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War Savings Bonds
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March 30, 1943
9:40 a.m.

OCCUPATION CURRENCY

Present: Mr. Bell
Mr. White
Mr. Pehle
Mr. Aarons
Mr. Luxford
Col. Bernstein

H.M.JR: Go ahead, Harry.

MR. WHITE: Did you want to start over and run right down again?

H.M.JR: No.

MR. WHITE: I think we left off in the discussion on preparation of various types of currency; the specific question is whether you want to recommend the preparation of six to eight different currencies here in the Treasury, one currency for selected countries, probably France, Belgium, Greece, and Norway. Each country would have a special design. I gather that because of the requirements of printing, they would all be the same size as the U.S. dollar and the same size as the U.S. dollar cut in half for small denominations.

The legend has not been agreed upon, but would be U.S. military, five lira, one lira, krona, or something of that sort.

H.M.JR: And this is to make a supply of money in case, in an occupied country, they don't have enough currency?

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MR. WHITE: That is right. They will come equipped - in addition to the U.S. gold seal currency - with a mark, but they will not use it unless they do not find enough available currency there. But they will come equipped to use it at once.

MR. BELL: Wouldn't this be printed in blank and then filled in after you went into a country?

MR. WHITE: Not if you make six or eight at a time. Then, for reasons of security, you can go ahead and do it, and have it ready, and turn them all over to the Army and put them where they say they want them. Then they will pick the one that they want to use.

MR. BELL: It can't be kept a secret after you once start printing them.

H.M.JR: How about if you do a half a dozen different ones?

MR. BELL: It will be out that you are printing currencies of all these countries.

MR. AARONS: You could make just one design, leave it entirely blank; and after you know the name of the country, it would take a couple of days to get the plates ready and print the number of the country on the particular design.

MR. BELL: That is right. Print your design, whatever you want to call it - "United States Military Note" - then put in "One Lira," or "One Franc."

MR. WHITE: That is the alternative. Having them blank will take a little longer.

MR. BELL: Not much. They are pretty fast at that.

H.M.JR: I suppose you have thought of this. What would be the matter with simply saying, "Here is a piece of paper, one dollar - one unit - and when you are in Italy that unit is a lira." If you were in France, that unit would be a franc. Just have the--

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MR. WHITE: I think it would almost have to have the word on it for the local population to accept it - a lira, or a franc, or a krona.

H.M.JR: I don't see why.

MR. WHITE: One unit?

H.M.JR: What is the Latin word for, say, unit? What would correspond in Latin? Is there a Latin word?

MR. WHITE: I don't know.

MR. AARONS: It only takes a very short time to get that overprinting on, Mr. Hall told me.

H.M.JR: Yes, but that short time, you have all these girls working on this thing, and even in a week - from a security standpoint, I don't think it is very good. I still don't see why you couldn't use some word like - just have the--

MR. WHITE: Just have a figure?

H.M.JR: Yes, one.

MR. WHITE: It would be a peculiar - the idea is to have a currency--

H.M.JR: But supposing they land on "X" shores; all right, this currency would be good for the first two weeks. If they said it is announced - say, on April first we went into such and such a country, Hall could begin to print currency if you had the thing ready, and turn the stuff out the first twenty-four hours - begin to fly that stuff over and begin to feed it to them at once, and it would get there within two weeks.

MR. WHITE: If you could do that, you could put the name right on there - lira.

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H.M.JR: Oh, yes, but I was thinking of an intermediary.

MR. WHITE: Just have everything but the name?

H.M.JR: No, I was thinking, for the first two weeks if they have to pay for something, they could have this thing.

MR. WHITE: They use dollars for that the first couple of weeks.

MR. BELL: They used dollars until the second convoy left here and took the currency over.

H.M.JR: What is that?

MR. BELL: Use dollars for the first two or three weeks, say, until the second convoy left to put in a supply.

H.M.JR: Then I wouldn't--

MR. WHITE: There would be just a big 1943, there, (indicating) and each country make A, B, C, D, E, and there would be some code here as to which country you want to make it after the invasion - not before.

H.M.JR: You mean this is the gold seal?

MR. WHITE: Yes, just have 1943 on there so they could easily distinguish it, and have different letters. It would look just like a regular gold seal dollar, and just be a mark for us and for--

H.M.JR: That would be for the first couple of weeks?

MR. WHITE: For the first few weeks. After that we can get the other ready. The day the invasion takes place, or it is public, they can begin working and get it over there, they figure, within--

H.M.JR: They would begin to deliver currency--

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MR. WHITE: ---within a month.

H.M.JR: No, within twenty-four hours.

MR. BELL: If you have your plates and design ready you can deliver in forty-eight hours.

MR. AARONS: That is right. You have a blank stock all made up. It takes a couple of days.

H.M.JR: That wouldn't leak?

MR. BELL: It would if you made blank stock for Italy, France and Norway. If you made blank stock and filled in as over-printing, Italy and France, forty-eight hours would get that going.

H.M.JR: Well, the regular plane service goes in forty-eight hours. After they tell us, we will begin to supply them with currency and they begin to fly the stuff over.

MR. WHITE: We could supply them quicker than they would need it.

MR. BELL: That currency that we would print would not look like the local currency.

H.M.JR: No.

MR. BELL: Make the populace take it with some assurance--

MR. WHITE: As long as it has the same local unit the Army uses it - takes it.

Tied up with that question is another one we have to take up. That is all right in enemy territory, but tied up with that question is the preparation of currency to be used in allied countries where each country is preparing its own.

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H.M.JR: Wait a minute. Before you go to that, what would be the thing that they would do, if we did it the way I am suggesting - using the liras or francs, what would they - he would have the plates made?

MR. BELL: He would have the design all on the plate and if it had anything about the United States on it, which we approve, that could be printed, then he would have to over-print the denomination and the name of the country.

H.M.JR: And that he could do?

MR. BELL: He could do that in forty-eight hours.

H.M.JR: Hall ought to be here tomorrow at that nine o'clock meeting.

Now I understand that.

What is the next point, Harry?

MR. WHITE: The next point is, the allied countries - or practically all of them - have already printed some of their currency and the others are in the process and would like to print their currency, and they want the invading forces to use that currency.

H.M.JR: I say no.

MR. WHITE: In other words, when we go into France, for example, or Belgium, we will use the gold seal and then move into this other currency as quickly as possible.

H.M.JR: Sure.

MR. WHITE: That would save doing business - having to deal with any one of the governments at all.

H.M.JR: I think the Army would be crazy to sit down with these allied countries in exile and begin figuring with them on currency. They didn't do it with DeGaulle before they went into Africa.

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MR. WHITE: They wouldn't have to notify them because the arrangement would merely be that these countries having money - some money already prepared and will have more, will turn over all their currency to the Army ahead of time so that the country won't have to ask them when they want to use it and get a receipt for it.

MR. BELL: They could do it afterwards. I am in favor of taking the currency that they have already printed. The State Department approves of dealing with the governments in exile. We could block the dollars and keep behind the currency you want to issue in those countries.

H.M.JR: If they want to do it afterwards. But the French, particularly, are very sensitive.

MR. PEHLE: Couldn't do it in France.

MR. WHITE: France is the one country we didn't know who to deal with.

MR. PEHLE: Take Holland, they already printed it.

H.M.JR: Where?

MR. PEHLE: In England.

H.M.JR: Regular Dutch currency?

MR. PEHLE: Presumably, and the design is passed upon.

MR. WHITE: The Dutch - Poland has given some orders. Belgium has printed some.

MR. BELL: The Dutch East Indies have printed theirs.

MR. PEHLE: There is a question of whether you carry that as a spearhead currency, or whether you use it later. I should think we would also want to use U.S. dollars as a spearhead.

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MR. WHITE: The Allies want them to use their own currency but I think our decision was that we would use, as far as American forces, the U.S. currency. The British would like to be able to use either one, whichever one they prefer.

H.M.JR: Gentlemen, listening to this - using the word "spearhead currency" - I would use the gold seal first, then I would begin to use this special local currency; then, after they get their feet on the ground, there will be plenty of time for the Army or relief organizations to use all the currency they have got printed.

I mean, I am sure that when these people come and we begin to flood this thing with brand new crisp bills they are going to be very suspicious of it. But to the American Army, if it has got "United States" on it, it will look damned good to them.

MR. WHITE: It will be U.S. military notes - ten francs - a hundred francs.

H.M.JR: Look damned good to them.

MR. WHITE: That means you don't have any discussions with allied governments - that they are completely out of it except for another point which we may want to raise, and that is the determination of the exchange rates. But so far as the adequacy of the currency, the type of the currency, and the preparation for the currency, the presumption is that they will have nothing to do with it.

Such currency as they will have prepared already will either - the British can use if they want to, or they can keep it until some later time.

H.M.JR: That is the way I feel. I think you save an awful lot of palaver.

MR. LUXFORD: Then, Mr. Secretary, might we not want to print up several kinds at once rather than wait until after the fact? From a security point, there would be no problem.

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MR. BELL: We are going to print it up in blank.

MR. LUXFORD: That is true, but if you are going to do several countries - the British may want us to print for them, too.

H.M.JR: First comes the gold seal currency, then there comes this other.

MR. WHITE: Special local currency. That is all.

H.M.JR: Well, and you have that ready - the die is ready, and you can put as many different countries' names on that as you want to, because it will be the same stuff.

MR. BELL: The same design for all countries?

MR. WHITE: We would have to in that case.

MR. AARONS: Reverse colors is very easy if you want to make some distinction.

MR. WHITE: Have to make a distinction on the denomination because it will be the same size notes. Those countries are used to different size notes. So you will at least have to use different colors.

MR. BELL: We wouldn't have over two sizes.

MR. WHITE: Apparently they can't make over two. It is either half or the whole.

MR. PEHLE: What is the security problem involved when you print five countries and then another five countries? Suppose the word does leak out that some day we are going to invade the Continent - so what? Is that news to anybody? If the Army isn't worried about the security problem--

H.M.JR: Well, I don't want the story coming out of the Treasury. Then something goes wrong, and subsequently, "It was the Bureau of Engraving and the Treasury. That is where that story started." Something goes wrong - something happens. "Where did that story come from?" "It came from the Treasury."

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COL. BERNSTEIN: Will stories come out if you just print the stock with U.S. military authority on it?

H.M. JR.: No - getting ready for a second front.

MR. AARONS: You don't even need those words on it.

MR. WHITE: One printing does the same job, so all you will have is a piece of lithograph paper.

MR. LUXFORD: Suppose you issued a press release, what benefit would the enemy receive?

H.M. JR.: I don't want to get into that front. You have OWI, Colonel Donovan, the Army and the Navy. If they want to do propaganda about it, O.K. I don't want to get in on it. Then something goes wrong, a couple of thousand - or thousands of people get killed, then the tip-off came out of the Treasury. I don't see the necessity of it.

Why make this thing so damned complicated? Why spend hours and days around here arguing with them about the rate and then we get a rate - we spent three months arriving at the two-cent rates, then the President goes over there - I mean the seventy-five - and says it is to be two cents. They haven't got the gold straightened out yet.

