DIARY

Book 619

March 24 - 26, 1943

Regraded Unclassified

- A -

	Book	Page
American Train Dispatchers' Association		
See Financing, Government: War Savings Bonds		
Appointments and Resignations		
Ross, Nellie Tayloe (Director of Mint): Reappointment reported to Senator O'Mahoney - 3/25/43.....	619	200
Army; Navy		
See Banking Facilities		

- B -

Banking Facilities		
Army and Navy Posts: Bell reports on - 3/24/43.....		4
a) Bell memorandum - 3/24/43.....		66
Budget, Bureau of		
Saturday Evening Post article, "Harold Smith Doubles for Roosevelt," discussed by HMJr and George Milton - 3/26/43.....		264
a) Blair Moody reveals source of information to Schwarz - 3/26/43.....		282-A
1) Smith-HMJr conversation - 3/26/43.....		283
a) Copy of FDR's order to departments to avoid criticism of one another.....		288

- C -

Chiang Kai-shek, Madame		
See China		
China		
Madame Chiang Kai-shek: Special cigarettes (State Express) discussed by Treasury group - 3/24/43.....		24
a) Gaston memorandum - 3/24/43.....		29
Cochran, Mrs. H. Merle		
HMJr asks Gaston for report on - 3/25/43.....		237
Collector of Internal Revenue, Delaware		
See Tunnell, James (Senator, Delaware)		
Collison, Norman		
See Tunnell, James (Senator, Delaware)		
Correspondence		
Mrs. Forbush's mail report - 3/26/43.....		317
Currency		
See Occupied Territories		

- D -

Deferments, Military		
Procurement Division: Expert on steel, zinc, etc., turned down by HMJr - 3/24/43.....		1
Delaware		
Collector of Internal Revenue: See Tunnell, James (Senator, Delaware)		

- E -

Eden, Anthony		
Hull explains purpose of trip to HMJr - 3/26/43.....		256

Regraded Unclassified

- F -

	Book	Page
Financing, Government		
War Savings Bonds:		
2nd War Loan:		
"Partnership with Uncle Sam" poster suggested by HMJr - 3/24/43.....	619	45
a) Decision by Poster Committee - 3/30/43: See Book 621, page 96		
White House staff participation discussed by Treasury group - 3/24/43.....		50
American Train Dispatchers' Association backs drive - 3/24/43.....		90
Georgia labor unions - message to - 3/24/43.....		92,95
Zero Hour Rally: Peabody plans for - 3/25/43.....		209
New York: Sproul thanks HMJr for accepting invitation to appear at Carnegie Hall April 12 - 3/26/43.....		303
a) HMJr's suggestion as to music - 3/27/43: Book 620, page 61		
Thomas (Harold) thanked for assistance - 3/24/43.....		87,88,89
Foreign Funds Control		
Panama: Investigators into Axis activity - Paul recommends sending without diplomatic status - 3/25/43.....		240

- G -

Georgia
See Financing, Government: War Savings Bonds

- I -

Intergovernmental Fiscal Relations
See Revenue Revision

- J -

Japan
See Philippine Islands

- L -

Latin America		
Panama: See Foreign Funds Control		
Lehman, Herbert H.		
Status with relation to State Department: HMJr repeats conversation with Lehman to White - 3/26/43.....		256
a) Copies of correspondence: See Book 620, page 52		
Lend-Lease		
United Kingdom: Aircraft despatched, week ending March 16, 1943 - British Air Commission report - 3/26/43.....		335

Regraded Unclassified

- M -

	Book	Page
Milton, George F.		
See Budget, Bureau of		
Mint, Bureau of		
See Appointments and Resignations: Ross, Nellie Tayloe		
Moody, Blair		
See Budget, Bureau of: Saturday Evening Post article		
Myers, William I.		
Cornell thanked for making him available to Treasury for special assignment - 3/26/43	619	310

- N -

Navy; Army
See Banking Facilities

- O -

Occupied Territories
Currency:
Discussion by HMJr, Bell, White, Pehle, Luxford, Aarons, and Friedman - 3/26/43 268
(See also Book 621, page 1)
a) Agenda for discussion 280
b) Memorandum on currencies: Book 621, page 29
Discussion by HMJr, Bell, Patterson, Forrestal, White, Carter, Strauss, Feis, Coe, Hall, Pehle, and Luxford - 3/31/43: Book 621, page 121
HMJr and Phillips discuss - 3/31/43: Book 621, page 221
a) Yellow-seal currency discussed
b) Spearhead currency discussed
c) Attitude of Phillips discussed by HMJr and White: Book 621, page 231
Office of Foreign Relief and Rehabilitation Operations
Lehman, Herbert H.: Status with relation to State Department - HMJr repeats conversation with Lehman to White - 3/26/43 256
a) Copies of correspondence: Book 620, page 52

- P -

Panama
See Foreign Funds Control
Philippine Islands
Japan permits United States to make available $25,000 for food, clothing, and medical supplies for interned Americans - 3/26/43 337
Procurement Division
See Deferments, Military

Regraded Unclassified

- R -

	Book	Page
Research and Statistics, Division of		
Report for August 1942 - 3/24/43.....	619	130
Revenue Revision		
Intergovernmental Fiscal Relations: Report of Committee - Paul-Sullivan-Gaston-Blough memorandum on progress - 3/24/43.....		97
a) Copy of report sent to FDR - 3/26/43.....		311
b) Report discussed by HMJr and Blough - 3/29/43: See Book 620, page 91		
c) Copies to Governors, Senate Finance Committee, and House Ways and Means Committee: Book 620, page 107		
d) Copy to LaGuardia: Book 621, page 263		
e) Publicity: Book 621, page 256		
f) Copy to Eccles and to United States Conference of Mayors: Book 622, page 81		
g) FDR's letter concerning - 4/9/43: Book 624, page 63		
h) FDR given leather-bound set - 4/15/43: Book 625, page 266		
Ross, Nellie Tayloe		
See Appointments and Resignations		

- S -

Saturday Evening Post		
See Budget, Bureau of		
Smith, Harold		
See Budget, Bureau of		
State Department		
Financial, Economic, and Monetary Questions: State Department's recent determination to control discussed by HMJr and White - 3/26/43.....		247
a) See Occupied Territories for discussion on rate of exchange for French franc, Book 616		
b) See Lehman, Herbert H. (present book)		
Stricker, Sidney G.		
See TIME Magazine		

- T -

Taxation		
See Revenue Revision		
TIME Magazine		
Article on HMJr: Sidney G. Stricker thanked for criticism - 3/25/43..... (See also Book 620, page 266 - 3/29/43)		228
Train Dispatchers' Association, American		
See Financing, Government: War Savings Bonds		
Thomas, Harold		
See Financing, Government: War Savings Bonds		
Tunnell, James (Senator, Delaware)		
Collison, Norman: Recommended for Collectorship of Internal Revenue, Delaware - 3/25/43.....		219

Regraded Unclassified

United Kingdom
See Lend-Lease

- W -

War Savings Bonds
See Financing, Government
White House
See Financing, Government: War Savings Bonds

Regraded Unclassified

March 24, 1943
10:00 a.m.

SPECIAL GROUP

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

H.M.JR: Mr. Thompson?

MR. THOMPSON: I have one deferment case, a man down in Procurement who is an expert on steel, zinc, and metals of that type. He has had a lot of experience on that work. He was with Jones and Laughlin Steel Corporation. Cliff Mack thinks that if he doesn't get him deferred it will be very serious.

H.M.JR: How old is he?

MR. THOMPSON: Thirty years old, married, and has no children.

H.M.JR: Let him go to war.

MR. THOMPSON: I turned it down - Mr. Gaston, Ted, and I - but they resubmitted it.

H.M.JR: Let him go to war. You can get a retired steel master. Find out what Mrs. Andrew Carnegie is doing. (Laughter)

MR. GASTON: We can get a retired steel master to buy non-inspected steel for us. (Laughter)

Regraded Unclassified

H.M.JR: Were you in favor of giving that fellow--

MR. GASTON: We turned it down the first time. They made quite a plea.

H.M.JR: The longer--

MR. GASTON: I think it is one of those cases where they should have had somebody to replace him.

H.M.JR: Herbert, I read Elmer Davis' defense in the paper, and the longer - on this phase anyway - I think I have been a hundred percent right, and I have been a year ahead of everybody.

MR. GASTON: Yes.

H.M.JR: Why should I change now?

MR. SULLIVAN: The War Department says you are the only one that is right.

H.M.JR: My God, that worries me. You mean Bob Patterson? He is the only fellow who would say that.

MR. SULLIVAN: That is right; he told me that.

H.M.JR: He has a weakness. One of his blind spots happens to be me. (Laughter)

MR. SULLIVAN: Let's not turn on the light. (Laughter)

MR. BELL: There was pretty favorable comment from the Appropriations Committee on that, the Treasury policy.

MR. THOMPSON: Yesterday the Senate passed over the Treasury appropriations bill. They are going to take it up tomorrow, so we still don't know what they are going to do on our items. Mr. Gamble will probably see Senator Lodge today.

H.M.JR: I hope so.

Regraded Unclassified

MR. THOMPSON: And Mr. Graves has contacted Congressman Ludlow because we understand Taber is going to make a fight--

H.M.JR: Taber?

MR. THOMPSON: They cut a million six, and the Senate Committee has put it back. It probably will stick in the Senate, and then it will go to conference. Taber, we understand, is going to make a fight in conference to have the reduction stand.

H.M.JR: I tell you what you might tell Ted Gamble. On the State War Committee - New York State - there is some very prominent banker, somebody from Buffalo on that. They have a very good man in Buffalo. Why don't you, when you leave this meeting, ask what's-his-name who it is and have him call him on the phone and see who is up in that part of the State who has influence with Taber.

But they have got a very - I can't think of his name, but he is a very good man. I would do it this morning.

MR. THOMPSON: I will do that. That seems to be the only possible objection to it.

H.M.JR: You might give Mrs. Klotz his name afterwards.

MR. THOMPSON: I will do that.

H.M.JR: What else?

MR. THOMPSON: That is all.

H.M.JR: Mr. Bell?

Regraded Unclassified

MR. BELL: You asked for a report on banking facilities for Army posts.

H.M.JR: Yes.

MR. BELL: When we started last summer we had between fifty and sixty of those cases on the docket, and since then there have been a number of others that come into the picture; and we have closed out ninety-seven cases.

H.M.JR: Closed out? What do you mean?

MR. BELL: We provided facilities. We have provided banking facilities in ninety-seven places, and that will take care of about three million men.

H.M.JR: Ninety-seven places?

MR. BELL: Ninety-seven. There are about ten or eleven still in the mill, and there will be probably another twenty-five or thirty, as the War Department sends them along.

H.M.JR: Very good.

MR. BELL: Then there will be possibly twenty-five or thirty places where they won't want full facilities but just teller service maybe twice a week.

We have done this whole job in cooperation with the Army. They have sent a man right along with ours. When we have gone into an area we have gotten the commanding officer, and he has gone with us. So the whole thing has worked very well.

H.M.JR: Good.

MR. BELL: There are about twelve hundred and seventy-nine Army posts in the country.

That is a report for your record. (Report handed to the Secretary.)

Regraded Unclassified

It is working very nicely. There are only one or two places where we have run into difficulties politically. There was one place where the banking commissioner wouldn't go along with us because of the branch banking laws in the State. But we have been able to work it out.

H.M.JR: Did you hear any repercussions of my remarks about the War Department's being so slow?

MR. BELL: No. You mean on the issuance of savings bonds?

H.M.JR: Yes.

MR. BELL: I didn't see your remarks, and I didn't get any repercussions. It is unfortunate, but it just can't be helped at this time. They have just completely bogged down.

H.M.JR: I brought it up. What I said was this, that one of the things that would slow down our drive for April was the fact that the War Department is three to four months behind in delivering their bonds. Patterson was there. He said he would take it up and look into it.

MR. BELL: You mean at Cabinet?

H.M.JR: Yes.

MR. BELL: No, I didn't hear anything.

H.M.JR: That was before I sent the letter. I sent the letter that afternoon.

MR. BELL: Well, they have taken steps to correct it, and on May 1 they will set up a completely new organization in Chicago. They are setting it up now. It just takes time.

Regraded Unclassified

MR. SULLIVAN: That is for issuing future bonds. You have another problem of catching up on the terrific backlog.

MR. BELL: I was coming to that. They are separating the organizations, leaving the organization here in Washington to catch up on the backlog and setting up another organization in Chicago to take the futures, and putting on an allotment basis what they have now.

The way they are operating is that a man signs an application to take out the money to pay for a bond out of his pay. But what they will do in Chicago is to operate like this. The man allots funds to his wife and his family, and he will allot also for the purpose of buying bonds, and they will be issued within five or six days.

H.M.JR: I spoke to Patterson about the family allotments. He said that that is done from Cleveland.

MR. BELL: No, that is done from Newark.

H.M.JR: Then he didn't have it right. I understand they are way behind on that.

MR. BELL: Not so much behind. They were behind, but are catching up.

H.M.JR: Bell, why should the allotment to the family and the allotment of the bonds - why should one be done in Newark and one be done in Chicago?

MR. BELL: They are just too big to put in one place.

H.M.JR: But I mean will Tom Smith's family allotment be done in Newark and his bond allotment in Chicago - for the same man?

MR. BELL: That is right. The records are kept separately. He signs two different documents.

Regraded Unclassified

MR. SULLIVAN: You have two different sets of records even if both were done in Newark, Mr. Secretary.

H.M.JR: Supposing the fellow says, "My family hasn't got the allotment; I haven't got my bond", then one thing goes to Newark and one thing goes to Chicago?

MR. SULLIVAN: Yes.

H.M.JR: Why don't they handle it for the man in the same place?

MR. BELL: It is too big.

H.M.JR: The Navy sends out a million and a quarter checks in the first seven days of each month on family allotments - a million and a quarter, and they are six to seven days in doing it.

MR. BELL: The Army is sending out over two million checks in Newark in less than eight days.

H.M.JR: On the allotment?

MR. BELL: Yes, sir.

H.M.JR: Are you sure of that?

MR. BELL: That is what I was told by Colonel Johnson, who was formerly one of our men.

H.M.JR: I tell you what I am going to ask you to do. I want Eddie Bartelt to go and visit the Newark thing and the Chicago thing for me and come back and see me. Get permission from Bob Patterson and have him do it, will you?

MR. BELL: Yes. He doesn't need permission.

H.M.JR: No, but I want Bob Patterson to know.

MR. SULLIVAN: I think if he talked with General Carter before he left here, Dan, it would save him a lot

Regraded Unclassified

of time, because General Carter has been very much dissatisfied with those operations - or he was the first of January.

H.M.JR: I thought it came under Loughry.

MR. BELL: Yes, but General Carter has been handling this setup - the organization of it. We have been in very close touch with him on both. As a matter of fact, he took one of our men to head the Newark operation.

H.M.JR: Let Eddie Bartelt see Carter before he starts out. But I want Bob Patterson to know I am doing it.

MR. BELL: Eddie is thoroughly familiar with both operations.

H.M.JR: But I would like him to go and visit these offices.

MR. BELL: All right.

H.M.JR: And tell him what I want to do is go in and look at the cards and see actually how far behind they are.

But the ones that are behind, they are cleaning up here in Washington?

MR. BELL: That is right, and they are catching up on it, I understand.

H.M.JR: What I would like Eddie Bartelt to do is to give me a report on how late the allotments are and how late the bonds are in Washington, Newark, Chicago, wherever they are, and overseas.

MR. BELL: The overseas what?

H.M.JR: What happens to the men who are overseas - their allotment.

Regraded Unclassified

MR. BELL: They get no allotment; they get pay. It is the men overseas who are making the allotments to their families in this country.

H.M.JR: Is that handled here?

MR. BELL: Sure.

H.M.JR: What about his bonds?

MR. BELL: When he goes abroad he signs an allotment document. What they want him to do for the Chicago office is to also sign a bond allotment.

H.M.JR: I talked to Elliott Roosevelt when I was over there. He said that he stays up until midnight every night making out all these papers for the men, and he said it was the most ridiculous thing. He said it was a system laid down in the Civil War. A man moves from one place to another and wants to get his pay check, and the commanding officer has to lend him out of his own pocket. He said, "It is the most antiquated, asinine thing." He said that he is up all night long trying to keep up with the paper work.

The English have a little card that the fellow travels with. He goes from one post to another and he gets his pay and everything else.

He said it was the most antiquated thing he had ever seen. He just raved about the delay and the men don't get their money, and the families don't get their allotments. They don't hear whether they get their bonds. I think the Army is just too complacent about this thing. I want my facts to stick under Bob Patterson's nose.

MR. BELL: I don't think they are complacent, just overwhelmed. They didn't anticipate any response like they got to the bond program. Of course their payroll has always been very complicated because of all of the allotments and allowances, and so forth.

Regraded Unclassified

H.M.JR: When we are through I am going to send for Eddie. You stay; I want the facts. This thing of one Army officer covering up another Army officer's mistakes.

You told me months ago they had moved to Chicago.

MR. BELL: Yes, but I didn't--

H.M.JR: What are they going to do, wait until the war is over to catch up with this?

MR. BELL: I didn't tell you they were going to start issuing bonds months ago. I told you the first of February they were planning to move to Chicago. They just got the building, and it took thirty days to put it in shape. It is one of those old manufacturing buildings. It takes some time to get an organization together. They expect to issue bonds by May 1. It takes some time to get the allotment pledge signed and back from the soldiers.

H.M.JR: You heard what General Marshall said Saturday, that one of the things he is worrying about is that the soldiers don't put enough away so they will have something when they come back.

MR. PAUL: Major Bernays came over to see me about that problem the other day from the War Department.

H.M.JR: Public Relations Bernays?

MR. GASTON: Eddie.

MR. PAUL: This was a Major Bernays, B-e-r-n-a-y-s.

MR. GASTON: That is his name; that is Eddie's name.

MR. PAUL: I am not sure about his first name.

H.M.JR: Why should he come and see you, Randolph?

MR. PAUL: He came to see me, wondering whether any legislation could be enacted, even possibly through the

Regraded Unclassified

tax bill, that would deal with that problem of the soldiers spending too much money now and having too little left later.

H.M.JR: That is what this talk of Marshall's was that got me started. What is the use of Marshall and all the others talking about the soldiers having too much money if when they do buy a bond they can't get it. That is what started me off.

MR. PAUL: I was just saying he came over.

H.M.JR: They made a survey in England which General Osborne showed me. A private going to London for one day - his average expenditure was nineteen dollars, and a sergeant spent twenty-eight dollars for one day.

A lot of these fellows say, "Come on boys, buy a bond."

They answer, "Why should we buy a bond? We bought one four months ago and didn't see it."

MR. WHITE: Ben Cohen wrote me a letter in which he referred to Hopkins - I imagine Harry Hopkins, he didn't specify - asking whether it wouldn't be possible to make compulsory savings of bonds for the soldiers, and he wanted the facts on it. It was a personal letter. I turned it over to Gamble, to get him the facts. It merely suggests that people are talking about it. The letter hasn't been answered yet.

H.M.JR: But, Harry, it all comes back - I have spent a lot of time on this - first you have to get the machinery running smooth, don't you?

O.K., Daniel?

MR. BELL: Yes.

H.M.JR: Mr. White, do you know anything about this call about this afternoon from Sir Frederick Phillips, who wants to talk about the French exchange? Did you get my message?

Regraded Unclassified

MR. WHITE: Yes, I did. I don't know, unless it relates to the matter which Halifax spoke to you about. There is no indication from anything else he has said beyond the statement which he made to me that he presumes we know about the status of that. He made that remark with reference to the DeGaulle rate of exchange.

H.M.JR: Did you get my suggestion to call up Herbert Feis?

MR. WHITE: Yes, I will do that.

H.M.JR: Incidentally, I called up Hull Saturday and asked him what he knew about it. He said, "Nothing."

Well, there have been some negotiations between the President and Churchill - more negotiations on the franc.

MR. BELL: Really?

H.M.JR: Sure, because Halifax called me up, and there was a message in about last Wednesday, "Should Eden take it up with the President, or should he, Halifax, take it up with me." I, knowing nothing about it, said, "You take it up with the President." Then I called up Hull and said, "What do you know about it?"

He said, "I don't know anything about it; I never heard of it."

MR. WHITE: Hull had Feis call me up to say - Feis said Hull had spoken to him - he got it through the second person - and he wants to inform us that he is available if there are any discussions.

H.M.JR: Why not tell Feis to come over today?

MR. WHITE: Yes.

H.M.JR: Should I do that?

MR. WHITE: I will call him up.

Regraded Unclassified

H.M.JR: Ask him to be here at four-fifteen. That moves this thing to my office.

MR. WHITE: I will do it.

H.M.JR: Tell him the meeting starts on time, will you? (Laughter)

MR. WHITE: Will I tell him that the meeting starts on time?

H.M.JR: Yes.

MR. WHITE: With pleasure. I asked him if he was late at his own birth once. (Laughter)

We have been having a number of meetings, and I think if you could set aside a half hour tomorrow I will bring you up to date. Also there are certain decisions that will have to be made by the Treasury on several rather important matters before we can go forward with recommendations to other departments.

H.M.JR: Did you hear anything more - any more clearance on your publicity?

MR. WHITE: Not on the publicity. Berle called up saying that the British called to say they were very sorry that apparently the telegram was delayed, but at any rate they haven't received it as of yesterday afternoon; and that they would let us know the moment it was received. The letter was approved by Berle, and he was wholly in agreement with sending it. We cabled it to Casaday for submission to the appropriate authorities in the British Treasury. I showed the letter - I sent the letter to Phillips. I also told Phillips what we had done in regard to cabling it to London.

H.M.JR: Why don't I call up Phillips on the phone and break his heart and tell him to call London on the telephone, that I want an answer this afternoon?

Regraded Unclassified

MR. WHITE: Maybe before we do that we ought to call the State Department. They may have an answer by this morning.

I think in the future if we have anything like that we should handle it the way they handle their material. When they want something cleared in a hurry they send it to London, then London to Phillips; Phillips calls here and gets it done. We ought to do the same thing. If we want to have something cleared, have a Treasury man send it to our man in London and have him clear it up.

H.M.JR: Do you want me to do it?

MR. WHITE: I will first find out--

H.M.JR: Call Phillips on the phone and tell him he had better call up London because I am going to ask him at four-fifteen for a yes or no. He will come over here and ask if he can use our telephone. (Laughter)

MR. SULLIVAN: Lend-Lease. (Laughter)

MR. WHITE: Lend-Lease will take care of it. They pay the bills. (Laughter) The Army and Navy are proposing to open the Swedish question before the Board of Economic Warfare.

H.M.JR: What question?

MR. WHITE: Oil to Sweden and others. The Navy and Army - Puleston of the Navy and Neff of the Army, who represent Forrestal and Patterson, would like our support on the position. I think we have been in sympathy with their position hitherto, and I would like your permission to support them on their request for reexamination of the Swedish--

H.M.JR: Reexamination?

MR. WHITE: Reexamination and action. I would like to take Pehle with me next time.

H.M.JR: What else?

MR. WHITE: Yes, I had something else, but it slipped my mind.

Regraded Unclassified

H.M.JR: How is old Ruml Blough? (Laughter)

MR. BLOUGH: I think Ruml Paul will report on Ruml. There is nothing special.

