau suggested that Chairman Doughton, as Vice Chairman of the Joint Committee on Internal Revenue Taxation, ask him whether Mr. Ruml had paid his taxes. The Chairman did ask him and the Secretary then indicated that of approximately \$5800 which Mr. Ruml owed in December, 1941, he had paid only \$800 and still owed nearly \$5,000 on his 1941 taxes. He said that an Order of Destraint was in the process of being issued to attach Mr. Ruml's bank accounts to make up for this unpaid tax. Chairman Doughton and Mr. Cooper felt that this was very helpful information and Chairman Doughton said he would write the Secretary a letter asking for it as he would probably want to use it on the floor in debate. He said he would check with Mr. Stam as to what procedure was necessary to secure the information and make it available for such use. He said he would see Mr. Paul and Mr. Blough tomorrow morning about the letter. Both Chairman Doughton and Mr. Cooper seemed elated at the information and said they would keep it completely confidential so that it could be thrown into the debate as a bomb shell.

Mr. Cooper and Mr. Doughton said it was a shame that Mr. Ruml should hold himself up as qualified to write the country's tax bill when he had not paid his 1941 taxes. The Secretary suggested that perhaps he thought 1941 taxes were going to be forgiven and he would not need to pay them.

When the Secretary was leaving, Chairman Doughton said that after the bill had passed the House, if the Treasury wanted to recommend some other

-7-

plan in the Senate that would be all right and if the Senate passed something other than the Ruml plan that the Treasury could count on him in the conference. Mr. Cooper echoed these sentiments and said that the Treasury could count on them.

The conference ended shortly after 4 p. m.

RB