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March 17, 1943  
9:05 a.m.

FINANCING

Present: Mr. Bell  
Mr. Graves  
Mr. Buffington  
Mr. Robbins  
Mr. Peabody

H.M. JR: I just thought I would expose myself to you people for a few minutes to see if there is anything you want to take up on the selling of Federal securities.

MR. BUFFINGTON: I mentioned this morning the question of George Wanders. We probably ought to do something as soon as we can and at least make the decision as to whether we want him for the April drive.

MR. ROBBINS: I think the decision is made that we will want him. When we talked about it, I guess on Monday - I am quite sure it was Monday - we thought we wouldn't need to hurry about it that fast, that he wasn't going to be disturbed if we didn't call for him for another week or so. My thought there is that at some time soon Peabody is going to know how he can fit Wanders into the picture.

MR. PEABODY: I talked to Mr. Buffington about it yesterday. We discussed the thing and we decided we ought to ask him anyway, Bill; there are things he can do, unquestionably. I think you said there had been some evidence of his inability to do it, anyway.

MR. BUFFINGTON: Mrs. Reid mentioned it to you (the Secretary).

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H.M.JR: Don't hold me to it; I can't remember so many things.

MR. BELL: I think if you made up your mind that you want him, I think it would be a nice thing if you communicated with him and told him you did want him. It probably would make him feel a little better. He sees the press statements coming out.

MR. ROBBINS: We do want him.

MR. BELL: I would communicate with him and say you do want him.

H.M.JR: What did you say?

MR. BELL: If they have made up their minds, it is the courteous thing to communicate with him, because I think he wonders now what his status is.

H.M.JR: The sooner the better, because he is really the only friendly financial writer on the New York press.

MR. ROBBINS: Do you want me to communicate with him?

H.M.JR: Would you, please?

MR. BELL: There is the question of whether you also want to write Mrs. Reid, in view of your previous correspondence.

H.M.JR: Didn't we usually go to Wanders and then he came back and said - or did I write to Mrs. Reid in the first instance?

MR. BELL: Go to Wanders first, and then you may want to write Mrs. Reid.

H.M.JR: If I need to write Mrs. Reid, one of you gentlemen write it and I will sign it. She likes to be written to and she likes to be thanked. She also likes to be asked.

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Now, can you gentlemen tell me - having had a night to sleep over it - so I can - Dowling said this morning, "How many are there going to be on Saturday?"

I said, "I will know in half an hour."

MR. ROBBINS: I have just finished dictating a memorandum to you, sir. The story is briefly this. There will be nineteen publishers - we have acceptances from nineteen - and I figured out the list of Treasury people who should attend, which includes yourself, Mr. Bell, Mr. Gaston, and the four of us, and I also put Lindow into the group because Lindow will probably make the economic presentation and it will be nice to have him in the group. There will undoubtedly be questions they will want to ask. If he is there, they can informally ask those questions. So that would be seven. And then General Marshall and whoever he brings.

H.M.JR: General Marshall and General Surles. Have you included Jim Rogers?

MR. ROBBINS: No, I did not include Jim.

MR. PEABODY: Mike will be here, too.

H.M.JR: I invited Mike Cowles, too. Ask Mrs. Klotz to write a letter to Mr. Rogers of OWI similar to the one I wrote to Cowles and send it over by hand, today.

MR. ROBBINS: Then there would be Rogers and two from the War Department, so that is--

H.M.JR: That makes thirty.

MR. ROBBINS: Is there anybody else from the Treasury Department?

H.M.JR: Did we include Gaston?

MR. ROBBINS: Yes.

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H.M.JR: Thirty is close enough.

MR. ROBBINS: We include Mr. Gaston, and all who are in this room, and Lindow.

H.M.JR: Fine.

MR. ROBBINS: I have also outlined to you the program which I think we should follow. Incidentally, Mr. Gaston has spoken to Mr. Thompson about the luncheon in Room 198 at twelve-thirty. I think I told you that yesterday. I didn't have the name of the person to whom he had spoken, but at any rate, it was Mr. Thompson. So that has gone ahead to some degree, and after I give you the outline I prepared for you, that would be my thought, that if you approved of it, we would give it to Mr. Gaston if he is going to follow through.

H.M.JR: On the food?

MR. ROBBINS: Yes.

H.M.JR: No, Mrs. Klotz does that.

MR. ROBBINS: I think maybe we are already crossed up, then.

H.M.JR: Don't worry. I will take care of that.

MR. ROBBINS: The program, as I see it--

H.M.JR: Don't worry about the food. There is no cross-up on that.

MR. ROBBINS: The program, as I have it--

H.M.JR: Dowling already told me this morning he has got the ham, which is half the battle. (Laughter)

MR. ROBBINS: If it is as good as the last one, it is three-quarters of the battle, as far as I am concerned. (Laughter)

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H.M.JR: There is no cross-up there. That is easy.

MR. ROBBINS: The program, as I see it, is pretty much as follows - this is the way I outlined it in the memorandum: I think the group should assemble in this office, probably not for more than ten or fifteen minutes. I think you should welcome them and tell them the basic reasons we have asked them to come here and there are two reasons, as I visualize it.

One reason is to bring them into the inside of the Treasury Department and show them the present state of our Treasury financial problem as related to the war problem. In that connection you can say, "One of the things we plan to show you this morning are the official Treasury statistical background figures, against which we plan campaigns of this kind." And I would bear down on the fact that these are the same figures that you yourself used in the operation of the Treasury Department.

Then you would say, "The next purpose that we have in mind is to show you our present plans for the forthcoming campaign."

It is just about that simple, sir, and I would bear down on the second point by emphasizing the dual features of the forthcoming campaign - that there are two basic objectives in mind.

One, the obvious one, to raise the money; and the second one is to obtain this wide dispersion of Government securities in the hands of the public.

You may, at that time, also - as I said in this memorandum - wish to enlarge a little bit about the philosophy behind the sale of E Bonds to the low-income group. That is a point that I think could be emphasized at that time.

I don't believe your comments need to be extended at all, and as soon as it is finished, you turn them over to us. We will go into the Chart Room.

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I would plan to be the master of ceremonies in the Chart Room. The first thing I would want to do is to be sure that all the publishers present knew the positions of Graves and Buffington and Peabody, and the other Government people who are there. Just say, "Here is Mr. Graves; his position in our operating group is" thus and so - "Here is Buffington," and so forth.

That is simply for their own understanding of the group with whom they are meeting.

Then I would get Lindow on his feet with his charts, and Lindow does a bang-up job, and it takes him about an hour, unless they choose to question him - in which case it would take longer than an hour.

I figure we will start that part of the program by ten-forty-five, or ten-fifty, and we would be finished by eleven-forty-five, about, and I think at that stage of the game we ought to take a short recess - five or ten minutes.

Then we come back - that will let Lindow clear off his charts and get whatever he wants out of the way - they re-assemble and we will plan - the rest of the program will be the presentation of our plans for the forthcoming campaign.

Now, Stuart and I plan to see Mike Cowles today, and quite regardless of any suggestions Mike may have for us, I think this economic background stuff is great. I think that is very valuable and desirable stuff. But we will be lead to a considerable extent by Cowles' suggestions if he has any for us. If he hasn't any, it would be my thought that the next part of the program will be a presentation of the advertising and promotional programs as they have developed up to date, with probably some general comment, at least, on our thinking about the kick-off part of the program.

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At that stage of the game I think Peabody may want to have some of his associates standing by to come in and be with him at the time that presentation is made because there may be questions come up which Stuart's short visit with us hasn't made him sufficiently familiar with to handle right there. So there may be three or four men he will want to bring in and have there to answer questions.

It is just possible that that part of the program alone will finish us up for the morning. If there is any time to fill in, I would be prepared to fill in, and the subject that is in my mind that I would talk about would have to do with the organization in the field and the people who are going to handle the campaign - who they are, how they are organized, and how - bearing down strongly on the fact that we are doing this with voluntary sales people, and that there is a tremendous patriotic urge that has brought these people together to serve their country at this time.

We adjourn for lunch - to be there at twelve-thirty. I would expect that the General would come to your office and that you and the General will come to the luncheon together. Probably the crowd will be assembled when you get there.

H.M.JR: Will you check with Gaston whether the General wants to speak before or after lunch?

MR. ROBBINS: Yes, sir.

H.M.JR: That is the part Gaston was handling. He was taking care of Mike Cowles and General Marshall. That was his responsibility.

MR. ROBBINS: I would hope that he will speak after lunch.

H.M.JR: I think, the way they talked, he would do either, but I think you had better ask Gaston, because that I had pinned on Gaston.

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MR. ROBBINS: All right, sir.

If the program follows along that way, and if he does speak after lunch, I think you should introduce him.

H.M.JR: That is all right.

MR. ROBBINS: The only other statement that need be made at the close of the luncheon and after the General's comments would be to the effect that four of us will be back in the Chart Room for a little while if they want to come back. We will be there if they want to talk with us, or if they want to come to our offices for something less formal - more private - we will be glad to talk to them.

There is one other feature I am interested in and I am not quite sure and will be glad to have anybody's thought on it. What we want to get out of these men is their criticism of our present plan, and their suggestions for the sharpening of our plans. To that end it may be desirable to ask them at lunch, rather than this suggestion I have just made - to go back to the Chart Room after lunch where they can be alone as a group of publishers with any or all of us on call to come and talk with them if they wish, and to formalize themselves in any way they want, into some sort of a plan that will enlist their continued interest in our campaign.

I don't know quite how to get my hands on that one yet, but I would like to feel that when they have had this day with us, that they are going to feel somewhat responsible for us, and that they are going to at least arrange for some way of communicating with us - giving us suggestions, or asking us to do certain things which would make their participation in the campaign easier. I think that is terribly important. I don't know quite how to get my hands on that one.

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H.M.JR: Mike Cowles did this same thing with these publishers in connection with getting their interest in the scrap campaign and they came through beautifully. So he has a pattern to follow. They did it once, and you know how the newspapers spread themselves on it.

MR. ROBBINS: That is the sort of thing Stuart and I want to get out of Cowles when we see him today.

H.M.JR: He has that pattern.

MR. ROBBINS: I don't think we would dare cut down very much on that morning program, because I don't think they will be nearly in such a good position to help us.

H.M.JR: They won't be sufficiently saturated.

It sounds all right to me.

MR. BELL: It sounds good. I think the last suggestion of letting them back in the Chart Room and thinking it over--

H.M. JR: That was Cowles' idea.

Harold?

MR. GRAVES: All right.

H.M.JR: Peabody?

MR. PEABODY: Fine, sir.

H.M. JR: Buffington?

MR. BUFFINGTON: It is all right.

MR. BELL: When is this?

H.M.JR: This is Saturday. You (Robbins) are giving me the list? It is coming through this morning?

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MR. ROBBINS: Do you want the specific list of names?

H.M.JR: I think so. I will turn it over to Stephens to notify them all to set the day aside if you could give me the thirty names. Send it in to Mrs. Klotz and we will notify them.

I told you last night I hoped to begin to spark a little bit and begin to make some contribution. This thing, if it is a success - I can't give a luncheon too often because it is too expensive, and we don't have any contingent fund around here - but I do think, if this works, that it would be an awfully good idea to do the same thing, say, for the Ways and Means Committee and the Finance Committee of the House and the same in the Senate.

MR. ROBBINS: I am glad you brought that up. We have talked about that before, as you know. I don't suppose we would dare mix groups with these publishers, but we certainly should get that other group and have the people up on the Hill know what is going on.

H.M.JR: I think we ought to take - find out from Speaker Rayburn what time would be convenient, and tell him we certainly want Banking and Currency, and Ways and Means in the House, and anybody else who is interested. And then tell him we want about two hours. We will go up and do this same thing, and then do the same thing in the Senate.

MR. ROBBINS: Would you go up there, or would you ask them to come here?

H.M.JR: On account of the automobile trouble, I think I would go up there. Will you gentlemen keep that in mind?

MR. ROBBINS: Yes. How about the Federal Reserve Board itself? Can you mix those two?

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H.M. JR: Saturday?

MR. ROBBINS: No, I mean in this other.

MR. BELL: Well, some members of the Board have been through all of this.

H.M. JR: Should we have Eccles here Saturday?

MR. BELL: I doubt if he will be here Saturday. I think it is a week from yesterday that he gets back, but we will find out. I wouldn't invite his alternate, I don't think.

MR. BUFFINGTON: He won't be here, I am sure.

H.M. JR: I think this, gentlemen, I would ask Mr. Eccles formally, and then if he is not here, I think a Board member should be here Saturday. That shows these publishers that we are together.

MR. BELL: Ronald Kansom?

H.M. JR: Let a letter go over by hand this morning and then if he is not there--

MR. BELL: Do you want me to call him?

H.M. JR: Would you? I think it is good team play.

MR. BELL: I will take care of that.

H.M. JR: Now, Peabody - you may not get anything out of this, but I think you ought to know what I am doing. That is the story for the United Press and there is a lot of stuff in there about inflation and so forth, and you might get a couple of ideas. (Mr. Mager's article for the United Press handed to Mr. Peabody.) I don't know whether Robbins is interested or has the time. It is available to him.

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It is no secret, but I mean I feel that you ought to get a little bit saturated. I mean, I am part of the commodity that you are selling and you have got to keep that in mind. You have got to know what I am doing, and as I am part of this commodity, I thought I would give it to you.

MR. PEABODY: That is splendid.

H.M.JR: It is a very good article and again I can say that, because a lot of people - (to stenotypist) tell Mager I would like another copy of his U.P. article. There is an awful lot of stuff in there.

What I am trying to do is to saturate you with the thinking around here. It may not be any good to you on War Bonds, but at least you know the attitude - what the thinking here is. You went over it, didn't you, Dan?

MR. BELL: No, I have never seen it.

H.M.JR: Haas has been over it, and Gaston, and Viner.

MR. BELL: Is it a general release?

H.M.JR: Yes. They are doing something special.

One other thing; I have to stop at nine-thirty this morning because I have another staff.

What, Robbins, are you planning to do - for example, using Cleveland as a bad boy?

MR. ROBBINS: I have already done something. I didn't tell you - I haven't seen you (Bell) since, but after discussing this Cleveland situation at great length with Graves, I decided I would let that letter go. I don't think the letter will do any harm. It will stimulate a telephone conversation for which Mr. Fleming will

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be better prepared than he would if I called him cold. All I want to do is get in contact with him on that subject.

MR. BELL: I thought you talked with him.

MR. ROBBINS: No, I haven't been near the phone for the last couple of days, so I let the letter go. That will undoubtedly put us in telephone conversation with him in the next twenty-four hours.

I would like to get out and get into these field situations as soon as I feel that I can. That is what I want to do.

On Cleveland, specifically, do you want me to elaborate that for you?

H.M.JR: No, no, I just want to ask you one other thing, unless you have something on your mind.

Some time yesterday, I think it was - I am a little confused - you said you were planning one meeting in Kansas City and one meeting somewhere else, and I wondered if you decided to go through with that or call that off?

MR. ROBBINS: As a result of the developments yesterday, I don't see any particular purpose in it. I think it would be good to have our executive managers and the other War Savings group of people whom I am strongly encouraging everybody to have near the Federal Reserve head, to have this dual representation right at the Federal Reserve headquarters. I think it would be fine to have meetings of those people. I haven't a specific plan for such meetings, but I have a specific desire for the meeting. I know they want the meeting.

H.M.JR: I don't see what happened yesterday that would change that picture any.

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MR. ROBBINS: Well, I don't know what happened yesterday that would change the picture any except that my whole approach to this problem, since yesterday's discussion, has got to readjust itself. I have got to reorient myself on motivating people. Until I have that reorientation accomplished in my own mind, I am not going to jump at any quick snap plans, but I want to get to these people. I feel that that is my duty and responsibility and wish - and I think it is your wish, too. I have got to just have a little time here to reorient my approach.

I had hoped yesterday that the three of us, George, Harold and myself, could sit down and talk that through. Well, yesterday afternoon slipped by without that happening. You got away, as I knew you would, (Buffington); Harold was having a meeting which I sat in on, and so the day was over. Now, I think today we want to get together and reorient ourselves.

I am particularly keen that I get Harold's organization in touch with the Federal Reserve presidents. That is the big immediate problem. We have got to have two channels of communication in to those people, and that is one of the things that I think the three of us should talk out together.

H.M.JR: Then let's leave it this way. The chances are we will have another meeting like this at nine o'clock tomorrow. If during the day you want to see me, I am available.

MR. ROBBINS: All right, sir.

H.M.JR: Have you anything, Mr. Bell?

MR. BELL: I just wondered - you were referring to people on the Hill. Is that idea of meeting at the White House still on, or is that out altogether?

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H.M.JR: I have got a request in to see the President, but they said on account of Anthony Eden being here, he was awfully tied up. But I think the way he acted the other day - I mean, I am going there for dinner tonight - I hate to ask him - his secretary said to speak to him tonight. I said, "Well, I never do that when I go there socially, you know." I mean, I hate to do that. But if I see he is going to talk business, then I will get my two bits in. But I hate, when I go there - it is his wedding anniversary - to ask him. But if I see he is going to do business, and I see he is talking business, then I won't be bashful. But I think you ought to make other plans.

I have a request in, besides that, for an appointment.

MR. ROBBINS: There is one minor detail that I would like to bring up.

There have been many communications with different groups throughout the country, radio stations, chain store groups, and so on, where we have enlisted interest through the medium of telegrams or other communications. I would like to know what the policy on that sort of activity is.

MR. BELL: I sent one yesterday to the radio stations over your signature.

H.M.JR: This question of my signature has bothered me before. I think that if Mr. Bell wants to decide to use it, it is all right, but if you can't reach Mr. Bell, Mrs. Klotz has that authority. But I think I will leave it that way.

MR. ROBBINS: Just so long as we know where it is, and can get at it.

H.M.JR: In the first instance, Mr. Bell; but if you can't get at Mr. Bell, then Mrs. Klotz.

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MR. BELL: That is all right. We can work it out.

H.M.JR: As Harold knows - I was corresponding with all the movie actresses and chorus girls in America.  
(Laughter)

MR. ROBBINS: An interesting group.

H.M.JR: It was all synthetic, that was my complaint - purely synthetic. (Laughter)

I think you could - either Mr. Bell or Mrs. Klotz can give you a clearance within the hour, which is all you can ask for.

MR. ROBBINS: That is all we need. Just get it in the right place, and know where that right place is.

H.M.JR: Within the hour you can get that clearance.

Harold, do you want to bring up anything?

MR. GRAVES: No.

H.M.JR: You look good this morning.

MR. GRAVES: I feel better.

H.M.JR: I was waiting for that thunder storm to break, and also for the all-clear signal, which I didn't hear, last night.

MR. PEABODY: We were caught in the corridor down here in the hall.

MR. ROBBINS: We planned the kick-off, though, didn't we?

MR. PEABODY: Yes.

March 17, 1943

Mrs. Ogden Reid  
President, New York Herald Tribune  
230 West 41st Street  
New York, New York

Dear Mrs. Reid:

Through the Chairman of our newly created War Finance Committee, a request is being sent direct to Mr. George Wanders of your organization asking that he come down and help us out again on the publicity aspects of the "Second War Loan" campaign.

We value Mr. Wanders' services very highly and anticipate with pleasure the opportunity of working with him during the next six weeks.

I hope that our request for Mr. Wanders' services will meet with your approval.

Very truly yours,

*H. H. Maganther, Jr.*

(SIGNED)

Secretary of the Treasury

WHR:RTP

March 17, 1943

Dear Mr. Rogers:

I hope that you will not only set aside March 20th to assist me when the various publishers come to the Treasury on that date, but that you will also stay and have luncheon with us.

Yours sincerely,

(Signed) H. Mergenthau, Jr.

Mr. James G. Rogers,  
Deputy Director,  
Office of War Information,  
Washington, D.C.

Del. by Mess. Schey 4:08  
3/17/43

Copies in Diary

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE March 17, 1943

TO Secretary Morgenthau

FROM William M. Robbins

Herewith an outline of the program for Saturday with the Publishers group.

1. Attendance - We have acceptances from sixteen publishers and Mr. Cowles. Others who should attend are: Messrs. Bell, Gaston, Peabody, Graves, Bullington, Lindow, Robbins, and of course, yourself. We understand you will invite Mr. Jim Rodgers of OWI, and Mr. Bell will ask if Mr. Eccles will be in town or will send an alternate. This would make a luncheon party of twenty-nine, including General Marshall and General Searles.

2. Luncheon Arrangements - I have a memorandum from Mr. Gaston dated March 15, stating that he is making arrangements through Mr. Thompson's office for luncheon to be served in room 198 at 12:30.

After you have approved the general program and the attendance list, I understand you will make final confirmation on the luncheon plans.

3. Reception - The exact details of the program cannot be given at this moment. Stuart Peabody and I expect to see Mr. Cowles and obtain further information from him. Tentatively, however, our program is as follows: The group will be assembled in your office at 10:30 a.m. This part of the program, I believe, can be simple and informal. I think you can welcome our guests and explain the purpose of our meeting. In my opinion, we have three objectives - first, to explain the background of the financial situation of the Nation and the part that voluntary purchase of Government securities will play in the war economy; secondly, we want to explain to the publishers the general program for the forthcoming "Second War Loan" drive. The third objective is to enlist the interest and support of the publishers.

In dealing with the first point, I think you can lay rather strong emphasis on the fact that the figures to be presented by Mr. Haas' Department (Mr. Lindow making the presentation) are the official United States Treasury figures, the same statistical data which you as Secretary of the Treasury use in the operation of the Department.

In dealing with the second point, I think you might stress the dual objectives of our "Second War Loan" drive, which are; quite obviously, first to raise the money necessary to finance the war, and

- 2 -

secondly, to obtain a distribution of the Government securities in the hands of the people on as wide a basis as possible. If you care to, you might also comment briefly on the philosophy behind selling E Bonds to the public at large.

4. Program - After the meeting in your office, we shall adjourn to the Chart room. I will plan to act as master of ceremonies for this part of the show. My first purpose will be to explain the duties and functions of each of the Treasury Department who are present.

Next, I will introduce Lindow, who will be prepared to give us an hours talk with charts and statistical tables. At the end of Lindow's talk, (it would probably be 11:45), I think we should take a five-minute recess and re-assemble for the discussion of advertising and promotional plans for our campaign. This part of the session will be handled by Mr. Peabody, introduced by me. Mr. Peabody might have some of his advertising associates come into the meeting at this time to assist in his presentation and to answer questions. After Peabody's presentation, I imagine we will adjourn for luncheon. If there is any extra time, I will fill in talking primarily about the field organization, decentralized management of the campaign and the people who will assist us in the forthcoming drive.

5. Luncheon - General Marshall will come to your office and you can bring him to the luncheon. We should be assembled and ready to lunch at 12:30. I believe it would be best for you to introduce General Marshall personally. At the close of General Marshall's comments, an announcement can be made to the effect that Peabody, Graves, Buffington, and myself will be available for further conferences in the Chart room or in our offices, if conferences are desired.

W. M. R.

March 17, 1943  
9:40 a.m.

TAXES; DEBT LIMITATION;  
TWENTY-FIVE-THOUSAND-DOLLAR LIMITATION;  
EXTENSION OF STABILIZATION FUND

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

H.M.JR: I will take Paul first. Do you have to go on the Hill?

MR. PAUL: Not until I get notice, no.

H.M.JR: I will do you first anyway.

I don't know whether I have the thing straight or not, Paul, but tell Dan from the beginning what happened yesterday while you were on the Hill. I may not have it straight.

MR. PAUL: You mean the morning part?

H.M.JR: Yes.

MR. PAUL: Dan, yesterday about five or ten minutes after ten Senator George's office called me and said the Finance Committee was meeting on the debt limit bill. They said twenty-five thousand limitation - of course it is the same thing. I don't know why they called me.

H.M.JR: Say that again. They were going to meet on what?

MR. PAUL: On the twenty-five thousand limitation and debt limit bill. They didn't have any detail at all.

- 2 -

His secretary called my secretary. Then I called up Ben Cohen, thinking that they had the primary responsibility over there. I got rather a strange response from Ben.

I said, "I think you ought to go up, Ben; I don't know what is going to happen."

He said, "Well, I don't know whether I can or not."

I said, "I will rely on you to get the message to Byrnes, anyway." Then a few minutes later Suttive called me, the clerk of the committee, and he seemed to be very anxious that I come up. So I said, "All right, I will come."

Then I called Ben again, and again I got the same attitude. I said, "Can't you send one of your other boys up?"

Ben said that he didn't want to appear on the Hill.

I said, "You have Russell and Prichard." They were to meet me here and ride up in the car, within five minutes; or if they weren't there within five minutes they were to come up later if they were going to come.

I went up and they had a session. The full Committee was there, and they discussed the whole - practically the whole discussion was on the twenty-five thousand limitation. A few words were said on the debt limit, and I emphasized the thought that we had to get the debt limit raised speedily so as to have the April financing. I told them we would run over the hundred and twenty-five in that financing. There was practically no discussion on the debt limit bill. That was taken for granted that they were all for that. In fact, George said there was no question about that, and they all agreed.

They did have a lot of discussion. They went on - we got away from there a little after twelve.

(Mr. Haas and Mr. Blough entered the conference.)

- 3 -

H.M.JR: Where I misunderstood you - they didn't ask you about the figures on the debt part of it? Did they go to--

MR. PAUL: They asked a couple of questions, but they were so easy that there was nothing - you see, I got this at the last minute. I didn't have time to call. I didn't know what was going to happen.

MR. BELL: We had our hearing on the section pertaining to the debt. As a matter of fact, they voted the bill out while I was standing right there.

H.M.JR: Do you people think that I should call either Ben or Byrnes and say, "Now look, gentlemen, Mr. Paul went up there, and he tried to get you. Does that mean that the left wing of the White House isn't interested any more in this twenty-five thousand dollar thing and that we are going to have to carry the ball?"

MR. PAUL: I made it very plain to the Committee. They asked me some questions, and I said, "I am glad to answer your questions; but if there is any point of policy here, it is for Mr. Byrnes' office to answer. We are only the messenger boy trying to administer this bill."

H.M.JR: I don't want to go behind Ben's back. Do you think I should call up Ben?

MR. PAUL: I think Ben is the person to call. It would be the natural thing for me to give him a report on what happened. If you did it, it would be fine.

H.M.JR: If I went to Byrnes, it would look as though I went behind--

MR. PAUL: If the Byrnes' General Counsel or his head Counsel can't get word to him, I think he has to accept service on Ben.

H.M.JR: Is it agreeable then that I call Ben?

- 4 -

MR. BELL: What is going to happen up on the Hill?

MR. PAUL: They are going to take the Wolcott amendment.

MR. BLOUGH: They have done so.

MR. PAUL: They have done it in principle, but they have appointed a subcommittee to work out the legal details, and the subcommittee is to report to the full Committee next Friday morning at ten o'clock.

MR. BELL: That means that it won't get on the floor until the following week.

MR. PAUL: That is right, at least.

H.M.JR: I think I will call up Ben. I would just like to make a record of it.

MR. BELL: The only thing that worries me is that if the President is going to veto this bill, it is going to be awfully close to April 12, and we have had no indication of it.

H.M.JR: I will come to that.

I want to write a letter to the President on the other matter, and I don't know - it depends on the other conversation whether I should include this or not. I want to write him a letter on what happened on the Hill between me and the House members. I think he should know about that. Then I want to include as the second paragraph of what happened - I don't know whether I should do it or not - and then bring in something about this veto business, but I have to make a record with him so that he knows. I mean, that is really - there are two things. I want to get this thing cleared, and then I want to have White tell us what has happened on this devaluation.

We have two pretty important things, the debt thing, and the devaluation. That is the purpose of this meeting.

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I think I will call up Ben. Does anybody see why I shouldn't call up Ben?

MR. PAUL: I think there is every reason why you should.

H.M.JR: Have you got the clipping reporting what happened between Sullivan and Somers?

MR. WHITE: I will get that at once.

MR. BELL: Somers gave that out, apparently.

H.M.JR: We have two very important things to do. Now you and I have the War Bond organization running smoothly, and we can take up a few other things. (Laughter)

MR. BELL: We can forget that for a while.

H.M.JR: I might as well go on with the second phase. What I thought I would do was write the President a letter telling him what happened. Supposing I dictate it now and then you give it in rough form to Mr. Paul or Mr. Blough and they can smooth it up. I know I want to send this part.

If I want to say anything about the twenty-five thousand, that I am not at all sure about.

"Dear Mr. President: Monday forenoon I got a telephone call from Chairman Doughton, who was disturbed after reading in the newspapers that the President was quoted as saying that he wanted a plan with which to fight the Ruml plan.

I went up on the Hill. Present at the meeting were Sam Rayburn, John McCormack, Robert Doughton, Jere Cooper, and Wesley Disney.

After listening to a lot of stories about World War I, we got down to business, and Mr. Doughton got an agreement from the Speaker, Sam Rayburn, and from

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John McCormack, that they would back the Ways and Means majority report, which more or less is a twenty-percent withholding tax.

"The Treasury's position is this: During the course of the bill we did not recommend a plan to the Committee, although we did give a plan to Congressman Robert Doughton, which is known as the Robertson plan. We have agreed publicly that we will approve the majority report of the Ways and Means Committee."

MR. PAUL: As against the Ruml plan.

H.M.JR: As against the Ruml plan.

"But our understanding is that if the Ways and Means majority report is defeated in the House, we are completely free to make our own recommendation before the Senate Finance Committee, and Congressman Doughton and Congressman Cooper have promised me that they will back the Treasury in whatever we recommend before the Senate Finance Committee."

MR. PAUL: Provided it is not the Ruml plan.

H.M.JR: That goes without saying.

"I take it that in following this procedure I have your backing. If for any reason you don't agree with me I would appreciate your giving me the opportunity to discuss the matter with you before you make any public statement; because if you said anything or if we said anything which was contrary to the majority report of the Ways and Means Committee, Congressman Doughton would be, to put it mildly, greatly upset."

That is the thought I want to get over.

Now I am going to dictate this other thing. I don't even know what I want to say.

"I think you should know that yesterday morning we got a hurry-up call to come on the Hill to testify on

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the twenty-five thousand dollar salary limitation part of the debt limit bill. Mr. Paul immediately communicated with Mr. Benjamin Cohen and invited him or anybody whom Mr. Byrnes designated to accompany him on the Hill, as up to now Mr. Byrnes has handled for you the policy end of the twenty-five thousand dollar limitation part of the bill, and our function has been simply to administer it. If there has been some change in this procedure and Mr. Byrnes is no longer going to carry the policy end for you, the sooner we know it, the better."

Now, take a look at it. I don't even know what I want to say.

MR. PAUL: I think it is all right, except there is one little thought to make a sequence - that he didn't appear. Nobody appeared from that office.

H.M.JR: That is all right. Now I don't know, but the thing that bothers me is that I don't want the President to say, "Oh, my gawd, Henry is coming again; he is having trouble with Byrnes." I don't know - if the President doesn't know, and he is so much interested in this thing--

(The Secretary held a telephone conversation with Mr. Ben Cohen, as follows:)

March 17, 1943  
9:50 a.m.

HMJr: Hello.

Operator: It will take a few minutes to locate Mr. Cohen. He's in the building somewhere.

HMJr: Well, tell him it's important.

Operator: Right.

HMJr: Please.

9:58 a.m.

HMJr: Hello.

Operator: Mr. Cohen.

HMJr: Hello.

Ben Cohen: Hello. Good morning, Henry.

HMJr: How are you, Ben?

C: All right.

HMJr: Ben, I'm calling up about what happened yesterday in regard to the hearing before the Finance Committee on the \$25,000 salary limitation.

C: Yeah.

HMJr: And both Mr. Paul and I were disturbed that nobody from your office or Byrnes's office was willing to testify, and quite frankly (laughs) I'm calling up to find out what, if any, significance that had.

C: Well, I don't think anyone phoned the Justice. The only thing I heard was from Randolph that he called to come down - he wanted me to go down with him.

HMJr: Yeah.

C: I couldn't go and I tried to see if I couldn't get Mr. Russell to go. I didn't think it advisable for me to go unless at least the Committee asked because you know I have a little beefing, and there's an effort every once in a while to pin things on me, so to speak, which - not that I mind if it helps the country. But I don't like it to be done if it's only used to make it more difficult for us.

HMJr: Well....

- 2 -

- C: And, I don't think - that is, the Justice is tied up in a meeting and so far as I know, I don't think anyone asked him to come down.
- HMJr: Well, that isn't the point. I don't - I guess I didn't make myself plain. Paul called you as the - he's my Counsel, and he called you as - as the Justice's Counsel.
- C: Yeah.
- HMJr: And - to have somebody come up, you or Pritchard, he said. He didn't communicate with Byrnes, but what I was trying to find out -- I didn't want to call Byrnes and seem to be going either over your head or behind your back -- was, does this mean that Jimmy Byrnes is no longer interested in this thing?
- C: I wouldn't - I certainly wouldn't say that - I mean, as - as I say, I thought it - it all happened so quickly yesterday morning. I had no advance notice - hadn't even....
- HMJr: Well, do you....
- C: ....the opportunity to speak to him, so....
- HMJr: Well, neither did we.
- C: I - I - I know, and it was simply - I couldn't go myself and didn't think it - it advisable. I'm a little uncertain - I wanted to get Mr. Russell to go. I even thought in some respects Pritchard is - I mean, I'm looking at it just from the point of view of public relations. We're subject to somewhat the same handicap as I was.
- HMJr: Well, this....
- C: But I mean I don't think if I were you I'd ascribe anything to the significance that I was unable to act on Randolph's suggestion - and now, as a matter of fact I haven't had a chance to talk to the Justice about it, because I simply couldn't. He was in a meeting and I couldn't do anything on that particular thing. Whether he would have gone down, or whether he would have thought best just to tell George he thought his view was expressed in the President's letter....
- HMJr: Well, the thing that I didn't like....

- 3 -

C: ...which he worked on himself. I mean, as a matter of fact, on the President's letter he first was planning to say substantially that to the Committee, and then he thought it was best if it was brought out by the President, and so he discussed that letter with the President.

HMJr: Well, here's the point. Paul went up on the Hill. Now, I think that Byrnes ought to know what happened. See?

C: Yeah.

HMJr: And I - I wish you'd talk with Byrnes.

C: Well, I haven't spoken to Randolph since he was up, so I'd better speak to him first to find out what did happen.

HMJr: Well, he's in here with me now....

C: Yeah.

HMJr: ...and what I want to know is, are you people going to continue to handle the policy end of the thing, you see, on the \$25,000?

C: Well, I mean - just -

HMJr: Well, I mean, we've got this thing before the Senate now, and then there will be - it will be - go to Committee and all that. Are we going to follow it or are you going to follow it? I hope that you're going to follow it.

C: Well, that....

HMJr: I mean your office over there....

C: Well,...

HMJr: I mean Byrnes's office.

C: I know. Well, let me talk to the Justice....

HMJr: Will you?

C: ....and then phone you back.

HMJr: Will you do that?

C: Yeah. Surely.

HMJr: Thank you.

C: All right.

HMJr: I'm not - I'm - I'm not trying to make a mountain out of a mole-hill, but I just want to know where we stand.

C: Yeah. Well, let me talk to him, and see what - how he'd like it handled, and I'll phone you back.

HMJr: Because you people have handled it right along, and I - I - I hope you'll continue to handle it.

C: (Laughs) All right. Thanks so much.

HMJr: Okay.

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H.M.JR: They can't just brush it off now that they are going to get licked on the thing.

MR. PAUL: That is a somewhat strange thing that he didn't even tell Byrnes about it. I suggested to him that he do it. I don't know how you expect to deal with a Congressional committee except by going up there and dealing with them when they have hearings.

H.M.JR: My inclination is not to say anything to the President about it.

MR. BELL: I agree with that.

H.M.JR: I don't want to seem as though I am tittle-tattling. It goes from one point where Byrnes wanted to handle the tax bill and everything - I just put it in - but the other thing I think we should do, and I will tell you why.

(The Secretary held a telephone conversation with Miss Tully.)

H.M.JR: I don't feel like sending the thing about Byrnes, but the other thing - now in view of the fact that I am seeing the President - I would kind of like to make the written record. On the other hand, he is very sensitive to this written record stuff. He is nobody's fool.

MR. PAUL: I would like to make one point of substance clear.

H.M.JR: Excuse me - I would like to see the letter smoothed up, and then I would kind of like to decide. But the thing - as one of you fellows said, Doughton wanted me to see the President before I went up.

Now, the thing that we are afraid of is, again, they won't believe me if I say that the President writes a letter without even telling me. I mean, the Times - or the Star runs a cartoon which makes out as though I was behind the President's security plan, and I never even saw the thing. I can't go around and tell people - when they send a plan like that up - that I haven't seen it.

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MR. BLOUGH: I didn't interpret that cartoon that way.

H.M.JR: How did you interpret it?

MR. BLOUGH: I interpreted it that he had this very nice painting there to show to the public and you stuck your head through it and sort of made it look pretty bad to the public because of the financial side of it.

H.M.JR: Well, I would like this letter smoothed up this morning.

MR. PAUL: There is one point of substance about that letter. We made no commitment in that meeting with Doughton. I don't know whether you did or not, but I didn't make any commitment, except that I would support the Committee's plan as against the Huml plan, and I reserved the right to say that the other plan, Doughton's number one, and the Robertson plan were better than the Committee's plan.

H.M.JR: Well, look, Randolph, let's be practical. Are you or I going to come out publicly after the Democrats unanimously report a thing out and say that we don't think it is any good?

MR. PAUL: No, but my point is that that arises from the practical situation, and not from my agreement.

H.M.JR: All right, put it this way: The situation as of today is such--

MR. PAUL: We will fix the letter.

H.M.JR: ... that we in the Treasury cannot criticize the position. What I am trying to get over to the President of the United States is that we are in this position - "and I hope you won't criticize it, because we are going to have our chance in the Senate if we get licked in the House."

I forgot the most important part of the letter: "I am now working on my statement which I expect to give before

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the Senate Finance Committee, and I would like to show it to you before I give it to get your suggestions, your approval, and your backing."

MR. BLOUGH: The thing is this, that whether or not the Ways and Means Committee plan wins in the House, your hands are free to make a recommendation in the Senate.

H.M.JR: Yes, and I want to tell the President that he will have a chance to see my statement. I want his suggestions, his approval, and his backing on what I say so it will be the Administration plan when I go before the Senate.

MR. PAUL: If the President is going to do anything - if the House gets unruly, he couldn't do it through the Treasury. What he ought to do is call Doughton and get him in conference and let the thing work through on the floor, independently of us.

H.M.JR: Now, look, you are kind of hoping, as I said last night - we are here in the family - that you can somehow get the Robertson plan out. I have been around this town long enough, and when the Ways and Means Committee votes - the Democrats - unanimously to support the change, no matter if the country was cracking wide open, they wouldn't change it. It is a matter of precedent; you can't help it. And if you or I, by inference - or the President - go against the majority of the Ways and Means Committee we are sunk, and all the explaining in the world I can do won't help. If on the other hand he says to me, "Henry, when you go before the Senate no matter what you suggest I will back you," I can't ask for anything more.

You have this question of precedence, you have this procedure, you have custom, you have everything else, and you just can't buck that thing.

Now, as I say, the country might be cracking wide open, or the President might need something, and because the Chairman of the Rules Committee rules one way - I mean, I have been through this thing so long - am I talking through my hat, Dan?

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MR. BELL: No.

H.M.JR: And Doughton knows he is going to be licked so he says to me, "You go before the Senate and say what you want, and I will back you."

MR. PAUL: That is what he said to me.

H.M.JR: So the thing is, all I am trying to do is to tell the President where he is so the President won't say something which won't help - all it will do is make Doughton sore, and Doughton will then say, "O.K. you knife me; I lose in the House because the President knifed me; you should have stopped them. Now I won't back you in the Senate."

I am not talking foolishness. I have been through this thing so often. All I am trying to do is to lay the foundation so the President will do nothing on it. He can't do any finagling on the Robertson Bill because they will stick with old man Doughton as a matter of precedent. Every chairman of every committee says, "My gawd, I have got to stick by the chairman of the committee, because if I don't I will get licked when I recommend something." I mean, it is the way this club works, and I don't think we are in such a bad position. Do you disagree with me?

MR. BLOUGH: I wasn't aware there was any disagreement in this room.

H.M.JR: I don't think so.

I know what Paul wants. Paul would like to leave the door open so somehow or other they can sneak in the Robertson Bill. Now, we can't do it, because if we help to do something, we are going to get caught at it.

MR. PAUL: I didn't want us to help; I wasn't saying we should help.

H.M.JR: I know, but acquiesce in some way - we get caught red-handed.

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Look, let's be a little bit frank. I started from the position last November and December where some group, through "Time" magazine, was moving heaven and earth - saying that I was the most unpopular man, that I had no standing on the Hill, and that I should resign.

Now we go back a little bit further. I made that closing sentence before the Finance Committee - "I demand that you do so and so on the tax" - "request" was the word. Well, I went from the position - if this was a question where the Government falls, and so forth, and I had to go up - if I had had a seat in the House, I would have had to resign; I would have lost my constituents.

And I take it from that place where "Time" magazine was trying to make me the fall guy on this thing, and I take my meeting - I go down there to Winston-Salem, and so forth and so on, and I have gradually built this thing up until the Treasury is again - I walked into a meeting with those five people, and didn't I get a--

MR. BLOUGH: A very nice reception.

H.M.JR: Didn't I - a very nice reception? Everybody was glad to see me, and so forth and so on, and you (Paul) handled the thing well.

Now, I am not going to jeopardize what I have done. I mean, instead of me being the whipping post - poor Leon Henderson was, and he lost out, and now they are after McNutt.

Now, it has taken me three months of very hard work - very hard work on your (Paul's) part, as my representative, to get us into this very nice position. Now, granted that the majority report is lousy--

MR. PAUL: We all grant that.

H.M.JR: I called Roy Blough in here Saturday and I put him to work to write me a bang-up plan, which everybody is in agreement with, and which I expect to go all-out before the Senate.

Now, if I couldn't do that, I wouldn't be doing this other thing. But that is the way it is. You have got

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maneuvered into that position where you can't say anything against the majority of your committee. You are in a position where all that you can say is that it is better than the Ruml plan.

MR. PAUL: I don't think I got maneuvered into any position.

H.M.JR: You are in that position.

MR. PAUL: I think I am in a better position. I was in a position before of not being able to say anything. I extricated myself from that position and am now completely free to say--

H.M.JR: In the Senate--

MR. PAUL: That wasn't the agreement.

H.M.JR: What can you say?

MR. PAUL: It is in the Senate - that very day following that meeting I went down and testified before the Ways and Means.

H.M.JR: But what could you say if you had a press conference today about it?

MR. PAUL: I wouldn't - but not because of that meeting, I wouldn't say anything because of the practical situation. It wasn't that meeting that closes my mouth now.

H.M.JR: But your mouth is closed.

MR. PAUL: Yes, but not by that meeting - not because I was maneuvered into anything, but because I consider it wise not to say anything.

H.M.JR: But the fact remains, you can't say anything.

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MR. PAUL: I am only objecting to your putting it that I was maneuvered into a position. (Laughter)

H.M.JR: Whatever it is, you and I are in that position.

MR. PAUL: I agree with you.

H.M.JR: And I am in that position.

MR. PAUL: Because we are the Treasury Department, and we have a Ways and Means Committee; not because of that meeting.

H.M.JR: What I want to do is, I want to get the President in that same position so he doesn't cut us off. And the question is whether I should do it in a letter today, knowing I have an appointment, or hand him the thing in the form of a memorandum tomorrow morning, which he then will turn back to me. But if I give him this letter today, then he has got it, and I think the letter should go this morning. What do you think, Dan, the Director of the Budget? (Laughter)

MR. BELL: He isn't very popular, either. (Laughter)

H.M.JR: But you worked with him directly for four and a half years.

MR. BELL: I wouldn't send the letter - not seeing him tomorrow morning. I think you can tell it to him and have just as much effect - maybe a little better.

H.M.JR: What do you think?

MRS. KLOTZ: I would send the letter.

H.M.JR: Let's get a good letter and let's take a look at it.

MR. PAUL: I would send the letter for the reason that then if he does anything, you can always show that letter to Doughton. (Laughter)

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H.M.JR: I can't do that. (Laughter)

MR. PAUL: You can say that you did your best.

H.M.JR: No, I can't do that.

MR. BELL: You are always in this position. You never can turn the President down. It doesn't make any difference what you do to make your record clear.

MR. PAUL: Then there is no use of the letter if you can't use it.

H.M.JR: I can't use the letter. We have had lots of letters we wanted to show.

MR. BELL: We have had a good record in many cases but we never can put it in.

H.M.JR: Let's write it anyway, and it can be changed from a letter to a memorandum.

MRS. KLOTZ: Don't you want to make the record, though?

H.M.JR: Yes, but it makes him awfully sore, though. Let's get the thing polished up and take a look at it. I have an appointment tomorrow and we will see.

Now, are we all right on that, and have we agreed we won't say anything about Ben Cohen in the letter? Right?

MR. PAUL: Yes, I don't think - you might bring that up in conversation tomorrow.

H.M.JR: Byrnes has left me alone. Of course, you are going to hear from Byrnes. I don't want to be tittle-tattling. I don't want to go to the President about Byrnes unless it is a big issue.

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MR. BLOUGH: Isn't the real question there, why didn't the committee call Byrnes?

H.M.JR: I have got to say, in fairness to Byrnes--

MR. BLOUGH: I can't blame Byrnes for not going.

H.M.JR: If Ben Cohen didn't tell him, and he didn't know it, how could Byrnes say anything?

MR. WHITE: If it is a significant development, it will grow. There will be other opportunities. If it is a passing incident as a result of misunderstanding, it is best forgotten.

H.M.JR: Byrnes can simply say, "My dear Henry, it isn't a question of whether I wanted to send somebody or I didn't want to; I didn't know anything about it."

MR. PAUL: I don't see how he can say that when his counsel knew it.

H.M.JR: Ben said he didn't talk to him.

MR. PAUL: Yes, but that is not our fault.

MR. BLOUGH: In any event, either the committee asked him to send him, or didn't. If they didn't ask him to send someone, they were more or less butting themselves in if they went.

H.M.JR: Didn't the committee ask him, or didn't they--

MR. PAUL: As far as I know, the committee didn't call them.

H.M.JR: Let me ask you one other question. If John L. Sullivan had been here yesterday, would he have testified?

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MR. PAUL: Yes. The real person that I wanted to get there, that knows most about it, I couldn't get hold of because he was over at the Ways and Means Committee.

H.M. JR: Who was that?

MR. PAUL: Surrey is the one that knows most about it - or the Bureau.

H.M. JR: But isn't John supposedly carrying this?

MR. PAUL: Yes.

H.M. JR: And if he had been here, wouldn't he have been the fellow to testify?

MR. PAUL: I would have called - I had to act quick.

H.M. JR: No, but I am just--

MR. PAUL: I was on the way to call Sullivan, then I found out he was gone.

H.M. JR: I expect to speak to Sullivan when he comes back. It wasn't necessary for him to go. But if he had been here, he would have been the fellow to testify?

MR. PAUL: That is right. But you see, they called me and I didn't know what they were going to take up. I couldn't even find out after I got up there. The clerk didn't know. I talked to Vandenberg.

MR. HAAS: I think probably the committee thinks it is the Treasury's responsibility. I am pretty sure the public thinks it is.

MR. BELL: Randolph told them it was not.

MR. PAUL: I made that point.

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(The Secretary held a telephone conversation with Justice Byrnes, as follows:)

March 17, 1943  
10:22 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Justice  
Byrnes: Hello. Henry?

HMJr: Jimmy? How are you?

B: Fine. Ben Cohen was telling me that Paul had asked him about whether he'd been - or somebody from this office would go up to the Senate Finance Committee with him. I don't think they should. When the bill was pending in the House, John - while you were away - John Sullivan talked to me about it and I told him that unless the - the Committees up there asked any of us to come, that we had no administrative business, and therefore wouldn't go. If the Committees asked us, then we would, and I think that the - unless the Senate Finance Committee wanted to talk with somebody from this office, I wouldn't want to send them there. I would think that - John told me he had to go to New York....

HMJr: Yeah.

B: ...and he was going to - he asked me if I knew of any reason why he shouldn't go about this matter. I told him I certainly didn't, that those fellows on that Senate Committee, they're going to act - they'd already considered the debt bill that John was interested in, and on this thing here they're going - they're going to act on that \$25,000 thing, and nothing that anybody could do could stop them, and we might as well just let nature take its course.

HMJr: Well, of course, what they did was to call up Paul....

B: Well, I....

HMJr: ...because Sullivan wasn't here.

B: Well, I suppose that that would - because you're with the Treasury, it's a custom to have somebody there when you've got a bill like the debt bill pending, so that if they want to ask him any information.

HMJr: But I was just a little surprised, because you people have been handling the policy end, and we kind of thought that handling the policy end that - that - that - that when it came to testifying, you'd want to testify on it.

- 2 -

- B: No. We - if they asked us, but otherwise we wouldn't. No, that was the President's baby. I talked to him about it at the time the thing came up while you were away, and I learned that he was - what his position would - would be - and we suggested - at that time we talked to John and Paul and Surrey too, and we suggested that proposal by the President as to the tax, but in accord with the letter the Treasury had written last year, and he put that in the form of a letter and I imagine - without either of us talking to him, that he'd just let nature take its course. Whenever they act, then it would be up to him to determine what he'll do about the bill, whether or not he thinks that it's a matter that he ought to consider the veto of. The Disney amendment would be bad, but I think those boys in the Senate have got more sense and they'll change it. They won't let the Disney amendment stand.
- HMJr: Well, just so you and I understand each other, because we're both working for the President. What I've had in mind - my understanding was on the \$25,000 salary limitation you were carrying that ball for the President right along, and we were simply administering it.
- B: That's right.
- HMJr: Now there's no change, is there?
- B: No.
- HMJr: That's all I wanted to know.
- B: No, there's been no change at all.
- HMJr: That's all I wanted to know.
- B: Okay. And I would not go up there unless they asked us, because we, well -
- HMJr: There's no change in that, is there?
- B: No.
- HMJr: Okay, that's all I wanted to know.
- B: Fine. All right.
- HMJr: Thank you.

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H.M.JR: He says, "It is the President's baby. O.K. let nature take its course." That is wonderful. In other words, if the pot got hot, let the President handle it. Well, that is all right.

Did I handle myself all right on that?

MR. PAUL: Fine.

MR. WHITE: He will fight for something that is going to pass. (Laughter)

H.M.JR: Yes, but I nailed it down.

MRS. KLOTZ: That is the answer.

H.M.JR: With all due immodesty - I think I came out all right on that one. (Laughter)

MR. PAUL: I think you did. Of course, that is a curious situation. He doesn't want to go up there because he isn't asked, and the committee doesn't know enough to ask him.

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

MR. PAUL: They know now because I said up there that Byrnes was carrying the main policy decisions on that, and that we were only messenger boys.

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

Now, are we through on this one?

MR. PAUL: They ought to ask him up Friday.

H.M.JR: Towards the public, I would very much like to have him go up. I don't want to get this misunderstood as to who is carrying this baby. (Laughter)

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MR. PAUL: I wish they would take their record, up there. They had no stenographers present yesterday.

H.M.JR: John, I hope, will be back and recovered from the 17th of March. I am going to call him when we get through because he had no business going up.

Now, Harry, please bring me up to date on this other thing. Did John know that this meeting was to have taken place yesterday?

MR. WHITE: John arranged it, to my knowledge.

H.M.JR: Did he leave any memo that you were to take it over?

MR. WHITE: No memo. Apparently Somers said he wanted somebody to come up who could give him an understanding of the technical aspects of the bill - who would explain to him the pros and cons, and the necessity for - not on political grounds, but the economic - the necessity - and as a consequence of his desire, Sullivan made an arrangement with him.

H.M.JR: For a meeting yesterday - for Tuesday morning?

MR. WHITE: Today is Wednesday - for Tuesday morning.

H.M.JR: And he left no memo with anybody that they should represent him or anything?

MR. WHITE: Yes, he informed us ahead of time, and we knew of the meeting. I knew of it Monday morning. I knew Sunday that we were to meet with Somers on Tuesday morning.

H.M.JR: But didn't you think that John would be there, or didn't you?

MR. WHITE: Well, I knew on Sunday that he would not be there. I knew on Monday that he would not be there,

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and would have gone up Tuesday morning to find out what Somers wanted and told him such things as related to the technical aspects of the bill. On Tuesday morning John came in - sent in this press release as of Tuesday morning, and it is a compilation of some statements by Somers which puts a substantially different face on the matter.

I had been under the impression that when you spoke to John a week ago that I was to go to see Somers and some of the other leaders to ascertain what the chances of the passage of the bill were.

H.M. JR: That is right.

MR. WHITE: I had further assumed - but whether this was an assumption, or whether it was said at the time - but I certainly felt that was the conclusion; that after he had talked to these men and ascertained what the chances were, he was to come back and report and we were to talk it over and see where we would go from there.

H.M. JR: He came back and reported and he said that Somers said please not to talk to anybody else until he made the next move.

MR. WHITE: I see. Then apparently this was the next move of Somers' - to give this publicity to the request, and to treat it as though the request had already been made that they propose the bill.

I can read certain excerpts from it if you like. (Reading)  
"Assisting Secretary of the Treasury John L. Sullivan called me on the telephone and requested I introduce legislation continuing the President's power to devalue the gold content of the dollar, continue the Treasury's two-billion-dollar currency stabilization fund, and the Thomas amendment authorizing issuance of three billion dollars in greenbacks.

"He also suggested hearings be held soon. I'll introduce the legislation and call for hearings, not only on the continuation of this law, but I think the committee ought to know what the Administration plans to do with regard to postwar currency stabilization."

Then I am skipping some history. Then he goes on:

"The existence and use of these powers have enabled the Government to take important steps in the field of international monetary and economic cooperation and to safeguard the country's interests. Unfortunately, present worldwide circumstances including the international monetary and economic situation, are not such as would warrant the termination of such power."

"Somers said that he wanted to receive again the views of the President before he had his committee report out the devaluation stabilization legislation.

"Mr. Sullivan told me he thought we had better get started without waiting for any informal request from the President. I agreed to that, but I am confident we will be unable to receive approval of such legislation unless the President makes his views known.