H.M.JR: Where are we?

I see, according to the New York Times, they are slipping around with the Robertson plan.

MR. PAUL: It is really hard to appraise the situation. I spent yesterday morning at a meeting which I thought had an element of humor. It consisted of the inside gang in the Ways and Means Committee. The inside gang is now Doughton and Gearhart - one Democrat and one Republican. (Laughter)

I spent a good deal of the day working with Doughton and Stam on Doughton's speech for tomorrow. I have to go up after this meeting and resume that hand-holding process.

H.M.JR: Incidentally, the President has asked me three times whether we would give him the names of the ten richest men - the list we sent over to him.

MR. SULLIVAN: I gave you both of those two weeks ago.

H.M.JR: Yes - the President got it the same day - the one minus the names.

MR. SULLIVAN: But you had both.

H.M.JR: I had them, but what the President asked is had we furnished that same information to Doughton.

MR. PAUL: I told you the story on that, that we couldn't furnish that information with names unless he ordered a committee meeting.

H.M.JR: How about without names? I am talking about this list of--

Regraded Unclassified

MR. PAUL: We furnished the thing without names to the press.

MR. BLOUGH: Not as a list.

MR. PAUL: No.

H.M.JR: Is Doughton going to use it?

MR. PAUL: He has some stuff in his speech along the line of what the President wants, and also Cooper is going to do the same thing.

MR. SULLIVAN: Is he going to use the stuff on Ball, Morgan and Lowden?

MR. PAUL: I mentioned it to him yesterday.

H.M.JR: Morgan?

MR. SULLIVAN: In the last two or three weeks, Lowden, Ball, and Morgan have died.

H.M.JR: How would that affect the Treasury?

MR. GASTON: We would lose all their taxes under the Kuml plan for 1941-'42.

H.M.JR: Has anybody looked them up?

MR. SULLIVAN: Don't ask me how much. We are just using the names without amounts.

H.M.JR: Could you furnish me the information on those three names at all?

MR. SULLIVAN: Yes. I will tell you privately, it would lessen the effect of this if you knew how much their income was. It was a bitter disapointment. (Laughter)

MR. GASTON: Ball's?

Regraded Unclassified

MR. SULLIVAN: Yes. One of them had a loss.

MR. GASTON: Lowden?

H.M.JR: No, Morgan.

MR. PAUL: That was '41; he couldn't do that in '42 under the new bill.

MR. BELL: Did we endorse the six percent discount for paying taxes in advance, or did we oppose it?

MR. PAUL: We didn't oppose it, no.

MR. BELL: Why not?

MR. PAUL: I talked to you about it at the time. You said you were lukewarm.

MR. BELL: I wasn't lukewarm to any six percent. I was lukewarm to three percent.

MR. PAUL: Four, three, two, and one - you were lukewarm on that.

MR. BELL: Six percent is ridiculous.

MR. PAUL: We didn't endorse that. We endorsed very feebly the plan for four, three, two, and one.

MR. BELL: They raised it to six because the man pays six percent.

MR. BLOUGH: Just for the first year.

MR. BELL: I suppose they did that because they charge him six percent.

MR. PAUL: No, because they were trying to make it look like pay-as-you-go.

Regraded Unclassified

MR. BLOUGH: Purely a political provision. They thought it looked better.

H.M.JR: Well, let's move along a little bit further.

MR. PAUL: I want to give you this press release. (Press Service No. 35-83 handed to the Secretary.) It is a press release on the new Assistants to the General Counsel.

H.M.JR: Bring them in and introduce them.

MR. PAUL: I mean to do that. Lynch has been sick. He has to finish up two or three days in Jeffers' office. I thought I would bring them in together.

If your humor is in good condition, I wish you would read this article on "Pay-as-you-go Ruml" in Collier's. It says, "A big man with big ideas and an intense hatred of debt." (Laughter)

MR. SULLIVAN: Except notes to his mommy and pappy. (Laughter)

Read it. It will burn you up. You will save a lot of fuel reading that; you won't cool off for hours.

MR. WHITE: I think Randolph had the right explanation; he hates his debts so much he never meets them. (Laughter)

MR. PAUL: Collier's is running a new article. I had a conference with Schwarz yesterday, and the Collier's man. I don't know what they are going to say in that one, but I hope it will be better than this one. A lot of people reading that would sue Collier's for libel, but Ruml is proud of his vices. (Laughter)

H.M.JR: Would you please tell me why he has twenty-three pencils and none of them are sharpened? (Laughter)

MR. WHITE: We had a meeting on that. (Laughter)

Regraded Unclassified

MR. HAAS: There is no point in that. (Laughter)

H.M.JR: What does he use the pencils for? (Laughter)

MR. WHITE: He is a big man - I don't know.(Laughter)

MR. PAUL: You ought to read that. They say if he ever drops dead on the tennis court, it will be because he is racing to get a highball. (Laughter)

H.M.JR: Any other good news?

MR. PAUL: I can't tell very much about the situation up there. John McCormack grabbed me yesterday and I had a nervous conversation with him for fear Doughton would come along.

MR. SULLIVAN: He wants half the Robertson plan, he told me.

MR. PAUL: He tried to argue that. Not quite half the Robertson--

MR. SULLIVAN: Ten percent forgiveness.

H.M.JR: O.K.?

MR. PAUL: Yes.

H.M.JR: George?

MR. HAAS: Nothing.

MR. SULLIVAN: The Public Debt Act came out of the Senate yesterday afternoon. I had Doughton ready to get it out of the House, but McCormack, in the meantime, had said he would have to protect the hundred and thirty Democratic members of Congress who voted against the Public Debt Act, and in order to get a record vote they would have to appoint conferees and the conferees

Regraded Unclassified

would then accept the Senate amendment, and it would then come back and be voted on by the House. The House is going to accept the Senate amendment, and it will then have to wait until tomorrow to be voted on by the Senate. They are not in session this afternoon.

H.M.JR: If I understand it, it freezes the wages at somewhere around '41.

MR. SULLIVAN: No, '42. It is the highest between January first and September 15, 1942.

H.M.JR: But leaves it that the President can say that they can't go any higher?

MR. SULLIVAN: No, the rest of the procedure is the same for acceptance of greater responsibility, doing more difficult work - all that sort of thing. There can be increases, but they will have to be approved by the Bureau of Internal Revenue.

H.M.JR: I read the story.

MR. PAUL: There can be increases, but no decreases.

H.M.JR: Increases but no decreases?

MR. PAUL: The theory of the thing is they want - there won't be any decreases of wages, anyway, so they have covered both wages and salaries. It means nothing as to wages, but as to salaries it means the elimination of the twenty-five thousand.

MR. SULLIVAN: Over at Justice Byrnes' office they want a letter from you setting forth the urgency for the passage of this Public Debt Act. I had several conversations with Justice Byrnes yesterday, and he thought we had plenty of time on this. He wanted to know what the average daily rate of expenditure was. I talked with Dan, and Dan, I think, has already started the preparation of that letter.

Regraded Unclassified

H.M.JR: I don't know what you said, but if I could suggest to stress this thing, that a lot of field work is set; they know we can go ahead and do this thing in connection with the April drive. It isn't a question of how many days we can go before we pass the debt. There are all these hundreds of thousands of people going to work for us, and the thing is to get this April drive set.

MR. BELL: We told them we had done all the preliminary work on the drive.

MR. SULLIVAN: The one thing that impressed him most was the solicitation of advertising - placing of advertising contracts. That was the one thing he seemed to appreciate.

H.M.JR: The world gets funnier and funnier as we go along.

MR. BELL: Wasn't there some indication that this might be allowed to become a law without signature?

MR. SULLIVAN: That is right. He had suggested to the President that the President issue a statement two or three days after it comes down, saying that he isn't signing it, but he is permitting it to become a law because the Treasury has to have it. We are going to get blamed.

H.M.JR: You can use my letter. Is the law ten days?

MR. SULLIVAN: Ten days, but I told him if they were going to do that, the sooner such a statement was issued the better. He said, "Now, I am not sure that he won't change his mind on this thing and veto it, but we are hurrying it down as fast as we can, anyway."

H.M.JR: Did you tell him about the advertising contract?

Regraded Unclassified

MR. SULLIVAN: I didn't know about the advertising contract. I assumed there was one, and I told him about it.

H.M.JR: I mean, did he get it from you - is that where he got it?

MR. SULLIVAN: I had told him we had men out soliciting advertising, and that had to be mapped in advance; that you couldn't cut it off on the 10th or the 9th, and say, "We can't continue to do it."

Having made one false start, if we try it again, we would be in a mess. I talked with Barkley yesterday. He had been away for ten days. He felt there would be no difficulty with the stabilization fund - there might be with others. He is checking, and is going to let me know. He had had no opportunity to check because he had been away.

I tried to see Senator Maloney and I was unable to reach him. I ran into him in the corridor yesterday afternoon and he indicated hostility to both. I tried to make a date to see him today, but I couldn't see him either today or tomorrow. He is going up to Connecticut for some dental work tomorrow night. He said he would see me the middle of next week.

I talked to Senator Wagner and he is enthusiastic about both. He is going to do some checking. He was fairly optimistic.

Senator Danaher said, "You have got to give me your word of honor that neither the BEW or the RFC has access to one nickel of that fund, and if they haven't, I am for it. But if they have a chance to use that, I will never vote for it." I told him I was very confident but I would check and give him a positive answer.

H.M.JR: You can't tell - Harry is very close to Jesse Jones, you know. (Laughter)

Regraded Unclassified

MR. WHITE: Not as close as I am going to be, either. (Laughter)

MR. SULLIVAN: McNary said he thought the only opposition would be to the power to devalue, and he was going to check and let me know. I talked to Senator Tobey, the ranking Republican member, and he said that from the conversation he had heard around, there would be no opposition to extension of the stabilization fund though there might be to the power to devaluate. He said, "What you really want to know is whether or not you are likely to get in a fight while this April drive is going on."

I said, "Yes, that is it exactly."

He said, "The answer you want from me is whether it will be better to wait until after your April drive is over."

I said, "I think that would be one answer that would be very informative," and he said he would find out and let me know.

H.M.JR: That is a good report.

You mentioned everybody but the Chairman of the Weights, Coins, and Measures.

MR. SULLIVAN: I mentioned that before. We have had two or three sessions with him. Mr. White is preparing some material for him.

H.M.JR: When will we hear from him again?

MR. SULLIVAN: Has he got that material yet, Harry?

MR. WHITE: No, he hasn't. You are not supposed to hear from him, as I remember it, until you talked to Barkley, and then let's see him again. But in the meantime he asked for material which I am supposed to give him the early part of the week. He will get it tonight.

Regraded Unclassified

There was a report of the last meeting which I was supposed to have written up and made available to you, so that is why John didn't tell you directly. That will also be available today. That is my fault, not his.

MR. SULLIVAN: I think we might consider whether we want to wait until this drive is well under way and over the top.

H.M.JR: It makes it awfully close.

MR. SULLIVAN: It gives you two months - May and June.

H.M.JR: I am asking for advice; I will listen.

MR. SULLIVAN: I am not in a position to advise you today.

MR. WHITE: I don't think it will interfere at all.

H.M.JR: You know.

MR. SULLIVAN: I am going to hear from Barkley and Tobey. You also wanted me to see Vandenberg and Taft. I haven't seen either of them yet. I will try to.

H.M.JR: Mr. Gaston?

MR. GASTON: Would you want to see George Fort Milton if I could get hold of him today?

H.M.JR: Not today. I will tomorrow. I am available at three-fifteen, Herbert, tomorrow.

MR. GASTON: I will see if he is around.

I don't think of anything else.

H.M.JR: Herbert, there has been a little flare-back on moving those cigarettes for Madam Chiang Kai-shek.

Regraded Unclassified

She went way out of her way to explain it all to Mrs. Roosevelt and to apologize, and then she made a remark which I didn't understand.

She said, "The first I heard about it was when I got a message from Mr. Morgenthau that he wanted me to know that he was very pleased, personally, to get these cigarettes for me."

So I would just like to know what happened - what really happened - I mean, so far as it is known, from the time the message went out - what boat they were on, what kind of cigarettes, and what route they really took.

I explained the whole thing to Mrs. Roosevelt. She now claims she knew nothing about it. It was just her nurse that asked for it, and as far as she was concerned, Lucky Strike, or any other kind would have been just as good.

MRS. KLOTZ: That is not what Crim told us. He was the one who contacted us and said he had to have it - she was raising such cain.

I said, "Why doesn't she smoke Luckies?"

He said, "We suggested that, but she won't have anything but her own cigarettes."

MR. GASTON: She said she hadn't heard anything about it until you told her?

H.M.JR: She got a message that Mr. Morgenthau was very pleased to see that she got these cigarettes.

MRS. KLOTZ: That is not the way. They contacted me.

H.M.JR: Well, the sooner Madam Chiang Kai-shek gets out of the country, the better, so she won't get some unfavorable publicity. She has done a number of things like that, and has overstayed her time, now.

Regraded Unclassified

MR. GASTON: We had a little trouble about that reception up there.

H.M.JR: The President - this is in the room - is just crazy to get her out of the country so she doesn't get some bad publicity. Why can't the woman see she has overstayed her time, now?

MR. GASTON: Two or three of our Secret Service men misbehaved.

H.M.JR: Not drunk?

MR. GASTON: No, they accepted bottles of liquor up there at the Shoreham.

H.M.JR: Really?

MR. GASTON: We had to suspend three of them.

H.M.JR: Could I have a report on that?

MR. GASTON: Yes.

H.M.JR: Not the red-headed fellow who is looking after them all the time? What is the name of your man in charge in Chicago? It is his brother.

MRS. KLOTZ: Callahan.

H.M.JR: Not Callahan from New York?

MR. GASTON: No - one New York man, but not Callahan.

H.M.JR: Will you let me have a report?

MR. GASTON: Yes.

H.M.JR: And look into this other thing and see what happened because we will hear more about it. She has made quite an issue of it that she knew nothing about it. Crim called you at least twice, didn't he?

Regraded Unclassified

MRS. KLOTZ: Twice, and we had to get it done that day. He said there was no peace at the White House. That is what he told me.

MR. SULLIVAN: Quite a testimonial. What kind of cigarettes are they?

MRS. KLOTZ: State Express, I think. They are English cigarettes.

H.M.JR: I wouldn't talk about it outside. She wanted these cigarettes, and wanted them that day. We had to get them off the boat and fly them down here, and everything else.

So Crim calls up from the White House. As far as we are concerned - he is the chief usher - that is an order. We don't go back to Crim and say, "Is it a correct order?" He is the chief usher.

MRS. KLOTZ: Believe me, he didn't like doing it, either, but he was just pushed so hard he had to.

MR. WHITE: Do they violate the anti-drug act?

H.M.JR: No, no. Evidently it got back to her somehow or other. She went to Mrs. Roosevelt and said, "I want to apologize for all the trouble I made. It was a complete misunderstanding. I never asked for it."

So I said to the President - this was at supper - I said, "You had better hear my side of the story now, because you will hear it later, so you might as well get it from me straight."

I told him straight, just what happened.

His answer was, "Well, the sooner she gets out of the country the better, because she will get some unfavorable publicity."

Regraded Unclassified

MR. GASTON: It seems strange to me that her father's occupation in this country has been treated so vaguely. But did you know what he actually did? He was a mess steward in the Coast Guard.

H.M.JR: No!

MR. GASTON: Her father. He was a mess boy on a Coast Guard Revenue cutter.

H.M.JR: That makes me respect her more than I have before.

MR. GASTON: He made his money selling bibles in China.

H.M.JR: Her father?

MR. GASTON: One of the things he did in this country for several years - he was a mess boy on a Revenue cutter.

H.M.JR: Was he a good one?

MR. GASTON: I think his record was all right. Fred Hill told me about it.

H.M.JR: The question is, was he a good one? (Laughter)

(Discussion off the record)

Regraded Unclassified

March 24, 1943.

MEMORANDUM

WSG

TO: Secretary Morgenthau
FROM: Mr. Gaston

The following information was gained from Mrs. Klotz, Chief Usher Crim at the White House and Mr. Acken of my office:

On the morning of February 25 Mrs. Klotz received a telephone call from Crim who told her that he was very anxious to get for Madam Chiang kai-Shek, then staying at the White House, a shipment of a special brand of cigarettes. This shipment was in New York at Pier 90 and he asked that the Collector of Customs at New York authorize the guard at the pier to release one thousand of these cigarettes, of a brand known as State Express. He explained that the cigarettes were in a shipment consigned to Colonel Wansbrough-Jones in the Office of the Combined Chiefs of Staff, Washington.

Mrs. Klotz reported this conversation to you and in my absence you called Elmer Acken to your office. Mrs. Klotz gave him a memorandum of the request communicated to her by Crim. On his return to the office Acken called up Assistant Collector O'Keefe in New York and gave him all the data. Acken held the telephone while O'Keefe talked to the Inspector on the pier. The Inspector said that he knew nothing about the cigarettes and that no one had made application for their release. Mr. Acken then talked with Mrs. Klotz, who said that the cigarettes were on board a British ship at the pier. Acken again telephoned O'Keefe, who said they had been in touch in the meanwhile with the British Ministry of War Transport, that all the details were known to that organization and that someone was being sent to the pier to make application for the release of the cigarettes. Acken again telephoned O'Keefe at 4:30 in the afternoon and O'Keefe said that the

Regraded Unclassified

cigarettes had been delivered to a representative of the British Ministry and would be delivered to Washington by courier that night. I am attaching a copy of a letter to Acken from O'Keefe confirming the delivery.

Mr. Crim at the White House told Spaman of Secret Service today that during Madam Chiang's stay at the White House either her niece, or her nurse, had come to him saying the Madame was all out of a special brand of cigarettes that she smoked, naming the brand, and asked him if he could not get some for her. Crim spent two or three days endeavoring to locate some of this brand of cigarettes during which time there were several inquiries as to whether he had succeeded. Being unable to locate any of this brand either in Washington or in Philadelphia, as a last resort he called the British Embassy knowing that they were a British brand. Someone at the Embassy reported to him that there "might be some" of this brand on this particular boat and informed him how they would be consigned. He then called Mrs. Klotz. He added that the cigarettes arrived in due course, whether that evening or the next day, he was not sure, but in any event they were delivered to the nurse.

Regraded Unclassified

COPY

In Reply Refer To:
O'K:HS:eb

TREASURY DEPARTMENT
United States Customs Service
New York, N.Y.

March 9, 1943.

Mr. Elmer Acken,
Office of the Secretary of the Treasury,
Washington, D.C.

Dear Mr. Acken:

Reference is made to your telephone call of February 25, 1943, authorizing the release free of duty and Internal Revenue Tax of one thousand State Express Cigarettes, consigned to Colonel Wainesboryh S. Jones, attached to the British Embassy in Washington.

For your information, the package containing the cigarettes was delivered under customs supervision at 4:10 p.m. on February 25th last, from H. M. S. #162, docked at Pier 90, North River, to Mr. Austin C. Mosley, of the British Ministry, 25 Broadway, New York City, who placed the package in a pouch which was sealed and forwarded to the British Embassy in Washington, by Mr. Dassonville, courier.

Sincerely yours,

(Signed) G. W. O'Keefe

G. W. O'Keefe
Assistant Collector.

Regraded Unclassified

March 24, 1943
11:59 a.m.

Operator: Go ahead.

HMJr: Peabody?

Stuart Peabody: Good morning, sir.

HMJr: Good morning. Did they get word to you I expect to see you at quarter of three?

P: Well, I hadn't got it yet, Mr. Secretary. I'm over here at the Sloane Building....

HMJr: Oh.

P: ....doing some work.

HMJr: Well....

P: But I'll be there.

HMJr: When am I going to see the first exhibit of what your advertising is?

P: Well, we had a meeting on that yesterday, and I think today or tomorrow there ought to be some exhibits up there in the Chart Room.

HMJr: Well, will you let me know?

P: Yes, sir, I will.

HMJr: I heard about your exhibits - (talks aside: Thank you.) - I heard about your exhibit, and that's why I was curious and wondered, well, when does the boss see it?

P: Well, (laughs) we'll do it just as soon as we can get it up there. We - it's all organized and in work.

HMJr: Well, why don't you have it for me tomorrow, say?

P: All right. Now there's one thing about it. Some of the stuff will still be a little bit rough.

Regraded Unclassified

HMJr: That's all right.

P: In other words, we decided yesterday that you were so interested in this thing that you'd probably like to be kept posted even if it was only a layout or a photostat of a layout.

HMJr: Yeah.

P: Well, we'll have it up there tomorrow.

HMJr: You can't do it today yet? That would crowd you too much?

P: I'll have to get in touch with - with the people.

HMJr: Well, if it's there in the morning, that's all right.

P: All right, sir. We'll - we'll - we'll go right to work on it.

HMJr: Righto.

P: And I have some things I want to talk to you about this afternoon, and I can see you at quarter of three?

HMJr: That's right.

P: All right, sir. Fine.

Regraded Unclassified

March 24, 1943
1:48 p.m.

HMJr: Hello.

Grace Tully: Hello. Mr. Secretary?

HMJr: In person.

T: Right, sir. I spoke to the President about it and he said this, that when he was in Casablanca - that he dropped the rate from seventy-five francs to the dollar to fifty to the dollar.

HMJr: That's right.

T: And he - and that Mr. Churchill agreed that as fast as was practicable, he would make an effort to raise the DeGaulle franc from forty-three to fifty.

HMJr: Is that spelled g-o-l-d?

T: (Laughs) DeGaulle.

HMJr: DeGaulle franc.

T: Yeah. From forty-three to fifty.

HMJr: Forty-three to fifty.

T: So that it would be uniform.

HMJr: Yeah.

T: And that he hoped it would be put through just as fast as possible.

HMJr: Yes.

T: Now then I called - called Admiral Brown because - I mean the - the exchange of cables, you see, would be in his files, between the Prime Minister and the President....

HMJr: Yes.

Regraded Unclassified

T: ....and I called him to ask him if he recalled. He said he heard some discussion of it. He's not sure that we have any exchange of cables.

HMJr: Yes.

T: But he'll be back about half-past two, and he assures me that he will let you know. If he doesn't have any, he will call you and let you know that, and if he does he will send you copies of what he has.

HMJr: Yes. But now let me see - because I was kidding you. I shouldn't kid you....

T: (Laughs) Why not?

HMJr: Well, so I....

T: Don't tell me you think I've lost my sense of humor.

HMJr: No, because it's - I - I was trying to think of saying something witty instead of listening to you.

T: (Laughs)

HMJr: Uh....

T: Do you want me to repeat that?

HMJr: Now just that - when you started on DeGaulle.

T: Yes. And that Mr. Churchill agreed....

HMJr: Yes.

T: ....that as fastas is practicable he would make every effort to raise the DeGaulle franc from forty-three to fifty....

HMJr: I see.

T: ....so that it would be uniform.

Regraded Unclassified

HMJr: Well, evidently you got - so that there must have been a cable last week, because Halifax referred to it, in which Churchill said he was having no success at doing something....

T: Of course, that may have come through State Department, you see? I mean that....

HMJr: No, I called up Hull. Hull said he knew nothing about it.

T: I see.

HMJr: No.

T: Well then, maybe - maybe it was an....

HMJr: And I....

T: ....from the P. M. to the President direct, you see.