MR. WHITE: Your thought is, within three days after the Army tells you to start - within three or four days you can have stuff on a plane, and one of these big bombers can carry enough to equip them.

COL. BERNSTEIN: On the time side, bear in mind the possibility that you might have more than one country to prepare for at a moment's notice.

MR. BELL: That is all right. Still faster than they can carry it in planes - unless you enjoy sitting around and talking with these allied people.

MR. WHITE: No, I prefer - for other reasons, I prefer to leave the allies out of the picture until you are ready to deal with them.

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H.M.JR: That is the way I feel.

MR. WHITE: They are all sparring around to stick a claim on the future political setup, and they are particularly interested in using their currency. What they want to do is get one foot in the door. And for that very reason it seems to me the President's hands ought to be left as clear as possible so that he can deal with them later and with whom he wishes. But the British feel differently about it.

COL. BERNSTEIN: You have an actual condition--

MR. WHITE: The British want to use the currency which has been prepared; the British want to discuss these matters with the various governments.

H.M.JR: I say the hell with it. That is the way I feel.

MR. BELL: I don't feel that way. I think if we recognize these governments which apparently we have - Norway and Belgium and Holland, they are all exiled and in England, and we are doing business with them.

H.M.JR: But they are all a liability.

MR. BELL: Certainly they are all a liability, but they have got their currency printed for this very purpose.

MR. WHITE: One of the difficulties there is, I am afraid, if you do business with a couple of them, you can't make an invidious comparison with a whole lot of them. That means every one of them. Whereas there would be no difficulty about Holland, for example, when you get down into all the other countries, Czechoslovakia, Yugoslavia, and Greece, and France, and so on, you will either have to make an exception of them and not deal with those governments, or you do deal with the governments. Maybe it is better to avoid the whole problem and treat it as an American occupation problem.

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H.M.JR: My inclination, gentlemen, is to do what I suggested. I should think the Army - it would be much easier when they do the job - it is entirely our responsibility and there is time enough to sit down and argue with these people - these allied governments in exile - after we get a foothold. That is the way I feel. I don't think you can gain a damned thing - just time wasted, and so forth and so on. That is the way I feel.

What do you feel, Bernie?

COL. BERNSTEIN: I think you are going to run into a lot of difficulty with some of these governments because they have been talking so much about this, already, and they have already been printing this stuff, and the British have been building them up.

I think you have got to expect to get the same kind of cooperation out of the British on this problem that you did on the rate of exchange. They will undermine us on every point.

H.M.JR: They will undermine?

COL. BERNSTEIN: They will try to drive a wedge between you and some of these countries. I just wanted to mention it as a possibility.

The other thing I think you want to have in mind is perhaps in the political side, or even the military side, there may be a certain amount of consultation going on already with some of these people.

MR. WHITE: Between the British, you mean, or the Americans?

COL. BERNSTEIN: Even possibly the Americans.

MR. WHITE: The British are discussing these things with them.

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COL. BERNSTEIN: Not just on the fiscal thing, but some of the other problems of occupation. The political problems might even be bringing them in. I understood there was a difference of view on whether to bring the Free French into some of the plans.

MR. WHITE: I think that is true, but I think that it is unquestionably a fact that they are in a stronger position politically when they have extended the money to you. The settlements have to be with them and the arrangements have to be with them, and the question is, is that important, and do you want to give them that political strength before you decide which group to throw your weight behind?

H.M.JR: Now, I am seeing the President Thursday morning. We are having this meeting tomorrow. We will get some kind of an agreement and I can show him the agenda and say, "This is the way I am doing, to make it easy, but if in doing it this way, you want us to butter up any country by talking to them, and so forth and so on, we are ready, but we think this is the quickest, most direct way, and one less complication." After all, he knows what is going on. I can show it to him Thursday morning.

MR. WHITE: That is all right so far as currency goes.

COL. BERNSTEIN: Before you pass currency, may I ask a question? Supposing you go into an area, either enemy or supposedly a friendly area, they have their own currency in circulation. Now, assuming there are adequate quantities there that we can use--

MR. WHITE: That is a different story - very different. You are not dealing with governments. You are dealing with the Central Bank or a bank you acquire that currency from.

COL. BERNSTEIN: I want to be sure I understand what the Secretary wants, what his view would be on the handling of that local currency. Would he want to see the Army - if the Army could get it - walk into the Central Bank of "X" country and lay its hands on a flock of stuff - to use it?

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H.M.JR: You know what the answer is - yes.

MR. WHITE: Otherwise you would put that local currency at a discount.

MR. BELL: We ought to get on a local currency basis as soon as we can.

H.M.JR: Now where is there such a situation, Colonel Bernstein? (Laughter)

COL. BERNSTEIN: Spanish say, "Quién sabe?" I just want to know. We may be lucky and find a few shillings. (Laughter)

H.M.JR: Did I nail him? (Laughter)

MR. WHITE: Another month and he will be quoting the Chinese philosophers. (Laughter)

MR. BELL: You create a very bad impression when you go in a country and carry their own currency, especially prepared.

H.M.JR: A bad impression?

MR. BELL: Yes.

H.M.JR: That is what I think. That is what is going through my mind. You sit there and these fellows - you come out with nice crinkly new bills--

MR. BELL: I am thinking the same thing of the stuff we print down here.

H.M.JR: No.

MR. BELL: Why not use American currency all the way through, then you ignore the whole problem.

MR. WHITE: Pretty expensive.

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H.M.JR: How is it expensive?

MR. WHITE: Well, what it means is that a good deal of those dollars will never come back. They represent actual dollars. If you take in enemy territory, you can, after you go into local currency - you can acquire that local currency. You can get it on whatever terms you want to - either borrow it and saddle the country with the expenses, or you can make some later deal in which you give them part payment. You can make any kind of a flexible arrangement. If you go in and spend dollars - the Army, in a country like Italy, might spend, before they are through with the occupation, a billion dollars. Now, how much of that you should be able to force back, and how much you should be able to get away from the banks, is a different story. Those dollars represent purchasing power just like gold.

H.M.JR: Now, wait a minute, Mr. White. We went into Africa; the last I heard we took back forty million dollars of our gold.

MR. WHITE: We didn't get it back, but it is in the banks.

H.M.JR: Well, we will get it back; we give them francs for it.

MR. WHITE: No, dollars - credit.

H.M.JR: But you could give them francs for it.

MR. WHITE: No, we have to get the francs from somewhere.

MR. BELL: They gave us francs for it.

MR. WHITE: That represents dollar expenditure, as far as we are concerned - money which they can spend.

H.M.JR: Let me argue with that - with you, on that.

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Supposing it goes up to a hundred million dollars - a billion is a little high. There is a hundred million dollars in North Africa and we say - the Government comes to us and says, "We have this program; we want your advice on how to finance it."

Well, we say, "Before you go ahead with the plans, there is a hundred million dollars credit in North Africa" - let them use that up first.

MR. WHITE: That is exactly what we are doing. They have that money, and they are requiring them to pay for lend-lease goods, so you do get some back. Otherwise, you give it for nothing.

H.M.JR: Let me continue.

A billion dollars, you said, in Italy - the same thing would hold true in Italy.

So, again I give myself a good mark when I sit around with these experts. If you don't mind, Harry, I don't think your argument particularly holds water.

MR. WHITE: We have examined that at great length. I mean, that question as to how much you could get back through these various devices.

H.M.JR: I am very pleased with myself. I am riding for a fall. (Laughter)

MR. WHITE: That point is one we spent a lot of time on. We felt this way, that you are bound to get some of the currency back. That was our justification for using spearhead currency against a special currency - gold seal currency. That is the way we convinced the British it wouldn't be expensive, because we would get some of it back by charging them for the things we otherwise would give them for nothing. I think the task is much more difficult.

Once they are in the possession of large sums - in the first place, not all of it will come back. That is one reason we want the gold seal. People will hoard it just as they are in North Africa.

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H.M.JR: Are they?

MR. WHITE: Yes, they are beginning to - all gold seal. It is still being used when francs aren't available. We are paying the soldiers in gold seal dollars and they are being hoarded. So they will be hoarded in every country you go into.

Some of it you may be able to force back, particularly if it is gold seal currency. We are hoping we will be able to say in North Africa that after such and such a date these gold seals with this distinguishing mark "A" or "B" must be turned in by such a date or else it will not be good currency. That will force it into the Central Bank - most of it.

Once you get it into the Central Bank, whether you can get those countries to pay for the imports, for relief, as easily as you could if the decision were wholly yours and not theirs, is the thing that gave us pause.

I think that they would end up with much more gold or dollars, or the equivalent of gold, if you use dollars right through.

H.M.JR: I have got to go back, Harry, to what you said. What are we doing on lend-lease, now, in Africa?

MR. WHITE: Lend-lease in North Africa? They have decided - not yet carried it through - to send the goods over there and sell them.

H.M.JR: Has it been decided?

MR. WHITE: Yes, to sell them. Now, the only question that remains--

H.M.JR: Who decided to sell them and not--

COL. BERNSTEIN: Civilain goods are being sold to North Africa.

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H.M.JR: Has that been decided?

COL.BERNSTEIN: Yes, sir.

MR. WHITE: And the money accumulates and will be turned over to the Treasury to turn over to the Army. So that the francs that they get will supply our Army with francs that we otherwise would have to buy.

H.M.JR: This is civilian goods?

MR. WHITE: Civilian only.

H.M.JR: I didn't know that. Who made that decision?

MR. WHITE: The Combined Board.

H.M.JR: Let me ask you something else. Lehman told us we were so helpful in getting him a hundred million pesetas - nobody told me about it.

MR. WHITE: Yes, it wasn't very important. I think you will find it in the summary of the things that we did. We have a summary every two weeks.

H.M.JR: Who gets it?

MR. WHITE: You get it; Dan gets it. Dan gets a more comprehensive summary.

H.M.JR: I have never seen it.

MR. WHITE: I have one on my desk this week. I will show it to you and we will get you the back ones. I had to cut it down. We have to cut it down each time because it runs into twelve pages if we tell you all the items, and I know you wouldn't read twelve pages. I try to cut it down to the most important - to three or four pages - which means we cut out some of the unimportant ones. But any questions you raise, we would regard as important.

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H.M.JR: Then coming back again to the point - I don't think the argument advanced against using, first the gold seal and then a secondary United States currency for fear of too many dollars piling up, is such a good argument that we shouldn't do that thing.

MR. WHITE: We agree with that, but the thing we are against is using only gold seal throughout the occupation; that, I say, would run into much too much money.

H.M.JR: Do you (Bell) agree?

MR. BELL: I was thinking of using it altogether and not putting out this other currency--

H.M.JR: No, I think that that--

MR. BELL: ---until your local government can supply it.

H.M.JR: No, I think this is the way I feel - sort of in-between. As an in-between - that is the way I feel.

MR. WHITE: I think we would be subject to criticism if we financed the entire occupation of our forces, in enemy territory, particularly, and attempted to get it back later. There would be considerable difficulties and very expensive in countries like Italy and Germany. It might run into many billions.