"I also was given to understand that continuation of this authority is based on big plans of the Government financial advisors for a world currency stabilization program after the war. I think the committee has a right to learn something about these plans, if the devaluation of stabilization laws are going to be used as vehicles.

"We want Congress to know what to expect under legislation we report for action."

(Above quotation from article entitled "Devaluation Extension to be Sought" by Cecil B. Dickson, appearing in the Washington Post under date of March 16, 1943.)

MR. PAUL: This is the crooked reporter, Dickson.

H.M.JR: What happened yesterday?

MR. WHITE: After I left you I talked it over again with Joe O'Connell and several of my boys, and we decided that until I had had a chance to speak to you in some detail about this matter, it would be unwise to go,

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because Somers would press me on this question of the plans that we have, and I would either have to tell him nothing and arouse his suspicions, or tell him more than I wanted to tell him.

MR. BELL: Was this a hearing or just a conference with Somers alone?

MR. WHITE: Just a personal conference - just individually. He was very much at sea. You may remember the last time we went before them on this. He gets terribly confused on this, and we had a number of long individual private sessions with him in his hotel room straightening him out on what the bill was. I presume that he now has forgotten most of it and wants to get on top of the ball again. (Laughter)

Had it not been for this statement, it would have been a simple thing to go up and talk to him about what he wanted.

MR. BELL: They have drawn in the three billion dollar Thomas currency into it. That is no part of the bill.

MR. WHITE: Yes, and they have also drawn in this postwar monetary. We talked it over, and I felt the best thing was to postpone it, if I could do so gracefully.

H.M.JR: I don't know a more graceful man than you. (Laughter)

MR. WHITE: That is indeed a surprise. (Laughter)

H.M.JR: To see you hop from one ocean to another, gracefully -- (Laughter) with my rye crisp.

MR. WHITE: I like hopping from one ocean to another.

H.M.JR: Playing chess. (Laughter)

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MR. WHITE: I called his office and his secretary said he was expected in a half hour. He was coming in from out of town. She said he had a dentist appointment at eleven-fifteen; she didn't know of this appointment. That only left me a half hour. I said that I didn't feel that would be enough to cover the ground, and would it be all right if we postponed it, and she thought it would be very excellent that we postpone it.

So I said, "We will get in touch with you again."  
So I didn't go up.

There have been other developments which bear in part on that, but which are mostly distinct - which require attention.

There is a great deal of stewing around and rumors and reports with respect to the monetary stabilization plan which we are supposed - reported to have emanated from London - and--

H.M.JR: Did you see Mr. Hull's remarks on it?

MR. WHITE: No, I didn't.

H.M.JR: he sort of gave out the idea he was doing it, at his press conference Monday.

MR. WHITE: I didn't see that. And that is gathering momentum. All the commentators are referring to it. There must have been half a dozen or so reporters attempting to get something from me and I suppose they are trying everybody else. The fact that the British want to issue a public statement referring to our report and they want to publish their complete report - some decision has to be made on it.

H.M.JR: Let me tell you what I think we will do. I will see Mr. white at three o'clock. I will go to school with you at three o'clock. Then I think we will hold everything until I see the President tomorrow.

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MR. WHITE: That was going to be the suggestion.

H.M.JR: But I think you ought to have, between now and three o'clock, the thing in a memorandum form that I can give to him.

MR. WHITE: Give to the President?

H.M.JR: Yes.

MR. WHITE: Then there is a letter from Senator Vandenberg, if you read it--

H.M.JR: Yes.

MR. WHITE: ...which we are drafting - a letter which raises the issue squarely.

H.M.JR: I am giving you an hour this afternoon. Let's let it go until then, and then with this appointment - when could you polish off that draft? Could you get it to Mrs. Klotz by two?

MR. PAUL: We will do it as soon as we finish this meeting. We had better do it right away.

H.M.JR: I think that is about enough.

March 17, 1943  
3:17 p.m.

Operator: Hello.

HMJr: Yes.

Operator: Mayor LaGuardia.

HMJr: Hello.

Mayor LaGuardia: Hello, Henry?

HMJr: Hello, Fiorello?

L: How are you?

HMJr: I'm fine. How are you?

L: Oh, I'm glad to hear it. They told me some time ago you weren't feeling so - so good.

HMJr: Well, that was right. I went away, but I'm full of beans now.

L: Oh, fine. Say Henry, I think your Collector of Internal Revenue down here, Pedrick....

HMJr: Yeah.

L: ....did something that is not in keeping....

HMJr: Is not what?

L: Not in keeping with comity which should exist between us.

HMJr: Comity? That's a big word.

L: Yeah. Well, I'll tell you.

HMJr: Yeah.

L: He appeared at a meeting yesterday and said that each of the districts should know how dissatisfied people are with taxes and he could tell them of the groans that he heard and then joined with a group of department stores in opposing some revenue that I have to have to run the City.

HMJr: Really?

L: I think we each ought to do the best we can, don't you, under these circumstances?

- 2 -

HMJr: No question about it. Was there any - anybody that took it down or anything?

L: Yes. It's in the - it's in the Times today.

HMJr: The New York Times?

L: Yes. I'll - I'll - I'll wire you the exact clipping - the page. (talks aside - It's in the Times, isn't it sir?) I'm pretty sure it was in the Times. He appeared yesterday and made a speech, and I think it's extremely bad taste.

HMJr: Well, if you'll just send it to me air-mail, special delivery, I'll get it in the morning.

L: Yes, I'll do that.

HMJr: To the Treasury.

L: Yeah. And (talks aside - what's that? Well, I'm talking to Mr. Henry Morgenthau.) I'll find the article. I think it's on page 22 of the New York Times.

HMJr: I didn't know that you had to be prompted. I thought you could talk for yourself.

L: Well, I dictated a letter on it. I don't remember the....

HMJr: (laughs)

L: ....number of the page.

HMJr: When are you going to....

L: Well, will you look into that?

HMJr: Sure. When are you coming down and have one of those sumptuous lunches of mine?

L: Well, I - next week, if you'll invite me.

HMJr: You name the day.

L: Yes, I'll let you know. I'll tell you what my plans are....

HMJr: Do that.

L: Fine. Goodbye, Henry.

HMJr: Goodbye.

March 17, 1943  
3:20 p.m.

William  
Robbins:

Mr. Secretary, I guess we got our wires crossed before lunch, but I understand you saw Stewart Peabody.

HMJr:

Yeah. Well, that was just a....

R:

Well now I - what I wanted to ask you was - I've been down to Stewart's office since I got back. I had nine one-fifty-five instead of twelve-fifty-five.

HMJr:

Yeah.

R:

And I've seen what they're going to do. Of course I haven't seen the final chart of it, because they want to assemble it into some sort of a packet for you, in a more presentable form. But I've seen the stuff that they have....

HMJr:

Yeah.

R:

....and I think by four o'clock they'll be able to whip together something which will be of assistance to you. Now, the question, what more do you want me to do with this?

HMJr:

Well, I thought when I got through with Harry White I'd ask you to come in. I didn't know if Peabody should come in. I didn't know whether you want to follow through on that yourself or....

R:

Well, it's in excellent hands, I can assure you.

HMJr:

Well, how would you like me to work with Peabody? When I want something like this, do you want to come in or do - can I send for....

R:

No. It isn't necessary at all.

HMJr:

Just tell him to come in and then tell him to keep you informed?

R:

Sure. Well, he'll do that automatically.

HMJr:

Well, do - I mean, I'm all - I - I just don't - the reason I'm asking you, I don't want you to - I don't want to take your time up unnecessarily. On the other hand, I always want you here, when it has anything to do with War Bonds.

R:

Well, don't worry about that, and - and Stewart is here and at your service, and I'm sure you'll find that he'll cooperate, and it isn't necessary there to bother with me, unless you think that I have a contribution, and then, in that event, I'll certainly....

- 2 -

HMJr: Well, in a case like this, what would you like me to do?

R: I'd work directly with Stewart.

HMJr: Okay. Well, then when I'm through with - with White, I'll - I'll send for....

R: He's planning towards - towards having this stuff ready for you at four.

HMJr: All right. How - is everything else all right?

R: Oh, yes.

HMJr: Good.

R: Oh, yes.

HMJr: Good. All right.

R: I had lunch with Mr. Grant today.

HMJr: Oh, did you?

R: He's in town, and I was hoping that I could probably see him again a little bit later this afternoon. I don't know whether he's going out of town or not, so that I'm going to call him. I have a call in for him now....

HMJr: Good.

R: ...and if he is free, I think I may hop over to his office and have another little visit.

HMJr: Good. All right. Thank you.

R: All right. Goodbye.

March 17, 1943  
3:30 p.m.

EXTENSION OF STABILIZATION FUND;  
INTERNATIONAL STABILIZATION FUND

Present: Mr. White

H.M.JR: All right, Mr. White.

MR. WHITE: What would you like to see first, a draft of a memo for the President? (Memorandum for the President dated March 17, 1943, handed to the Secretary, copy attached.)

H.M.JR: I sent that letter on the taxes to the President, anyway. You heard me discuss it?

MR. WHITE: Yes.

(Memorandum for the President signed by the Secretary.)

H.M.JR: All right.

What comes next?

MR. WHITE: Here is the proposed press release. (Suggested press release handed to the Secretary, copy attached.)

In reading the memorandum over, I think that the tense has to be changed. This sounds as though they have already published the text. I will change that. It is on the first page, so the signature can stand.

H.M.JR: Keep it all together and give it to Miss Chauncey so that she has everything for me tomorrow morning. Tell Miss Chauncey this is all for the President.

- 2 -

MR. WHITE: That press release has not yet been cleared with the State Department.

H.M.JR: Can you do it tonight yet or not?

MR. WHITE: I think so. I will see Berle tonight. However, the statement doesn't say we have cleared it. It says that it will be cleared, so we can clear it after the President has seen it.

H.M.JR: Humanize this thing a little bit. Nobody can understand it. You can give it to Odegard or Mager. They are both available for this kind of stuff - either one that you want.

MR. WHITE: O.K., I will be glad to. I shall clear it with the State Department.

H.M.JR: It is like a thing out of "Who's Who."  
(Laughter) Give it a little zip.

I have got to have something to take over to the President at nine-thirty, even though it hasn't cleared.

Odegard is available.

MR. WHITE: The other man is more--

H.M.JR: Use either one.

(Letter addressed to Senator Vandenberg signed by the Secretary, copy attached.)

MR. WHITE: There is a phrase down on the bottom which is the important thing, that you are planning to give to appropriate Congressional groups in the near future a summary of the tentative conclusions.

We will hold this until after you come back from seeing the President because you are asking the President somewhat the same question. He may not want to inform Congress about it.

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The British have asked--

H.M. JR: For permission--

MR. WHITE: Yes, to issue this release. We are opposed to it, and we have another suggestion.

H.M. JR: Why are you opposed to it?

MR. WHITE: It is, in the first place, a joint release, in which they refer to us and tie themselves up to us. We think it is much better to make them more independent, and we have rephrased it a little so that it doesn't look like a joint enterprise. That is specifically what they are trying to do. Ours is somewhat different, so that it looks like the two countries have been working independently.

H.M. JR: O.K.

You haven't had any trouble with me so far, have you? (Laughter)

MR. WHITE: Not yet.

I think that when you go there you might want to take with you for possible use this memo that you sent them in connection with Altschul. That is where you told them exactly what you were going to do.

H.M. JR: Have it in there.

You are leaving the most difficult thing to the last, what we are going to do on this stabilization fund.

MR. WHITE: On that if he agrees with you that it is all right to inform the Congressional leaders, then I think we might do this. I would go up and tell the head of the committee merely the technical aspects and not say that we are asking for it yet. I didn't know that we had asked for legislation.

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H.M.JR: That is what I want. You or some of your men may have to work tonight because you haven't got what I want.

MR. WHITE: I didn't know you wanted to refer to that at all. I thought you had reference to this other.

H.M.JR: No. You have got to get me out something.

MR. WHITE: Tell me what you want. I didn't know you were referring to the stabilization fund at all. I thought it was the International Stabilization Fund.

H.M.JR: No, no, you have that on your mind. That is all you think about.

MR. WHITE: No, it isn't all. (Laughter)

H.M.JR: Almost all. (Laughter)

MR. WHITE: No, not even that.

H.M.JR: Anyway, what I want is - I haven't time to learn the thing - what I want is a brief which I can take over to the President tomorrow, telling him, in the first place, what expires. That is number one. Then how far have we gone in sounding out the committees - just very briefly. The alternative in this thing, as I understand it, might limit his powers on devaluation.

MR. WHITE: You can just delete it - take it out.

H.M.JR: Also for trading value, we might say we would be willing to give up the Thomas currency thing.

MR. WHITE: That isn't in there.

H.M.JR: Then you had better leave it out. Why not leave it out? That always irritates him, anyway. He likes it. Leave it out.

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But the point is, I would like you to sit down and say, "Now, Mr. Morgenthau, on the one hand you can do that; on the other hand you can do this. We think we are going to have a fight. How much of a fight do you want us to have?"

MR. WHITE: I didn't know that you had sounded out the various committees. Had you? Do you know what the answer to that question is?

H.M.JR: Sullivan did. You can get him on the phone and find out what he has done. He is available.

MR. WHITE: Is he here?

H.M.JR: No, but they know where he is.

MR. WHITE: I will find out first what he has. I had assumed you did not want to raise this question with the President until you had made up your mind what the caliber--

H.M.JR: No, no, I get very few chances to talk to him now, and I definitely want to talk to him about it. I want to discuss it. I want to see how he feels.

I want the same kind of a memo as if you came in and said, "Look, here are both sides of the case. What do you want me to do on this thing?"

What I want is that kind of a memorandum to give to him. I would like to meet with you again at nine sharp tomorrow morning so that I can take fifteen minutes, and if I don't understand it fully you can explain it to me.

Is that possible?

MR. WHITE: Yes.

H.M.JR: That is what I wanted.

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MR. WHITE: The discussion didn't refer to that at all.

H.M.JR: It was my fault.

MR. WHITE: That will be in addition to this.

H.M.JR: The other thing, I don't see there is any particular - it is just a question of a press release.

MR. WHITE: It is important for this reason, that the cat will be out of the bag then, and I am sure that there will be a lot of people - that Congress will ask the President about it.

H.M.JR: All right, I will do both.

But I would like the thing sewed up for me. Can you get here at nine tomorrow?

MR. WHITE: Sure, I will have it for you.

H.M.JR: Instead of giving the things to Miss Chauncey, give them all to me.

What else have you got?

MR. WHITE: That is all.

H.M.JR: That is what I would like. There will be two things. There is the International Stabilization Fund and our own stabilization fund and the question of the thing expiring.

MR. WHITE: That is right, and we won't have to point out to the President the pros and cons, that there do exist additional powers to alter the price of gold, which is not involved in this public release. That will make it easier.

We will have it for you.

H.M.JR: By nine tomorrow morning.

March 17, 1943

MEMORANDUM FOR THE PRESIDENT

On Monday, the British Treasury informed us that a draft proposal for an "International Clearing Union", prepared by the British Treasury, had been discussed by Keynes of the British Treasury at a conference of Finance Ministers residing in London, and that news of the conference and of the British draft proposal had leaked out to the press, both in England and in the United States. They said that the news had aroused such widespread interest among the British public and Parliament that the British Government feels it has become necessary to issue a press release on the matter and publish the text of the proposal.

It is inevitable that in the press and Parliament discussion of the proposal reference will be made to proposals being worked out by the American Treasury. There already have appeared numerous references to an American proposal, and we have had numerous press inquiries. We have also received a letter from Senator Vandenberg inquiring as to the accuracy of the press references to monetary discussions and inquiring regarding rumored commitments.

As you know, the Treasury has been working in cooperation with the State Department and other agencies, on a draft proposal for an International Stabilization Fund of the United and Associated Nations, a copy of which you may recall I sent to you several weeks ago. With the approval of the State Department, I have recently sent copies of the preliminary draft proposal to the Finance Ministers of the United Nations and the American Republics for an exploratory study and an informal discussion by their technical experts.

The British proposal will soon be made public in full detail, and it will be generally known that this Government has also been working on the problem of post-

- 2 -

war monetary stabilization. To avoid unnecessary and troublesome rumors, I believe it would be desirable to inform the Congressional leaders of our studies. If you approve, I propose to issue the appended press release (which I shall clear with the State Department), and to give to the appropriate Congressional groups a summary of the tentative conclusions of the American technical experts and to explain to them how we hope, through international cooperation, to maintain stability of currency and to assure a restoration and balanced growth of international trade.

As of possible interest to you, I have attached a brief summary of the preliminary draft proposal prepared by the Treasury staff in cooperation with the experts of other departments.

*B. H. Morgan, Jr.*

HDW:ds1  
3-17-43

Suggested Press Release

The Secretary of the Treasury announced today that technical experts of the Treasury and other departments of the Government have been studying methods of assuring post-war currency stability. Secretary Morgenthau pointed out that for the past nine years the United States has been cooperating with other countries in maintaining stability of exchange rates through the Exchange Stabilization Fund. The same methods that have been employed in our stabilization agreements and operations can be generalized and applied multilaterally to all of the United Nations and the American republics associated with them.

Secretary Morgenthau added that no specific plan has as yet been considered by the Government but that preliminary suggestions of the American technical experts have been made available for exploratory study by the technical experts of other interested governments. The Secretary said that the suggestions of American technical experts contemplated that cooperating governments would undertake not to engage in any competitive depreciation of their currencies. The stability of currencies would be assured by fixing the value of currencies in terms of gold, and changes in the value of a currency would not be made without consulting other interested governments. To facilitate maintaining stability of exchange rates, an international stabilization fund would sell needed foreign exchange for local currencies to cooperating governments under adequate safeguards.

Secretary Morgenthau emphasized that the problem of post-war monetary stabilization was being studied by the technical experts of other governments and that all suggestions were being carefully considered. He expressed the view that the suggestions of the American technical experts point the direction for international cooperation to maintain monetary stability and to assure the restoration and growth of international trade.

My dear Senator:

This is in reply to your letter of March 15, 1943, referring to reports of monetary discussions in London and inquiring whether any commitments are in contemplation involving devaluation of the American dollar.

For more than a year there have been regular meetings of a committee on post-war monetary problems of the European Governments domiciled in London. The United States Government has an observer who attends the meetings but takes no part in the discussions.

Recently, a proposal for an International Clearing Union drafted by the experts of the British Treasury has been submitted to various governments including the United States for preliminary considerations by the technical experts. Our technical experts in the Treasury and in other departments of the Government have independently been working on the problem of post-war monetary stabilization and have prepared preliminary drafts for exploratory study by the technical experts of other governments. Such discussions as have taken place have been of a preliminary character and on a purely technical level, in no way involving the official views of this Government.

You may be assured that we do not contemplate any commitments such as you describe in your letter. In fact, one of the important objectives of our studies is to avoid the danger of competitive depreciation of currencies.

I have been planning to give to the appropriate Congressional groups in the near future a summary of the tentative conclusions of our experts who have been studying the problem of post-war monetary stabilization. I may add that our thinking on these post-war monetary problems has been along lines that are generally accepted as a sound approach to the problem of maintaining stability of foreign exchanges during the post-war period, and assure the balanced growth of international trade.

Sincerely yours,

Secretary of the Treasury.

The Honorable Arthur H. Vandenberg,

The United States Senate.

DW:rdmh  
2/17/43.

3/19/43

66

HM Jr said that Mr. Paul had withdrawn  
the memorandum referred to in this memo.

✓  
March 17, 1943MEMORANDUM

I spoke to Mr. Paul tonight on the phone at seven o'clock, discussing a certain memorandum in which he referred to a Mr. "X" who is delinquent in his income tax. I was quite angry because he sent me this long memorandum in legal terms, and I told him I hadn't gone to law school and I couldn't understand it, and why didn't he tell me whether he meant "yes" or whether he meant "no". So he said, "Yes, it can be done." Then he went on to say, "I think I ought to disqualify myself from handling this case because he's a friend of mine. I sat on the Federal Reserve Board with him, and he's told me certain confidential things and, therefore, I don't think I ought to handle it and ought to let a man like Joe O'Connell handle it."

Well, this is just exactly what I'd been suspecting right along, and now he comes out and says so. I told him I wanted to talk to him about it at length, and I said why didn't he put it in writing? He said, well, he didn't want it in the records. Well, certainly the thing that he wrote me shouldn't be in the records either, and I am going to make him withdraw it.



## TREASURY DEPARTMENT

WASHINGTON

2-17-43

## Memorandum for the Secretary:

The following data are taken from the joint income tax returns filed by Beardsley Ruml and Lois T. Ruml:

1928: Total income reported was \$67,105.59. Salary income, Laura Spellman Rockefeller, \$15,050.00. Interest paid \$19,621.24. Tax reported \$3,760.67. Contributions \$106.00. A small deficiency was assessed.

1929: Shows a loss of \$26,627.28. Salary income, Laura Spellman Rockefeller, \$17,500.00. Loss of \$56,392.24 reported. Interest paid \$16,019.21. Contributions \$66.00. Total income reported "None".

1930: Salary income, The Spellman Fund, \$20,000.00. Losses of \$46,810.06. Interest paid \$4,754.43. An extension of time to file was obtained.

1931: Total income reported was \$17,449.71. Salary income, The Spellman Fund and University of Chicago, \$30,000.00. Interest paid \$8,661.78. Contributions \$35.00. Tax reported \$8.20.

1932: Return destroyed.

1933: Total income reported was \$27,360.47. \$27,272.17 is from salaries, University of Chicago and The Spellman Fund. Interest paid \$7,568.96. Extension of time to file obtained. Contributions \$70.00. Tax reported \$1,480.49.

1934: Total income reported was \$40,135.84. \$36,875.00 from salaries, R. H. Macy Company, University of Chicago, Social Science Research Council. Interest paid \$8,612.07. Contributions \$116.10. An extension of time to file was obtained. Tax reported \$3,431.04.

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## Memorandum for the Secretary.

1935: Total income reported \$42,401.26. Salary from R. H. Macy Company \$39,669.10. Interest paid \$7,091.92. Of this amount of interest, \$3,220.00 was paid to his mother, Salome B. Ruml, and \$869.50 was paid to his father, W. Ruml. Contributions \$100.00. Tax reported was \$4,019.38. Deficiency of \$810.08 assessed.

1936: Total income reported was \$57,256.71. Salary income, R. H. Macy Company, Federal Home Loan Bank and National Resources Committee, \$54,293.91. Interest paid \$7,500.77. Of this amount, \$3,340.00 was paid to Salome B. Ruml and \$1,235.00 to W. Ruml. Contributions \$105.00. Tax paid was \$7,544.85.

1937: Total income reported was \$61,357.92. Salary income from R. H. Macy Company, National Resources Committee and Federal Reserve Bank, \$61,239.94. Interest paid \$7,067.71. Of this amount \$2,850.00 was paid to Salome Ruml and \$985.00 to W. Ruml. Contributions \$301.00. Tax reported \$8,606.50. An extension of time to file was obtained. Small adjustment made upon audit.

1938: Total income reported was \$64,199.96. Salary income from R. H. Macy Company, National Resources Committee and Federal Reserve Bank, \$61,883.97. Interest paid \$7,276.57. Of this amount, \$2,907.50 was paid to Salome B. Ruml and \$1,672.50 to W. Ruml. Contributions \$357.00. An extension of time to file was obtained. Tax reported was \$9,428.65. Small adjustment made upon audit.

1939: Total income reported was \$69,554.13. Salary income from R. H. Macy Company, National Resources Committee and Federal Reserve Bank, \$68,834.33. Interest paid \$7,303.89. Of this amount, \$2,907.60 was paid to Salome B. Ruml and \$1,672.50 to W. Ruml. Contributions \$441.00. Tax reported was \$11,188.38. An extension of time to file was obtained.

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## Memorandum for the Secretary.

1940: Total income reported was \$70,997.14. Salary income from R. H. Macy Company, National Resources Planning Board and Federal Reserve Bank, \$68,310.24. Interest paid \$6,995.92. Of this amount \$2,907.50 was paid to Salome B. Ruml and \$1,672.50 to W. Ruml. Contributions \$585.00. Tax reported \$18,214.00. Small adjustment made upon audit.

Interest deductions claimed over a period of years to taxpayer's parents on amounts borrowed from them. Rate of interest six percent. The loan (?) is not being reduced. Its bona fides has been checked on two occasions by revenue agents. In recent years a note evidencing an indebtedness to taxpayer's mother was executed. Interest payments subsequently noted on the back of the note.

The 1941 return is with the agent for the Second New York Division. The fourth installment of the 1941 tax due December 15, 1942, amounted to \$5,822.36. The collector's records indicate that on that date, December 15, a check for \$822.36 was received from Mr. Ruml. The balance amounting to \$5,000.00 has not yet been paid. A warrant of distraint was prepared and will be served as soon as the filing period is over.

Total income reported for 1941 was \$66,673.38. Salary income amounted to \$66,710.01. Interest paid was \$6,690.64. Contributions \$307.00.

GVS

Assistant Secretary.



GENERAL COUNSEL  
TREASURY DEPARTMENT  
WASHINGTON

**MAR 17 1943**

Secretary Morgenthau

Mr. Paul

A question has arisen whether you have the legal authority to furnish to the Committee on Ways and Means of the House of Representatives or to the Joint Committee on Internal Revenue Taxation information (a) on whether a particular person has paid his income taxes for the taxable years 1939, 1940, and 1941, (b) on the amount of such taxes of such person, and (c) on the amount of deficiency in payment, if any. That information would, of course, include certain matters that could be secured only from the income tax returns filed by the person. The question might arise whether the Committees could make the information public. It is understood that the Chairman of the Committee would address to you a letter on behalf of the Committee asking you to furnish the information for use in executive session of the Committee, and that you would address a letter to such Chairman furnishing

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the information and stating that it was furnished for the Committee sitting in executive session.

It is my opinion that statutory authority exists for you to furnish, under that procedure, such information to either the Committee on Ways and Means or the Joint Committee on Internal Revenue Taxation.

(1)

Section 55(d) of the Internal Revenue Code provides:

"(d) Inspection by Committees of Congress.--

"(1) Committees on Ways and Means and Finance.--

"(A) The Secretary and any officer or employee of the Treasury Department, upon request from the Committee on Ways and Means of the House of Representatives, the Committee on Finance of the Senate, or a select committee of the Senate or House specially authorized to investigate returns by a resolution of the Senate or House, or a joint committee so authorized by concurrent resolution, shall furnish such committee sitting in executive session with any data of any character contained in or shown by any return.

"(B) Any such committee shall have the right, acting directly as a committee, or by or through such examiners

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or agents as it may designate or appoint, to inspect any or all of the returns at such times and in such manner as it may determine.

"(C) Any relevant or useful information thus obtained may be submitted by the committee obtaining it to the Senate or the House, or to both the Senate and the House, as the case may be.

"(2) Joint Committee on Internal Revenue Taxation.--The Joint Committee on Internal Revenue Taxation shall have the same right to obtain data and to inspect returns as the Committee on Ways and Means or the Committee on Finance, and to submit any relevant or useful information thus obtained to the Senate, the House of Representatives, the Committee on Ways and Means, or the Committee on Finance. The Committee on Ways and Means or the Committee on Finance may submit such information to the House or to the Senate, or to both the House and the Senate, as the case may be."

Under the first paragraph of the above-quoted statute, you are authorized, upon the request of the Committee on Ways and Means, to furnish to that Committee "any data of any character" contained in or shown in any income tax return, the only limitation

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being that it should be furnished to the Committee sitting in executive session.

When a letter is received from the Chairman of the Committee stating that he is acting on behalf of the Committee in requesting information, certainly the Secretary of the Treasury is not required to poll the Committee to determine whether the Committee actually requests the information. The Secretary is entitled to rely on the Chairman's statement.

There is no express requirement in the statute that the Secretary must personally appear at an executive session of the Committee in order to give the information. I believe the statute is complied with if a letter is addressed by the Secretary of the Treasury to the Chairman and delivered to him giving the information and stating that the letter is furnished for use in executive session only.

(2)

It will be seen that under section 55(d)(2) the Joint Committee on Internal Revenue Taxation has

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the same rights to data as the Committee on Ways and Means. Accordingly, the same considerations are applicable.

(3)

Any information not appearing on, divulged in, set forth in, or derived from an income tax return is not covered by the prohibitions in section 55(f) of the Internal Revenue Code concerning the publication of income tax returns and related matters. See the opinion of my predecessor, General Counsel Foley, addressed to you and dated December 4, 1939. Accordingly, any information not on the return or derived from it may be given to the Chairman of either Committee under the general provisions of section 161 of Rev. Stat. of 1873 (U.S.C., 1940 ed., title 5, sec. 22), which grants to the head of every executive department authority over the use of the records and papers of his department.

In connection with the Joint Committee on Internal Revenue Taxation, there should be noted

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section 512 of the Revenue Act of 1942 which adds section 5012 to the Internal Revenue Code. Section 5012 provides:

"(a) The Joint Committee on Internal Revenue Taxation or the Chief of Staff of such Joint Committee, upon approval of the Chairman or Vice-Chairman, is authorized to secure directly from the Bureau of Internal Revenue (including the Assistant General Counsel for the Bureau of Internal Revenue), or directly from any executive department, board, bureau, agency, independent establishment or instrumentality of the Government, information, suggestions, data, estimates and statistics, for the purpose of making investigations, reports and studies relating to internal revenue taxation.

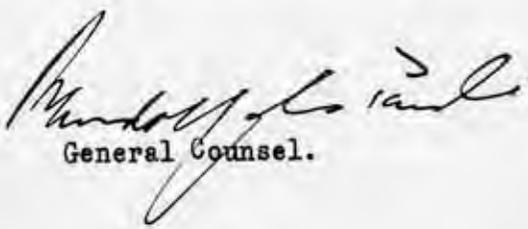
"(b) The Bureau of Internal Revenue (including the Assistant General Counsel for the Bureau of Internal Revenue), executive departments, boards, bureaus, agencies, independent establishments and instrumentalities are authorized and directed to furnish such information, suggestions, data, estimates and statistics directly to the Joint Committee on Internal Revenue Taxation or to the Chief of Staff of such Joint Committee, upon request made pursuant to this section."

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It may well be that that statute does not cover matter appearing on income tax returns (for section 55 and section 5012 are both in the Internal Revenue Code and the former, which is specific, may take precedence over the latter, which is general). However, it clearly authorizes the Department to honor a request from the Joint Committee for any other information.

(4)

On the question whether the Committees could make the information here involved public after it had been furnished, it is sufficient to refer to section 55(d)(1)(C) and to section 55(d)(2), both quoted above.



General Counsel.



OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

TREASURY DEPARTMENT

WASHINGTON

MAR 17 1943

Memorandum for the Secretary.

There have been received 146 telegrams from various local unions of the American Federation of Labor and the Congress of Industrial Organizations in response to your request for a canvass of their membership in respect to the filing of income tax returns.

Of these 146 telegrams, 93 contained sufficiently definite answers to your four questions as to permit tabulation, a summary of which follows:

Number of workers canvassed.....	50,316
Number claiming exemption from filing income tax returns.....	13,117
Number filing before midnight March 15, 1943.....	34,830
Number with return forms available but not filed at time of canvass.....	2,369

Attached are two tables which break the information by states, and by size groups based on number of workers in the local unions. The state table discloses telegrams have been received from 27 states and that Illinois accounted for the largest number of telegrams while Louisiana accounted for the largest number of workers canvassed. This table also indicates that caution should be used in relying too heavily on the reliability of the data

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reported, as it will be noted that a distribution of the percentage of workers canvassed who were reported to have filed returns before midnight of March 15 ranged from a low of 10 percent for Mississippi to 100 percent in Arkansas. The corresponding over-all percentage for all states is 69 percent.

The size-classification table shows a distribution of the telegrams by size groups, based on the number of workers canvassed in each local union. In this table the percentage of those filing returns to the number canvassed ranges from 59 percent to 79 percent. The highest percentage of 79 percent is reported from the unions where the number canvassed was less than 50 workers. There was a total of 10 telegrams from this class.

Of the 53 telegrams which did not contain sufficient information to include in the tabulations, 17 gave some indication as to their total membership. The total in these cases is reported as 115,806.

This memorandum covers all telegrams received to midnight March 16. A supplemental memorandum will be prepared on the basis of telegrams received after that time.

In reading the telegrams, it is noted that many were dispatched prior to the deadline for filing returns, and the impression was gained that a considerable amount of

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estimation was resorted to by those making the responses.

The telegrams are being retained in this office in a manner readily available to you should you desire to examine any of them.

*Jay P. Helvering*  
Commissioner.

Table 1. - Distribution of telegrams received by States

State of local union	Telegrams with sufficiently definite data							Percentage of filing returns before midnight of March 15	Percentage of claiming exemption from filing a return
	Total number of telegrams	Number of telegrams	Number of workers canvassed	Number of workers claiming exemption from filing a return	Number of workers filing returns before midnight of March 15	Number of workers having re-returns but not yet ready to file	Number of telegrams without sufficiently definite data		
Alabama	5	2	1,649	875	451	345	1	26	55
Arizona	4	4	1,977	1,014	896	67	-	45	51
Arkansas	1	1	252	-	252	-	-	100	-
California	5	2	523	41	280	2	1	87	15
Florida	2	1	1,880	280	1,150	450	1	61	15
Georgia	2	-	-	-	-	-	2	-	-
Illinois	45	26	4,858	588	4,225	45	17	87	12
Indiana	13	12	2,910	778	2,090	44	1	70	27
Kansas	1	-	-	-	-	-	1	-	-
Kentucky	1	1	2,041	209	1,388	444	-	68	10
Louisiana	5	4	10,091	3,761	6,350	-	1	65	37
Maine	1	-	-	-	-	-	1	-	-
Maryland	1	1	255	12	204	59	-	80	5
Massachusetts	5	2	5,496	520	2,851	125	1	82	5
Michigan	5	1	1,400	500	1,100	-	4	79	21
Minnesota	1	1	454	96	358	-	-	79	21
Mississippi	2	2	1,510	690	125	495	-	10	55
Missouri	15	12	5,056	1,545	3,627	84	3	72	27
Nebraska	2	2	772	47	725	-	-	94	6
Nevada	1	-	-	-	-	-	1	-	-
New Hampshire	1	1	200	5	197	-	-	99	1
New Jersey	5	5	1,353	336	1,017	-	2	75	25
New York	1	-	-	-	-	-	1	-	-
Ohio	10	7	2,578	482	1,922	174	3	75	19
Pennsylvania	11	3	5,267	618	2,649	-	8	81	19
Rhode Island	1	-	-	-	-	-	1	-	-
Tennessee	8	5	4,214	1,126	3,013	75	3	71	26
Total	146	95	50,316	15,117	34,650	2,369	55	69	26

Table 2. - Distribution of telegrams with sufficiently definite data  
by size groups of workers canvassed

Size groups of workers canvassed	Total num- ber of telegrams	Number of workers canvassed	Number ex- empt from filing return	Number filing a return	Number with a return but not ready to file	Percentage filing a return	Percentage exempt from filing
Under 50	10	226	48	178	-	79	21
50 under 100	13	888	235	618	35	70	26
100 under 250	29	4,565	1,344	3,092	150	68	29
250 under 500	17	5,761	1,130	4,533	98	78	20
500 under 1,000	8	5,785	1,256	3,838	691	66	22
1,000 under 1,500	7	8,900	2,623	5,956	321	67	29
1,500 under 2,000	4	6,554	2,227	3,877	450	59	34
2,000 under 3,000	3	6,041	1,234	4,288	519	71	20
3,000 and over	2	11,595	3,020	8,450	125	73	26
Total	93	50,316	13,117	34,830	2,589	69	26

TREASURY DEPARTMENT  
INTER-OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Randolph Paul

March 17, 1948

I don't know whether you heard Walter Winchell on March 7, but he has sent me a copy of his broadcast on the subject of taxes which reads as follows:

"Attention Mr. and Mrs. United States. Next week fifty million Americans will pay income taxes. Your income tax blank is not a bill from your government. It is your share in America. Our nation is composed of one hundred and thirty million shareholders--shareholders in civilization. Your tax blank does not show your assets, but they are public schools, hospitals, roads, highways and the best Bill of Rights ever created by man. They who complain that this government is taking money from them, simply show that they take law and order for granted. Civilization, like money, must be earned. It is earned by men, not by dollars. Our civilization was earned at Bunker Hill, New Orleans, Gettysburg and the Argonne. It is being kept at Guadalcanal, New Guinea and Tunisia. Your tax dollars go to support what other Americans died to create. To those who complain that the tax is a heavy burden, remind them that a soldier's pack on his back weighs sixty pounds. It is your privilege to sign your evidence of American citizenship with pen and ink. Since Pearl Harbor over fifty thousand other Americans have sealed theirs with their lives."

*RSP*

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Mr. John A. Hartford, President  
Great Atlantic & Pacific Tea Company  
420 Lexington Avenue  
New York, New York

FROM \_\_\_\_\_

BUREAU War Finance Committee

CHG. APPROPRIATION Expenses of Loans

U. S. GOVERNMENT PRINTING OFFICE 16-1723

*Leah 3-17-43*

ON APRIL 12 THE TREASURY DEPARTMENT WILL LAUNCH ITS SECOND VICTORY  
WAR ~~DRIVE~~ <sup>Leah</sup> DRIVE TO RAISE THIRTEEN BILLION DOLLARS. THIS DRIVE WILL BE A  
COOPERATIVE EFFORT OF THE WAR SAVINGS STAFF AND THE VICTORY FUND COMMITTEES.  
YOUR SPLENDID COOPERATION DURING THE PAST YEAR AND A HALF HAS CONTRIBUTED  
MUCH TO THE SUCCESS OF OUR PROGRAM. WE WOULD LIKE TO CALL AGAIN ON YOUR  
ORGANIZATION TO HELP SPARK THIS DRIVE THROUGH THE RETAIL INDUSTRY. POSTERS  
AND ADVERTISING MATERIAL WILL BE FURNISHED DIRECT TO YOUR STORES BY THE  
TREASURY DEPARTMENT. WILL YOU AID US BY CALLING TO THE ATTENTION OF YOUR

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM \_\_\_\_\_

BUREAU \_\_\_\_\_

CHG. APPROPRIATION \_\_\_\_\_

U. S. GOVERNMENT PRINTING OFFICE 16-1723

ORGANIZATION THE IMPORTANT PART THEY CAN PLAY DURING APRIL THROUGH  
COOPERATION WITH LOCAL COMMITTEES, DISPLAY OF POSTERS AND PARTICIPATION  
IN SALES ACTIVITIES SO FAR AS IT IS POSSIBLE AND PRACTICAL FOR YOU.

IN VIEW OF THE SPLENDID COOPERATION WE RECEIVED FROM YOUR  
INDUSTRY LAST JULY WE WOULD APPRECIATE YOUR WORKING THROUGH YOUR STATE  
CHAIN STORE COUNCILS AGAIN TO HELP COORDINATE THE APRIL DRIVE. WE KNOW  
WE CAN COUNT ON YOU.

Henry Morgenthau, Jr.  
Secretary of the Treasury

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM \_\_\_\_\_

BUREAU War Finance Committee

CHG. APPROPRIATION Expenses of Loans

U. S. GOVERNMENT PRINTING OFFICE 10-1722

To Chain Store Executives:

*Sent 3-17-45*

ON APRIL 12 THE TREASURY DEPARTMENT WILL LAUNCH ITS SECOND WAR LOAN DRIVE TO RAISE THIRTEEN BILLION DOLLARS. THIS DRIVE WILL BE A COOPERATIVE EFFORT OF THE WAR SAVINGS STAFF AND THE VICTORY FUND COMMITTEES. YOUR SPLENDID COOPERATION DURING THE PAST YEAR AND A HALF HAS CONTRIBUTED MUCH TO THE SUCCESS OF OUR PROGRAM. WE SHOULD LIKE TO CALL AGAIN ON YOUR ORGANIZATION TO HELP SPARK THIS DRIVE THROUGH THE RETAIL INDUSTRY. POSTERS AND ADVERTISING MATERIAL WILL BE FURNISHED DIRECT TO YOUR STORES BY THE TREASURY DEPARTMENT. WILL YOU AID US BY CALLING TO THE ATTENTION OF YOUR SUPERVISORS, DISTRICT MANAGERS, OTHER

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM \_\_\_\_\_

BUREAU \_\_\_\_\_

CHG. APPROPRIATION \_\_\_\_\_

U. S. GOVERNMENT PRINTING OFFICE 10-1722

EXECUTIVES AND STORE MANAGERS THE IMPORTANT PART THEY CAN PLAY DURING APRIL THROUGH COOPERATION WITH LOCAL COMMITTEES, DISPLAY OF POSTERS AND PARTICIPATION IN SALES ACTIVITIES SO FAR AS IT IS POSSIBLE AND PRACTICAL FOR YOU.

IN VIEW OF THE SPLENDID COOPERATION WE RECEIVED FROM YOUR INDUSTRY LAST JULY WE WOULD APPRECIATE YOUR WORKING THROUGH YOUR STATE CHAIN STORE COUNCILS AGAIN TO HELP COORDINATE THE APRIL DRIVE. WE KNOW WE CAN COUNT ON YOU.

Henry Morgenthau, Jr.  
Secretary of the Treasury

C  
COPY  
TO ALL PRESIDENTS, FEDERAL RESERVE BANKS:

MARCH 17. P.M.

Dear \_\_\_\_\_:

There is enclosed for your information a table setting forth the classification of the \$8 billion goal for nonbanking subscriptions set for the April drive by (a) Federal Reserve districts, and (b) types of investors. This is the only classification of the goal that the Treasury plans to make before the drive. You may, if you wish, release the total figure for your district to the local press, but the figures on the division of the goal between individuals, partnerships and trusts on the one hand, and corporations, associations, and other investors on the other, are not for publication. These figures are being made available to you for your own use and for the use of your sales organization to guide your planning of activities during the April drive. Federal Reserve district or State goals by types of securities are not contemplated. This is because we wish all representatives of the Treasury's sales organization to sell the entire basket of securities during the April drive. It is also not planned to set forth Federal Reserve district goals for subscriptions from banks.

The classification of the goal set forth in the attached table has been made on a basis which excludes subscriptions by dealers and brokers and by Federal Government trust funds. Accordingly, for purposes of measuring the accomplishment of the goal by any particular Federal Reserve district during the drive, subscriptions by dealers and brokers and by Federal Government trust funds should be excluded. These subscriptions will, however, be counted in the nation-wide totals for nonbanking investors which will be compiled by and released by the Treasury in Washington.

The classification of the \$8 billion goal by Federal Reserve districts has utilized the percentages set forth in the memorandum entitled "Suggested Method of Arriving at Quotas for Federal Reserve Districts for the April Victory Fund Drive" prepared in Chicago about the middle of February by representatives of the various Federal Reserve Banks. A copy of that memorandum is doubtless available in your bank. The figures set forth in the attached table differ from those appearing in that memorandum only because (1) dealers and brokers and Federal Government trust funds have been taken out of the total in arriving at a distribution of the \$8 billions figure, and (2) the figures have been rounded.

- 2 -

As you know, the Treasury does not contemplate breaking down by smaller geographic units the goal set for your Federal Reserve district. Data by counties on demand deposits and time deposits on December 31, 1941, and December 31, 1942, which may be of some use to you in determining county goals, are being prepared and are nearly ready for distribution. Tables containing these data will be mailed to you within the next few days.

Very truly yours,

William M. Robbins  
National Director of Sales

Mr. \_\_\_\_\_, President,  
Federal Reserve Bank of \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_.

Enclosure

**\$8 Billion Goal for Non-banking Subscriptions Classified  
by Districts and by Investor Classes**

For Release to the Presidents of the Federal Reserve Banks only.  
Not for release to the press.

The \$8 billion goal for non-banking subscriptions in the April drive is classified by districts and by classes of investors in the table that follows. This goal, it should be noted, has been calculated on a basis which excludes subscriptions by dealers and brokers and by Federal Government trust funds. Accordingly, for purposes of measuring the accomplishment of the goal by any particular Federal Reserve District during the drive, subscriptions by dealers and brokers and by Federal Government trust funds are to be excluded from the figures. These subscriptions will however be counted in the nation-wide totals which will be compiled by and released by the Treasury in Washington.

District	: Individuals, : partnerships : and trust : accounts	: Corporations, : associations : and other : investors	: Total : all non- : banking : investors
	(Millions of dollars)		
Boston.....	200	600	800
New York.....	600	2,400	3,000
Philadelphia.....	150	325	475
Cleveland.....	250	300	550
Richmond.....	150	200	350
Atlanta.....	125	125	250
Chicago.....	400	650	1,050
St. Louis.....	100	150	250
Minneapolis.....	75	100	175
Kansas City.....	100	125	225
Dallas.....	75	125	200
San Francisco.....	275	400	675
Total.....	<u>2,500</u>	<u>5,500</u>	<u>8,000</u>

Treasury Department

March 16, 1943

COPY

ASSISTANT TO SECRETARY  
(MR. W. M. ROBBINS)"EXPENSES OF LOANS"  
(WAR FINANCE COMMITTEE)March 17, 1943 Washington, D.C.  
To Presidents, Federal Reserve Banks.Boston, Mass.  
New York, N. Y.  
Philadelphia, Pa.  
Cleveland, Ohio.  
Richmond, Va.  
Atlanta, Ga.Chicago, Ill.  
St. Louis, Mo.  
Minneapolis, Minn.  
Kansas City, Mo.  
Dallas, Texas.  
San Francisco, Calif.

IN CONNECTION WITH SECOND WAR LOAN DRIVE TENTATIVE  
BUDGET OF \_\_\_\_\_ \* PROVIDED FOR YOUR COMMITTEE IN  
\_\_\_\_\_ \*\* DISTRICT FOR PERIOD MARCH 1 TO JUNE  
30. THIS BUDGET AVAILABLE FOR ALL EXPENSES OF YOUR STAFF  
AND WAR FINANCE COMMITTEE ACTIVITIES INCIDENT TO DRIVE  
ON BASIS OF REIMBURSEMENT BY TREASURY. NO PART OF THIS  
MONEY IS TO BE USED FOR DIRECT PURCHASE OF NEWSPAPER OR  
OTHER ADVERTISING SPACE OR RADIO TIME. LETTER WITH  
DETAILS FOLLOWS.

WILLIAM M. ROBBINS  
NATIONAL DIRECTOR OF SALES

BOSTON	* \$140,000	** FIRST
NEW YORK	300,000	SECOND
PHILADELPHIA	140,000	THIRD
CLEVELAND	140,000	FOURTH
RICHMOND	140,000	FIFTH
ATLANTA	140,000	SIXTH
CHICAGO	240,000	SEVENTH
ST. LOUIS	140,000	EIGHTH
MINNEAPOLIS	140,000	NINTH
KANSAS CITY	140,000	TENTH
DALLAS	140,000	ELEVENTH
SAN FRANCISCO	200,000	TWELTH

Private Wire

WVC 6

COPIES  
(To All Federal Reserve Presidents)

March 17, 1943

Mr. \_\_\_\_\_  
President, Federal Reserve Bank,

Dear Mr. \_\_\_\_\_

In connection with the Second War Loan drive there has been provided a tentative budget of \$\_\_\_\_\_ for expenses of your committee in the \_\_\_\_\_ Federal reserve district. This money, while primarily for the Second War Loan drive, should be spread to cover operating expenses until the end of the fiscal year June 30. This budget is available for all expenses of your staff and the Victory Fund Committee incident to the drive and other activities for the War Finance Committee, paid by the Federal Reserve Bank of \_\_\_\_\_ subject to reimbursement by the Bureau of the Public Debt, Treasury Department, under existing arrangements. The budget does not cover the regular operating expenses of the War Savings Staff in your district as these will be paid directly by the Treasury Department as in the past. However, you are authorized to pay legitimate out-of-pocket expenses of volunteer workers of the War Savings Staff on a comparable basis to payment of similar expenses of members of the Victory Fund Committee. Many workers will, of course, not expect reimbursement, and every effort should be made to keep such expenses within the bounds of necessity and equitable treatment of all volunteer workers.

The budget will cover the expense of all the promotional material — leaflets, posters, etc. — which you may wish to use beyond that which will be made available to you by Washington. None of the money may be spent for advertising space or radio time. A letter describing the material which will be available from Washington, and discussing further the instruction regarding advertising space and radio time, will go forward to you tomorrow from Stuart Feabody who is directing the advertising and promotional phases of the campaign. Correspondence relative to advertising should be directed to Mr. Feabody.

Claims for reimbursement of expenses incurred during the remainder of the fiscal year should be submitted by the Bank to the Bureau of the Public Debt under existing procedure, including the usual classification of the reimbursable expenses according to objects of expenditure such as personal services, travel, communication services, and so forth. It is desired that periodic, cumulative

- 2 -

estimates of expenses actually incurred subsequent to February 28, be furnished as follows, classified as to (a) expenses for personal services and (b) all other expenses in the aggregate:

<u>Period</u>	<u>To Be Furnished</u>
March 1 to March 15	At once (by wire)
March 1 to March 31	By April 5
March 1 to April 10	By April 15
March 1 to April 20	By April 25
March 1 to April 30	By May 5
March 1 to May 15	By May 20
March 1 to May 31	By June 5
March 1 to June 30	By July 5

In addition, it is desired that you furnish at this time an estimate of expenses incurred prior to March 1, 1943, for which you have not yet submitted claim to the Bureau of the Public Debt for reimbursement.

Your budget has been fixed at \$ \_\_\_\_\_ in the expectation that this amount will cover all reasonable expenses necessary to make the Second War Loan drive a success, and to carry your district through to the end of the fiscal year. If at some later date, it should appear that an additional amount is necessary for the successful accomplishment of the drive, we will then be glad to give consideration to such increase in your budget as available funds will permit.

Very truly yours,

William M. Robbins  
National Director of Sales

WPC-7

UNITED STATES TREASURY WAR FINANCE COMMITTEE

Bulletin  
March 17, 1943

Presidents, Federal Reserve Banks:

Most of our communications to you up to this time have been on organization and procedure. This is the first one dealing specifically with selling plans. Progress at the Washington end has been delayed but our programs are crystallizing rapidly now and should be available to you within a week. In the meantime, I know you have not been marking time. Please give us a brief report on the status of each of the following phases of our forthcoming drive:

1. Recruiting Workers. How many voluntary sales people will you have in the Field - ready to go - on April 12th? Prepare report by classification, separating the banking and financial group from the public solicitation group. Also break down the list by geographical areas.

2. Training of Personnel. What plans have you made to train volunteer workers? Have you qualified leaders for this activity? Do you need training material from us?

3. Customers List. Are you progressing in the development of customers lists? Are banks and other sources cooperating? How will you divide the lists among solicitors? How many individual contacts do you plan to make?

4. Distribution of Securities. Will there be adequate distribution of securities throughout your District? Do you plan to open up new points of distribution? How much time will elapse between the sale and delivery?

5. Local Advertising. Mr. Penbody will send a summary of the advertising plans which have been developed at this end. Today, we wired you a budget which can be spent for advertising material - not newspaper space or radio time. Undoubtedly, you have already lined up some local advertising which has been donated to the cause. May we have a brief report on your programs and plans?

- 2 -

6. Special Events. Undoubtedly, many such events can be lined up by localities to tie-in with the Drive. You may want some exceptional special event for the "kick-off". Our tentative plans call for a National radio hook-up Sunday, April 11th, at 8:30 PM, Eastern War Time, probably an hour show. Still hope to get the President on the air - with other interesting special features. Special events in the Districts should be timed in such a way that they will not interfere with this National "kick-off" plan, otherwise, the "sky's the limit". If you have any plans or need any particular assistance from this end, let us know. In any event, we are interested in your local plans.

7. Speakers. You should have someone who is responsible for lining up prominent local speakers wherever they can be used effectively. We hope to obtain the services of outstanding national figures for the Drive. We are trying to line up some War heroes and others of prominence. Let us know what your plans are in this connection.

\*\*\*\*\*

On all advertising matters, relative to the forthcoming campaign, which will be released from Mr. Peabody's office, ten copies of the releases will be sent to each of the Federal Reserve Districts for whatever distribution you care to make.

\*\*\*\*\*

For the sake of efficiency on routine matters, write to Mr. Graves if the subject refers to War Savings Staff activities, and to Mr. Buffington if it pertains to Victory Fund activities. In any and all important matters, don't hesitate to contact me direct by letter, wire or phone. Again, on routine matters, if you wish, for the sake of efficiency and prompt action, you might designate some individual in your headquarters set-up who will handle routine correspondence - or one individual for War Savings Staff and one for Victory Fund. In any event, if you do this, let us know specifically who has been appointed.

\*\*\*\*\*

William W. Robbins  
National Director of Sales

WFC - 5

## UNITED STATES TREASURY WAR FINANCE COMMITTEE

Bulletin  
March 17, 1943

Presidents, Federal Reserve Banks:

In order to facilitate the management of the forthcoming Second War Loan drive here, we suggest that the President of each Federal Reserve Bank attach to his office an individual thoroughly conversant with the activities of the War Savings Staff in the various states or parts of the states which make up his Federal Reserve District. Such a man should be on the same level as the Executive Manager of the Victory Fund Committee and would form a team with the Executive Manager, thus providing the President's office with a normal channel of communication to the War Savings Staff organizations in his District. A plan of this kind is already in operation in some Districts, and seems to be working well.

This memorandum is written as a suggestion without any thought of attempting to dictate the type or style of organization which each Federal Reserve President will find most practical.

William M. Robbins  
National Director of Sales

- P. S. Suggestion has been made that we revert back to plan for numbering bulletins from Washington. Frankly, we are opposed to the idea, having had considerable experience with both numbered and unnumbered communication systems. Unless there is a strong need for such procedure, we would prefer to use unnumbered communications. They can be filed by date and subject and we will exercise extra care in mailing to be sure that a copy of each bulletin goes to all officers concerned.

March 17, 1948

Mr. Alexander Gardner  
Editor, American Legion Magazine  
1 Park Avenue  
New York City, New York

Dear Mr. Gardner:

I am transmitting herewith an article by Secretary Morgenthau on "War Bonds for Victory."

The Secretary was very happy to comply with your request for such an article and has given considerable thought to its preparation.

He has asked me to thank you for the splendid cooperation which your publication and the entire American Legion have given to the Treasury in the task of mobilizing American dollars to beat back and destroy the enemies of American freedom.