HMJr: I think - because I spoke to Hull myself, and he checked - and he checked in his office and they knew nothing.

T: I see. Well, now the Admiral assures me that if we have any exchange that he'll look it up and see if we have any - any cables from the Prime Minister on the subject, and he'll send you a copy. I told him you were having a meeting this afternoon at four or four-thirty....

HMJr: That's right.

T: What is it? Four?

HMJr: Four-fifteen.

T: Four-fifteen, with Sir Frederick Phillips, and you'd like to be informed before then.

HMJr: Yeah, and while you're doing this, don't you think it would be a nice idea if - if there are any cables that affect currency that we would be automatically informed?

Regraded Unclassified

T: I should think the State Department would do - if it comes through them, they would send them to you - and you mean if the P.M. sends anything about that.

HMJr: The State Department's pretty good. It's the White House I'm complaining about.

T: Well, of course, we don't get anything very much along that line. I'm sure we don't have a great deal. This comes up now. We may have something on it, and perhaps it should. I'll speak to Admiral Brown about it.

HMJr: That's what I want you to do.

T: Right, sir.

HMJr: I'm ever so much obliged.

T: Right, Mr. Secretary.

HMJr: Have you got a moment?

T: Yes.

HMJr: I want a little advice on public relations. I'm having trouble getting butter. Do you think it would be....

T: (Laughs)

HMJr: ....do you think it would be mis....

T: Just you! (Laughs)

HMJr: (Laughs) Do you think it would be misunderstood if I brought a cow down from the farm and put it on the Treasury lawn?

T: (Laughs) No, not at all, if you shared the butter. (Laughs)

HMJr: (Laughs)

T: How about that?

Regraded Unclassified

HMJr: Well, it's okay. You don't think they'd say, "That's the way Morgenthau milks the Treasury?"

T: (Laughs) They probably would.

HMJr: Okay.

T: Talk about the cartoons and things. It would be something.

HMJr: All right.

T: Goodbye, Mr. Secretary.

HMJr: Goodbye.

T: Goodbye.

Regraded Unclassified

Willard Hotel,
Washington, D.C.,

March 24, 1943.

Dear Mr. Secretary,

H.M. Government have given further consideration to the question of the Fighting French exchange rate, and as a result I am instructed to put to you their conclusions in the light of the present position, and to ascertain your views.

When the exchange rate of 200 francs to the pound (50 francs to the dollar) was fixed for North and West Africa, H.M. Government pressed the French National Committee very strongly to adopt this rate in their territories also, in place of the existing rate of 176 francs to the pound (43.80 to the dollar). In spite of repeated argument H.M. Government have failed to convince the Committee of the desirability of changing the rate at the present time. They state that the rate of 176 works well in their territories and that there is no technical reason for changing it; while any change would shake popular confidence in the franc in those territories by making people believe that it is not firmly linked with sterling but is at the mercy of political events.

The National Committee admit that it is inconvenient to have two different rates in French territory and state that the commission which they are about to send to Algiers for discussion will make every effort to reach a solution to this question as soon as possible in collaboration with the French North African authorities.

H.M. Government regret that they have been unable to achieve by persuasion our common aim - the establishment of a uniform rate of exchange in all French territories. As they see it, they now have two alternatives; to wait and give the French National Committee time to agree with General Giraud upon a uniform rate for all French territories, or to try to coerce the Committee now by threatening financial sanctions. This would mean a major dispute on a matter where our own agreement with the Committee leaves H.M. Government on doubtful ground.

The conclusion of the Cabinet, in which I am instructed to ask for your concurrence, is that we should wait the outcome of the forthcoming discussions in Algiers. H.M. Government would ask Mr. Macmillan, the Minister Resident in Algiers, to do all he can to secure that agreement is reached.

There is one point which I am asked particularly to put to you. Apart from the arguments mentioned above, H.M. Government feel that on a long view it would be disadvantageous to threaten

The Honourable
Henry Morgenthau, Jr.,
Secretary,
United States Treasury,
Washington, D.C.

Regraded Unclassified

sanctions if the National Committee do not meet our wishes on the matter of the exchange rate, since they believe that we should support the general principle that rates of exchange should be settled by agreement in the spirit of collaboration established by the Tripartite Currency Agreement of 1936; in the interests of future international cooperation on questions of this kind, they feel that our two Governments ought to do what they can to preserve this principle, even where its application proves temporarily inconvenient to us.

I shall be glad to know your views on the foregoing questions.

Yours sincerely,

F Phillips

(F. Phillips)

Regraded Unclassified

March 24, 1943
2:49 p.m.

Operator: Go ahead.

HMJr: Hello.

Admiral Brown: Hello, Mr. Secretary.

HMJr: Hello, Admiral.

B: The President sent word to me to look through our files to see if we had any messages....

HMJr: Yes.

B: ....and we have none since his return.

HMJr: Oh.

B: Would you like me to send - I mean none direct between here and London. We - we have some War Department ones....

HMJr: Oh.

B: ....that I think you must have had.

HMJr: No, I don't get anything from the War Department.

B: Telling what had been done.

HMJr: No.

B: Shall I send them over to you by an officer messenger?

HMJr: I wish you would. And I - let me tell you what I had from Halifax on the 16th of March - hello?

B: Yes, the 16th of March.

HMJr: Yeah, that was when he called me.

B: Yes.

Regraded Unclassified

HMJr: And he said he'd - just a minute, I've got the memos here. If you just wait a second. He said he - this is Halifax speaking - hello?

B: Yes.

HMJr: He said, "The President, as you know, sometime ago sent a telegram to Winston to tell him to get settled with the Free French and to get them to pull their rate up to two hundred as the other people had pulled down from three hundred to two hundred."

B: Oh - Free French.

HMJr: Free French.

B: Yes.

HMJr: Then he goes on and says - let's see - just a minute. There was something else here. Well, that - that's the principal part. Oh, and then he says - yes, and - and he goes on to say the implication is - and that Churchill has failed in - in trying to do this.

B: Oh.

HMJr: And he had a cable in from Churchill, you see....

B: Yes.

HMJr: ....and he said should Eden take it up directly with the President or should Halifax take it up with me? This was the 16th, and I suggested, knowing nothing about it, that Mr. Eden take it up with the President.

B: Yes.

HMJr: Well, evidently - I don't know whether he did or didn't. I guess he couldn't have. Now today Sir Frederick Phillips, who's their financial man from the British Treasury, asked to come in to see me at 4:15 today on this subject.

B: I see.

Regraded Unclassified

HMJr: So I hadn't bothered the President before, but I wanted to get what was going on. But there - there must have been....

B: Well, I - I hadn't understood it was Free France.

HMJr: It's - it's....

B: And so I will take another look, and....

HMJr: And it says here - again it says - this says - he said, "Eden had found a telegram from his people in London about our old friend, the rate of the French franc in North and West Africa."

B: North and West Africa, oh, yes.

HMJr: Yes. But it's the Free French. Evidently there's been some communication between the President and Churchill about getting the Free French to come to this two-cent rate, which they have not yet done.

B: I see. Well, I - I haven't - I haven't found any such record. I'll check again....

HMJr: Right.

B: ....and then I'll send an officer over....

HMJr: Yes.

B: ....and will he go straight to your office, Mr. Secretary?

HMJr: He'll come right to my office.

B: And he won't have any difficulty in getting in?

HMJr: No, he can - he can come across the street....

B: Yes.

HMJr: ....and come - let him come - I'll tell you what you do. When he starts, just have somebody call Lieutenant Commander Stephens, who's in my outer office....

Regraded Unclassified

B: Yes.

HMJr: ....and simply say that this man is on his way over.

B: I - I thought perhaps the watchman. I know how - what they are here at the White House.

HMJr: Well, then - then Stephens will clear the way for him.

B: All right, sir.

HMJr: You see....

B: We'll have it over very shortly.

HMJr: If he just calls the - Miss Hackmeister and all the White House people know him....

B: Yes.

HMJr: ....just say - call Lieutenant Commander Stephens in the Secretary's office and say so-and-so is on his way over.

B: Aye aye, sir.

HMJr: And then they'll let down the bars.

B: Aye aye. They'll be over shortly.

HMJr: Thank you.

B: Goodbye.

Regraded Unclassified

March 24, 1943
3:10 p.m.

FINANCING

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

H.M.JR: Before we start - I don't know whether I can make any headway or not, but I have a couple of suggestions. See if this rings a bell with anybody in the room. I am trying to get a slogan of the words - something as to Uncle Sam.

Here are two: "I have bought a war bond. Uncle Sam and I are partners." That is one. The way I wrote the other one is, "I am partners with Uncle Sam; I own a war bond."

Anybody like either of those? I am thinking of a poster, "I am partners with Uncle Sam."

MR. GRAVES: I object on this ground, that buying one bond is implied there as being sufficient to give you partnership with Uncle Sam. Of course that is contrary to all the philosophy that we have been using, which has been that people should buy bonds all the time to the extent that they are--

H.M.JR: What I was thinking of was a button for this drive, but I don't know whether there is time.

MR. BELL: It is pretty late for a button.

MR. PEABODY: Yes, to give people who had actually bought them.

H.M.JR: I was thinking of a picture of somebody, whatever could typify an American shaking hands with Uncle Sam - "Uncle Sam and I are partners."

Regraded Unclassified

MR. PEABODY: I think the basic thought is good. Maybe you can get around Harold's objection by saying, "I am buying war bonds." But I visualize the picture of a man and Uncle Sam - the two shaking hands.

MR. GRAVES: Yes.

MR. PEABODY: I think it is a good thought.

MR. GAMBLE: I like the part "Uncle Sam and I are partners."

H.M.JR: Can I just throw it at you?

MR. PEABODY: Yes. Of course, again the purpose of this particular drive, and it is still good--

H.M.JR: There will be others. It takes three months to get out a poster.

MR. GAMBLE: In our ads that are following the April drive we have them already with the Uncle Sam and the citizen with their arms around each other, implying partnership.

H.M.JR: But not that word.

MR. PEABODY: This is good.

MR. GAMBLE: No.

MR. BUFFINGTON: There is a way that could be done in time for the campaign. There is a method that can be used without any cost at all.

H.M.JR: May I leave it with you for whatever it is worth?

The next thing I have here - this is from Sullivan to me. "Senator Barbour of New Jersey called me, stating that there is a big bond drive either at Newark or Jersey City on the 12th of April. They plan to have a

Regraded Unclassified

national radio hookup. Several people have invited me to speak." He said it might be postponed to the 11th or 13th. Who can take this off my hands? I am not handling meetings. I am not handling speakers.

MR. GRAVES: We can take that.

MR. BELL: Does that say a war bond drive?

MR. BUFFINGTON: I think that is the one the night the Secretary is going to speak from Carnegie Hall.

MR. GAMBLE: No, just the same night.

MR. PEABODY: What was that date?

MR. GAMBLE: It is the same date. Mr. Sullivan spoke to me about it.

H.M.JR: Just as long as I get it off my desk--

MR. GAMBLE: It is the same date you are going to speak in New York, but the more meetings that can be held and the more good speakers, the better.

MR. PEABODY: There is one angle we have to watch. That is, we are asking the radio networks for a tremendous amount.

MR. GAMBLE: We won't ask them for that.

MR. PEABODY: We will kill the goose if we pile it on to a point where they can't take it any more.

MR. GAMBLE: We are not going to sponsor any more things.

H.M.JR: This thing from Robbins to me about this one to one-fifteen thing on Saturday - is that something I should go on? Are you all familiar with this?

MR. GRAVES: Yes. That is the closed circuit thing, I take it.

Regraded Unclassified

MR. PEABODY: Yes, I think it would be terribly important, Mr. Secretary.

H.M.JR: Unfortunate?

MR. PEABODY: Terribly important.

H.M.JR: I wasn't being funny; I didn't hear what you said.

MR. PEABODY: It is purely an inspirational thing. It is a zero-hour rally. I think your doing a job on that thing would do something for these workers that would be rather difficult to get in any other way.

H.M.JR: Well, I have agreed to the night of the 12th.

MR. GAMBLE: You can do this from your office.

H.M.JR: What do you think about it, Harold?

MR. GRAVES: I think it would be good.

H.M.JR: What I would like to do is this - do you know about it?

MR. BUFFINGTON: Yes; I agree with them.

H.M.JR: I don't need very much time, I don't think. What I would like to do is do it, then throw the ball to Bell and let Bell introduce Robbins.

MR. PEABODY: That is fine.

MR. BELL: It is a short time.

H.M.JR: Well, Bell, the other day - with all due immodesty I talked five hundred and fifty words. It took me four minutes and fifteen seconds - that speech down at Atlanta - a lot of people helped me, so I can say that it was good. Did you see it, Peabody?

Regraded Unclassified

MR. PEABODY: Yes, I did; it was splendid.

H.M.JR: I packed - four minutes and fifteen seconds is what I talked by the clock.

If I talk five minutes - that is more than I want - then I will say, "I am going to turn it over to my Under Secretary, Mr. Daniel Washington Bell." I want to bring Bell in. Then he can say what he wants to and turn it over to Robbins.

MR. PEABODY: Fifteen minutes is plenty, too, because this is purely inspirational. You don't need to go into detail.

H.M.JR: Five hundred and fifty words is what I did the other time.

MR. BELL: How long did it take you?

H.M.JR: I talked four minutes and fifteen seconds. That is what they had me down on the clock for, and I was to the tick, just by accident - it came out right by accident.

MR. BELL: Is there something Sunday afternoon as you originally planned?

MR. PEABODY: There is something on Sunday. We don't know when it is going to come. One of our one-hour shows may be Sunday afternoon.

MR. BELL: Isn't the Secretary going to be on that with a number of people?

MR. PEABODY: That is the one where we are planning to have the Secretary, the General, and the Admiral.

H.M.JR: That is Sunday night?

MR. BELL: Yes, but I wondered if that wasn't the time for the kickoff.

Regraded Unclassified

MR. PEABODY: This is a closed circuit, not to the public. It goes from this office to the studio, and in the meantime the studio is sending out something on the air. What we do is get the worker in the studio. This isn't a public--

H.M.JR: I didn't know that. I hesitated - that is why I brought it up.

Who will tell Robbins this is O.K.?

MR. PEABODY: I will take care of it.

H.M.JR: That clears me up.

I am at your service next, Mr. Bell.

MR. BELL: I have been in touch with McIntyre on the White House April 7 program.

H.M.JR: When you get through I am going to tell you something about it.

MR. BELL: Yesterday he said that he had talked to Steve, and Steve had talked to the President and found that the President had wanted to go through with this April 7 proposition.

I said, "Well now, what is there for me to do? I have to push this thing, and I just can't leave it a blank on April 7."

He said, "Well, we don't know yet whether it is going to be a ten-percent drive over here, or whether it is just a question of buying bonds in this drive."

H.M.JR: Who said this?

MR. BELL: McIntyre. I said, "I don't know what the President is going to say to these employees on the back porch, but certainly he has to say something about bonds." He said that he wanted to talk to the President and see what he wanted to do, whether it is a question of getting up to ten percent and ninety percent participation or whether

Regraded Unclassified

it is just buying bonds in this drive. He said he would let me know today.

H.M.JR: What the President told me - I told him he couldn't get his people to buy.

He said, "We will have them buy something if it is just a ten-cent stamp."

My "missus" has a lot of horse sense. She thinks it is all wrong if they just go through the motions, because she said it is all over the United States that the White House is either second or next to the bottom of the Government agencies. If they just go through the motions it is going to be a bad boomerang. If they go through the motions, people are going to laugh. That is my "missus."

MR. BELL: I agree with that.

H.M.JR: I just got this over the week end.

MR. BELL: I thought I told you Saturday.

H.M.JR: But I didn't agree with you. Since then I think unless they want to bring it up to the ten percent on a level on the up and up - and that includes Mr. Roosevelt himself - (Laughter) unless he can do the real ten percent - I would rather have him do ten percent or nothing.

MR. BELL: I think they ought to come up to ten percent, but even bringing them up to ten percent for the purpose of this drive is equally bad, because I think the columnists will say that the White House was second from the last just before this drive started, but pressure was put on and the boys had to come in to put on a big show. That would be worse than if you had no publicity from the White House. It seems to me that it would be much better if the President just got before the movie camera and made a statement.

H.M.JR: Do you know what his remark was on that?

Regraded Unclassified

MR. BELL: No.

H.M.JR: "That is cheesy." That was his own language.

MR. PEABODY: We could suggest something that wouldn't be cheesy. I was going to ask you if you would be interested in knowing the opinion of our promotional people on this thing. They don't like it. They think, in the first place, that any ten percent thing at the start of this drive is bad. I mean, it isn't enough, and we are after the loose money. We want more; we want the extra. It is a rather static thing to do, anyway, Mr. Secretary, from the standpoint of the movie public. It isn't an awfully interesting type of thing.

Now their suggestion was that we relate this, if possible, in the way we are relating all of our other material to comparing sacrifices and the work being done by the armed forces to what we are asking the people to do here. The suggestion was made that if we could get, let's say, General Marshall and Admiral King there with the President - that you might say that we are starting the drive - the President might pick it up with the fact that it is necessary to have this money to buy the things that the armed forces need for our offensive position. Then the General and the Admiral might say, "Yes, we do need it." Then you would have something which is not only keyed to the drive, but which could be tremendously effective in the theaters.

H.M.JR: I like it.

MR. BELL: I like the other suggestion that goes along with it, that you have this picture first of the President and this group and then it fades out and you show the boys on Guadalcanal, North Africa, and the high seas, and you might bring it back in, have the President talk, and then fade out again.

MR. PEABODY: That would be good, too.

H.M.JR: Whoever did that picture of Henry Wallace's speech did a beautiful job. Do you know the one I am referring to?

Regraded Unclassified

MR. GAMBLE: Yes. Bill Pine of Paramount did it.

H.M.JR: That was a beautiful - that is the best propaganda picture I have ever seen. It is Wallace giving his speech and then this fade-back or cutback--

MR. GAMBLE: Fade-outs.

H.M.JR: But the only way you can do this, Peabody, is if you can get some of your best scenario writers to go to work on the picture, then give this to Bell, who is handling it and let Bell go over to McIntyre and show this to the President as an alternative. So when you leave this thing with whoever is doing your scenario or script writing - whatever you call it - just put the heat on them and tell them you have to turn out a show. Then give it to Bell and let Bell - either Bell - who are you talking with, McIntyre?

MR. BELL: McIntyre. But if I do this, I would go to Early. We could go to both of them.

H.M.JR: Both. I had a talk with Hopkins - I am not going to say that. I think if you had something to show them - but it would have to be good.

MR. PEABODY: We can do that right away.

H.M.JR: You have people and agencies and can turn the heat on them.

MR. PEABODY: Yes, we have very good talent, and they will work under pressure.

MR. BELL: We should have that early next week.

MR. PEABODY: I can have something by day after tomorrow at the latest.

H.M.JR: Absolutely.

MR. PEABODY: I am enormously assured because it really looked to a lot of people as though we might be starting off with something that was pretty dead, static.

Regraded Unclassified

MR. GAMBLE: I think you are overlooking something. May I say a word?

H.M.JR: Have I ever stopped you? (Laughter)

MR. GAMBLE: Not yet. If the President has said he would like to do a certain thing, our experience has been that it is pretty difficult to get him to do something else. I don't think we should be so stubborn ourselves that we lose the whole idea, because there are millions of people in this country who would like to see this staff at the White House. I have never seen the staff at the White House. It would be a very interesting picture on the screen, and certainly there is no harm in the President of the United States saying, "We are going to buy our ten percent, and we are going to buy more," and then start from that and make his talk about the April drive. There is no harm in it, and it might do a lot of good.

H.M.JR: Listen, you old ten percenter, you have this old ten percent soaked into your skin, and this drive, as I understand it, "ain't" a ten-percent drive. (Laughter)

MR. GAMBLE: Mr. Secretary, I understand that perfectly. We have, as you know, Mr. Peabody, eliminated that from everything.

H.M.JR: Then why have the President sound the keynote on ten percent?

MR. GAMBLE: I said ten percent; what I actually should have said was have the President start by saying the staff of the White House is buying bonds a hundred percent, and we wouldn't let them say a hundred percent unless they are up to the ten percent, and do what Mrs. Morgenthau suggested, that is, to see that they get up to ten percent. I think it is a very important thing for the President to say--

H.M.JR: You don't want him to say, "We bought our ten percent"?

Regraded Unclassified

MR. GAMBLE: No, but I do like the idea of the President having the staff behind him saying they are doing their job.

H.M.JR: Ted, I was there personally when this thing happened, and the President sat back - I said, "Mr. President, we want you to help in what we want to do." I didn't say a word, so he said, "I don't want to buy another bond from you, that is cheesy. Now let me think." He thought for thirty seconds. He said, "How would this be," so that doesn't mean - it means he hadn't thought about it before, and he got an idea. He is human. I mean, he can make mistakes; he doesn't always have to be right. He is reasonable; and if we can come to him with something better, he might take it, that is all. That doesn't mean that we are going to lose him.

MR. GAMBLE: That is my point.

H.M.JR: We won't lose him. He wants to do this, and personally I think it has gotten under his skin that the White House is next to the bottom.

MR. BELL: I thought he chose this as a sort of a way out. He knew he should help; he didn't want to go on the air, and this is the first thing that came to his mind to do.

MR. GAMBLE: Another thing that was concerning me, Mr. Bell - as you know, when you get into a script you get into a production problem, and you might not get the President long enough to do that kind of a job.

H.M.JR: We have agreed; you go to work and give it to Mr. Bell and show it to all of us Friday morning.

What else, Dan?

MR. BELL: I have a number of things.

H.M.JR: I have an hour - I mean I have half an hour more.

Regraded Unclassified

MR. BELL: This is about stocking the banks. You remember when we discussed it we decided we would do it on a consignment basis, because if it were an interest basis it would be like paying a commission. Then the next thing we would have to pay for savings bonds and everything else, so we decided we would do it on a consignment basis.

After that meeting I discussed the matter with some of the Victory Fund people in town and also the presidents of the Federal Reserve Bank, as to whether we would do both the two and two and a half's and use the thousand-dollar denominations. Most of them thought the stocking of the two and a half in the five-hundred and thousand-dollar denomination would be sufficient, and anybody above that wouldn't mind a delay of a few days in getting them, and it would be less work.

On the 22d I sent out a telegram asking them for their estimates of the stock that would be required to furnish these banks with sufficient bonds to supply the demand. I also asked them again their opinion about the two percent.

I got back a lot of reactions to it, some saying that in view of the fact that the hundred-dollar denomination is out they see no reason for it now, and that this type of investor would not be interested so much in the delivery. They didn't think that stocking the banks would increase the sales, and that the expense involved would be out of all proportion.

Here is one: "Expenses of instructing the banks, shipping, stocking, accounting information and returning it to the Federals would be out of all proportion to increase in sale." Then again the safety element - "These are negotiable instruments and pass from one hand to the other, and therefore you have to have protection."

"Difficult to obtain statistical data during drive if banks are to issue the bonds."

"Banks in this district unfavorable to the proposal because they will have to sign trust agreements and because of a shortage of manpower."

Regraded Unclassified

H.M.JR: Listen, Dan, you are going to have me weeping in a minute. (Laughter)

MR. BELL: I want to tell you the story.

H.M.JR: Maybe now we are not going to have the hundred-dollar thing - I am not going to insist on it.