COL. BERNSTEIN: The question of the lack of local supply--

MR. WHITE: That is where this will help the supply.

COL. BERNSTEIN: Also terms of amounts.

MR. WHITE: Supplying local needs. That is, they may go into some territories, as in the case of North Africa - but for different reasons - where the amount of local currency needed for the day-to-day business is not enough because the retreating enemy has taken all the stocks from the banks and there wouldn't be enough to do business with.

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Now, you would have to replace that; and to replace that with dollar currency would be expensive.

H.M.JR: Let's just for a minute say, use gold seal and then special local currency. With the gold seal we don't need any rate of exchange.

MR. WHITE: Yes we do; that is the next problem. We have to establish a rate and the question is raised whether you are going to establish that rate with or without any prior discussions with the governments. The British would like to have some preliminary exploratory discussions with each of the allied governments, getting their ideas, but not telling them.

H.M.JR: Who, from the British, have you talked that over with?

MR. WHITE: Who have we talked to?

H.M.JR: Yes.

MR. WHITE: Phillips, Playfair, and one other chap who came once.

H.M.JR: What have they got to say about it?

MR. WHITE: They feel that the allied governments in exile have been discussing this problem for months and that they have a reasonable right to expect that the question of rate will be one that will be discussed with them.

Several of the governments submitted memoranda to us - the Dutch Government and the Belgium - indicating that they would like to discuss the rate before the rate is settled and not after.

H.M. JR: Supposing I call up - I am in good shape on time - and see if I can get Phillips over here now to talk to you on this.

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MR. WHITE: We can tell you everything he says, and then you can see him later.

H.M.JR: I have something else I want to use this as an excuse for. Shall I tell him to bring Playfair with him?

MR. WHITE: If you want to use it for an excuse, all right, but otherwise I thought it would be better to have a meeting and see what War and State mean, and then tell them.

MR. BELL: Ought to have your meeting tomorrow first.

H.M.JR: Do you think so?

MR. WHITE: Yes, and find out what they want.

H.M.JR: What do the English want on rates?

MR. WHITE: They didn't specify rates. We didn't get to that stage. They said they would like preliminary discussions between the United States, Britain, and the particular country, each taken separately. They spoke of the discussions here, as well. Those will be exploratory discussions to make those governments feel they have had an opportunity to tell you their views.

H.M.JR: It falls into two places. First we invade an enemy country, so it is just England and ourselves that settle that.

If we invade a friendly country like Holland, then we are supposed to talk with Holland.

MR. WHITE: That is right.

H.M.JR: Then that is up to whether the military wants us to talk to them.

MR. BELL: I would say--

H.M.JR: Who are you having here at nine tomorrow?

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MR. WHITE: Tomorrow you are having War and Navy and State, Treasury and BEW.

H.M.JR: Say it again - all except Navy.

MR. WHITE: I think Patterson, with General Carter, is coming, Forrestal and Strauss, from the Navy, and Feis from the State. I don't know who he is bringing. Coe from BEW, and the Treasury.

H.M.JR: Haven't we gone about as far as - can you change this agenda for tomorrow?

MR. WHITE: There are just a couple of other points.

COL. BERNSTEIN: I gather that your statement that it is O.K. if we find local currency to use it includes that if we get local currency outside the area, as the British have in considerable quantity, we can, of course, use that.

H.M.JR: After you once landed.

COL. BERNSTEIN: But for instance, they have large stocks of the currencies of a number--

H.M.JR: I said I didn't want to use it, say, for the first month.

MR. WHITE: They want to use it - they want the privilege.

H.M.JR: Who?

MR. WHITE: The British - as soon as they get it.

H.M.JR: If they want to use it - that isn't what you asked me.

COL. BERNSTEIN: Let me give the case in concrete.

H.M.JR: Make this a more practical one, will you please, Bernie? (Laughter)

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COL. BERNSTEIN: Yes, sir. They have many billions of francs, many billions of lira - local currency that is being used in France and in Italy right now. They have that in their pockets. They say when they go in, the first thing they would like to use is those stocks that they have.

H.M.JR: This is the English?

COL. BERNSTEIN: Yes. They say you are welcome to something. Now, what is your attitude on the use of that?

H.M.JR: I said that I don't want to use it at the first. I don't think we should, and I think it is a mistake for them to use it in the beginning.

(The Secretary held a telephone conversation with Mr. Doughton.)

MR. WHITE: May I go over a list of what the British say they have, which brings home his point?

They have some lira, but not very much, but they can get and are expecting to get six hundred and fifty million lira from East Africa and Libya. Those lira are in circulation. They are old lira, so some, or most of them, may be in banks. They expect to replace those lira with a special currency of their own which raises another question I want to take up later - but they will get those lira.

H.M.JR: Let's move a little faster, Harry.

MR. WHITE: The problem needs this much attention because I think you were thinking of currency which they would use - that they arranged with the Belgian government or the Dutch government to use - which is new currency.

They also have in mind using currency which somehow or other they have got hold of - francs that have been in circulation in France. They have got five and a half billion francs. These are old francs; they may look new, but they are old issues.

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Does your view extend to the use of such francs as well as to new francs which may be published?

H.M.JR: I think this, that when the English and ourselves go into this thing, that in the beginning we should use our own currency and not the currency of the country, because I think they are going to be suspicious of us. There will be plenty of time to use the six hundred and fifty million dollars' worth of lira the second or third month. They will be there for a couple of years. They can use that stuff up.

The immediate reaction of the local fellow will be, first, he will like the U.S. currency, that has U.S. Government on it, no matter what else he says; second, he will take the British; and, third, he will take his own currency last because he has seen that thing dwindle and dwindle in purchasing power.

Does anybody differ on that?

MR. BELL: I would use that currency shortly afterwards. I wouldn't care for a little period where you could use the American dollar, but I don't see any reason why not use that lira or those francs they have accumulated maybe the second or third week.

I would wait until they are established. You go into Italy and will be two to five years straightening them out. So the lira they have is chicken feed, and may last a month or two, so why worry?

H.M.JR: I look on this thing - if we get into one of these countries - I am not talking about North Africa - but if you get into Europe this year, the United States Government will be in there a minimum of three years - and nearer five - paying the bills and so any little thing that they picked up, and all that sort of stuff--

MR. BELL: They can certainly use it subsequently; they wouldn't have to use it immediately.

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H.M.JR: That is all I am saying.

MR. WHITE: I think I agree with you, Mr. Secretary.

H.M.JR: Excuse me?

MR. WHITE: I think I agree with you.

H.M.JR: Not because I am rushing you?

MR. WHITE: I think that is true; there will be ample opportunity, and the decision can be made then.

You won't be rushed. You can make a decision one month, two months, three months after, as the situation looks then, which currency shall be used. By the decisions now you will be prepared with adequate amounts of the other currency and you won't discuss this matter with any of the countries until you want to discuss this exchange rate.

You will come in there prepared with adequate amounts of gold seal to go into the local currency which you have had. After that you can decide whether you want to continue to use the special local currency or any other local currency you may have available - a decision that can be made on the ground at that time without any loss and with possibly some advantage.

MR. LUXFORD: Mr. Secretary, supposing the British say, as they may, "We don't want to use our sterling note as a spearhead currency." Then they say, "We are willing to use the Italian lira - the genuine lira." Do we have any objection if they want to do that?

H.M.JR: I would raise an objection.

MR. WHITE: They definitely do want to use that local currency.

H.M.JR: After all, the last time we went through this thing they wanted us to use their military notes.

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We said, "No, we will use ours," and we did. They used, didn't they, their military?

MR. WHITE: Yes. It went to a discount. Their own soldiers didn't like it. Taylor, back here yesterday, said there were all kinds of disparaging remarks and they withdrew it very quickly. They got hold of local francs, but we are not able to get hold of them.

COL. BERNSTEIN: We do in the same area. The only question is, in an area where the British aren't using it--

MR. WHITE: Suffice to say, they withdrew theirs very quickly because of the dislike, compared to U.S. dollars, of the B.M.A. notes. They are wholly aware of that. That is why this time they want to try to convince us not to use U.S. dollars, but something comparable with their B.M.A.

H.M.JR: The thing is the amount of sterling they have all over the world.

MR. WHITE: This is a claim on their sterling balances insofar as they can't get it back, and they can afford to be less generous than we can in that respect.

MR. BELL: You mean dollar balances?

MR. WHITE: It is the same.

One further point and that is all.

They want to withdraw--

H.M.JR: Who is this "they"?

MR. WHITE: The British want to withdraw the lira from Libya to provide them with lira, but they want to replace the lira in circulation with B.M.A. sterling notes.

The essence of the problem is, they are taking lira out and they are putting sterling in a country which has been conquered. Now, it has only political implications.

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H.M.JR: I don't think it is any of our business.

MR. WHITE: You mean we don't care what they do in Libya? It isn't a joint enterprise?

H.M.JR: No. In Libya?

MR. WHITE: We thought it was a political problem. I asked the State Department to react.

H.M.JR: I don't see why.

MR. WHITE: Their reaction was - they called me up yesterday and gave me an answer, but they misunderstood the problem, so they are going to re-examine it.

I think there is a political consideration there - not important to us - but here is the first country that has been - important country that has been taken over, and they are putting sterling in as a unit of currency.

MR. BELL: Which might indicate the government to follow.

MR. WHITE: That is right. In other words, suppose we went into North Africa and put dollars in; I think they would holler blue murder.

I don't think it is important, but I do think it is a matter of partly political - mostly political, and to some extent broader economic questions of colonies and so on, after the war.

H.M.JR: Well, raise it at the end of the meeting tomorrow, as the last thing.

MR. BELL: I don't see why they don't leave the lira alone and put a rate of exchange there and let the question be settled at the peace table.

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MR. WHITE: They claim they need the lira to go into Italy. If you use this other stuff, they will have less excuse to do that.

H.M.JR: It is a phoney, but I think a thing like that would be of interest to the President.

MR. WHITE: I think so, although he would say--

H.M.JR: I think he would be interested.

MR. WHITE: We ought not to include their motives because we don't know. They say they need the lira and could use the lira. If they pick up that lira, they have to replace it with something. There are many things besides sterling, but that is the easiest. They could replace it with a North African lira, or some other special name - United Nations lira.

H.M.JR: All right.

Treasury Department
March 30, 1943.

SECRET

MEMORANDUM REGARDING INVASION AND OCCUPATION CURRENCIES

There is submitted for consideration the following Treasury recommendations and summary of the more important considerations governing these recommendations on some of the problems of invasion and occupation currencies.

1. In the invasion stage the United States armies should use regular United States currency with a yellow seal and some other minor distinguishing mark.
 - (a) No other type of currency can be expected to be as eagerly accepted by the local population.
 - (b) The additional expense of using regular dollar currency instead of special dollar currency would not necessarily be great. Part or most of the costs of occupation can in any case be shifted to the local population later if desired.
 - (c) A distinctive mark could permit the isolation of the currency should it fall into enemy hands and also prevent influx into the area of looted dollar currency already in the hands of the enemy.
 - (d) Were the United States to use a special currency with the word "dollar" on it which it did not intend to redeem eventually at par, it might seem to some people to be resorting to unethical and dishonorable practices unworthy of a great republic.