Sincerely yours,

Peter H. Odegard  
Assistant to the Secretary

PHO:jrc

War Bonds for Victory

The chief of a Government Department gets to meet a number of people, and one of the individuals I had occasion to meet not so long ago put this question to me. "Mr. Secretary," he said, "I have read a good deal about the subject of war -- in fact, I was in the last one myself -- but this is the first time as far as I know that a Government has ever asked its people to finance a war by purchasing bonds out of current income, by making every pay day bond day. What is the point of this anyway?" For a moment, I confess, the question had me nonplused. My first impulse was to blurt out, "to pay for the war." I realized, however, that my questioner was not to be put off so easily. He didn't want to know what is done with the money; he really wanted to know why what is done is done.

I first realized how good a question this really was

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when I attempted to answer it. I have since wondered how many other people have been troubled by the same question.

While there have been many wars, too many wars, in the course of history, not until this war did a government ever exhort its people to join a voluntary payroll deduction plan and invest at least ten percent in War Bonds every pay day. And not until this war has a government urged its people to save, save again, and then save some more. No, this is undoubtedly something new, an innovation of this war, as my questioner was quick to point out.

Wars today are unlike those of the past, particularly of the distant past. When kings or princes many centuries ago decided to make war, they built up a war chest from which they equipped their troops and secured supplies. For the most part, however, armies lived off the land. Troops from time to time descended like a swarm of locusts on a peaceful community,

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and without so much as a by-your-leave, ate its food, quartered in its homes, commanded its hospitality, and then moved on to another community to repeat the performance. Most people went about their daily tasks in wartime much as they did in peacetime. Aside from the disturbance caused by the uninvited and unannounced visits of contending armies, war for the most part caused hardly a ripple on the surface of affairs.

How different the wars of today! Troops raised by the millions. Millions more torn from the civilian pursuits of peace and transformed overnight into a mighty army of war workers. War front and home front coalesced in a single all-embracing front to wage total war. The whole nation an embattled fortress. War no longer the luxury of idlers, but a necessity of free man. War no longer waged with the surplus society can spare, but with all society can bring to bear.

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Precisely because war is not what it used to be, its method of financing has changed too. The people of the nation have one job today: to win the war. To this task the nation is devoting three-fifths of all it can produce; on the remainder civilians must somehow manage to get along. Our financing problem therefore can be simply put. If three-fifths of the things we produce is to go to war, then three-fifths of the incomes we create by so producing should likewise go to war. The diversion of goods and services from peacetime to wartime use should be paralleled by a corresponding diversion of incomes from peacetime to wartime use. Only by so doing can we bring our production and financial gears into perfect alignment.

When once these fairly elementary facts are grasped, war finance loses much of its vaunted mystery. It becomes

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essentially a problem in devising ways and means of drawing back into the Treasury from what people are earning an amount equal to what the Government is spending. The Government is attempting to accomplish this by taxation and the sale of War Bonds.

The purchase of War Bonds serves many purposes in a war economy. In the first place, investment in War Bonds gives the Government the funds it so sorely needs to buy the materials of war. Soon the Government will be spending over \$100 billion a year for war purposes. This sum is so huge as to defy comprehension. It does take on meaning, however, when reduced to its constituent parts. A heavy battleship, for example, costs 97 million dollars; a destroyer, 12 million dollars; a heavy tank, 145 thousand dollars; the Garand rifle, 80 dollars; the bullets for the Garand rifle, \$55 per thousand.

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Multiply these items by tens, hundreds, thousands and, in some cases, even by millions, and one obtains a clearer idea of the magnitude of war expenditures.

Secondly, investment in War Bonds transfers from private to public use the income that is being created by the war program itself, thereby enabling the Government to check whatever tendency to a price rise it may be producing by its own spending program. The purchase of War Bonds therefore serves to prevent an inflationary rise in prices and to keep down the cost of living. The total of goods and services available for purchase will soon reach a depression-low; the incomes of people, however, are at a prosperity-peak. By buying War Bonds rather than goods and services people are dealing a mortal blow to inflation. More than that, they are cooperating as partners, not competing as rivals, with their

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Government in its efforts to secure the resources necessary for war.

Thirdly, investment in War Bonds is insurance for the post-war period. These bonds represent an ideal form of savings for such time when civilian goods and services will again be available in abundance. Seven Hundred and Fifty dollars invested in War Bonds today will have grown into One Thousand dollars ten years hence; and will make possible perhaps a new automobile for the family, college for Johnny, or that long holiday you never did get around to take.

Finally, investment in War Bonds will make for a sounder and healthier America in the post-war period. It is socially and economically desirable that a large proportion of the country's debt belong to the people, not to the banks; that every individual feel he has a personal and immediate stake in the welfare of his country. The widest distribution of

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the nation's debt in the hands of the people will assure the realization of this goal.

The results of our War Bond program to date are a tribute to the patriotism and intelligence of the American people. I will cite only a few figures to illustrate how deeply the Government's program has taken root.

From May, 1941, when the program first got under way, through February, 1943 -

More than 183 million Series E War Bonds were sold.

More than 50 million people invested in War Bonds.

More than 8 and a half billion dollars was invested in E Bonds alone.

More than 25 million individuals are now investing regularly in War Bonds through Payroll Savings Plans.

More than 8.7 percent of the gross pay of those participating in Payroll Savings Plans is being devoted to the purchase of War Bonds.

- 2 -

This is a record of which we may well be proud. It is not a record, however, in which to take comfort. Our real trials are upon us. And we will be judged not by the accomplishments of the past, but by our achievements in the present -- and the future.

The War Savings Staff of the Treasury knows that the American Legion, its 48 State Departments, and its Posts, large and small, can be depended on in this hour of the nation's gravest crisis. The great War Bond drive of the Georgia Department last November is only one of many special campaigns that have been inaugurated. We know, furthermore, how Post treasuries have been stripped, social programs shelved, building projects scrapped, so that War Bonds may be purchased; how house-to-house and office-to-office canvasses have been made, that War Bonds may be sold.

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To Legionnaires these achievements are not an end, but only a beginning; not an excuse to let down, but a spur to increased effort. Men who experienced the real nature of wartime sacrifice over twenty-five years ago in the blood-soaked trenches of France, whose sons and daughters today are experiencing too the real nature of wartime sacrifice on the far-flung battle-fronts of the world, will persevere in their efforts until victory has been finally achieved.

-oOo-

**TREASURY DEPARTMENT**  
**INTER OFFICE COMMUNICATION**

**DATE** March 17, 1943

**TO** Secretary Morgenthau  
**FROM** Mr. Odegard

Francis Greenleaf Goodale was born in Saco, Maine on September 14, 1883. He received an A.B. degree from Harvard in 1905 and a L.L.B. degree in 1907. He was Spec. Asst., U. S. Atty. in Boston from 1916-1919 and Spec. Asst., Atty. Gen, U. S. from 1919-1921. Was U. S. Comm. from 1929-1933. Belongs to the Union Club, is an Episcopalian and a Democrat. His firm is Hill, Barlow, Goodale & Wiswall.

My opinions of Mr. Goodale:

He is able and intelligent but not brilliant. Professionally he is conservative. He is not aggressive socially. He is genial and friendly. His integrity and professional standing are unquestioned. Sometimes suggested he is a tired liberal but suggestion comes from impatient "left wingers." I think he served on Commission in investigating pardon racket.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAR 17 1943

TO Secretary Morgenthau (M)  
FROM D. W. Bell

This is to bring you up to date on the matter of the payment of the crews of the French naval vessels now in the United States.

You will recall that on February 13th, pursuant to a conference held in your office on February 12th, in which Ambassador Bullitt, General Bethouart, Mr. Picot and others participated, payment was made of \$125,000 for the crews' wages. This \$125,000 was advanced by the French Military Mission in the United States out of funds which had been made available to the Military Mission by the French authorities in Algiers.

Subsequently, a memorandum was sent to the President by State, advising the President that Admiral Hall who had taken the matter up with General Giraud and Vice Admiral Michelier, reported that the French authorities "request that arrangement be made for necessary advances which would be repayable from French resources". This memorandum to the President recommended that an advance of funds be made in the amount of \$300,000, preferably from executive funds or by way of the Treasury using the powers under section 5(b) of the Trading with the enemy Act to direct that such sum be paid from the assets of the former French Government; and that after taking this action State and Treasury representatives in North Africa discuss with General Giraud arrangements for covering similar expenses that may arise in the future, and the repayment of any advances made.

On February 19, 1943, a letter was addressed to the Treasury by the Secretary of State indicating that the President was unwilling to use executive funds for the purpose and accordingly the funds of the former French Government would have to be used under the powers of section 5(b) of the Trading with the enemy Act. In this letter the State Department expressed its understanding that the Treasury could direct the use of these funds and still keep confidential, even from the French authorities receiving the funds, the source thereof. Since we did not believe this was practicable, arrangement was made for a further discussion of the problem with the interested parties. A meeting was held in the Treasury on February 20th attended by representatives of War, Navy and Treasury. This was

- 2 -

invited but was unable to attend. As a result a further conference was held in the Treasury on February 23rd with reference to this matter with State, War, Navy, Treasury and representatives of the French. The French were not at all clear as to the way the matter should be handled. It was suggested by Treasury representatives and found to be agreeable to all concerned that the French meet the immediate problem by having Admiral Fenard, head of the French Naval Mission, draw a draft of the franc equivalent of \$625,000 on the French Treasury in Africa which this Government would cash. Subsequently, such a draft was drawn and negotiated. \$625,000 was paid to the French authorities to be used as follows: \$125,000 to reimburse the French Military Mission for the funds previously advanced, \$300,000 to make the current payment of the crews' salaries, and \$200,000 to pay back salaries of the crews. The Army made the dollar payment and received the franc draft for use in North Africa.

Following this meeting a cable was sent to North Africa by State, a copy of which is attached, which summarizes the situation and asked Murphy to undertake discussions with General Giraud, covering expenses that may hereafter arise. The cable asked Murphy to arrange for payment of such expenses either out of dollar funds standing to the credit of the North African authorities or by continuing to use the draft procedure. The cable asked Murphy to oppose the use of former French Government funds. No reply has yet been received to the cable to Murphy.

Attachment.

*SWB*

CABLE SENT BY STATE TO MURPHY ON FEBRUARY 25, 1943

The following cable represents the agreement of State, Treasury, Navy, and War Departments.

1. You are probably advised that several weeks ago General Giraud and Admiral Michelier stated that though they were deeply touched by the President's offer to defray the pay of North African French naval personnel, they did not desire to accept the offer. However, later Admiral Glassford reported a request on the part of Admirals Michelier, Collinet, and Fenard that they be permitted to pay their personnel in the United States in American currency and asked for an advance of \$1,000,000 through Lend-Lease for that purpose.

2. Lend-Lease funds under the law cannot be made available for this purpose.

3. On February 10 the Navy Department in accordance with instructions received from the President communicated with Admiral Hall informing him "the President has indicated he understood that the French naval authorities wish to defray all their expenses of this character out of their own funds, and therefore desires that Admiral Hall should discuss the matter with Admiral Michelier and report back". The Navy Department has advised us that Admiral Hall reported that "Rear Admiral Hall and Vice Admiral Michelier conferred with General Giraud on the subject of advancing funds to pay officers and crews of French men-of-war now undergoing repairs in the United States. General Giraud and Vice Admiral Michelier expressed their deep appreciation of the original offer which they rejected, and of Admiral Glassford's proposal which they consider most desirable in view of exchange and transfer difficulties. They request that arrangements be made for necessary advances which would be repaid from French resources". The nature of any proposals made by Admiral Glassford is not clear to us. Furthermore, the term "French resources" is ambiguous and may mean either dollar funds of the French North African authorities or dollar funds of the former French Government.

4. The Treasury Department states that the French North African authorities have available to them in this country adequate funds, over \$40,000,000, now held in the names of the central banks

- 2 -

of Algeria and Morocco for the account of the French Treasury in Africa. Certainly an easy and expeditious manner of arranging for the defraying of these expenses would be to have General Giraud authorize necessary withdrawals from these funds.

5. The alternative method of defraying these expenses by use of dollar funds in the United States belonging to the former French Government raises questions of broad import which it is strongly desired to avoid at the present time. This method would involve the use of the directive powers contained in section 5(b) of the Trading with the enemy Act. Under the policy adopted in administering that Act such directive powers are used only in emergency cases where affirmatively necessary to further the war effort. The use of such powers in this case may embarrass this Government's position when a recognized French Government later asserts its claims to these dollar funds. Furthermore such use of directive powers would precipitate a major aggravation in this Government's position vis-a-vis rival French factions. Such action would not appear desirable unless serious consideration were given to granting to fighting French group similar access to former French Government funds. We would be called upon to determine in each instance where former French Government funds are so used the merits and worthiness of the particular use for which the funds are desired. On the other hand, the use by each French group of its own funds places such group in a position to adjust the matter in an orderly way with the future French Government whenever it is established and recognized.

6. To meet the immediate need after the arrival of the Libellieu and accompanying vessels, the Bethouart Mission in the United States advanced to Admiral Fenard \$125,000 out of the funds previously made available to it. This took care of two weeks salary payments.

7. To meet the need for funds which will be paid to officers and crews on or about February 26 Admiral Fenard is drawing a sight draft on the French Treasury in North Africa in the sum of \$1,250,000 francs in favor of the Secretary of the Treasury. This draft is to be purchased by the Secretary of the Treasury upon the request of Admiral Fenard and with the approval of General Bethouart. It will provide funds totalling \$625,000 to be used not only for salary payments currently needed but also \$125,000 to reimburse the Bethouart Mission.

- 3 -

8. For your information there is quoted the full text of cable sent by General Bethouart of the French Military Mission to General Giraud on February 23, 1943:

QUOTE. 1. In order to make the necessary funds available for the February pay of French naval crews and in order to pay back to the French Military Mission the \$125,000 advanced by it, Admiral Fenard is drawing on the French Treasury, Algiers, a sight draft of 31,250,000 francs, i.e. \$625,000. This temporary arrangement will be merged into the final arrangement to be concluded later.

QUOTE. 2. The question having been raised again of those payments being charged to the frozen Vichy funds, the French representatives met with various unspecified objections and more especially with the following: Would General Giraud agree to similar expenses of de Gaullists being charged against frozen Vichy funds? A statement from you to that effect would be the necessary first step in such a negotiation.

QUOTE. 3. State Department and Treasury are sending Mr. Murphy instructions for having this discussed with you.

QUOTE. 4. Should you agree to having military expenses for soldiers and naval crews borne by the Algerian Treasury, General Bethouart suggests the temporary agreement set forth above be made final and similar drafts be issued from time to time by himself and Admiral Fenard to meet requirements.

END QUOTE.

9. The President has instructed State and Treasury to proceed immediately to have discussions undertaken through you with General Giraud to make arrangements to cover expenses that may hereafter arise. We have been advised that in addition to the expenses of the French fleet there will be expenses for pay allowances, et cetera, of French officers and enlisted men of the French army and French nationals recruited in the United States estimated at \$100,000 per month.

10. After obtaining General Eisenhower's approval, please discuss this matter with General Giraud at once. It is suggested

- 4 -

that Taylor and DuBois of Treasury staff will be useful. You are advised that it makes no material difference from our standpoint whether future funds are provided through draft procedure referred to in paragraph 7 or by making available dollar funds now standing to credit of North African authorities. What we wish to avoid is necessity of directing use of former French Government funds.

HULL  
(HF)

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Frances McCathran

March 17, 1943

## CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Salary Ceiling - The Senate Finance Committee yesterday voted to eliminate the Disney rider to the Debt Limit Bill and appointed a four-man subcommittee to draft another proposal embodying the principles of the Wolcott amendment, which was turned down by the House. This plan provides that neither wages nor salaries can be reduced by the President below those paid between January 1 and September 15, 1942, and that any provision of the Executive Order issued under the Stabilization Act which conflicts with this shall be rescinded. Senator George, who, as Chairman, is a member of the subcommittee with Senators Bailey, Byrd, Taft, and Vandenberg, said that the advantage of this proposal is that both salaries and wages are treated alike. He added that the original Stabilization Act never authorized reductions "en bloc," and Republican committee members are said to be implying that this action means that "Congress, not the President, will be issuing the orders in the future." The subcommittee is expected to submit its draft of the Wolcott proposal to the Finance Committee this Friday and the whole Debt Limit Bill will thus be ready for Senate debate early next week.
2. Tax: Ways and Means Plan - The House Ways and Means Committee yesterday formally approved their plan providing for a 20% withholding tax beginning July 1, without any mandatory pay-as-you-go principle. However, a taxpayer could voluntarily place himself on a current basis by: (1) paying up all 1942 taxes, if he has not already done so, receiving no discount for this; (2) making full payment on his estimated 1943 income by June 15, for which he would receive a 6% "incentive discount" or, if paid at a later date in 1943, there would be other corresponding percentage discounts encouraging a taxpayer to "pay up." After these steps are taken, the 20% withholding tax would then be applied to 1944 income. Thus, instead of resulting in double payment of taxes in one year, this plan could result, if the taxpayer so chose, in triple payments: 1942 and 1943, paid in

full, and 1944 liabilities collected at the source. Other provisions of the plan would grant a \$3,500 exemption for members of the services up to the rank of lieutenant colonel in the army and commander in the navy, and would provide for the cancellation of back income taxes, which now come out of the estate, for any serviceman losing his life in the war. Clergymen, domestics and farmers would be among those excluded from the withholding levy. To silence rumors on the subject, Chairman Doughton said yesterday that his Committee would seek no "closed rule" limiting House consideration only to those plans proposed by the House Ways and Means, thus barring discussion of the Ruml Plan which Republicans have given notice they plan to make a major issue.

3. Labor Legislation - A jurisdictional dispute over labor legislation is now being waged by the House Labor Committee and the House Naval Affairs Committee. Although Chairman Mary Norton of the labor group wrote Chairman Vinson requesting that his Committee take no further action on labor legislation, Vinson said the Naval Affairs Committee expects to vote anyway today on the Johnson Absenteeism Bill, which they were considering before the Labor Committee took any action on the matter. Although this will not halt the Labor Committee's scheduled hearings on absenteeism from labor and industrial representatives, they have decided to hear no more, until the dispute is settled, from Department Heads, who are being called daily by different committees to testify on the same subjects.

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BRITISH MOST SECRET  
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OPTEL NO. 87

Information received up to 7 a.m. 17th March, 1943.

1. NAVAL.

HOME WATERS. 14th. 2 enemy ships totalling 13,000 tons sunk by motor torpedo boats off Norwegian Coast.

WEST AFRICA. 697 Survivors additional to those reported in Optel No. 86 have been rescued from the 21,500 ton Merchant Ship reported torpedoed in Optel No. 83.

WEST ATLANTIC. 10th. German blockade runner "KOTA NOPAN" (7,300 tons) from Far East sunk by United States Warships 400 miles W.N.W. of ASCENSION ISLAND.

2. MILITARY.

No operations of importance reported.

3. AIR OPERATIONS.

WESTERN FRONT. 16th. 12 Mosquitoes (1 missing) successfully bombed PADERBORN (40 miles east of HAMM). 16th/17th. 12 aircraft laid sea mines.

TUNISIA. 15th. 12 enemy aircraft believed destroyed on ground in attack on landing ground at MESSOUNA (54 miles W.S.W. of SFAX) by 24 escorted **Fighter Bombers**. In Mareth Area, escorted **Fighter Bombers** attacked mechanical transport. Casualties - enemy 4, nil, nil. Allied 5, nil, nil.

MEDITERRANEAN. 15th. 1 ship was hit and another probably damaged W.N.W. of TRAPANI in an attack by Fortresses (B.17)

BURMA. Between 13th and 16th attacks were made on PASUNDAUNG BRIDGE (RANGOON), GOKTEIK VIADUCT, MOULMEIN, TOUNGOO and enemy positions in RATHEDAUNG area. 15th. Escorted Japanese bombers attacked targets south of MAUNGDAW. Casualties + Enemy 4, 1, 5. Allied 5, nil, nil.

March 18, 1943  
9:10 a.m.

EXTENSION OF STABILIZATION FUND;  
INTERNATIONAL STABILIZATION FUND

Present: Mr. White

MR. WHITE: This is the memo. (Memorandum for the President dated March 18, 1943, handed to the Secretary.)

H.M.JR: I wouldn't do it over, but it is a mistake to say "I have had" - say "we have had."

MR. WHITE: This is the President speaking. It is a letter from the President to the leaders of the Senate and House. We can say, "In a statement included in your letter to the Senate."

H.M.JR: We haven't time. I will put in "from the President to the Congress." That is all right.

(Memorandum signed by the Secretary.)

MR. WHITE: Would you like to see the press release?

(Suggested press release handed to the Secretary, copy attached.)

MR. WHITE: You signed this (indicating memorandum for the President dated March 17, 1943 on the International Stabilization Fund). I would like to leave off the last sentence and send this because it would mean too many things you would have to show the President.

(Memorandum signed by the Secretary.)

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MR. WHITE: Here is a memo which you gave the President a few weeks ago in which you described just what you were doing and what you proposed to do, in case you want to refer to it. (Memorandum for the President dated March 2, 1943, handed to the Secretary.) You gave him that whole business.

Would you want to refer to the statement made by Congressman Somers publicly?

H.M.JR: No.

MR. WHITE: Do you want to have that with you?

H.M.JR: No. What else?

MR. WHITE: I don't imagine you want the reference in the American papers of the British statement?

H.M.JR: No.

MR. WHITE: Then that is all you need.

The suggested press release was rewritten by Mager and Schwarz. It is only a suggestion. We have to clear it with the State Department.

I spoke to Berle and told him you were seeing the President this morning, chiefly about the devaluation powers but that you were going to speak to him about this. He said it was perfectly all right.

H.M.JR: I am all right now?

MR. WHITE: Will you want duplicates with you?

H.M.JR: No.

MR. WHITE: We are holding up the answer to the Vandenberg letter until you hear from the President.

I spoke to Sullivan over the phone last night. He said that he had seen Senator Vandenberg and Senator

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George, and they had stated about what I told you there, that Congressman Somers had urgently requested they not speak to anybody else.

H.M.JR: He left no word behind - Sullivan didn't. I will go into that later on.

MR. WHITE: All right. I would say from his report that he did all right and did what he was supposed to do.

3/18/43

McCle: The Secretary took this memo to the White House when he saw the President at 10:30 am.



THE SECRETARY OF THE TREASURY  
WASHINGTON

March 18, 1943.

MEMORANDUM FOR THE PRESIDENT

1. The Act authorizing (a) the \$2 billion Stabilization Fund and (b) the power to alter the gold content of the dollar, expires on June 30, 1943. You will recall that this legislation was first enacted in 1934 and that it was extended by Acts of Congress in 1937, 1939 and 1941. It is now necessary to ask for a further two-year extension of these powers.

2. We have informally discussed with certain Congressional leaders the extension of these powers. The consensus appears to be that there will be little difficulty in securing the continuation of the Stabilization Fund. Whatever opposition may develop will be concentrated on the devaluation power. The opinion of Senator Barkley and Senator George and Congressman Somers is that if we are willing to fight for it we can probably retain the devaluation power.

3. The continuation of the Stabilization Fund is particularly necessary because it provides an important means of monetary cooperation with other countries. The need for the Stabilization Fund will be even greater in the next two years when we shall be faced with the problem of reconstruction of the currency systems of the world. Moreover, we have several Stabilization agreements with friendly countries which will terminate if the Fund expires, and we are in the process of negotiating others. Our position in the field of international monetary cooperation will be impaired by a failure to continue the Fund.

4. Continuation of the President's power to fix the gold content of the dollar (not lower than 50 per cent nor higher than 60 per cent of its old gold content) is desirable but not as important. In the past the power has been helpful in discouraging competitive depreciation and may be even more so in the period of instability after the war.

FOR DEFENSE



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On the other hand, there is no reason to think that we shall have to use this power during the next two years either to raise prices or increase exports. Besides the international monetary arrangements, which we hope will be made should provide us with considerable protection against deliberate depreciation of other currencies.

Even without this devaluation power it would still be possible, if necessary, actually to alter the gold value of the dollar through another provision in the Gold Reserve Act which authorizes the Secretary of the Treasury to fix the price at which he will buy and sell gold.

It may be that its voluntary relinquishment at this time may be regarded as a sign of weakness inasmuch as we have thrice urged its renewal.

5. Two courses seem possible:

A. Ask for an extension of the Fund, and of the devaluation power as we have three times in the past. If necessary we can then use the power to devalue as a basis for bargaining.

B. Ask for only an extension of the Fund and accompany that request with a statement possibly something along the following lines:

*From the President to the Congress:-*

" I have had the power to further devalue the dollar for nine years. We have needed it as a weapon in reserve with which to combat competitive depreciation of currencies and disastrous deflation. During the next two years, however, our problem is to develop through international cooperation other defenses against competitive depreciation of currencies and world-wide deflation.

I am not requesting an extension of the power to devalue the dollar because I am confident that Congress will approve the measures we shall suggest to avoid through international cooperation the dangers of competitive currency depreciation and savings in world prices.

*H.M.P.*

Secretary took with him when he saw

the President on 3/18/43 at 9:30 a.m.



THE SECRETARY OF THE TREASURY  
WASHINGTON

March 17, 1943

MEMORANDUM FOR THE PRESIDENT

On Monday, the British Treasury informed us that a draft proposal for an "International Clearing Union", prepared by the British Treasury, had been discussed by Keynes of the British Treasury at a conference of Finance Ministers residing in London, and that news of the conference and of the British draft proposal had leaked out to the press, both in England and in the United States. They said that the news had aroused such widespread interest among the British public and Parliament that the British Government feels it has become necessary to issue a press release on the matter and publish the text of the proposal.

It is inevitable that in the press and Parliament discussion of the proposal reference will be made to proposals being worked out by the American Treasury. There already have appeared numerous references to an American proposal, and we have had numerous press inquiries. We have also received a letter from Senator Vandenberg inquiring as to the accuracy of the press references to monetary discussions and inquiring regarding rumored commitments.

As you know, the Treasury has been working in cooperation with the State Department and other agencies, on a draft proposal for an International Stabilization Fund of the United and Associated Nations, a copy of which you may recall I sent to you several weeks ago. With the approval of the State Department, I have recently sent copies of the preliminary draft proposal to the Finance Ministers of the United Nations and the American Republics for an exploratory study and an informal discussion by their technical experts.

The British proposal will soon be made public in full detail, and it will be generally known that this Government has also been working on the problem of post-

FOR DEFENSE



BUY  
UNITED  
STATES  
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war monetary stabilization. To avoid unnecessary and troublesome rumors, I believe it would be desirable to inform the Congressional leaders of our studies. If you approve, I propose to issue the appended press release (which I shall clear with the State Department), and to give to the appropriate Congressional groups a summary of the tentative conclusions of the American technical experts and to explain to them how we hope, through international cooperation, to maintain stability of currency and to assure a restoration and balanced growth of international trade.

*J.M.P.*

Suggested Press Release

Preliminary suggestions for assuring post-war currency stability have been made available by American technical experts to the experts of other interested governments for exploratory study, according to an announcement today by Secretary of the Treasury Morgenthau. Secretary Morgenthau declared that while no specific plan for assuring post-war currency stability exists as yet, the methods employed during the past nine years for attaining stability of exchange rates by utilization of the Exchange Stabilization Fund might be generalized and applied multilaterally to all of the United Nations and the American republics associated with them.

Cooperatinn in partnership rather than competition in rivalry would aptly characterize the suggestions made by the American technical experts in regard to currency problems involving the cooperating governments, according to Secretary Morgenthau. Cooperating governments would undertake not to engage in any competitive depreciation of their currencies. The stability of currencies would be assured by fixing the value of

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currencies in terms of gold, and changes in the value of a currency would not be made without consulting other interested governments. To facilitate maintaining stability of exchange rates, an international stabilization fund would sell needed foreign exchange for local currencies to cooperating governments under adequate safeguards.

Secretary Morgenthau emphasized that the problem of post-war monetary stabilization was being studied by the technical experts of other governments and that all suggestions were being carefully considered. He expressed the view that the suggestions of the American technical experts point the direction for international cooperation to maintain monetary stability and to assure the restoration and growth of international trade.

Note: The Secretary took this with him when he saw the President on 3/18/43 at 7:30 a.m. At his press conference, upon his return, the Secretary said the Administration was 100% behind the Committee bill.

MAR 17 1943

My dear Mr. President:

Monday forenoon, I had a telephone call from Chairman Doughton of the Ways and Means Committee. The Chairman was disturbed by some Sunday newspaper stories which indicated that for purposes of fighting the Ruml plan you wanted a plan which was better than the plan adopted by the majority of the Ways and Means Committee.

At Chairman Doughton's request, I went Monday afternoon to a conference at his office. There were present at the meeting Sam Rayburn, John McCormack, the Chairman, Jere Cooper and Wesley Disney.

The conference started with a lot of stories about World War I. When we finally get down to business, Mr. Doughton said that he was anxious to get solid support for the majority Committee plan. In summary, this plan involves a 20 percent collection at the source on the present year's income to collect the previous year's tax. Sam Rayburn and John McCormack promised the Chairman that they would give their support to this plan.

The Treasury's position is this. We did not recommend any particular plan to the Ways and Means Committee. However, we continuously supported Mr. Doughton's first plan which involved the forgiveness of the increase of 1942 taxes over 1941 taxes and the deferment of the unforgiven 1942 tax. We opposed the Ruml plan. We also opposed a sort of 50 percent Ruml plan suggested by Mr. Doughton at a later stage of the Committee's consideration in Executive Session. We indicated that after Mr. Doughton's plan we preferred the Robertson plan which involved a forgiveness of the normal tax and the basic surtax (total of 19 percent) and made 90 percent of the taxpayers completely current. As a matter

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of fact, before the hearings began we presented the Robertson plan to the Chairman, Jere Cooper, Mr. Disney and Mr. Robertson in private conference and Mr. Robertson then made the plan his own.

Just before the final vote of the Committee, we agreed with Chairman Doughton that we would support the majority plan as against the Ruml plan with the distinct understanding that we should be completely free to make our own recommendations before the Senate Finance Committee. Chairman Doughton and Mr. Cooper promised to support in Conference any reasonable plan recommended by the Treasury and adopted by the Senate, even though it involves some forgiveness, provided it is not the Ruml plan. The Chairman and Jere Cooper confirmed this agreement to me at the conference and I in turn indicated that the Treasury would not do anything to embarrass them in getting their bill through the House.

I take it that in following this procedure I have your backing. If for any reason you do not agree with me I would appreciate an opportunity to discuss the matter with you before you make any public statement. It is my strong feeling that if you or we made any statement against the majority report of the Ways and Means Committee Chairman Doughton would, to put it mildly, be greatly upset.

I am now working on my statement which I expect to give before the Senate Finance Committee and would like to show it to you before I give it to get your suggestions, your approval, and your backing.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President

The White House

*HJM*

March 18, 1943

11:30 a.m.

TAXES (Beardsley Ruml)

Present: Mr. Bell  
Mr. Sullivan  
Mr. Paul  
Mr. Helvering  
Mrs. Klots

H.M.JR: I have been talking to a number of you individually and collectively about Mr. Ruml's not having paid, by five thousand dollars, his '41 tax.

I discussed it fully last night with the President, and the President of the United States having been informed by me, and my being informed by my counsel that it is legal on receipt of a letter from the Chairman of the Ways and Means to furnish this information to him, the decision had been made that we would furnish it to him. So that is that. 44-8-71

Frankly, I am not asking the advice, the President having decided that it is legal and that it is in the public interest. That is the question; is it in the public interest, or isn't it? He having decided that it is, I want to do it. We are not going to drag him in.

Now, Mr. Paul was telephoned yesterday - to bring you all up to date - why don't you tell it yourself? You can tell it better than I can.

MR. PAUL: Doughton telephoned me and said that he wanted advice on the question of whether he could get this information, in what capacity, and whether use could be made of it.

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I looked into that question. There isn't any doubt on the point. He can ask us for the information as Chairman of the Ways and Means Committee, acting for the committee. Of course, we can't question whether he is acting for the committee, and we can furnish the information for use in executive session. Once it is used in executive session it can be given to the Congress - to the Senate or to the House. The statute is perfectly clear.

MR. HELVERING: Should they not--

MR. PAUL: The form of the letter - he wants us to advise as to just how it should be done.

MR. HELVERING: Of course, there is no question but what we could furnish those returns and everything up there - I don't know about--

MR. PAUL: Incidentally, I think that before anything is furnished, the latest check should be made of the collector's records to see that nothing subsequent has been paid.

MR. HELVERING: Up to yesterday nothing had been paid on that.

MR. SULLIVAN: I think you also want to decide whether you want to levy the warrant before you give it out.

H.M.JR: That is the purpose of this meeting. I want to follow the perfectly regular procedure. What would be the regular procedure?

MR. HELVERING: The warrant of distraint has been drawn up, and that will be presented to him and he will be asked for payment; if he doesn't pay it, then we can file a levy.

H.M.JR: When will you do that?

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MR. PAUL: When you say file a levy, what would you do - levy on his salary or on his property?

MR. HELVERING: Anything we could find.

MR. PAUL: Obviously the salary is the ready thing.

H.M.JR: You didn't answer my question. When will you do this?

MR. HELVERING: The reason it hasn't already been done is that everybody is so busy with other things. It wasn't a jeopardy assessment, or anything.

H.M.JR: You still don't answer me. When will that happen?

MR. HELVERING: I can call them up and have it happen today.

H.M.JR: Why not?

MR. SULLIVAN: That depends on whether you are going to give him a chance to pay first. I doubt if he is there today. He spoke in San Francisco Monday. That is the decision you have to make first.

MR. PAUL: I am not sure whether he is going to be back by that time. The indication would be that he--

H.M.JR: This is Mr. "X". What would you do if Mr. "X" owed you five thousand dollars since the 15th of December and the 15th of March passes? What would you do?

MR. SULLIVAN: Call him up and tell him you had a warrant for him, and ask him what he is going to do about it.

MR. BELL: Who - the collector?

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MR. SULLIVAN: Yes.

MR. BELL: To serve it in person?

MR. SULLIVAN: Call him up first.

MR. BELL: You mean call him on the telephone or go around and see him?

MR. SULLIVAN: Call him on the telephone.

MR. HELVERING: No, the collector in whose district this is would give it to a deputy, who would call on him to advise him, "This payment is due and past due. What are you going to do about it?"

Now, they have advised him by letter, and he sent in eight hundred and eighty-two dollars. The amount was five thousand eight hundred and eighty-two.

H.M.JR: What you are telling me is different than what I was advised. I was advised - at least I think I was - that on the 15th of December he paid eight hundred and some dollars--

MR. SULLIVAN: That is what I told you. That is what I was told.

H.M.JR: What the Commissioner is saying is different.

MR. HELVERING: I may not be right. When the notice was sent to him - the amount of tax due on his fourth instalment, five thousand eight hundred and, I think, eighty-two dollars - he sent in a check for eight hundred and eighty-two dollars.

H.M.JR: On or before the 15th?

MR. HELVERING: I think perhaps it was. That is when the notice was given him.

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H.M.JR: He got the notice when everybody got the notice?

MR. HELVERING: Yes.

H.M.JR: Did the eight hundred and eighty-two come on or before the 15th, or has he been followed up once after the 15th? You see the difference.

MR. HELVERING: Have you that memorandum?

H.M.JR: Yes, I have a memorandum - from you?

MR. HELVERING: No, the one from Mr. Sullivan.

H.M.JR: Yes.

MR. HELVERING: I think in the last paragraph of that memorandum it states what was done.

H.M.JR: (Reading from memorandum from Mr. Sullivan, copy attached) "The 1941 return is with the agent for the Second New York Division. The fourth installment of the 1941 tax due December 15, 1942, amounted to \$5,822.36. The collector's records indicate that on that date, December 15, a check for \$822.36 was received from Mr. Kuml. The balance amounting to \$5,000.00 has not yet been paid. A warrant of distraint was prepared and will be served as soon as the filing period is over."

Then he paid the eight hundred and twenty-two dollars and thirty-six cents on or before December 15. That clears that up.

MR. PAUL: He compelled the Government to lend him five thousand dollars on December 15.

H.M.JR: Would you mind going over it again? What would be the normal procedure?

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MR. HELVERING: The normal procedure would be for the director where he files his return to give this to a deputy to serve on him, or request payment - really not serve anything - request payment and if he didn't pay it, to advise him that they would serve him with a warrant of distraint.

H.M.JR: Call on him in person - they wouldn't call him on the telephone?

MR. HELVERING: No, that is always done directly by a deputy to the man himself.

MR. SULLIVAN: They told me - I asked that specific point, and apparently in New York they frequently call on the phone and remind them that they are behind.

H.M.JR: I think, Mr. Helvering, if that is the way, it seems to me, much better to call on them in person. You don't know whether it is Rumi answering the phone.

MR. SULLIVAN: I agree that would be the way to do it.

MR. PAUL: That can't be done now, can it?

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

MR. HELVERING: I don't know whether he is there or not.

H.M.JR: Supposing again it was Mr. "X" and he was out of town. Wouldn't the normal thing be for this deputy to go to his office and try to see him, and then if they said, "Mr. Rumi is out of town" - "Well, when do you expect him back?" I take it you wouldn't chase him around the country; you would wait until he comes back.

MR. SULLIVAN: That is right - any fellow who has gotten seventy thousand dollars a year.

H.M.JR: Wait until he comes back?

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MR. HELVERING: Unless it was a jeopardy assesment.

MR. SULLIVAN: Which this couldn't possibly be.

H.M.JR: It seems to me from what you say, unless somebody differs, that you give the instructions that they should go ahead and call on him under the assumption that the man is there, and then follow the normal procedure. I suppose they would say, "When do you expect Mr. Huml back?" The answer would be such and such a date, and the man would come back and call on him when he gets back. Would that be the normal - a hundred percent normal - procedure?

MR. HELVERING: Yes.

MR. SULLIVAN: That is what it has to be in this case.

H.M.JR: A hundred and one percent. Can you see any trouble with that, Dan?

MR. BELL: No. Is this the normal time that you would issue that warrant?

MR. HELVERING: Any time.

MR. BELL: Would there be any excuses? Did he say he would pay it in March or June - did he give any excuses?

MR. HELVERING: I don't know what his transmittal letter was with this eight hundred and some dollars. That was just the odd amount, and he left unpaid five thousand dollars.

MR. BELL: When a man doesn't pay his quarterly tax then you immediately go after him within a reasonable time?

MR. HELVERING: Yes.

H.M.JR: The point Mr. Bell is making, is this a reasonable time - three months later?

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MR. HELVERING: Oh, sure.

MR. BELL: A little more than reasonable?

MR. HELVERING: If we hadn't been in this extraordinary filing period, he would have had that warrant before now, I expect.

MR. SULLIVAN: If it had been the September rather than the December, it wouldn't have gone three months.

H.M.JR: I think somebody ought to look up and see if he gave any explanation or excuse when he sent in the eight hundred and twenty-two dollars.

MR. SULLIVAN: When you give Pedrick the instructions on this, I think you had better emphasize that he is to be treated as anyone else, because they are all raring to go up there.

H.M.JR: Are they?

MR. SULLIVAN: Yes, sir.

MR. BELL: You mean they want to go after him?

MR. SULLIVAN: They want to badly.

MR. HELVERING: There is nothing out of the regular proceeding for them to demand payment of this five thousand dollars with the interest on it from December 15.

MR. PAUL: What is the normal course of procedure where you know that a person has plenty of salary? You don't know what he has in his bank account. Do you give him time on such a case as that, or do you insist on payment?

MR. HELVERING: There is a regular provision for the extension of time of payment which requires them to make application and set out their reasons and everything else.

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MR. PAUL: I know, but often times, in my experience, you have had informal arrangements whereby they said they will pay a certain amount each week or month. But I take it that is not done in the case of a man who has plenty of salary.

MR. HELVERING: What is set up where they show it will be a hardship on them to pay it all at once.

MR. PAUL: No, it is often done without that application.

MR. HELVERING: They have to make some explanation of why they can't pay it.

MR. PAUL: They might deal with the deputy collector. I imagine that is only done in cases where they are really hard up.

MR. HELVERING: Just an exercise of forbearance on the part of the collector, with the understanding that it is to be paid so and so?

MR. PAUL: That is right.

MR. HELVERING: We don't give any authority to--

MR. PAUL: It is just informal.

H.M.JR: What would be the next move, now?

MR. HELVERING: For us to inform the collector as quick as they contact Mr. Kumi to demand a payment of this five thousand dollars with interest from December 15. If he doesn't pay it, then they serve him with the warrant.

MR. PAUL: Are those warrants public records?

MR. HELVERING: Of course, if the public is served with a warrant.

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MR. PAUL: They would be if you put a lien in the County Clerk's office in New York.

MR. BELL: It would sooner or later become public if he didn't meet it.

MR. SULLIVAN: You put it on a bank account and the public soon knows it.

MR. PAUL: It is a matter of public record if you put a lien. I don't know if he owns any real estate in New York or not.

H.M.JR: Has anybody any doubt as to the procedure that the Commissioner has outlined?

MR. BELL: I believe that when he calls on Mr. Rumi he ought to leave a letter or something. I think if he doesn't pay, and then you come along later and ask for an attachment, you haven't a very clear record of having approached him for payment, have you?

MR. SULLIVAN: You have the record of your deputy.

MR. HELVERING: The law sets out specifically how the payments shall be made.

MR. SULLIVAN: Dan means, how are you going to prove the deputy did call on him?

MR. BELL: I think there ought to be a record of some kind made by that deputy; either by leaving a letter with Rumi when he actually contacts him, demanding payment, rather than doing it informally.

MR. SULLIVAN: That can be done and not have it out of the usual run of business. If the deputy were to call at his office and found he was not there, he could then go back to his own office and write a letter: "Dear Mr. Rumi: Today I called at your office to remind you you are five thousand dollars in default and we ask immediate payment. I was advised by your secretary you were out of town until Monday noon. Would you please call me Monday afternoon."

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H.M. JR: I think it is legal, proper, and ethical for me to give him that information. What he does with it is something else. But on the other hand, we ought to keep the chairman advised. Do you agree?

MR. PAUL: In advising the chairman, I am going to remind him that we are acting - not as counsel, but we are glad to give him any service; but we think he ought to have Mr. Stam in the situation, too, because that is his counsel.

H.M. JR: That is right, and in this communication you told me he did it.

MR. PAUL: But according to what he said to me - he may have done it, but he did not mention any names to Stam.

H.M. JR: But that has nothing to do with whether it is legal for us to furnish it to him.

MR. PAUL: That is right.

H.M. JR: But I agree with you that he ought to consult his own counsel.

MR. PAUL: His own counsel ought to advise him on the form of letter he writes to us.

H.M. JR: If we are finished on this--

MR. BELL: The chances are he will see the handwriting on the wall when he gets this demand to pay up.

H.M. JR: That is all right.

Now, the other phase of the thing is investigating his returns as to whether he has committed fraud or not.

MR. SULLIVAN: Norman Cann is bringing back tomorrow a copy of the return that was filed this year. That will disclose an even larger amount of interest.

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As soon as that is here, I think we should investigate the situation of the parents in 1927, or '28, or whenever it is that this loan was supposed to have been made.

H.M.JR: In whose hands is that? Who handles that investigation?

MR. HELVERING: The agent in charge, Krigbaum.

H.M.JR: Will that go ahead in the normal way?

MR. HELVERING: Yes.

H.M.JR: Promptly?

MR. HELVERING: He has all the returns, now.

H.M.JR: Is that under way now?

MR. HELVERING: Yes.

MR. SULLIVAN: His parents don't live in New York, do they, Randolph?

MR. PAUL: I understand they live in Iowa.

MR. SULLIVAN: I think you would have to have your intelligence fellow investigate on that end, and get the financial situation of the parents at the time they were supposed to have lent this money to him.

H.M.JR: Krigbaum - where is he located?

MR. PAUL: New York.

H.M.JR: He is a good man?

MR. PAUL: One of the best.

MR. HELVERING: He is one of our best agents.

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H.M.JR: He would take the necessary steps, wouldn't he?

MR. HELVERING: Of course, in this case, if it is definitely shown that Mr. Huml did borrow this money, the interest is justifiable interest.

H.M.JR: You first have to establish the fact that his parents ever had a hundred and twenty thousand dollars.

MR. SULLIVAN: I think you will find that a new beneficiary is added this year.

H.M.JR: Who?

MR. SULLIVAN: I don't know; the name is different.

MR. PAUL: A new beneficiary - what does that mean? I don't get that.

MR. SULLIVAN: He has been giving his mother and father interest of around sixty-six hundred dollars. I think you will find this year that it is over seven thousand, and I think that in the interest payments it will show one payment right under the name of the mother and father of a fairly substantial amount.

MR. PAUL: I think that might be his--

MR. SULLIVAN: I am not trying to be mysterious.

H.M.JR: What are you trying to be?

MR. SULLIVAN: The copy that was to be given to Norman Cann last night the collector pulled out - he called for me at the hotel to take me to the dinner - he was my official escort - and we were just about to go in the Astor Hotel when he says, "By the way, here is this thing I have for Cann." He opened it up and I got him aside and just took a quick look.

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MR. PAUL: There is a very simple explanation of that, probably. He bought a home in New York about a year and a half ago - something like that - and he has a large mortgage on it. So if the interest figure increases it would be on that account.

MR. SULLIVAN: That interest is on there, too - a list of interest payments that long (indicating); his mother and father, and then this other person.

H.M.JR: You (Helvering) will follow this investigation and see that this is done in a perfectly normal way, but promptly.

MR. HELVERING: Yes, we have already sent the returns up to Mr. Krigbaum, with instructions to look particularly into these interest items. He has those now.

H.M.JR: As I understand it, one year they were disallowed.

MR. PAUL: That is right. That is what Mr. Sherwood told me - and he didn't file any appeal, did he?

MR. HELVERING: No.

H.M.JR: But then next year he does the same thing over again and we allow it.

MR. SULLIVAN: I think he produced a note the next year. I doubt if it was sufficiently questioned - I don't know.

H.M.JR: All right. Now, what is the next thing you are going to do, Paul?

MR. PAUL: I am going to see when I can see the chairman. I suppose it will be after lunch.

H.M.JR: It will take a lot of time, but it is worth while to do it correctly.

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MR. SULLIVAN: I went through those three offices up there and I will tell you it was some sight. Tuesday afternoon they had a million and twenty thousand unopened returns in Brooklyn. Brooklyn will go over two million. The next time you are up there I do wish you would go and look at that new setup in Brooklyn. I wish every collector in the country could see it; it is just perfect.

H.M.JR: You made your train all right, last night?

MR. SULLIVAN: Yes, sir.

H.M.JR: With your escort? (Laughter)

MR. SULLIVAN: No, sir.

H.M.JR: I will talk to you this afternoon. A number of things broke. One of those was this twenty-five-thousand-dollar thing you were handling for me.

MR. SULLIVAN: I talked with Jimmy Byrnes.

H.M.JR: Yes, but Paul went up and testified. The normal thing - if you had been here, you would have testified.

MR. SULLIVAN: Yes, I talked with Jimmy Byrnes and he said he thought it would be well for us to keep out of it, that if they did call on any technical questions on the regulations, to refer them to Mr. Paul.

H.M.JR: But you know what happened; he wouldn't send anybody up on the Hill and Paul went. Did you know that?

MR. SULLIVAN: Yes.

H.M.JR: The other thing I wanted to see you about - I will see you and White this afternoon--

MR. SULLIVAN: That sounds like stabilization. We have a four-thirty appointment with Andy Somers.

H.M.JR: I have to see you before because I know now what the President wants.

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H.M.JR: Let's put you people down - put Sullivan--  
You (Bell) had better listen to that.

MR. BELL: Yes.

H.M.JR: Sullivan and Bell and Mr. White at quarter  
of three.

Who will follow through for General Counsel?

MR. PAUL: O'Connell.

H.M.JR: And O'Connell at quarter of three. Fifteen  
minutes will be enough.

Following that will be Bell and Robbins.

Memorandum for the Secretary:

The following data are taken from the joint income tax returns filed by Beardsley Kuml and Lois T. Kuml:

1928: Total income reported was \$67,105.59. Salary income, Laura Spellman Rockefeller, \$15,050.00. Interest paid \$19,621.24. Tax reported \$3,760.67. Contributions \$106.00. A small deficiency was assessed.

1929: Shows a loss of \$26,627.28. Salary income, Laura Spellman Rockefeller, \$17,500.00. Loss of \$56,392.24 reported. Interest paid \$16,019.21. Contributions \$68.00. Total income reported "None".

1930: Salary income, The Spellman Fund, \$20,000.00. Losses of \$46,810.06. Interest paid \$4,754.43. An extension of time to file was obtained.

1931: Total income reported was \$17,449.71. Salary income, The Spellman Fund and University of Chicago, \$30,000.00. Interest paid \$8,661.78. Contributions \$35.00. Tax reported \$8.20.

1932: Return destroyed.

1933: Total income reported was \$27,360.47. \$27,272.17 is from salaries, University of Chicago and The Spellman Fund. Interest paid \$7,568.96. Extension of time to file obtained. Contributions \$70.00. Tax reported \$1,480.49.

1934: Total income reported was \$40,135.84. \$36,875.00 from salaries, R.H. Macy Company, University of Chicago, Social Science Research Council. Interest paid \$8,612.07. Contributions \$116.10. An extension of time to file was obtained. Tax reported \$3,431.04.

1935: Total income reported \$42,401.26. Salary from R.H. Macy Company \$39,669.10. Interest paid \$7,091.92. Of this amount of interest, \$3,220.00 was paid to his

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Memorandum for the Secretary.

mother, Salome B. Kuml, and \$869.50 was paid to his father, W. Kuml. Contributions \$100.00. Tax reported was \$4,019.38. Deficiency of \$810.08 assessed.

1936: Total income reported was \$57,256.71. Salary income, A.H. Macy Company, Federal Home Loan Bank and National Resources Committee, \$54,293.91. Interest paid \$7,500.77. Of this amount, \$3,340.00 was paid to Salome B. Kuml and \$1,235.00 to W. Kuml. Contributions \$105.00. Tax paid was \$7,544.85.

1937: Total income reported was \$61,357.92. Salary income from A.H. Macy Company, National Resources Committee and Federal Reserve Bank, \$61,239.94. Interest paid \$7,067.71. Of this amount \$2,850.00 was paid to Salome Kuml and \$985.00 to W. Kuml. Contributions \$301.00. Tax reported \$8,606.50. An extension of time to file was obtained. Small adjustment made upon audit.

1938: Total income reported was \$64,199.96. Salary income from A.H. Macy Company, National Resources Committee and Federal Reserve Bank, \$61,883.97. Interest paid \$7,276.57. Of this amount, \$2,907.50 was paid to Salome B. Kuml and \$1,672.50 to W. Kuml. Contributions \$357.00. An extension of time to file was obtained. Tax reported was \$9,428.65. Small adjustment made upon audit.

1939: Total income reported was \$69,554.13. Salary income from R. H. Macy Company, National Resources Committee and Federal Reserve Bank, \$68,834.33. Interest paid \$7,303.89. Of this amount \$2,907.60 was paid to Salome B. Kuml and \$1,672.50 to W. Kuml. Contributions \$441.00. Tax reported was \$11,188.38. An extension of time to file was obtained.

1940: Total income reported was \$70,997.14. Salary income from A.H. Macy Company, National Resources Planning Board and Federal Reserve Bank, \$68,310.24. Interest paid \$6,995.92. Of this amount \$2,907.50 was paid to Salome B. Kuml and \$1,672.50 to W. Kuml. Contributions \$585.00. Tax reported \$18,214.00. Small adjustment made upon audit.

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## Memorandum for the Secretary.

Interest deductions claimed over a period of years to taxpayer's parents on amounts borrowed from them. Rate of interest six percent. The loan (?) is not being reduced. Its bona fides has been checked on two occasions by revenue agents. In recent years a note evidencing an indebtedness to taxpayer's mother was executed. Interest payments subsequently noted on the back of the note.

The 1941 return is with the agent for the Second New York Division. The fourth installment of the 1941 tax due December 15, 1942, amounted to \$5,322.36. The collector's records indicate that on that date, December 15, a check for \$822.36 was received from Mr. Kuml. The balance amounting to \$5,000.00 has not yet been paid. A warrant of distraint was prepared and will be served as soon as the filing period is over.

Total income reported for 1941 was \$66,673.38. Salary income amounted to \$66,710.01. Interest paid was \$6,690.64. Contributions \$307.00.

Assistant Secretary.



GENERAL COUNSEL  
TREASURY DEPARTMENT  
WASHINGTON

MAR 18 1943

Secretary Morgenthau

Mr. Paul

You have asked whether you may legally furnish to the House Committee on Ways and Means, or the Joint Committee on Internal Revenue Taxation, information concerning Mr. X, an income taxpayer. Such information would concern whether Mr. X has paid his income tax for 1941, the amount of such tax, and the deficiency in payment.

It is my opinion that you are so authorized by statute. However, the information may be furnished to either Committee only when it sits in executive session; but that limitation is met when the Chairman of either Committee writes you on behalf of the Committee asking for the information for use in executive session and you reply by letter to him giving the information and stating that it is for use in executive session.

Once the information has been received by either Committee, it may be submitted by the Committee to either House of the Congress.

*Harold G. Paul*  
General Counsel.

March 18, 1943  
2:15 p.m.

EXTENSION OF STABILIZATION FUND;  
INTERNATIONAL STABILIZATION FUND

Present: Mr. White  
Mr. Sullivan  
Mr. Henry Morgenthau III

H.M.JR: I saw the President both last night and this morning.

Last night he said, "We are having a meeting at twelve o'clock of this secret planning committee over at the State Department, and the Treasury is going to be represented by White." So I said, "That is fine."

Then I saw on the ticker they had the meeting, and there were Hull and Myron Taylor and two or three others, but nobody from the Treasury.

Did anybody ever call you?

MR. WHITE: No.

H.M.JR: Between last night and this morning your name must have been scratched.

MR. WHITE: Probably they also had a meeting--

H.M.JR: Pardon me. They said they would meet about once a week on postwar plans. So I don't know. I am not going to call up because I think it is amazing that Herbert Lehman wasn't on it.

But I think that after a while they may get into the financial front, and you may be invited. But we have got enough work to do as is.

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MR. WHITE: Yes.

H.M.JR: Now, I took up with the President - this is the part that doesn't affect John Sullivan - this memorandum here (indicating memorandum for the President dated March 17, 1943) in regard to going ahead with the International Stabilization Fund, and the President read the press conference. The only comment he had was - he said, "I would make it perfectly clear that this is in no way a binding matter but purely exploratory."