MR. BELL: Generally speaking, they recommend against it. Two banks say it is all right with them; they would like to try it, Davis of St. Louis and Peyton of Minneapolis; but the rest of them--

H.M.JR: What do you think?

MR. BELL: You know my attitude, and I kind of hate to bring it up because I was against it originally.

H.M.JR: Well you know how - since the Victory Fund no longer wants the hundred-dollar bond-- (Laughter)

MR. BUFFINGTON: There is not much point in doing it for five hundred and the thousand.

H.M.JR: I don't think so; forget about it. Now you have had your way on that. (Laughter)

MR. BELL: When you get through I have a letter to the President on the debt thing - debt limit bill.

H.M.JR: Harold?

MR. GRAVES: I don't have anything.

H.M.JR: What are you all doing? Don't tell me you haven't anything. You ought to have something.

MR. GRAVES: Well, we are spending our time here making sure that the War Savings organization both in Washington and in the field are working on this job. While there are districts in the country where I think there is a lack of planning, as far as we can tell here our people are thoroughly lining up behind this program.

H.M.JR: Any sore spots?

Regraded Unclassified

MR. GRAVES: I think our New York people were a little bit irritated yesterday to find the Times and the Herald-Tribune coming out with some very, very bad publicity.

H.M.JR: I personally took care of that. Did you know that?

MR. GRAVES: No.

H.M.JR: Didn't I?

MR. PEABODY: Yes, sir.

H.M.JR: I called up Robbins and Peabody and Buffington, myself; and instead of calling up New York and jumping on them I asked them to do it. They said if I didn't hear from them again they would - that that kind of a thing wouldn't happen again. I was very much annoyed.

MR. GRAVES: It was pretty bad.

H.M.JR: I said, "It is the last time I want to see"- what is his name - the fellow up in New York?

MR. BUFFINGTON: Perry E. Hall.

H.M.JR: Wouldn't he love it if I couldn't remember his name? (Laughter)

MR. BUFFINGTON: Particularly if you forgot the "E."

H.M.JR: I said, "It is the last time I want to see Perry Hall announce, as Chairman of the Victory Fund, what they are going to do."

I think Robbins has taken care of that.

MR. GAMBLE: That is happening all over the United States.

Regraded Unclassified

H.M.JR: As you get them, show them to me, or to Robbins, or to Peabody, and they will nail it.

MR. PEABODY: There is some discussion as to whether we should send the presidents a bulletin requesting that statements with regard to this be made in the Federal Reserve cities by the president of the Federal Reserve Bank, as Chairman of the War Finance Committee. I have been working on such a bulletin.

MR. BUFFINGTON: I think that is a good idea. I think that would clear it once and for all.

H.M.JR: Something should be done.

MR. GAMBLE: I don't think it is a serious problem. I think the harm has been done, Mr. Secretary.

H.M.JR: No, I just don't want - as a matter of fact, the New York Tribune handled it quite differently than the Times did. I thought the Tribune handled it much better.

MR. GRAVES: I thought it was much worse. The Tribune went so far as to say the Victory Fund people were in charge of this operation and a few workers of the War Savings Staff would continue the sale of stamps in railroad stations and office buildings.

H.M.JR: I didn't read it through.

MR. GRAVES: It couldn't possibly have been a worse story from the angle of getting the support of our group.

H.M.JR: Harold, I got angry - I didn't get angry, I got excited, and I called up and then I finally got hold of these two gentlemen (Peabody and Buffington) and they promised they would take care of it. You said you had.

MR. PEABODY: Bill talked to Mr. Sproul and he talked to Perry Hall. Perry Hall is terribly sorry about

Regraded Unclassified

the whole thing. I don't believe, personally, that there was anything intentional about it. It is just one of those unfortunate things. They have been charging along as they always have. Of course, he is pretty closely identified with that particular end of it, anyway, and there is a chance that the newspapers picked that up. But the thing has certainly been nailed down in New York, Mr. Secretary.

H.M.JR: May I suggest, then, that something go out?

MR. PEABODY: I have a bulletin prepared to show to Mr. Bell at Robbins' suggestion.

H.M.JR: So this won't happen again.

MR. PEABODY: "The Journal of Commerce" was as bad as any.

MR. GRAVES: I didn't see that.

There are other places, Mr. Morgenthau, where I think we are in bad trouble. The northwest States, Washington and Oregon - currently, our people are being excluded from any of the operations out there.

MR. BELL: Being what?

MR. GRAVES: Excluded. There has been no meeting of the War Finance Committee in that territory, and apparently no intention to hold one.

MR. GAMBLE: I understand that Mr. Robbins is going out. They have invited the administrators for the Saturday meeting, but prior to his announcement that he was going out, they had been told there would be no meeting.

MR. GRAVES: Worse than that; no indication, as far as I can tell, of what, if anything--

Regraded Unclassified

MR. GAMBLE: --they are supposed to do. Here is the whole file on everything that has happened in the twelve Federal Reserve districts. They will see how Mr. Day has handled it, what has happened, and the reaction of our people. There is the complete information (indicating file). It isn't hearsay; it is the thing that has happened, and the point of all this is that Mr. Graves was leading up to tell you that we are trying to counteract that as best we can by putting into the hands of our people, and into the hands of the Federal Reserve Bank presidents, the whole story of the War Savings organization and what they can do in the month of April.

H.M.JR: Robbins told me that the afternoon he spent with you--

MR. GAMBLE: Yes; yes, sir.

H.M.JR: --was the most profitable afternoon he has spent since he came to the Treasury - with the story of what War Savings can do.

MR. GRAVES: We are sending that to the field, both to the presidents of the Fed and to our people.

MR. GAMBLE: I think you should know-this is not said in criticism of anyone, but said to point out to you that there has been an absence of planning on the part of the Federal Reserve Bank presidents and an absence of a program, Mr. Bell, and in the absence of that, you can't criticise anybody. Certainly you can't criticise the Victory Fund man in Portland, Oregon, if he hasn't had any different information from Mr. Day.

H.M.JR: Have you passed this on to Robbins?

MR. GAMBLE: Yes, sir.

H.M.JR: Does he know about this?

MR. GAMBLE: Yes, sir.

Regraded Unclassified

MR. BELL: That is one reason he wanted the San Francisco meeting and he also is very anxious to stop, on his way back, in Kansas City, St.Louis and Cleveland, which are the next three sore spots - Cleveland being the next one.

MR. GRAVES: St.Louis is not a sore spot - anything but, Dan.

MR. BELL: It is a little lacking in push.

MR. BUFFINGTON: But that is more criticism of Victory Fund than War Savings. I don't think they have ever organized beyond the City of St.Louis.

MR. GRAVES: Mr. Chester Davis called me several times on the telephone. He is anxious to get one of our people to go into his office to help him map out plans for that district.

H.M.JR: Let me put it this way, so I don't get too depressed. Is there anything in any district which is happening now, as far as War Savings is concerned, which you gentlemen haven't had an opportunity to tell Robbins - that you want him to know about?

MR. GRAVES: As far as I know, he has been fully informed.

MR. GAMBLE: Yes, he has been informed, generally. We haven't bothered him with the numerous complaints that have come in because we had hoped that subsequent steps would straighten them out without having to bother him with some of those details. I think they will, Mr. Secretary.

H.M.JR: Which would be - is New York the first one? Is that where he is now?

MR. GAMBLE: New York - he is, of course, meeting there.

Regraded Unclassified

H.M.JR: But you have had a chance to tell him?

MR. GAMBLE: Yes, sir.

H.M.JR: Then let's watch and see what happens.

MR. GAMBLE: Everyone is doing that, and certainly everybody here in Washington is breaking their necks to see that no stone is unturned to make this drive a success. I do think we have haltered ourselves by the start we got, by not having a plan or having these Federal Reserve Bank presidents agree on something.

H.M.JR: All right. I will take the blame for the delay. I wanted to bring in new people and new people had to find out what it was all about. But I think that in the long run - this is my belief, anyway - that we will gain at the last of the mile. It is a relay race and I think the last runner - or I hope the next from the last - will make the speed that maybe the first one lost through my bringing in additional people, and I did it with my eyes open. If the thing goes wrong, it is me.

MR. GAMBLE: You have a lot of steps.

H.M.JR: You can't bring in new people and expect them to know the thing - catch the spirit - but from all accounts I get from you and the people in this room, it seems to me that everything is moving in the right direction.

Nothing pleased me more than to have Robbins say that the most profitable afternoon was the one he spent with you (Gamble).

MR. GAMBLE: I was just reporting the work. I mean, I was just the spokesman for our crowd - Odegard, Graves, and all.

H.M.JR: I know you were the mouthpiece, but the purpose of these meetings is to keep me informed.

Now, I am going to have about five minutes more.

Regraded Unclassified

MR. PEABODY: I have one thing I would like to show you because it is in your front yard, so to speak. (Display sign containing the words "2nd War Loan, Beginning April 12. They give their lives. You lend your money," exhibited by Mr. Peabody.)

H.M.JR: That is something new?

MR. PEABODY: Yes, sir. What we would like to do is to get the painting started at once. This is an adaptation of a car card which we will use in the drive, and also a twenty-four-sheet poster we will use in the drive.

MR. BELL: Anything on it to indicate where they go to participate?

MR. PEABODY: No, we don't think that those mediums can do that, Mr. Bell. If we can't do that with our other contacts, literature and so forth, we don't think that outdoor - outdoor advertising is purely a reminder, it is flash advertising. If you can sound a theme, that is about all you can do with a poster.

H.M.JR: Is it too late for a suggestion?

MR. PEABODY: No, sir.

H.M.JR: Could this (indicating words "They give their lives. You lend your money") be blown up a little bit bigger?

MR. PEABODY: It might be if we were to put it here (indicating) in two lines. I would hate to see this too crowded. Of course in the poster medium you have more space down here (indicating) than shows on this frame.

H.M.JR: If you had the room, would you object to that type being - it won't be type - being a little bit bigger?

Regraded Unclassified

MR. PEABODY: No, sir, if we had the room.

H.M.JR: Make it two lines.

Would you mind, when you go out of here, just stepping upstairs and showing this to Mrs.Morgenthau? I would like to know what she thinks about it.

MR. PEABODY: I will be glad to.

H.M.JR: I will be very honest. It is not what I am used to, but maybe that is why it is good. I think it is going to make people stop, look, and listen.

MR. PEABODY: Again, we have been trying to get a change of pace. On every medium used for this drive, we have deliberately gone over to something different from what we did in our contacting job.

H.M.JR: Who are the artists?

MR. PEABODY: I think the General Outdoor people designed this.

H.M.JR: It is different, and I think they are going to stop and look.

MR. BELL: I like it.

H.M.JR: It certainly - it takes me a little time.

MR. PEABODY: Mrs. Morgenthau may have seen this.

Regraded Unclassified

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

March 24, 1943

TO: The Secretary

FROM: D. W. Bell

Re: Banking facilities on Army posts and Naval shore establishments.

In reply to your memorandum of March 20, the Treasury has arranged for banking facilities at 97 Army posts. There are 11 cases on our calendar which have been recommended by the War Department and which are in process of development. These cases probably will be settled within the next two or three weeks. It is understood that the War Department has at present under consideration about 20 more cases but that only about 10 of these will be recommended to the Treasury. This will make a total of about 120 for the first installation.

From informal advice received from the War Department, there are in all 1,279 Army camps, posts, and installations. The survey of the War Department to date, however, indicates that not more than 120 or 125 camps will need full facilities. In addition, 25 or 30 may require very limited service, such as teller service, once or twice a week. These cases will be moved as rapidly as the War Department is in a position to cooperate with us.

The Treasury has had to overcome many obstacles in providing these facilities. First, there was the question of conciliating State authorities in the numerous States having anti-branch banking laws. Secondly,

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

Regraded Unclassified

there is always the question of reconciling the differences between local banks. Thirdly, it has been difficult in some instances to prevail upon banks to render the service, due principally to the shortage of personnel, the difficulty of securing sufficient equipment and the transportation problem involving the shortage of gas and tires. The Treasury and the War Department has cooperated with the banks in adjusting these difficulties in all cases. To meet all of these problems, it is necessary for the Treasury and the War Department to negotiatie for these facilities on the ground.

At the present time the 97 facilities established are servicing over three million Army personnel. Notwithstanding the many difficulties encountered, no adverse criticism of the Treasury's program has resulted. On the contrary the comments received from the Army authorities and all interested parties have been most favorable.

When this program is completed the Treasury will be in a position to render a very much better type of service at very little additional cost by reason of the following factors:

(1) There are several million dollars of post exchange and other similar organization funds on deposit with banks. As a result of this program, the Treasury is getting the use of a substantial percentage of these funds which will ultimately offset approximately 50 percent of the cost of the operation;

Regraded Unclassified

(2) As a result of the investigations made at various Army posts, it will be possible for the Treasury to readjust its existing formula for the furnishing of large cash payrolls through general depositaries. This adjustment will result in further substantial economies.

The Navy Department has just come into the program. To date, we have arranged banking facilities at five Naval shore establishments. This service to the Navy Department will grow rapidly as the Navy recognizes the benefits.

There are attached lists of the Army camps and Naval establishments at which banking facilities have been established to date.

DWB

Regraded Unclassified

BANKING FACILITIES ESTABLISHED AT ARMY POSTS

ALABAMA

Fort McClellan,
Anniston, Alabama.

Camp Rucker,
Ozark, Alabama.

ARKANSAS

Camp Chaffee,
Fort Smith, Arkansas.

Camp Joseph T. Robinson,
Little Rock, Arkansas.

CALIFORNIA

Chico Army Air Base,
Chico, California.

Camp Beale,
Marysville, Calif.

Camp Callan,
La Jolla, Calif.

Commando Training Station,
La Mesa, California.

Camp Cook,
Lompoc, California.

Fort Ord,
Monteray, Calif.

Camp Haan, California

Hamilton Field, California

Camp Kohler,
Sacramento, California.

CALIFORNIA (Cont'd.)

Camp Lockett,
La Mesa, Calif.

March Field, California

Mather Field,
Sacramento, California.

McClellan Field,
Sacramento, California.

Pittsburg Replacement Depot,
Pittsburg, California.

Presidio of San Francisco,
San Francisco, Calif.

Camp Roberts, California

Fort Rosecrans,
La Jolla, California.

Camp San Luis Obispo,
San Luis Obispo, California.

Camp Stoneman,
Pittsburg, California.

Camp Young,
Indio, California.

Regraded Unclassified

FLORIDA

Camp Blanding,
Jacksonville, Florida.

Boca Raton Field, Fla.,
Palm Beach, Florida.

Drew Field, Fla.,
Tampa, Florida.

MacDill Field, Fla.,
Tampa, Florida.

Morrison Field, Fla.,
Palm Beach, Florida.

Camp Murphy, Florida,
West Plam Beach, Florida.

GEORGIA

Fort Benning, Ga., (2)
Columbus, Ga.

Camp Gordon, Ga.,
Augusta, Georgia.

Moody Field, Ga.,
Valdosta, Ga.

Camp Stewart, Ga.,
Savannah, Georgia.

Camp Wheeler, Ga.,
Macon, Georgia.

ILLINOIS

Scott Field, Ill.,
Bellville, Ill.

INDIANA

Camp Atterbury, Ind.,
Columbus, Indiana.

KENTUCKY

Camp Breckenridge, Ky.,
Henderson, Kentucky.

Camp Campbell, Kentucky,
Hopkinsville, Kentucky.

Fort Knox, Ky.,
Louisville, Ky.

LOUISIANA

Barksdale Field, La.,
Bossier, La.

Camp Claiborne, La.,
Alexandria, La.

Camp Livingston, La.,
Alexandria, La.

New Orleans Army Air Base, La.,
New Orleans, La.

New Orleans Staging Area,
Port of Embarkation, La.,
New Orleans, La.

Regraded Unclassified

MARYLAND

Aberdeen Proving Ground,
Aberdeen, Md.

Edgewood Arsenal,
Edgewood, Maryland.

Fort George G. Meade, Md.,
Baltimore, Md.

MASSACHUSETTS

Fort Devens, Mass.,
Lowell, Mass.

Camp Edwards, Mass.,
Falmouth, Mass.

Port of Embarkation, Mass.,
Boston, Mass.

MISSISSIPPI

Key Field, Miss.,
Meridian, Miss.

Camp Shelby, Miss.,
Hattiesburg, Miss.

Camp Van Dorn, Miss.,
McComb, Miss.

NEW JERSEY

Fort Dix, N. J.,
Pemberton, N. J.

NEW YORK

Mitchell Field, N. Y.,
Hempstead, N. Y.

Pine Camp, N. Y.,
Watertown, N. Y.

Port of Embarkation,
Brooklyn, N. Y.,
New York, N. Y.

NORTH CAROLINA

Camp Butner, N. C. (2)
Durham, N. C.

OKLAHOMA

Camp Gruber, Okla., (2)
Muskogee, Okla.

Fort Sill, Okla.,
Lawton, Okla.

Will Rogers Field,
Oklahoma City, Okla.

Regraded Unclassified

OREGON

Camp Adair, Oregon,
Corvallis, Oregon.

Camp White, Medford, Oregon,
Portland, Oregon.

Fort Stephens,
Astoria, Oregon.

PENNSYLVANIA

Indiantown Gap Military Reservation, Pa.,
Lebanon, Pennsylvania.

SOUTH CAROLINA

Camp Croft, S. C.,
Spartanburg, S. C.

Fort Jackson, S. C.,
Columbia, S. C.,

Greenville Army Air Base, S. C.,
Greenville, S. C.

SOUTH CAROLINA,(Cont'd).

Port of Embarkation,
Charleston, S. C.

TEXAS

Amarillo Army Air Field, Texas,
Amarillo, Texas.

Biggs Field, Texas,
El Paso, Texas.

Camp Hood, Texas, (2)
Temple, Texas.

Fort Bliss, Texas,
El Paso, Texas.

Camp Bowie, Texas,
Brownwood, Texas.

Ellington Field, Texas,
Houston, Texas.

Camp Maxey, Texas,
Paris, Texas.

Randolph Field, Texas,
Alamo Heights, Texas.

San Antonio Aviation Cadet Center
San Antonio, Texas.

Sheppard Field, Texas,
Wichita Falls, Texas.

Stinson Field, Texas,
San Antonio, Texas.

Regraded Unclassified

TEXAS (Cont'd.)

Camp Swift, Texas,
Austin, Texas.

Camp Wolters, Texas,
Mineral Wells, Texas.

UTAH

Army Air Depot,
Salt Lake City, Utah.

Hill Field, Utah,
Ogden, Utah.

Kearns Field, Utah,
Salt Lake City, Utah.

Ogden Arsenal, Utah,
Ogden, Utah.

Utah Quartermaster Depot,
Ogden, Utah

VIRGINIA

Arlington Hall Station,
Arlington, Virginia.

Fort Belvoir, Va.,
Alexandria, Va.

Gravelly Point, Va.,
Alexandria, Va.

Camp Lee, Va.,
Petersburg, Va.

Pentagon Bldg., Va.,
Richmond, Va.

Camp Pickett, Va.,
Richmond, Va.

WASHINGTON

Geiger Field, Washington,
Spokane, Washington.

Fort Lawton, Washington,
Seattle, Washington.

WASHINGTON, D. C.

Temporary B Building, Wash., D.C.,
Washington, D. C.

Regraded Unclassified

BANKING FACILITIES AT NAVAL SHORE ESTABLISHMENTS

FLORIDA

Naval Air Base
Pensacola, Florida.

NEVADA

Naval Amunition Depot,
Hawthorne, Nevada.

SOUTH CAROLINA

Charleston Navy Yard,
Charleston, S. C.

VIRGINIA

Naval Operating Base,
Norfolk, Virginia.

Norfolk Navy Yard,
Portsmouth, Virginia.

Regraded Unclassified

March 24, 1943

My dear General Marshall:

I would like to take this opportunity to thank you most enthusiastically for the talk which you gave to the newspaper publishers last Saturday. You not only helped the Treasury in its preparation for the $13,000,000,000 April Drive, but you did the Army a great deal of good.

You will be interested to know that later in the day these publishers organized themselves into the Allied Newspaper Council. This is the first time the publishers have gotten together since the war started, and their purpose will be to help various Government agencies with publicity.

Again thanking you, I remain

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

General George C. Marshall,
Chief of Staff,
United States Army,
Washington, D.C.

Regraded Unclassified

March 24, 1943

My dear Mr. Cowles:

I want to take this opportunity to thank you for suggesting and planning the meeting that we had with the publishers last Saturday. I think it was a brilliant idea, and I am glad it worked out so well.

Since you have interested yourself in the Treasury's problems, our relations with OWI have been excellent.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Gardner Cowles, Jr.,
Director of Domestic Operations,
Office of War Information,
Washington, D.C.

Copies in Diary

Regraded Unclassified

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 24, 1943.

TO Secretary Morgenthau

FROM Mr. Schwarz

The statement for the "Allied Newspaper Council" was written by John S. Knight, vice-president, and Basil L. Walters, secretary, of the American Society of Newspaper Editors. Knight is publisher of the Detroit Free Press, Miami Herald and Akron Beacon-Journal and Walters is executive editor of the Minneapolis Star-Journal. Their statement went out on the three press association wires Sunday, marked for the attention of the publisher, managing editor and advertising director. The associations represented at Saturday's meeting remailed on Monday copies of the statement to their membership lists, with the endorsements of the respective associations.

Attached are some of the stories that have come in already. More will be coming in from other parts of the country during this week.

Regraded Unclassified

THE SUN
MAR 22 1943

Press Forms Council To Push $13,000,000,000 Victory Drive

Greatest Financial Undertaking Of U. S. Treasury In History Will Start April 12

(By the Associated Press)

Washington, March 21—Representatives of America's newspapers formed an Allied Newspaper Council today to support the Treasury's $13,000,000,000 second Victory drive, the greatest financial undertaking in history, which starts April 12.

The council was organized after the newspaper representatives heard Secretary Morgenthau and Gen. George C. Marshall, chief of staff.

Sees All Impressed

"Everyone present was tremendously impressed with the magnitude and importance of the task which lies immediately ahead," a council statement said. "This money can be raised only through investment in more Government bonds by every man, woman and child.

"It's a job which must be accomplished on the home front if we are to bring the war to an early and successful conclusion."

Claims Major Credit

The council recalled that newspapers "were almost entirely responsible for the success" of last year's campaign to collect scrap metal to meet the urgent wartime needs of steel mills, and added:

"The responsibility for persuading our people to put their surplus funds in the safest investment in the world lies largely with the newspapers."

Regraded Unclassified

Mobilize Newspapers in Drive To Sell 13 Billion in Bonds

MAR 22 1943

Washington, March 22.—(UP)—All American newspapers were asked today to help the Treasury's $13,000,000,000 war loan drive, beginning April 12, by conducting vigorous campaigns to stimulate bond sales.

The request was made by the newly formed Allied Newspaper Council, representing various newspaper organizations, after a meeting here with Treasury officials.

The council described the campaign as "the greatest financial undertaking in the history of the world."

The council members heard Secretary of the Treasury Morgenthau and Gen. George C. Marshall, Army chief of staff, describe the "critical situation" that confronts the nation, and appeal for the need "to drive home to every citizen the importance of the war loan drive."

In a formal statement, the council of editors and publishers pointed out that war bond purchases by individuals were approximately $900,000,000 monthly, but that $8,000,000,000 of the $13,000,000,000 goal for April must be raised by that means.