2. The best currency for the occupation stage is a currency designated in local units and as quickly as possible the shift should be made from regular United States dollar currency to local currency.
 - (a) Great inconvenience and probable increased economic disorder will result to the local populace and economy from having in use a local currency as well as currencies designated in dollars and sterling.
 - (b) The continued use of regular United States currency alongside local currency would result in black markets in which the market rates of exchange are likely to be more favorable than the decreed rate. Unless the exchange rate was repeatedly changed, the discrepancy between the decreed rate and the black market rate would confuse and irritate the soldiers and Army finance officers.
 - (c) The sooner the local currency is introduced, the less dollars will have to be spent by the invading armies and the subsequent problem of adjustment of costs made easier.

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3. Steps should be taken immediately to provide adequate supplies of currencies designated in terms of local units to be available when needed.
- (a) The Treasury should immediately prepare substantial stocks of specially prepared blank currency with the legend and denomination to be filled in immediately after the invasion has begun (for security reasons).
 - (b) Such currency should not resemble outstanding local currency and should bear the following legend "United States Military Authority". The same basic design should be used for all countries with variations confined to color, denomination, etc.
 - (c) By means of the photo-offset process such blank currencies could be produced by the Treasury in sufficient quantities within a month or so after the Bureau is given the green light. The blank currency can then be completed and deliveries begun within a few days after the invasion has started.
4. The British should be urged to pursue the same procedure as the United States does, except that
- (a) The British will use British Military Authority Sterling notes (B.M.A. notes) instead of U.S. yellow seal currency as their "spearhead" currency. B.M.A. notes will be tied to the dollar at the rate of 4 to 1 and made interchangeable with the dollar just as was the case in North Africa.
 - (b) A supply of local currency bearing the legend "British Military Authority" will be prepared for the British on the same basis as that described in paragraph (3) above.
5. No discussions should be held with the Allied governments preparatory to invasion dealing with either the supply of currency or rates of exchange, but each one of the Allied nations should be asked to submit a memorandum to the U.S. and British governments setting forth their views of an appropriate exchange rate to be adopted at the time of invasion of their respective countries.

British Views

The British strongly desire that we use a special military note instead of the yellow seal currency during the initial period of invasion and that local currencies of invaded areas already available in London, or in the process of being made available, should be used during the initial period of invasion wherever possible.

March 30, 1943
10:18 a.m.

HMJr: Hello.

Operator: Mr. Doughton.

HMJr: Hello.

Robert Doughton: All right. Who's this?

HMJr: This is Henry Morgenthau.

D: All right, Henry. How are you?

HMJr: I'm fine. I - I - you say you're getting along fine up there I hear.

D: Well, we're doing the best we can. We've got - we're up against all kinds of difficulties we oughtn't to be up against up here. The leader - House leadership in place of helping us is trying to undermine us all the time.

HMJr: Well, I - I got a message to the President last night, and he's going to talk to Sam Rayburn the minute he gets in.

D: Well, Sam's here. He's in his office now or around there. He came in this morning on the seven....

HMJr: Well, I'm - well, the President said that he'd talk to him the very first thing.

D: Well, if we don't get something done, you know, if - if leaderships are going to keep trying to defeat us and sabotage our bill, why, there's no use working on with it.

HMJr: No, well - but what the President was going to tell Sam - "No compromise. Just get behind Doughton."

D: Well, now that's the thing to do. Because if that would go back, we'd get us - we can't - they can't adopt a compromise now. If we do, we've got to get together and work it out behind the scenes.

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HMJr: No.

D: Later on, you know, but you can't do it now and admitting it, by talking compromise all the time, that you're either beat or that there's something wrong with your bill.

HMJr: Sure.

D: That's what John's been doing all the time. The whip's doing us no good and not trying to help us.

HMJr: Well, the message I got to him was that - to get hold of - of McCormack and Ramspeck and tell them "No compromise."

D: Well, that's fine. I thank you, Henry.

HMJr: When do you start the discussion today?

D: Well, today at twelve o'clock on the - under the five-minute rule on the Ruml - on the Ruml-Carlson amendment.

HMJr: Well, now how - how many - how - will that run today and tomorrow?

D: Probably run today anyhow, because I understand there'll be a dozen amendments offered to that.

HMJr: Yes.

D: And if we beat that - probably all day - that's where the big controversy is, you know, and if we beat that, why, they'll come with something else. That's time enough to talk about a compromise, if we're ready to talk about it at all, not in the newspapers - after we get the Ruml plan beat.

HMJr: Yeah, well, when - how many more days do you think this will go?

D: Oh, I think it will go, say, tomorrow and possibly Thursday.

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HMJr: I see, I see.

D: Yeah. That's what I think. Anyhow today - it'll be today and tomorrow.

HMJr: Right.

D: We'll keep you informed.

HMJr: Do that.

D: I do thank you for your interest and I appreciate it.

HMJr: Now if - if - and if you hear anything from the Speaker and he indicates how he - he's going to act, I wish you'd let me know.

D: I will, and I'm going to try to get in touch with him. I left a call for him awhile ago, and I guess he was at breakfast. I'm going to put another call in for him. I left word for him to call me back.

HMJr: Because....

D: I imagine he's having a talk with John. Do you know whether the President has got hold of John yet or not?

HMJr: Uh....

D: Was he going to tell him "no compromise" or just tell the Speaker?

HMJr: He was going to tell the Speaker.

D: Well....

HMJr: No compromise.

D: Well, that's fine, and I thank you. I'll let you know just as soon as I find out anything, Henry.

HMJr: Let - let me know because I want to make sure that they got through to him.

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D: All right.

HMJr: See?

D: Thank you and thank you.

HMJr: Goodbye.

D: Goodbye.

March 30, 1943
11:10 a.m.

"SECOND WAR LOAN" SPEECH

Present: Mr. Gaston
Mr. Odegard
Mr. Mager
Mr. Murphy

(Mr. Odegard read speech, copy attached.)

H.M.JR: I think it is very good.

MR. ODEGARD: I think it is too long, Mr. Secretary.

H.M.JR: For the first draft, it is as good as I have ever received.

MR. ODEGARD: Thank you.

H.M.JR: You didn't get as tough as I suggested, though, with the people about their money.

MR. ODEGARD: I didn't quite know how to do it without getting too blunt.

H.M.JR: Why not be blunt with them?

MR. ODEGARD: I am prone to avoid scolding or seeming to scold people.

H.M.JR: You didn't say much about Jefferson. You used John Paul Jones. You don't think that is too hackneyed?

MR. ODEGARD: John Paul Jones?

H.M.JR: I mean using him--

MR. ODEGARD: We can cut that all out if you want.

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H.M.JR: No, I like it. I just wondered if anybody - no, I like it.

MR. ODEGARD: I think there is a little bit too much on inflation at the end. That is my feeling.

MR. MAGER: I thought you were saying that it wasn't tough enough. I think it is a little too complacent, too. I think it is too complacent on the subject of inflation. I don't say that the handling of it isn't satisfactory, Peter; what I am saying is that I think it should be a hell of a lot stronger.

MR. ODEGARD: On inflation?

MR. MAGER: Yes, what we discussed yesterday.

MR. ODEGARD: I think that would be true, Harold, if it were a different kind of a meeting, but I don't think that you can - you haven't the time in a speech like this to do anything with inflation.

H.M.JR: You can do about eleven hundred and fifty words.

MR. ODEGARD: Yes, you can do, I think--

MR. GASTON: How long is this to be?

H.M.JR: Ten minutes.

MR. ODEGARD: Ted told me twelve, which would make it about fourteen hundred words.

MR. GASTON: I think it can be toughened up a little bit. There is one thing - I wouldn't use the expression, "This isn't going to be hard to do."

MR. ODEGARD: I think that is right.

MR. GASTON: I think I would tell them that it is going to be hard to do. We expect them to do something that isn't easy.

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MR. ODEGARD: I think that is right.

H.M.JR: How many words did you say?

MR. ODEGARD: Twelve minutes.

MR. GASTON: He said fourteen hundred.

MR. ODEGARD: I checked and was told that you spoke at a rate of about one hundred and twenty words a minute.

MR. GASTON: That would be fourteen hundred and forty.

H.M.JR: It isn't finished being typed yet?

MR. ODEGARD: No. There is just a page that hasn't been typed.

H.M.JR: Why don't we do this - give each one of us a copy. You are going home tomorrow night?

MR. ODEGARD: No, I am not going home until Sunday.

H.M.JR: You have changed. Do you feel all right?

MR. ODEGARD: No, I don't feel all right, but I thought--

H.M.JR: Why are you postponing it?

MR. ODEGARD: Because I have a lot of things that have to be done. I thought I would get those out of the way, and then I could relax when I got home.

H.M.JR: Let's say three o'clock tomorrow afternoon. I don't think it is sharp enough. I don't think you have to scold, but--

MR. MAGER: My feeling about it is that Peter says it very well, as only he can say, the things that have been said, for the most part; and I think the situation

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calls for something more than a repetition - repetition, especially, by the Secretary of the Treasury, repetition of things that have been said.

Let's tell them that inflation isn't something in the future; it is something that is here. It can be done, and what we have to do is save the situation.

MR. ODEGARD: No. I don't think so on this occasion, Harold. All of our reports, without exception, show that the relation between the individual buying bonds and his worry about inflation is nil, and if you are trying to sell bonds--

MR. MAGER: Maybe that is why they are buying, though.

MR. ODEGARD: I don't think that is right. I don't think that is right for a number of reasons. In the first place, if that were true, if an awareness of the relation between bonds and inflation would step up bond purchases, then Jimmy Byrnes' office at the White House ought to be buying more bonds than anybody. But their record is about as poor as any in the Government.

MR. MAGER: You mean the people in the service themselves? I wouldn't generalize for those people.

H.M.JR: What went through my mind is this, gentlemen. You said--

MR. ODEGARD: I said, "Up to recent months we have been fighting the war on our accumulated fat."

H.M.JR: But you say that up to now we have been sort of living off our fat and we had to wait until we got the goods, and Russia, China, and England have saved the situation and now we are going to go in and fight, which is all right. It is true, but what I don't think - I mean, either that this is going to be a speech on inflation, and

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one of the ways to stop inflation is to buy war bonds, and pour it on, or just sort of say a little bit about inflation. I don't think it is enough. That is my criticism.

MR. ODEGARD: I think you are right. You either have to devote the whole speech to inflation or--

H.M.JR: I don't want to talk on inflation. I don't think that should be the keynote. I ought to set the tone for the whole drive. I don't think it should be an anti-inflation drive for the three weeks in April.

MR. GASTON: That is no argument to sell bonds. The arguments are that we need the money; you have to put your dollars to work. That is your share in this thing, to supply the dollars.

(Mr. Murphy entered the conference.)

H.M.JR: Henry, you are going to get a copy of a very good first draft that Odegard has done. I want you to help on this.