MR. WHITE: That is definitely in line with our view.

H.M.JR: Purely exploratory and in no way a commitment.

MR. WHITE: That seems to indicate approval for you to mention it to the various Congressional leaders. Is that what you have reference to?

H.M.JR: He didn't say. I think so. I would go ahead with the press release first. He seemed to think it was all right.

Is that all right with you?

MR. WHITE: Yes. Is it all right to give out the press release?

H.M.JR: Yes, but just reexamine it with that in mind, that this meeting was called for exploratory reasons - no commitments.

MR. WHITE: Yes. We are not calling any meeting.

H.M.JR: Well, you are asking--

MR. WHITE: We will go over the press release to make certain that that is very clear.

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H.M.JR: That is all. I would go ahead with the other.

MR. WHITE: Is he at all interested in it?

H.M.JR: He read it very carefully. He made no comment other than that. I mean he read the memorandum and the press release, and that was his only comment.

He very seldom, Harry, shows any enthusiasm these days. It is very rare. So don't be disappointed.

(Mr. Sullivan entered the conference.)

H.M.JR: John, I am running ahead of schedule. I saw the President this morning in regard to extension of the Stabilization Fund, and he read the thing very carefully. He said, "I agree with the memorandum and I would go ahead with proposal number one." (Referring to memorandum for the President dated March 18, 1943.) By that he meant to try to get both the Stabilization Fund and the right to devalue.

I said, "Will you feel very badly if we can't get the right to devalue?" He said, "No, but I would make an effort to get it."

I just wanted to make sure that the two of you were together from now on on what we are trying to do.

Where do we stand as of this afternoon?

MR. SULLIVAN: Somers has seen Reed and Andresen, who are the ranking Republican members.

H.M.JR: When?

MR. SULLIVAN: He has seen them once. He is seeing Harry and me at four-thirty this afternoon.

H.M.JR: Weren't you supposed to have been there yesterday afternoon?

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MR. SULLIVAN: No. Monday he called, and he wanted somebody from Harry's staff to be there on Tuesday. I talked to Bernstein. He was going up. Then he got caught on roll calls and he cancelled the date, so he told me this morning.

Then I asked Bernstein if he would go up this afternoon, and he said he was going away and he thought Mr. White wanted to go.

MR. WHITE: I wanted to go, yes.

MR. SULLIVAN: He hasn't a full committee. There are more Republicans on his committee than Democrats, and he is trying to get McCormack to give him a couple more appointments so that he will have a majority.

He said there wasn't any question about the continuation of the Stabilization Fund; that an extension of the power to devalue might be bought at the price of giving up three billion greenbacks under the Thomas amendment.

H.M.JR: Of course that wasn't in the memorandum, which I gave the President.

You have seen a copy of the memorandum?

MR. WHITE: No, he hasn't seen it. The reason we didn't put it in was because I thought you didn't want to disturb him on the greenbacks. The greenbacks are not involved in this bill.

H.M.JR: I would give Sullivan a copy of the memorandum.

MR. WHITE: Yes. One has already been sent to him.

MR. SULLIVAN: Senator George checked with the members he thought might cause trouble. Nobody has raised any objection at all to the continuation of the Stabilization Fund. He told me yesterday afternoon

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that there was very much less opposition to the continuation of the power to devalue than he had anticipated. He was sure we could get it through with a little fight. He didn't know how much of a fight it would be.

Now, I think our problem is to determine just how much of a fight we are going to have, and then it is for you to decide whether it is worth that fight.

H.M.JR: Are you ready for a decision from me?

MR. SULLIVAN: No, I am not. Barkley won't be back until Monday, sir.

H.M.JR: I think this. I don't want the thing to drag its feet too long. I think after having talked to the President we should go through the motions, make an honest effort to--

MR. SULLIVAN: Both of them?

H.M.JR: Both, and he said he wouldn't feel too badly if he didn't get the power to devalue. So I think that leaves us in a very nice position.

Don't you think so?

MR. WHITE: Yes.

H.M.JR: I mean, the President isn't going to say, "Why didn't you make a fight? This is something I have to have."

MR. SULLIVAN: I was pretty indifferent to the extension of the power to devalue when we started out on this thing, but Bernstein completely sold me on it. I think we can do some business up there, and I think we can get it.

H.M.JR: Can I leave this thing in the hands of you two gentlemen, to call on me for help when you need it?

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MR. SULLIVAN: That is right.

MR. WHITE: The power to devalue has this additional advantage, which is along the line of something you said. They will want to object to something, and they will concentrate their fire on that; whereas, if they had only one thing, the extension, they would concentrate on that. This way it will be possible to direct all their fire against the part they dislike.

MR. SULLIVAN: If I correctly understand your attitude, Mr. Secretary, you want to get both if we can get them peacefully. You are willing to fight a little bit to hang on to the power to devalue, but you don't want to get into a brawl.

H.M.JR: That is right.

All right?

MR. WHITE: Yes.

H.M.JR: You seem in doubt about something.

MR. WHITE: The brawl. I take it that once you ask for it, you ask for it. The decision is not yet made that they will propose it to the committee because that is a definite step. The letter hasn't gone yet from the President to the committee. I take it that before that is done--

H.M.JR: He isn't going to write it, is he?

MR. WHITE: He is supposed to, ordinarily.

MR. SULLIVAN: He has in the past, but I don't see why this shouldn't be treated as any ordinary legislation.

H.M.JR: I wouldn't put him out on a limb.

MR. SULLIVAN: No. I haven't seen the Speaker or John McCormack or Joe Martin. Somers said, "I don't want

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you to talk to anybody over here until I am through with these two Republicans."

MR. WHITE: Then it is clear that the decision has not yet been made that we are going to ask both Houses to present a bill of that character?

H.M.JR: The decision has been made from the standpoint of the Chief Executive. He would like us to do it. Now, if in this exploratory period Sullivan finds that Barkley or the Speaker says there is no use, then we will have another talk.

MR. SULLIVAN: That is right. As I understand the situation, by Wednesday, say - we will give Barkley forty-eight hours back here - we will report to you that we can get it without too much of a fight; then that is the green light. If it sounds as though there is going to be quite a fight, then there is another decision to be made at that time.

H.M.JR: Right.

March 18, 1943  
2:40 p.m.

TAXES

Present: Mr. Sullivan  
Mr. Henry Morgenthau III

H.M.JR: Yesterday Mayor LaGuardia called me up, kind of excited - you might ask Miss Chauncey to let you read the conversation - because Pedrick was supposed to have said this:

"If the Mayor and the Council want to know the real reasons why this community can't stand any more taxes, let them come down to my office and I'll show them that the people are just about taxed to the limit."

(Clipping from March 17 New York Times handed to Mr. Sullivan.)

H.M.JR: That is not such a good statement. The Mayor takes objection to it.

MR. SULLIVAN: I wondered because I called Pedrick about quarter past three Tuesday, and he had gone up to this meeting of - what is it, the Downtown Association?

H.M.JR: Fifth Avenue.

MR. SULLIVAN: He had gone there to oppose this tax thing.

Do you want me to--

H.M.JR: I think that you should call up Pedrick and say that he is a Federal employee now and he is no longer working for the Fifth Avenue Association; that he ought to keep his mouth shut.

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MR. SULLIVAN: That he ought to keep quiet on tax matters.

H.M.JR: Then I think what I would do - you might call up the Mayor on the telephone and say that--

MR. SULLIVAN: There will be no repetition occurring.

H.M.JR: That is right. You know he likes to be called, and so forth and so on.

March 18, 1943  
3:05 p.m.

FINANCING

Present: Mr. Bell  
Mr. Robbins  
Mr. Buffington  
Mr. Peabody  
Mrs. Klotz  
Mr. Graves

H.M.JR: Have you had a little talk with Bell since you have seen me?

MR. ROBBINS: Yes, I have talked to him this morning.

MR. BELL: We were talking this morning when you called me.

H.M.JR: When was that?

MR. ROBBINS: Ten-thirty or quarter of eleven.

H.M.JR: You had a similar talk to the one we had?

MR. ROBBINS: Yes. I told Mr. Bell about our conversation this morning, and I think that it is going to work out.

H.M.JR: Good.

MR. ROBBINS: I believe that is the realistic, proper approach to it.

H.M.JR: Good.

MR. ROBBINS: I don't know that I made myself completely clear to you. I think you were a little bit worried that I might be away from Washington too much.

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I don't expect to be out of touch with Washington, but I do think my big contribution can be on the outside, once I get these programs.

We reviewed the things that have been done, and in spite of the confusion there have been quite a few things accomplished.

I want to go over Harold Graves' programs and plans with him, which I will have to do in a rather hasty way. It won't be in as deliberate a way as I would like because time won't permit. Then we will get these meetings behind us, the Friday meeting tomorrow with publicity, the Saturday meeting with the newspaper people.

Then along the middle of next week I would like to get out to Cleveland, and I would like to get up to Boston and some of these other places. I think we are going to learn something about how to run these campaigns from the Cleveland Federal Reserve District.

H.M.JR: From Cleveland?

MR. ROBBINS: Yes. Of all the responses that I have had and of all the contacts I have had, there seems to be more gumption and determination from that point than any one point in the country. They are going to be very aggressive, I think, and I believe there is a great chance of conflict there between the two organizations in the field.

So I would like to see it happen if it is going to happen. I would like to be there to watch it.

H.M.JR: You can keep in touch - the telephone still works both ways. I just wanted to make sure before I brought the others in that you had been in touch with Bell.

MR. BELL: We talked some this morning.

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H.M.JR: If that is all right, can I bring the other people in so that I can report on my conversation with the President?

MR. ROBBINS: Yes, indeed. Then there is one thing that is rather important. We registered this with Mr. Gaston's office. I don't know whether he is in or not. We will have to do something about inviting a few additional people to our party, I believe. Everybody now wants to make the suggestion that we include four more people.

H.M.JR: Who?

MR. ROBBINS: The two local newspapermen, Eugene Meyer and Mr. Newbold. They are the two here in Washington.

H.M.JR: Who is Newbold? Oh, the Washington Star?

MR. ROBBINS: Yes.

Also Don Sterling, assistant to Donald Nelson in handling press relations over there. These are suggestions that come from Gardner Cowles.

In addition to that, last night when we had our meeting with Gardner, Chet LaRoche was there; and everybody, including Gardner, particularly wanted Chet to be there because, after all, he represents an interest, too.

H.M.JR: Got enough food?

MRS. KLOTZ: Yes, we have enough food.

Who invites these people?

MR. ROBBINS: Those invitations will have to be handled by telephone today. We have a perfectly good excuse for not inviting them before.

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H.M.JR: I tell you what we can do, if they are in town. We can do it easier. I don't like to send telegrams. I will write a letter and have them delivered by hand.

MR. ROBBINS: When Peabody is here we ought to touch on that.

H.M.JR: You realize what you are doing, don't you?

MR. ROBBINS: Yes, getting locals in with national interests.

H.M.JR: I will wait until they come in.

(Mr. Graves, Mr. Buffington, and Mr. Peabody entered the conference.)

H.M.JR: We are talking about the Saturday luncheon.

This is the suggestion from Cowles. You want Mr. Newbold of the Washington Star and Mr. Eugene Meyer.

MR. ROBBINS: Mr. Meyer of the Post, and a chap by the name of Don Sterling, who is editor of the Portland Journal and a past president of the American Society of Newspaper Editors and currently special advisor to Donald Nelson. In other words, he is an important man in this field in Washington, and we think he should be included.

H.M.JR: I can see the Star and the Post, but do you think Sterling, too?

MR. PEABODY: Sterling of course swings a tremendous amount of influence, according to Mike. He is down here temporarily, but he still has his contacts with all of these editors. Mike felt definitely that he could be of great help in this thing.

H.M.JR: From Oregon?

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MR. PEABODY: Yes, sir, but he is past president of the National Editors Association.

H.M.JR: Have you asked Ted Gamble anything about it?

MR. PEABODY: No, sir.

MR. GRAVES: His paper has been very favorable and friendly to our operation.

H.M.JR: I will call Ted. The thing that just amazes me is that you leave off my favorite woman publisher here in Washington. What is the matter with you fellows? (Laughter)

MR. ROBBINS: Who is your favorite woman publisher - oh, Mrs. Patterson? (Laughter)

H.M.JR: Perfectly serious, I wouldn't have the woman in the place, but aren't you offending her unnecessarily by inviting Eugene Meyer - they just hate each other - and you ask Mr. Newbold, a very nice gentleman from the Star, and then don't ask Cissy Patterson? Isn't she just going to have it in for us in this whole campaign - she and her brother and her cousin? (Laughter)

(The Secretary held a telephone conversation with Mr. Gamble.)

H.M.JR: He says that Sterling is O.K.

But, seriously, do you want to take on the Patterson-McCormick feud?

MR. ROBBINS: That probably is true. The reason Cowles felt we should have these local men is because we would like very much to have the Nation's Capital interested. He didn't mention the young lady in question. I think Stuart and I both followed his suggestion.

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H.M.JR: Now, the Chicago Tribune, just to show you - we will go back to when I wrote eight hundred newspapers asking them to help with our defense bonds. All the letters that came back were favorable except one.

I got a letter from Mr. McCormick in which he said that there was no more reason for him to give us free space in his newspaper to advertise war bonds than there would be to give a manufacturer of baby carriages space - he said baby carriages and baby bonds.

After that he got behind the thing and asked whether he couldn't serve on the State committee of Illinois, and I said no, but his paper supported us one hundred percent.

MR. GRAVES: And has done so ever since.

H.M.JR: Yes - I mean the cartoons and everything. We got these cartoonists to include war bonds in their cartoons in the funnies. He said he would cancel the contract for his funnies if we included it. After that he put them in all his funnies. So the man, without us going near him, has supported us. I hate him and what he stands for, but what is the use of slapping him in his face?

I mean, she will - you can't have these two men and not she. I would rather not have the two Washington people.

MRS. KLOTZ: Why can't you have her and the two?

H.M.JR: I wouldn't invite her. I wouldn't have her.

MR. BELL: I don't see the importance of having the Washington newspapers.

H.M.JR: All these talks are very confidential, but I wouldn't invite her to my place.

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MR. ROBBINS: Cowles made good sense to me. He said that we could - you see, these people aren't receiving official invitations. They are local people. We sort of really pick them up because we are having something interesting in their field and because they are here.

If we can't have the three, I still think I would rather have the two, taking Cowles' judgment on it that they are important newspaper interests in town. If there is a bad conflict perhaps we had better get Cowles and see what his reaction is.

H.M.JR: I wouldn't raise it with him. Take my old horse sense. What do you think, Peabody?

MR. PEABODY: I agree with that.

H.M.JR: I wouldn't raise it with Cowles. It gets around.

MR. PEABODY: We are breaking one other principle of the meeting when we get them in. Mike knew that. Those are the only two on the list who don't have national associations, who don't swing national influence. Every other man is the head of an association or group. There is no single paper representative in there except those two.

H.M.JR: What do you advise me?

MR. PEABODY: If I had to say it now, I would drop them because I am tremendously impressed with the danger of having two out of the three publishers here from Washington.

What Bill and I had in mind was the fact that Washington apparently has not performed very well, but we can take care of that, perhaps, by having a special meeting of some kind or other later on.

MR. BELL: They don't have financial columns in any of the papers.

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MR. BUFFINGTON: Yes, they do. The Star has a good one.

H.M.JR: I would drop it. You would be taking on New York with its Daily News of two million circulation and the Chicago Tribune.

MR. PEABODY: Yes, you have a family set-up.

MR. ROBBINS: If there is no different twist to it because they are publishers who are here in the Nation's Capital, then there is no reason for having these men any more than for having any other relatively prominent publishers.

H.M.JR: For instance, Baltimore. Let's drop the two local publishers.

MR. ROBBINS: That is perfectly all right.

H.M.JR: But we will have this gentleman who is assistant to Mr. Nelson - Sterling - and who was the other one?

MR. ROBBINS: Chet LaRoche.

H.M.JR: Definitely.

MR. ROBBINS: He would be good. We have asked LaRoche. I will see that invitations are delivered by hand this afternoon.

H.M.JR: Now, on the President of the United States, I said to him, "What will you do to help us?" He said, "Well, I don't think I will buy a bond. That is kind of cheeseey." (Laughter)

MR. BELL: Check. (Laughter)

H.M.JR: So he says, "Let me think." I hadn't shown him the presentation. I was kind of scared to show it to him. He says, "I tell you what I will do,

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Henry. Out on the back porch I will get all the White House employees, and I will see that every one of them buys a bond." And then he will be willing to make a little talk to them.

And he says, "You can give us some kind of an award, or something or other, to the two hundred employees. Every one of the White House employees, including myself, will buy a bond." And the White House will do that.

Steve Early said, "I think that is fine. Since our record has been the last, we will now make it the first." (Laughter) They were at the bottom of the list.

He will do it Saturday, the 10th, in the morning.

You will need some follow-up with our friend Foster, the chief clerk, to get this group together. You (Graves) will do this, won't you, with the White House?

MR. GRAVES: I assume our people will.

H.M.JR: Not the publicity, but I mean--

MR. BELL: You mean getting them together.

H.M.JR: Somebody has got to see old man Foster, the chief clerk.

MR. GRAVES: I think Norman Thompson should.

H.M.JR: He is "agin" us on this thing. Then there is the question, will it be only the people on the White House pay roll or the people from other departments who work for the White House. The President wanted everybody, and Marvin McIntyre raised the question of the little split over there. So I think they had better start early.

That would naturally go there, wouldn't it? You have this inter-departmental committee on Government--

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MR. BELL: That is Savings Bonds. Are they going to buy a Savings Bond?

H.M.JR: The President said, "If they can't buy a bond they will buy a stamp. I will get them to buy something."

Dan, if it is agreeable to Robbins, let me pin it on you to see that somebody goes to work on the White House at once. Is that all right?

MR. ROBBINS: That is fine. I don't know the in's or out's of that.

H.M.JR: We have had all kinds of drives, and either they have been the last or next to the last of all the departments; and the President is conscious of it and wants to come through.

It will be on the newsreel. I can't get him on the air.

I showed him the presentation. He took time to go through the whole thing and liked it. He was particularly interested in the longhand thing. He said, "I will do the same thing for you next time." He says, "I don't think you want it now. I will do it for you next time." But he went through the whole thing.

The funny thing - my son caught it on the front page - was there was a long statement by my father.

MR. PEABODY: Yes, the Commander told me. We are getting you a photograph of the first page.

H.M.JR: I thought my father would be pleased.

So that is the best I can do, and he is in a good humor about it.

I said, "How about you and Churchill talking across the ocean to each other?" He said, "No."

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So he will do your newsreels. Whoever does the newsreels for you should contact Steve Early. Steve Early likes to be out in the front with the newsreels. When you go over there, it has to be a White House show. It is a little difficult over there.

MR. ROBBINS: You said the 10th?

H.M.JR: The morning of the 10th, on the assumption it will be in the theaters Monday.

MR. PEABODY: I don't know when the newsreels close when they issue--

H.M.JR: Early used to represent the newsreels here in Washington. He considers himself an authority.

So I did the best I could. But at least I left the President with a very good taste in his mouth.

MR. ROBBINS: That is all right. We will get wide dispersion of that.

H.M.JR: I don't think it is so bad. It is the kind of thing that I hoped to do. "The President and the White House staff of two hundred people have done their bit; they have demonstrated."

MR. ROBBINS: That is all right. We will get swell distribution on that. That will be wonderful.

MR. BELL: That is to start the campaign and the drive.

H.M.JR: Now, are you going to do something Sunday night?

MR. PEABODY: Sunday afternoon we expect to. We are still working on the military show.

H.M.JR: Do I have any part in that?

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MR. PEABODY: Oh, yes, by all means, and we are working on it now and hope to give you within the next day or two some notes on it.

H.M.JR: You let me know.

MR. PEABODY: Yes, sir.

H.M.JR: What else, Robbins?

MR. ROBBINS: We want to talk about our further discussion with Gardner Cowles yesterday on the forthcoming Saturday meeting.

H.M.JR: Please.

MR. ROBBINS: We outlined to him in a general way the program that I have outlined in this memorandum you have. I think, among other things, that I said we still wanted to see Cowles and would have more to add.

He lays particular emphasis on the part of the program which will start here in this office. We would hope to assemble the group and have you talk to them for a few minutes informally. Then the other part of the program will take place after General Marshall's speech, and probably while we still sit around the table. Those two parts he emphasizes.

First, your kick-off of the show. We would hope that will make it easy and natural for us to get them started to work cooperatively among themselves after the luncheon to really get behind the campaign. We don't want to let them come and see and lunch and listen and leave. (Laughter) We want them to come and see and lunch and listen and act.

Now, in order to keynote that for you - and not with the thought that we should prepare it for you but with the thought that it is an easy way for us to put into your mind the ideas that we think would be best at the kick-off - we are going to write up and will have

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a little talk - not the way we expect you to give it at all but just to convey ideas on the things we think you should register with them when they assemble in the morning.

H.M.JR: I am delighted. That kind of thing delights me. I may not use it that way, but at least somebody is thinking in advance for me, which pleases me very much.

MR. ROBBINS: With that keynote, we believe it will be a rather easy thing after our morning's session and when the General is finished for the ball to be tossed right over to them. We may even prime one or two men in the newspaper group, and Cowles will be there to prompt that a little bit - to say, "Well, what are we going to do about this? Don't you think we should as a newspaper group at least give the assurance to the Secretary that we are going to get behind it and have some tangible, formal method of doing it?"

Stuart, do you want to punctuate those comments a little?

H.M.JR: May I interrupt at this point? Was it Sterling who helped Nelson put across this scrap drive publicity?

MR. ROBBINS: I don't know whether Sterling had anything to do with it, but certainly the scrap drive is a monument to what the newspaper people can do when they get behind a campaign. They felt it was theirs.

MR. PEABODY: If they hadn't done it, it would have been a colossal failure, according to public opinion.

H.M.JR: I wonder if Sterling was the man.

MR. PEABODY: He might have been.

H.M.JR: You know about this man we are bringing down from the Philadelphia paper who helped us so much with the newspapers?

MR. GRAVES: Stodghill.

H.M.JR: He was wonderful.

MR. PEABODY: He is a very powerful man.

H.M.JR: I have invited him. That was Odegard's suggestion. Did he clear it with you?

MR. PEABODY: He has been asked.

H.M.JR: Could my advertising department have badges for them to wear when they come in?

MR. PEABODY: With their names on?

H.M.JR: Yes.

MR. PEABODY: Certainly.

MR. ROBBINS: I think you had better punctuate some of those general comments, Stuart, perhaps in terms of some of the other things Mike Cowles had in his mind.

MR. PEABODY: Mike's feeling about the whole thing, as I got it, was that the general tenor of it should be, "You have been splendid, you have given us great cooperation. We need it now more than we ever did, and we know we can count on you to give it."

In other words, start off by giving them a compliment, which I think they deserve, and then more or less putting ourselves in their hands, even going so far as to mention the scrap business, of which they are very proud, Mr. Secretary. Tell them that we know about the job they did and that we are going to have to depend on their support, really, to put it over.

With regard to the promotional aspects of it, it was our thought that while we don't want to slight those, that a very high-spot presentation be made of,

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for instance, this newsreel thing, the radio thing, creating the impression that everything that can be done from Washington is going to be done. And say, "But still we need your support over and above it all."

That is a little bit tricky because from the standpoint of its spectacular value the radio thing probably is the most important thing we have; and they are very sensitive about radio because radio has been taking business away from them. Radio generally has done a better job through this war than the newspapers have.

But we felt that it would be best to lead into this thing in terms of a theme. In other words, our relation of this to the sacrifices which the men in the forces are making, and that will be the theme. For instance, that will be in our newspaper ads, and then that will also be in our radio presentation - the theme; and also again to repeat and get over the impression that everything that possibly can be done from Washington is going to be done.

MR. ROBBINS: There is a point there, Mr. Secretary, too, that I think you might want to give consideration to. We are really after their help in a tremendously aggressive way. We want to flatter them. They take it; they love it.

The actual amount of time that you can be with the group, whether it is time that you could be using to other better advantage - and we know it will be - if you could be with us some in that meeting in the morning, perhaps coming in and out from time to time, just showing them that, "Here is a Cabinet officer who is so concerned with this that he wants to be sure" - you see, the personal touch there will be tremendously important.

I know you can't sit all morning with them, and I don't see any reason why you should sit any with them except from that point of view.

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H.M.JR: Do I have to be here at the end of the afternoon when they are going to come in with their findings?

MR. ROBBINS: I think they won't be here all afternoon unless they are visiting on their own. I believe we will probably find this thing will wind up within an hour after the time the General stops talking, and except for those who want to visit especially in some place or talk to some individual--

H.M.JR: Cowles' thought was that they would go into some room, resolve themselves into a committee, and appoint somebody to carry the ball and generate some ideas.

MR. ROBBINS: Perhaps with somewhat of a smile, we think if we keep them in that dining room until they get warmed up to the determination to want to do that, it would be much better to keep them there. You have them there. Somebody is going to see that the closing is near, and they might get away from us if we try to move them.

H.M.JR: Is it determined that General Marshall is going to talk after lunch?

MR. ROBBINS: After lunch. General Surles is coming with him. We will meet in your office at twenty minutes past twelve - ten minutes before lunch.

H.M.JR: That has all been taken care of?

MR. ROBBINS: That is right.

MR. PEABODY: With regard to the latter part of the afternoon, Mike's feeling was - and I think Bill and I share in that - that the difficulty will be in holding them rather than their staying too long. Someone is going to have to take a train, and so on.

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H.M.JR: I was trying to make some plans. Do I have to sit around here all afternoon waiting for them, or after General Marshall gets through can I gracefully be excused?

MR. ROBBINS: I think you can be excused a little bit after that. I think what you are going to have to do - for the few minutes immediately following the lunch there will be sort of a dull spot in there, and I believe Cowles is going to come to our rescue about that time with suggestions.

H.M.JR: I am on tap all day, and I am not going to clear out until the thing is a success.

MR. PEABODY: That is splendid because if they do, for instance, go into this caucus and then get really steamed up about this and want to come back and tell us they are going to do a job here, they are going to want to tell it to you.

H.M.JR: I had better be here. I will make plans to be here.

MR. PEABODY: I think that will be fine.

MR. ROBBINS: I don't believe you will have to sit around while they are deliberating. As soon as you see the pan is on the fire you can excuse yourself.

H.M.JR: It might be good psychology to say, "Gentlemen, I am going to be in my office waiting until you come up with a plan. I don't want to go home until you tell me what you can do. I will just be sitting here waiting to hear from you." Otherwise they might just walk out on us.

MR. PEABODY: That might very well happen.

H.M.JR: Just think about it. "I will be upstairs in my room waiting until you get through and will sit there until you come up with a plan."

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MR. PEABODY: Not make it as specific as the word "plan."

H.M.JR: Well, suggestions.

MR. PEABODY: Say, "Tell me how you think you can support this thing."

H.M.JR: Think about it. We are going to a lot of trouble and want to do it well, whatever we are going to do.

What else?

MR. PEABODY: That about does it.

There is one other thing we talked about last night. There is apt to be some shooting from the hip tomorrow - or Saturday. I personally know four or five of these men myself quite well. I don't feel about it quite the way Mike does. Mike feels there may be a lot of questions asked. Obviously one is, What are we going to do for newsprint. Another one is, Why doesn't the Government spend some money with us. The answer to all of those things we know. Mike will be able to handle that as a publisher, in every case.

H.M.JR: As to newsprint, you have got Mr. Sterling there. He ought to be able to talk to Mr. Nelson. I can't answer that.

As to why don't we pay for the advertising, I think Mike Cowles has got to answer that as a Government official.

MR. PEABODY: That is right. He is doing it very well, as you probably know.

H.M.JR: Well, this is no secret. I was inclined to use paid advertising, and Mike Cowles sat here and gave me a sales talk on why we should not.

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MR. ROBBINS: We certainly agree with him on that.

MR. PEABODY: We brought that one up specifically, and Mike specifically said, "I can handle that", and he will.

I just wanted to tell you that there may be some extemporaneous oratory, which we think we will have no trouble in handling. As you know, newspaper publishers are very rugged individualists. They are kings in their own bailiwicks, and they like to assert themselves and they like to talk. And they probably will.

H.M.JR: We have a very successful and very pleasant relation with some eight hundred publishers on this newsboys thing. We got up to eight hundred?

MR. GRAVES: I forget - somewhere in that neighborhood.

H.M.JR: We brought them in here - the circulation managers. They are a tribe unto themselves.

MR. PEABODY: Stodghill is the best one in the business.

H.M.JR: We got along very well with them, had very pleasant relations, and they did a very fine job. So at least we have that behind us.

What else?

MR. ROBBINS: There is one other problem which we haven't solved, which I think, by way of keeping you informed, should at least be announced here. I don't expect to solve it here unless Mr. Bell has a solution, and that is this very troublesome thing about the adjustment of quotas between districts, with which you are more familiar than I am.

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H.M.JR: I haven't been in on it at all other than that Bell just mentioned the other night that the Federal Reserve plan and the Treasury plan were somewhere near alike.

MR. BELL: This is the matter of giving the district credit for the subscription when the subscription might be paid for in another district, and it is a matter of drawing funds out of New York to the interior to pay for these subscriptions, which might be rather serious.

H.M.JR: You mean General Motors, that sort of thing?

MR. BELL: I am working on something new to see whether or not we can get a plan that will do the job. I think I will send that to the Federal Reserve banks for their comments.

H.M.JR: I don't have to do that.

MR. BELL: I want their comments before I put it into effect.

H.M.JR: What percentage did you give New York?

MR. BELL: It would be just under forty percent of the eight billion dollars, and that is exclusive of dealers. On the basis of dealers it would be just under fifty percent.

MR. BUFFINGTON: Three billion eight.

H.M.JR: Is your War Bond crowd ready to go?

MR. GRAVES: I met with them day before yesterday and asked them to give me their suggestions for what the various departments can contribute. Mr. Robbins and I are meeting with them again this afternoon at four. They are to go over that material. We are going to revise it and put it in shape.

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I will sent it to the Federal Reserve bank presidents as the suggestion of what our people might be called on especially to do.

MR. BUFFINGTON: Before leaving that point, Fleek had a quota of five fifty. He says he has always counted on a billion for his district.

H.M.JR: Complaining, huh? (Laughter)

MR. BUFFINGTON: He says it is not high enough.

MR. BELL: He is complaining on his allotment, too, but that is all right. He will get more.

H.M.JR: The budget matter is all fixed up?

MR. BELL: Fixed up within the funds we have available. But some of the men in the field would like to have more money. I understand they have given Cleveland more.

MR. ROBBINS: Cleveland and New York. Cleveland, I think, is going to turn in quite an interesting performance here. I think we are going to learn an awful lot by watching that Cleveland crowd work. We may be happy that everybody isn't going to do it the way Cleveland is going to do it because it might become a little rich for our blood; but, on the other hand, it is going to be an interesting experiment, one by which I am sure we will learn.

MR. BELL: He is going to have a lot of people involved.

MR. BUFFINGTON: Between seventy and a hundred thousand.

H.M.JR: People working?

MR. BUFFINGTON: Yes.

MR. ROBBINS: They are really on the war path. I think we should get out there and look at them.

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H.M.JR: Has anybody anything else?

MR. BELL: Mr. Peabody has drafted a letter to go to the radio industry, which I understand is going to be published in their magazine.

MR. PEABODY: The National Association of Broadcasters. That is our big play for cooperation from radio.

(Letter addressed to the radio industry signed by the Secretary, copy attached.)

H.M.JR: One thing that bothers me, which may be all in order, is your speakers' bureau.

MR. ROBBINS: It isn't all in order yet, I don't feel, but it certainly hasn't been forgotten. I know there was somebody--

MR. BUFFINGTON: Mager?

MR. PEABODY: We thought that was something we could tie in--

MR. GRAVES: You mean Duffus. That is on the heroes and military cooperation more than on the speakers.

MR. PEABODY: The speaker thing needs to be tied down. I still don't know just where it is.

MR. ROBBINS: That is right. We were talking about it at lunch today. It is one of those pieces of unfinished business.

H.M.JR: It is awfully important.

MR. PEABODY: Yes, sir, we realize it is.

H.M.JR: And don't overlook our Republican friends on the Hill. Just make use of them. They like to be used, and they like to be asked.

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MR. ROBBINS: We toyed with that thought when talking to Mr. Cowles and abandoned it. It might be a very good thing to ask some of them who are connected with the financial committees on the Hill, if one or two people from each party could be here to evidence the fact that this is broader than party lines and that this is a national situation.

H.M.JR: What did Cowles think?

MR. ROBBINS: We batted it around for a while, and we told Mike at the time that we had discussed with you the possibility that at some future time we might take our whole bundle of particulars and go up there and put on a show for everybody in those committees who would come to see us. On that basis it was dropped.

H.M.JR: I meant your speakers. If you are going to have speakers, I think the Senators and Congressmen from both parties should be invited to some of these big meetings. They will come.

MR. PEABODY: I don't know, Mr. Secretary - not yet. In other words, that is the thing we want to find out. I know that things are planned along those lines, but I just don't know yet what they are. But we should be able to find out this afternoon.

H.M.JR: Harold, have you anything on your mind?

MR. GRAVES: No.

H.M.JR: Is there anything else? O.K.

**TO THE RADIO INDUSTRY**

As we enter upon the Second War Loan, the Treasury Department again is counting on the radio industry's loyal and devoted services to the cause of democracy.

Our task for the next few weeks is to raise 13 billion dollars from the sale of Government securities. This Second War Loan is the greatest single money-raising campaign in world history.

Our pride in our armed forces and our gratitude for what they have accomplished and are accomplishing throughout the world give us new inspiration for doing our own tasks better than they ever have been done before.

American broadcasters have proved they can do an outstanding job, and the United States Treasury now asks that the radio industry help lead the way in a total effort toward making a success of the Second War Loan.

Sincerely yours,

Henry Morgenthau, Jr.

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 18, 1943

FROM Randolph Paul

Do you think we should do anything about  
the editorial which appeared in the New York  
Times on Tuesday, March 16?



## The New York Times.

MAR 16 1943

**PAY-AS-YOU-GO: YES AND NO.**

Though the President endorsed the principle of pay-as-you-go taxation at a press conference on Jan. 8 and again in his annual budget message, in which he asked Congress "to put our taxes as far as feasible on a pay-as-you-go basis," he now declares himself to be opposed to the Ruml plan. His objections to the plan are based on those offered by the Treasury. But the Treasury's position is not consistent. For the truth is that unless the basic principle of the Ruml plan is accepted, the achievement of pay-as-you-go taxes this year will be impossible. A pay-as-you-go plan can, in fact, be achieved only to the extent that the basic Ruml principle is adopted.

The objections that the Treasury has brought against the Ruml plan will not bear scrutiny. The plan would not reduce by a dollar the revenues of the Government this year. On the contrary, it is altogether probable that the pay-as-you-go plan would greatly increase the revenues of the Government this year, and for two reasons: (1) it would bring in a great body of new taxpayers one year sooner than otherwise; and (2) it is probable that 1943 income will be higher than 1942 income.

Mr. Ruml has proposed that 1942 income be entirely passed over, as a basis of tax assessment this year, in favor of 1943 income. This newspaper believes that the fairest arrangement as between individual taxpayers would be to base the income tax assessment this year on the average income of the two years 1942 and 1943. If the Government wished to do so, however, it could base the tax assessment this year on either the individual's 1942 income or 1943 income, whichever was higher. It is true that such a requirement would be somewhat unfair. It would penalize all those persons with irregular incomes. But it would at least dispose

once and for all of the argument that the Government would lose even a penny this year as a result of adopting the Ruml plan.

The Treasury contends that the Ruml plan would be "inflationary." Rich taxpayers, it argues, have put aside reserves to pay 1942 taxes, and if the Ruml plan is enacted, these reserves will be available for spending. This argument is clearly fallacious. For the rich taxpayers will have just as big taxes to pay this year, with or without the Ruml plan. It is true that with it they would not, as they expected, pay taxes based on their 1942 income; but they would be forced to pay taxes this year, as they did not expect, based on their 1943 income. The actual tax they would have to pay (particularly if the Treasury insisted on their basing the tax on the year in which their income was larger) would be the same or greater. The tax itself would not have diminished in amount; it would merely have changed its name. Changing the name of a tax does not cause inflation.

The great merit of the Ruml plan is that it is simple, that it would put every taxpayer immediately on a pay-as-you-go basis, and that it would treat every taxpayer alike. One or two minor improvements in the Ruml plan are possible. But nearly every departure from the Ruml plan that has so far been suggested in Congress or by the Treasury would lose one or all of these advantages. It has been proposed by the Treasury and in Congress that, for example, only the first \$2,000 of surplus income be "forgiven"—that is, be put on a pay-as-you-go basis. This is to accept the Ruml principle up to \$2,000. But if the principle is sound for the first \$2,000 of income, it is sound for the next \$2,000 of income, and so on. If the Ruml principle is applied only to an arbitrary amount of income, it will be primarily for political, not for economic, reasons.

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE March 18, 1943

TO Secretary Morgenthau  
FROM Randolph Paul

Mr. Blough and I had quite a long conference yesterday with Congressman Poulson of California (Republican). We spent the time giving him arguments against the Ruml plan. He is going to speak against it on the Floor. His opinion is quite firm that the Ruml plan cannot carry on the Floor.



## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE

March 18, 1943

TO Secretary Morgenthau

FROM Randolph Paul

I saw Mr. Doughton, Mr. Cooper and Mr. Disney this afternoon at about 3:30 and gave them the law stated in my memorandum to you of March 17, 1943 in respect to information contained in tax returns. Mr. Stam was present and agreed with our legal conclusions.

The conclusion of the group was that nothing could be done in this matter because it would be necessary to get Committee action implementing the Chairman's request for the information and also Committee action with respect to submission of the information to the House. It was felt by those present that this necessity rendered it unwise to proceed with the matter.



March 18, 1943.

Conference in Congressman Somers' Office  
March 18, 1943 - 4:30 P.M.

Present: Congressman Somers  
Mr. Sullivan, Treasury  
Mr. H. D. White, Treasury



Mr. Sullivan and Mr. White called on Congressman Somers at his office at the Congressman's request. He wished to have explained to him the reasons why we wanted an extension of the Stabilization Fund and the power to devalue.

Messrs. Sullivan and White presented the reasons why they thought it was necessary for both powers to be extended and the Congressman said he was impressed with the reasons and would appreciate it if the reasons were stated very simply in a brief memorandum for his own personal use. He also requested a brief outline of the legislative history of the Act. Messrs. Sullivan and White said both would be made available to him and there are appended copies of the memoranda which were sent.

Mr. Sullivan asked the Congressman what success he had had in getting some additional Democratic members appointed to his Committee. The Congressman replied he had got one and hoped to get another one soon.

The Congressman said that he planned to hold hearings the latter part of next week on the extension but Mr. Sullivan requested that he hold off setting a definite date until Mr. Sullivan had had an opportunity to hear Senator Barkley's report on the prospects of the contemplated legislation in the Senate.

Congressman Somers said he would wait until he heard from Mr. Sullivan before calling a Committee meeting. He also expressed the view that he thought he would be able to get a Committee which would approve the extension of the Stabilization Fund and of the power to devalue.

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Congressman Somers volunteered the information that although he had promised Mr. Sullivan at their previous meeting not to say anything about the relationship of this legislation to plans for post-war monetary agencies, he did say something about it in his talk with a reporter because the papers on the previous day had been full of it, and he felt it no longer was confidential news.

Mr. Sullivan said that the Congressman was reported in the paper as saying that a letter from the President would be needed before his Committee could act on the Stabilization Fund proposal. Congressman Somers replied that the report was not true -- that he had not made any such statement. Furthermore, he said that he did not need a letter from the President. Mr. Sullivan indicated that the Treasury was in agreement with the Congressman that a letter from the President was not necessary or desirable at this time.

H. D. White

Attachments

**Legislation Relating to Exchange Stabilization Fund  
Powers and Power to Alter the Gold Content of the Dollar**

Section 43 of Title III of the Agricultural Adjustment Act (approved May 12, 1933) authorizes the President to fix the weight of the gold dollar, but not to reduce it by more than 50 percent. This section reads in part as follows:

"By proclamation to fix the weight of the gold dollar in grains nine-tenths fine and also to fix the weight of the silver dollar in grains nine-tenths fine at a definite fixed ratio in relation to the gold dollar at such amounts as he finds necessary from his investigation to stabilize domestic prices or to protect the foreign commerce against the adverse effect of depreciated foreign currencies, and to provide for the unlimited coinage of such gold and silver at the ratio so fixed, or in case the Government of the United States enters into an agreement with any government or governments under the terms of which the ratio between the value of gold and other currency issued by the United States and by any such government or governments is established, the President may fix the weight of the gold dollar in accordance with the ratio so agreed upon, and such gold dollar, the weight of which is so fixed, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity with this standard and it shall be the duty of the Secretary of the Treasury to maintain such parity, but in no event shall the weight of the gold dollar be fixed so as to reduce its present weight by more than 50 per centum."

Section 12 of the Gold Reserve Act (approved January 30, 1934) modified the power to alter the gold content of the dollar by fixing 60 percent as the minimum reduction. This power was to expire two years from the date of the Act, but could be extended an additional year by Presidential Proclamation. Section 12 reads in part as follows:

"Paragraph (b) (2), of section 43, title III, of the Act approved May 12, 1933 (Public, Numbered 10, Seventy-third Congress), is amended by adding two new sentences at the end thereof, reading as follows:

"Nor shall the weight of the gold dollar be fixed in any event at more than 60 per centum of its present weight. The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that such powers shall expire two years after the date of enactment of the Gold Reserve Act of 1934 unless the President shall sooner declare the existing emergency ended, but the

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President may extend such period for not more than one additional year after such date by proclamation recognizing the continuance of such emergency."

Section 10 of the Gold Reserve Act establishes the stabilization fund powers, which expire in the same manner as the power to alter the gold content of the dollar. This section reads as follows:

"(a) For the purpose of stabilizing the exchange value of the dollar, the Secretary of the Treasury, with the approval of the President, directly or through such agencies as he may designate, is authorized, for the account of the fund established in this section, to deal in gold and foreign exchange and such other instruments of credit and securities as he may deem necessary to carry out the purpose of this section. An annual audit of such funds shall be made and a report thereof submitted to the President.

"(b) To enable the Secretary of the Treasury to carry out the provisions of this section there is hereby appropriated, out of the receipts which are directed to be covered into the Treasury under section 7 hereof, the sum of \$2,000,000,000, which sum when available shall be deposited with the Treasurer of the United States in a stabilization fund (hereinafter called the 'fund') under the exclusive control of the Secretary of the Treasury, with the approval of the President, whose decisions shall be final and not be subject to review by any other officer of the United States. The fund shall be available for expenditure, under the direction of the Secretary of the Treasury and in his discretion, for any purpose in connection with carrying out the provisions of this section, including the investment and reinvestment in direct obligations of the United States of any portions of the fund which the Secretary of the Treasury, with the approval of the President, may from time to time determine are not currently required for stabilizing the exchange value of the dollar. The proceeds of all sales and investments and all earnings and interest accruing under the operations of this section shall be paid into the fund and shall be available for the purposes of the fund.

"(c) All the powers conferred by this section shall expire two years after the date of enactment of this Act, unless the President shall sooner declare the existing emergency ended and the operation of the stabilization fund terminated; but the President may extend such period for not more than one additional year after such date by proclamation recognizing the continuance of such emergency."

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The President issued a Proclamation on January 10, 1936, extending Sections 10 and 12 for one year. This Proclamation reads in part as follows:

"WHEREAS, Section 10 of the Gold Reserve Act of 1934, approved January 30, 1934 (Public, Numbered #7, Seventy-third Congress), provides among other things:

"Sec. 10. \* \* \*

'(c) All the powers conferred by this section shall expire two years after the date of enactment of this Act, unless the President shall sooner declare the existing emergency ended and the operation of the stabilization fund terminated; but the President may extend such period for not more than one additional year after such date by proclamation recognizing the continuance of such emergency.' and

"SEC. 12, paragraph (b) (2), of Section 43, Title III, of the Act approved May 12, 1935 (Public, Numbered 10, Seventy-third Congress), as amended, provides among other things:

'(2) \* \* \* The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that such powers shall expire two years after the date of enactment of the Gold Reserve Act of 1934 unless the President shall sooner declare the existing emergency ended, but the President may extend such period for not more than one additional year after such date by proclamation recognizing the continuance of such emergency.' and

"WHEREAS, such emergency which existed on January 30, 1934, the date of approval of said Gold Reserve Act of 1934, has not been terminated by international monetary agreement or otherwise, but, on the contrary, continues and has been intensified in divers respects by unsettled conditions in international commerce and finance and in foreign exchange; and

"WHEREAS, by virtue of the continuance of such emergency, it is necessary to extend the period during which the powers conferred by said Section 10 of said Gold Reserve Act of 1934 and the powers specified in said paragraph (b) (2), of Section 43, Title III, of said Act approved May 12, 1935, as amended, may be exercised,

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"NOW, THEREFORE, be it known that I, FRANKLIN D. ROOSEVELT, President of the United States of America, by virtue of the authority vested in me by the Acts of Congress above set forth, and by virtue of all other authority in me vested, recognizing the continuance of the emergency existing on January 30, 1934, do hereby proclaim, order, direct and declare:

That the period of two years within which the powers conferred by section 10 of the Gold Reserve Act of 1934, and the powers specified in paragraph (b) (2), of Section 43, Title III, of the Act approved May 12, 1933, as amended, may be exercised be, and it hereby is, extended for one additional year from January 30, 1936."

An Act was approved on January 23, 1937 which amends the Gold Reserve Act of 1934 by extending Sections 10 and 12 until June 30, 1939. The text of this Act is as follows:

"AN ACT To extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (e) of section 10 of the Gold Reserve Act of 1934, approved January 30, 1934, is amended to read as follows:

"(e) All the powers conferred by this section shall expire June 30, 1939, unless the President shall sooner declare the existing emergency ended and the operation of the stabilization fund terminated."

"Sec. 2. The second sentence added to paragraph (b) (2) of section 43, title III, of the Act approved May 12, 1933, by section 12 of said Gold Reserve Act of 1934 is amended to read as follows: 'The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that such powers shall expire June 30, 1939, unless the President shall sooner declare the existing emergency ended.'"

An Act was approved on July 6, 1939, which further amends the Gold Reserve Act by extending Sections 10 and 12 until June 30, 1941. The text of the Act reads in part as follows:

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"To extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 10 of the Gold Reserve Act of 1934, approved January 30, 1934, as amended, is further amended by striking out the period at the end of such subsection and adding thereto the words 'and to the Congress.'

"Sec. 2. Subsection (c) of section 10 of the Gold Reserve Act of 1934, approved January 30, 1934, as amended, is further amended to read as follows:

'(c) All the powers conferred by this section shall expire June 30, 1941, unless the President shall sooner declare the existing emergency ended and the operation of the stabilization fund terminated.'

"Sec. 3. The second sentence added to paragraph (b) (2) of Section 43, title III, of the Act approved May 12, 1933, by section 12 of said Gold Reserve Act of 1934, as amended, is further amended to read as follows: 'The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that such powers shall expire June 30, 1941, unless the President shall sooner declare the existing emergency ended.'

An Act was approved on June 30, 1941, which further amends the Gold Reserve Act by extending Sections 10 and 12 until June 30, 1943. The text of this Act is as follows:

"To extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (c) of section 10 of the Gold Reserve Act of 1934, approved January 30, 1934, as amended, is further amended to read as follows:

'(c) All the powers conferred by this section shall expire June 30, 1943, unless the President shall sooner declare the existing emergency ended and the operation of the stabilization fund terminated.'

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Sec. 2. The second sentence added to paragraph (b) (2) of section 49, title III, of the Act approved May 12, 1933, by section 12 of said Gold Reserve Act of 1934, as amended, is further amended to read as follows: "The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that such powers shall expire June 30, 1943, unless the President shall sooner declare the existing emergency ended."

JHG/grs  
3/22/43

Reasons Why the Power to Reduce the Gold Content of  
the Dollar Should be Extended

The power of the President to alter, within limits, the gold content of the dollar expires June 30, 1943. Although the power to alter the dollar has not been exercised since January 31, 1934, when the present gold content of our dollar was established, the very existence of this power has undoubtedly been an important factor in discouraging other nations from cheapening their currencies in order to gain a temporary advantage in world markets at the expense of American sellers.

The possibilities of currency and foreign exchange disturbances throughout the world will be greater at the end of this war than at any time in world history. More currencies will have to be revalued during the next few years and more currencies will have to be reconstituted than at any time in world history.

The struggle for world markets will be extraordinarily sharp after this war. The very economic existence of many countries will depend upon the ability to develop adequate markets for their products. Moreover, the war itself has given increased impetus to the industrialization of areas previously dependent upon Western countries for manufactured articles and will result in keener competition in some export lines.

The end of the war will find many nations drained of their gold and foreign exchange resources and such nations will leave no stone unturned to obtain the necessary foreign exchange to purchase goods from abroad which they will so desperately need. Some of them may be tempted to resort to currency depreciation as a way out and thereby start a

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race of competitive currency depreciation which is the very thing we want to prevent. General competitive currency depreciation will create a chaotic condition which will lead to the introduction of trade barriers, exchange controls and like disrupting measures.

The knowledge that Congress has again given the President the power to devalue the dollar from 60 to 50 per cent of its old gold content will of itself constitute a powerful warning to all countries that we are in a position to substantially neutralize any efforts on their part to depreciate their currencies without our acquiescence.

A reduction of the present value to the maximum allowed by law would be about 9 per cent from the old gold content. This would represent a reduction of nearly 18 per cent of the present gold content. A reduction of 18 per cent in the U. S. dollar could have far more effect in world trade and finance than a such larger depreciation in any other currency. This is true because the United States will play so dominant a role in world trade and because the dollar is so important a unit of currency in world finance.

In any discussions among the treasuries of the various countries after the war, the American representatives will be able to come to these discussions with this "ace in the hole". They don't have to speak about their authority to devalue it, they don't have to use the power because the other nations would know we have it and can use it if necessary. We never expect to use it but we are much less likely to be forced to use it, if the rest of the world knows we have the authority to defend the dollar promptly against unarranted attacks.

March 18, 1943.

My dear Mr. LaRoche:

I am anxious to discuss with a few of the outstanding leaders in the newspaper field the immediate problems we face in war financing and to ask their advice on public relations phases.

It is my earnest hope that you will consent to be one of a small group to come to Washington to meet with me on Saturday, March 20, for this purpose. A conference in my office is planned for the morning and this is to be followed by a luncheon in the Treasury building.

General Marshall has promised me that if he is in Washington that day he will join us at noon and talk to us on the military situation. If he is compelled to be absent another officer will substitute for him.

I earnestly hope it will be possible for you to attend and to give me your counsel.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury.

Mr. Chester J. LaRoche,  
Chairman, Advertising Council,  
60 East 42nd Street,  
New York, New York.

Copy in Diary

Copies to Thompson

March 18, 1943.

My dear Mr. Sterling:

I am anxious to discuss with a few of the outstanding leaders in the newspaper field the immediate problems we face in war financing and to ask their advice on public relations phases.

It is my earnest hope that you will consent to be one of a small group to meet with me on Saturday, March 20, for this purpose. A conference in my office is planned for the morning and this is to be followed by a luncheon in the Treasury building.

General Marshall has promised me that if he is in Washington that day he will join us at noon and talk to us on the military situation. If he is compelled to be absent another officer will substitute for him.

I earnestly hope it will be possible for you to attend and to give me your counsel. Will you be good enough to let me have your reply?

Sincerely yours,

(Signed) H. Mergenthal, Jr.

Secretary of the Treasury.

Mr. Donald Sterling,  
Consultant to the Chairman  
of War Production Board,  
5418 Social Security Building,  
Washington, D. C.

Copies to Thompson

By Boss. Short 10:02 3/19

Copy in Diary

March 18, 1943.

Dear Harry:

For some time I have been very much concerned over the heavy volume of complaint mail dealing with the subject of delays in connection with Bond purchases for men in the service or employees under the jurisdiction of the War Department. There have been days when the entire complaint mail on Bonds has dealt with War Department delays, and the average ratio has been four-fifths of the mail. I think you will agree with me that no matter what the difficulties, this is a disproportionate representation for your Department.

I believe that you will want to look into the matter personally, and for any action you may care to take, I am enclosing the following:

1. A list (names and addresses) showing letters received here and forwarded to the Bond Division of the War Department from March 1 to March 16, inclusive. These are representative of the voluminous files showing such incoming and outgoing mail since the inception of the Payroll Deduction Plan.
2. Quotations from letters chosen as examples of the different types of complaint received over a period of six months.
3. Verbatim copies of a few representative letters received in the last day or two.

I think you will agree with me that these exhibits make anything but pleasant reading. What can we do to

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Honorable Henry L. Stimson.

March 18, 1943.

eliminate the trouble which has brought forth these criticisms? You know that I shall be glad to cooperate in every possible way when you have looked into the matter and determined what can be done to correct this situation.

Sincerely,

(Signed) Henry

Honorable Henry L. Stimson,  
Secretary of War,  
Washington, D. C.

Enclosures.

GEF/dbs

Quotations from letters of complaint received during last 6 months

Stanley Metalitz, Washington, D.C. \* \* \* Some delay in issuing Bonds is to be expected, I suppose. But isn't four months excessive? As far as I know, this condition exists only in the War Department, where I work. For example, my wife works in another agency. She began several weeks after I did, but with about the same pay deduction. She has already received her first \$50 Bond. This is obviously discriminatory. I am willing and eager to put more than 10% of my salary into Bonds. But, with Bonds so easy to get at once through banks, department stores, even newsboys, as well as a representative right in my office, I decline to risk using the manifestly inefficient, slow, and untrustworthy pay deduction plan as it operates in this Department.