"This money can be raised only through investment in more government bonds by every man, woman and child," it said. "It's a job which must be accomplished on the home front if we are to bring the war to an early and successful conclusion."

The council recalled that the outstanding success of last year's scrap-collection drive was credited almost entirely to a newspaper-sponsored campaign. The bond campaign, it said, affords newspaper publishers and editors "another opportunity to help our country win the war at the earliest possible date."

The board of directors of the U.S. Chamber of Commerce today urged the public to buy more war bonds and pledged full co-operation in the Treasury's war loan program for April.

Regraded Unclassified

New York Post
MAR 22 1943

Press Asked to Help New Bond Drive

Washington, Mar. 22 (AP) — The nation's press was asked by a newly formed Allied Newspaper Council today to get behind the Treasury's $13,000,000,000 second Victory drive and help bring the war to the earliest possible conclusion.

The Council was organized by a group of editors and publishers representing various newspaper organizations after they had met with Secretary Morgenthau and Gen. George C. Marshall, Chief of Staff.

Describing the victory drive, which starts Apr. 12, as the "greatest financial undertaking in the history of the world," the Council said: "No matter how much of their money individuals are currently investing in war bonds, it is essential that their buying be stepped up for the period of the drive."

Regraded Unclassified

THE WALL STREET JOURNAL
MAR 23 1943

NEWSPAPER BOND CAMPAIGN

Recalling that the outstanding success of last year's scrap collection drive was due almost entirely to a newspaper sponsored campaign, the Treasury Department has asked the nation's newspapers to expend even greater effort in the forthcoming war loan drive in April. The newspapers' job, as outlined by Secretary Morgenthau, will be to stimulate bond sales by promotional activities and by vigorous campaigns of their own to enlist the participation of "every man, woman and child." The April drive will be for $13 billion new Government securities of which a good part of the subscriptions must come from savings and funds of individual investors. Following conferences with Treasury officials in Washington over the past weekend, the newly formed Allied Newspapr Council, representing various news organizations already enlisted in the drive, termed the campaign "the greatest financial undertaking in the history of the world."

Regraded Unclassified

The Evening Star
WASHINGTON, D. C.
MAR 22 1943

Newspaper Council Asks Press to Push Treasury Bond Drive

Washington Star

Victory Campaign Starting April 12 Called Greatest Financial Undertaking

By the Associated Press.

The Nation's press was asked by a newly-formed Allied Newspaper Council today to get behind the Treasury's $13,000,000,000 second victory drive and help bring the war to the earliest possible conclusion.

The council was organized by a group of editors and publishers representing various newspaper organizations after they had met with Secretary Morgenthau and Gen. George C. Marshall, Army chief of staff.

Describing the victory drive, which starts April 12, as the "greatest financial undertaking in the history of the world," the council said:

"No matter how much of their money individuals are currently investing in War bonds, it is essential that their buying be stepped up for the period of the drive. Payroll deductions are producing approximately $400,000,000 a month. Additional War bond purchases total approximately $500,000,000 a month. The April goal for non-bank subscriptions is $8,000,000,000 out of a total of $13,000,000,000.

"This money can be raised only through investment in more Government bonds by every man, woman and child. * * *

"This war should not be permitted to continue one minute longer than is absolutely necessary if we are to save the needless loss of precious lives and avoid the useless spending of money. If those of us on the home front fail to do our part in every possible respect, the end of this terrible conflict will be tragically delayed."

Regraded Unclassified

The Washington Post

MAR 22 1943

Newspapers Form Council to Boost 2d Bond Drive

By the Associated Press

Representatives of America's newspapers formed an Allied Newspaper Council yesterday to support the Treasury's 13 billion dollar second victory drive, the greatest financial undertaking in history, which starts April 12.

The council was organized after the newspaper representatives heard Secretary Morgenthau and Gen. George C. Marshall, chief of staff.

"Everyone present was tremendously impressed with the magnitude and importance of the task which lies immediately ahead," a council statement said. "This money can be raised only through investment in more Government bonds by every man, woman an dchild.

"It's a job which must be accomplished on the home front if we are to bring the war to an early and successful conclusion."

The council recalled that newspapers "were almost entirely responsible for the success' of last year's campaign to collect scrap metal to meet the urgent wartime needs of steel mills, and added:

"The responsibility for persuading our people to put their surplus funds in the safest investment in the world lies largely with the newspapers."

Regraded Unclassified

NEW YORK WORLD TELEGRAM- March 22, 1943

Papers Unite For Big Drive

By the Associated Press.

WASHINGTON, March 22.—Representatives of America's newspapers formed an allied newspaper council yesterday to support the Treasury's $13,000,000,000 second victory drive, the greatest financial undertaking in history, which starts April 12.

The council was organized after the newspaper representatives heard Secretary Morgenthau and General Marshall.

"Everyone present was tremendously impressed with the magnitude and importance of the task which lies immediately ahead," a council statement said. "This money can be raised only through investment in more government bonds by every man, woman and child.

"It's a job which must be accomplished on the home front if we are to bring the war to an early and successful conclusion."

The council recalled that newspapers "were almost entirely responsible for the success" of last year's campaign to collect scrap metal to meet the urgent wartime needs of steel mills.

Regraded Unclassified

CHICAGO SUN - March 22, 1943

Press Asked to Aid 13 Billion War Loan

Washington, March 21.—(UP)—The newly formed Allied Newspaper Council tonight asked the nation's publishers and editors to conduct a vigorous sales campaign to persuade Americans to invest in war bonds during the Treasury's $13,000,000,000 war loan drive beginning April 12.

Terming the campaign "the greatest financial undertaking in the history of the world," the council said its success would materially shorten the war.

Regraded Unclassified

NEW YORK
Herald Tribune
MAR 30 1943

Nation's Press To Aid U. S. in 13-Billion Drive

Allied Newspaper Council Set Up to Back Biggest Loan Appeal in History

WASINGTON, March 31 (AP).—Representatives of America's newspapers formed an Allied Newspaper Council Sunday to support the Treasury's $13,000,000,000 Second Victory Drive, the greatest financial undertaking in history, which starts April 12.

The council was organized after the newspaper representatives heard Secretary Henry Morgenthau Jr. and General George C. Marshall, chief of staff.

The council issued the following statement:

"At the request of the Secretary of the Treasury, Henry Morgenthau Jr., a group of editors and publishers representing the various newspaper organizations, met in the Treasury Building Saturday morning, March 20.

"The meeting was called by the Secretary for the purpose of acquainting the newspapers of this country with the necessity of driving home to every American citizen the vital importance of the $13,000,000,000 Second War-Loan Drive, to be launched April 12.

"Every one present was tremendously impressed with the magnitude and importance of the task which lies immediately ahead, as explained by Secretary Morgenthau and amplified by General Marshall, who presented the military aspects of the present situation.

Greatest Drive of Kind

"This war-loan campaign will be the greatest financ' undertaking in the history of the world, and will demand the participation of every person in the United States. No matter how much of their money individuals are currently investing in war bonds, it is essential that their buying be stepped up for the period of the drive. Pay-roll deductions are producing approximately $400,000,000 a month. Additional war-bond purchases total approximately $500,000,000 a month. The April goal for non-bank subscriptions is eight one of a total of $13,000,000,000.

"This money can be raised only through investment in more government bonds by every man, woman and child.

"These figures will give you some idea of the magnitude of the job which confronts the Treasury Department in its financing of the war. It's a job which must be accomplished on the home front if we are to bring the war to an early and successful conclusion. Furthermore, the responsibility for persuading our people to put their surplus funds in the safest investment in the world lies largely with the newspapers. This is very definitely a sales job which we can do.

"As time is vital, representatives of the newspaper profession who were in attendance at the meeting formed a committee, to be known as the Allied Newspaper Council; pledged their complete support to Secretary Morgenthau and assumed the responsibility for transmitting this important message to you. The newspapers of the nation were almost entirely responsible for the outstanding success of the scrap campaign. Here is another opportunity to help our country win the war at the earliest possible date.

Need to Speed Victory

"The job at hand must be done locally. The only way that the message can be brought to every citizen is through your newspaper. That is where you can help. This war should not be permitted to continue one minute longer than is absolutely necessary, if we are to save the needless loss of precious lives and avoid the useless spending of money. If those of us on the home front fail to do our part in every possible respect, the end of this horrible conflict will be tragically delayed.

"As the plan is now set up, the president of the Federal Reserve Bank in your district will be area chairman. He will have, under the United States Treasury War Finance Committee, the combined facilities of the War Savings Staff and the Victory Fund Committee.

"It is planned further to organize hard-hitting local committees who know how to get things done. Representatives of the committees in charge will shortly call upon you for your help and advice.

"Those of us who attended Secretary Morgenthau's meeting heard his story and that of General Marshall. It was an effective, telling presentation of a critical situation. We are sure that had you been present, you would have offered immediately your complete support and assistance.

"We know that you will give this drive the same responsive, cooperative and general help that proved so effective in the scrap campaign, and that, as leaders of public thought, you will accept the challenge that has been placed before you by your government."

Membership of Council

The Allied Newspaper Council is made up of the following:

Walter M. Dear, president, American Newspaper Publishers Association.

John S. Knight, vice-president, American Society of Newspaper Editors.

Basil L. Walters, secretary, American Society of Newspaper Editors, and president of the Managing Editors Association.

E. H. Abels, president, National Editorial Association.

A. C. Hudnutt, president, Inland Daily Press Association.

O. G. Andrews, president, New England Daily Newspaper Association.

Charles F. Manship, president, Southern Newspaper Publishers Association.

Granston Williams, general manager, American Newspaper Publishers Association.

Frank E. Gannett, president, Gannett newspapers.

Roy D. Moore, vice-president and general manager, Brish-Moore newspapers.

H. W. Stodghill, general manager, "The Philadelphia Evening Bulletin."

Linwood I. Noyes, vice-president, American Society of Newspaper Editors.

E. S. Friendly, "The Sun" of New York.

Regraded Unclassified

MAR 24 1943

Dear Mr. Thomas:

It is now several weeks since your report on the sales and promotion problems of the Treasury Department was submitted to me.

The pressure of many other things, including the laying of plans for a second war loan, has prevented me from acknowledging your very good work earlier.

I do want you to know that I am grateful to you for the intelligence, industry and objectivity with which you went about this assignment. I know something about the long hours you and your workers put in and the great distances you covered, and I sincerely appreciate the service that you have rendered.

I shall take the liberty of calling on you again when the occasion arises.

With all good wishes, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Harold Thomas
170 Varick Street
New York City

Regraded Unclassified

MAR 24 1943

Dear Mr. Wood:

I have just written a letter to Mr. Harold Thomas and thanked him for his work in connection with the report recently submitted to me, analyzing the Treasury's sales problems.

I am familiar with the fact that, as his associates on this assignment, you put in many hours of difficult and unselfish work.

I mentioned in my letter to Mr. Thomas that I was very much impressed with the intelligence, industry and objectivity with which this assignment was carried out. The Department is grateful to you for the part you played in preparing for us this splendid report.

With all good wishes, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Harry Wood
John Hancock Mutual Life Insurance Co.
Boston, Massachusetts

TRG:cea

Regraded Unclassified

MAR 24 1943

Dear Mr. Stevens:

I have just written a letter to Mr. Harold Thomas and thanked him for his work in connection with the report recently submitted to me, analyzing the Treasury's sales problems.

I am familiar with the fact, as his associate, that you put in many hours of difficult and unselfish work, on this assignment.

I mentioned in my letter to Mr. Thomas that I was very much impressed with the intelligence, industry and objectivity with which this assignment was carried out. The Department is grateful to you for the part you played in preparing for us this splendid report.

With all good wishes, I am

Sincerely,

(Signed) H. Morgenthau, Jr

Mr. Henry Stevens
J. Walter Thompson Co.
Graybar Building
New York City

TMC:cca

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 24, 1943.

TO Mrs. H. S. Klotz

FROM James L. Houghteling

I told the Secretary about the attached resolution of the American Train Dispatchers Association and he said he would like to see same.

Regraded Unclassified

MARCH, 1943

THE TRAIN DISPATCHER

WHAT WE ARE FIGHTING FOR AS WORDS CANNOT DESCRIBE IT—THE RIGHT TO THE FINEST AND FULLEST LIFE THAT OUR INGENUITY AND HARD WORK CAN DEVELOP

U. S. Reclamation Bureau Photo through courtesy Northern Pacific Ry.

The Grand Coulee Dam on Columbia River, Washington, Now America's Biggest Waterfall.

Regraded Unclassified

Knockin' 'Em Over With Rail Dollars

schedules in lieu of our present rule covering annual vacations:

A vacation of eighteen (18) consecutive days with pay at rate of assignment when vacation is taken will be allowed each regularly assigned Train Dispatcher after one year of service as a regular, relief or extra Train Dispatcher.

An extra Train Dispatcher will be allowed one day's vacation for each sixteen (16) days on which he worked as Train Dispatcher during the preceding calendar year, with pay at trick dispatcher's rate.

Urge Buying of War Bonds

The General Chairmen strongly desired to do what they could to promote the sale of war bonds and adopted the following resolution:

Whereas the tremendous burden of raising the money to prosecute this global war rests entirely upon the United States Treasury, and

Whereas the war needs have consumed sums that stagger the imagination and

Whereas we recognize the resistance these giant war efforts meet in some quarters; therefore, be it

Resolved that we express our appreciation of Mr. Henry Morgenthau, Jr., for his magnificent work as Secretary of the Treasury during these trying times, and be it further

Resolved that we call upon all Train Dispatchers and their families to invest as much as possible in United States War Bonds and that this effort be never less than 10 percent of their income.

Feels A.T.D.A. in Strong Position

Considering the pressure of work all over the country, the attendance of General Chairmen, I think, was very satisfactory. The meeting was like an in-between session of a General Assembly.

The situation is that we are in a strong position to proceed along the lines that hold forth the best promises of satisfactory results.

State Rail Workers Viewpoint

The Railway Labor Executives Association in session recently at Washington, D. C., released the following statement concerning railroad workers in our war effort:

1. Many Railroad workers have not received an increase in wages since 1937 although two Presidential Emergency Boards recommended to the President of the United States that the wages of these workers be raised. Some Railroads refuse to accept these recommendations.

2. For nearly two years the National Mediation Board, the heart of the machinery of the Railway Labor Act, has been impaired by inadequate members and now there is only one member. Thus the Law is made inoperative. Many, many efforts have been made to have this situation corrected but the condition gets worse instead of better.

Compare Wages and Hours

3. Railroad employes work 48 (some 56 and even 65) hours per week for straight time. All other industrial workers get straight time for 40 hours, one and one-half time for the 6th day and double time for the 7th day. The average hourly earnings of all workers in the railroad industry is 74 cents, while the average for all other industries is 96 cents. These low wages and bad conditions in the Railroad industry are a hangover from the 10 years of depression.

4. The Unions requested the President to and in May, 1943, he did issue an Executive Order which made it unnecessary to take a strike vote and fix a date to strike to get an Emergency Board to investigate and report to the President how a dispute should be settled.

5. The President issued an Executive Order October 3, 1942, announcing the wage stabilization policy. The Unions since that date have been trying to get the procedure for applying that policy to the Railroad industry clarified. Several government officials and agencies have been urging their pet views and claiming jurisdiction notwithstanding the President of the United States has stated several times just what he wants done.

6. Is this pulling and hauling all a part of a well laid plan? The Railroad employees are asking for and will, if given a chance, prove they are entitled to a wage increase. The Railroads now have the money to grant the sa-

We would like Capt. Eddie Rickenbacker and others to know the A.T.D.A. has purchased U. S. War Bonds with a face value of $12,000 and we will buy more as funds accumulate above necessary operating expenses. We believe labor organizations and their members have made as good a record in bond buying and in total war effort as has any other segment of our population.

Regraded Unclassified

92

11:00 A.M.

For Labor Press Conference (3/27)43

From: Lieut. Stephens

Regraded Unclassified

BOARD FORM NO. 14
APPROVED BY THE PRESIDENT
MARCH 10, 1926

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

93

FROM

BUREAU Office of the Secretary

CHG. APPROPRIATION Expenses of Loans

U. S. GOVERNMENT PRINTING OFFICE 10—1730

Hon. Marion H. Allen,
State Administrator,
War Savings Staff,
1202 C & S Nat'l Bank Bldg.,
Atlanta, Ga.

March 24, 1943.

Retel March 18 you are authorized to advise Gossett, Googe, and Crawling as follows: First, Series E Bonds will continue to be sold after the month of April; second, the payroll allotment plan will be continued after the month of April; and, third, Series E, F, and G Bonds will not become negotiable bonds after the month of April. I am unable at this time to commit myself irrevocably to the effect that the sale of Series E bonds and the payroll allotment plan will continue under the supervision of the War Savings Staff after April, but can advise you that the chances are nine out of ten that this will be the case.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 23, 1943

TO SECRETARY MORGENTHAU

FROM HAROLD GRAVES

Herewith the telegram replying to the Georgia Labor people, which Mr. Houghteling and I discussed with you this afternoon.

It has been initialed by Mr. Bell, as well as by Mr. Houghteling and myself.

GEG Sat 11 Row Pres

Regraded Unclassified

95

LEGRAPH TREASURY TELEGRAPH

1943 MAR 19 AM 8 26

WU235 NL GOVT

HY ATLANTA GA MAR 18 1943

HON HENRY MORGENTHAU JR

SECRETARY OF TREASURY

AT A MEETING OF THE DISTRICT CHAIRMEN OF THE WAR SAVINGS STAFF FOR GEORGIA HELD THIS MORNING MR ALBERT GOSSETT, PRESIDENT OF ATLANTA FEDERATION OF TRADES DESIGNATED TO ATTEND SAID MEETING BY MR GEORGE L GOOGE, SOUTHERN REPRESENTATIVE OF A F OF L AND MR CHARLIE GRAMLING, PRESIDENT STATE AMERICAN FEDERATION OF LABOR, INSISTED THAT HE, THUS REPRESENTING LABOR, WANTED AN AUTHORITATIVE ANSWER FROM YOU TO THE FOLLOWING QUESTIONS: FIRST, WHETHER OR NOT E BONDS ARE GOING TO CONTINUE TO BE UNDER SUPERVISION OF THE WAR SAVINGS STAFF AFTER MONTH OF APRIL. SECOND, WHETHER OR NOT THE PAYROLL ALLOTMENT PLAN IS GOING TO BE CONTINUED UNDER WAR SAVINGS STAFF AFTER MONTH OF APRIL, AND THIRD, WHETHER E F AND G BONDS WILL BE NEGOTIABLE AFTER APRIL STOP IT WAS THE UNANIMOUS OPINION OF THE COMMITTEE AS A WHOLE THAT MR GOSSETTS QUESTIONS BE THUS PROPOUNDED

Regraded Unclassified

TREASURY TELEGRAPH

WU12/2

HOWEVER, IT WAS ALSO THE UNANIMOUS OPINION OF THE DISTRICT CHAIRMEN AND THE UNDERSIGNED THAT THERE WOULD BE NO DIFFICULTY IN INTEGRATING AND COORDINATING THE EFFORTS OF THE WAR SAVINGS STAFF AND THE VICTORY FUND COMMITTEE FOR THE APRIL DRIVE WHICH WILL BE UNDER THE JURISDICTION OF THE WAR FINANCE COMMITTEE OF WHICH MR WILLIAM MCLARIN IS THE CHAIRMAN. YOU ARE ASSURED THAT THE WAR SAVINGS STAFF OF GEORGIA IS NOT ONLY WILLING BUT ANXIOUS TO COOPERATE IN EVERY POSSIBLE WAY TO FURTHER THE SUCCESSFUL FINANCING OF THE WAR PROGRAM

MARION H ALLEN ADMINISTRATOR WAR SAVINGS STAFF GEORGIA.

826A MAR 19.

Regraded Unclassified

March 24, 1943

MEMORANDUM FOR THE SECRETARY

Report of the Committee on Intergovernmental Fiscal Relations

The Committee on Intergovernmental Fiscal Relations, which you designated in June 1941 to examine the problem of Federal-State-local fiscal relations, has submitted its Report. The staff of the Division of Tax Research reviewed the Report and edited it for publication.

The Report consists of six volumes. Volume I contains the Major Conclusions and Recommendations of the Committee. These are summarized in terms of an action program for each level of Government at the end of Volume I. Volumes II through VI contain the Report of the Committee. We have available 1500 copies of the Major Conclusions and Recommendations and 500 copies of the Report. The Committee has also submitted a number of special studies prepared by members of its staff, with the understanding that those found suitable for publication would be edited by the Division of Tax Research and made available for distribution before the end of 1943.

Publication of the Report as a Congressional Document has been discussed with the chairmen of the House Ways and Means Committee and of the Senate Finance Committee. They were informed that the Report was prepared within the Treasury and with the cooperation of responsible officials of the Treasury, but that the findings and recommendations are those of the Committee and do not necessarily reflect Treasury views. Senator George and Congressman Doughton have approved publication of the Report, and we are advised that funds for this purpose are available from the appropriation to the Joint Committee on Internal Revenue Taxation.

The Report makes an important contribution to the problem of Federal-State-local fiscal relations in the United States and brings together a body of current

Regraded Unclassified

information which will be helpful to members of Congress and to others concerned with the problem of intergovernmental fiscal relations.

Thesis of the Report

The Committee reports that the area and volume of overlapping Federal, State, and local taxes continue to increase in spite of the universal recognition that tax conflicts are bad for the taxpayer, bad for the governments involved, and bad for the Federal system of government itself. It expresses the view that the answer to the problem of intergovernmental fiscal relations will not be found in a grand formula which endeavors to solve the problem for all time or even for a decade, because there can be no final solution for a continually shifting problem. The Committee takes the view that the answer will be found in coordination and cooperation rather than subordination and coercion. The problem calls for a high degree of genuine mutuality and the States must be assured that intergovernmental cooperation will not take the form of Federal domination.

In the opinion of the Committee, a solution to the problem of intergovernmental fiscal relations must satisfy three conditions:

(1) It must be a truly cooperative effort, willingly joined in by both the Federal Government and the States;

(2) It must utilize legislative and administrative, not constitutional channels, in order to permit continual adaptation to changing needs; and

(3) It must utilize channels which are permanent, not temporary; governmental, not private; and impartial and expert, not partisan.

Regraded Unclassified

Major Recommendation of the Report

To satisfy these requirements, the Committee proposes that the Congress, with the active support of the States, create a joint Federal-State Fiscal Authority. The Authority would administer no taxes and would dictate no decisions to either the Federal Government or the States. It would be a continuous, official advisory and negotiating body, qualified to make impartial suggestions on matters of conflicting taxation and joint fiscal policy to the Congress, to the Treasury, and to the Governors, tax officials and legislators of the States. The Authority would express advisory opinions on proposals for intergovernmental fiscal coordination and from time to time would be required to make recommendation for the solution of specific problems. The Authority would develop a program for dealing systematically with local taxation of Federal properties and Federal transactions. It would gather and disseminate information on intergovernmental fiscal relations, conduct necessary research, and facilitate the improvement of public financial reporting by governmental units.