MR. ODEGARD: That doesn't mean, Harold, that I don't agree with you.

H.M.JR: I just don't think in setting the tone of this speech - they will look to me - should be as though we are going out on inflation.

I think, personally, the keynote should be much more, that more people should buy, that everybody should buy.

MR. GASTON: And they should deprive themselves of something. This is more than a "lent." If you are not undergoing some real, personal sacrifice to buy bonds you are not doing your part.

MR. MAGER: I agree with you completely. All I say is this, that I think the references to inflation should be a little sharper than they are.

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H.M.JR: Or none at all.

MR. WAGER: Or none at all. That is, it should be a little more realistic.

H.M.JR: I don't think in fourteen hundred words I can get up - I am supposed to be a salesman on that night. I am supposed to inspire these people, and people all over, to go out and sell bonds. And I am not going to lecture to them.

This is selling Fuller brushes, see, and when a man comes in and gets his foot in the door he is not going to start arguing about anything with the woman except to buy a brush. That is what I am doing on that night. I want something in there which will kind of lift them off their seats and get a little applause.

The only place for applause is when I talk about China and Russia and England holding the fort. I will get some support from sympathizers. Otherwise there is no room for applause.

It has to be a little more demagogic. There is no hoopla. I want to wave the flag. I mean, I want to arouse the audience. There is no hoopla in this thing.

I am going before the country as a salesman and say, "Now, come on, people, get busy. You are getting thirty-two ounces of meat in this country, and England is only getting sixteen ounces. What are you beefing about? You are just twice as well off as they are. You don't know, you haven't been hurt one bit." That is what I want to say to these people.

"Now, don't sit back there. You have twice as much meat; you have twice as much butter as they have in these countries. You people don't know what it is. We don't know we are at war because we have got two great big oceans on either side. We don't know there is a war unless we happen to have had a relative who has lost his life. You people sit here in these nice comfortable

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chairs, and so forth, and we are all so happy. You ought to get down on your knees and thank the Lord for the thing.

"And when this war is over the chances are nine out of ten that this country won't be hurt physically one bit; and this thing that you are investing in, the investment will still be here. And look at the other countries."

I am going to repeat it. "I ought not to be here begging you, and I am not begging you. This is a privilege. I am not begging you to do this thing. This is a privilege that every man, woman and child should avail themselves of, an investment in the United States; and the chances are nine out of ten it will be here intact, undamaged, except that our productivity will be increased two or three hundred times. The machinery and all the rest of the stuff is here. And every dollar we borrow from you, we borrow it and pay it back to you."

MR. GASTON: It will be here if you think it worth while to have it here - if you think it worth while.

MR. ODEGARD: I rather think you may run a risk there, Mr. Secretary, in that line - done exactly that way. I think that it wouldn't be too gracious on the part of the Secretary of the Treasury of the United States to give the appearance of taking satisfaction out of the fact that we are removed from the battlefield.

H.M.JR: I am not - I am not taking satisfaction.

Let me put it another way. "What am I asking of the people of the United States - you people who really haven't had to give up anything? I am asking you to invest in a physical property. The chances are nine out of ten it will be here, intact, when this war is over, as against the Minister of Finance in England, who has all the other things - and the things that make them over there invest twice as quick as when a town is bombed."

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MR. MAGER: That is just the point. That is not a selling argument.

H.M.JR: Yes.

MR. MAGER: No, nor is it a hoopla thing.

H.M.JR: I don't agree with you. After all, if I am telling you - the difference is, I am telling them that this is something which will be here as a going concern when this war is over as against going out to borrow money for a factory which has burned down, and I have to rebuild the factory.

MR. MAGER: It sounds mercenary, not patriotic enough as an appeal.

H.M.JR: Well, think it over. It is mercenary. But that is what I am being. If you think it is too much the Yankee saying, "This is a good deal, it is a good bargain"--

MR. MAGER: It is horse trading. I don't think you ought to appeal to people that way.

H.M.JR: Well, don't forget that the Sunday before Brown announced they wouldn't arrest anybody who went out with his car, on our parkway there were thirty-eight cars which passed in one hour, checked by the State police; and the Sunday after there were two hundred and seventy-eight that went by the same spot in the same hour. So the American public - well, they are what they are.

MR. GASTON: You saw the Department of Commerce figures for consumer expenditures in the last year. 1941 was a record, some seventy-two billions; and 1942 went to eighty-three billions.

MR. ODEGARD: Of course that should be reduced because--

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MR. GASTON: I know, but allowing for increase in the level, it is the highest level ever. Over here at Garfinckel's for some time past they have been giving out numbers to the women who come in to buy dresses; the crowd has been so heavy that they are giving out numbers to them.

H.M.JR: I am willing to go on that front. I am not going to say we haven't been bombed and are not going to be bombed if you people decide against it.

MR. ODEGARD: You can put that idea in.

MR. GASTON: The idea is it is going to be here for you if you think it worth while to save it for yourself, by doing what is necessary to protect it.

H.M.JR: I am throwing it out, that is all. But, frankly, I just want some hoopla. I want some flag-waving. I would like at the end of the thing, if I could, to get them lifted up in their seats.

MR. ODEGARD: Some red fire? (Laughter)

MR. GASTON: It would also be desirable to have a news point, if you could get one in.

H.M.JR: Very desirable, and there is no news in that speech.

MR. GASTON: If we had something in the way of statistics or figures, an announcement about Treasury operations, that you could put in there, that will make a news lead.

MR. MAGER: You could use, if you wanted to reveal it, the extent of savings in '43. I don't think that has ever been revealed. I spoke to Henry about that this morning.

MR. MURPHY: The SEC has published figures. You mean the extent of estimated savings?

- 10 -

MR. MAGER: Yes, for '43, and use that as an argument to get in the money.

MR. MURPHY: Paul has used this forty-five-billion-dollar figure, of course.

MR. ODEGARD: Mr. Secretary, there are two schools of thought.

H.M.JR: Excuse me, if Paul used it, it hasn't gotten across.

MR. ODEGARD: There are two schools of thought about this. I personally do not agree with the idea of red fire on this occasion. I think that what I would do - well, the kind of speech I am going to make at Hartford is going to have no red fire in it at all. I am going to try to spell out step by step the financial needs of the Government of the United States at this time.

H.M.JR: Well now, Peter, I want some red fire.

MR. ODEGARD: And translate that in terms of--

H.M.JR: I want some red fire.

MR. GASTON: I think you should have it.

MR. ODEGARD: It is the easiest thing in the world to get.

H.M.JR: I want some. The tenor of the speech is too even.

MR. ODEGARD: I mean it to be so.

H.M.JR: Is what I call hoopla and what you call red fire - is that the same thing? (Laughter)

MR. ODEGARD: Yes.

MR. GASTON: Blood and guts, too. (Laughter)

- 11 -

H.M.JR: Blood and guts, too. I would like a little of the 1940-41 Churchill - I mean that spirit.

MR. ODEGARD: You can have that all right. The question is, when you get that sort of thing it has very little lasting effect. It is just like froth.

H.M.JR: That is all right.

MR. ODEGARD: It has no value. If you get something that people will think about--

H.M.JR: No, I am not in that mood.

MR. GASTON: Peter belongs to the wing of the church which doesn't believe in revivals. (laughter)

MR. ODEGARD: I do. In fact, I have written in defense of revivals. (laughter)

H.M.JR: Well then, I would like a little Billy Sunday, that is what I want. That is the mood I am in, and this has got to be me. I want a little Billy Sunday.

MR. GASTON: I think this is the spot for it.

MR. ODEGARD: You don't know what Green or Murray are going to say.

H.M.JR: That doesn't make any difference. I want a little Billy Sunday.

I tell you what you do so that we get this thing. I will say three o'clock tomorrow.

How would you suggest that this be done under pressure?

MR. ODEGARD: I would suggest that I get copies of this to Harold and Henry and Herbert.

- 12 -

H.M.JR: Could you call a meeting tomorrow morning in your office, the first thing?

MR. GASTON: Yes, only the thing that is called for now is some writing - some rewriting.

H.M.JR: How would you suggest we proceed?

MR. GASTON: I think Peter wants to go ahead and do that, don't you, Peter?

MR. ODEGARD: Yes, I can.

H.M.JR: Aren't you fellows going to make some suggestions?

MR. GASTON: Yes, we are.

MR. MAGER: We can hold a meeting.

H.M.JR: I want you fellows to get together before I see you again, definitely. Herbert?

MR. GASTON: Right.

H.M.JR: You had better set the time now. Otherwise you won't do it.

MR. ODEGARD: Let me get this around to them right away. I will get it within the next half hour.

MR. GASTON: What time are we going to meet tomorrow?

H.M.JR: Three o'clock with me.

MR. ODEGARD: We could meet in the morning.

MR. GASTON: I have a meeting scheduled with these OPA fellows tomorrow morning.

H.M.JR: Call that off. What time is it?

- 13 -

MR. GASTON: For ten o'clock.

H.M.JR: How long will that last? Why don't you do it at nine-fifteen?

MR. GASTON: We can do it at nine-fifteen.

H.M.JR: A little blood and thunder, and a little hoopla, that is the mood I am in. (Laughter)

MR. ODEGARD: That is fun, Mr. Secretary.

MR. GASTON: We have to think about a news point. Maybe we can dope out something.

H.M.JR: I want a little fun. (Laughter)

MR. MAGER: Nothing would be new now. You have to wait for the last minute for that stuff, unless you give savings figures.

MR. MURPHY: They are very tricky kinds of things.

H.M.JR: What is that?

MR. MURPHY: Savings figures.

H.M.JR: I want a little fun. I want to step out of character.

MR. ODEGARD: This is a rather interesting thing. The only careful study that has been made, to my knowledge, of the relation between what is known as "psychic tension," which is another word for "morale" - another word for "morale" and "news" - has been made at Syracuse University. It shows the rather interesting result, in that the very best results, from the point of view of increased tension, come when people are confronted with news of disaster and retreat, when you are under fire. News of triumph and news of victories tend toward a relaxation of effort.

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Yet in the face of that you get some edicts as this coming from the White House, I understand, that we are not to talk about our defeats, we are not to commemorate Bataan, for example, because it was a defeat. I am just a little bewildered as to--

H.M.JR: What do you mean, White House edicts? I haven't heard any edicts.

MR. ODEGARD: I haven't, either, except by indirection. Mrs. Morgenthau just called me before I came in here and wanted to know if that meant this Brooklyn thing was off. I said that so far as I knew we had had no direction of that kind and that we would go on with it.

H.M.JR: I don't know what she means. Well, I haven't been to Syracuse University and I haven't seen their report, but I know that when a town is bombed in England the sales go on up. I know that Hawaii and Alaska and the West Coast did better than anybody else in our early days.

MR. ODEGARD: I think that is right.

H.M.JR: That is right. They were closer to the thing.

MR. ODEGARD: Of course we have had a good deal of criticism. We have used that a lot. People say that the reason is - as a matter of fact, I talked with some people who came from Alaska who were working on the roads there, and they said that they are getting higher wages and there are fewer places to put money than any other place in the country. The same is true of Hawaii. And English savings, from the point of view of war certificates, aren't as good as ours.