Virginia V. Vedder, Draftsman's Division, U.S. Patent Office, Richmond, Va. I have been strongly advised to write you personally in regard to two War Bonds purchased by me through the Richmond Army Recruiting and Induction Station while employed there by the War Department. I have written to the Chief of Finance, Defense Bond Division, New Armory Building, where application was made, but can get no response. Quite a number of us entered into the payroll agreement to purchase a Bond a month. We were told it would take from 30 to 60 days to get delivery on them. It now has been 130 days for the first one, and 100 days for the other, - - AND WE CAN'T GET ANY ANSWERS TO OUR QUESTIONS ABOUT THEM! You can understand how much more satisfactory it would have been for us to go somewhere and buy them and HAVE them, but the Army wanted it handled through payroll. \* \* \* We just can't believe that this is the way the Government wants the Bonds sold. We don't even know when our interest begins, or anything about them. My Bond buying at the Patent Office, where I am now employed, is a different matter - we get our Bonds just as soon as they are paid for.

Drew Pearson, Washington Merry-Go-Round, Washington, D. C. I have had letters from a few Government workers, particularly in the Frankfort Arsenal, Philadelphia, to the effect that after paying 10% of their salary for War Bonds, they have not been able to receive delivery of these Bonds, despite repeated requests and despite the lapse of some length of time. They seem quite put out about it, and I thought it might be a good idea for your people to check on it.

David W. Zwibel, McKeesport, Pa. Enclosed is the letter you sent me December 8, 1942. Almost a month has gone by now and I have heard nothing from the War Bond Division, War Department. They have not acknowledged my letter or communicated with me in any way. I am, of course, more interested in receiving my Bonds than their communications. Will you please bring my case to the attention of Mr. Morgenthau, or must I write the White House?

Pvt. Jerome Smolinsky, Aberdeen Proving Ground, Md. I have written you a number of times previously concerning two \$100 Bonds I purchased while employed at Picatinny Arsenal. Up to the present time I haven't received any answer from you, and I would like to know whether or not you intend to send me my Bonds. The deduction of \$10 per week was taken out of my pay check, commencing with the May 11, 1942, payday. Seven months have passed and I still have not received the Bonds. \* \* \*

C. R. Van Etten, Office of the Quartermaster General, War Department, Washington, D. C. Months ago, when the Quartermaster General first asked his employees to buy War Bonds, I came across with half my pay. It is still going on and will continue, though not a Bond has come to hand. Since a bank will deliver over the counter, this long delay of Government is giving workers an excuse in evasion and is reducing the amount of Bonds that are bought.

A Number of Employees, ( Five names given), Philadelphia, Pa. (Letter referred by the White House.) We are employed at the Quartermaster Depot and most of us have pledged 10% of our wages every week since last May. As yet, we have not received any Bonds, and if anyone dares to inquire about them, we are either laughed at or reprimanded and told there is a war going on. \* \* \*

Why aren't we getting these Bonds, and why doesn't some one look into this matter as they tell us Washington is to blame. We have noticed that whenever anyone wrote to Washington, they were called down severely about it in the office. As we do not wish to risk our jobs, or be put on work where the remuneration is small, we will sign a few names of the people who are also interested in receiving their Bonds. Please investigate the manner in which this place is conducted.

The following are comments contained in a letter written by Mrs. Paul B. Metzger, Akron, Ohio, to the President, and forwarded to the Treasury for handling: \* \* \* I also would like to ask you the reason the Bond buyers at the Portage Ordnance Depot in Ravenna, Ohio, have not received any of their Bonds up to this writing. My husband has bought an \$18.75 Bond every week since May 22, 1942, through December 4, 1942, but has not received one Bond. \* \* \* Last week we cancelled them with the War Department and are buying from our Church as we paid for 27 and have not received any. Yesterday an order came through that it was mandatory to take 10% out of their pay. I think if you will have it checked, the reason for the cancellations is no Bonds to show you the pay deductions. My utmost mission in writing this is we cannot buy a Bond a week and also the 10%, as my husband only has \$34 left, and transportation 70 miles per day comes out of that, besides other obligations. I always buy \$2 worth of Stamps from my paper boy. I almost have 4 Bonds that way. So they claim its 10% or a lay-off. It seems unfair to make it mandatory in a case like ours. I wrote Henry Morgenthau, Jr.'s office; he referred me to the Chief of Finance, but we still have no Bonds. Please do not mention my husband's name in any communication you may send to the Portage Ordnance Depot as they might lay him off and cause trouble between Major Kafar and he. \* \* \*

Mrs. D. J. Raymond, Route 2, EauClaire, Mich. (Letter referred from the White House.) There is something gnawing at the ropes of Victory, and I believe you should know about it. The boys in the Armed Services are urged to take out War Bonds. \* \* \*

Most of the boys don't mind, but they do worry when over five months have passed and those Bonds aren't sent. Our boy is in the Army and had a Bond a month taken out of his pay. He wrote telling us to be expecting it; to put it away for him and to let him know just as soon as they arrive. Five months have passed and there isn't any trace of a Bond. We have advised him to discontinue taking them. To most of his inquiries he is told that's the way the Government does things. \* \* \* If the presses are so overworked printing Bonds as I was led to believe when I made an inquiry, maybe it would be a good idea to stop civilian sales of Bonds until the soldiers get at least their first one. \* \* \* This is causing a great deal more worry than you can believe, not only with ours, but countless others. I am advised if I don't want to get in trouble, to keep my mouth shut about things of this kind. But being an American of several generations, that isn't easy when you think something is causing as much trouble as I believe this is.

## Copies of letters from:

Beryl E. Simeon, 320 Hancock St.,  
Brooklyn, New York - 3/16/43

Mrs. William Pfister, 820 Minor Ave.,  
Hamilton, Ohio - 3/16/43

William F. Wallace, 27 Maple Avenue,  
Mt. Clemens, Mich. - 3/16/43

Ray Grossman, Jr., Ardmore, Oklahoma,  
3/15/43

Mrs. Florence Gray, Rockland State  
Hospital, Orangeburg, N.Y. - 3/13/43

## LETTERS RECEIVED BETWEEN MARCH 1 AND MARCH 16

Mrs. P. D. Allen  
Route 1, Box 351-A  
Houston, Texas

Mrs. R. C. Andrews  
4200 Devine Street  
Columbia, South Carolina

Mrs. Alice G. Barry  
Box 1319  
Louisville, Kentucky

Mr. Dave S. Bland  
Route 1  
Weiner, Arkansas

Mrs. George W. Boyd  
Route 1  
Porter Road  
Forest Grove, Oregon

Mr. Hubbard A. Daniel  
81 East 22nd Street  
San Angelo, Texas

Miss Levader Greene  
Alden Bridge Route  
Benton, Louisiana

Mrs. Elvira Z. Hilbert  
134 Lamont Avenue  
San Antonio, Texas

Mrs. Doris H. Hutchison  
1963 Boulevard Drive, Southeast  
Atlanta, Georgia

Mr. Louis R. Hunt  
305 Carver Street  
Durham, North Carolina

Mr. Paul James Lanier  
1008 East Brown Street  
Lake City, Florida

Private Robert Lundberg  
782nd T.S.S. (S.P.) A.A.F.  
Brks. 265 A.A.B.  
Lincoln, Nebraska

Mrs. S. Larson  
Schwenkville, Pennsylvania

Mr. Thomas J. Lane  
1713 West Main Street  
Belleville, Illinois

Mrs. Paul F. Nowack  
4848 North Tripp Avenue  
Chicago, Illinois

Mrs. Myrtle M. Robinson  
13 Street  
New Florence, Pennsylvania

Mrs. Minnie Snow  
840 Rondel Road  
Cleveland, Ohio

Mrs. W. P. Scott  
Route 1  
Vinton, Virginia

Mr. B. L. Sperry  
3715 Northeast 42nd Avenue  
Portland, Oregon

Mrs. Mary Sieg  
Oeseo, Wisconsin

Mr. Ernest Vick  
Route 2  
Conroe, Texas

Mrs. Anna Marie Fenton  
c/o Wallston, Haftman and Goodwin  
Plus and Montgomery Streets  
San Francisco, California

Mr. Byron Beckley  
525 East 13th Street  
Dubuque, Iowa

Mrs. Ted G. Williams  
919 Chippeta Avenue  
Grand Junction, Colorado

Mrs. Mary Shaw  
512 Spring Street  
Sparks, Wisconsin

Mrs. Dean Stanley  
1831 Southeast Hawthorne Street  
Portland, Oregon

Mr. D. A. Toureans  
1140 East Rio Grande Street  
Apartment 28 D  
El Paso, Texas

Mr. Jesse T. Bird  
109 North Portland Avenue  
Ventnor, New Jersey

Mr. Nicholas Urusnick  
813 Walnut Street  
Reading, Pennsylvania

Mr. Edward W. Clark  
216 1/2 North Washington Avenue  
Laurens, Michigan

Mrs. Rosa B. Slawsky  
98 6th Street  
Oakland, California

Miss Daisy Wilson  
307 Halsted Street  
East Orange, New Jersey

Mrs. Ivan Blackwell  
St. Francis, Missouri

Mr. John H. Van Vreede  
Combined Locks, Wisconsin

Mr. Ernest A. Carr, Jr.  
4413-A Hurt Avenue  
St. Louis, Missouri

Mrs. Maud Elizabeth Ellis  
13 South Swan Street  
Albany, New York

Mr. A. Schuster  
453 Van Buren Avenue  
Oakland, California

Mrs. Oliver Ellard  
18 Lybrand Street  
Union, South Carolina

Mr. Joseph T. Ogil  
718 Spring Street  
Jeffersonville, Indiana

Mrs. Myrtle Fay Sheriff  
Route 3  
Seneca, South Carolina

Mr. B. R. Dixon  
Route 3  
Barter Springs, Kansas

Mr. and Mrs. William H.  
Gundoghan

Route 1  
Polaryn, New York

Mrs. W. A. Ashbrook  
Route 2  
La Center, Kentucky

Mr. Wyman Ralstey  
743 East Vine Street  
Opelousas, Louisiana

Mr. Garrettt M. Blumens  
571 Pryor Street, Southwest  
Atlanta, Georgia

Mr. Peter J. Shuler  
Remonds Perry Road  
Lanpholom Heights, Maryland

Mrs. Lillian E. Foutte  
3408 Mc. Vernon Avenue  
Alexandria, Virginia

Mrs. Henry Boynorski  
1143 Sutter Avenue  
Brooklyn, New York

Mr. Lewis P. Jones  
1612 Edward Street  
Ashland, Kentucky

Mr. Glenn C. Harper  
R. D. 4  
New Castle, Pennsylvania

Mrs. Rhoda Wilson  
642 Linwood Street  
Camden, New Jersey

Mr. Prentiss W. Evans  
943 Main Street  
Crisfield, Maryland

Mrs. Elizabeth Oecheli  
1812 West Burnett Avenue  
Louisville, Kentucky

Mrs. Dollie F. Brown  
506 Southeast 8th Street  
Des Moines, Iowa

Mrs. John F. Wallace  
Route 1  
Uhrichville, Ohio

Mrs. Mattie E. Liskey  
R. D. #3  
Kent, Ohio

Mr. James B. Duffield  
North Main Street  
Cedarville, New Jersey

Mrs. Elizabeth S. Newell  
1100 Bullocks Point Avenue  
Riverside, Rhode Island

Private Frank H. Schiebul  
Btry. C - 975th F. A. Bn.  
Camp Forrest, Tennessee

Mr. Harry J. Peyton  
Edgewood, Maryland

Mrs. Farrell  
170 Beechwood Drive  
Packanack Lake, New Jersey

Mrs. Harriet E. Wilson  
215 Overhill Road  
Baltimore, Maryland

Mr. Elmer Dyer  
Avalon Courts  
P. O. Box 3261  
Odessa, Texas

Mrs. Ralph Neil  
5601 West Colfax Street  
Denver, Colorado

Mr. Omar E. Kinsey  
4901 Spruce Street  
Philadelphia, Pennsylvania

Mrs. Hattie Bibey  
442 Fountain Street  
Carnegie, Pennsylvania

Mr. Frank F. Tilberry  
R. D. 2  
Liverpool, Pennsylvania

Mr. Hollis M. Garrett  
1444 Webster Street  
Oakland, California

Mr. Vasser Cox  
Route 2, Box 76-A  
Nettleton, Mississippi

Mrs. Paul Korshak  
1310 Flamingo Way  
Miami Beach, Florida

Mrs. Henry L. Puchta  
7014 Fletcher Way  
(8) Pittsburgh, Pennsylvania

Mr. E. C. Keyes  
511 South Grand Street  
Lewistown, Pennsylvania

Mr. Aubrey J. Lewis  
3611 Myrtle Street  
Hampton, Virginia

Mr. G. W. Cobble  
354 Elmira Place, Northeast  
Atlanta, Georgia

Mr. W. J. Whitfield  
R. F. D. #1  
Mount Olive, North Carolina

Mrs. A. J. Barenthin  
3832-A Greer Avenue  
St. Louis, Missouri

Mrs. Pauline Troupe  
Box 138  
Dermott, Arkansas

Mr. Charles Nagel, Jr.  
2112 59th Street  
Brooklyn, New York

Mrs. Oma Spencer  
Racine, West Virginia

Mrs. Nellie Pine Lincoln  
311 Staab Street  
Santa Fe, New Mexico

Mrs. William Dohoney  
20 Raymond Terrace  
Elizabeth, New Jersey

Mrs. Elma Nicholson  
P. O. Box 134  
Union, Mississippi

Mr. John M. Langedale  
1807 West Buchanan Street  
Phoenix, Arizona

Mr. Alfred L. Couillens  
2631 Russell Boulevard  
St. Louis, Missouri

Mrs. H. E. Widdows  
Liberty, Indiana

Mr. Herold E. Simpson, Sr.  
c/o United States Forest Service  
Paskenta, California

Mr. Daniel C. Simmons  
1347 East Charterway  
Stockton, California

Miss Marie Beaver  
19 Fairweight Avenue  
Danville, Illinois

Mrs. Mary L. Vallee  
113 Ash Street  
Gardner, Massachusetts

Mrs. H. Lee Jones  
218 Dayton Street  
Yellow Springs, Ohio

Mr. Jacob Mahler  
19 Lincoln Avenue  
Dover, New Jersey

Mr. and Mrs. Secondo Gallino  
Vulcan, Michigan

Mrs. Clara Wilkinson  
1447 Summit Street  
Fort Wayne, Indiana

Mrs. Claude Short, Sr.  
Route 3  
Salem, Indiana

Mr. Andy DiCiccio  
565 Virginia Avenue  
Midland, Pennsylvania

Mr. Frank C. Schaffner  
Route 4, Box 414  
Tucson, Arizona

Mrs. Helen Schuppert  
4429 North Cleveland Avenue  
Philadelphia, Pennsylvania

Mrs. Grace E. Fry  
Chuewater, Wyoming

Mr. Floyd Southard  
Route 1, Box 438  
New Brunswick, New Jersey

Mr. George W. Stouffer  
400 Briggs Street  
Harrisburg, Pennsylvania

Mrs. T. S. Brownell  
687 Willett Avenue  
Riverside, Rhode Island

Mrs. Emma J. Amacher  
803 Oswego Street  
Utica, New York

Mrs. Ollie Bullard  
Route 2  
Decatur, Arkansas

Miss Wallicia A. Harris  
5913 Arch Street  
Philadelphia, Pennsylvania

Mr. Artice Tyson  
10 Lattimore Court  
Boston, Massachusetts

Mr. Edward L. Sweet  
17 Adrian Terrace, West  
Utica, New York

Mrs. Ruby Mae Stewart  
201 East Bradford Street  
Box 362  
Britton, Oklahoma

Mrs. Barney K. Grinnvoll  
Box 760  
Harlowton, Montana

Mrs. M. M. Brannon  
Ferris, Texas

Mrs. Arthur Myer  
611 Liberty Street  
Schenectady, New York

Mrs. Balma Cody  
New Hebron, Mississippi

Mrs. Anna Marano  
6640 Haddington Street  
Philadelphia, Pennsylvania

Mrs. Carrie Dinkel  
191 Main Street  
Spotswood, New Jersey

Mr. George R. Yetter  
4927 Gertrude Street  
Pittsburgh, Pennsylvania

Mr. V. T. Pettigrew  
522 Stanton Avenue  
Springfield, Ohio

Mr. William R. Kelley  
Egan, Georgia

Mrs. Laura Palmer  
Box 94  
San Andreas, California

MEMORANDUM FOR MRS. KLOTZ.

March 18, 1943.

Herewith I am sending you the following:

1. Letter for the Secretary's signature, if acceptable to him.
2. The file copies showing letters transmitted to the War Department March 1 to 16.
3. A carbon of a letter signed by Mr. Bell March 16, showing how Senatorial inquiries are handled when the complaint is somewhat more general. I think the Secretary might be interested in the letter as a whole, but there is no reason to transmit it to Mr. Stimson.

For your information, the excerpts from the Mail Report will number 9, and will cover about 4 pages in the large type.

The verbatim letters attached are the ones which seemed the best to me. I can add more to the group or thin it down, if this does not seem to you the right number.



MEMORANDUM FOR MRS. KLOTZ.

March 19, 1943.

Unfortunately, one of the most dramatic cases of which I know came to me by word of mouth, and so I have nothing to submit that might be added to the Secretary's letter to Mr. Stimson. However, it occurs to me that it might be a good idea for Mrs. Barker to put her case in writing, as if we had no connection with her and knew nothing about her personally. Briefly, it is as follows:

Her husband has been in the service for some time but has not left the country. He was in Florida for awhile for training and is now at Dayton, Ohio. He subscribed for a Bond a month, beginning in June, 1942. She received no Bonds at all. Naturally, she had a Washington address, and also as he and she are both intelligent and experienced in office procedure, they had complied with all required forms.

Knowing through our own work what course she should follow, she made personal contact with the Bond Division of the War Department on not one, but several occasions. She got absolutely nowhere. She then had a personal friend of Major Barker's, in the War Department, look into the matter -- a service, naturally, that not every one could command. She then received her August and September Bonds and was informed that she would have her June and July Bonds in a few weeks. They have not yet come, and neither have any of those for the months following September.

On her most recent attempt to get either information or the Bonds themselves, she was told she would have to get in touch with Miami in order to get Major Barker's voucher number. This is the sort of thing that would absolutely stop most of the soldiers or their families who are ignorant of such procedures, and who would be appalled by the "red tape" that is wound around what should be a simple thing. In other words, if a boy (or a man of experience in business affairs) has signed for a deduction from his pay, with the Bonds to go to a definite address in this country, neither he nor his beneficiary would understand why delivery could not be made without their knowing the voucher number, etc.

*Yerf*

This is going into the Brooklyn  
Museum catalogue of posters on Bataan  
Day, April 9.

Some people may not know that the Treasury's association with art is both ancient and honorable, and that for nearly a century it contained, as one of its active functions, the Office of the Supervising Architect. We of the Treasury are proud of this tradition, just as we like to remember that Robert Mills, the same architect who designed the Washington Monument, designed the facade of the Treasury.

Our gratitude to the artists of America is already great. And now again, in the exhibition ART FOR BONDS, which we heartily endorse, we are further indebted to the artists and their sponsors. I use the word artist in its broadest sense, not limiting it to those who are known professionally in the various recognized branches of the arts. I should like to apply it to all men and women of imagination, for it requires imagination to achieve organization. Great works of art are organized, each part related to the other, and all related to the whole.

This thought could be found in a history of art, of government, of business. The imagination capable of relating the parts to each other, and to the whole, is required in all creative effort.

The record of War Bond sales is proof that Americans have the vision to see the relation of the separate parts to the whole. They see that the ammunition being used by our fighting forces across the world is bought with the money which they have invested in War Bonds. The artists whose works are included in this ART FOR BONDS exhibition have played a signal role in bringing to the American people an awareness of this fact.

To these artists, and to the sponsors of the exhibition, I extend my sincere thanks.

March 8<sup>th</sup> 1943. \*\*\*\*\*

O.K. H.M.R.

# Railway Labor Executives' Association

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T. C. CASHEN, CHAIRMAN  
3 LINWOOD AVENUE  
BUFFALO, NEW YORK

J. G. LUHRSEN, EXECUTIVE SECRETARY-TREASURER  
10 INDEPENDENCE AVE., S. W.  
WASHINGTON, D. C.

A. E. LYON, VICE CHAIRMAN  
4849 NORTH WESTERN AVENUE  
CHICAGO, ILLINOIS

## AFFILIATED ORGANIZATIONS

Brotherhood of Locomotive Firemen & Enginemen  
Order of Railway Conductors in America  
Railroadmen's Union of North America  
Order of Railroad Telegraphers  
American Train Dispatchers' Association

Railway Employees' Department A. F. of L.  
International Association of Machinists  
International Brotherhood of Boilermakers, Iron  
Ship Builders & Helpers of America  
International Brotherhood of Blacksmiths, Orse  
Forgers and Helpers  
Sheet Metal Workers' International Association

International Brotherhood of Electrical Workers  
Brotherhood Railway Carmen of America  
International Brotherhood of Firemen & Oilers  
Brotherhood of Railway and Steamship Clerks,  
Freight Handlers, Express and Station  
Employees  
Brotherhood of Maintenance of Way Employees

Brotherhood of Railroad Signalmen of America  
National Organization Masters, Mate & Pilot  
of America  
National Marine Engineers' Beneficial  
Association  
International Longshoremen's Association

March 18, 1943

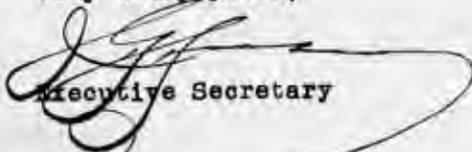
Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury Department  
Washington, D. C.

Dear Mr. Morgenthau:

By reason of the Railway Labor Executives' Association not having convened until now, I have been unable to acknowledge receipt of the certificate awarded to the Railway Labor Executives' Association for distinguished services rendered in behalf of the War Savings Program.

This is to assure you that each member of the Association is very appreciative of this document and we thank you very much.

Very truly yours,



Executive Secretary

L:b

**MAR 18 1943**

Dear Mr. Brown:

The Secretary has asked me to acknowledge the copy of the Joint Memorandum of reply to the President regarding the letter from The Right Reverend W. Appleton Lawrence, D. D., Bishop, Diocese of Western Massachusetts, which you sent with your memorandum of March 8, 1943. Thank you for letting us have a copy of this memorandum.

Sincerely yours,

(Signed) Randolph Paul

Randolph E. Paul  
General Counsel

Honorable Prentiss M. Brown  
Administrator  
Office of Price Administration  
Washington, D. C.

RM:kd  
3-13-43

COPY

OFFICE OF PRICE ADMINISTRATION  
WASHINGTON, D. C.

## JOINT MEMORANDUM

TO: The President  
The White House

FROM: Henry Morgenthau, Jr., Secretary of the Treasury  
and  
Prentiss M. Brown, Administrator of the Office of  
Price Administration

SUBJECT: Letter of January 14, 1943 from The Right Reverend  
W. Appleton Lawrence, D. D., Bishop, Diocese of  
Western Massachusetts, 70 Bowdoin Street,  
Springfield, Massachusetts

In accordance with your memorandum of February 5, 1943, the following paragraphs have been prepared in reply to that part of the Reverend Lawrence's letter which concerns the rationing of fuel oil and the Victory tax. The paragraphs immediately following were contained in Secretary Morgenthau's memorandum of recent date to Prentiss M. Brown.

"As you know, church organizations are exempt from income tax under Section 101 of the Internal Revenue Code. The withholding feature of the Victory tax in no way changes or encroaches on their exempt status. Although the churches as employers, along with all other employers, are required to withhold the Victory tax for their employees, the purpose is to facilitate the payment and collection of the tax and in no respect does it impose a tax burden on the church or add to the tax burden of the employee.

"As I recently indicated to Congress in my Budget message, it is more important than ever before to simplify taxation both for taxpayers and for those collecting the tax, and to put our taxes as far as feasible on a pay-as-you-go basis. Collection at source is a step in this direction. It minimizes hardships to taxpayers by providing an automatic means of budgeting taxes out of income as it is being earned. It keeps taxpayers out of debt to the Government and thereby cuts down delinquency. Collection at source can make income taxes quickly responsive to changes in the national income and tax rates, thus making such taxes more effective in combating inflation. By cooperating in the withholding process, the churches will be serving the convenience of their employees while at the same time increasing the

- 2 -

effectiveness of the Government's fight against inflation. Inflation, as you know, treats most harshly those individuals and institutions that depend on fixed incomes for their existence.

"The Victory tax withholding provisions do not impose an entirely new compliance burden on churches. Non-profit institutions along with other employers have been required to submit information returns showing wages paid to employees and to keep a record of total wage payments to each employee. Beginning with the income year 1943, such returns will no longer be required where withholding takes place. Thus, although withholding is a bigger task than the filing of information returns, it does not represent the first time that churches have been asked to cooperate in the application of income taxes to their employees.

"Most churches have very few employees, and their task should not be very great under the Victory tax. The Secretary of the Treasury has advised me that during the many months that collection at source was under consideration, first for the regular income tax and then for the Victory tax, no non-profit organizations indicated opposition to the withholding features of the 1942 Revenue Act. I think they were aware of the importance both to their employees and to the Government of cooperating in the solution of the problems of financing the war."

The following paragraphs were prepared by the Office of Price Administration.

"I know that the Office of Price Administration is not unmindful of the special problems of churches under fuel oil rationing. In view of these problems, a committee was appointed within the Fuel Oil Rationing Branch of the Office of Price Administration to study the situation and to confer with church leaders. New York City was chosen for an initial survey since there are more churches heated by fuel oil there than in any other community. Recently, a member of the committee met with the heads of the Federated Council of the Churches of Christ in America and the Greater New York Federation of Churches. In this meeting the national as well as local picture was examined.

"The survey revealed that there are about 1,300 churches in Greater New York approximately 130 of which use fuel oil. Only about 10 percent of these 130, in response to a questionnaire circulated by the Federation, stated they suffered undue hardship under fuel oil rationing. An analysis of these 13 or 14 cases led to the conclusion that only about half of them presented an

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extreme problem such as the absolute impossibility of converting to another fuel. It is these cases that the Office of Price Administration is anxious to know about so that possible adjustment of their ration may be thoroughly explored.

"As a result of this survey, a plan is now being considered under which Church Councils and Federations may set up their own committees to review appeals of distress cases and to pass them on with recommendations to the Fuel Rationing Division for consideration.

"It is unfortunate but unavoidable that churches were placed in that wide category of structures whose rations of fuel oil were reduced from 40 to 60 percent of last year's consumption adjusted to normal. This category includes schools, banks, food stores, libraries, and not merely dance halls and saloons. It includes all nonresidential structures except our war production plants and hospitals. In view of the desperate shortage of fuel oil, this drastic curtailment was our only alternative to actual physical suffering by the people in their homes.

"Control of fuel oil consumption has been accomplished by a series of broad actions affecting certain broad categories of consumers, each of which is homogeneous so far as its use of fuel oil is concerned. The dire necessity for swift and direct action did not allow time to set up a preference schedule in which schools, and other agencies of social service would quite properly have claimed consideration along with churches. Had the Office of Price Administration delayed action while it evaluated each consumer and attempted to create extemporaneously a staggered system of rationing, I assure you that the resultant loss of control over consumption would have meant nothing short of a national disaster.

"It was in full awareness of the inestimable value of the Church that our action was taken. The action may appear harsh, but the national necessity was harsh. It permitted no alternative to the broad and immediate cut to all nonresidential buildings, yet expedience required that every legitimate enterprise be considered.

"Ever mindful of the unique role the Church has played in building and maintaining the morale that is our strength, I confidently believe that efforts now being made will lead to a solution of the problem of those Churches which are suffering undue hardship under fuel oil rationing."

Prentiss M. Brown  
Administrator  
Office of Price Administration

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FEB 19 1943

Dear Mr. Brown:

The attached letter from Bishop Lawrence to the President has been referred to you and me for joint preparation of a memorandum of reply. We have prepared the following paragraphs relating to the portion of Bishop Lawrence's letter which deals with the Victory tax.

"As you know, church organizations are exempt from income tax under Section 101 of the Internal Revenue Code. The withholding feature of the Victory tax in no way changes or encroaches on their exempt status. Although the churches as employers, along with all other employers, are required to withhold the Victory tax for their employees, the purpose is to facilitate the payment and collection of the tax and in no respect does it impose a tax burden on the church or add to the tax burden of the employee.

"As I recently indicated to Congress in my Budget message, it is more important than ever before to simplify taxation both for taxpayers and for those collecting the tax, and to put our taxes as far as feasible on a pay-as-you-go basis. Collection at source is a step in this direction. It minimizes hardships to taxpayers by providing an automatic means of budgeting taxes out of income as it is being earned. It keeps taxpayers out of debt to the Government and thereby cuts down delinquency. Collection at source can make income taxes quickly responsive to changes in the national income and tax rates, thus making such taxes more effective in combating inflation. By cooperating in the withholding process, the churches will be serving the convenience of their employees while at the same time increasing the effectiveness of the Government's fight against inflation. Inflation, as you know, treats most harshly those individuals and institutions that depend on fixed income for their existence.

"The Victory tax withholding provisions do not impose an entirely new compliance burden on churches. Non-profit institutions along with other employers have been required to submit information returns showing wages paid to employees and to keep a record of total wage payments to each employee. Beginning with the income year 1943, such returns will no longer be required where withholding takes place. Thus, although withholding is a bigger task than the filing of information returns, it does not represent the first time that churches have been asked to cooperate in the application of income taxes to their employees.

- 2 -

"Most churches have very few employees, and their task should not be very great under the Victory tax. The Secretary of the Treasury has advised me that during the many months that collection at source was under consideration, first for the regular income tax and then for the Victory tax, no non-profit organizations indicated opposition to the withholding features of the 1942 Revenue Act. I think they were aware of the importance both to their employees and to the Government of cooperating in the solution of the problems of financing the war."

I wonder if you would care to incorporate the above paragraphs in your memorandum and send it directly to the President. This would save time and be entirely satisfactory to me. I would appreciate receiving a copy of the memorandum you send the President.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Prentiss M. Brown  
Administrator, Office of Price Administration  
Washington, D. C.

Enclosure

HM:ER:XB:ted  
2/11/43

THE WHITE HOUSE  
WASHINGTON

February 5, 1943

Memorandum for

The Secretary of the Treasury

and

Honorable Prentiss M. Brown

For joint preparation of a memorandum of reply.

F. D. R.

Enclosure

Diocese of Western Massachusetts  
Office of the Bishop  
70 Bowdoin Street  
Springfield, Massachusetts

Rt. Rev. W. Appleton Lawrence, D.D.  
 Bishop

January 14, 1943

His Excellency, the President of the United States  
 White House  
 Washington, D. C.

My dear Mr. President:

You have often expressed yourself plainly and forcibly on the value and necessity of the Church, and have shown appreciation of its usefulness in building morale and in strengthening the character and spirit of the people. We are grateful for the provision which has been made by the authorities for the recognition of the value of the clergyman's work, in the gasoline rationing,-- although in some places the lack of understanding in defining "pastoral work" has caused real hardship.

We feel, however, that we can turn to you in confidence, to tell you of our concern over the seeming growing encroachment of the State over the Church. This is a process which we note with apprehension because of its seeming similarity to the processes which took place some years ago in Germany. We, as Clergy, and the people we serve, are ready and willing to sacrifice for the ideals for which we stand, and for which our Country professes to fight. We do not question the necessity of such sacrifices, but we are disturbed about the ways and methods which are sometimes being used by the Government to implement its demands.

To be specific, in the oil rationing, there seems to be no differentiation between the work of the Church and other non-defense needs,-- the Church being placed in the same category with the dance hall and the saloon.

In the Victory tax, we believe the clergy themselves would be glad to pay the 5%, but we do not believe it is the business of the Church to collect it, as a sort of "check-off" system.

We wish that, from time to time, Church leaders might be called in, as are leaders of industry, that in implementing Government regulations, there may be more recognition of the difference in the general set-up and service of the Church, as distinguished from industrial organizations.

We hope you will call these matters to the attention of the proper authorities, and see what you can do to correct them.

Yours faithfully,

/s/ W. Appleton Lawrence

March 18, 1943.

Dear Mr. Poyser:

For the Secretary, I am acknowledging your letter of March 16, which transmits a copy of Mr. Donald M. Nelson's March report to the President on production performance against materials and equipment commitments of the Second Russian Protocol.

Your courtesy in bringing this to the Secretary's attention is much appreciated.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,  
Private Secretary.

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

GEF/dbs

## WAR PRODUCTION BOARD

WASHINGTON, D. C.

March 16, 1943

IN REPLY REFER TO:

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

My dear Mr. Morgenthau:

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

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

Sincerely yours, \*

  
E. A. Peyser  
Director, Foreign Division

Attachment



SECRET

WAR PRODUCTION BOARD

WASHINGTON, D. C.

March 16, 1943

IN REPLY REFER TO

My dear Mr. President:

The accompanying tabulation shows the progress made during February, and during the eight months ending February 28, toward fulfillment of Second Protocol materials and equipment production programs for the Union of Soviet Socialist Republics.

The situation in regard to deliveries of industrial equipment has continued to cause the War Production Board concern. To bring about improvement, high urgency ratings (i.e. AAA ratings) have been applied to a great many bottleneck items, machine tool orders have been re-scheduled so as to expedite shipments, approximately \$15,000,000 worth of new orders have been accepted for machine tools, some of which can be delivered before June 30, and special production or procurement arrangements have been applied to several general projects. In addition, operationally the entire Russian program is being placed on the same urgency level as the aircraft and escort vessels programs.

Despite these measures, however, conditions still are not entirely satisfactory. A principal reason for this is the fact that a great part of the vast number of Soviet equipment orders essentially duplicate each other, and duplicate U.S. Service programs of the highest urgency. The end use of the various items requisitioned by the U.S.S.R. varies widely (e.g. power generating equipment, refinery plants, steel mills, aluminum mills, cranes, lathes, presses, electric furnaces, etc.), but from the supply standpoint, each demands the same sort of fabricating facilities, the same critical materials, the same type of skilled labor, and the same critical components.

This last factor is extremely important. For example, Soviet programs as diverse as the fishing industry program, the oil drilling equipment program, the metallurgical program, and the refinery program, all require electrical equipment. This means that none of these programs can move any faster than the flow of electrical items will permit. The same sort of thing holds true for other programs and for other components. Thus, a relatively



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SECRET

- 2 -

small number of critical items "bottleneck" many large and diverse programs.

The result is that it is extremely difficult to accelerate equipment deliveries to the point desired. Steps which prove effective in the case of perhaps ninety percent of the parts needed to complete a given order frequently fail to produce appreciable results in the case of the remaining critical ten percent. In consequence, the entire order necessarily is held up.

A logical solution appears to be increased use of scheduling. But for scheduling to be fully effective, when applied to a program as broad and as large as the Soviet program, it is necessary to have some indication of the relative urgency of items now under order. The Government Purchasing Commission of the Soviet Union has been requested to supply the War Production Board with such urgency information. So far, however, it has not done so. Until it does, it seems unlikely that the industrial equipment problem can be attacked with complete success.

Deliveries of other items than industrial equipment continue to be generally satisfactory. Detailed comments on their status are included in the tabulation.

Respectfully yours,

/s/

Donald M. Nelson

The President  
The White House  
Washington, D. C.

Attachment

SECRET

STATUS OF MATERIALS AND EQUIPMENT PRODUCTION PROGRAMS UNDER THE SECOND RUSSIAN PROTOCOL, AS OF MARCH 1, 1953

(FEBRUARY DELIVERY DATA SUBJECT IN REVISION)

PRO- TOCOL (IDP NO.)	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM ✓	MADE AVAILABLE AT MILLS IN U.S.A., FEB. 1 - FEB. 28 ✓	MADE AVAILABLE IN U.S.A., JULY 1 - FEB. 28 ✓	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF MAR. 1 ✓	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT. SCHED. = 100)	AMOUNT TO BE PRODUCED AS OF MAR. 1 TO SATISFY 2ND PROTOCOL PRGD. PROGRAM	COMMENTS
<b>NON-FERROUS METALS</b>									
1	ALUMINUM SHEETS	S.T.	27,100	1,482	33,342	56	81	12,930	IF THE REQUEST OF SOVIET REPRESENTATIVES, THE OFFICIALLY SCHEDULED DIVISION OF ALUMINUM BETWEEN ALUMINUM SHEETS AND FABRICATED ALUMINUM (BIALUMINUM) HAS BEEN REPEATEDLY SHIFTED SO AS TO INCREASE FABRICATED SHIPMENTS. IN FEBRUARY, TOTAL ALUMINUM DELIVERIES EXCEEDED PROTOCOL REQUIREMENTS FOR THE MONTH BY 1005 (2,200 S.T.) IN ORDER THAT THE MAXIMUM NEEDS OF THE SOVIET GOVERNMENT COULD BE MET.
1A	BIALUMINUM	S.T.	2,510	2,432	22,639	134	100	(5,100 EXCESS)	
	TOTAL ALUMINUM	S.T.	(26,690)	(4,914)	(49,752)	84	101	(1,938)	
1	NICKEL (NICKEL METAL & CONTAINED METAL)	S.T.	7,000	819	6,550	94	101	1,200	THE PRODUCTION PROGRAM SHOWN IS AN ESTIMATE. THE NICKEL COMMITMENT SO FAR IS FOR 3,700 S.T., BUT THIS IS ONLY FOR THE PERIOD JULY 1, 1952 TO MARCH 31, 1953. THE ESTIMATE GIVEN IS BASED UPON THE ASSUMPTION THAT THE SCHEDULE FOR THE THIRD QUARTER OF THE PROTOCOL PERIOD (I.E. 100 S.T. PER MONTH) WILL BE CONTINUED DURING THE LAST QUARTER OF THE PROTOCOL PERIOD. THE DELIVERY FIGURES ARE BASED UPON (1) DELIVERIES OF NICKEL AS SUCH, JULY 1, 1952-FEBRUARY 28, 1953; (2) NICKEL DELIVERED TO MILLS IN THE U.S. FOR FABRICATION OF STEEL, PLANE NICKEL WIRE, NICHROME WIRE, ETC., ON U.S.G.R. ACCOUNT, JULY 1, 1952-OCTOBER 31, 1952; AND (3) NICKEL CONTAINED IN STEEL, PLANE NICKEL WIRE, NICHROME WIRE, ETC., DELIVERED TO SOVIET REPRESENTATIVES ON THE U.S.A. JANUARY 1, 1953-FEBRUARY 28, 1953.
1	PLATINUM	S.T.	2,000	411	2,185	78	114	370	IT IS ANTICIPATED THAT FULL SECOND PROTOCOL COMMITMENTS WILL BE SATISFIED BEFORE THE END OF MAY.
1	COPPER (COPPER METAL & CONTAINED METAL)	S.T.	(322,000)	(12,688)	(46,401)	43	94	(37,799)	THE PRODUCTION PROGRAM SHOWN IS FOR COPPER TO BE SHIPPED AS SUCH AND COPPER TO BE SHIPPED AS CONTAINED METAL IN PRODUCTS OTHER THAN MILITARY PRODUCTS. THE DELIVERY FIGURES INCLUDE COPPER IN (1) REFINERY SHAPERS; (2) PURE COPPER PRODUCTS; (3) COPPER BASE ALLOYS; (4) WIRE AND CABLE; AND (5) MANUFACTURES OTHER THAN MILITARY MANUFACTURES. THE SLIGHT LAG IN DELIVERIES DURING PROTOCOL NEGOTIATIONS IS DUE TO THE LAG IN CABLE DELIVERIES. IN ORDER TO SATISFY AGAINST THIS LAG IN CABLE DELIVERIES WHICH IS IMPROBABLE FOR THE FULL PROTOCOL COMMITMENT TO BE EXPORTED TO THE U.S.G.R. BEFORE JUNE 30, 1953, SOVIET REPRESENTATIVES HAVE BEEN AUTHORIZED TO ACQUISITION ITEMS CONTAINING COPPER CONSIDERABLY IN EXCESS OF PROTOCOL REQUIREMENTS. IT IS ANTICIPATED THAT SHIPMENTS AGAINST THESE WILL ELIMINATE THE LAG IN DELIVERIES DURING PROTOCOL REQUIREMENTS BEFORE THE END OF JUNE.
1	MILLED COPPER (COPPER BASE ALLOYS METAL)	S.T.	102,000	10,032	96,493	73	109	29,110	SECURE OF THE URGENT NEED OF THE U.S.G.R. FOR BATHING AND OTHER COPPER BASE ALLOYS, THE COPPER DIVISION HAS AGREED ON SOVIET ACCOUNT THE MAXIMUM QUANTITIES WHICH AMERICAN MILLS CAN PRODUCE.
1	ZINC	S.T.	12,000	2,100	25,110	81	100	1,000	DELIVERY FIGURES HAVE BEEN ADJUSTED TO INCLUDE 1,000 S.T. SUPPLIED IN SEPT. 1952 FROM U.S. ALLOTMENTS TO THE U.S., AND THE 1,000 S.T. WAS INCLUDED IN THE 25,000 S.T. PROTOCOL COMMITMENT. DELIVERIES ARE CONTINUING TO EXCEED PROTOCOL REQUIREMENTS BY 1,000 S.T. PER MONTH. IN ADDITION LANCIC QUANTITIES OF ZINC, APPROXIMATELY 3,000 S.T. PER MONTH, ARE BEING SUPPLIED TO U.S. MILLS FOR PRODUCTION OF STEEL CONTAINING ZINC FOR U.S.G.R. ACCOUNT.
1A	COPPER WOOD AND TURN	S.T.	11,100	2,207	43,430	70	100	1,000	ON THE BASIS OF PRESENT SCHEDULES, FULL SECOND PROTOCOL COMMITMENTS WILL BE SATISFIED BEFORE THE END OF APRIL.

SECRET  
Regraded Unclassified

ITEM NO.	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM	MADE AVAILABLE AT MILL IN U.S.A. FEB. 1 - FEB. 28	MADE AVAILABLE IN U.S.A. JULY 1 - FEB. 28	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF MAR. 1	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULE (PROT. SCHED. 7100)	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS	
<b>NON-FERROUS METALS (CONTINUED)</b>										
M	WHEEL-ROCKE 4040	S.T.	100	59	295	31	73	693	IT IS ANTICIPATED THAT THE LOW IN DELIVERIES DURING PROTOCOL REQUIREMENTS WILL BE MITIGATED DURING APRIL AND MAY.	
N	ZINC	S.T.	800	8	120	100	100	(100 EXCESS)	TO OFFSET LOSSES BY MERCURY SUPPLIES SUFFERED IN SOUTHWEST RUSSIA, MERCURY SHIPMENTS THREE TIMES AS GREAT AS CALLED FOR BY THE ENTIRE PROTOCOL COMMITMENT HAVE BEEN MADE. THESE SHIPMENTS, ADDITIONAL TO SOVIET REPRESENTATIVES, WILL BE SUFFICIENT TO MEET FULL U.S.S.R. REQUIREMENTS UNTIL JULY 1, 1953. NO FURTHER DELIVERIES DURING THE SECOND PROTOCOL PERIOD ARE, THEREFORE, EXPECTED.	
O	LEAD	S.T.	4	0	0	100	100	0	THE GREATER PART OF THE LEAD REQUIREMENTS OF THE U.S.S.R. ARE BEING SATISFIED BY THE U.S. NEVERTHELESS, A REQUISITION FOR 33.6 S.T. ABOVE PROTOCOL REQUIREMENTS HAS BEEN ACCEPTED FOR DELIVERY DURING THE SECOND PROTOCOL PERIOD.	
P	TIN	S.T.	2	0	0	100	100	0	EXCEPT FOR THE SMALL QUANTITY MENTIONED, THE TIN REQUIREMENTS OF THE U.S.S.R. ARE BEING SATISFIED BY THE U.S. AND CHINA.	
Q	IRON	S.T.	32	0	0	100	100	0	COMMITMENTS FOR VARIOUS TYPES WERE INCURRED IN THE SECOND PROTOCOL TO MEET SOVIET REQUIREMENTS. THESE REQUIREMENTS HAVING BEEN SATISFIED, NO FURTHER SHIPMENTS ARE ANTICIPATED.	
R	TIN	S.T.	50	0	0	100	100	0		
S	WORLD	S.T.	1	0	0	100	100	(1 EXCESS)		
T	BATTERY METAL	S.T.	4	0	0	100	100	0	SOVIET REPRESENTATIVES HAVE BEEN AUTHORIZED TO REQUISITION 37 S.T. OF BATTERY METAL IN EXCESS OF THE PROTOCOL COMMITMENT TO MEET THE NEEDS OF THE FISHING INDUSTRY. DELIVERY OF THIS QUANTITY IS EXPECTED IN MARCH.	
U	CADMIUM	S.T.	100	12.5	116.5	116	116	(99.5 EXCESS)	THE ENTIRE SECOND PROTOCOL COMMITMENT FOR CADMIUM WAS SATISFIED BY THE END OF OCTOBER, 1952. NEVERTHELESS, BECAUSE OF NEW REQUIREMENTS RESULTING FROM MILITARY REVENUES, SHIPMENTS ARE BEING CONTINUED AT THE RATE OF 12.5 S.T. PER MONTH.	
V	COPPER	S.T.	100	17	100	100	100	(7 EXCESS)	ORIGINALLY, THE U.S. WAS EXPECTED TO FULFILL SECOND PROTOCOL COPPER REQUIREMENTS. IN SEPTEMBER, 1952, HOWEVER, THE U.S. ASSUMED THE OBLIGATION. SHIPMENTS DURING NOVEMBER AND DECEMBER WERE GREATLY ACCELERATED SO AS TO TAKE POSSIBLE SHIPPING ADVANTAGE OF FAVORABLE SHIPPING OPPORTUNITIES. IN ADDITION, A REQUISITION FOR 33.6 S.T. IN EXCESS OF FULL SECOND PROTOCOL REQUIREMENTS HAS BEEN ACCEPTED.	
TOTAL NON-FERROUS METALS EXCLUDING ITEM E (COPPER)			S.T.	203,293	22,739.5	100,344.1	99	100	11,338.5	THE FIGURES MENTIONED AGAINST ITEM E, COPPER, ARE NOT INCLUDED IN THE TOTAL FOR NON-FERROUS METALS BECAUSE THEY ARE IMPLICATED ELSEWHERE IN THIS REPORT. IT SHOULD BE NOTED THAT ALL NON-FERROUS METALS ARE HIGH ON THE SOVIET PRIORITY SHIPPING LISTS, AND OVERSEAS SHIPMENTS TAKE PLACE AS RAPIDLY AS SHIPMENTS REACH PORT.
<b>FERROUS METALS</b>										
W	FERROUS	S.T.	9,900	310	6,100	60	60	3,800	MEASURE OF EXHAUSTIVE SEARCHING STOCKS (I.E. STOCKS ADEQUATE TO MEET MORE THAN SIX MONTHS SOVIET REQUIREMENTS) AND THE LOW POSITION OF FERROUS METALS AND FERROCHROME ON SOVIET PRIORITY SHIPPING LISTS (WHICH WILL BE OVERSEAS SHIPMENTS ARE TAKING PLACE), ALLOCATION OF FERROUS METALS AND FERROCHROME TO THE U.S.S.R. HAS BEEN SUSPENDED.	
X	FERROCHROME	S.T.	5,374	4	0	0	0	2,000		

ITEM NO.	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM $\checkmark$	MADE AVAILABLE AT MILL IN U.S.A. FEB. 1 - FEB. 28 $\checkmark$	MADE AVAILABLE IN U.S.A. JULY 1 - FEB. 28 $\checkmark$	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF MAR. 1 $\checkmark$	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULED (PROT. SCHED. = 100)	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
<b>FEROUS ALLOYS (CONTINUED)</b>									
10	FERRONICKEL	S.T.	1	0	0	100	100	0	COMMITMENTS FOR FERRONICKEL, FERRONIUM, AND FERRITUMS ARE INCLUDED IN THE SECOND PROTOCOL TO MEET SPOT BUYER REQUIREMENTS. THESE REQUIREMENTS HAVE BEEN SATISFIED, AND FURTHER SHIPMENTS ARE ANTICIPATED.
11	FERRONIUM	S.T.	1	0	1	100	100	0	
12	FERRITUMS	S.T.	1	0	0	100	100	0	
	<b>TOTAL FERROUS ALLOYS</b>	S.T.	<b>14,792</b>	<b>336</b>	<b>6,255</b>	<b>91</b>	<b>79</b>	<b>1,634</b>	
<b>HIGH PRIORITY ALLOY STEEL</b>									
13	FINISHED DRILL ROPE	S.T.	60	20	50	75	100	0	PRESENT SCHEDULES ARE SUCH THAT FULL PROTOCOL REQUIREMENTS SHOULD BE MET BY THE END OF MAY, 1953.
14	DRILL ALLOY	S.T.	55	22	50	75	100	0	
15	HIGH SPEED TOOL STEEL	S.T.	3,300	983	1,266	38	66	1,434	
16	TOOL STEEL	S.T.	700	33	130	37	39	368	PRESENT SCHEDULES ARE SUCH THAT FULL PROTOCOL REQUIREMENTS SHOULD BE MET BY THE END OF MAY, 1953.
17	ALLOY STEEL	S.T.	650	192	354	74	113	154	
18	ALLOY - OTHER	S.T.	4,700	478	6,223	88	90	2,647	
19	COLD FINISHED BARS	S.T.	10,625	1,324	9,713	88	66	3,294	BALANCE OF STAINLESS STEEL TUBES AS OF MARCH 1 ARE SCHEDULED FOR DELIVERY IN QUANT. INSTALLMENTS IN MARCH, APRIL AND MAY. THE LATE SHIPMENTS OF STRIP AND BARS DURING PROTOCOL REQUIREMENTS UP TO MARCH 1 HAS BEEN DUE TO THE FACT THAT BUYER REPRESENTATIVES DID NOT SUBMIT REQUIREMENTS FOR APPROXIMATELY HALF OF THEIR PROTOCOL ALLOCATIONS UNTIL JANUARY.
20	ELECTRIC FURNACE OR O.P. ALLOY	S.T.	21,600	3,842	46,766	70	100	20,214	
21	HOT ROLLED ALLOY BARS AND BILLET	S.T.	2,200	0	0	17	23	1,658	
22	STAINLESS STEEL	S.T.	2,200	0	0	82	100	63	PRESENT SCHEDULES CALL FOR THE COMPLETION OF ALL ORDERS BY JUNE 30.
23	STRIP	S.T.	330	0	0	54	51	171	
24	HOT ROLLED BARS	S.T.	200	0	0	11	16	323	
25	STAINLESS STEEL	S.T.	1,310	113	521	58	73	1,106	WITH THE EXCEPTION OF STAINLESS 18% CHROMIUM - 8% NICKEL TUBES, VIRTUALLY ALL COMMITMENTS FOR ALLOY TUBES ARE SCHEDULED FOR COMPLETION BEFORE JUNE 30, 1953. BECAUSE OF EXTRAORDINARY FABRICATION DIFFICULTIES, ORDERS FOR STAINLESS 18-8 TUBES ARE CURRENTLY NOT SCHEDULED FOR COMPLETION UNTIL AFTER THE BEGINNING OF THE THIRD PROTOCOL PERIOD.
26	PIPE	S.T.	2,100	252	1,153	54	59	745	
27	ALLOY BARS	S.T.	1,200	324	571	48	50	725	
28	STEEL ALLOY TUBES	S.T.	2,200	23	400	18	27	1,779	THE PROTOCOL COMMITMENT IS SCHEDULED FOR COMPLETION BEFORE THE END OF MAY.
29	STAINLESS 18-8	S.T.	11,000	1,553	7,733	25	36	11,797	
30	18-8 CHROME	S.T.	600	0	0	0	0	600	
31	CARBON .55% NICKEL PIPE BIZES	S.T.	2,700	0	0	0	0	2,700	ALL ORDERS WHICH HAVE BEEN PLACED ARE SCHEDULED FOR COMPLETION BEFORE THE END OF MAY.
32	CARBON .55% NICKEL COIL BIZES	S.T.	3,000	0	2,100	65	107	312	
33	CARBON .55% NICKEL HOT FINISHED	S.T.	3,000	74	75	2	1	3,125	
34	STAINLESS PIPE	S.T.	2,000	213	1,710	70	100	287	
35	STRIP ALLOY WIRE	S.T.	3,000	200	1,430	50	68	1,370	
	<b>TOTAL HIGH PRIORITY ALLOY STEEL</b>	S.T.	<b>159,100</b>	<b>14,191</b>	<b>91,716</b>	<b>61</b>	<b>63</b>	<b>62,682</b>	

ITEM	UNIT	QUANTITY	ACQUIRED 2ND PROTOCOL PRODUCTION PROGRAM	MADE AVAILABLE AT MILL IN U.S.A. FEB. 1 - FEB. 28	MADE AVAILABLE IN U.S.A. JULY 1 - FEB. 28	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF MAR. 1	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT. SCHED.-100)	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
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**LOW ALLOY STEEL**

11	ARMOR PLATE	S.T.	23,130	0	705	0	0	11,522	SOVIET REPRESENTATIVES HAVE STATED THAT FOR THE FINE BEING THEY DO NOT DESIRE FURTHER DELIVERIES OF ARMOR PLATE TO BE MADE.
12	DR-SHIM BILLETS	S.T.	33,000	0,200	34,767	42	91	14,933	
	<b>TOTAL LOW ALLOY STEEL</b>	S.T.	100,130	0,200	35,744	31	91	36,455	

**HIGH PRIORITY CARBON STEEL**

13	SHETAL (COPPER CLAR STRIP)	S.T.	20,000	2,027	18,000	70	100	1,010	ITEMS INCLUDED IN THIS CATEGORY ARE THE CARBON STEEL ITEMS WHICH THE U.S.S.R. HAS INDICATED THAT IT INTENDS TO EXPORT RESPECTIVE SHIPPING LIMITATIONS. IT IS ANTICIPATED THAT WITH THE POSSIBLE EXCEPTION OF SQUARE WIRE, COLD FINISHED BARS, AND A SMALL WIRE ROPE ORDER, ALL OF WHICH ARE IN EXTREMELY SHORT SUPPLY, PROTOCOL COMMITMENTS WILL BE SATISFIED BY JUNE 30.
14	FLATHEAD MILL ROD	S.T.	125	0	20	73	107	11	
15	PLAIN CARBON	S.T.	7,500	0	2,500	73	100	301	
16	COLD FINISHED BARS	S.T.	10,000	703	2,510	25	37	2,022	
17	S.A.C. 1015-1030 & OTHER PLAIN CARBON	S.T.	20,000	1,045	2,900	30	30	14,055	
18	STEEL WIRE	S.T.	12,000	1,013	2,227	30	73	4,003	
19	THICK WIRE	S.T.	12,000	1,500	2,253	46	30	4,437	
20	CARD WIRE	S.T.	330	0	230	67	100	110	
21	ELECTRIC WELDING WIRE	S.T.	1,000	0	2,275	22	53	2,022	
22	SQUARE WIRE	S.T.	270	12	52	16	25	208	
23	THICK WIRE	S.T.	700	20	232	30	72	365	
24	WIRE, WIRE PRODUCTS	S.T.	500	0	257	73	100	0	
25	WIRE ROPE	S.T.	1,000	0	1,007	90	20	1,223	
26	OTHER WIRE ROPE	S.T.	20,000	0,157	13,752	42	103	6,496	
27	HEAT TREATED SHEETS	S.T.	20,000	0,100	22,001	110	100	(2,001 EXCESS)	
	<b>TOTAL HIGH PRIORITY CARBON STEEL</b>	S.T.	100,133	10,203	70,000	54	70	42,302	

**WIRE CARBON STEEL**

28	COLD FINISHED BARS	S.T.	20,000	0	25,250	92	43	24,650	IN THE CASE OF CARBON STEEL ITEMS INCLUDED IN THIS CATEGORY, SUFFICIENTLY LARGE STOCKS ARE HELD IN STORAGE TO MEET SHIPMENT REQUIREMENTS FOR AN INDISTINCT PERIOD AT THE PRESENT RATE OF SHIPPING. CERTAINMENT ON SUSPENSION OF PRODUCTION HAS, THEREFORE, BEEN AGREED TO BY SOVIET REPRESENTATIVES. SCHEDULES ARE KEPT SUFFICIENTLY FLEXIBLE, HOWEVER, TO TAKE CARE OF SUDDEN CHANGES IN THE SHIPPING SITUATION.
29	COLD ROLLER SHEETS	S.T.	75,000	0	13,017	15	21	61,983	
30	COLD ROLLER SHEETS	S.T.	20,000	2,333	20,555	91	45	22,552	
31	TEMPER	S.T.	47,000	0	24,000	32	70	22,350	
32	WIRE WIRE	S.T.	20,000	100	12,207	70	100	6,000	
33	WIRE WIRE	S.T.	20,000	107	13,309	67	100	6,691	
34	WIRE WIRE	S.T.	2,000	0	5,077	73	100	2,322	
35	WIRE WIRE	S.T.	20,000	0	20,770	97	65	17,000	
36	WIRE WIRE	S.T.	2,000	0	1,735	68	100	0	

SECRET

PRO- DUC- ION NO.	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM	MAKE AVAILABLE AT HILL IN U.S.A. FEB. 1 - FEB. 28	MAKE AVAIL- ABLE IN U.S.A. JULY 1 - FEB. 28	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF MAR. 1	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PROT. SCHED. "100")	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY 2ND PROTOCOL PROG. PROGRAM	COMMENTS
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IRON CARBON STEEL (CONTINUED)

32	PIPE AND TUBING								
A	WELDED PIPES AND MECHANICAL	S.T.	4,000	456	1,007	57	100	1,997	
B	SEAMLESS PIPES AND MECHANICAL	S.T.	12,000	0	1,252	16	10	10,447	
C	COLD DRAWN PIPES AND MECHANICAL	S.T.	4,000	138	2,660	10	72	1,120	
D	H.T. PIPES AND MECHANICAL	S.T.	20,000	0	11,571	53	51	7,129	
E	ELECTRIC WELD CASING	S.T.	15,000	0	0	0	0	15,000	
F	ELECTRIC WELD LINE PIPE	S.T.	15,000	0	700	2	3	14,297	
G	SEAMLESS CASING	S.T.	15,000	0	11,260	11	122	2,616	
H	SEAMLESS LINE PIPE	S.T.	40,000	0	12,100	10	15	27,900	
I	SEAMLESS DRILL PIPE	S.T.	15,000	0	7,310	15	22	12,689	
J	SEAMLESS DRILL TUBING	S.T.	15,000	0	0	0	0	15,000	
K	YIELD JOINTS	S.T.	5,000	0	1,101	11	67	1,659	
33	IRON ROLLER								
A	MILVAMIZER ROOFING SHEETS	S.T.	5,000	0	2,450	39	79	2,190	
B	PLATES	S.T.	75,000	10	27,107	16	10	47,492	
C	H.S. BARS AND BAR WELD DRAPED	S.T.	0,500	0	3,000	0	70	3,460	
D	STRUCTURAL SHAPES	S.T.	12,000	0	5,603	10	52	7,337	
E	WIRE	S.T.	11,000	0	10,200	25	100	610	
F	TENSILE PLATE AND LOW TENSILE	S.T.	0,000	102	3,799	93	110	407	
34	NAILS, NUTS, BOLTS, WASHERS AND SCREWS	S.T.	1,000	0	1,192	10	51	3,437	
A	WELLS	S.T.	7,000	0	7,307	14	50	1,633	
	TOTAL IRON CARBON STEEL	S.T.	444,300	1,162	261,078	39	38	149,222	

SEE PRECEDING PAGE FOR COMMENTS.