The Committee suggests that the Authority be composed of three full-time members, one to be appointed by the President, one to be designated by the States, and the third to be selected by these two members. The State member would be selected by a conference of delegates named for that purpose by the Governors. The Committee suggests that the Authority be assisted by an advisory council representing Congressional Committees and recognized organizations of State, local and Federal officials.

The Committee proposes that an initial annual budget of approximately $150,000 to $200,000 be authorized; that half of this fund be appropriated by the Federal Government without any contingent (matching) requirements; and that the other half be raised from State legislatures through the Governors and their delegates. The Committee foresees that the process of providing State financial support will involve delay and uncertainty, and proposes that the Federal share be sufficient to enable the Authority to make a showing.

Regraded Unclassified

The Committee recognizes that the idea of a joint Federal-State agency is not new or original. The creation of such an agency has been widely endorsed. The Committee takes the view that the creation of an Authority would provide the stimulus necessary to get coordination actively under way.

Other Subjects Covered by the Report

The Report of the Committee examines a wide variety of problems within the general field of Federal-State-local fiscal relations. In some cases it makes specific recommendations for the elimination of conflicts; in others, it confines itself to suggesting possible methods of approach.

The Report considers in detail the coordination of Federal and State taxes in the fields of income, death, tobacco, liquor, automotive, sales, business, stock-transfer, and payroll taxation. In connection with several of these taxes, it stresses the need for Federal-State cooperation in tax administration as a means of achieving coordination. In the area of tax immunities, it discusses payments in lieu of taxes, State and local taxation of government contracts, and tax-exempt securities.

In addition, the Report examines (1) the need for independent sources of local revenue, (2) the reallocation of functions among layers of government, (3) the need for Federal participation in the financing of public education, (4) the removal of trade barriers and the coordination of other interstate relations, and (5) the cost of tax administration and taxpayers' compliance.

Suggested Disposition of the Report

We recommend that you accept the Report of the Committee on Intergovernmental Fiscal Relations, release it to the Press on April 8, 1943, and authorize its publication as a Congressional document later this spring. A memorandum to the President, advising him of the status of the Report and transmitting a copy for his examination is attached for your signature. A draft of a letter transmitting the Report to the members of the Senate Finance Committee and of the House Ways and Means Committee is also attached.

Regraded Unclassified

It is suggested that approximately 100 copies of the Report in its present form be distributed to Federal, State, and local officials and to other qualified individuals, inviting their comment and criticism in advance of final publication.

Regraded Unclassified

Letter for
The Secretary's signature
to be sent
to the
Governors of the
forty-eight
states

Regraded Unclassified

My dear Governor:

I take pleasure in sending you, under separate cover, a copy of the Report submitted to me by the Committee on Intergovernmental Fiscal Relations.

Some time ago the President suggested that this Department investigate the problem of Federal-State-local fiscal relations in the United States. The growing conflict and duplication in our tax system called for a vigorous and comprehensive inquiry, preferably by a staff freed from all other responsibilities within the Department. Accordingly, I designated a committee, consisting of Dr. Luther H. Gulick, Director of the Institute of Public Administration, Dr. Harold M. Groves, Professor of Economics at the University of Wisconsin and a former member of the Wisconsin Tax Commission, and Dr. Mabel Newcomer, Professor of Economics at Vassar College, to examine and report on this problem.

The project was financed in part by special funds provided for this purpose by the Congress and in part by funds made available by the Institute of Public Administration.

The study was made within the Treasury and with the full cooperation of its responsible officers, but the findings and recommendations of the Report are those of the Committee and do not necessarily reflect the views of the Treasury Department.

The Report of the Committee makes an important contribution to the movement for the coordination of Federal-State-local fiscal relations and brings together a body of current information which, I believe, will be helpful to the Governors of the States, to Members of Congress, and to others concerned with this problem.

Sincerely yours,

Regraded Unclassified

List of Governors of the States

Ala.	Chauncey M. Sparks
Ariz.	Sidney P. Osborn
Ark.	Homer M. Adkins
Calif.	Earl Warren
Colo.	John C. Vivian
Conn.	Raymond E. Baldwin
Del.	Walter W. Bacon
Fla.	Spessard L. Holland
Ga.	Ellis Arnall
Idaho	C. A. Bottolfsen
Ill.	Dwight H. Green
Ind.	Henry F. Schricker
Iowa	Bourke B. Hickenlooper
Kan.	Andrew Schoeppel
Ky.	Keen Johnson
La.	Sam Huston Jones
Me.	Sumner Sewall
Md.	Herbert R. O'Conor
Mass.	Leverett Saltonstall
Mich.	Harry F. Kelly
Minn.	Harold E. Stassen
Miss.	Paul B. Johnson
Mo.	Forrest C. Donnell
Mont.	Sam C. Ford
Neb.	Dwight Griswold
Nev.	E. P. Carville
N. H.	Robert O. Blood
N. J.	Charles Edison
N. M.	John J. Dempsey
N. Y.	Thomas E. Dewey
N. C.	J. Melville Broughton
N. D.	John Moses
Ohio	John W. Bricker
Okla.	Robert S. Kerr
Ore.	Earl Snell
Penn.	Edward Martin
R. I.	J. Howard McGrath
S. C.	Olin D. Johnston
S. D.	M. Q. Sharpe
Tenn.	Prentice Cooper
Texas	Coke R. Stevenson
Utah	Herbert B. Maw
Vt.	William H. Wills
Va.	Colgate W. Darden, Jr.
Wash.	Arthur B. Langlie
W. Va.	Matthew M. Neely
Wis.	Walter S. Goodland
Wyo.	Lester C. Hunt

Regraded Unclassified

Letter for

The Secretary's signature

to be sent

to the members of the

House Ways and Means Committee

and the

Senate Finance Committee

Regraded Unclassified

House: My dear Mr. -

Senate: My dear Senator:

I take pleasure in sending you, under separate cover, a copy of the Report submitted to me by the Committee on Intergovernmental Fiscal Relations.

Some time ago the President suggested that this Department investigate the problem of Federal-State-local fiscal relations in the United States. The growing conflict and duplication in our tax system called for a vigorous and comprehensive inquiry, preferably by a staff freed from all other responsibilities within the Department. Accordingly, I designated a committee, consisting of Dr. Luther M. Gulick, Director of the Institute of Public Administration, Dr. Harold M. Groves, Professor of Economics at the University of Wisconsin and a former member of the Wisconsin Tax Commission, and Dr. Mabel Newcomer, Professor of Economics at Vassar College, to examine and report on this problem.

The project was financed in part by special funds provided for this purpose by the Congress and in part by funds made available by the Institute of Public Administration.

The study was made within the Treasury and with the full cooperation of its responsible officers, but the findings and recommendations of the Report are those of the Committee and do not necessarily reflect the views of the Treasury Department.

The Report of the Committee makes an important contribution to the movement for the coordination of Federal-State-local fiscal relations and brings together a body of current information which will be helpful to members of Congress and to others concerned with this problem.

Sincerely yours,

Regraded Unclassified

List of Members of the House Ways and Means Committee.

A. Sidney Camp
Frank Carlson
Jere Cooper
Thomas H. Cullen
Charles S. Dewey
John D. Dingell
Wesley E. Disney
Robert L. Doughton - use separate letter
Aime J. Forand
B. W. Gearhart
Noble J. Gregory
Thomas A. Jenkins
Harold Knutson
Walter A. Lynch
James P. McGranery
Donald H. McLean
Paul H. Maloney
Wilbur D. Mills
Daniel A. Reed
A. Willis Robertson
Richard M. Simpson
Allen T. Treadway
Thad F. Wasielewski
Milton H. West
Roy O. Woodruff

Regraded Unclassified

List of Members of the Senate Finance Committee

Josiah W. Bailey
Alben W. Barkley
Hugh A. Butler
Harry Flood Byrd
Bennett Champ Clark
Tom Connally
John A. Danaher
James J. Davis
Walter F. George - use separate letter
Peter G. Gerry
Joseph F. Guffey
Edwin C. Johnson
Robert M. LaFollette, Jr.
Henry Cabot Lodge, Jr.
Scott W. Lucas
Eugene D. Millikin
George L. Radcliffe
Robert A. Taft
John Thomas
Arthur H. Vandenberg
David I. Walsh

Regraded Unclassified

March 29, 1943

My dear Mr. Chairman:

I take pleasure in sending you, under separate cover, a copy of the Report submitted to me by the Committee on Intergovernmental Fiscal Relations.

Some time ago the President suggested that this Department investigate the problem of Federal-State-local fiscal relations in the United States. The growing conflict and duplication in our tax system called for a vigorous and comprehensive inquiry, preferably by a staff freed from all other responsibilities within the Department. Accordingly, I designated a committee, consisting of Dr. Luther H. Gulick, Director of the Institute of Public Administration, Dr. Harold M. Groves, Professor of Economics at the University of Wisconsin and a former member of the Wisconsin Tax Commission, and Dr. Mabel Newcomer, Professor of Economics at Vassar College, to examine and report on this problem.

The project was financed in part by special funds provided for this purpose by the Congress and in part by funds made available by the Institute of Public Administration.

The study was made within the Treasury and with the full cooperation of its responsible officers, but the findings and recommendations of the Report are those of the Committee and do not necessarily reflect the views of the Treasury Department.

The Report of the Committee makes an important contribution to the movement for the coordination of Federal-State-local fiscal relations and brings together a body of current information which will be helpful to members of Congress and to others concerned with this problem.

Copies of the Report are being sent to the members of your Committee and to the members of the House Ways and Means Committee.

Sincerely yours,

Honorable Walter F. George,
Chairman, Finance Committee,
United States Senate,
Washington, D. C.

Regraded Unclassified

March 29, 1943

My dear Mr. Chairman:

I take pleasure in sending you, under separate cover, a copy of the Report submitted to me by the Committee on Intergovernmental Fiscal Relations.

Some time ago the President suggested that this Department investigate the problem of Federal-State-local fiscal relations in the United States. The growing conflict and duplication in our tax system called for a vigorous and comprehensive inquiry, preferably by a staff freed from all other responsibilities within the Department. Accordingly, I designated a committee, consisting of Dr. Luther H. Gulick, Director of the Institute of Public Administration, Dr. Harold M. Groves, Professor of Economics at the University of Wisconsin and a former member of the Wisconsin Tax Commission, and Dr. Mabel Newcomer, Professor of Economics at Vassar College, to examine and report on this problem.

The project was financed in part by special funds provided for this purpose by the Congress and in part by funds made available by the Institute of Public Administration.

The study was made within the Treasury and with the full cooperation of its responsible officers, but the findings and recommendations of the Report are those of the Committee and do not necessarily reflect the views of the Treasury Department.

The Report of the Committee makes an important contribution to the movement for the coordination of Federal-State-local fiscal relations and brings together a body of current information which will be helpful to Members of Congress and to others concerned with this problem.

Copies of the Report are being sent to the members of your Committee and to the members of the Senate Finance Committee.

Sincerely yours,

Honorable Robert L. Doughton,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D. C.

Regraded Unclassified

MAR 24 1943

My dear Mr. President:

On January 25, 1943 Congressman Doughton introduced in the House of Representatives H. R. 1470, a bill "To increase the debt limit of the United States, and for other purposes". Representatives of the Treasury testified before the Committee on Ways and Means of the House on January 29th with respect to this bill. In lieu of the bill introduced by Congressman Doughton, the Committee on Ways and Means reported bill H. R. 1780, introduced by Mr. Disney and which contains all of the provisions of H. R. 1470 and an additional section containing an amendment to the Emergency Price Control Act of 1942. The Disney bill was passed by the House of Representatives; was reported out by the Senate Finance Committee with an amendment; was passed by the Senate, and is now pending for concurrence of the House of Representatives.

Briefly, the purposes of the provisions of the bill, other than the amendment to the Emergency Price Control Act of 1942, are

(1) To increase the public debt limit from $125 billion to $210 billion in line with the estimates contained in your Budget Message of January 6, 1943;

(2) To authorize the Secretary of the Treasury to utilize banks and trust companies in connection with the redemption of United States Savings Bonds; and

(3) To provide relief for losses incurred in making payments in connection with the redemption of United States Savings Bonds.

Regraded Unclassified

The existing limitation on the amount of outstanding securities which may be issued under the Second Liberty Bond Act, as amended, is $125 billion. On February 28, 1943 the remaining borrowing authority under this limitation was $8,160 million. It is estimated that on March 31st the remaining authority will be down to approximately $6,400 million, or thereabouts, and by April 12th it will be down to about $6 billion.

On March 12th I announced a program aimed to raise $13 billion of new funds during the month of April in a Second War Loan Drive. Since that time we have been working intensively to build up an organization for the purpose of effectively selling these securities to every class and type of investor. It is contemplated that by April 15th, when funds will first become available from the new securities, the working balance in the Treasury will be practically exhausted; in fact, we are prepared to run a temporary overdraft on a day-to-day basis with the Federal Reserve banks, if necessary, to be covered by the sale of special one-day certificates of indebtedness, in anticipation of the funds to be received during this drive. In order to inaugurate a tremendous drive for funds in such a large amount many preliminary plans and procedures had to be approved well in advance of the starting date.

I am sure you will appreciate the effect upon these plans if by April 12th a bill has not been enacted to increase the amount of outstanding securities which may be issued under our borrowing

Regraded Unclassified

authority. The time is favorable for the proposed Second War Loan Drive; the funds we propose to raise will be sufficient to carry us until July and possibly August before the next large drive, and it would be most unfortunate if it should become necessary to postpone the drive and adopt some temporary stop-gap measures of raising funds under the limited borrowing authority remaining under present legislation.

It is most essential to avoid any situation which may jeopardize the ability of the Treasury to raise funds to pay for the huge war expenditures which we are making at a rate of more than $200 million a day on the average in excess of our daily revenue from taxes.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

WTH:mlb 3-24-43

Regraded Unclassified

MEMORANDUM

March 24, 1943.

TO: The Secretary

FROM: Mr. Sullivan

This afternoon Senator Wagner called to inquire if the Bill to extend the Stabilization Fund and continue the power to devalue had yet been introduced in the House. I told him it had not. He suggested it might be a good idea to introduce the bills simultaneously in the House and in the Senate and hold the Senate Hearing at about the same time as the House Hearing. Then, the Senate would be in a position to act on the measure immediately after action was taken by the House. I told him I would be glad to forward this suggestion to you.

Regraded Unclassified

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau March 24, 1943.

FROM Randolph Paul

I attach hereto a copy of a memorandum on the Gallup Poll in which you may be interested.

RGP

Memorandum attached.

Regraded Unclassified

FINDINGS OF THE GALLUP POLL ON THE RUML PLAN

The minority views on H. R. 2218 cite a Gallup Poll which appeared Sunday, March 20, as a demonstration that "The Ruml-Carlson bill is in truth the people's bill." The Poll divided the country into five geographic sections, into Democratic and Republican taxpayers, and by "taxpayers in upper half of income brackets" and "taxpayers in lower half of income brackets."

Without considering the reliability of the Gallup Poll in general the facts in this case lead to the definite conclusion that the findings are completely unreliable and throw no light on the public attitude toward the tax policy incorporated in the Ruml plan.

The reasons for this conclusion are:

1. The general public has no clear notion of what the Ruml plan provides. This fact is clear from comments appearing in letters received from persons urging adoption of the Ruml plan. Moreover, the public has no accurate idea of the alternatives. The average person has one confused idea involving collection at source, "pay-as-you-go", tax forgiveness or cancellation, and the Ruml plan.

Regraded Unclassified

2.

Most people have come to identify the Ruml plan with either (a) entire forgiveness of the year's taxes and no payment of taxes in 1943, or (b) "pay-as-you-go" (collection of tax at source) or both.

2. The question asked in this Gallup Poll could not elicit an accurate expression of opinion. The question was "Do you favor or oppose the Ruml plan?" There was no presentation of alternatives. The Poll presented the Ruml plan as the only solution to a difficult and perplexing problem and seemed to imply that the Ruml plan "is a deck, all else is the sea." The surprising thing is that as many as 17 per cent gave negative replies when many of them must have thought of the question as a question whether they wanted to make tax payments in 1943. It is also surprising that as many as 17 per cent would have answered in the negative on the hypothesis that the Ruml plan was a collection at the source plan.

3. Had Mr. Gallup wanted to get an accurate reflection of public opinion on this problem, he would not

Regraded Unclassified

have asked people "Do you favor or oppose the Ruml plan?" He would rather have explained the various alternatives before the Congress and then, after such explanation, have asked the people "Do you favor: (A) The Ruml plan, (B) the Carlson plan, (C) the Robertson plan, (D) the Ways and Means Committee plan, (E) some other plan for putting income tax payments on a current basis", but Mr. Gallup did not do this. In the light of these considerations, this report of the Gallup Poll upon which the proponents of the Ruml plan rely scarcely rises to the level of argument.

In summary it is doubtful if the people casting their votes in the Gallup Poll were aware of what the Ruml plan provides or what other alternative plans would achieve. Whatever they may have thought they had no opportunity to vote their real views since they were given only a "Yes" or "No" option to vote on the plan including all its elements.

Regraded Unclassified

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 24, 1943

TO Secretary Morgenthau

FROM Randolph Paul

I am attaching a letter which I received from Chairman Doughton. On the telephone, the Chairman also expressed appreciation of your 100 per cent stand.

Regraded Unclassified

SEVENTY-SIXTH CONGRESS

ROBERT L. DOUGHTON, N. C., CHAIRMAN

THOMAS H. CULLEN, N. Y.
JERE COOPER, TENN.
JOHN W. DUNN, OKLA.
D. DISNELL, MICH.
ALLIS ROBERTSON, VA.
WILBUR M. PILT, TEX.
JAMES P. MC GRANERY, PA.
WILBUR D. MILLS, ARK.
NOBLE J. GREGORY, KY.
A. SIDNEY CAMP, GA.
WALTER A. LYNCH, N. Y.
JOHN J. PUGSLEY, N. Y.
THEO F. WASTLEWSKI, WIS.
PAUL H. MALONEY, LA.

ALLEN T. TREADWAY, MASS.
HAROLD KNUTSON, MINN.
DANIEL A. REED, N. Y.
GUY G. WOODRUFF, MICH.
THOMAS A. JENKINS, OHIO
DONALD H. MC LEAN, N. J.
BERTRAND W. GEARHART, CALIF.
FRANK CARLSON, KANS.
RICHARD M. SIMPSON, PA.
CHARLES E. DERWY, ILL.

ZEB V. LANG, JR., CLERK
HARRIS T. MC CARLESS, ASST. CLERK

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

WASHINGTON, D. C.

March 21, 1943

Honorable Randolph Paul
General Counsel
Treasury Department
Washington, D. C.

Dear Mr. Paul:

Thanks for your letter of March 19 and clippings from the various papers.

It has been very encouraging to me to have the support of the Secretary of the Treasury and yourself in our fight against the Ruml-Carlson Tax Plan, in my judgment the biggest outrage ever attempted to be perpetrated upon the people of the United States. It is also heartening to have the President with us in this fight and, win or lose, we will have the satisfaction of knowing that we have stood up in battle for a just cause against a most iniquitous proposal.

Again thanking you and with high esteem, I am,

Sincerely yours,

R. L. Doughton

RLD:WC

Regraded Unclassified

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 24, 1943

TO Secretary Morgenthau

FROM Randolph Paul

Attached is a copy of a letter which was sent to Members of Congress by Congressman Aime J. Forand of Rhode Island.

Regraded Unclassified

Aime J. Forand
1st Dist. Rhode Island

CONGRESS OF THE UNITED STATES
House of Representatives
Washington, D. C.

Dear Colleague:

Although I realize how busy every Member of Congress is these days, I take the liberty of asking you to consider most seriously the fact that within a few days we will have to vote on one of the most controversial questions to come before us during the 78th Congress--a Pay-as-you-go tax plan.

The taxpayers of this country, anxious to get out of tax debts and to get on a current basis of tax collection, have petitioned every Member of Congress to enact some sort of Pay-as-you-go legislation.

The Ways and Means Committee, after many weeks of Hearings and executive sessions devoted to the study of the subject, has reported out H. R. 2218, a bill that provides for withholding for income taxes 20% of all salaries and wages above tax exemptions, but which does not provide for any cancellation or forgiveness, except for the members of our Armed Forces.

Supporters of the Ruml Plan (which forgives a full year of taxes to everybody) will substitute for the Ways and Means Committee Bill, when it is taken up in the House, a bill introduced by Congressman Carlson, which is the Ruml Plan revised. This bill, like the Committee bill, will face strong opposition.

When the Carlson substitute is voted down, as I am sure it will be, I shall offer my own substitute which provides:

1. Forgiveness of the first 19 units on all income tax returns (6% normal tax and 13% surtax)

2. Withholding 20% at the source on all salaries and wages (3% Victory tax and 17% income tax)

Regraded Unclassified

3. Discounts up to 6% for voluntary advance payments on that part of the tax not withheld at the source.

4. Increasing exemptions for members of our Armed Forces to $3,500 (less personal exemptions) on compensation received for military service.

5. Abating all taxes owed by a member of our Armed Forces who dies while in active service.

I am assured by many members that my proposal is the solution to the complex problem facing us, that it is acceptable to a great majority of our colleagues, and will prove satisfactory to the taxpayers.

This proposal would make about 90% of all taxpayers current because cancellation or forgiveness of the first bracket (19 units) would wipe out their tax debt.

Here is how the plan would work:

1. Collect March 15 and June 15, 1943, installments of 1942 tax liabilities, as provided under present law. Treat the part of these payments corresponding to the basic liability (6 percent normal tax plus 13 percent of surtax net income) as advance payments of 1943 basic liabilities. Treat the payments in excess of the basic payment as payments of 1942 taxes.

2. Require September 15 and December 15 installments on 1942 tax only with respect to liabilities in excess of the basic liability.

3. Forgive the basic liability on 1942 income.

4. Begin collection at source from wages and salaries July 1, 1943, at a rate sufficient to cover basic liability of 6 percent normal tax and 13 percent surtax.

Regraded Unclassified

5. For income not subject to collection at source begin current payments of basic liabilities with the third quarter of 1943 on the basis of simple quarterly statements of income, permitting the use of 1942 income as a presumptive basis where desired.

6. Collect the balance of liability above the basic liabilities in the year following receipt of income as under existing law.

I sincerely hope that this proposal appeals to you and that you will find it possible to give it your support.

Sincerely yours

(Signed) Aime J. Forand

Aime J. Forand, M. C.

F/P

March 20, 1943

Regraded Unclassified

Stephens

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

March 24, 1943

TO Secretary Morgenthau

FROM Randolph Paul

I would like to arrange, at your early convenience, to have Mr. Roth and Mr. Lynch, the new Assistants General Counsel, meet you.

RP

Regraded Unclassified

JOHN W. McCORMACK
12TH DIST. MASSACHUSETTS

EUGENE T. KINNALY
SECRETARY

Office of the Majority Leader
House of Representatives U. S.
Washington, D. C.

March 4, 1943.

Hon. Henry Morgenthau,
Washington, D. C.

Dear Henry:-

I am enclosing information received on Francis G. Goodale, from Mr. Kilton, a close friend of mine, and an outstanding lawyer in Massachusetts. It is apparent from the letter that Mr. Goodale is a fine lawyer, and a gentleman of fine standing.