H.M.JR: I don't know whether I created any attention or not, but I do want to get a little patriotism, a little flag-waving, and a little enthusiasm, even though it is only a ten-second rock.

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Do you think I am wrong, Herbert?

MR. GASTON: No, no, I would like to see a little fire in it.

H.M.JR: Have you heard enough of it to comment?

MR. MURPHY: I am just catching on, so to speak.

H.M.JR: Well, you catch on, and come out of your statistical shell and give us something. (Laughter) I had a great argument with Mrs. Morgenthau. I said that I gave you full credit for using "double-duty dollars", and she said that had been used before for the Treasury.

MR. ODEGARD: We had used it in copy.

MR. MURPHY: It was new to me when I wrote it, but, you know, tracing the origin of things in your mind is a very complex business.

H.M.JR: I liked it. It was news to me.

O.K.

Mr. Chairman, Mr. Green, Mr. Murray, ladies and gentlemen:

One of the most thrilling episodes in American history is that associated with the name of John Paul Jones. In a sinking, burning ship, facing what seemed certain destruction, he stubbornly refused to strike his colors, and turned defeat into victorious defiance with the legendary words, "I've just begun to fight".

According to one account, Jones won his battle only because he never knew when he had been beaten. Hitler and his confederates have made the same criticism of the United Nations. We don't know when we're licked. Just when all seemed lost, when the enemy expected us to surrender, we hurled back in his teeth the words of John Paul Jones, "We've Just Begun to Fight".

For nearly a year the tide of battle ran against us. After the sickening shock of Pearl Harbor, we stood, almost helpless, and watched our enemies advance. Malaya, Singapore, New Guinea, Burma -- these were the stepping stones of Jap conquest. Worse for us than even this cavalcade of disaster was the tragic spectacle of Bataan, the anniversary of which we celebrate this month. Day by day, and inch by inch, American men and their gallant Filipino comrades, against overwhelming odds, were forced to yield, with little more support from us than first-clenched resolutions of revenge. In Europe and Africa, the same sad tale was being told.

- 2 -

But now the tide has turned. The United Nations are striking back. After months of defensive warfare we are now on the offensive. Thanks to the heroic Russians, the faithful Chinese, and the incomparable British, we Americans have had time to prepare so that the Nazis and the Japs are now beginning to feel the weight of our striking power. The victories at Guadalcanal in New Guinea, in North Africa, in the Bismarck Sea are but the beginning of a combined offensive that, whatever temporary set backs it may suffer, will not stop short of Berlin, and Rome and Tokio.

This offensive on the fighting fronts had to wait upon an offensive on the home front. Only when we abandoned all thought of "business as usual" were we able to produce the weapons and equipment upon which our striking power depends. To maintain that striking power will require far greater effort and far greater sacrifice than we have thus far put forth or experienced.

Up to recent months we have been fighting the war on our accumulated fat. But the fat is nearly gone and as a nation, we shall have to live on shorter rations of both manpower and materials. As individuals, we shall have to work longer and harder, consume less and less, and save more and more. The time has gone when we can take civilian supply for granted, or assume that life can go on for us pretty much as it did before Pearl Harbor. Not even

- 3 -

America can fight a total war without drastic reduction in its standard of living.

The time has gone, too, when we can take the financing of the war for granted and assume that the rich, or the banks, or someone else will foot the bill. Only the people can or should finance a peoples' war and only all the people can finance a total war.

Total war is an incredibly costly business. 96 cents out of every dollar spent by the Federal Government is for purposes directly related to the war. We are now spending every month more than it cost both North and South to fight the entire Civil War. In the first half of this year alone, war expenditures will exceed the entire money cost of our participation in the first World War.

Out of a total of nearly 240 billion dollars which Congress has appropriated for war purposes over 185 billions have been definitely committed and over 75 billions ^{HAVE} ~~had~~ been spent. The rate of expenditures has increased until it is now over 6 billions a month - more than 240 million dollars for every working day, or 10 million dollars an hour. Where does all this money go?

It goes for steel mills, aluminum plants, ship yards, army cantonments, military roads - for the pay, transportation, supply

- 4 -

and maintenance of our armed forces, for munitions, industrial materials and food to our allies. In final analysis it goes into the hands of millions of farmers, workers, business and professional people whom the government must pay for these services and supplies.

Where does this money come from? It comes from the American people either in the form of taxes or loans. Because not all of it can be raised through taxes, the Government appeals to the people to lend the money necessary to finance the war. That is the reason for this 2nd War Loan drive.

I have said that we can no longer live on our fat. That is especially true in the field of public finance. We can no longer rely exclusively upon a comparatively few banks, corporations and rich individuals to lend these vast sums to the government. Even if all corporation profits and all the savings of all the rich people in the country were used to buy government bonds we should still be a long way from our goal. But there is another and more important reason why the Government appeals to everyone, rich and poor alike. It is not health for a democracy to be mortgaged to a small and privileged class. I should

- 5 -

like to see every wage earner and every farmer, as well as every employer, and professional man or woman, a shareholder in his government. Think of what that would mean for the security and stability of our government and our economic life.

We have gone a long way in this direction through the War Savings Program. Nearly 50 million people are buying War Bonds with more or less regularity. Over 26 million of them have authorized their employers to set aside an average of nearly 9% of their pay every pay day for this purpose. Total investments in War Bonds of all kinds, ("E", "F", and "G",) will average nearly 1 billion dollars a month for this fiscal year.

This is a fine record but it is not enough. It is, therefore, urgent that everyone increase his War Bond purchases during this second War Loan.

We have set as our goal \$13 billion dollars to be raised in the next few weeks. We shall certainly exceed that goal. But the true measure of success will be the extent to which this money comes from individual men and women.

Every idle dollar must be put to work by buying War Bonds or other government securities. But idle money alone will not do the job. We shall have to cut down our personal expenditures, save every cent we can out of current income, and put every dollar beyond our barest needs into the uniform of War Bonds. Otherwise, we shall

- 6 -

find ourselves competitors rather than partners of our country in its fight for life.

Let no one say it can't be done. It must be done if we are to win the war, not only against the Nazis, Fascists, and Japs, but also against inflation here at home. Remember the future of everything you cherish, and the value of everything you own is at stake in this twin war against despotism and economic disaster.

As a matter of fact, it will not be difficult to do. Our national income is greater today than at anytime in our history. In spite of increased taxes and increased prices the average American has more money in his pocket than ever before and fewer things on which to spend it.

No amount of spending will increase the supply of goods available for private consumption. That is fixed by the demands of war. To spend now, therefore, beyond what is essential for your basic needs will merely force prices up and leave you worse off than before. To save now is, therefore, not only patriotic, it is plain common sense. Only the wastrel, the fool, or the saboteur squanders his money when goods are scarce. The wise man saves for himself and for his country. In urging you to buy War Bonds, I am urging you to put your savings in the safest and best investment in the world - the Government of the United States - your Government which is waging war to protect your life and mine.

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Can anyone close his purse against his Government when young men are risking their very lives for us?

April is an auspicious month in which to carry on this second War Loan drive. It is the anniversary of Bataan, and of the Minute Men of Concord and Lexington, and it marks the 200th anniversary of Thomas Jefferson's birth. It is up to us to prove ourselves worthy of this great heritage.

MAR 30 1943

Dear Mr. Green:

I have asked Mr. James L. Houghteling to hand you this letter so that he may discuss with you in detail the meeting that is mentioned here.

I hope that you will be able to take part with me in this launching program of our Second War Loan. The meeting is to be held at Carnegie Hall, New York, on Monday, April 12, at 8:30 P.M. I am asking Mr. Philip Murray, of the Congress of Industrial Organizations, and Governor Dewey, as well as yourself, to join me in the nation-wide broadcast portion of the program.

Through your participation I want the workers of the nation to be more aware of the vital part which they have had so far in the War Finance Program, and of the necessity for greater effort and accomplishment in the face of our mounting war cost.

As our radio time is limited, I would like to suggest that your remarks be confined from three to five minutes.

Trusting that you will be able to join me, I am,

Sincerely,
(Signed) H. Morgenthau, Jr.

Mr. William Green
President
American Federation of Labor
301 Massachusetts Avenue, Northwest
Washington, D. C.

TRG:fw
3/30/43

(Original letter given to
Miss Adams in Gamble's office)

Copy in Diary
Copies to Thompson

MAR 30 1943

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(Signed) H. Mergenthal, Jr.

Mr. Philip Murray
President
Congress of Industrial Organizations
718 Jackson Place, Northwest
Washington, D. C.

TRG:fw
3/30/43

(Original letter given to
Miss Adams in Gamble's office)

Copy in Diary

Copies to Thompson

Farmer

3/30/42

Re: Second War Loan Speech

(Excerpts from Meeting)

H.M.JR: I am supposed to be a salesman on that night. I am supposed to inspire these people, and people all over, to go out and sell bonds. And I am not going to lecture to them.

This is selling Fuller brushes, see, and when a man comes in and gets his foot in the door he is not going to start arguing about anything with the woman except to buy a brush. That is what I am doing on that night. I want something in there which will kind of lift them off their seats and get a little applause.

The only place for applause is when I talk about China and Russia and England holding the fort. I will get some support from sympathizers. Otherwise there is no room for applause.

It has to be a little more demagogic. There is no hoopla. I want to wave the flag. I mean, I want to arouse the audience. There is no hoopla in this thing.

I am going before the country as a salesman and say, "Now, come on, people, get busy. You are getting thirty-two ounces of meat in this country, and England is only getting sixteen ounces. What are you beefing about? You are just twice as well off as they are. You don't know. You haven't been hurt one bit." That is what I want to say to these people.

"Now, don't sit back there. You have twice as much meat; you have twice as much butter as they have in these countries. You people don't know what it is. We don't know we are at war because we have got two great big oceans on either side. We don't know there is a war unless we happen to have had a relative who has lost his life. You people

- 2 -

sit here in these nice comfortable chairs, and so forth, and we are all so happy. You ought to get down on your knees and thank the Lord for the thing.

"And when this war is over the chances are nine out of ten that this country won't be hurt physically one bit; and this thing that you are investing in, the investment will still be here. And look at the other countries."

I am going to repeat it. "I ought not to be here begging you, and I am not begging you. This is a privilege. I am not begging you to do this thing. This is a privilege that every man, woman and child should avail themselves of, an investment in the United States; and the chances are nine out of ten it will be here intact, undamaged, except that our productivity will be increased two or three hundred times. The machinery and all the rest of the stuff is here. And every dollar we borrow from you, we borrow it and pay it back to you."

Let me put it another way. "What am I asking of the people of the United States - you people who really haven't had to give up anything. I am asking you to invest in a physical property. The chances are nine out of ten it will be here, intact, when this war is over, as against the Minister of Finance in England, who has all the other things, - and the things that make them over there invest twice as quick as when a town is bombed."