RAILROAD MATERIALS

101	RAILS	S.T.	175,000	0	29,767	16	31	145,233	
101A	ACCESSORIES	S.T.	0,000	0	13,107	12	20	61,533	
102	POUNDED SETS OF WHEELS AND AXLES	S.T.	10,000	1,000	14,003	37	70	12,117	
103	CAR AXLES	S.T.	40,000	1,103	18,203	11	10	27,459	
104	LOCOMOTIVE CAR WHEEL TIRES	S.T.	12,500	1,132	1,500	11	90	5,955	
105	ROLLED STEEL CAR WHEELS	S.T.	10,000	0	7,710	11	15	10,162	
107	EVEL LOCOMOTIVE AXLES	S.T.	100	0	153	15	100	2	
108	ELECTRIC LOCOMOTIVE AXLES	S.T.	300	0	444	71	110	70	
	TOTAL RAILROAD MATERIALS	S.T.	242,400	2,103	151,716	21	31	101,339	

WITH THE EXCEPTION OF LOCOMOTIVE CAR WHEEL TIRES AND POUNDED SETS OF WHEELS AND AXLES, VERY LARGE STOCKS OF RAILROAD MATERIALS ARE NOW IN STORAGE. SHARP CUTBACKS IN PRODUCTION HAVE, THEREFORE, BEEN ABLE TO BE OFFSET REPRESENTATIVELY. SCHEDULES, HOWEVER, ARE KEPT SUFFICIENTLY FLEXIBLE TO MAKE POSSIBLE FURTHER ADJUSTMENTS THAT MAY ARISE AS A RESULT OF CHANGES IN THE SHIPPING SITUATION.

CHEMICALS

35	PHOSPHORUS	S.T.	10,000	700	1,773	11	100	1,000	
36	ETHYLENE GLYCOL	S.T.	2,000	0	2,000	100	100	0	
37	DIETHYL SULFIDE	S.T.	1,000	0	1,600	30	120	170	
38	TRICHLOROPHENOL	S.T.	2,500	350	2,000	70	110	320	
39	DIETHYL HYDROLYATE	S.T.	1,000	350	1,700	70	110	200	
40	DIETHYLAMINE	S.T.	3,000	300	2,470	82	120	520	
41	DIETHYLAMINE	S. I.	1,000	0	1,170	60	100	500	

WAREHOUSE AND SHEDDING STOCKS OF CHEMICALS HAVE REACHED MOST LARGE PROPORTIONS. ADDING IN TO THE D.L.L.A., TOTAL STOCKS OF THE ITEMS INCLUDED IN THIS TABULATION APPROACHED 35,000 S.T. AS OF JANUARY 31, 1953. FURTHERMORE, STOCKS ARE STEADILY INCREASING, OVERSEAS SHIPMENTS USUALLY RUNNING CONSIDERABLY BEHIND PLANT SHIPMENTS. AS A RESULT, PLANS ARE NOW BEING MADE FOR THE CURTAILMENT OF ALLOCATIONS DURING THE REMAINDER OF THE PROTOCOL PERIOD. THROUGH FEBRUARY, HOWEVER, DELIVERIES CONTINUED TO EXCEED PROTOCOL REQUIREMENTS.

ITEM	UNIT	ADJUSTED PROTOCOL PRODUCTION PROGRAM	MADE AVAILABLE AS WILL IN U.S.A. FEB. 1 - FEB. 28	MADE AVAILABLE IN U.S.A. JULY 1 - FEB. 28	PERCENT OF PROTO. PROGRAM COMPLETED AS OF MAR. 1	RATIO OF ACTUAL DELIVERIES TO PROTO. SCHEDULES (PROT. SCHED. 7148)	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY PROTO. PROGRAM	COMMENTS
<b>CHEMICALS (CONTINUED)</b>								
11	CELLULOSE	5,000	0	3,252	65	181	1,748	<p>SEE PRECEDING PAGE FOR COMMENTS.</p> <p>THE SECOND PROTOCOL CHEM. COMMITMENT IS BEING SATISFIED BY THE U.S.</p> <p>IN ADDITION TO DELIVERIES SHOWN, AMOUNTS WERE AVAILABLE IN EXCESS OF ORIGINAL PROTOCOL REQUIREMENTS ON ITEMS 36 AND 38-40 AND TO BE CREDITED AGAINST ITEM 52-A. THE AMOUNTS OF SUCH EXCESS DELIVERIES CANNOT BE DETERMINED UNTIL ORIGINAL COMMITMENTS HAVE BEEN MET IN FULL.</p>
12	NEOLINE	12,000	1,120	2,221	19	166	10,879	
13	AMMONIAC	5,000	373	5,700	114	155	(106 EXCESS)	
14	AMMONIA CHLORIDE	5,000	600	3,201	64	123	499	
15	POTASSIUM NITRATE	5,000	22	3,311	66	153	1,667	
16	AMMONIUM CYANIDE	5	1	1.6	32	230	1.4	
17	CONCRETE	600	83	409	68	281	116	
18	REBAR (HEXAGONAL)	120	10	20	17	220	110	
19	BARREN PELLETS	300	23	304	101	198	100	
20	SYNTHETIC (S. SLAGS)	50	11	71	14	211	21	
21	FRASITE (SILICONE S)	6	1	1	17	100	0	
22	TUNGSTEN (T. NITRATE)	1	0	1	100	100	0	
23	CEMENT	10	1.5	1.0	10	100	0	
24	CRACK	-	-	-	-	-	-	
25	POTASSIUM SULFATE	5,000	290	1,310	26	110	1,690	
26	HYDROGEN	0	1	2	-	-	(1 EXCESS)	
TOTAL LISTED CHEMICALS		52,100	3,023.1	47,002.6	70	110	42,979.5	
27	OTHER CHEMICALS	60,000	N.A.	60,072	100	100	12,700	
TOTAL CHEMICALS		112,100	3,023.1	107,074.6	73	100	55,679.5	

ITEM	UNIT	ADJUSTED PROTOCOL PRODUCTION PROGRAM	MADE AVAILABLE AS WILL IN U.S.A. FEB. 1 - FEB. 28	MADE AVAILABLE IN U.S.A. JULY 1 - FEB. 28	PERCENT OF PROTO. PROGRAM COMPLETED AS OF MAR. 1	RATIO OF ACTUAL DELIVERIES TO PROTO. SCHEDULES (PROT. SCHED. 7148)	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY PROTO. PROGRAM	COMMENTS
<b>METALS EQUIPMENT</b>								
28	IRON ALLOYS AND SMALL CUTTING TOOLS	22,000,000	1,111,000	11,333,000	50	74	10,667,000	<p>DELIVERIES TO DATE ARE CONSIDERED UNSATISFACTORY. THE INDUSTRIAL SPECIALIZED BRANCH OF THE TRADE DEPARTMENT IS CURRENTLY UNDERTAKING TO IMPROVE THE SITUATION.</p> <p>THE PRODUCTION PROGRAM SHOWN IS THE GUARANTEED SECOND PROTOCOL COMMITMENT. DELIVERIES AGAINST THIS, REMAIN A STEADY ACCRETION DURING RECENT MONTHS, AND CONSIDERED UNSATISFACTORY. TO IMPROVE THIS, THE GOVERNMENT PURCHASING COMMISSION OF THE SOVIET UNION HAS BEEN REQUESTED TO SELECT FROM THE APPROXIMATELY \$60,000,000 WORTH OF EQUIPMENT WHICH IT HAS ON ORDER, \$20,000,000 WORTH WHICH IT IS MOST ANXIOUS TO HAVE COMPLETED TO DATE THE COMMISSION HAS NOT SUBMITTED THIS LIST. WHEN IT DOES SO, A THOROUGH SURVEY WILL BE MADE OF THE PRODUCTION STATUS OF THE SELECTED ITEMS, AND EVERY EFFORT WILL BE MADE TO SPEED UP DELIVERIES TO THE EXTENT DESIRED. FORTHWITH THE U.S. DEPARTMENT OF COMMERCE IN COOPERATION WITH THE U.S. DEPARTMENT OF STATE AND THE FACILITIES BUREAU IS UNDERTAKING TO ELIMINATE BOTTLENECKS WHICH ARE RESTRICTING A NUMBER OF IMPORTANT PROGRAMS.</p>
29	MACHINERY TOOLS	150,000,000	15,307,000	86,300,000	57	97	64,693,000	
TOTAL METALS EQUIPMENT		172,000,000	16,418,000	97,633,000	53	85	75,360,000	

ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM	MADE AVAILABLE AT RLL IN U.S.A. FEB. 1 - FEB. 28	MADE AVAILABLE IN U.S.A. JULY 1 - FEB. 28	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF MAR. 1	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULE (PROT. SCHED. #88)	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
<b>GENERAL EQUIPMENT (CONTINUED)</b>								
11	MACHINES	\$ 5,000,000	365,739	2,884,270	78	101	1,135,720	DELIVERIES ARE AHEAD OF PROTOCOL REQUIREMENTS
	TOTAL INDUSTRIAL EQUIPMENT	\$ 174,300,000	17,207,696	160,092,304	51	81	75,887,608	
<b>MARINE AND SUBMARINE CABLE</b>								
1	NAVINE CABLE	SH. 5,480	63	791	52	78	674	DELIVERIES OF MARINE AND SUBMARINE CABLE HAVE BEEN SLOW BECAUSE OF THE NECESSARY INTERVAL BETWEEN THE PLACING OF CONTRACTS AND THE COMPLETION OF FABRICATION. A RECENT SURVEY INDICATES, HOWEVER, THAT THE SITUATION IS GENERALLY SATISFACTORY AND THAT PRACTICALLY ALL ORDERS WILL BE COMPLETED BY JUNE 30, 1951.
2	SUBMARINE CABLE	SH. 700	4	359	13	24	342	
	TOTAL MARINE AND SUBMARINE CABLE	SH. 2,201	67	1,150	30	70	1,016	
<b>POWER AND OTHER CABLE</b>								
11	ELECTRIC POWER CABLE	N.T. 32,660	662	500	7	8	51,737	THE PRODUCTION PROGRAM SHOWN FOR POWER CABLE AND MISCELLANEOUS WIRE AND CABLE DIFFERS FROM THE SECOND PROTOCOL COMMITMENTS FOR THESE ITEMS BECAUSE THE SOVIET GOVERNMENT PURCHASING COMMISSION ELECTED TO TAKE A PART OF THE POWER CABLE COMMITMENT IN THE FORM OF MISCELLANEOUS WIRE AND CABLE. THIS PART OF THE POWER CABLE COMMITMENT HAS, THEREFORE, BEEN ADDED TO THE MISCELLANEOUS WIRE AND CABLE COMMITMENT. DELIVERIES OF CABLE IN BOTH CATEGORIES HAVE BEEN CONSIDERED VERY UNSATISFACTORY. FOR THIS REASON, A CAREFUL CHECK HAS BEEN MADE OF THE STATUS OF EVERY OUTSTANDING CONTRACT. THIS HAS REVEALED THAT THE PRIMARY REASON FOR DELAYS HAS BEEN THE LATENESS IN WHICH ORDERS WERE PLACED. A CONSIDERABLE ACCELERATION OF DELIVERIES IS ANTICIPATED DURING THE REMAINING MONTHS OF THE PROTOCOL PERIOD. DESPITE THIS, HOWEVER, A NUMBER OF STEPS TO IMPROVE THE SITUATION FURTHER HAVE BEEN TAKEN. IT IS NOW ANTICIPATED THAT PRACTICALLY ALL CONTRACTS FOR MISCELLANEOUS CABLE AND THE GREAT MAJORITY OF CONTRACTS FOR POWER CABLE WILL BE COMPLETED BY JUNE 30.
12	MISCELLANEOUS WIRE AND WIRE	N.T. 52,384	6,937	10,716	10	19	35,660	
	TOTAL POWER AND OTHER CABLE	N.T. 133,931	7,300	19,617	10	20	87,397	
<b>LEATHER</b>								
11	BRIDLE LEATHER	N.T. 14,070	2,657	1,384	24	34	14,084	DELIVERIES AGAINST LEATHER ORDERS WHICH WERE PLACED ONLY AFTER SEVERAL MONTHS OF THE SECOND PROTOCOL PERIOD HAD ELAPSED ARE PRESENTLY INCREASING AT A RAPID RATE.
11	ANY BRIDLE	YMS. 2,500,000	271,150	1,729,850	75	111	669,626	DELIVERIES ARE AHEAD OF PROTOCOL REQUIREMENTS.
11	ANY CLOTH	YMS. 10,000,000	300,000	4,920,000	50	70	7,071,000	IN ADDITION TO THE ANY CLOTH SHOWS, A LARGE NUMBER OF WOOLLEN BLANKETS AND CONSIDERABLE QUANTITIES OF VARIOUS COTTON MATCHINGS ARE BEING SUPPLIED.
<b>MISCELLANEOUS MATERIALS ITEMS</b>								
11	FRANK... PRODUCTS	N.T. 300,000	15,000	130,000	54	84	100,000	DELIVERY FIGURES ARE ACTUAL EXPORT FIGURES. SHIPPING CONDITIONS, RATHER THAN PRODUCTION CONDITIONS, HAVE GOVERNED PERFORMANCE.
11	MISCELLANEOUS	YMS. 30,000,000	3,000,000	21,300,000	60	90	19,110,000	SOVIET DELIVERIES HAVE BEEN SLIGHTLY BEHIND PROTOCOL REQUIREMENTS BECAUSE OF LINGERED MANUFACTURING FACILITIES. A RECENTLY ANNOUNCED CONVERSION OF RAIL MILLS IS CURRENTLY BRINGING ABOUT AN ACCELERATION, HOWEVER.

ITEM NO.	ITEM	UNIT	AMOUNT 2ND PROTOCOL PRODUCTION PROGRAM	MADE AVAILABLE AT MILL IN U.S.A. FEB. 1 - FEB. 28	MADE AVAILABLE IN U.S.A. JULY 1 - FEB. 28	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF MAR. 1	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULE (PROT. SCHED. PERCENT)	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY 2ND PROTOCOL PROG. PROGRAM	COMMENTS
<b>INDUSTRIAL MATERIALS ITEMS (CONTINUED)</b>									
11	IRONWIRE	Tons	8,000,000	10,629	5,955,000	68	101	2,045,000	DELIVERIES ARE AHEAD OF PROTOCOL REQUIREMENTS.
12	STEEL FISH	S.T.	1,340	80	84	19	28	1,256	NOTE THAT 30% OF THE STEEL FISH COMMITMENT HAS NOT BEEN FULFILLED UNTIL THE LATE OF MARCH, 1952. THE ACQUISITION INVOLVED WAS HELD IN THE O.L.L.A. FOR APPROXIMATELY TWO MONTHS BEFORE BEING CLEARED FOR ALLOCATION AND PRODUCTION. AS A RESULT CONTRACTS WERE PLACED ONLY IN DECEMBER AND JANUARY. DELIVERIES CONSEQUENTLY HAVE BEEN CONSIDERABLY BEHIND PROTOCOL REQUIREMENTS. IN ADDITION, PRESENT SCHEDULES DO NOT CALL FOR COMPLETION OF WORKS UNTIL MARCH, 1953. SOVIET REPRESENTATIVES HAVE STATED THAT THEY UNDERSTAND THE CIRCUMSTANCES RESPONSIBLE FOR THE DELAY AND DO NOT ANTICIPATE FULL SATISFACTION OF THE PROTOCOL COMMITMENT UNTIL AFTER THE END OF THE SECOND PROTOCOL PERIOD.
13	BRASS RODS	S.T.	200	0	80	16	97	120	DELIVERIES WOULD ALL ACQUISITIONS SUBMITTED TO DATE HAVE BEEN COMPLETED. THE SOVIET GOVERNMENT PURCHASES COMMISSION HAS NOT REQUISITIONED THE S.T. OF THE 200 S.T. ALLOTTED THE U.S.S.R. IN THE SECOND PROTOCOL.
13A	CONNECTIVE PAPER	S.T.	200	20	180	85	100	120	DELIVERIES ARE CONSIDERABLY AHEAD OF SCHEDULE.
13B	FISHING NETS	S.T.	1,000	0	1,000	100	100	(EXCEEDED)	THE ENTIRE PROTOCOL COMMITMENT HAS BEEN SATISFIED. ADDITIONAL ACQUISITIONS ARE BEING ACCEPTED IF MEET THE NEEDS OF THE SOVIET FISHING INDUSTRY.
<b>INDUSTRIAL EQUIPMENT ITEMS</b>									
14	MACHINE ELECTRODES	S.T.	1,000	479	4,011	71	100	1,521	PROTOCOL REQUIREMENTS ARE ANTICIPATED TO BE SATISFIED BEFORE JUNE 30. IN ADDITION, THE SUPPLY OF 633 S.T. OF CURBON ELECTRODES DURING THE REMAINDER OF THE SECOND PROTOCOL PERIOD HAS BEEN AUTHORIZED.
15	MACHINES	S.T.	-	20,460	2,371,000	-	-	-	A LARGE NUMBER OF ORDERS FOR MACHINES HAVE BEEN ACCEPTED DESPITE THE FACT THAT THERE IS NO FIRM PROTOCOL COMMITMENT. DELIVERIES AGAINST THESE HAVE BEEN MADE TO DATE ACCORDING TO THE TIMETABLE OF MACHINES STEEL, THE LARGE DOMESTIC (INDUSTRY, HOME, AND HOUSEHOLD) REQUIREMENTS, AND THE ORIGINAL SAVING OF MANY RUSSIAN MACHINES SPECIFICATIONS. A RECENT THROUGH SURVEY BY AMERICAN MACHINES INDICATED THAT AN IMPROVEMENT SHOULD BE EXPECTED. THE STEEL ALLOTMENT HAS BEEN INCREASED, AND SEVERAL PLANTS HAS COMPLETED THE REWORKING NECESSARY TO HANDLE RUSSIAN ORDERS. FEBRUARY DELIVERIES, WHILE FALLING SOMEWHAT SHORT OF EXPECTATIONS, WERE ON LESS MAINTAINED AN ACCELERATION WHICH BEGAN IN JANUARY.
16	WIRE - MILLING	S.T.	25,000,000	10,000,000	15,000,000	60	100	(27,000,000 EXCEED)	DELIVERIES HAVE EXCEEDED PROTOCOL REQUIREMENTS. HOWEVER, ACQUISITIONS HAVE BEEN ACCEPTED WITHOUT REGARD TO STRICT PROTOCOL LIMITATIONS. DELIVERIES WHICH WERE FORMERLY BEHIND SCHEDULE ON SEVERAL IMPORTANT ORDERS WERE GREATLY ACCELERATED IN FEBRUARY.
17	TILES, TUBES, BURNER BURNER PRODUCTS (ARMED COMBUST)	S.T.	10,000	1,000	10,000	10	10	10,000	DELIVERY PROGRAM FOR RUBBER CONTENT OF TILES HAS BEEN FULFILLED BY THE TRADING DEPARTMENT ONLY.

SECRET

NO.	ITEM	UNIT	ADJUSTED 2ND PROTOCOL PRODUCTION PROGRAM	MADE AVAILABLE AT MILL IN U.S.A. FEB. 1 - FEB. 28	MADE AVAILABLE IN U.S.A. JULY 1 - FEB. 28	PERCENT OF 2ND PROT. PROGRAM COMPLETED AS OF MAR. 1	RATIO OF ACTUAL DELIVERIES TO PROT. SCHEDULES (PACT-SCHED. VALUE)	BALANCE TO BE PRODUCED AS OF MAR. 1 TO SATISFY 2ND PROTOCOL PROD. PROGRAM	COMMENTS
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IRON-STEEL EQUIPMENT ITEMS (CONTINUED)

11	HIGH PRESSURE HOSE	S.F.T.	448	5	145	75	11	121	
12	SHOCK ABSORBER CORD	S.F.T.	48	1	11	51	11	75	DELIVERIES OF BOTH HIGH PRESSURE HOSE AND SHOCK ABSORBER CORD REPRESENT A RELATIVELY LARGE PERCENTAGE OF OUR TOTAL PRODUCTION.
13	METALLIC CLOTH & SCREEN	S	1,000,000	100,000	800,000	80	127	117,000	THE PRODUCTION PROGRAM SHOWN IS A TRANSLATED CALCULATION BY THE SOVIET GOVERNMENT PURCHASING COMMISSION OF THE PROTOCOL COMMITMENT INTO DOLLAR VALUE. DELIVERIES HAVE BEEN SATISFACTORY.
14	MISC. EMERGENCY EQUIPMENT	S	-	-	-	-	-	-	REQUISITIONS TOTALING \$40,000,000 HAVE BEEN ACCEPTED AGAINST THIS ITEM. PRACTICALLY ALL OF THE ORDERS PLACED ARE FOR INDUSTRIAL EQUIPMENT REQUIRING PROLONGED FABRICATION PERIODS.

- 1/ SECOND PROTOCOL PRODUCTION PROGRAMS HAVE BEEN ADJUSTED (A) TO TAKE ACCOUNT OF THE MODIFICATION OF STEEL REQUIREMENTS UNDER THE 2ND PROTOCOL WORKED OUT BY THE STEEL DIVISION, W.P.B., AND REPRESENTATIVES OF GOVERNMENT PURCHASING COMMISSION OF THE SOVIET UNION, AND APPROVED BY THE REQUIREMENTS COMMITTEE, W.P.B., IN PROGRAM DETERMINATION NO. 239; (B) TO TAKE ACCOUNT OF THE PORTION OF FERROCHROME AND FERROMANGANESE WHICH ARE BEING SUPPLIED BY THE U.S., AND (C) THROUGH TRANSLATING SOME COMMITMENTS FROM SHORT TONS INTO THE UNITS OF METRIC TONS COMMONLY USED IN CONNECTION WITH THE ITEMS IN QUESTION.
- 2/ MADE AVAILABLE DATA IN THE CASE OF ALL ITEMS EXCEPT STEEL, RAILWAY MATERIALS, "OTHER CHEMICALS," MACHINE TOOLS, ELECTRIC FURNACES, PORTING PRESSES AND HAMMERS, VARIOUS INDUSTRIAL EQUIPMENT, TUBES, TYRES AND OTHER RUBBER PRODUCTS, ELECTRIC POWER CABLE, MISCELLANEOUS COPPER CABLE AND WIRE, TARPALIN, SHOCK ABSORBER CORD, SHEET PAPER AND METALLIC CLOTH AND SCREEN INCLUDE STOCKS WHICH WERE ON HAND AS OF JUNE 30, 1945, AND WHICH WERE AVAILABLE FOR SHIPMENT AGAINST 2ND PROTOCOL COMMITMENTS. STOCKS OF STEEL ITEMS WHICH WERE ON HAND AS OF JUNE 30, 1945 WERE TAKEN INTO ACCOUNT IN THE ADJUSTMENT OF STEEL REQUIREMENTS UNDER 2ND PROTOCOL COMMITMENTS MENTIONED IN NOTE 1 ABOVE.
- 3/ THE 2ND PROTOCOL CALLS FOR DELIVERIES IN "EQUAL MONTHLY INSTALLMENTS," THAT TWO-THIRDS OF EACH COMMITMENT SHOULD HAVE BEEN DELIVERED BY FEB. 28, IF PROTOCOL SCHEDULES WERE TO BE MAINTAINED.



**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE  
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. ....

With the compliments of British Air Commission  
who enclose Statement No. 76 - Aircraft Despatched  
- for week ended March 9, 1943.

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

March 18, 1943.

## STATEMENT NO. 76

AIRCRAFT DESPATCHED FROM THE UNITED STATES  
 WEEK ENDED MARCH 9th, 1943

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
<u>Douglas</u>					
Dakota I	India	en route	-	3	-
"	Middle East	" "	-	7	-
Boston IIIA	U.K.	Canada en route	-	1	-
<u>Fairchild</u>					
(a) Cornell P.T.26	Canada	Canada	-	-	16
C.61	India	en route	1	-	-
<u>Glenn Martin</u>					
Baltimore IIIA	Middle East	en route	-	20	-
Baltimore IV	Middle East	" "	-	16	-
<u>Grumman</u>					
Tarpon I	U.K.	U.K.	5	-	-
<u>Lockheed</u>					
(b) Hudson VI	West Africa	Freetown	-	1	-
" "	U.K.	Canada en route	-	4	-
<u>North American</u>					
Mitchell II	Bahamas	Nassau	-	1	-
<u>Yoga</u>					
Ventura	South Africa	Nassau en route	-	1	-
TOTAL -			6	53	16

(a) 9 exported week ended March 1.

(b) Exported week ended February 5.

Movements Division  
 British Air Commission

March 16, 1943.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

March 18, 1943

TO Secretary Morgenthau

FROM Frances McCathran

## CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - The Administration was blamed yesterday for the present tax "muddle" by Representative George H. Bender. "If Congress had not spent the last 10 years under the heel of the White House," which, he said, has been determining fiscal policy "100%," "our Democratic majority would not be floundering hopelessly around waiting for signals." Congress, he added, would be willing to pass pay-as-you-go legislation immediately "if only the Treasury will make clear exactly what is needed." Meanwhile, House debate on what Chairman Doughton calls the "Battle of Taxes," which he thinks will probably be chiefly between the House Ways and Means Committee proposal and the Ruml Plan, is expected to start next Wednesday. Speaker Rayburn said discussion would be limited to four days and that he would treat the matter as a privileged bill, subject to amendment from any source, unless the Ways and Means Committee changes its mind in its meeting Friday and asks for a "closed rule" after all.
2. Post-War Planning - The resolution providing for a United Nations organization on both current and post-war problems, presented to the Senate on Tuesday, March 16, by Senator Ball, is now being considered by the Committee on Foreign Relations. An amendment introduced by Senator Willis providing that any agreements reached by an Allied Council should not be binding on the United States unless ratified by a two-thirds vote in the Senate, also went to this committee. The original resolution provided that "the United States take the initiative in calling meetings of the United Nations for the purpose of forming an organization" to: (1) coordinate military and economic resources of the member nations in the prosecution of the war; (2) provide temporary governments for nations as they are freed from Axis control; (3) provide relief and assistance for member nations, etc., needing it; (4) establish an arbitration

mechanism to settle future international disputes peacefully; (5) create an international military force to immediately suppress all future threats to world peace. Although President Roosevelt is said to have approved the broad objectives of this plan, Senator Connally issued a statement soon after its introduction in the Senate saying that neither the President nor the State Department had announced themselves as definitely backing the present resolution in toto.

3. The Farm Issue - The Senate passed yesterday, by a 50 to 24 vote, the Bankhead-Johnson Bill to defer farm workers from the draft. In its final form, the bill empowers Draft Boards to use their own judgment in determining whether a farmer's efforts warrant deferment, and thus repeals the Department of Agriculture's regulation that a worker must produce a minimum of 8 "units" under their system to be eligible for deferment. The Pepper Amendment to the Bill, creating an inter-departmental board for allocating manpower, was previously eliminated by the Senate despite Pepper's claim that something more "comprehensive" than the Bankhead Bill was needed. On the other side of the Capitol, the House passed and sent to the Senate the Dirksen Bill providing 26.1 million dollars for recruiting a land army of 3,500,000 men and women to help solve the farm labor shortage. The House turned down an amendment to take this work, which was formerly under the direction of the FSA, away from the Agricultural Extension Service, which now is charged with the job, and put the whole matter directly under the Secretary of Agriculture. This action is said to be a definite threat to the very existence of the FSA, which according to Regional Director J. H. Wood is also "scraping the bottom of the barrel for food production loans" which will force the farmer to look elsewhere for financing the important 1943 crop. Meanwhile, the House Rules Committee several days ago approved the Steagall Bill, a companion to the Bankhead measure which has already passed the Senate, providing that government subsidy and conservation payments be included in the computation of parity prices, and also the Pace Bill which would include the cost of farm labor in the parity formula.
4. Labor - Despite the House Labor Committee's claim that the matter comes under their jurisdiction, the House Naval Affairs Committee yesterday approved the Johnson Absenteeism

bill which would require that: (1) absentee reports on all workers for contractors or subcontractors of the Navy, War Department, Maritime Commission, and War Shipping Administration and also statistics, needed to determine the extent and causes of absenteeism, be filed with the Labor Department; (2) absentee reports be submitted to Draft Boards by employers seeking deferments for their employees. Meanwhile, on the floor of the House Representative Ed Gossett said John L. Lewis will "become the Benedict Arnold of 1943" if he "carries out his proposed strike of bituminous coal miners" for higher wages in April. "Mr. Lewis," he continued, "now threatens to blow the lid completely from all semblance of inflation control. He has been encouraged in this course by easy victories over various War Labor Boards. If he again has his way, he will initiate another cycle of rising prices." Gossett added that he hoped the President would "take a firm hand in this civil strife." On the other side of the Capitol, AFL President Green, appearing before the Senate Military Affairs Committee, engaged in heated discussion with Senator Holman over the Austin-Wadsworth overall manpower draft bill. (Companion bills are being sponsored in the Senate by Senator Austin and in the House by Representative James W. Wadsworth.) Claiming that it would "directly undermine the most important props of our democracy," Green said that such bills would lead to slave labor conditions. Charging that production delays were chiefly due to "conflicting governmental policies" rather than to labor's shortcomings, he urged that war material be produced in more widely distributed areas, thus bringing the work to the worker instead of vice versa as would be done in an overall manpower draft. In answer to Senator Holman's charge that strikes were slowing production on the west coast, Green answered heatedly, "I know of no strike ordered by any responsible official of the AF of L since Pearl Harbor. Our non-strike record is 98 percent."

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRET  
U.S. SECRETOPTEL NO. 88

Information received up to 7 a.m. 18th March, 1943.

1. NAVAL.

ATTACKS ON SHIPPING. Repeated attacks by U-boat on 17th against 2 homeward bound convoys in Mid-Atlantic resulted in 7 ships being sunk or left sinking and a further 10 torpedoed. 10 U-boats were sighted by aircraft who carried out attacks.

2. MILITARY.

BURMA. Between 13th and 15th the enemy continued his attacks. In the MAYU PENINSULA a small attack on our position from the west was successfully held. In RATHEDAUNG area attack on THAUNG DARA (5 miles north of RATHEDAUNG) was held. Japanese believed infiltrated into area south, north and east of HTIZWE (7 miles north of RATHEDAUNG)

3. AIR OPERATIONS.

WESTERN FRONT. Operations restricted by bad weather.

TUNISIA. 15th/16th. Landing ground at DJEBEL TARBARGA (north-west of GABES) and railway north of SFAX attacked by 15 Bisleys.

16th. Enemy positions in MARETH area and mechanical transport northwest of TOUJANE attacked by 35 escorted Bombers and 24 Fighter Bombers.

MEDITERRANEAN. 16th. 3 SIBEL ferries set on fire west of MARSALA by U.S. Fortresses (B.17)

17th. A 10,000 ton tanker in southbound convoy probably sunk by Beauforts off CAPE STILO. Casualties 2, 2, 10. Ours 2, nil, nil.

BURMA. 15th. Attacks made on viaduct at GO TEIK and a bridge 50 miles north of MYITKYINA.

16th. U.S. aircraft bombed bridges at MYITNGE and PAZUNDAUNG and attacked enemy positions at SUMPRABUM.

4. JAPANESE AIR FORCE.

Since 1st (?) strength of Japanese Air Force in BISMARCK - NEW GUINEA - SOLOMONS area has been brought up to a total of about 440 aircraft. This is the largest concentration that has yet appeared in this area. Strength of Japanese Air Force in CELEBES - AMBOINA - TIMOR area remains unchanged at about 200 aircraft.

March 19, 1943  
9:15 a.m.

FINANCING

Present: Mr. Bell  
Mr. Robbins  
Mr. Buffington  
Mr. Peabody

H.M.JR: What I would like to do is - I have a complaint. I have so many assistants now on this War, Bond drive that I feel completely detached, and I don't feel anything. (Laughter) I wonder if I could know a little bit about what is going on.

MR. ROBBINS: All right, sir, where will we start?

H.M.JR: Any place where they are doing something.

MR. ROBBINS: Let me take a shot at it first; then you fellows piece it up.

H.M.JR: You see what I mean?

MR. ROBBINS: I think that is right. I can understand your position. You are getting your information from so many sources that you haven't--

H.M.JR: Right now I am not getting any. (Laughter)  
I suppose I could say that no news is good news.

MR. ROBBINS: Let's start with the fundamentals of the campaign. Starting with the fundamentals - as you know, you are all set on the basket of securities, that is, the stuff we are going to sell. You are completely familiar, and you know all about that.

We have had some comments from the field on the subject of the hundred-dollar denomination just as we expected. I think those have all been answered.

- 2 -

You have probably had some.

MR. BUFFINGTON: Yes.

MR. ROBBINS: So our merchandise is in good shape and generally completely known and understood. Our quota of merchandise or bonds - securities - to our Federal Reserve Districts has been released. We are having some comments now - some routine types of comments - asking questions, and, of course, the big problem that we mentioned to you yesterday, which Mr. Bell is working on, which has to do with the sale of securities in one Federal Reserve District and the delivery of the securities in another, or the quota being set on the available surpluses in one district--

H.M.JR: I want to interrupt you. If this quota thing is in writing, I would like - if it went out in writing, I would like to have a copy.

MR. ROBBINS: It did.

H.M.JR: Could I be furnished with a copy?

MR. ROBBINS: Yes.

H.M.JR: I am the forgotten man. (Laughter) They are so darned anxious to satisfy the presidents that they forget me. (Laughter)

Somebody at the Federal Reserve ought to get these copies. Do they?

MR. BELL: Yes. Do you want all these bulletins?

H.M.JR: Yes, I want to be on the bulletin list.

MR. BELL: I was asked yesterday, and I said, "No, the Secretary hasn't time to read it."

H.M.JR: If I don't want to read it, that is - I feel as though I were in a thermos bottle. (Laughter)

- 3 -

MR. ROBBINS: Hot or cold? (Laughter)

H.M.JR: Cold.

MR. ROBBINS: That is where we stand on quotas.

On budgets - cash for the field - out of our three million dollars we have distributed all but seven hundred thousand dollars. We have a seven-hundred-thousand-dollar reserve out of the three-million-dollar budget providing a reserve for the anticipated expenses to operate through until the end of the fiscal year. The amounts of money we have sent out are also earmarked to run them not only through the drive, but to the end of the fiscal year. The highest amount given now is four hundred thousand to New York, two hundred thousand to San Francisco, two hundred and forty to Chicago and to Cleveland, and the rest of them a hundred and forty thousand. We have specifically forbidden them to use any of that money to buy newspaper space or radio time. In other words, that money is not to be used for the purpose of advertising as such. It can be used for the filler - in any space we get or any time that is given to us, we will provide the mats and cuts, and so on.

Our local advertising department has been allotted four hundred thousand dollars out of the total amount, that is, the Washington local advertising department. That really breaks down to three hundred and fifty, which is rather accurately forecast for expenses plus a fifty-thousand reserve here on the Washington end.

H.M.JR: That doesn't go to space, and so forth?

MR. ROBBINS: That goes to the operation of that department and the solicitation of cooperation and all of the functions that go on.

MR. BELL: It goes to posters, mats, and cuts.

MR. ROBBINS: And the work on the radio programs, and other things of that kind.

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H.M.JR: Now are you cramped for money? Does that leave you a little tight?

MR. ROBBINS: I don't think so yet. I think we will know a good bit more about that in the next forty-eight hours, because those allotments of money to the field have just hit there. We anticipated we would have a squawk from Cleveland, and we quickly answered that. We also anticipated we would have one from New York, and we have taken care of that.

MR. HUFFINGTON: We did. (Laughter)

MR. ROBBINS: In no uncertain terms. I am not expecting any great call for money from the rest of them. We have seven hundred thousand left in the kitty.

H.M.JR: What else?

MR. ROBBINS: I am thinking of the fundamentals.

Now on advertising - Stuart, why don't you tell the Secretary where we stand on that.

MR. PEABODY: I am just finally catching up with all of it this morning. We are having this meeting this morning with the twelve publicity men. We are going to expose the whole plan. Take these sections individually on radio. We are now after a one-hour show on Sunday which will involve you - plus, if we can get them, General Eisenhower Admiral Halsey or Admiral Nimitz - and the other relations of the thing to the fighting fronts as we have been talking, also the sailor in the South Pacific, the soldier in Africa, plus, if we can get her, a nurse in Africa for the women's angle. That will be what we call the kickoff.

On Monday we are going after every radio station in the United States for a twenty-four-hour bond-selling program on every program that goes on all day long. We are asking the networks to get their best stars and have them go from one program to another all day long the way Lawton did. You remember the way Kate Smith did. From

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that point on for the duration of the campaign we have worked out this device of interrupting well-listened-to programs, such as Jack Benny. In the middle of the program Bob Hope will come in for no reason whatever.

H.M.JR: Mrs. Morgenthau told me about it; I think that is fine.

MR. PEABODY: It is just what we need, because we have to get the change of pace from our continuing effort. They are getting pretty impervious, or may get that way.

H.M.JR: It is like going to sleep when you hear a train every night. (Laughter) That is a very good idea.

MR. PEABODY: I can't give you the details on the rest of it. We are doubling up on the "Treasury Star Parade." We are sending out all of the - we are getting time on the allocations pool. I believe we get fifty percent of all of the allocated time which goes through OWI for the period of the drive. We are going to have an intense radio effort. I think it will be a very effective one.

H.M.JR: Is Rogers--

MR. PEABODY: He is doing a splendid job.

H.M.JR: No friction?

MR. PEABODY: Absolutely none. I have had Rogers get together with all of the section managers over at the WSS. They are working beautifully. They are going along just like a well-matched team.

H.M.JR: Incidentally, you people might just think this over. Nobody suggested asking Elmer Davis for this lunch; I don't know whether he would want to come or not. I don't care, but I am just raising the point.

MR. ROBBINS: That is a very good point. I must admit from my point of view I just relied on Mike Cowles.

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MR. PEABODY: We have--

H.M.JR: I don't care, but--

MR. ROBBINS: The list was made up some time ago. Those things were not thought out, and I have not put my mind to work on it.

H.M.JR: What do you think?

MR. PEABODY: I think I would like to ask Mike about it. Why don't you raise the question?

MR. ROBBINS: Cowles is the official representative of OWI.

H.M.JR: I know. In the room I would just as soon leave it that way, because I made two or three very distinct efforts to get somewhere with Davis, and got nowhere. But since I had those few little meetings with Cowles I have made real progress. I am just raising it, that is all.

MR. ROBBINS: I think this, to come back by way of reporting to you on the fundamentals, that we are marching ahead very nicely in the relationship between Treasury and OWI. It is increasing day by day, don't you think?

MR. PEABODY: Yes.

H.M.JR: Just sitting here I got nowhere with Davis. He wasn't interested and did nothing, but Cowles has been a hundred percent - I just raise the question.

MR. PEABODY: We will check with Mike, Mr. Secretary.

In the newspaper section we are preparing special ads which again attempt to take this off the continuing basis. We are going, we think, on a straight time set-up on these ads instead of the pictorial stuff that we have been running and which will be running through this drive because it is already scheduled. In other words, we want to get a retail type of thing with big smashing headlines in type. The key of the thing - as soon as it is ready -

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and it isn't quite ready yet - we would like to send you what we call our copy platform. It tells what we are trying to do in the way of feeling throughout all this promotion. It is again relating this thing to sacrifice. It has very importantly in it the matter of extra bonds. In other words, we have to say, "Sure, you are saving through the pay-roll plan, but we need extra."

H.M.JR: On this question of sacrifice, have you talked that over with Odegard - that theme?

MR. PEABODY: Mr. Odegard was in the meeting at which we discussed the whole theme. He didn't stay there for the whole meeting, and I did not discuss it with him specifically and individually. He read the copy that we had.

H.M.JR: Was he satisfied?

MR. PEABODY: Yes, the only comment he had to make was that it was too long, which to us in advertising is a customary comment. Everybody thinks advertising copy is too long, but he had no criticism of the theme.

H.M.JR: You are sure of that?

MR. PEABODY: Yes, sir. He offered none. Now, I can check him up on it.

H.M.JR: Just check him up on that word sacrifice - that theme.

MR. ROBBINS: Stuart and I went over some of the copy last night, and some of it is perfectly superb stuff.

MR. PEABODY: It is really terrific.

H.M.JR: Would you mind just--

MR. PEABODY: I understand he is in New York today.

MR. ROBBINS: There or Amherst; he won't be back until the end of the week.

That has to move today.

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MR. PEABODY: But he saw the copy, and the only comment he offered--

MR. ROBBINS: He was in on both big meetings on copy.

MR. PEABODY: The only criticism was that it seemed long to him.

H.M.JR: Don't hold it up. This question of sacrifice has come up once before. I just want to be sure--

MR. ROBBINS: You know, sir, that one of the posters and the best and strongest appeal posters that we have for this campaign - it is a dandy - it is the soldier standing there - a bedraggled, worn-out soldier - and it says, "Remember me? I was at Bataan."

H.M.JR: I didn't know that.

MR. ROBBINS: It is a dandy; it just hits you between the eyes.

MR. PEABODY: It is really stark. Again in that advertising section there is a great background there, Mr. Secretary, of smaller ads and other things that we are sending out that we usually send out now, all keyed to the spirit of this drive. In special events we have the newsreel thing that we discussed yesterday. We have another idea - Duffus has - which I think is very good for a second newsreel short, perhaps breaking about in the middle of the drive. What he wants to do is to effect arrangements to get a single bomber crew by short wave in England. A bomber crew is made up of twelve, fifteen - I don't know how many men.

MR. ROBBINS: Nine usually.

MR. PEABODY: He wants the pilot to come out and say, "I come from Austin, Texas; I am over here doing this. We go over Germany every other night," and so forth, to get in there somewhere, "By the way, do you know that out of my pay check I am buying bonds," which is pretty terrific.

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Then he wants to take the members of the crew successively, and probably they come from Maine clear through to California. They will get a geographical and a very graphic expression of the fact that they are doing more than their bit. I mean, they are buying bonds, and they are over there fighting, too. That is another special event.

H.M.JR: Fine.

MR. PEARBODY: There will be others, but frankly, I can't give you the details right now.

H.M.JR: I feel a little warmer. You warmed me up a little. (Laughter)

MR. PEARBODY: We feel terribly warm about it.

H.M.JR: I feel like I am doing this too much by remote control.

MR. ROBBINS: I want to just take up there and get back to the fundamental part of this campaign. I have had two sessions, one rather extended one yesterday afternoon with the War Savings group. Yesterday afternoon's session was to present the programs for each of the seven broad divisions of their activity, which would be available for the forthcoming drive. We went through them, pay-roll, labor, women, farmers, and so on down the line. Each one of them has a fairly well integrated plan. Most of them are geared to the E bond sale exclusively, but on the other hand not all of them are.

The programs were reviewed, of course, rather hastily. Peter Odegard, as a matter of fact, I think took copies of most of the write-ups of those presentations with him as he went away. Now, my plan there is to finish up with Harold Graves, simply clearing those for action. Now to tie that into our national effort, Harold is going to prepare a summary of these programs and a summary of the facilities of the War Savings group, which will be put in the hands of everybody.

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H.M.JR: I would like to have that reviewed after you get it. I mean, at a meeting like this you might review it, or Harold might.

MR. ROBBINS: It is a terrifically big package.

H.M.JR: Tell Harold we will give him fifteen minutes to summarize it. How is that?

MR. ROBBINS: All right. I think if he had fifteen minutes he would get the things across.

H.M.JR: In fifteen minutes he could summarize it.

I won't be here Monday or Tuesday, incidentally.

MR. ROBBINS: So there our plans have moved ahead to the crystallization of those things.

H.M.JR: Are you satisfied?

MR. ROBBINS: Partly so, but not entirely. I think we can plus them up a little bit. However, they are going to move.

H.M.JR: But you feel on this part that they want to move?

MR. ROBBINS: Yes, and I feel that anything we would do to hold up any fluidity of action would be bad.

H.M.JR: There is no holding back on their part?

MR. ROBBINS: No.

MR. BELL: Is that all taken out of that memorandum that Sloan wrote of the programs they had in contemplation?

MR. ROBBINS: I don't know the memo you refer to.

MR. BUFFINGTON: That was only advertising, Dan.

MR. BELL: I thought it was advertising and promotion; it was a big one.

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MR. ROBBINS: It is a mass of stuff.

H.M.JR: We will give him fifteen minutes when I get back to review it.

MR. PEABODY: He can high-spot it.

MR. ROBBINS: To get you another fundamental - George, why don't you tell where your group stands - your manual and your equipment.

MR. BUFFINGTON: The manual and the supplementary information on the securities in the manual is out in the hands being printed for all Federal Reserve Districts. Another piece which we will show to you next week, if copies are available, is a summary of all the various issues set up. It is rather attractive. Third is a table just briefly telling the various issues for reference of salesmen. All that material is in the field in the process of being printed and distributed.

MR. PEABODY: I would like to say at that point that those things are awfully good jobs, too. We have had some very favorable comments. The manual, for instance, Mr. Secretary, is so good that we felt we could take it and put it in the hands of the layest minded of all lay workers and they could still use it. It is just as simple and clear, and I would like, if I can, to take one minute to say that I think this staff around here - Mr. Buffington's and Mr. Graves' - have done a perfectly astounding job on this thing.

H.M.JR: Good.

MR. PEABODY: I came in completely with an open mind. I find absolutely nothing but enthusiasm, nothing but cooperation, and the amount of stuff they have turned out since March 5 is--

MR. ROBBINS: It is amazing.

MR. PEABODY: It is simply astonishing. It is remarkable. Bill and I were saying yesterday that we never

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in the world could get this sort of thing out of our own businesses.

H.M.JR: That is what I like to hear.

MR. ROBBINS: Lightning speed.

H.M.JR: I like to hear it from you people - particularly your saying you couldn't get it out of your own businesses - I mean, it is encouraging to me.

MR. PEABODY: It is a splendid group of men, and they are cooperative, and they are doing a splendid job.

H.M.JR: If I may make the suggestion - I don't think it will do any harm, and a lot of good, if you could drop that remark to them.

MR. ROBBINS: Don't think I haven't taken that opportunity, sir, and I will do it more as the opportunity presents itself. After all, it was part of what we want to say here in the morning, and part of the comments--

H.M.JR: What time is your meeting?

MR. ROBBINS: Ten o'clock.

H.M.JR: Would you like me to pop in there for a minute?

MR. ROBBINS: Yes, indeed.

H.M.JR: I could come in there about quarter of eleven.

MR. PEABODY: Any time I think would be all right.

MR. ROBBINS: Come in for five minutes any time at your convenience. There won't be anybody in the room who will know all these people so I presume when you come in you can walk around and shake hands with them, and they will introduce themselves. None of us will know them quick enough to give you proper introduction.

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H.M.JR: I want to keep in touch with this. I don't want to lose touch.

MR. BELL: The bankers manual is out, too.

MR. BUFFINGTON: Yes, and we are sending a letter at McLarin's suggestion to the presidents of the banks suggesting they call that to the member banks' attention in their districts.

H.M.JR: I know I am repeating myself, but I think it would be very good ball if you get the opportunity to say just what you said about the staff here.

MR. ROBBINS: It is part of the show this morning.

H.M.JR: I am thinking more of the war Savings Staff.

MR. ROBBINS: They are going to be there.

MR. PEABODY: We are not going to make any master presentation. It is in front of the field men. The way we are going to handle this this morning is, we are just going to open it up and then each man who has been responsible for a development of a part of this is going to explain it.

MR. ROBBINS: I wish you had time to come over and watch this thing.

H.M.JR: Where is it?

MR. ROBBINS: In the chart room. At our meeting this morning, just so you will know, we are going to again put on Lindow with his charts. We find that that is great stuff. It gives them a background and brings them in; it gives them a folklore of the problem. Then we are going - Stuart is going to take the advertising and promotional part of the plan and toss the ball a round from one fellow to the other.

H.M.JR: Then Lindow will be on for the first hour. I have heard the story.

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MR. PEABODY: He does it now in forty-five minutes.

H.M.JR: All right, it sounds good to me; it is encouraging.

MR. BELL: I think they would like to know how much of this advertising copy you want to see.

H.M.JR: I have an understanding with them that as it gets into visual form he is going to put it up.

MR. ROBBINS: Let's be sure you understand this. This newspaper copy that we approved and went over last night has got to go.

H.M.JR: On this you don't have to hold up anything.

MR. PEABODY: That is splendid.

MR. ROBBINS: You are going to be pleased, too, because that is wonderful copy.

H.M.JR: My relationship with you people, now that we have this thing set - you don't have to hold anything for me now, but I do like to keep abreast with it. I don't necessarily want to be ahead. You don't have to hold anything up. Just keep moving. If something happens that I don't like, I will tell you so, but there won't be any recriminations.

March 19, 1943  
9:40 a.m.

## GROUP

Present: Mr. Bell  
Mr. Gaston  
Mr. Sullivan  
Mr. White  
Mr. Thompson  
Mr. Paul  
Mr. Blough  
Mr. Haas  
Mrs. Klotz

H.M. JR: Norman?

MR. THOMPSON: I have nothing this morning, sir.

MR. SULLIVAN: Harry and I went up to see Andy Somers yesterday afternoon and had a very satisfactory conference.

He is impatient to get started. He wants to start his hearings - and have short ones - probably week after next. I told him we wouldn't be able to tell him the date to start until next Wednesday.

H.M. JR: Does that mean I have to appear?

MR. SULLIVAN: I think you should.