With kind regards, I am

Sincerely yours,

John W. McCormack

Regraded Unclassified

KILLION, CONNOLLY & WILLIAMS
ATTORNEYS AT LAW
11 BEACON STREET
CAPITOL 0453
BERNARD J. KILLION
JAMES F. CONNOLLY
HARRY J. WILLIAMS
EUGENE T. KINNALY

1231 LAWYERS BUILDING
BOSTON, MASSACHUSETTS

March 23, 1943

Honorable John W. McCormack,
Office of the Majority Leader,
Washington, D. C.

Dear John:

In accordance with the request contained in your telegram of the 22nd inst., I am enclosing herewith report on Francis G. Goodale. If there is anything further you want me to do in this regard, I shall be glad to co-operate.

With kindest personal regards, I am

Sincerely yours,

BJK:EMC
Enc.

Regraded Unclassified

FRANCIS GREENLEAF GOODALE

Born Sacco, Maine, September 14, 1883. He is an enrolled Democrat.

Education: Smith Private School, Cambridge, 1891 - 1893; Brown and Nichols School, Cambridge, 1893 - 1900; Harvard College, 1901 - 1904; A.B., Harvard, 1904 (as of 1905). He began the study of law at Harvard in 1904. He attended Harvard from September 28, 1904 to June 28, 1905; September 27, 1905 to May 31, 1906.

He applied for admission to the Bar in June of 1906. His sponsor was Edwin Hale Abbott, and he was actually admitted to the Bar October 26, 1906.

I find that from June to September, 1905, he was Master at "Mowglis", a summer camp for boys at Bridgewater, New Hampshire.

At the time of his graduation from Harvard Law School, he did not receive a degree, whether he has since then I do not know. I find the following notation in his application for admission to the Bar: "I have not received a degree from there, I have not been an applicant for a degree".

I find that at the time of his admission to the Bar, he became connected with the firm of Hill, Barlow & Homans. He is still in the same office and is now a member of the firm known as Hill, Barlow, Goodale & Wiswall.

Regraded Unclassified

I talked with one of the clerks in the Supreme Court who knew Mr. Goodale from coming in there, and he spoke very highly of him. I then talked with Walter Fredericks, the Clerk of the Full Court, and he has known him for a great many years, regards him highly as a lawyer and as a man. He says he has been appointed as Trustee and as Receiver many times by the Court.

He served on a committee not so long ago which investigated the bribing of juries in this Commonwealth.

His reputation at the Bar is of the best - a quiet, methodical man who seems to have done a good job in everything he has handled and because of close application to his work he is not very well known among the rank and file of lawyers, except in a very small circle, but those who do know him speak of him in the highest terms.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 24, 1943

TO Mr. Thompson

FROM Mr. Haas

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of August 1942.

Regraded Unclassified

DIVISION OF RESEARCH AND STATISTICS

Report of Studies or Projects Completed or under Way, and the Names of Persons Working on Each for the Month of August 1942

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 28, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

I. Projects or studies completed

1. A review of current developments in the high-grade securities markets was prepared, and was transmitted to the Secretary on August 24. - Mr. Haas, Mr. Murphy, Mr. Turner, Mr. Schreder

   The review contained the following special studies:

   (a) Subscriptions to recent Treasury bond issues.

   (b) Change in reserve requirements.

   (c) The course of bank loans.

2. A memorandum was prepared on the September financing, and was transmitted to the Secretary on August 31. - Mr. Haas, Mr. Murphy, Mr. Sandelin, Mr. Conrad, Mr. Robbins

3. A memorandum was prepared on the September refunding. - Mr. Haas, Mr. Tickton

4. Memoranda were prepared on recent changes in prices and yields of Government securities, and were transmitted to the Secretary on August 7, 21, and 28. Two tables and a chart were transmitted to Under Secretary Bell on August 14. - Mr. Haas, Mr. Brown, Mr. Sandelin, Mr. Kroll, Miss Strahl, Mrs. Grossman

Regraded Unclassified

5. A maturity calendar was prepared as of August 15, covering all issues of direct and guaranteed bonds, notes, and certificates of the United States. - Miss Lagos

6. Yields on public marketable securities issued by the United States Government and by Federal agencies were computed daily on the basis of over-the-counter closing quotations. A daily table and a weekly table with comparative data for earlier periods were prepared. A chart for each issue was kept up to date showing daily price and yield figures with comparative monthly data since 1935, since the date of issue, or since the date first traded. In addition, yields were computed daily on five high-grade corporate securities, three municipal securities, and two British Government issues. - Mr. Moody, Miss McCoy, Mr. Kroll

7. In response to the request by the Secretary on January 21, 1941, that measures be taken to obtain information to assist in carrying through the financing program, arrangements were made to obtain the necessary statistics on the holdings of each issue of the public debt and of guaranteed securities by the various classes of holders. - Mr. Haas, Mr. Tickton, Mrs. Barnes, Mr. D. J. Leahy, Mr. Robbins, Miss Westerman, Mrs. Merkin, Miss Wood, Mrs. Cameron

   (a) Supervision was given in the preparation by the Statistical Unit of the Division of Loans and Currency of tables showing the information as of July 31, received from banks and insurance companies. The tables were transmitted according to instruction by the Secretary. - Mr. Tickton, Mr. Leahy, Mrs. Merkin, Miss Westerman, Mrs. Barnes, Miss Wood, Mrs. Cameron

   (b) Tabulations were prepared, and were transmitted on August 17, to the Federal Reserve Banks of New York and Philadelphia, showing holdings of each issue of Government securities in their respective districts, as of June 30. - Mr. Tickton, Mr. Leahy, Miss Westerman

   (c) A tabulation was prepared, and was transmitted on August 17, to the Board of Governors of the Federal Reserve System, showing Government securities owned on June 30 by banks. - Mr. Tickton, Mr. Leahy, Miss Westerman

Regraded Unclassified

(d) Monthly tables and charts were prepared, showing as of June 30, changes since June 30, 1941, in holdings of Government securities for the major classes of investors by type of security. - Mr. Robbins

(e) A memorandum was prepared, showing coverage of various classes of investors included in the Treasury survey. - Mr. Robbins

(f) A memorandum was prepared on the absorption of the public debt. - Mr. Robbins

(g) At the request of Under Secretary Bell on August 11, a table was prepared, and was transmitted to him on August 13, on ownership of next maturing notes, issued or guaranteed by the United States, by class of investor, June 30. - Mr. Robbins, Miss Cummins

(h) New letters were sent out to the banks and insurance companies requesting comparable data as of August 31. - Mr. Tickton

8. At the request of the Secretary on May 12, 1941, arrangements were made to prepare current statistical reports on the sales of United States savings bonds, series E, F, and G, and Postal savings stamps, on the basis of reports by the Treasurer of the United States, the Federal Reserve Banks, and the Post Office Department. The reports prepared during August were transmitted according to instructions by the Secretary. - Mr. Haas, Mr. Reagh, Mr. Tickton, Mr. Brown, Mr. Leahy, Mr. Kroll, Miss Schmidt, Miss Strahl, Miss Wender

(a) Daily tables:

(1) Dollar volume of bonds sold in August, by series.

(2) Comparison of daily sales of bonds for July and August.

(3) Comparison of daily sales with the August quota, taking into account the daily and monthly trends.

(4) Comparison of August sales of bonds, series E, with sales during June and July.

Regraded Unclassified

(5) Comparison of August sales of bonds, series F and G, with sales during June and July.

(6) Comparison of August sales of bonds, series E, F, and G, with sales during June and July.
- Mr. Reagh, Mr. Brown, Mr. Kroll

(b) Other tables:

(1) Supervision was given in the preparation by the Statistical Unit of the Division of Loans and Currency of monthly tables, showing sales of bonds, series E, for July, by States, cities, and counties, classified by sales agent and denomination. Letters were prepared, and mailed on August 27 to the Federal Reserve Banks, requesting that they report sales of bonds, series E, on a quarter-monthly basis. On August 31, Mr. Reagh started on a trip to explain the revised procedure to officials of the Federal Reserve Banks - Mr. Reagh, Mr. Leahy

(2) Bond sales since May 1941, by months and by series, dated September 2. - Mr. Reagh, Mr. Brown, Mr. Kroll

(3) Relative sales of bonds, series E, by States and months, January-July, shown as a percentage ratio A/B, dated August 14. - Mr. Reagh, Mr. Brown, Mr. Kroll

(4) Estimated number of units of bonds, series E, and percent of dollar volume sold, by denominations and months, May 1941-July, dated August 8. - Mr. Reagh, Mr. Brown, Mr. Kroll

(5) Per capita sales of bonds by States, May 1941-July, dated August 13. - Mr. Reagh, Mr. Brown, Mr. Kroll

Regraded Unclassified

9. In further response to the request of Mr. Graves on February 10, 1942, supervision is being given in the tabulation by the Statistical Unit of the Division of Loans and Currency of pledges for the purchase of savings bonds, series E, and savings stamps, in Oregon. - Mr. Reagh, Mr. Kroll, Miss Strahl

10. In further response to the request of the Secretary on December 31, 1941, weekly tables were prepared from data wired by the Federal Reserve Banks, showing the number of agents qualified to issue series E, savings bonds, by type of agent and Federal Reserve districts, for August 5, 15, and 22. - Mr. Tickton, Mr. Kelenson, Miss Wender

11. In further response to the request of Mr. Graves on April 1, 1942, quotas for each county in the country for savings bonds, series E, F, and G, for September were prepared, and were transmitted by the War Savings Staff on August 19 to the State Administrators for comment and revision. Revised quotas were prepared on August 29. - Mr. Reagh, Mr. Brown, Mr. Kroll, Mrs. Grossman, Miss Strahl

12. In response to the request of the Secretary on December 15, 1941, arrangements have been made to obtain monthly reports from corporations on the progress of the payroll savings plan for savings bonds, series E. The information is edited and prepared as a basis for the analyses listed below. - Mr. Haas, Mr. Tickton, Mr. Youel, Mr. Keats, Mr. Seligman, Miss Wender, Mrs. Barnes, Mrs. Cambron

    (a) Supervision was given the Statistical Unit of the Division of Loans and Currency in preparing the basic information as of July 31, received in response to letters sent out to approximately 23,000 corporations. - Mr. Tickton, Mr. Youel, Mr. Seligman, Mrs. Barnes, Mrs. Cambron

    (b) A table was prepared, showing the number of corporations acting as issuing agents for bonds purchased by their employees under the payroll savings plan, and the progress of the Federal Reserve Banks in appointing corporations with 500 or more employees as issuing agents. - Mr. Tickton, Mr. Kelenson, Miss Wender

Regraded Unclassified

(c) Weekly tables were prepared, showing the number of organizations with payroll savings plans, Government and private, classified by type, size, and State, together with the number of employees eligible to participate. Tables were transmitted according to instructions by the Secretary. - Mr. Tickton, Mr. Youel, Mr. Seligman

(d) A memorandum and a table were prepared from reports received in response to our letter of July 28, from approximately 13,000 companies participating in the payroll savings plan during July. The table showed the companies classified by size group, by degree of employee participation, and by payrolls.- Mr. Tickton, Mr. Youel, Mr. Kelenson, Mr. Seligman

13. In further response to the request of the Secretary on April 27, 1942, weekly charts were prepared on the status of payroll savings plans in each of the 48 States and in the District of Columbia; daily charts were prepared on sales and quotas for war savings bonds by Federal Reserve districts; and a chart was prepared showing progress for sales of war savings bonds as of July 31. - Mr. Tickton, Mrs. Wolkind

14. In further response to the request of the Secretary on June 23, a summary and table covering operation of the payroll savings plan in twenty-five selected industries were prepared to date. - Mr. Tickton, Mr. Youel, Mr. Kelenson, Mr. Keats, Mr. Parsons, Mrs. Cambron, Miss Wender, Miss Schmidt, Mrs. Karr

15. At the request of the Secretary on August 4, the charts on the savings bond program were brought up-to-date for a press conference in his office on August 6. Notes on this conference were prepared. - Mr. Tickton

16. In further response to the request of Mr. Graves on July 8, memoranda were prepared, and were transmitted to the Secretary on August 4 and 25, showing the operation of payroll savings plans in companies where deductions have reached 10 percent of the payroll. - Mr. Tickton, Mr. Youel, Miss Wender

17. New industries tables in connection with the payroll savings plan were completed. - Mr. Kelenson

18. At the request of Mr. Engelsman on August 5, a memorandum was prepared, and was transmitted to him on August 6, on companies not having a payroll savings plan and on the operation of the plan in tobacco companies. - Mr. Tickton

Regraded Unclassified

19. At the request of Mr. Engelsman, a table was prepared, dated August 5, showing estimated deductions from payrolls for purchase of war savings bonds, December 1941 through July 1942. - Mr. Tickton

20. In response to a request from Mr. Houghteling's office on August 6, a memorandum was prepared, and was transmitted on August 13, giving available information on payroll savings plans of a selected group of companies listed by that office. - Mr. Youel

21. At the request of Mr. Wolfe on August 8, a list was prepared, and was transmitted to him, of the names and addresses of shipbuilding and aircraft companies which had not responded to the questionnaire sent out in July. - Mr. Kelenson

22. At the request of Mr. Mahan on August 25, a memorandum was prepared, and was transmitted to him on August 26, containing figures on the payroll savings plan in September. - Mr. Youel

23. A set of tables on payroll savings and redemptions was prepared, and was transmitted to Mr. James Clark on August 26. - Mr. Youel

24. A list of Iowa firms was completed for use by the Iowa State Administrator in obtaining their figures on the operation of the payroll savings plan. - Mr. Youel

25. A memorandum was prepared, showing companies of 5,000 or more employees which do not have payroll savings plans. - Mr. Tickton, Miss Wender

26. A letter was prepared on August 4 for the signature of Under Secretary Bell in response to an inquiry from Mr. Clark of the Federal Reserve Bank of San Francisco concerning member banks as issuing agents. - Mr. Tickton

27. At the request of Under Secretary Bell on August 7, a table was prepared, and was transmitted to him on the same date, on the number of issuing agents for war savings bonds. - Mr. Tickton

Regraded Unclassified

28. At the request of Mr. Graves, two tables for July, one on the sales of war savings bonds, series E, F, and G, by States, and the other comparing the sales of bonds by States with the established monthly quotas, were prepared, and were transmitted to him. - Mr. Leahy

29. At the request of the Secretary on August 7, a memorandum was prepared, and was transmitted to him on the same date on redemptions of United States savings bonds. - Mr. Tickton

30. At the request of Miss Tomkins of the War Savings Staff on August 14, figures on sales of savings bonds to be released to the press were checked. - Mrs. Wolkind

31. A review was made of the memorandum transmitted to Mr. Broughton on August 29, concerning the issuance of a $50 bond, series G, with interest payable annually. - Mr. Murphy, Mr. Reagh

32. At the request of Mr. Pulliam, State Chairman of the Indiana War Savings Committee, tables were prepared, comparing 1941 income payments for Indiana with seven adjoining States and the country as a whole; bond sales in these States during May, June, and July 1942 with the assigned quota and a hypothetical quota based entirely on 1941 incomes; and quotas assigned for August and September with quotas based entirely on 1941 income. - Mr. Reagh, Mr. Daggit, Mr. Brown, Mr. Kroll, Miss Smith

33. In further response to the request of the Secretary on July 29, a report was prepared, and was transmitted to him on August 5, on the time taken for delivery of a war savings bond issued by a Federal Reserve Bank, or by a corporation issuing agent, as of August 1. - Mr. Tickton, Miss Westerman

34. At the request of Under Secretary Bell on August 11, a letter was prepared in reply to Mr. Frank Warner, Secretary of the Iowa State Bankers' Association, concerning Treasury policy on service charges by banks in connection with handling of war savings bonds, and was transmitted to Mr. Heffelfinger on August 28. - Mr. Murphy

35. In further response to the request of the Secretary on July 28, 1941, tables were prepared, summarizing sales from January through July 1942, of Treasury tax notes,

Regraded Unclassified

series A and series B, by type of purchaser, and denomination. The tables were transmitted to the Secretary on August 15. - Mr. Tickton, Mr. Kelenson

36. At the request of Mr. Prenosil on August 11, a memorandum was prepared, and was transmitted to Mr. Buffington on August 19, on sales of tax series Treasury notes, with four tables attached showing sales by denomination and purchaser. - Miss Eyre

37. A table was completed on tax note redemption values. - Mr. Turner

38. Further progress was made in the study requested by the Secretary on December 6, 1941, of the sources of funds for Government borrowing. - Mr. Haas, Mr. Murphy, Mr. Lindow, Mr. Turner, Mr. Mayo

(a) A study is being made of the sources of funds available for borrowing by the British Government comparable to the study in progress in this country. - Mr. Murphy

(b) Charts on inflation are being prepared for the President. - Mr. Murphy, Mr. Lindow, Mr. Turner

39. At the request of Under Secretary Bell, agenda, memoranda, and minutes were prepared in connection with the Treasury-Federal Reserve meetings held for the purpose of discussing financial policy. - Mr. Haas, Mr. Murphy, Mr. Sandelin, Mr. Turner

(a) A memorandum was prepared, and was transmitted on August 7 to Under Secretary Bell, in regard to Mr. Stewart's proposal that the Treasury ask the Board of Governors of the Federal Reserve System for a study of the distribution of existing excess reserves. A letter concerning this proposed study is being prepared for the signature of Under Secretary Bell addressed to Mr. Eccles. - Mr. Murphy, Mr. Turner

(b) At the request of the Secretary on August 27, a letter was prepared for his signature, and was transmitted on the same day to Mr. Ransom, Vice-Chairman of the Board of Governors of the Federal Reserve System, requesting the Board's reaction to proposed changes in the tax notes. - Mr. Murphy

Regraded Unclassified

(c) At the request of the Secretary on August 27, a memorandum was prepared, and was transmitted to him on August 31, analyzing replies to the telegrams addressed to the Presidents of the twelve Federal Reserve Banks and to the letter addressed to Mr. Ransom, on proposed changes in the tax notes. - Mr. Sandelin

(d) At the request of Under Secretary Bell on June 30, a memorandum was prepared on excess reserves, summarizing the views of Mr. Eccles and Mr. Sproul. - Mr. Murphy, Mr. Turner

40. A proposal of the RFC that the Secretary request that corporation to buy stock in a bank was examined. - Mr. Turner

41. At the request of the Secretary on November 3, 1941, arrangements were made to obtain certain information on the progress of the programs under Lend-Lease, the Maritime Commission, and the Army Air Corps. - Mr. Haas, Mr. Wagner, Mr. Mayo

A chart is being prepared, showing appropriations, allocations, obligations, and disbursements, for Lend-Lease purchases, through July 31.

42. Two tables, "Total Tenders for Treasury Bills, by Federal Reserve Districts" and "Tenders for Treasury Bills Accepted by Federal Reserve districts", were prepared as of July 31, and were transmitted in a memorandum to Under Secretary Bell on August 13. - Mr. Murphy, Mr. Robbins, Miss Cummins

43. At the request of Mr. Gaston, agenda, memoranda, and minutes were prepared in connection with a series of meetings held for the purpose of discussing wartime financial problems. - Mr. Murphy, Mr. Lindow

(a) In cooperation with Mr. Bernstein, Mr. Shere, and Mr. Seltzer, questions were prepared with respect to the relative merits of competing means of inflation control for discussion at the meeting with Mr. Gaston on August 21. - Mr. Murphy

(b) Questions were prepared on the problems of excess consumer purchasing power and expenditures for use at meetings on August 24 and 25. - Mr. Murphy, Mr. Turner

Regraded Unclassified

(c) Minutes were prepared on the meetings with Mr. Gaston on August 17, 20, 24, and 25, and were transmitted to him on August 20, 21, and 28, respectively. - Mr. Turner

(d) Minutes are being prepared on the meeting of August 28. - Mr. Turner

44. At the request of Mr. Buffington on August 14, a memorandum was prepared, and was transmitted to him on August 19, with three tables showing distribution of subscriptions received for the May offering of Treasury 2½ percent bonds due in 1962-67, and two issues of bonds due in 1949-51. - Mr. Murphy, Mr. Robbins

45. At the request of Mr. Buffington on August 20, a memorandum was prepared, and was transmitted to him on the same date with a table showing distribution of subscriptions received for the August offering of 2½ percent bonds due in 1962-67. - Mr. Robbins

46. At the request of Mr. Heffelfinger on August 19, an estimate was obtained of the proportion of securities issued to date absorbed by nonbanking investors, and was transmitted to him on the same date. This information was wired to the Secretary on August 19. - Mr. Robbins, Miss Cummins

47. In response to a request from the St. Louis Federal Reserve Bank on August 13, a telegram was prepared for the signature of Under Secretary Bell, and was transmitted to Mr. Davis, President of the Bank, on the same date, giving the percentage of total May sales of the 2½ percent bonds of 1962-67, purchased by each of the nine groups usually reported. - Mr. Murphy, Mr. Turner

48. In response to a request from the New York Federal Reserve Bank, a letter transmitting a table showing allotments of the Treasury 1/2 percent and 5/8 percent certificates of indebtedness, was prepared, and was transmitted to Mr. Sproul, President of the Bank, on August 18. - Mr. Murphy

49. A memorandum on allocation of Government securities and market price controls during World War I was prepared, and was transmitted on August 31. - Mr. Wagner

Regraded Unclassified

50. In connection with refunding Government securities which mature in September, October, and December, a proposed press release was approved on August 24. - Mr. Haas, Mr. Murphy

51. At the request of Mr. Atlas on August 3, an answer was given him on the same day concerning yields on taxable and exempt notes, September 1944, and differentials. - Mr. Tickton

52. In further response to the request of Mr. Buffington on April 6, a memorandum and tables were prepared on prospective new capital issues, and were transmitted to him on August 17.- Miss Parker

53. Data were prepared, and were transmitted to Mr. Shields on August 11, on bank earnings for tax purposes. - Mr. Murphy

54. A memorandum was prepared for use at a meeting with Congressman Dewey on August 3, showing that certificates are not issued in England for the portion of the excess-profits tax refundable to corporations. - Mr. Tickton

55. At the request of Mr. Broughton on August 1, a memorandum was prepared, transmitting a table presenting later statistics on the national savings movement in the United Kingdom, and was transmitted to him on August 28. - Mr. Sandelin

56. A table was prepared on August 20, comparing estimates of personal savings by the SEC and by Commerce. - Mr. Mayo

57. At the request of Mr. Walter Louchheim, Jr., Assistant Director of the Trading and Exchange Commission of the SEC, a review was made of figures proposed to be released by the SEC on gross individual savings in the second quarter of 1942. The review was discussed with Mr. Gaston. - Mr. Murphy

58. At the request of Mr. Louchheim, a review was made of a press release of the SEC regarding analysis of the volume and composition of savings by individuals in the United States. The review was discussed with Mr. Gaston. - Mr. Murphy

Regraded Unclassified

59. At the request of Mr. White on August 3, a memorandum, prepared by the Division of Monetary Research, on the preliminary survey of expenditure rationing, was re-reviewed; and a memorandum on expenditure rationing was prepared, and was transmitted to Mr. White on August 14. - Mr. Murphy

60. At the request of Mr. Buffington on August 8, the revised draft of a booklet to be sent to members of the Victory Fund Committee was reviewed and checked, and a memorandum was prepared, and was transmitted to him on August 19, on suggested changes and corrections. - Mr. Turner