I am telling them that this is something which will be here as a going concern when this war is over as against going out to borrow money for a factory which has burned down, and I have to rebuild the factory.

Then the tenor of the speech is too even. I want some fire. I want some hoopla.

I would like a little Billy Sunday, that is what I want. That is the mood I am in, and this has got to be me. I want a little blood and thunder and a little hoopla.

March 30, 1943
11:57 a.m.

HMJr: Hello.

Operator: Here's Robbins.

William Robbins: Hello.

HMJr: Robbins?

R: Yes. Good morning, sir.

HMJr: How are you?

R: Well, I'm all right. (Laughs) I've had another long night on the plane so I'm not quite as wide awake as I'd like to be, but aside from that I'm all right.

HMJr: Do you have to sit up or can you sleep?

R: Oh, you have to sit up on these planes these days.

HMJr: I see.

R: Well, how's everything in Washington this morning?

HMJr: Everything's much better. I had a very nice talk with Underhill and explained - I mean Peabody....

R: Yes.

HMJr:and explained to him what I - why I was upset and excited yesterday, and he said that he would take care of it in the future. He left the thing in the hands of Rogers....

R: Yes.

HMJr:and Rogers - well, he's not very assertive, you know.

R: Well, that's just too bad. I was terribly upset and still am.

- 2 -

HMJr: Yeah, well, it's - I explained - it's water over the dam. I don't explode very often but it just was coming too fast yesterday....

R: Yes.

HMJr:and it's finished as far as I'm concerned, and I explained that to Peabody.

R: Well, he was on the job this morning.

HMJr: He's on the job, and I explained to him to pick up the pieces, and - and another time when he goes away to give it to somebody in the Treasury who'll look after Treasury interests and not leave it to somebody else.

R: That - that, of course, is a very good - good move.

HMJr: Because the thing that - the trouble - one of the troubles yesterday was O.W.I. was trying to use this Allied Publishers as a sort of an overall organization which would help all Government agencies.

R: Yes.

HMJr: And what I had to do -- and I was just feeling my way -- was to tell them, "Well, now we've thought this thing up, and we did it," - I mean I wasn't quite as blunt - "and we want these people's help until this drive is over."

R: Yes.

HMJr: And we don't want them talking about rubber tires or meat or anything else.

R: That's right.

HMJr: And that - the release was written so that they would work - could work for other people. Well, the upshot was they said that they would devote their time exclusively to the Treasury.

R: Yes.

- 3 -

HMJr: But I was on uncertain ground, you see....

R: Yes.

HMJr:and I couldn't discuss it with Rogers because it was O.W.I. that was working the thing around that way.

R: I see.

HMJr: So I - I had no Treasury man, so to speak, to back me up.

R: Uh huh.

HMJr: But it ended up all right....

R: Uh huh.

HMJr:and I'm all right since I've seen Peabody. I'm all right with you. When you come back I think we ought to have a little talk....

R: Yes.

HMJr:and that when you go away on another one of these trips that it's a little bit more clean-cut understanding who should look after the thing while you're gone, you see.

R: Well, that - that's right, if there was any doubt. Of course, I can't conceive of any doubt.

HMJr: Well, there was and it's working all right now, but there was doubt and they didn't quite understand how far they should go.

R: Uh huh.

HMJr: And....

R: Well, now don't you think I should stop at Cleveland?

HMJr: Bell is very anxious that you stop at Cleveland, and he's convinced me that you should.

R: Well, I think I should too.

- 4 -

HMJr: Yeah, he's convinced me that....

R: Well, now in that case I'm going to stay here in St. Louis tonight to get a nice rest in a bed....

HMJr: Good.

R:and then I'll fly up by way of Chicago and get into Cleveland late tomorrow afternoon - mid - mid-afternoon tomorrow, probably three o'clock, I guess.

HMJr: Yeah.

R: And I think I can get out of Cleveland day after tomorrow.

HMJr: That's all right. What day is that?

R: Well, let's see, today is Tuesday. I'll be in - in Cleveland tomorrow afternoon, and that'd be Wednesday afternoon. I should be in Washington Thursday night and be in the office Friday morning.

HMJr: Well, I may or may not be here. I don't know yet - Friday morning.

R: But I may be able to get out of Cleveland tomorrow night....

HMJr: Yeah.

R:in which case I'd be in the office Thursday morning.

HMJr: Yeah, well, I'll be here Thursday.

R: I'll try my best to do that, but I'm glad you agree that I should stop at Cleveland....

HMJr: No....

R: I think I should.

HMJr: No - not only Bell but Buffington was very anxious that you stop at Cleveland.

- 5 -

- R: Uh huh. And they, of course, have wired me out - out along the line, and I had tentatively set it up to stop, so I - that - that's just my plans too.
- HMJr: No, Buffington said that he'd been thinking - I think it was he that - that they needed you there to get the War Savings people in line.
- R: That - that I hope I can do. These meetings have been really very successful. We're just going into one now here this morning. We have both the War Savings and the Victory group.
- HMJr: How was Los Angeles?
- R: Oh, that's one of the best spots we've got. They - they're intelligent and civilized to each other down there. They're very cooperative.
- HMJr: Yeah. Well, I think what you're doing is most important, and - and I want you to continue - I mean go on to St. Louis and Cleveland.
- R: Well, that's fine, sir, and I'll do that. And I'll do my best to get in Thursday night but I can't be sure because of....
- HMJr: Well....
- R:the late arrival in Cleveland.
- HMJr: Well, that's all right. And then, as I say, just so that this thing won't happen again, I - I'd have a sort of clean-cut directive the next time you leave, and - and then - and then....
- R: Well, let's you and I - we'll point for a discussion of that, and we'll find out just where it broke down this time and we'll see that it doesn't happen again.
- HMJr: That's right. Now I have nothing else.
- R: All right, sir. I just wanted to call you, as I told you I would yesterday.

- 6 -

HMJr: Now don't you want to talk to Bell?

R: I - I haven't anything in particular.

HMJr: Well, I think you better. He might have something.

R: All right. Will you swing me over?

HMJr: Just a moment.

Operator: Yes, sir.

HMJr: Mr. Bell, please, on this call.

Operator: Right. All right.

March 30, 1943

Meeting in Mr. White's Office
March 30, 1943
5:00 P.M.

Present: Mr. Plumptre
Mr. Scully
Mr. White
Miss Kistler

Mr. Plumptre called to discuss with Mr. White the implementation of the agreement on Canada's U. S. dollar reserve and to express the opposition of the Canadians to the contemplated role as they understood it of the Joint War Production Committee. Mr. Plumptre stated that in their view the Joint War Production Committee was a program and contract-placing body, that it was not the correct group to make decisions as to how Canada's dollar receipts should be controlled. Mr. Plumptre explained that the Mutual Aid Bill had not yet been considered by Parliament and possibly would not be for another ten days or two weeks. He said he thought Dr. Clarke was hopeful that it would prove a convenient means of rectifying the Canadian balances when the occasion arose.

Mr. White asked Mr. Plumptre what body he thought was the correct one to implement the decision on Canada's reserve. Mr. Plumptre replied he thought War Supplies Limited was the agency. Mr. Scully said he thought the correct procedure would be for the U.S. Treasury to notify the Canadian Treasury and to leave it to Dr. Clarke to carry out the objective. He commented that there are sizeable U.S. Government expenditures in Canada made outside War Supplies Limited and so do not fall within the jurisdiction of the Joint War Production Committee.

Mr. White said that there is obviously a misunderstanding of the functions of the Joint War Production Committee, that as he understood it, the Committee could divert materials from contracts without interfering in any way with production or scheduling. He mentioned that the objective of both governments was to handle the problem without having the finances interfere with the war effort. He suggested a meeting be held to straighten out the facts and it was agreed to get together Thursday afternoon at 4 o'clock with Dr. Currie.

Mr. Plumptre said there was one fact which he thought we should know for this purpose. This fact is that the Canadian Government is \$115-\$125 million in arrears to the U.S. War Department for materials on "Can-Pay" requisitions. Mr. White asked if these payments had not been anticipated. Mr. Plumptre replied that they had not to the extent of being in arrears by \$115 million. Mr. White asked when we had received our latest information on Canada's dollar position from the Canadian Government. With this Mr. Plumptre promised to see that we receive information regularly and at more frequent intervals than in the past.

T. M. Kistler

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SECRET

MAR 30 1943

My dear General Burns:

Receipt is acknowledged of your letter of March 26, 1943, transmitting a copy of "Program of Requirements for Armaments, Equipment and Materials for Supply to the U.S.S.R. by the Government of the United States During the Period July 1, 1943, to June 30, 1944" (Third Soviet Protocol).

As you request, the Procurement Division of the Treasury Department will be pleased to cooperate with the War Production Board in the review of the program and give any information that may be helpful.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury

Major General J. H. Burns, U. S. Army
The President's Soviet Protocol Committee
Washington, D. C.

GLjr: jkr

L. H. Burns

COPY

SECRET

THE PRESIDENT'S SOVIET PROTOCOL COMMITTEE
WASHINGTON
March 26, 1943.

My dear Mr. Secretary:

By direction of the Chairman of the President's Soviet Protocol Committee, there is forwarded a copy of "Program of Requirements for Armaments, Equipment and Materials for Supply to the U.S.S.R. by the Government of the United States During the Period July 1, 1943 to June 30, 1944" (Third Soviet Protocol).

The document is being sent to Mr. Donald Nelson, Chairman of the War Production Board, with the request that it be reviewed in accordance with the policy outlined in the President's memorandum dated January 9, 1943, and recommendations submitted as soon as practicable, but not later than April 19th, as to the extent to which the various items which pertain primarily to the War Production Board and are assigned to it for report, can be made available. Items so assigned are marked "W.P.B." in the tabulation. A copy of the letter to Mr. Nelson is enclosed.

It would be appreciated if you would cooperate with the War Production Board where appropriate in the preparation of your reply.

Sincerely yours,

J. H. Burns
Major General, U. S. Army

The Honorable,

The Secretary of the Treasury.

Attachments (3)

Original of and attachments to Gen. Burns's letter retained at the Procurement Division for preparation of complete reply.

E. Owen
Ext. 625

COPY

CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

January 9, 1943

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

I understand both the Army and Navy are definitely of the opinion that Russian continuance as a major factor in the war is of cardinal importance, and therefore it must be a basic factor in our strategy to provide her with the maximum amount of supplies that can be delivered to her ports. I fully indorse this concept.

The present Second Protocol agreement with the Union of Soviet Socialist Republics terminates in large part by the end of this fiscal year. I have therefore taken steps to ascertain Soviet needs for a Third Protocol covering the period July 1, 1943, to June 30, 1944. As soon as these needs have been received, I intend to ask the various interested agencies as to the degree to which they may be met.

In the meantime, in executing the Second Protocol and in planning the overall program to the end of the fiscal year 1944, the necessity of meeting Soviet needs in accordance with the above strategical viewpoint must be regarded as a matter of paramount importance.