H.M. JR: Wednesday?

MR. SULLIVAN: No, no, we won't be started that day. We would tell him next Wednesday when we would be ready to go.

H.M. JR: You and Harry are together on this?

MR. SULLIVAN: Yes, sir.

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H.M.JR: Before I go up to testify, I will have to take three or four hours to get together with you.

MR. SULLIVAN: You sent in to me some material that Mr. Blough gathered for you on the High Standard Manufacturing Company.

H.M.JR: And there is a note which I dictated to you, too.

MR. SULLIVAN: I didn't get the note.

H.M.JR: It is on the machine.

MR. SULLIVAN: Yesterday when Mr. Blough showed me that, before it was brought in to you, I telephoned the Bureau. They are getting out those returns.

H.M.JR: The point is - you will get my note - they have an American contract and an English contract. Supposing we disallow two million three, or whatever it is, on the American, would we notify the English of that?

MR. SULLIVAN: No. Our disallowance would be for income-tax purposes and in no way would affect the British at all.

H.M.JR: I know, but--

MR. SULLIVAN: For renegotiation I think the idea of having the fee split between these two corporations is so that on the surface the net profit of the manufacturing company will appear to be small. I am going to call Army and Navy and find out who has that contract and discuss that phase with them.

But you are asking whether or not our renegotiation would affect the price the British would pay?

H.M.JR: Yes.

MR. SULLIVAN: I think the answer is no.

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H.M.JR: Supposing we disallowed two million three, or whatever it is - a couple of million dollars - and they have an identical contract with the British, would we let the British know? In other words, are you going to let them charge this extra amount to the British after we disallow it?

MR. SULLIVAN: No, the British knew about that.

H.M.JR: But they can't know that we are going to disallow it.

MR. SULLIVAN: I think at the time the British executed their contract it was known that this five percent of the gross was going to be paid to the Dixwell Company.

H.M.JR: But then we just disallow it on the income tax?

MR. SULLIVAN: No, I want to follow it further and see that it is disallowed on the renegotiation of the amount that the War Department--

H.M.JR: But supposing we are successful on that, then do we advise the British?

MR. SULLIVAN: I don't know what the practice of the War Department is.

H.M.JR: That is what I have dictated to you.

MR. SULLIVAN: I will find out.

H.M.JR: It seemed to me that we should - I mean, if we are going to get the thing for less money - just to make it simple, in this case say each places an order for twelve thousand machine guns, and we say, "All right, we will pay you two million less." Oughtn't we to tell the British we are going to get it for two million less? That is my point.

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MR. SULLIVAN: I will find out. We have the authority to renegotiate that price downward, and the British haven't.

H.M.JR: I am bringing it to your attention.

MR. SULLIVAN: Yes, sir.

H.M.JR: I think we ought to do something for them along those lines.

There can't be very many of those contracts left. These must be old contracts placed prior to Lend-Lease.

MR. SULLIVAN: That is right.

H.M.JR: George? .

MR. HAAS: I have nothing.

H.M.JR: Everybody is speaking very highly of the work that Lindow is doing. They are using him quite extensively.

MR. HAAS: I am glad to hear it.

H.M.JR: They say he is very useful on this War Bond drive.

MR. HAAS: He has a good story on the source of funds.

H.M.JR: Yes.

MR. PAUL: I have nothing.

H.M.JR: Anything new with Doughton?

MR. PAUL: Oh, yes, I dictated a memorandum to you. I was up there yesterday afternoon, and Doughton and Cooper and Disney were present. That is the first time

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Disney has gone into it. Stam also attended. Stam and I agreed on the law, and it was explained to the Chairman that he had the power but that he would have to act as a committee in executive session. When he heard that, he didn't let them do anything because he didn't want to bring it up before the committee. His idea had been that he could act as Chairman without informing the committee.

So it was agreed by those present that they would do nothing.

H.M.JR: Did you have a chance to tell the Chairman what we were doing - helping to draft bills?

MR. PAUL: Yes, I brought that up, and the Chairman said that we should do whatever we pleased about that.

H.M.JR: At least he knows about it.

MR. PAUL: And in the course of it, Jere Cooper brought forward the idea that we were drafting one for him. The Chairman emphasized the idea he wanted our support, and I told him about your press conference. I told him I would send him an excerpt from it showing exactly what you said.

He said he hoped you would get my support, and I told him that I would keep my mouth completely shut; that I was backing - I was behind you and behind the President, and I wouldn't say anything that would do any damage.

But I said, "I cannot be responsible for all the rumors that fly around this town, because you know the position the Treasury has taken in the private hearings, and I can't do anything about that."

H.M.JR: Did you have a chance to talk to him about Mr. X? I mean the legality?

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MR. PAUL: I talked to him - we talked that all over, if I understand your question, and that is where he decided not to do anything.

H.M.JR: Is that in your memo?

MR. BELL: That is what he just said.

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

MR. PAUL: I talked to him about that question, explained the law to him. Stam agreed with me. He didn't want to take any action because he had to do it as a committee. He didn't want to bring it up before the committee.

H.M.JR: I didn't get that. So it is dead?

MR. PAUL: As I point out in my memorandum, he has to act as a committee and it has to be presented in executive session. So when he found that out - and Stam agreed that that was the law - he didn't want to act because of the Republican minority.

There was one other point brought out by Disney, irrespective of that legal point. Disney thought if the amount was fairly small it should not be done anyway; that if the amount was large he was in favor of doing it. By large he meant twenty-five or fifty thousand dollars.

Of course I was on thin ice because I couldn't tell them what the amount was or I would be violating the law.

H.M.JR: Who was there besides the Chairman, Disney, and Cooper?

MR. PAUL: And Stam.

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H.M.JR: Did Disney know who the person was?

MR. PAUL: Oh, yes. It was frank talk about that, and they were rather annoyed that they couldn't do anything. They resented the fact that this man is travelling all over the country reforming taxes and he hasn't put his own house in order.

H.M.JR: Anything else?

MR. PAUL: That is all.

H.M.JR: Harry?

MR. WHITE: We have been having a number of meetings - rather lengthy meetings - with the State Department, the Army, and BEW, considering quite a range of problems in connection with occupation. They are all heading up into some recommendations, but they won't come to your attention until the preliminary recommendations are made, for your comment.

We have also been having meetings with State and Lend-Lease and BEW on the British dollar position. It is going over a billion dollars. We all agree that something should be done. We are preparing recommendations which will come to you for consideration.

The same thing is true with Canada. We have been having meetings on Canada. They, too, are running ahead, and something will probably have to be done there. But it will be done by the Joint Board rather than by anything we will do. We merely inform them of the status of the dollar position, and they then explore and see what ways they can have of reducing it.

That was the understanding had with Wilson's group.

The press release will be cleared with the State Department this morning and cleared with the British probably this noon. I will give it to Chick Schwarz.

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Now, whether you want to handle it at a press conference or whether you want to give it out is something you will decide with him, I gather.

H.M.JR: I would give it out, and if they want to ask questions - Saturday morning is a good morning to have it come out, and if they want to ask any questions you could assist Schwarz.

MR. WHITE: All right.

H.M.JR: Anything else?

MR. WHITE: That is all.

MR. BELL: Jack McCloy is back from North Africa. He called me last night, and he said that he understood there was to be a meeting in the State Department this morning - or some time today - on the price that the British would pay for goods over there and the price we would charge. I believe that was all involved.

He particularly wanted you (White) to be present, and after that was over he said he would like to come over and talk with you and me about personnel in North Africa.

He said that as far as he could see they needed to have some fiscal and monetary people there to go over that whole financial picture and make recommendations.

I told him the people we had sent. He didn't meet any of them. The only person he saw while there was Taylor.

But he was quite concerned about the financial situation and thought that he ought to do something about it.

MR. WHITE: We discussed that at one of the meetings, but they are also discussing it at several other committees.

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I would merely say that the situation with respect to the handling of these problems on any kind of a formal basis has increased in confusion. They are being discussed, but the left hand doesn't know what the right hand is doing.

But we have discussed it, and so far as the decisions that we make here with the Army and with the State, they are very clear and emanate in telegrams. But there are a lot of other committees that meet and are considering the same thing. In other words, the situation so far as the formal handling of it has not improved.

In fact, the State Department had a meeting to consider problems with respect to Tangier and Spanish Morocco. They did not invite the Treasury.

The Army - General Carter asked us - he raised some problems with respect to that, which you (Bell) said were rather urgent. We had a special meeting with them, and I invited some people from the State Department, in which we discussed questions which General Carter raised on Tangier. That is about the way the things go.

H.M. JR: Herbert?

MR. GASTON: Would you want us, Elmer Ireys, Harold, and I, to go ahead and work out something with OPA? Would you like to talk to Elmer, Harold and I?

H.M. JR: When I had this conversation with Prentiss Brown he said he would put the head of his enforcement in touch with Ireys.

MR. GASTON: Emerson had been over to see Elmer and me before you had that conversation. That letter was drafted as a result of that. But we were rather waiting to see if you wanted to talk to us before we went ahead with that.

H.M. JR: No, and I would leave Graves out. He isn't well, and he has got all he can swing.

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MR. GASTON: I would propose to follow your lead and undertake one or two major investigations, but hold it for the present to a minimum and try to encourage them to build up their own force to handle the bulk of that sort of thing.

H.M.JR: That is right.

MR. GASTON: The Senators from Arizona have proposed Wirt Bowman as collector of customs in Arizona. Wirt Bowman has a pretty bad record. He was involved in this Tia Juana race track, and he admits that he was the bag man. He paid out considerable funds in graft to Mexican officials to keep the Tia Juana track open. He was a great friend of P. Elias Calles.

There are some other very questionable things on his record, and it looks, in reviewing his record in the Bureau - the Internal Revenue Bureau - as if we have another tax case against him.

I want to take a strong position with the Senators and tell them we can't consider him, if it is all right with you.

H.M.JR: Sure.

What else?

MR. GASTON: That is all.

MR. PAUL: There is one more thing I forgot. The Finance Committee called up and said that they - there was a meeting at ten-thirty this morning on the twenty-five-thousand-dollar bill - they said they didn't need anybody but Surrey, just to advise them on the technical aspects. I told them to clear with John.

MR. SULLIVAN: I told them to clear with Ben, that he would give them all the technical help they wanted.

- 11 -

I should have told you when talking about the conference yesterday afternoon that Somers referred to that story that was in the paper Tuesday. He said, "You probably were surprised to see the things that you told me in the conference, but the newspapermen already knew it through leaks across the water."

Then we referred to the statement he made, that he wanted a letter from the President. He said that he never said any such thing and that he did not need a letter from the President.

H.M.JR: This man who wrote that story - Dickson, or whatever his name is - is very unreliable.

MR. PAUL: Very. He is the one that pulled that story on me as if it were an interview. It was a speech that was a week old.

MR. SULLIVAN: I want to clear the record because I told you Monday I thought there was a request for an extension by Mr. X. The man who told me that told me Tuesday, or Wednesday, rather, over the phone that he had made a mistake; that Mr. X had requested an extension and it had been denied. That was on March 15, '41. He had requested an extension through his attorneys, and the request had been denied.

MR. PAUL: '41?

MR. SULLIVAN: Yes, when the return was filed.

H.M.JR: On which return did he ask for--

MR. SULLIVAN: 1941. March 15 he asked for an extension.

MR. PAUL: That would be his '40 return.

MR. SULLIVAN: I beg your pardon, '42.

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H.M.JR: Please say it all over. I never got more misinformation on anything. Every time I have to get it about three times. I mean, I get more statements which are incorrect.

What is the question?

MR. SULLIVAN: I told you last Monday that I understood that Mr. McNamara had granted an extension in the payment of the December 15 installment. That is what Mr. McNamara had told me. That night Mr. McNamara went to New York. I talked with him on the telephone on Wednesday, and he said that he had been misinformed on that, that his memory had tricked him on that, and that it hadn't been a request for an extension on the payment of the December installment.

He said it had been a request for an extension in filing the return and that he had denied that request.

H.M.JR: Isn't that all in writing?

MR. SULLIVAN: I am just telling you.

H.M.JR: Isn't that in writing, the request for an extension?

MR. SULLIVAN: No. It was made orally by a member of his law firm.

H.M.JR: And it was covering which tax year, that he wanted the extension?

MR. SULLIVAN: On March 15, 1942, covering the tax on 1941 income.

H.M.JR: It is that year which he still owes us for?

MR. SULLIVAN: That is correct.

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MR. PAUL: Has there been any request for '42?

MR. SULLIVAN: That return has been filed.

MR. BELL: What about the Byrnes' committee?

H.M.JR: I am not going.

MR. BELL: Want me to go?

H.M.JR: I hate to ask you to go.

MR. BELL: I can, I guess.

H.M.JR: It is today, is it?

MR. BELL: Yes.

H.M.JR: I just couldn't go.

MR. BELL: All right.

March 19, 1943  
10:23 a.m.

HMJr: Hello.

Justice  
Byrnes: Henry?

HMJr: In person.

B: How are you? (Laughs)

HMJr: Fine.

B: Are you - are you going to be able to attend  
my Advisory Board meeting?

HMJr: Well, I - I'd forgotten about it, and I've  
made an appointment with my osteopath....

B: Well, that's important, but....

HMJr: ....for 11:15.

B: Let me talk to you about that a minute.

HMJr: About the osteopath?

B: The - I - I hope that the....

HMJr: I....

B: ....osteopath is not at the Hopkins Institute.

HMJr: (Laughs)

B: Now that's a damn serious thing for you to be  
stating, as scandal gets out just that way....

HMJr: (Laughs)

B: ....anybody this close to Harry Hopkins, talks  
about osteopath and massage. (Laughs)

HMJr: (Laughs)

B: Now, Henry....

HMJr: Yeah.

- 2 -

B: At the first meeting of the - of this Board....

HMJr: Yeah.

B: ....you were not present....

HMJr: Yeah.

B: ....and they adopted a rule that if a member could not be present that he could not appoint an alternate....

HMJr: Oh.

B: ....except in the case of a Cabinet member when - if he was out of the city or sick, if there was an Acting Secretary that he could. Really the purpose of it was to prevent the public representative who - who might be unable to come to appoint somebody who would come in and might subject Cabinet members to all kinds of questions....

HMJr: Yeah.

B: ....that would be embarrassing.

HMJr: Yeah.

B: And the Cabinet - it really was suggested by a member of the Cabinet to me.

HMJr: Yeah.

B: And we have - it has been enforced as to the public members, Green and Murray and O'Neill and Patton, who might have appointed somebody in their offices here, and because of that - I know the thing is not interesting to you, and I hate....

HMJr: No, that isn't it.

B: ....I hate to be - hated to have you bothered with it, but it puts me in a little bad with these fellows when the other members have not failed to observe it - I mean I've - I....

HMJr: Well, don't....

- 3 -

- B: ....present it to you.
- HMJr: What - what - don't be so diplomatic in....
- B: Well, I mean - I know that a fellow who's interested in taxes and credit, unless it happens to be that kind of subject, might not be interested in a discussion of the - like Donald Nelson had this morning on war model, but I - I know that these - when these other fellows tell me that they can't be present - but they are not - if they're not here they just - they can't send an alternate.
- HMJr: Well, the point is you don't want an alternate, is that it?
- B: Unless a man - under the rule - the rule reads that unless a man is an Acting Secretary.
- HMJr: I - unless I'm out of town.
- B: But if - or if a man's sick.
- HMJr: I see.
- B: And a man's Acting Secretary, that - the - that's the same. It's really the - it's the same rule as to the Cabinet....
- HMJr: Well, of course.....
- B: ....and the President had told me that was the only way I was going to get along, and he was about right on it.
- HMJr: Well, we'd be very glad to conform to the rule.
- B: And - but when I tell you that, I hope you'll tell Dan Bell.
- HMJr: Sure.
- B: If I could put it in writing what I think of Dan Bell, I - it's apt to say that he's the most efficient and the most well-balanced Government administrator that I've seen in my time, and I'm - I'm devoted personally to him, and I just haven't had the - the temerity to mention it to him.

- 4 -

HMJr: No, well, I - I - we'll be very glad to play the game according to your rules.

B: Well now, that - really, it's the rules of the committee, because they were suggested....

HMJr: Right. And don't think I'm not interested, but....

B: Well, I know that sometimes you can't....

HMJr: I tell you - I'll - it's awfully hard - I mean I am going to the osteopath at 11:15 this morning, and it's awfully hard on Cabinet day particularly to attend a meeting for two hours with you and then two hours in the afternoon, and it doesn't leave an awful lot....

B: I want to make a suggestion to you about it.

HMJr: Yes.

B: Why don't you, when you can, without staying the two hours, put in an appearance and then have an engagement which would - would be fine.

HMJr: Good. I'll do it.

B: I mean whenever you feel that....

HMJr: I'll do that the next time.

B: Yeah, if you'll just put in an engagement - put in an appearance, and if you have an engagement, if you are busy about anything, and that will straighten us both out.

HMJr: Fine.

B: How are you getting on?

HMJr: Getting on all right.

B: What did you hear from the Senate Committee?

HMJr: Well, they - I'm not up to the minute on that....

- 5 -

B: I'm not either. I haven't called.

HMJr: ....but the last I heard was that - this morning they told me that they'd been talking to your boys and they want technical assistance and, as I understand it, we're going to furnish them that.

B: That the Committee talked to us?

HMJr: Well, I....

B: Or I suppose Randolph has.

HMJr: Well, it's - no, I - you'd better not - that's - he gave it to me on the run. It was John Sullivan.

B: Yeah, John's back there.

HMJr: John's back, and I - my....

B: Well, if John's there it's all right. He'll look after it.

HMJr: John's back and my - I think he said he talked to Ben Cohen.

B: Yeah.

HMJr: He sort of told it to me on the run.

B: Fine.

HMJr: But John's back and my - I think what he said was that he was going to handle it with Ben and the Committee.

B: Fine. Well, John - John will - he knows the whole thing and he knows how to handle the people too.

HMJr: St. Patrick's Day is over and John's back.

B: (Laughs) Is that what he was doing?

HMJr: Sure.

B: Well, I didn't know it.

- 6 -

HMJr: Sure.

B: Old Frank Walker had....

HMJr: It takes one day to get ready, one day to celebrate, and one day to get over it.

B: Well, that - that's fair enough....

HMJr: All right.

B: ....if you talk to an Irishman.

HMJr: That's right.

B: (Laughs) Goodbye.

HMJr: Goodbye.

March 19, 1943  
10:30 a.m.

HMJr: ....talked to me on another matter, and he said, "What have you heard from the Senate Committee?" And I said that I understood, because I didn't get it quite right this -- I think I had it right -- that you had - that the Committee - the Senate Committee had asked for technical assistance....

John L.  
Sullivan:

That's right.

HMJr:

....and we were going to furnish it.

S:

That's right.

HMJr:

And that you had been in touch with Ben Cohen.

S:

That's correct.

HMJr:

Is that correct?

S:

Yes, sir.

HMJr:

Well, then I gave him the correct story.

S:

Yes, sir.

HMJr:

Thank you.

S:

Yes, sir.

March 19, 1943  
12:07 p.m.

HMJr: Hello. Hello.

Operator: Miss Brady.

HMJr: Hello.

Kathryn  
Brady: Hello, Mr. Secretary.

HMJr: How are you?

B: Well, I'm delighted to have this opportunity  
to thank you for being so kind to me.

HMJr: Well, I don't know. We just missed you,  
that's all.

B: Well, you were awfully sweet, and I really  
did enjoy that Fruit-of-the-Month.

HMJr: Good. Are you feeling better?

B: Oh, I feel fine. I've been back on the job  
now about three weeks.

HMJr: Oh, I didn't know that.

B: Yes, sir. What can I do for you?

HMJr: Well, when I was with the President yesterday,  
he said he was going to call up John  
McCormack....

B: Yes.

HMJr: ....and tell him to get behind the tax bill.

B: Uh huh.

HMJr: And I thought you might remind him of it,  
you see?

B: All right, sir. I'll make a memorandum on  
it right away.

HMJr: And that's all.

- 2 -

B: All right, sir.

HMJr: Thank you.

B: Thank you.

March 19, 1943  
12:37 p.m.

HMJr: Hello.

Operator: Mr. Early.

HMJr: Right.

Operator: Go ahead.

HMJr: Hello.

Stephen  
Early: Hello, Henry.

HMJr: Hello, Steve.

E: I've been checking with the newsreel people  
on the matter that you took up yesterday morn-  
ing....

HMJr: Right.

E: ....and I find that in order to get that story  
running in the theatres on the 12th....

HMJr: Yeah.

E: ....it will have to be made on the 7th.

HMJr: On the 7th.

E: Yeah.

HMJr: I see.

E: So that's the date I'll tentatively fix here.

HMJr: Right.

E: And I thought I'd better tell you so your  
people could get prepared.

HMJr: Right. I'll tell them that.

E: All right.

HMJr: April 7th.

- 2 -

E: April 7th.  
HMJr: Thank you so much.  
E: All right.  
HMJr: Goodbye.  
E: Goodbye.

March 19, 1943  
12:39 p.m.

HMJr: Guy?

Guy  
Helvering: Yes.

HMJr: What's the latest on the tax situation - tax returns?

H: Well, I haven't got anything....

HMJr: Newer?

H: ....much new, Mr. Secretary, because I didn't request anything today.

HMJr: Well, I didn't know - I was going over to Cabinet. I didn't know.

H: Well, you might - in the Second New York, I'd have - when I had that other matter up with that collector....

HMJr: Yeah.

H: ....that we talked about yesterday....

HMJr: Yeah.

H: ....he told me that they had deposited \$274,600,000.00....

HMJr: Yeah.

H: ....and he estimated that they would deposit today or the first thing in the morning \$70,000,000.00 more, which would make him \$344,000,000.00....

HMJr: Good.

H: ....which is within about \$6,000,000.00 or \$5,400,000.00 of what we estimated he would get in up there.

HMJr: Good.

- 2 -

H: He's handled most of his returns. He don't have so many returns but he has the big ones, you know.

HMJr: Yeah. Okay. Thank you.

H: And the Maryland District said they're getting along fine, and I haven't had anything else this morning.

HMJr: All right. Thank you. Goodbye.

MEMORANDUM

March 19, 1943.

TO: The Secretary  
FROM: Mr. Sullivan

JWS

I am returning herewith the clipping from the New York Times sent to you by Mayor LaGuardia when he protested against the action of Internal Revenue Collector William J. Pedrick publicly opposing increases in municipal sales taxes. Yesterday I phoned Collector Pedrick and advised him that this activity was disapproved by the Treasury Department and expressed the hope that it would not be repeated. His assurance that he would never again do a thing of this nature indicated that he must have known he was wrong in participating in this movement and in the statement that he made.

This morning I succeeded in reaching Mayor LaGuardia on the phone and advised him that the Collector's participation and statement were made without the approval or knowledge of the Treasury Department. I also advised him that there would be no repetition of this type of activity by the Collector.

Dear Henry: - Mailing <sup>1286</sup>  
from home - Florida  
Mills

THE MAYOR OF THE CITY OF NEW YORK

## FOES OF SALES TAX PLAN INTENSE FIGHT

Mayor and Councilmen to Be  
Bombarded With Protests  
Against Proposed Rise

### VARIED GROUPS OPPOSE IT

They Are Said to Number 125  
—Possibility of Passage  
by April 1 Is Ended

Plans to bombard Mayor La Guardia and members of the City Council with oral and written protests against the proposed doubling of the city sales tax were made yesterday at a meeting in the Hotel Commodore.

Representatives of eighty-five civic and trade organizations attended, according to Walter Hoving, chairman of the Anti-Sales Tax Committee, who presided. Mr. Hoving emphasized that the attendance included many small retailers, as well as representatives of the left-wing National Lawyers Guild and various consumers' groups. This was in reply to the Mayor's radio broadcast last Sunday, in which he stigmatized "profit-groggy" department stores as constituting the opposition.

At a meeting of the Council yesterday leaders of the Democratic majority announced that no action would be taken on the Mayor's proposals to increase the sales tax and other emergency taxes until he submitted his 1943-44 budget to the Board of Estimate on April 1. This precludes the possibility of the increase becoming effective on April 1, as provided in the bills introduced last week by Council President Newbold Morris.

Guild, who agreed there were other sources of revenue to keep essential city services going; Mrs. Lucille Perlman of the Brooklyn Non-Partisan Conference on War-Time Legislation, who urged that mass meetings of consumers be held; Isidore Zimmerman of the Retail Haberdashery Association of New York; Robert F. Brown of the Jamaica Chamber of Commerce; Austin J. McSweeney of the United Retail Liquor Dealers of Manhattan; Sumner Berde of the Allied Civic Defense of Brooklyn; Milton Moskoff of the New York Pharmaceutical Council; and Frank Beal of the Queens Community Council.

Additional emergency tax bills were introduced by Mr. Morris at yesterday's council meeting to increase the compensating use tax on goods bought outside the city limits from 1 to 2 per cent, the gross business tax from one-twentieth to one-tenth of 1 per cent, and the financial business tax from one-tenth to one-fifth of 1 per cent. The utility business and conduit company taxes would be reimposed without increases.

The Council's committee on finance, in which the bills were referred, will hold a regularly scheduled meeting next Monday, but, according to Councilman Joseph E. Kinaley, Bronx Democrat and chairman of the committee, it is not expected that the tax measures will be considered at that meeting.

### Council Hearing Overlooked

Joseph T. Sharkey, vice chairman and majority leader, announced tentative plans for the Finance Committee to hold a public hearing on Friday and said the Council did not intend to be "stampeded" by either side. He added that he wanted to see the Mayor's budget before doing anything about the tax increases.

In Albany the Rules Committee of the Assembly reported out last night for passage tomorrow the Moffat bill giving New York City the right to increase the sales tax and other business taxes. Although the Republican leaders have indicated their certainty that they have the votes to pass it, vigorous debate is expected.

The Democratic leadership has agreed to oppose the measure both in Albany and at City Hall.

Mr. Hoving outlined the following program for the 125 organizations, representing 75,000 business establishments, which he said had united in opposition to the bill that would raise the tax from 1 to 3 per cent:

1. All members of all organizations to write and encourage their customers and friends to write letters to the Councilmen.

2. Every organization to appoint a committee of five to see all Councilmen, in addition to a central group representing the overall committee, to do likewise.

3. Each organization to designate a spokesman to make a three-minute talk when the Council holds its public hearing, which some expect to be some day next week.

4. All stores to display petitions, to be prepared by the general committee, for customers to sign.

5. All organizations to support a press and radio campaign against the bill now before the City Council.

Mr. Hoving warned that if the present bill was passed there might be an attempt next year to make the tax permanent.

A sales tax discourages trade, he declared, adding that New York was especially vulnerable in this respect "because it is bounded by populous, sales-tax-free marketing areas, both within and outside the borders of the State of New York."

### Fedrick Opposes Increase

Captain William J. Fedrick of the Fifth Avenue Association, who is Collector of Internal Revenue for the Second District, said that he knew something about taxes from listening to the recent pleas of Federal taxpayers.

"If the Mayor and the Council want to know the real reasons why this community can't stand any more tax's, let them come down to my office and I'll show them that the people are just about taxed to the limit," he said.

William Middleton, representing the Citizens Budget Commission, declared that the official estimate of a \$22,000,000 deficit if the sales tax was not increased was too high by \$2,000,000.

Other speakers included Martin Popper of the National Lawyers

March 19, 1943  
3:48 p.m.

HMJr: Hello.

Operator: Congressman McCormack.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Cong. John McCormack: Henry - John McCormack.

HMJr: Go - yes, John.

M: Do you remember the other day you said you had a plan that'd never been submitted.

HMJr: Yeah.

M: You noticed how - how it affected me, much as I tried to hide my inward feelings.

HMJr: Yeah.

M: Could I get that plan for my own personal information?

HMJr: Oh, God, John!

M: What?

HMJr: I said, "Oh, God, John!" (Laughs) That's what I....

M: No, I don't - then I don't want you to.

HMJr: That's what I said. Well, now let - let's talk a minute. I'm in this position where - the Chairman of the Ways and Means Committee asked that the President and I back him publicly, which we've done.

M: And which I've - which we've all done.

- 2 -

HMJr: Yeah. Now I give you something else, where does it leave me?

M: Yeah. Well, of course, you know what's going to happen up here, don't you....

HMJr: No.

M: ....in all probability?

HMJr: No.

M: You're going to have general confusion.

HMJr: Yeah.

M: And out of confusion must come order.

HMJr: Yeah.

M: Sometime there - there - sometime there's - probably during a debate -- I don't know when -- it'll arise the situation where leadership will - of some kind will have to evidence itself.

HMJr: Yeah. Well, look, where are you going to be tomorrow morning around eleven o'clock or around nine o'clock?

M: Well, around nine o'clock I'll be in my hotel. No, no, tomorrow morning?

HMJr: Saturday.

M: Well, I'm going to - tomorrow morning I've got a - I've got to - let me see, at nine o'clock - that refreshes my memory. I promised to go to church with Mrs. McCormack.

HMJr: I see. Well, when will you be back from church?

M: I'll be in my office about half-past ten.

HMJr: You would - you wouldn't be stopping by this way or going in this direction?

M: Well, I could drop over Monday morning.

- 3 -

HMJr: I won't be here. That's the trouble.

M: What's that?

HMJr: I won't be here Monday and Tuesday.

M: Yeah. Well, suppose when I get back to my office I'll give you a call.

HMJr: Will you?

M: Yes.

HMJr: This is....

M: I don't want - I don't want you to be - well, I tell you what I think would be better, Henry.

HMJr: Yeah.

M: Better not let us talk so we then both have a clear conscience, and if the situation arises where - where after the debate has gone on I - I want to get the information, then I'll get a hold of you.

HMJr: Well, the way I feel it's whether it's you or anybody up there - I - the only thing I've got that's any good is my word and good faith.

M: Well, that's the - that - and - and - and that's - and that's one thing that men have control over.

HMJr: Now you were there, and the Ways and Means Committee didn't report out the kind of bill that we wanted, and we don't make - to them - we told them so. They know what we want, and - but if I did something with you, I think Doughton would have a right to accuse me of bad faith.

M: I think so, if discovered, yes.

HMJr: Don't you think - well, you....

M: Yes.

- 4 -

HMJr: ....you can't do anything that isn't dis.. -  
and you don't want me to.

M: No. Well, I think upon - I think that's a....

HMJr: You....

M: Of course, so far as I'm concerned I want all  
the information I can get.

HMJr: Well, but we've - we can do that, but the way  
you put it to me definitely puts me on the spot.

M: Yeah, well, then I won't press it, Henry, and  
if I - if I - if the situation develops....

HMJr: Yeah.

M: ....during the debate where it can be - I can  
call you up, and....

HMJr: I'll - I'll come up in the first - I'll run up  
there.

M: All right, fine.

HMJr: How's that?

M: Because I look for - I look for confusion during  
the debate....

HMJr: Yeah.

M: ....and the - and sometime during the debate,  
particularly under the 5-minute rule, I think  
they're going to start running for help.

HMJr: Well, don't you think, on second thought, that  
I'm right?

M: Yes, that's - yes, I think you're absolutely  
right.

HMJr: Okay.

M: I - I'm not pressing it.

- 5 -

HMJr: Well, I know you're not. If you were - well, you....

M: And at the right time, if necessary, well, then - then I can call you up, and then we'll see....

HMJr: That's right.

M: ....that there's a situation born of necessity, which overcomes any other consideration.

HMJr: That's right. Now....

M: All right.

HMJr: Now may I ask you something?

M: Yes. Go ahead, Henry.

HMJr: Do you know a man - an attorney by the name of Francis Goodale of Boston?

M: Goodale? I've heard of him. I don't know him personally.

HMJr: You don't.

M: Do you want me to make any inquiries about him?

HMJr: Well, I - I've heard him very highly recommended. I hear he's always voted for Roosevelt, but....

M: Well, my God, I'm - I'm cautious of these fellows who tell me they vote for Roosevelt and they're damn good Republicans.

HMJr: Well, supposing you make - make some inquiry?

M: (Laughs)

HMJr: What?

M: All right, I will. What's his full name?

HMJr: Francis Goodale.

M: Yeah. Where's he - he's....

- 6 -

HMJr: 53 State Street, Boston.

M: 53 State Street.

HMJr: Yeah.

M: All right. I'll get a background of him.  
How quick do you need it?

HMJr: Oh, I'd like it early next week.

M: All right. I'll - I'll look him up, and I'll  
get - I'll get - I'll get the background for  
you.

HMJr: I'd appreciate it.

M: All right, Henry.

HMJr: Thank you.

M: Goodbye.

- 6 -

HMJr: 53 State Street, Boston.

M: 53 State Street.

HMJr: Yeah.

M: All right. I'll get a background of him.  
How quick do you need it?

HMJr: Oh, I'd like it early next week.

M: All right. I'll - I'll look him up, and I'll  
get - I'll get - I'll get the background for  
you.

HMJr: I'd appreciate it.

M: All right, Henry.

HMJr: Thank you.

M: Goodbye.

TOP

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Miss Chauncey

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O

Mr. Paul asked that this  
be given to the Secretary.

From: MR. PAUL

2310

of Cook County and its many guests gathered at the Lithuanian Democratic banquet in the Palmer House on this 14th day of February 1943; and it is further received that the President of the United States, Franklin Delano Roosevelt; the Secretary of State, Cordell Hull, and Congress be duly apprised of said resolution, and that they be and are hereby urged to welcome and accept Lithuania now, and for all future time, as a member of the United Nations; and that she be assured of the future protection of the United States against the blight of Hitlerism and of all the other terrors which spell slavery and death.

EXTENSION OF REMARKS

Mr. WICKERSHAM and Mr. DIRKSEN asked and were given permission to revise and extend their remarks in the Record.

THE RUMI PLAN

Mr. GEARHART. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. GEARHART. Mr. Speaker, a couple of days ago, Mr. Beardsley Ruml took to the air to defend his plan to skip and kiss good-bye forever our right to tax the 1942 national income of \$118,000,000,000. This when the Government needs money more than it ever needed it before.

He deplored, as he has so often heretofore, the use of "forgiveness" as a word to describe his scheme for the skipping of our already matured income-tax bill for 1942.

"It's not a forgiveness," he shouted. All that he would do, he insisted, is to turn the tax clock forward 1 year and go on paying just the same.

What he failed to mention was that when "we turn the tax clock forward" that we will have all had 2 years of income and only paid 1 year of income taxes. Nice sting.

Neither did he mention that as far as the non-too-well-to-do are concerned, the "feel" of the tax collection would be just the same, but that the rich and the exceeding well-to-do would ring up in tax savings fortunes beyond the dreams of Midas. For them, not pie in the sky bye and bye, but pie on the plate right now.

Not a word did he say about the thousands of new war-made profiteering millionaires that would sprout like mushrooms—if his plan should receive congressional approval.

Mr. Speaker, are the people so gullible as to fall for all this silly talk about the imperative necessity of "getting on a pay-as-you-go basis?" Is that not but a pious consideration when compared with the forgiving of \$18,000,000,000 in tax revenues?

As the martyred Lincoln admonished, you can, perhaps, fool the people a part of the time, but, Mr. Speaker, sooner or later the people will see this crafty tax-skippping scheme in all of its ugly nakedness—Wall Street boomdomping at its worst. It is nothing but an ill-considered

maneuver to get away with paying but 1 year's taxes on 2 years' income. Nothing could be plainer.

Mr. Speaker, this is no year to be forgiving a year's taxes to the rich as the poor go on paying and paying and paying. The year to forgive is the year when it is necessary to forgive—in years of recession and depression, not when the people are all employed at the highest compensation ever paid, when everybody has money in his pockets, when the banks are full to overflowing with savings, when the people have billions of dollars invested in savings and War bonds.

Mr. Speaker, no one needs to be forgiven their taxes, this year of all years. If we grant the forgiveness that Banker Ruml demands, we will have surrendered to war profiteering, consented to a repetition of the scandals of the First World War, when we stood idly by while new marble mansions were built by 43,000 new-made war-profiteering millionaires, one for every white cross that was raised to mark the grave of an American soldier, sailor, and marine who remained to sleep eternally in Flanders Fields.

By the Grace of God, that shall not happen again!

The Rumlites shall not pass!

ORDER OF BUSINESS

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. MARTIN of Massachusetts. Mr. Speaker, may I ask the acting majesty leader if there has been any change in the program for next week?

Mr. HAMSPECK. Monday is District day. I have been informed by the chairman of the Committee on the District of Columbia that six bills are to be brought up on that day.

Mr. MARTIN of Massachusetts. Can the gentleman tell us which bills they are?

Mr. HAMSPECK. There will be a bill amending the District of Columbia Unemployment Compensation Act; a bill dealing with pay increases for the employees of the District of Columbia; a bill permitting one of the hospitals here to use better substitutes; a bill relating to tax exemption for the American Tree Association; a bill dealing with assessments against property owners for the construction of gutters; and a bill involving the question of women working 48 hours per week in the District of Columbia.

On Tuesday the alien seaman deportation bill will be considered.

On Wednesday the Stearns bill, dealing with the question of including allotment payments and soil conservation payments in computing parity will be considered.

On Thursday, Friday, and Saturday there will be general debate on the tax bill.

Mr. MARTIN of Massachusetts. I thank the gentleman.

EXTENSION OF REMARKS

Mr. DIRKSEN. Mr. Speaker, I ask unanimous consent to extend my remarks made this afternoon.

The SPEAKER. Is there objection? There was no objection.

Mr. SHORT. Mr. Speaker, I ask unanimous consent to extend my remarks by the inclusion of an article from the Washington Star.

The SPEAKER pro tempore. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

Mr. MORRISON of Louisiana. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and include a radio speech I made, and also to extend my remarks in the Record and include a short statement on sugar.

The SPEAKER pro tempore. Is there objection? There was no objection.

[The matters referred to appear in the Appendix.]

Mr. CREAL. Mr. Speaker, I ask unanimous consent to extend my remarks made today.

The SPEAKER pro tempore. Is there objection? There was no objection.

Mr. IRWIN. Mr. Speaker, I ask unanimous consent to extend my remarks and include a petition by the Legislature of the State of New York memorializing Congress to extend the Social Security Act.

The SPEAKER. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

DAIRY FARM CONDITIONS IN THE LOS ANGELES DISTRICT

The SPEAKER pro tempore. Under special order heretofore made, the Chair recognizes the gentleman from California (Mr. ELLIOTT) for 15 minutes.

Mr. ELLIOTT. Mr. Speaker, I say the hour is late, that very few men are left on the floor. However, I have a serious condition existing throughout the United States in regard to the milk industry. I say this because we have had notice in the press that shortly there will be rationing of milk and milk products, butter, and cheese. I was very much interested this afternoon in some of the discussion on the Price bill. As far as I am individually concerned I feel that the Price bill is only a partial step toward correcting evils to make it possible that the farmers will produce more food. Wad Miller and his associates sent someone to the United States to hamper the production of foodstuffs, he could not have done a better job than to have selected some of those who have been in the Office of Price Administration to make a bungling out of our food program. They have placed ceilings on commodities, foodstuffs, below what it actually cost to produce. I say this for the simple reason that in my own State of Cali-

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 19, 1948

FROM Randolph Paul

The letter which I mentioned to you was by Professor Neil Carothers of Lehigh University, Bethlehem, Pennsylvania and appeared in the New York Herald Tribune of March 17. I attach a photostatic copy of the letter.

Your attention is called to the last paragraph of the letter which reads as follows:

"It might be observed that Mr. Ruml has done his country a dis-service. By promoting an unsound scheme he has thrown the country into turmoil in time of war, led the people to follow an economic will-o'-the-whisp, and inspired such political terror in Congress that it may adopt some grievously unfair measure."

*RSP*

Attachment



March 19,  
1943

Chic Schwarz

Secretary Morgenthau

I was amazed to see in last night's Star that they only carried that part of my story that has to do with the returns since the 15th of March and don't say a word about what I said about backing up the Ways and Means Committee bill 100%. I wonder if that's going to be true in all the papers. I wish you would look into it and talk to me about it today. O.K., -

Prepared by: Mr. Turner  
Mr. Murphy  
Mr. Hase

TREASURY DEPARTMENT

OFFICE COMMUNICATION

CONFIDENTIAL

299

DATE March 19, 1943

TO Secretary Morgenthau

FROM Mr. Hase

Subject: Recent Developments in the High-grade Security Markets;  
Life Insurance Investments; Estimates of Bank Profits

SUMMARY

- (1) Following a brief upward movement early in January, prices of Treasury securities have moved within a narrow range. So far this month Treasury bonds have fallen moderately in price, the greatest weakness being exhibited by long-term partially tax-exempt bonds (Charts I and II).
- (2) The market for high-grade corporate bonds has also been relatively quiet so far this year. Lower-grade corporates, on the other hand, have risen markedly in price. Municipals rose steadily in price during January and February, and then leveled off (Chart III).
- (3) Excess reserves of member banks were \$2,126 millions on March 17, 1943, the most recent report date (Chart IV). At this level they were nearly \$400 millions below their level at the start of the December financing drive. The principal factor tending to decrease excess reserves in recent months has been the increase of money in circulation. Open market operations since the December financing have offset less than half of the increase of money in circulation.
- (4) Loans of weekly reporting member banks continue the downward trend which commenced about a year ago (Chart V). Present indications are that "Regulation V" loans have had little influence in checking the decrease in loan volume.
- (5) Life insurance companies increased their holdings of Governments in 1942 by more than the increase in their admitted assets. The principal assets reduced to make this possible were cash, policy loans, and holdings of municipal and railroad bonds.
- (6) Estimates by the Federal Reserve Bank of New York indicate that net profits of member banks in 1942 were slightly less than in 1941, but that they will rise sharply in 1943.

Secretary Morgenthau - 2

### I. United States Government Securities

The market for United States Government securities continues rather quiet. After a sharp rise during the first half of January, price movements have been confined to a relatively narrow range (Chart I).

A notable feature of the January rise was the fact that taxable notes rose, on the average, about as much as intermediate- and long-term bonds. Ordinarily, long-term issues fluctuate through a wider price range than short-term issues.

So far this month, Treasury notes have gained very slightly on balance, while Treasury bonds have declined in price. The greatest weakness has been that of partially tax-exempt bonds with more than 15 years to run to earliest call date, which have fallen 10/32 since the end of February. One possible reason for this may be found in the press report that insurance companies, which have no need for the tax-exemption privilege, have been switching from partially tax-exempt bonds to taxable bonds in substantial volume. In the long run, however, it is to be anticipated that partially tax-exempt bonds will rise in price relative to taxable issues as the supply of the former outstanding becomes smaller.

### II. Other Domestic High-grade Securities

The market for high-grade corporate bonds has also been quiet during the first quarter of 1943. The Treasury average of the yields of such bonds stood at 2.70 percent on March 18, 1943, as compared with 2.72 percent on December 31, 1942 (Chart II). The full range of variation in yield during this period was 4 basis points.

Lower-grade corporates, on the other hand, have enjoyed a marked increase in price (decrease in yield). While the average yield of high-grade corporates, as noted above, decreased by a maximum of 4 basis points in the period since December 31, 1942, Moody's Investors Service's average yield of bonds rated Baa decreased by a maximum of 25 basis points, reaching all-time low yields.

High-grade municipal bonds rose in price fairly steadily in January and February, 1943, regaining the ground lost in November and December, 1942 (Chart III).

Secretary Morgenthau - 3

The year 1942 saw a net decrease of corporate bond indebtedness of about \$163 millions as compared with an increase of \$138 millions in 1941 according to SEC figures. The net reduction in the fourth quarter of 1942 was \$266 millions. This was probably stimulated in some degree by the provisions of the Revenue Act of 1942 which permit a post-war refund of excess profits taxes which may be taken as an immediate credit to the extent of 40 percent of debt repayments. Decreasing inventories and increasing reserves for depreciation and the like, resulting from wartime conditions, are other factors in the decrease of indebtedness which may be looked upon as continuing.

### III. Excess Reserves

Excess reserves of member banks were \$2,126 millions on Wednesday, March 17, 1943, the most recent weekly report date (Chart IV). At this figure they were nearly \$500 millions above the 5-year low reached on February 10. Excess reserves of banks in New York City were \$81 millions on March 17; but a week earlier they were only \$27 millions, the lowest since July 1933. Reserves in Chicago were negative on March 17, as they have been on several occasions recently.

Excess reserves last Wednesday were nearly \$400 millions below their level at the start of the December financing drive. The principal factor in this decline has been the increase of money in circulation (\$1,467 millions since November 25, 1942, of which \$708 millions has occurred since December 30). The increase of required reserves, due to the growth of deposits, ranks second in importance for the period since November 25; but the greater part of this effect occurred during the December drive. Similarly, the influence of Federal Reserve open market operations in easing the reserve situation was concentrated in December -- out of \$1,423 millions net purchases since November 25, \$1,146 millions occurred in December. Purchases since December 30, have been sufficient to offset only about 40 percent of the increase of money in circulation. Expenditures of Treasury funds on deposit with the Federal Reserve Banks, amounting to about \$800 millions, have been the principal factor in the maintenance of excess reserves since the end of 1942.

Secretary Morgenthau - 4

#### IV. Bank Loans

Loans of weekly reporting member banks in leading cities were \$9,488 millions on March 10 (Chart V). The decline in loans from the peak just about a year ago has amounted to \$1,958 millions. Since November 25, 1942, on the eve of the December financing, the decline has amounted to \$560 millions. The only major interruption of the downward trend occurred in December, when loans to brokers and dealers, for the purpose of carrying securities which were, for the most part, subsequently sold to banks, about doubled.

A decline in loans was to have been expected as the war production program moved from the "building stage" to the "production stage" and the demand for loans for plant expansion diminished. Financing of war orders by the Government, savings resulting from deferred maintenance, reduced inventories and the like, are other factors tending toward a decrease of bank loans. As Chart V indicates, these forces have predominated in the last year, and "Regulation V" loans, which tend to operate in the opposite direction, have not been of a magnitude to prevent a net decrease in total loans. Figures on the total of "Regulation V" loans are not available, but one obtains the impression from comment in the press that little actual use has been made of the credit lines arranged under this plan, and that borrowers look upon these loans as emergency resorts only.

#### V. Life Insurance Company Investments in 1942

Life insurance companies in the United States increased their holdings of United States Government securities by nearly \$2.5 billions, or about 39 percent, in 1942, according to the Treasury Survey of the Ownership of Government Securities. The above figures are substantially confirmed by data furnished by the Association of Life Insurance Presidents for 36 companies having 82 percent of the admitted assets of all life insurance companies. The latter data also reveal the shifts in investments by which the increase in Government security holdings was enabled to exceed the increase in total admitted assets.

For the year 1942, Governments in the portfolios of the 36 companies increased by about \$2.2 billions while admitted assets increased by only \$1.7 billions. There

Secretary Morgenthau - 5

was a net reduction in cash of \$144 millions and a reduction in bond holdings other than United States Government securities of \$152 millions. Policy loans declined by \$187 millions. An increase in mortgage loans was just about matched by a decrease in real estate holdings. Principal reductions in bond holdings were among municipals and railroads. Holdings of public utility bonds increased.

It is of special interest that about half of the increase in Government security holdings for the year 1942 occurred during last December's financing campaign. Moreover, about half of the December increase was financed by a reduction of cash balances which had in part been built up previously by the sale of other securities.

It is also interesting to note that the increase in Government holdings was concentrated in the longer maturities. Bonds callable in 15 - 20 years increased by \$1,207 millions, while bonds callable after 20 years increased by \$1,252 millions. There was also an increase of \$567 millions in the 5 - 10 year call class which was almost exactly offset by decreases in the under 5 year and the 10 - 15 year classes.

#### VI. Member Bank Profits

Estimates prepared at the Federal Reserve Bank of New York indicate that net profits of member banks in 1942 were slightly less than in 1941, but that in 1943 they will probably exceed any year since 1929. The table on the following page shows in detail the items of earnings and expenses upon which the estimates were based. The profit figures shown there are approximately 6.7 percent, 6.2 percent, and 7.6 percent of capital accounts in 1941, 1942 and 1943, respectively.

Profit ratios for member banks in 1941 and 1942 are not greatly different from the comparable figures for the London Clearing Banks -- 6.0 percent and 6.3 percent, respectively.