61. At the request of Mr. Buffington on August 27, the second revised draft of a booklet to be sent to members of the Victory Fund Committee was reviewed and checked, and a memorandum was prepared, and was transmitted to him on August 29, containing comments on the revision. - Mr. Turner

62. At the request of Mr. Buffington on August 27, a review was prepared, and was transmitted to him in a memorandum on August 28, of a table on Government securities to be included in a booklet for use by the Executive Managers of the Victory Fund Committee. - Mrs. Miller

63. At the request of Miss Tomkins of the War Savings Staff on August 13, a review was made of an article written by her for Dun's Review entitled "Too Little, Too Late -- The History of War Finance in the United States", and was transmitted to her on August 21.- Mr. Murphy, Mr. Turner

64. At the request of Mr. Paul on August 18, a review was prepared, and was transmitted in a memorandum to him on the same date, of a draft on wartime taxation, for Judge Rosenman. - Mr. Murphy, Mr. Turner

65. At the request of the Secretary on August 7, a memorandum was prepared, and was transmitted to him on the same date on the P-51, pursuit plane. - Mr. Tickton

66. At the request of Under Secretary Bell on August 6, a review was made of the proposed message from the Secretary to the convention of the American Bankers' Association. Drafts were sent to Mr. Kuhn on August 7. - Mr. Haas, Mr. Murphy

Regraded Unclassified

67. In response to the requests of Mr. Gaston on August 18 and 20, a review was made of Mr. Delano's speech on banks and the war effort, scheduled for August 22, and a memorandum was prepared returning the draft with a proposed substitute section, and was transmitted in final form to Mr. Gaston on August 21. - Mr. Murphy, Mr. Turner

68. In further response to the request of Mr. Bernard on June 24, a report was prepared on H. R. 7091, and was transmitted to him on August 5. - Mr. Murphy, Mr. Sandelin

II. Projects or studies under way

1. A study is being made of the relative interest costs of short- and long-term borrowing. - Mr. Turner

2. A study is being made of the effect of the maturity, call period, coupon, premium, and size of issue on the prices and yields of United States securities. - Mr. Conrad

3. A memorandum is being prepared on a negotiable security for continuous sale. - Mr. Murphy

4. A study is being made of developments in the reserve position of the banks. - Mrs. Miller

5. Historical tables are being prepared which will present various data on new Treasury notes and bonds and on new guaranteed issues. - Mr. Conrad

6. A study is being made of war-financing measures of belligerent nations in the present war. - Mr. Sandelin

7. A study is being made of the market action of the various maturity classes of Government securities in relation to the type of holder. - Mr. Conrad

8. A memorandum is being prepared on the desirability of conducting the war finance as it was in the last World War, by war loan drives. - Mr. Murphy

9. A study is being made of the postwar effects of a large volume of demand debt. - Mr. Murphy

Regraded Unclassified

10. An estimate is being prepared of the outstanding volume of tax-exempt securities. - Mr. Conrad

11. A study is being made of present and past opportunities for securing a high return from Government securities by selling at the end of profitable yield periods rather than holding them to maturity. - Mr. Conrad

12. A study is being made of bank earnings beginning with fiscal 1928. - Mr. Shields, Mr. Turner, Mrs. Miller

13. A geographical distribution of industrial tables in connection with the payroll savings plan is being prepared. - Mrs. Parsons

14. At the request of the Secretary, a memorandum is being prepared on the progress of payroll savings plans in the rubber industry. - Mr. Tickton

15. A memorandum is being prepared for the Secretary on 3-month certificates of indebtedness as a substitute for Treasury bills. - Mr. Tickton

16. In further response to the request of the Division of Tax Research on March 30, cooperation is being given in preparing a report on tax-exempt securities. - Mr. Murphy

17. In further response to the request of Mr. George F. Milton, Consultant, War Savings Staff, on March 23, a complete file of tables is being prepared giving the history of sales of savings bonds, E, F, and G. - Mr. Reagh

18. A memorandum is being prepared on the relationship of selective control of bank credit and of new capital issues. - Mr. Murphy

19. In further response to the request of Mr. Bartelt on April 13, a memorandum is being prepared on revisions of the Daily Treasury Statement, Annual Report, and Public Debt Statement. - Mr. Murphy, Mr. Tickton, Miss Eyre

Regraded Unclassified

20. In connection with Mr. Lickert's survey, an investigation is being made of income, savings, and spendings patterns in the City of Buffalo. - Mr. Wagner

21. In further response to the request of Under Secretary Bell on June 3, a memorandum is being prepared on the question of whether a 10-30 year 2½ percent bond would sell on the basis of a 10-year bond with quotations reasonably stable. - Mr. Murphy, Mr. Turner

22. A study is being made of a proposal for a special tabulation and analysis of reports of bank holdings of United States obligations submitted by the National Bureau of Economic Research on June 17. - Mr. Turner

23. In further response to the request of Mr. Kuhn and Mr. Schwarz on June 22, a memorandum is being prepared with respect to data to be checked in the proposed manual to be used by Government agencies in the President's program to fight inflation, entitled "The Battle Against Rising Living Costs", submitted by the OWI. - Mr. Mayo, Mr. Turner

24. At the request of Mr. Broughton on July 6, a memorandum is being prepared on modifications to a proposal to change the Circulation Statement. - Mr. Murphy, Mr. Turner

25. A study is being made of the Government security market. - Mr. Shields, Mr. Wagner, Miss Klepper

26. A memorandum is being prepared on the report by the New York money market subcommittee in regard to Treasury financing. - Mr. Murphy

27. At the request of Mr. C. A. R. Wardwell, Chief of the Current Business Analysis Unit of the Commerce Department, a review is being made of the article "Alternatives in War Finance." - Mr. Murphy

28. At the request of Mr. Buffington on August 3, an analysis is being prepared of suggestions contained in letters from private individuals concerning changes in new issues of outstanding Government securities. - Mr. Sandelin

Regraded Unclassified

29. At the request of Under Secretary Bell on August 14, a memorandum is being prepared on Mr. White's proposal for a noninterest-bearing Government security. - Mr. Turner

30. At the request of Mr. Graves on August 25, an analysis is being prepared of redemptions of savings bonds. - Mr. Youel

31. At the request of Mr. Cleveland of the National Resources Planning Board on August 26, a memorandum is being prepared on time lapses in bond redemptions. - Mr. Youel

32. In response to the requests of Mr. Buffington on August 17, 25, and 29, a review is being made of a revised proposed circular on United States certificates of indebtedness. - Mr. Murphy, Mr. Turner

33. At the request of Mr. Blough on August 22, tables on securities sold by the Port of New York Authority and by the Triborough Bridge Authority are being prepared for the Port of New York Authority test case. - Mr. Sandelin

34. At the request of Mr. Blough on August 29, a memorandum is being prepared indicating the sources of information and estimating technique on the Treasury estimates of the ownership of State and local Government securities outstanding and bringing up-to-date the yields of corporate and municipal bonds and spreads, 1900-1942 for use in The Port of New York Authority test case. - Mr. Murphy

Revenue Estimates

I. Projects or studies completed

1. The regular monthly statement was prepared, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the period August 1942-July 1943. The statement was transmitted to the Bureau of Accounts. - Mr. Delcher

2. The regular monthly summary comparison was prepared, showing estimated receipts and actual receipts in July 1942, on the daily Treasury statement basis. - Mr. Delcher

Regraded Unclassified

3. The regular monthly detailed comparison was prepared, showing estimated and actual receipts in July 1942, based on the collections classification. - Mr. Delcher

4. Memoranda were completed on August 31, analyzing each component of the April revised estimates of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes, for the fiscal years 1942 and 1943. - Mr. Daggit, Mr. Colclough, Miss Spiegel, Miss Smith, Miss Washabaugh

5. In connection with the revenue bill of 1942, H. R. 7378, a number of revenue estimates, listed below, were prepared at the request of Mr. Paul, Mr. Tarleau, and the Division of Tax Research. - Mr. O'Donnell, Mr. Leahey, Mr. Kelly, Mr. Smith, Mr. Jorgensen, Mr. Lusk, Miss Allen, Mr. Delcher

   (a) Revised estimates were prepared, and were transmitted in a memorandum to Mr. Blough on August 1, to conform to the bill passed by the House of Representatives July 20. - Mr. Leahey

   (b) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum of August 1, of the effect on corporations and individuals of the tax rates of the bill on interest on outstanding issues of State and local securities assuming that a specified tax credit is allowed. - Mr. Leahey

   (c) The following estimates were prepared, and were transmitted in a memorandum to Mr. Blough on August 4, of the (1) estimated effect if, for the invested capital the rates were reduced (a) 3 percent and (b) 4 percent; (2) estimated effect if each bracket rate for invested capital credit in the bill were reduced by 1 and 2 percent; and (3) estimated revenue effect of increasing the corporate normal tax by 1 percent. - Mr. Leahey

   (d) Tentative estimates were prepared, and were transmitted in a table to Mr. Blough on August 25, of the yield of a spendings tax for individuals under alternative rate schedules. - Mr. Smith

Regraded Unclassified

(e) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on August 7, of the decrease in revenue if the excise taxes on twelve specified groups of articles were repealed on sales made on or after October 1. - Mr. Jorgensen

(f) Revised estimates were prepared, and were transmitted to Mr. Blough on August 8, of the revenue effect of various changes in the percentage depletion allowance, and the elimination of the option to expense intangible development costs. - Mr. Leahey

(g) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on August 8, of the revenue effect of revising the method of computing the tax liabilities of corporations with fiscal years ending on dates other than December 31. - Mr. Leahey

(h) Estimates were prepared, and were transmitted in a memorandum to Mr. Blough on August 10, of the revenue effects of (1) extending the age limit from 18 to 21 years in the case of dependent school children; and (2) allowing a deduction for medical expenses in excess of 5 percent of the net income; and (3) the combination of (1) and (2). - Mr. Kelly

(i) Estimates were prepared, and were transmitted in a memorandum to Mr. Blough on August 13, of the revenue effect of allowing a tax credit on the husband's or wife's earnings, whichever is lower, but not in excess of set amounts for specified conditions. - Mr. Kelly

(j) Additional data were prepared, and were transmitted in a memorandum to Mr. Blough on August 14, to show changes in the calendar year estimates which would be effected by the bill, taking into account data previously prepared on net income, income taxes, and dividends of corporations with positive net incomes, 1936 through 1942. - Mr. Leahey

(k) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on August 14, of the revenue effect on the individual income tax of eliminating percentage depletion and the option to expense development costs under the present law, the Treasury program, and the bill. - Mr. Lusk

Regraded Unclassified

(l) An estimate was prepared, and was transmitted to Mr. Blough on August 14, of the revenue effect of the proposal to permit the lowest year of the base period at a minimum of 75 percent of the average net income of the remaining three years in computing the excess-profits credit under the income method. - Mr. Leahey

(m) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on August 19, of the revenue effect of the proposal to tax the 1942 net income of corporations with fiscal years ending other than December 31, 1942, assuming that the net income earned after April 30, 1942 is taxable under the provisions of the bill. - Mr. Leahey

(n) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on August 25, of the revenue effect of plans for placing the individual income tax on a current basis. - Mr. Kelly

(o) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on August 25, of the revenue effect on the individual income tax of the elimination of payments on mortgages other than those on owner-occupied dwellings. - Mr. Smith

(p) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on August 25, of the revenue effect of a flat 10 percent tax on surtax net income minus a tax credit based on (1) full debt payment, and (2) 50 percent of debt payment. - Mr. Smith

(q) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on August 25, of the revenue effect of allowing a deduction in computing net income for one-fifth of the amount devoted to payment of life insurance premiums, principal on mortgages, installment debt, and other debt contracted before March 1, 1942, and purchase of war bonds under specified conditions. - Mr. Smith

(r) An estimate was prepared, and was transmitted to Mr. Blough on August 25, of the revenue effect of proposals on income tax relief for individuals with fixed commitments. - Mr. Smith

Regraded Unclassified

(s) Estimates were prepared, and were transmitted in a memorandum to Mr. Blough on August 25, of the revenue effect of debt relief proposals which permit a deduction from income for individual income tax purposes equal to 50 percent of "abnormal fixed commitments" under specified conditions. - Mr. Smith

(t) An estimate was prepared, and was transmitted to Mr. Blough on August 26, of the revenue effect of the proposal to allow debt relief for corporations with detail for four essential components. - Mr. Leahey

(u) An estimate was prepared, and was transmitted to Mr. Blough on August 28, of the estimated increase in revenue from proposed surtax schedules I and II, applied to the tax base of the bill, with personal exemptions and dependent credit. - Mr. Smith

II. Projects or studies under way

1. In connection with the revenue bill of 1942, H. R. 7378, a number of revenue estimates, listed below, are being prepared at the request of the Division of Tax Research. - Mr. O'Donnell, Mr. Leahey, Mr. Kelly, Mr. Smith, Mr. Jorgensen, Mr. Lusk, Mr. Deloher

(a) An estimate is being made of the revenue which would result if the Canadian corporate tax system were substituted for the present system in this country. - Mr. Leahey, Mr. Lusk

(b) An estimate is being made of the total revenue and increase over the existing law which would result from the adoption of the British individual and corporate income and excess-profits tax structure. - Mr. Lusk, Mr. Smith

(c) An estimate is being prepared of the increase in revenue under the present and the proposed rates from adoption of (1) the Wood Plan and (2) mandatory joint returns. - Mr. Kelly, Mr. Smith

(d) Estimates are being prepared of the yield from a specified withholding tax; a compulsory savings tax; and a specified war consumption tax. - Mr. Kelly, Mr. Smith

Regraded Unclassified

(e) Estimates are being prepared of the revenue effect for 1941 and 1942 of granting taxpayers permission to set up, retroactively from January 1, 1941, inventory reserves against possible inventory losses. - Mr. Leahey

(f) Five classes of estimates are being prepared for a 10 percent flat rate tax on individual spendings in excess of $500 for a single person, $1,200 for a married couple, and $400 for each dependent. - Mr. Smith

(g) Studies are being made in connection with the revenue effect of a sales tax. - Mr. Daggit, Mr. Smith, Mr. Jorgensen, Miss Spiegel, Miss Washabaugh

(h) Estimates for capital gains and losses are being prepared with specified breakdowns, for individuals and corporations, separately, under three plans involving different conditions. - Mr. Leahey, Mr. Smith

(i) An estimate is being prepared of the loss in revenue resulting from the substitution of a four-year carry-forward of net losses for the present two-year carry-forward under certain specified conditions.- Mr. Leahey

(j) An estimate is being prepared of the revenue loss if advances made by the Government on contracts are treated as borrowed capital, in the same way as Government-guaranteed loans made by banks to contractors. - Mr. Leahey

(k) An estimate is being prepared of the revenue loss resulting if corporation income and excess profits taxes were limited to an effective rate of 50 percent of surtax net income before deducting the adjusted excess-profits tax net income. - Mr. Leahey

(l) An estimate is being prepared of the revenue effect of the following proposal for corporations with fiscal years ending in 1942: computation of the tax at 1941 rates with an additional surtax at 14 percent, and an additional excess-profits tax at 30 percent, imposing a fraction of this additional tax in proportion to the number of months after May 1 in the corporation's fiscal year. - Mr. Leahey

Regraded Unclassified

(m) An estimate is being prepared of the post-war credit on corporation income and excess-profits taxes, with the offset for debt relief and for the general contingent reserve. - Mr. Leahey

(n) Estimates are being prepared for raising $5 billions additional revenue by specified forms of income taxes, spending taxes, flat rate taxes, and sales taxes. - Mr. Kelly

(o) Estimates are being prepared of the increase in revenue from corporations under the proposed plan, in comparison with the plan originally proposed to the House Ways and Means Committee, and the plan as revised during the Executive Sessions of the Ways and Means Committee. - Mr. Leahey

(p) An estimate is being prepared of the excess-profits net income for one taxable year, if the excess-profits net income for the taxpayer in any taxable year in the base period is less than 50 percent of the average of the excess-profits net income for the remaining taxable years in the base period. - Mr. Leahey

(q) An estimate is being prepared of the revenue effect of the following formula concerning deductions for medical expenses: computing a 5 percent floor separately when husband and wives file separate returns, and allowing a $1,250 ceiling to each spouse. - Mr. Smith

2. At the request of Mr. Bartelt on June 23, estimates are being prepared for fiscal 1943 and 1944 of (1) tax collections under title VIII, Social Security Act, or Federal Insurance Contributions Act; (2) tax collections from carriers and their employees; and (3) amounts to be deposited in the Unemployment Trust Fund. - Mr. Smith, Miss Allen

3. Studies are in process for estimating revenues from proposed taxes on soft drinks, candy, and chewing gum. - Mr. Daggit, Miss Spiegel, Miss Smith

4. A study is in process for revising and improving methods of estimating revenues from the taxes on transportation of persons, and on small cigarettes. - Mr. Daggit, Miss Spiegel, Miss Smith

Regraded Unclassified

5. A study is in process concerning the taxes on pari-mutuel wagering, coin-operated devices and transportation of property. - Mr. Daggit, Mr. Colclough, Miss Spiegel, Miss Smith

Economic Conditions Related to Fiscal and Revenue Matters

I. Projects or studies completed

1. Memoranda on the business situation were prepared, and were transmitted to the Secretary on August 3, 24, and 31. - Mr. Haas, Mr. Daggit, Mr. Chevraux, Miss Ziegler

2. Confidential data on new orders and sales received from four companies are tabulated and charted currently and are combined into an index of new orders. - Miss Washabaugh

3. Memoranda on employment under the Work Projects Administration were prepared on August 3, 24, and 31. - Miss Spiegel, Miss Washabaugh

4. Compilations were made of daily quotations on selected commodities, and daily and weekly figures on selected business indexes, foreign and domestic security transactions, security prices, and exchange rates, as well as other data for the Secretary's chart book. - Mr. Chevraux, Mr. Colclough

5. In further response to the request of Mr. Leon Henderson of July 19, 1941, copies of two charts on commodity prices and cost of living were transmitted to him on August 4 and 25, respectively. - Mr. Daggit

6. Ten tables were brought up-to-date or were revised during August 13-28 for use by the Treasury and the Department of Agriculture in connection with the Buffalo survey. - Mr. Daggit, Mr. Chevraux, Mr. Colclough, Miss Spiegel, Miss Smith, Miss Washabaugh

7. In further response to the verbal request of the Secretary on June 16, four charts were prepared, showing monthly since August 1939, the BLS cost-of-living index superimposed on the three following charts: (1) Net Treasury deficit; (2) Total Government expenditures; and (3) War expenditures. - Mr. Daggit, Miss Spiegel, Miss Washabaugh

Regraded Unclassified

8. At the request of Mr. Kuhn on August 25, a memorandum was prepared for use in answering a request by Mrs. Roosevelt on the BLS cost-of-living data for the first and second World Wars, and was transmitted to her on the same date. - Mr. Daggit, Miss Smith

9. Figures on farm employment, non-agricultural employment, salaries and wages, and factory employment for June 1942, were prepared on August 12, to be used in connection with information requested by the OWI. - Mr. Chevraux, Miss Spiegel, Miss Smith

10. A memorandum was prepared, and was transmitted to the Secretary on August 6, on the Department of Commerce estimates on consumer savings in the first two quarters of 1942, with a table showing national income by quarters, 1939 through the second quarter of 1942. - Mr. Daggit

11. In response to a letter and a report from Mr. Chapman in the Department of Agriculture, a memorandum was prepared, and was transmitted to the Secretary on August 28, giving a summary of a survey of national reactions to Government controls. - Mr. Daggit

II. Projects or studies under way

1. A study is being made to improve our method of estimating the Standard Statistics Index of 402 stocks. - Mr. Daggit, Miss Spiegel, Miss Smith

2. A memorandum is being prepared on family incomes and expenditures in Buffalo, New York, as indicated by statistical data. -Mr. Daggit

Actuarial Problems

I. Projects or studies completed

1. The Twenty-First Annual Report of the Board of Actuaries was prepared, and was transmitted to the Civil Service Commission on August 10. - Mr. Reagh, Mr. Brown

2. In response to a request in a letter to the Secretary from the Illinois Manufacturers' Association on June 24, estimates were prepared of the accrued liability and current and future costs under title II of the Social Security Act. - Mr. Reagh, Mr. Brown, Mr. Kroll

Regraded Unclassified

II. Projects or studies under way

1. The Board of Actuaries of the Civil Service Retirement and Disability Fund is laying out detailed plans for tabulating and processing data for use in preparing the regular five-year valuation of the Civil Service Retirement Fund for the purpose of determining the liabilities of the Government under the Civil Service Retirement law. Under the law, such a valuation must be prepared as of July 1, 1940. The valuation is well under way. - Mr. Reagh, Mr. Brown

2. At the request of the State Department on July 14, an estimate is being prepared of the appropriations for fiscal 1944 under Section 26(m) of the Act of April 24, 1939, requiring that the Treasury Department prepare an estimate of annual appropriations to be made to the Foreign Service Retirement and Disability Fund. - Mr. Brown, Mr. Kroll

3. Several years ago a committee was organized for the purpose of studying ways and means to extend retirement benefits to all Government employees regardless of Civil Service status. The working committee, the Subcommittee on Retirement, has again become active. Considerable work has been done, but the committee has not yet agreed upon a report. - Mr. Reagh, Mr. Brown

4. At the request of Mr. A. R. Pilkerton, Auditor of the District of Columbia, an actuarial quinquennial valuation is being made of the Policemen's and Firemen's Pension Fund of the District of Columbia. This valuation is being made by the Treasury Department in accordance with the 1942 District of Columbia Appropriation Act, approved July 1, 1941. - Mr. Reagh, Mrs. Grossman

5. At the request of the Division of Tax Research, several conferences have been attended with members of the Division of Tax Research, the Legal Staff of the Bureau of Internal Revenue and the Legislative Counsel regarding proposed changes in the tax laws relating to pension trusts and the taxation of insurance companies. - Mr. Reagh

Regraded Unclassified

Other projects or studies

1. Publications

(a) All the material submitted for the August issue of the Treasury Bulletin was reviewed and edited. - Mr. Lynch, Miss Eyre

The following tables were prepared for the August issue:

1. Ownership of Government securities as of June 30, summarizing data from the monthly survey. - Mr. Tickton, Mr. Leahy

2. Sales of United States savings bonds since May 1941. - Mr. Brown, Mr. Kroll

3. Sales of Postal savings stamps since May 1941. - Mr. Brown, Mr. Kroll

4. Over-the-counter closing quotations of public marketable securities issued by the United States Government and by Federal agencies. - Mr. Brown, Mr. Kroll

(b) For the publication Prices and Yields of Public Marketable Securities issued by the United States Government and by Federal agencies, computations were made and copy was prepared for the July issue. - Mr. Brown, Mr. Kroll

(c) The editing of the data for the Annual Report of the Secretary of the Treasury for fiscal 1942 is in progress. - Miss Westerman

Articles on receipts and estimates of receipts are being prepared for the Annual Report. - Mr. O'Donnell, Mr. Leahey, Mr. Kelly, Mr. Smith, Mr. Jorgensen, Mr. Lusk, Miss Allen, Mr. Delcher

2. Correspondence

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Mr. Turner, Miss Ziegler, Mrs. Miller, and other members of the staff in appropriate fields of work.

Regraded Unclassified

During August 544 letters were received in the Division and 566 were handled as required.

3. Charts

Charts are prepared and continuously brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas.

Regraded Unclassified