Secretary Morgenthau - 6

Estimated Earnings and Expenses  
of Member Banks

	: Actual :	Estimated	
	: 1941 :	1942	1943
(In millions of dollars)			
Interest and discount on loans	665	650	580
Interest and dividends on securities	445	540	800
Other current earnings	<u>307</u>	<u>310</u>	<u>320</u>
Total	<u>1,417</u>	<u>1,500</u>	<u>1,700</u>
Wages and salaries	426	455	480
Taxes (including income taxes)	129	160	210
Other expenses (including depreciation)	<u>481</u>	<u>485</u>	<u>510</u>
Total	<u>1,036</u>	<u>1,100</u>	<u>1,200</u>
Net current earnings	381	400	500
Net charge-offs (-) or recoveries (+)	<u>+9</u>	<u>-30</u>	<u>-30</u>
Net profits	<u>390</u>	<u>370</u>	<u>470</u>

Attachments

# CHANGES IN THE PRICES OF U.S. SECURITIES

Points Plotted Represent the Difference from December 6, 1941 Price of Each Maturity Class

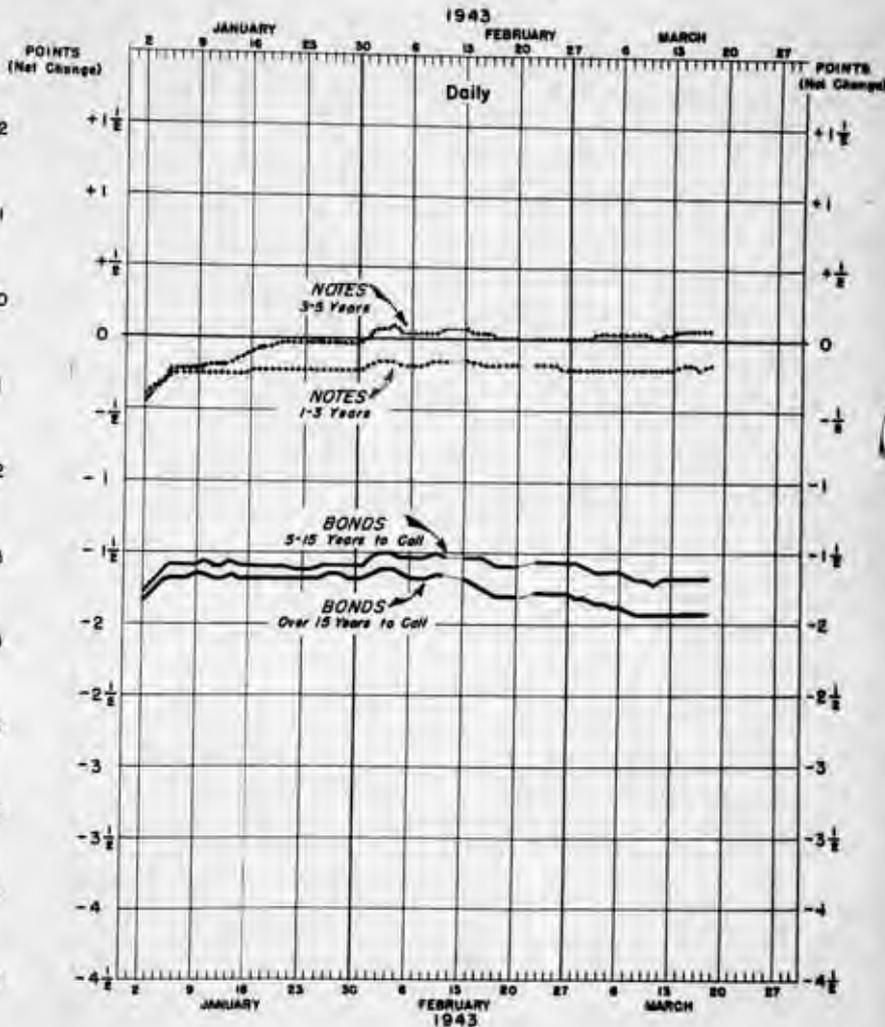
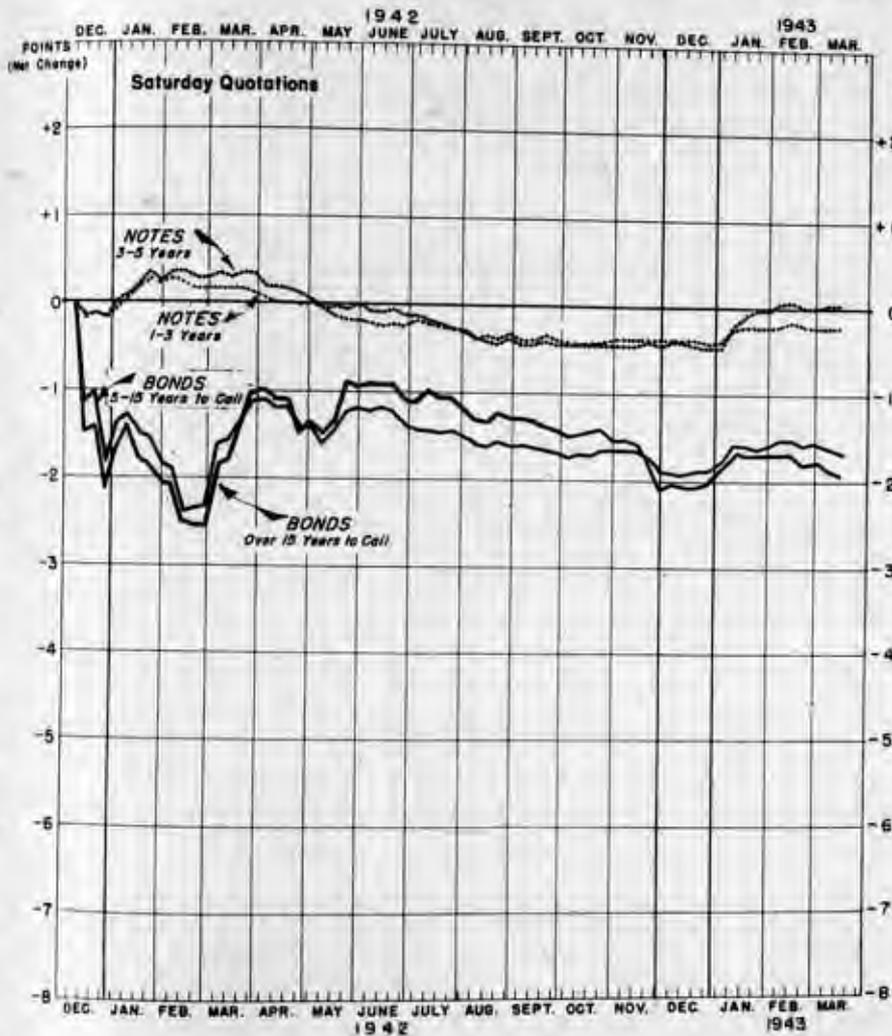
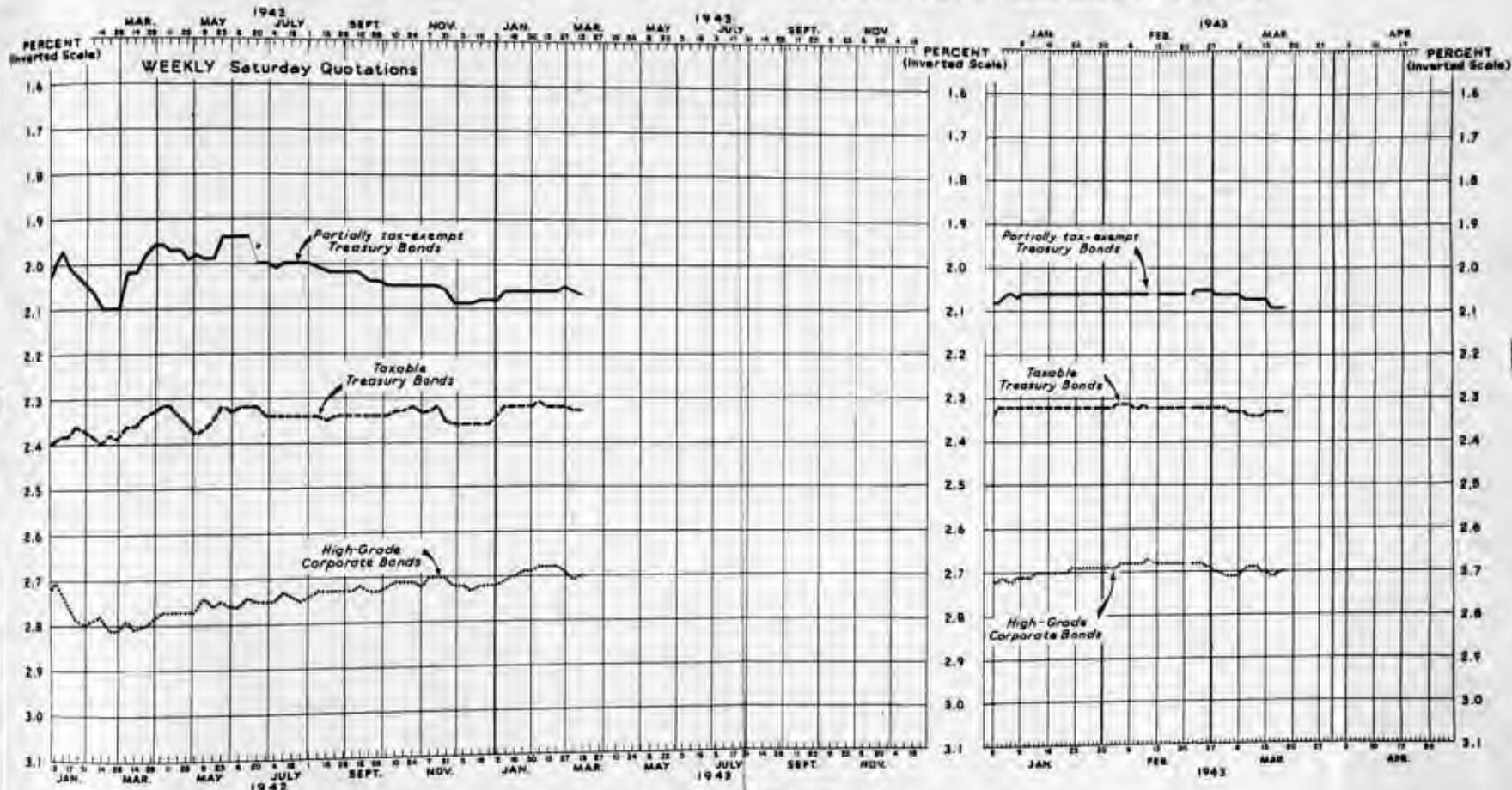


CHART II

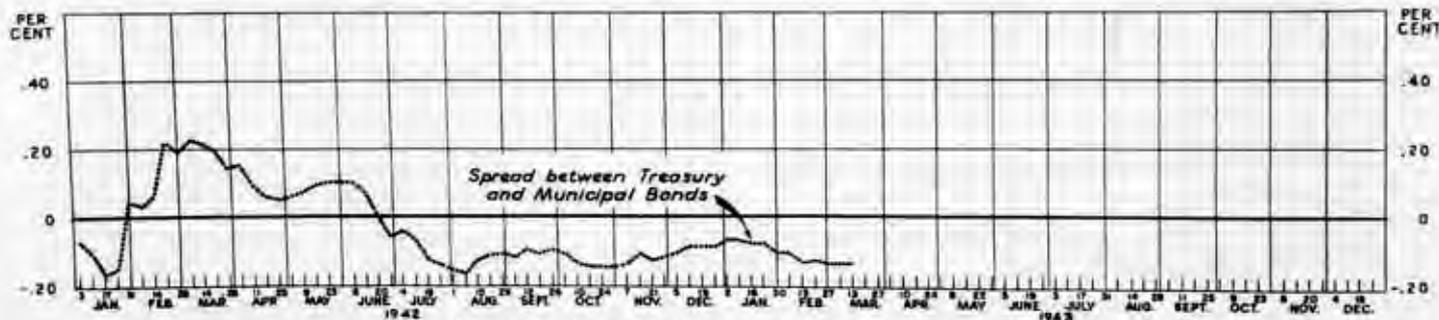
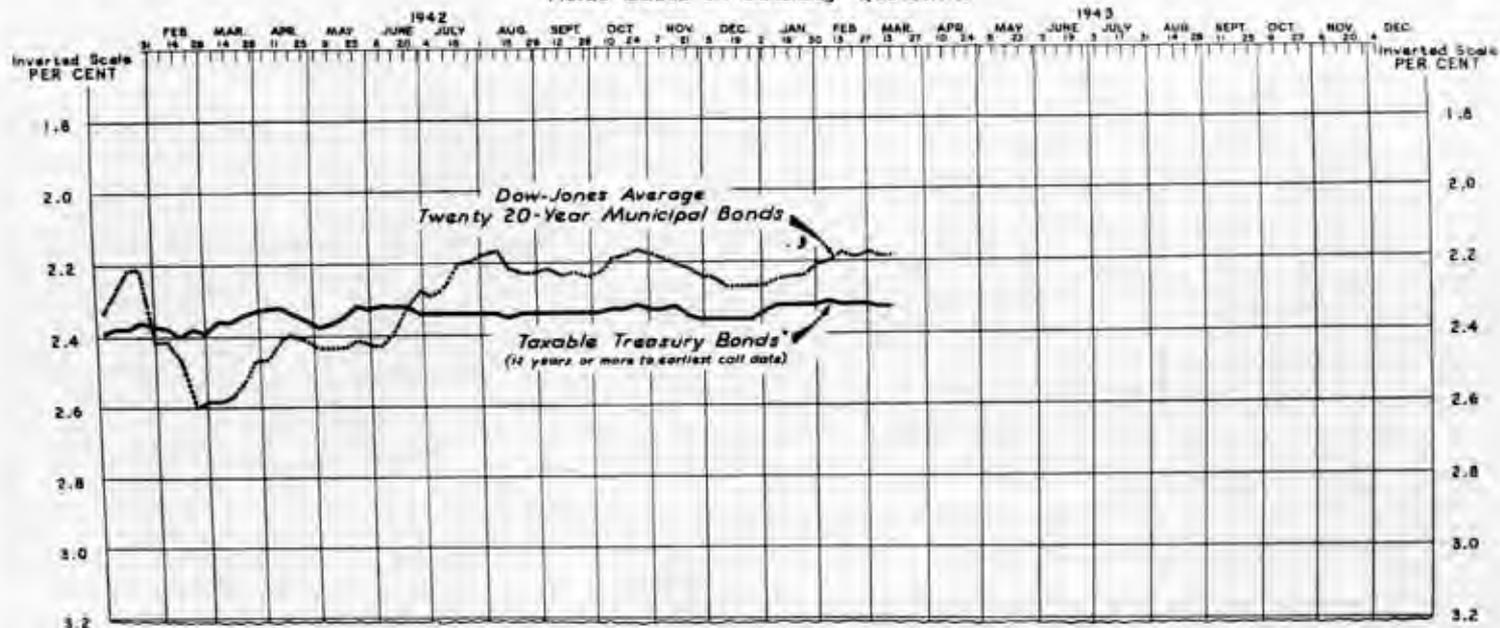
AVERAGE YIELDS OF LONG-TERM TREASURY AND CORPORATE BONDS



\*Change in composition of Long-Term Treasury average.

# AVERAGE YIELDS OF LONG-TERM TREASURY AND MUNICIPAL BONDS

Yields Based on Saturday Quotations

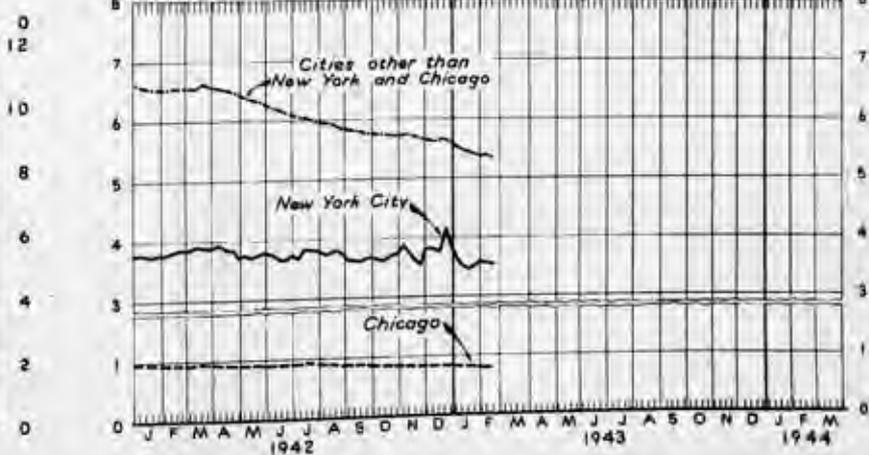
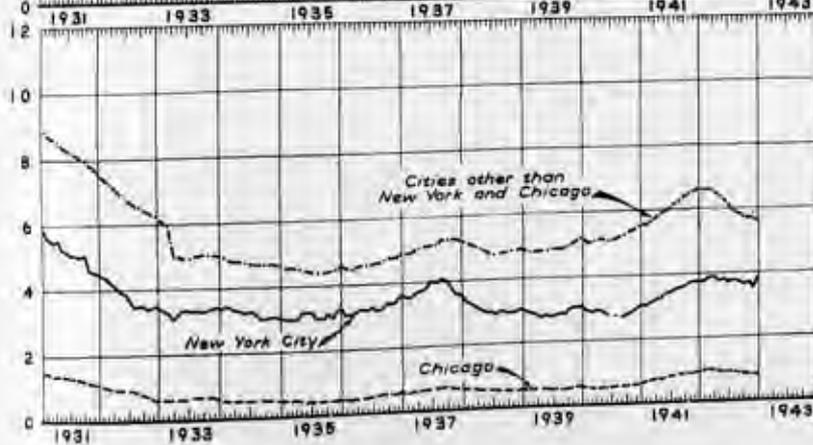
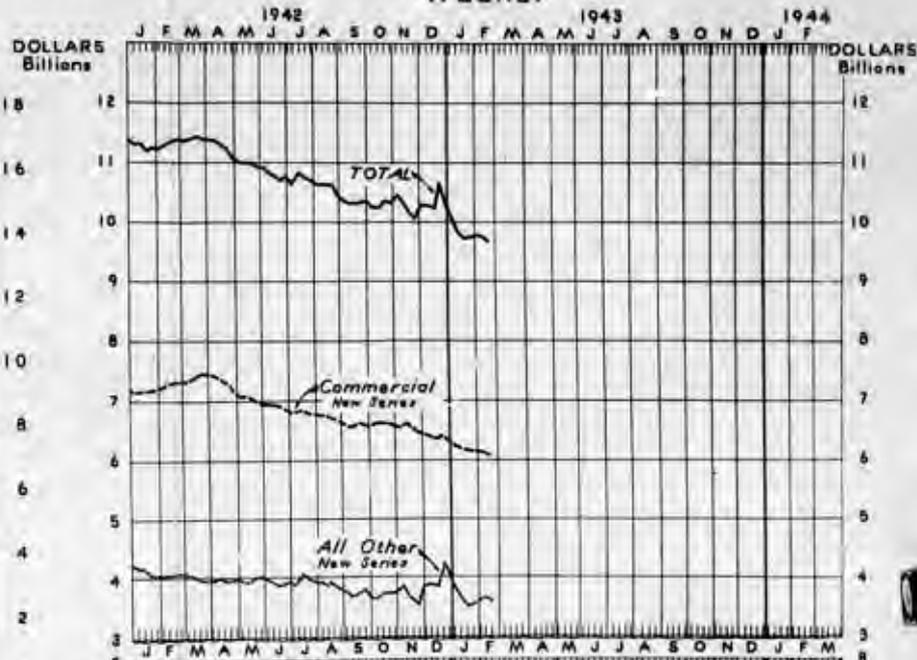
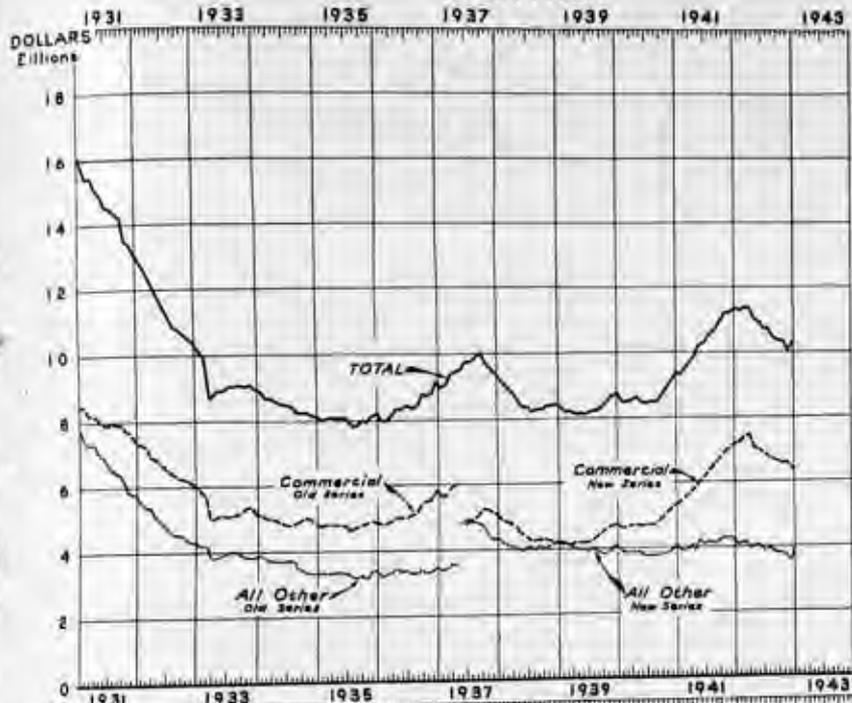


\* Break in line indicates change in composition of Long Term Treasury average

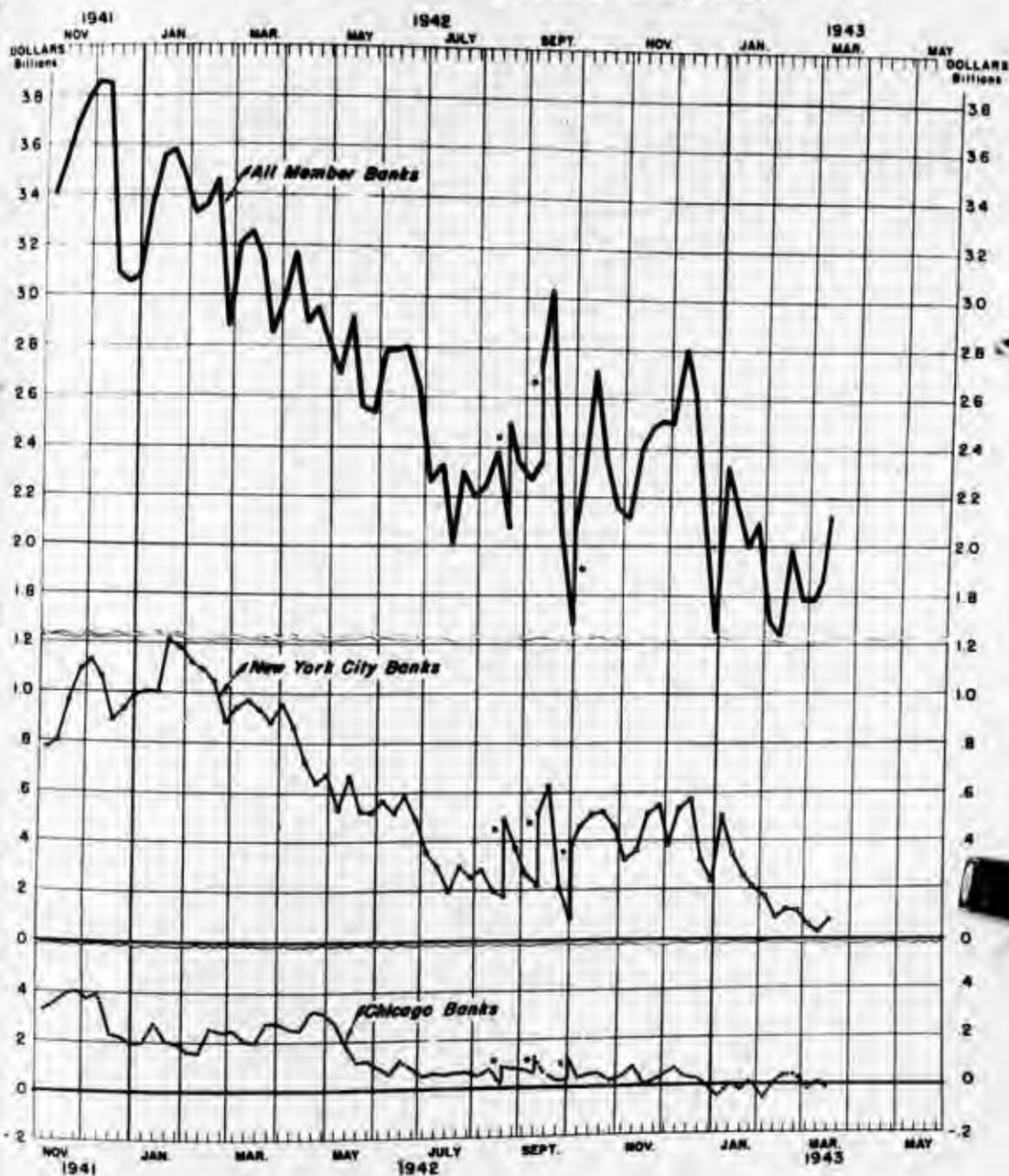
# LOANS - WEEKLY REPORTING MEMBER BANKS

MONTHLY

WEEKLY



# CHART IV MEMBER BANK EXCESS RESERVES



\*Change in reserve requirements

March 19, 1943

Mr. Peabody

Secretary Morgenthau

I am attaching hereto copy of a memo which I received from Peter Odegard, and I would like to bring to your attention that John Adams said "Independence Forever".

This seems to me to be an awfully good slogan for a poster. I don't know what old John Adams looked like, but you might even have a poster made of him with the slogan underneath, "Buy War Bonds and Guarantee Independence Forever".

Let me know what your reaction is to this suggestion.

*See Peabody's memo of 3/22/43*

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

The city editor of the Times-Herald has just called me (12:38pm) to say that they have killed out the Gaer story from the rest of their editions today. They had it in their first afternoon edition, but will not carry it in any later issues.

cc  
4/19

Herbert Gaston  
Chic Schwarz

March 19,  
1943

Secretary Morgenthau

I'm just curious to know whatever happened to that introduction which I made for O.W.I. for that captured German picture. I am under the impression it was not released before the 15th of March. It would make me seem ridiculous if they released it afterwards, and I wish you would please look into it and give me a written memo on just what happened. *See Schwarz's memo of 3/19/43 -*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

March 19, 1943

TO Secretary Morgenthau  
FROM Mr. Schwarz (C)

We received this morning from OWI work prints of the introductions to the captured German film made by you and Mr. Sullivan. These are separate films for picture and sound and not in synchronization and we have asked the Department of Agriculture laboratories to make us synchronized prints of each. OWI reports that the newsreels did not use the subjects early in March because they had just received fresh film from the fighting fronts. They will definitely not release the film now that the filing deadline has passed. However, they did use 16-mm. prints in their own Weekly News Review distributed to service clubs, churches and schools throughout the country.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Randolph Paul

March 19, 1943

The following action was taken by the Senate Appropriations Committee with respect to the appropriation for the Treasury Department:

Division of Tax Research and Office of Tax Legislative Counsel: The Committee restored the full amount of the appropriation for personal services recommended by the Bureau of the Budget in accordance with our request. It reduced by \$3,300 the appropriation for travel expenses and communication but this reduction was made at our suggestion.

Foreign Funds Control: The Committee increased the House appropriation by \$700,000, making a total of \$3,800,000 as contrasted with \$4,350,000 which we requested.

The Committee eliminated the restriction in the House bill that the appropriations under the Act could not be used for the purchase or procurement of silver or for the carrying out of the Silver Purchase Acts.

You may be interested in the following paragraph which the Committee used in justification of the restoration of the appropriation for the Division of Tax Research and the Office of the Tax Legislative Counsel:

"It was testified before the committee that both the Division of Tax Research and the Office of Tax Legislative Counsel were particularly serviceable agencies to the Congress in the preparation and study of all tax questions and in the preparation of tax bills, and that the Committee on Finance and the Ways and Means Committee could not well get along without the fullest cooperation and constant services of these two divisions."

*RSP*

MEMORANDUM FOR THE SECRETARY.

March 19, 1943.

Mail Report

Both in numbers and in content, mail for this week much resembled that of last week, except that correspondents showed renewed interest in the Ruml Plan. Half of the 50 letters favoring adoption of a pay-as-you-go method of collection demanded this particular system. There were, however, 16 letters opposing any forgiveness of taxes, and also a continuation of the CIO campaign from Minneapolis objecting to the Ruml Plan, though favoring the pay-as-you-go principle. A similar campaign from Akron, Ohio, brought in a number of communications which overlapped the Minneapolis group in requesting higher personal exemptions, and repeal of the Victory Tax. There continue to be many letters bitterly complaining of higher taxes in general. There were 3 specifically objecting to the 20% withholding tax. In addition to about 50 questions and miscellaneous suggestions, 30 filled-out returns were addressed to the Secretary. As a rule, these showed that no tax payment was due, but in a few cases partial payment of the indebtedness was enclosed.

Bond mail also showed little variation. There continue to be requests for long-term, non-negotiable Bonds, for salary increases in the form of non-redeemable Government securities, and a number of suggestions for simplifying the elaborate Series E sales system. Among the latter is the idea of using deposit books similar to bank pass books for recording loans to the Government.

Hundreds of telegrams replying to a night letter asking cooperation of radio stations in the Bond drive on April 12 have been almost solidly cooperative. Doubtless income tax obligations accounted for the submission of 73 Bonds directly to the Secretary for redemption, the highest number yet received in one week this way. Five-sixths of the 60 complaints about delays in the handling of Bonds originated with employees of the War Department.

The general mail contained many letters from banks protesting establishment of agricultural credit agencies. A great many of these come from the State of Washington, and are somewhat similar in phraseology and point of view, indicating an organized campaign.

Gabrielle E. Forbush

General Comments

Unsigned copy of letter from Buffalo, N.Y., to the Editor of "Forbes", reads as follows: I see you are consistently at it -- knocking and belittling the Government of the United States -- your editorial "Our Incompetent U. S. Treasury" bespeaks volumes and every one who read it must have resented this stab at the very heart of our Government. \* \* \* The U. S. Treasury, The President, Management and Labor have all made mistakes, but as I travel across the country and see the wonderful changes that have been made, and the wonderful things that have been accomplished over night, in the way of preparedness -- ships, guns, food, airplanes, railroads, etc., -- all I can say to you is to rack up the poison pen for the duration and go down to the nearest Red Cross Blood Bank and get a transfusion of real American blood in your veins. You try hard to discredit Mr. Morgenthau because he does not see eye to eye with you on the Ruml Plan. You go on to say that the whole Cabinet are mediocrities, or worse. \* \* \* The American public has faith in its leaders, the morale of the U. S. soldier is high, the people are buying billions of Bonds issued by the U. S. Treasury. \* \* \*

Jacob G. Ackerman, U. S. Marine Hospital, Buffalo, N.Y. As I am still confined to the Hospital here as a patient, and unable to do anything more than buy War Bonds to help win this war, I am enclosing my check for \$25 as my bit to add to the War fund. I also send you my sincere thanks for your faithful service to our Country.

A. T. W. Seeley, Rosedale, L.I., New York. First of all, can't we get on a little more friendly footing than this "Honorable" business? After all, there is something peculiarly intimate in the relationship between a taxpayer and the Secretary of the Treasury. It was all right to carry on the fiction of formality, Henry, when you had only one hand in my pocket, but now that you are planning to turn me upside down and shake me, let's try to understand each other. \* \* \*

- 2 -

Favorable Comments on Bonds

Richard Brunelle, Manchester, N.H. I never saw you, but by the things I have heard of you, you are a very good man. I am Richard Brunelle. I am 12 years old, and I am in the 6th grade in St. Vincent de Paul school in Manchester, N.H. I and four of my friends would like to have the songs "Jolly Molly Pitcher", and "Any Bonds Today", and if you have "Pearl Harbor", we would be glad to receive them. Thanks to you and all your helpers.

Frederick Merrit, Union League Club of Chicago. My work during the last war places me in a position to know and admire the splendid work your Department is doing. I have been intending for some time to write and express my sincere admiration on two very important phases. First, the form of the War Bond which prevents the sacrifice sale either through ignorance or necessity for the wage earner, through the efforts of unscrupulous, greedy speculators. The loss to small investors during and after the last war was tremendous, but your discount plan and the repurchasing by the Government prevents this. Second, your Payroll Savings Plan is so much better than anything we had during the last war, and is really more important to the future welfare of our form of Government, especially after the war, than people seem to realize, as it teaches the wage earner his duties as a citizen. It will be a permanent plan for saving voluntarily, and no doubt will continue in practice as long as the Government needs a steady income from the great majority of our people. Your position entails a lot of unjust criticism and most people are too busy to write of any praiseworthy and successful efforts. Having myself been Secretary and Treasurer of the Liberty Loan Organization of the 7th Federal District during the last war, I take this opportunity to express personally my admiration for the two improvements made over the old plan. While we did a wonderful job here during the last war, at a nominal cost per thousand, of which we were justly proud, I know that you are doing a better job at a lower cost.

- 3 -

Unfavorable Comments on Bonds

Joseph Sandy, Auditor, Campe and Campe, N.Y.C. As an auditor, I have occasion to observe the financial structure of a number of manufacturers. My observations lead me to the conclusion that our Bond campaign is not broad enough and not fully exploited. Every one of the numerous manufacturers that I am in contact with is in a position to buy Bonds in amounts ranging from \$1,000 to \$100,000 with the firm's funds, if we approached them properly, and if we broadened the campaign to include companies and corporations. These firms have idle working capital because of wartime restrictions on purchases and inventories. I therefore feel that they would gladly make a loan to the Government in the form of buying Bonds, knowing that by so doing they will make it possible for the Government to reduce, or at least not increase taxes.

Zelma Coolidge, N.Y.C. Subject: Thomas Jefferson Coolidge, Chief Watertender, U.S.N.R. Enclosed is a copy of a letter written by my brother to my mother after he was recalled to the Navy after having lived retired in the Philippine Islands for about seven years, and now presumed to be a prisoner of Japan. He bought eighteen one hundred dollar Defense Bonds to be held in the Treasury in Washington until he sends for them, as his letter states. After many months of delay, the Navy Department disclosed the fact that my mother should write to the Treasury Department in Chicago. She has just been informed that there are no Bonds there for Thomas Jefferson Coolidge. Therefore, I am now placing the matter before you in order that you might facilitate the tracing of the record of the sale of those Defense Bonds bought by my brother during the haphazard months following Pearl Harbor, somewhere in the Philippine Island area, and sent by him to the Treasury in Washington to be held there until he sends for them. It is now almost a year since they were bought and there should be some record somewhere of them. It would be appreciated if you would take any steps which are proper for you, in your position, to take toward an early completion of this matter.

- 4 -

Leslie G. Frazer, Gary, Ind. There have been rumors and articles in newspapers that the Government may prohibit the cashing of War Bonds until after the War, or on maturity. Also, a rumor that after the War, Bonds will be cashed for less than they were purchased. I have heard many people say they would buy more Bonds if sure of cashing them after 60-days, if the money were needed. I too would. Also, I would be interested to know how our Government plans on cashing these Bonds after the War, and where they will get the enormous amount of money.

J. L. Black, Miami County Chairman, War Savings Staff and Victory Fund Committee, Piqua, Ohio. \* \* \* Right now I want to circularize -- three times prior to the opening of the Second Victory Loan Drive -- about 4,000 prospects in Miami County to "soften 'em up" and get them in a receptive mood for solicitation by our 300 volunteer Bond salesmen. I cannot do this without penalty envelopes as, while the V.F.C. will reimburse us for this postage, the actual licking of the stamps is just that much more work for our under-manned, terribly under-paid, and very overworked forces from Chairman down. \* \* \* I have, or had, even more ambitious plans for circularizing Miami County folks. That was to do what I did as County Chairman of the 2nd and 4th Liberty and Victory Loan during and after World War I. Through an arrangement with the Post Office Department we sent out a series of three letters just prior to each opening day to every Post Office box and/or door in the County - 15,000 in all - in penalty envelopes, but without addresses. Results? We went "over the top" in each of them, and in two, we were over by 10 o'clock of the morning on which the drive opened. That, obviously could not be done under the present policy of War financing, but the whole program could be very materially assisted if it were not for the incongruous, uncoordinated and non-cooperative policy, or lack of a liberal policy between the two Departments. I refer to the policy or policies, or agreement, or whatever it is, between the Treasury and Post Office Departments by which no penalty envelopes are furnished us for the strictly Government business of

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promoting the sale of these Bonds to help finance the War. It would seem that a less niggardly policy would be of very substantial help to us County Chairmen, as well as to our various higher up administrators, clear up to the Federal Reserve Banks. \* \* \*

C. J. Primm, Superintendent, South Branch Rural Agricultural School, Hoxeyville, Mich. We are in receipt of a song, "Jolly Molly Pitcher", distributed by your War Savings Staff. May we suggest that this distribution be investigated with its suppression in view? It glorifies a somewhat hysterical legend of our history which has to do with our war of independence from England and therefore may be considered ungracious in view of our present effort at full cooperation with England. It is respectfully suggested that if this song is to be distributed, the front page be improved so as to be attractive. And it is further suggested that other songs be arranged with reference to more important and pertinent episodes or ideas.

E. A. Blackburn, Austin, Texas. We taxpayers are very much concerned about the expenditure of our money by the Treasury Department for what appears to us to be non-essentials. When did you add a music department to our Treasury? Why was it added? Who makes the appointments? How many of these are on the payroll of these song leaders? And what salaries do they receive? How many singings per week are conducted for these salaries? Don't you know that every town of any size has its own community song leader, every church its choir director, every school its music supervisor -- its glee clubs, choral clubs, and the like? Then please tell us what is the need of these German song leaders -- these Zanzigs? Every patriotic community can sponsor its own War Bond drives without the expenditure of our thousands for a leader of songs. What kind of patriotism is it anyhow that has to be sung to in order to make it provide for the millions of boys who are giving their lives to preserve this peculiar kind of patriotism?

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Favorable Comments on Taxation

Mrs. R. J. Henry, Ridgewood, N.J. I want to let you know that I approve of the pay-as-you-go income tax plan, and I do hope it starts on July 1. \* \* \*

W. Morton Owen, Pastor Emeritus, Bunker Hill Congressional Church, Waterbury, Conn. I enclose check for \$31.59 to cover shortage I have found recently in my income tax return of last year (1942) for the year 1941. I discovered that I had not correct figures on my taxable income from annuities. The shortage was \$29.80, and with interest for one year at 6%, makes a total of \$31.59. This check is made payable to your order as Secretary of the Treasury, U. S. A., as I don't know into what fund you would wish to put it. I am glad, however, to make up what was unintentionally omitted in my tax return last year, and so to help our Government. I obtained correct figures on my income tax return for this year, 1943, (covering 1942) and have already paid my tax in full at Internal Revenue Office here in Waterbury, Conn.

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Unfavorable Comments on Taxation

Mr. Clement C. Sherwood, Vallejo, Calif. I am writing you of my experience in obtaining and redeeming U. S. Tax Notes. \* \* \* Each time I went into the Bank to make application for said Notes, I was confronted with a blank stare as if I were trying to explain the fourth or fifth dimension or something. Then this was always followed by asking everybody in the Bank, and going through about a dozen files, before said blanks were found; then another five or ten minutes reading instructions. It was easy to see they didn't appreciate my trying to pay my tax as I earned my money, for beside not receiving anything for their services, I was just a lot of trouble to them. \* \* \* Now it is tax time, and the question is how do I go about turning these Notes in for tax payment. Well, in the first place, there are instructions on the back telling what to do, but nobody wants to take the responsibility for reading and carrying out plain instructions. \* \* \* The Department of Internal Revenue in our fair city would not accept them as payment -- they have to be sent to San Francisco. Well, where? \* \* \* So, I went to a tax expert and he knew just about as much as the Federal man, which wasn't a hell of a lot. So off to the Post Office I went. They looked at them; that same blank look spread over their faces, and off went one individual to consult somebody else. Then back he comes and says, "We don't know anything about these -- take them to the Bank where you got them". Well, at least at the Post Office they were honest. \* \* \* They didn't exactly welcome me at the Bank. I just said to the girl I would like to cash those in, and she looked at them, turned them over, and as there were about 6 or 8 people behind me waiting to transact business, I told her to get Mr. Walsh -- he is one of the Bank's executives -- and she looks at his desk and he is busy. \* \* \* Well, anyway, Mr. Walsh comes over and wants to know why I bought them, and I told him I wasn't trying to buy them, I was trying to pay my tax with them. \* \* \* Well, anyway, on his advice, I sent them into the Federal Reserve Bank, that is, \$100 worth of them. In the meantime, I paid the first part of my tax out of my savings. \* \* \*

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Esther A. Field, Glendale, Calif. I am writing a vigorous protest against this new plan for payment of income tax for 1942 and 1943. People of the middle working class, like myself, find it difficult at any time to be able to save enough ahead for any such emergency. Now, with living costs so high, and insurance, Bonds, State taxes, etc., to pay, the high tax set for 1942 and now 20% to be deducted, is more than we can stand. We who have remained in work which is essential, and whose pay has not been raised to keep abreast of high living costs, feel it most burdensome. If a pay-as-you-go plan could be arranged for 1943 taxes, and small payments accepted on 1942 taxes, it would make the situation much less tense and still would keep money flowing into the U. S. Treasury right along. Here's for a fair deal on all income tax!

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 19, 1943

TO Mr. Fitzgerald

FROM Mr. Peabody *J.P.*

The Secretary let me have this to read. I think it is a  
lucid and illuminating piece.

The Treasury Prepares for Post-War Problems

There can be no hard and fast boundary line between the policies necessary for winning the war and those for winning the peace. The character of our problems in the post-war period will be determined in large measure by the plans, and especially the activities, we undertake today. War policies that also contribute to the solution of post-war problems are better policies, therefore, than those that do not.

Our present struggle against wartime inflation is a signal example of the contribution that can be made by a policy designed for winning of the war to the winning of the peace. Fiscal and non-fiscal measures designed to prevent inflation will aid us in winning the war -- by forestalling a ruinous rise in the cost of living, by keeping down Government costs, by encouraging production and not speculation,

- 2 -

by maintaining the public debt within manageable bounds.

By the same token, however, these very wartime measures are contributing greatly to the prevention of post-war deflation with its attendant chain of personal tragedy, economic chaos, and social unrest.

Taxes provide another case in point. At a time when about sixty cents of every dollar of income earned in the country is represented by Government purchases of tanks, ships, and planes, it is impossible to exaggerate the Government's needs for additional revenues. It cannot be stressed too often also how vital these additional revenues are for apportioning the costs of the war fairly and equitably, preventing rises in the cost of living, and maintaining morale. Yet, it is not the contribution of taxes to the more effective prosecution of the war that is alone involved; it is also the

- 3 -

beneficent effects of increased taxes today on the world of tomorrow. Wartime taxes mean we pay for the war once and for all now; wartime borrowing means we postpone the final redistribution of the costs of the war until the post-war future. By taxing ourselves to the utmost today, when few civilian goods are available for purchase anyway, we reduce by so much the taxes we will have to impose on ourselves tomorrow, when plenty of goods will be available for purchase.

Finally, we have the case of wartime borrowings. While the Treasury's policy is to tax more and borrow less, it is impossible, let alone desirable, to finance the gigantic costs of this war from taxes alone. Government borrowings are therefore necessary. The policy of the Treasury has been to raise as large a proportion of the borrowed funds it requires from individuals, fiduciaries, trusts, and corporations

- 4 -

rather than from the banks; to borrow old money rather than new money. This policy, like the others, has a dual purpose. Its wartime purpose is to match the diversion of our production from peacetime to wartime use by corresponding diversion of our income and savings from peacetime to wartime use, thereby contributing to the prosecution of the war by seeing that our production and financial gears mesh smoothly. Its peacetime purpose is to provide the American people with a backlog of savings that will come in good stead indeed when once again the sword is beaten into the ploughshare. The fact that at the present time there are over 50 million investors in War Bonds, and 25 million participants in payroll savings plans alone, is an eloquent tribute to the contribution that wartime financing is making to the solution of post-war problems. It would be easy to exaggerate, however, the contribution

- 5 -

of wartime financing to the solution of post-war problems. This I have no intention of doing. The fact is that the war, in spite of all that we may do now, will leave us heir to a host of problems long after the guns have ceased firing and the world has settled down to the quiet pursuits of peace. These problems are by no means insoluble; nor are they so intractable or laden with heavy forebodings as some present-day Cassandras would have us believe. To their solution, however, we will have to bring intelligent insight and sympathetic understanding.

I can raise here only one of the domestic problems that will face us in the post-war period -- the problem of the debt. By the end of June, 1944, we will have a federal debt of something like 210 billion dollars. The mere servicing of this debt will involve interest payments of between 4 and 5

- 6 -

billion dollars -- approximately equal to the total receipts of the Federal Government in 1936. And if the war continues beyond the middle of 1944, the debt of course will continue to mount.

While an internal debt, such as ours will be, serves neither to enrich nor to impoverish a nation -- the taxes raised to service the debt being restored to the people by way of interest payments -- it does raise a number of serious problems. I can do no more than pose them.

There will be the problem of what kind of taxes to employ to service and repay the debt. This will be important because it will involve a possible redistribution of the costs of the war among individuals. It will also involve the impact of taxes on investment, consumption, and, therefore, the national income. The magnitude of the debt will likewise

- 7 -

affect the Government's freedom of action and raise problems in regard to banking and currency policy. Above all, a debt as large as we are likely to have will make it more imperative than ever that reasonably full employment with a high national income be preserved in the post-war period. Otherwise, it is not difficult to contemplate how oppressive the burden of debt might easily become.

The magnitude of the Government's fixed obligations together with its current revenue requirements in the post-war period will raise other problems relating to the tax system. The principle of ability-to-pay must be preserved. It should be possible, however, to go beyond the present techniques for measuring personal taxpaying ability toward a more accurate concept of net income giving more adequate recognition to expenses incurred in securing our income and variations in

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the cost of providing a basic living standard. The post-war period may require a substantial reorientation in our business and consumption taxes. It will undoubtedly involve active effort to avoid international double taxation and better integration of the Federal tax system with those of State and local governments. While we will want to shun taxes that hinder business enterprise, we will also want to employ the tax system to its utmost as an instrument for stimulating business enterprise in areas required by the public interest. Finally, we will have the problem of making certain that our taxes do not place unnecessary compliance problems on taxpayers or entail unnecessary public expense.

These are but a few of the post-war problems suggested by our prospective debt.

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In the immediate post-war period there is a strong probability that the reconversion of industry from wartime to peacetime uses, the development of new industries, the satisfaction of the accumulating demand for peacetime consumers' goods, the need for capital replacements which are anticipated in the ample depreciation and depletion reserves now accumulating, and the satisfaction of at least minimum demands from abroad for relief and rehabilitation will constitute collectively an effective buffer to a possible post-war depression. The huge backlog of post-war purchasing power exemplified in our own War Bonds is indeed added assurance in this respect.

These factors making for industrial revival are by no means free of certain dangers, however. It took us months to mobilize our peacetime industries for war; it will take

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months in turn to complete the process of industrial demobilization for peace. What this involves for the American people is fairly clear. It means that we must reorient our wartime ways of doing things, our wartime ways of buying and living, not all at once, but gradually; it means we must be on our guard against post-war inflation in the same way that today we are on guard against wartime inflation. An intemperate buying-spree immediately upon the termination of the war might have precisely the same effect as that at the close of the last war, when the cost of living spiraled upward 29 percent between November 1918 and June 1920. We must not permit war weariness and a desire to return to "normalcy" to rob us of the very fruits of victory. This will not happen if the demobilization of wartime habits of spending and saving proceeds at the pace of our industrial demobilization.

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But we must look beyond the period of transition from war to peace, to the period when our peace economy will once more be reestablished to perform its normal functions. The outlines of that longer period are not as clearly defined as we should like them to be. To some extent, however, we are shaping the character of that longer period by the plans, and especially the activities, we are now undertaking. By its constant, unrelenting emphasis upon the necessity for more taxes, more saving, and more sacrifice, the Treasury is today laying the basis for a more prosperous and durable peace. The same policies, moreover, will give the Treasury in the post-war period that freedom of action and that flexibility of maneuver so vital for coping with unforeseen developments bound to arise.

- 12 -

The war has opened our eyes to the unimagined productivity of Industrial and Agricultural America. Wartime shortages of peacetime goods and services have not blinded us to the enormous potentialities for abundance in our dynamic industrial society. It is precisely this unexampled capacity to produce, shorn of its fetters, upon which the future welfare and prosperity of our people ultimately depend. If in the peace to come we realize the potentialities for abundance inherent in our great productivity and do not permit our precious resources to lie idle in stagnant pools, we have little to fear as a nation. The promise of plenty exists today; the fact of plenty waits on the morrow.

-oOo-

MAR 19 1943

My dear Senator:

This is in reply to your letter of March 15, 1943, referring to reports of monetary discussions in London and inquiring whether any commitments are in contemplation involving devaluation of the American dollar.

For more than a year there have been regular meetings of a committee on post-war monetary problems of the European Governments domiciled in London. The United States Government has an observer who attends the meetings but takes no part in the discussions.

Recently, a proposal for an International Clearing Union drafted by the experts of the British Treasury has been submitted to various governments including the United States for preliminary considerations by the technical experts. Our technical experts in the Treasury and in other departments of the Government have independently been working on the problem of post-war monetary stabilization and have prepared preliminary drafts for exploratory study by the technical experts of other governments. Such discussions as have taken place have been of a preliminary character and on a purely technical level, in no way involving the official views of this Government.

You may be assured that we do not contemplate any commitments such as you describe in your letter. In fact, one of the important objectives of our studies is to avoid the danger of competitive depreciation of currencies.

I have been planning to give to the appropriate Congressional groups in the near future a summary of the tentative conclusions of our experts who have been studying the problem of post-war monetary stabilization. I may add that our thinking on these post-war monetary problems has been along lines that are generally accepted as a sound approach to the problem of maintaining stability of foreign exchanges during the post-war period, and assure the balanced growth of international trade.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Arthur H. Vandenberg,  
The United States Senate,

Photo file in Diary  
File to Thompson

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United States Senate

COMMITTEE ON FOREIGN RELATIONS

March 15, 1943.

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

My dear Mr. Secretary:

From the news that filters back from England, it would appear that monetary discussions are being conducted in London between representatives of our Treasury and those of Great Britain, Holland and some other foreign countries. I am chiefly interested in knowing whether any commitments are in contemplation involving a radical devaluation of the American dollar (which it seems to me could be highly injurious to the United States, but might be very acceptable to England and some other countries with depreciated currencies).

Frankly, I have a message from London which suggests that "some of the leaders are saying that the matter is being handled in a manner altogether too secret" even from their point of view. Please acquit me of reaching any conclusions on the basis of mere rumor and gossip. On the contrary, I am coming "straight to headquarters" with a request for whatever information I may be entitled to have upon the subject matter.

With warm personal regards and best wishes,

Cordially and faithfully,

*W. Averell Harrington*  
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U.S. SENATE  
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U.S. SENATE

*T. White*  
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THOMAS G. DONOHUE, ILL.  
 WALTER P. REVERE, CAL.  
 ROBERT F. WAGNER, N. Y.  
 ROBERT D. THOMAS, IOWA  
 THOMAS W. CLARK, MISS.  
 JAMES H. HANCOCK, N. H.  
 CLAYTON F. BURNETT, ILL.  
 THOMAS G. DONOHUE, ILL.  
 ALBERT W. BURDETTE, N. Y.  
 ROBERT H. HENNING, N. C.  
 JAMES P. GUFFEY, PA.  
 WYLLIE M. GILLETTE, MISS.  
 ROBERT CHAMBERLAIN, MISS.  
 CARTER GLASS, VA.  
 JOHN LEE, CALIF.  
 JAMES M. TOWNSEND, DEL.

IRVING THOMAS, CALIF.

**United States Senate**  
 COMMITTEE ON FOREIGN RELATIONS

March 20, 1943.

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

My dear Mr. Secretary:

Thanks for your letter of March 19th responding to  
 mine of March 15th regarding certain monetary dis-  
 cussions in London.

I greatly appreciate the frank information you have  
 given me and I particularly commend the fact that  
 you intend to submit a summary of your tentative  
 conclusions to the appropriate Congressional groups.

With warm personal regards and best wishes,

Cordially and faithfully,



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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 20, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Salary Ceiling - The Senate Finance Committee yesterday unanimously voted to replace the Disney rider to the Debt Limit Bill with another which provides that neither wages nor salaries can be reduced below the level paid between January 1 and September 15, 1942. Representative Disney is said to approve this new salary limitation method, which is similar to that offered in an amendment by Representative Wolcott. The Senate Finance Committee proposal would also strike from the Price Stabilization Act the section which is said to be the basis for the President's Executive Order limiting salaries. This section reads, "The President may adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities...." This new proposal contains, too, a clause definitely rescinding the President's Executive Order and OES Byrnes' directive. Chairman George said he would seek to bring the measure in its present form before the Senate either next Monday or Tuesday.
  
2. Tax Legislation - By voting yesterday to report the new tax proposal to the House without any "closed rule" and open to all amendments, the House Ways and Means Committee effectively silenced all partisan rumors that they might seek to gag open discussion of the tax problem. Preliminary skirmishing has already taken place in the "battle of taxes" as both sides claim the opposing plan favors the rich. Opponents of the Ruml Plan claim that by forgiving a year's taxes for all, the higher bracket incomes which, of course, owe the most taxes, would receive the greatest saving. But anti-Administration factions claim the House Ways and Means Committee plan would benefit the higher salaried groups who would probably be the only ones, according to this argument, with sufficient funds to pay off two years' taxes in one and thus take advantage of the 6% discount. (The Wall Street Journal contains a pretty thorough discussion this morning of the many phases involved in the tax issue.)

3. The Farm Issue - The House passed yesterday the Pace Bill to include the costs of all farm labor, including the farmer himself and all members of his family working "in the fields," in computations of the parity formula. In House discussion of just how inflationary the measure is liable to be, Representative Pace claimed it would only raise food prices three percent, but opponents set the figures as high as sixteen percent. One of the farm bloc's leading supporters, however, split with the group yesterday and opposed the bill. Representative Everett Dirksen said it would "completely disorganize the whole stabilization program," and "would give John L. Lewis and other labor leaders the best weapon he could have to force discard of the Little Steel Formula." But he added that he would be willing to support the measure if it "were limited to the duration" only, but the House voted down his amendment. Representative Lee Allen, claiming it would "tend toward inflation," predicted a Presidential vote. Another bill passed by the House received better criticism yesterday as the Southern Tenant Farmer's Union protested against the Farm Labor Supply measure, providing that none of the 26.1 millions granted the Agricultural Extension Service be used to regulate wages, housing standards or hours for transported farm workers. Meanwhile the Senate approved the Joint Resolution authorizing the sale of additional CCC wheat for feed.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 19, 1943

FROM Frances McCathran

## CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax Legislation - The "sides" appear to be lining up for a major tug-of-war on the "tax issue" next Wednesday. Secretary Morgenthau yesterday at a press conference placed the Administration "100%" behind the House Ways and Means Committee plan. But on the other side of the fence, Republican Representatives in a conference lasting two hours, attempted to coordinate support behind the Carlson version of the Ruml Plan and made a definite bid for some Democratic backing which would, of course, be necessary to achieve their ends. Carlson said he would change his bill to agree with the Committee plan in all particulars except the forgiveness issue in order to "confine the debate to the essential question." Although House Republican Leader Martin described the meeting as "the most harmonious I have seen here in 27 years," others present admitted that there was some doubt among certain Republicans as to the advisability of forgiving a full year's taxes in wartime. There are still rumors, too, of some support for the Robertson Plan, which would allow forgiveness for lower bracket taxes, as a compromise between the two major plans.
2. The Farm Problem - Another point was raised in the discussion over the proposed liquidation of the RACC by Secretary Morgenthau, who in a letter to Senator Byrd, questioned the advisability of such a move "before the establishment by appropriate legislation of other agricultural credit facilities to fill a recognized need," but agreed that "consolidation of agricultural lending agencies and the policies under which those agencies will operate should be actively considered." Another agency whose necessity is being questioned in Congress is the Farm Security Administration. Yesterday the House authorized a seven-man committee, appointed by Chairman Fulmer of the Agriculture Committee, to make an investigation of its functions. Meanwhile the Senate Agriculture Committee speedily approved the House-passed resolution to permit the CCC to sell 100 million

bushels of wheat for feed and announced their intention of attempting to get it through the Senate and to the President today. This measure, they believe, is necessary to supply the demand temporarily since farmers are said to be refusing to sell their corn stocks until the farm price issue is settled in Congress.

3. Manpower - Chairman May of the House Military Affairs Committee yesterday expressed annoyance to discover that Secretary Stimson had by-passed his Committee in writing a letter directly to the Rules Committee in opposition to the Kilday bill to defer fathers. May, who was appearing before the Rules Committee himself to urge approval of the measure, said of the War Department's action, "They certainly might have been courteous enough to inform the Military Affairs Committee--the Committee they appear before for all legislation." Meanwhile Undersecretary of War Patterson yesterday assured the Senate Military Affairs Committee that the War Department strongly endorsed the Austin-Wadsworth National Service Bill. He said the measure would (1) "bring about a more equitable distribution of burdens on the home front;" (2) "mitigate the loss of life on the fighting front;" (3) have a high morale value in announcing to our enemies and to the world that the nation is making an all-out war effort; (4) stop the big turnover in war industry by freezing workers in their jobs. He added that the United States is the only one of the principal belligerents without a system of universal war service. Captain Eddie Rickenbacker will give his views on this legislation today before the Senate Military Affairs Committee.

SECRETARY DEPARTMENT  
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BRITISH MOST SECRET  
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OPTEL NO.89.

Information received up to 7 a.m. 19th March, 1943.

1. MILITARY.

TUNISIA. 17th. First Army. The enemy attacked our positions in the TAMERA area. Successive counter attacks by both sides during the day ended with the loss of some ground to the enemy and part of one British battalion being cut off. In another thrust against French positions the enemy broke through and attacked our TAMERA positions from the west. First reports of counter attack later in the day showed that some of our positions were regained and prisoners captured. Fighting continues.

United States Sector. United States infantry formations early in the day advanced on GAFSA from the northwest after artillery preparation and supported by aircraft. They entered the town at 1230 p.m. and passed through to the high ground southeast with leading elements pushing on to EL GUETTAR. The Italian garrison withdrew and their rear guards offered little resistance but our forces found all approaches heavily mined. Armoured forces at the same time occupied the station of ZANNOUCH on the railway 15 miles east of GAFSA. Pushing further east they have so far met only air and artillery opposition.

RUSSIA. Russian attacks continue south of LAKE ILMEN. They have captured IZDESHKOVO on the railway 25 miles west of VYAZMA and are attacking in strength south of OREL.

2. AIR OPERATIONS.

WESTERN FRONT. 18th. A total of 97 United States heavy bombers attacked shipyards at VEGESACK near BREMEN dropping approximately 250 tons of bombs with good results. Photographic reconnaissance after the attack shows fires burning at the Vulcan Shipyards where hits on U-boats on the slips and on workshops were seen. Heavy fighter opposition was met. Two bombers missing. 12 escorted Venturas attacked objectives near ROTTERDAM. Enemy casualties 2 destroyed, 2 probables.

18th/19th. 20 enemy aircraft crossed the EAST ANGLIAN coast. 3 were shot down by fighters, a fourth was probably destroyed, and anti-aircraft claim 2 more. Some industrial damage at NORWICH and GREAT YARMOUTH. Very few casualties.

TRIPOLITANIA. 16th/17th. 15 Junkers 88 bombed TRIPOLI (L). Some buildings including barracks and a hospital, as well as mechanical transport, were damaged and there were some casualties.

TUNISIA. 17th. 6 enemy attacks escorted by a large number of fighters were made in the MEDENINE area.

3. LAKE NEWS.

EUFRATE. No change west of MAYU RIVER but east of river fighting on 16th and 17th led to confused situation resulting in some withdrawal of our forward troops.