/s/ FRANKLIN D. ROOSEVELT

CONFIDENTIAL

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THE PRESIDENT'S SOVIET PROTOCOL COMMITTEE

WASHINGTON

March 26, 1943

My dear Mr. Nelson:

1. By direction of the Chairman of the President's Soviet Protocol Committee, it is requested that the attached "Program of Requirements for Armaments, Equipment and Materials for Supply to the U.S.S.R. by the Government of the United States During the Period July 1, 1943 to June 30, 1944" (Third Soviet Protocol), be reviewed in accordance with the policy outlined in the President's memorandum to you dated January 9, 1943, and recommendations submitted as soon as practicable, but not later than April 19th, as to the extent to which the various items which pertain primarily to the War Production Board and are assigned to it for report, can be made available. Items so assigned are marked "W.P.B." in the tabulation.

2. Recommendations should be based on "availability at centers of production".

3. If recommendations include any undelivered portions of the Second Soviet Protocol, notation thereof should be made.

4. It would be appreciated if you would itemize the money values, and shipping requirements on a basis of short tons, pertaining not only to your recommendations, but also to the total Soviet requirements of items which are assigned to the War Production Board.

5. The Treasury Department has been requested to cooperate with you, when appropriate, in the preparation of your reply.

6. Similar letters are being sent to the War Department, Navy Department, Agriculture Department, Office of Petroleum Coordinator for War, Lend-Lease Administration, and War Shipping Administration.

Sincerely yours,

J. H. BURNS
Major General, U.S. Army

Hon. Donald W. Nelson,
Chairman, War Production Board.

Attachment

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**PROGRAM OF REQUIREMENTS FOR
ARMAMENTS, EQUIPMENT AND MATERIALS
FOR SUPPLY TO THE U.S.S.R.
BY THE
GOVERNMENT OF THE UNITED STATES
DURING THE PERIOD
JULY 1, 1943 TO JUNE 30, 1944**

(Submitted March 25, 1943)

CONFIDENTIAL

PROGRAM OF REQUIREMENTS FOR
ARMAMENTS, EQUIPMENT AND MATERIALS
FOR SUPPLY TO THE U.S.S.R.
BY THE
GOVERNMENT OF THE UNITED STATES
DURING THE PERIOD
JULY 1, 1943 TO JUNE 30, 1944

(Submitted March 25, 1943)

CONFIDENTIAL

PROGRAM OF REQUIREMENTS FOR
ARMAMENTS, EQUIPMENT AND MATERIALS
FOR SUPPLY TO THE U.S.S.R.
BY THE GOVERNMENT OF THE UNITED STATES
DURING THE PERIOD JULY 1, 1943 TO JUNE 30, 1944

(All weights given in long tons)

GROUP I.

ARMAMENTS AND MILITARY EQUIPMENT

Item 1. - AIRPLANES

Amount requested: 8160

500 pursuit planes "Aircobra"
100 light bombers, Type A-20
50 medium bombers, Type B-25
30 transport planes, Type C-46; C-47
Spare engines 30 per cent of number of planes
Spare propellers 30 per cent of number of planes
Airplane spare parts 20 per cent of value of plane
Engine spare parts 15 per cent of value of plane
Propeller spare parts 15 per cent of value of propeller.

Item 2. - TRUCKS

Amount requested: 144,000 - at rate of 12,000 trucks per month. Truck spare parts, 20 per cent of value of truck.

Item 3. - SCOUT CARS

Amount requested: 14,000 - at rate of 2,000 per month.
Spare parts for them 20 per cent of value of a jeep.

Item 4. - PRIME MOVERS FOR ARTILLERY

Amount requested: 3,000 including:

Tractors - medium 150 per month
Tractors - heavy 50 per month
Armoured half-trucks 50 per month
Spare parts, 20 per cent of value of item.

Item 5. - MOTORCYCLES

Amount requested: 12,000 - at rate of 1,000 per month.
Spare parts for them, 20 per cent of value of motorcycle.

Item 6. - POWDER

Amount requested: 60,000 tons - at rate of 5,000 tons per month.

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APP I., Continued

Item 7. - TOLUOL

Amount requested: 36,000 tons - at rate of 3,000 tons per month

Item 8. - T N T

Amount requested: 24,000 tons - at rate of 2,000 tons per month

Item 9. - RADIO STATIONS, RADIO LOCATORS

Amount requested: 15,700 units, and other Radio Equipment in accordance with specifications.

Item 10. - FIELD TELEPHONES

Amount requested: 100,000

Item 11. - TELETYPE APPARATUS

Amount requested: 500

Item 12. - FIELD TELEPHONE AND TELEGRAPH CABLES

Amount requested: 300,000 Km.

Item 13. - FIELD BATTERY CHARGING STATIONS

Amount requested: 4,000 units.

Item 14. - SUBMARINE CABLE

Amount requested: 1,500 Km.

Item 15. - MARINE CABLE

Amount requested: 1,200 Km.

NAVAL STORES

Item 1. - MINE SWEEPERS

Amount requested: 22

Item 2. - SUBMARINE CHASERS (110 feet)

Amount requested: 12

CONFIDENTIAL

I., Continued

ND Item 3. - SEA TUGS

Amount requested: 20

ND Item 4. - 5"/38 CALIBER DOUBLE PURPOSE DECK GUNS

Amount requested: 110

ND Item 5. - 3"/50 CALIBER DOUBLE PURPOSE DECK GUNS

Amount requested: 200

ND Item 6. - "OERLICON" GUNS 20 mm.

Amount requested: 500

ND Item 7. - TWIN MACHINE GUNS, 50 CALIBER

Amount requested: 900

ND Item 8. - MARINE DIESEL ENGINES AND DIESEL GENERATORS

WFB Amount requested: 2,562 units, in accordance with specifications.

ND Item 9. - SALVAGE EQUIPMENT

Amount requested: 3,150 units, in accordance with specifications.

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PART II. METALS, CHEMICALS AND OTHER MATERIALS (in long tons)

PB Item 1. - ALUMINUM INGOTS

Amount requested: 60,000 tons - at rate of 5,000 tons per month.

PB Item 2. - DURALUMINUM

Amount requested: 12,000 tons - at rate of 1,000 tons per month.

PB Item 3. - MAGNESIUM

Amount requested: 3,600 tons - at rate of 300 tons per month.

PB Item 4. - NICKEL

Amount requested: 2,400 tons - at rate of 700 tons per month.

PB Item 5. - MOLYBDENUM

Amount requested: 4,000 tons, in equal monthly installments.

PB Item 6. - COPPER ELECTROLYTIC

Amount requested: 120,000 tons - at rate of 10,000 tons per month.

PB Item 7. - ZINC

Amount requested: 12,000 tons - at rate of 1,000 tons per month.

PB Item 8. - COBALT

Amount requested: 144 tons - at rate of 12 tons per month.

PB Item 9. - CADMIUM

Amount requested: 200 tons, in equal monthly installments.

PB Item 10. - BRASS AND BRONZE PRODUCTS

Amount requested: 96,000 tons - at rate of 8,000 tons per month.

PB Item 11. - COPPER GOODS AND TUBES

Amount requested: 14,400 tons - at rate of 1,200 tons per month.

Item 12. - COPPER CABLE AND WIRE

Amount requested: 30,000 tons - at rate of 2,500 tons per month.

Item 13. - FERRO-ALLOYS

Amount requested: 19,200 tons - at rate of 1,600 tons per month.

Regraded Unclassified

GROUP II., Continued

- WFB Item 14. - NICHROME WIRE
Amount requested: 480 tons - at rate of 40 tons per month.
- WFB Item 15. - SPECIAL ALLOYS WIRE
Amount requested: 240 tons - at rate of 20 tons per month.
- WFB Item 16. - HARD ALLOYS AND CUTTING TOOLS
Amount requested: \$3,000,000 worth - at rate of \$250,000 per month.
- WFB Item 17. - POLISHED DRILL RODS
Amount requested: 200 tons, including 70 tons of High Speed Steel, all in equal monthly installments.
- WFB Item 18. - TOOL STEEL
Amount requested: 16,000 tons, including 4,000 tons of High Speed Tool Steel, all in equal monthly installments.
- WFB Item 19. - STAINLESS STEEL
Amount requested: 3,360 tons - at rate of 280 tons per month.
- WFB Item 20. - COLD DRAWN AND COLD ROLLED STEEL IN RODS, BARS, SHEETS AND STRIP
Amount requested: 120,000 tons - at rate of 10,000 tons per month.
- WFB Item 21. - HOT ROLLED STEEL
Amount requested: 132,000 tons - including 80,000 tons of Aircraft Alloy Steel, all in equal monthly installments.
- WFB Item 22. - TIN FLATE
Amount requested: 60,000 tons - at rate of 5,000 tons per month.
- WFB Item 23. - STEEL WIRE
Amount requested: 35,000 tons, including 12,000 tons of Barbed Wire, all in equal monthly installments.
- Item 24. - STEEL ROPE, AIRCRAFT WIRE ROPE
Amount requested: 14,400 tons - at rate of 1,200 tons per month.

II., Continued

WFB Item 25. - STEEL TUBES

Amount requested: 81,600 tons, including 21,600 tons of Alloy Tubes, all in equal monthly installments.

WFB Item 26. - OTHER METALS AND THEIR GOODS

Amount requested: \$10,000,000 worth.

WFB Item 27. - RAILS AND ACCESSORIES

Amount requested: 60,000 tons - at rate of 5,000 tons per month.

WFB Item 28. - CAR WHEEL SETS

Amount requested: 12,000 sets - at rate of 1,000 sets per month.

WFB Item 29. - CAR AND LOCOMOTIVE AXLES

Amount requested: 12,000 tons - at rate of 1,000 tons per month.

WFB Item 30. - CAR AND LOCOMOTIVE TIRES

Amount requested: 12,000 tons - at rate of 1,000 tons per month.

WFB Item 31. - WROUGHT STEEL WHEELS

Amount requested: 12,000 tons - at rate of 1,000 tons per month.

PAW Item 32. - PETROLEUM PRODUCTS

Amount requested: 360,000 tons - at rate of 30,000 tons per month.

WFB Item 33. - PHENOL

Amount requested: 12,000 tons - at rate of 1,000 tons per month.

WFB Item 34. - ETHYLENE GLYCOL

Amount requested: 3,000 tons - at rate of 250 tons per month.

WFB Item 35. - METHANOL

Amount requested: 6,000 tons - at rate of 500 tons per month.

WFB Item 36. - UROTOPINE

Amount requested: 6,000 tons - at rate of 500 tons per month.

GROUP II., Continued

PB

Item 37. - GLYCERINE

Amount requested: 6,000 tons - at rate of 500 tons per month.

PB

Item 38. - CAUSTIC SODA

Amount requested: 36,000 tons - at rate of 3,000 tons per month.

PB

Item 39. - ETHYL ALCOHOL

Amount requested: 96,000 tons - at rate of 8,000 tons per month.

PB

Item 40. - ACETON

Amount requested: 6,000 tons - at rate of 500 tons per month.

PB

Item 41. - OTHER CHEMICALS

Amount requested: 10,800 tons - at rate of 900 tons per month.

PB

Item 42 - TIRES, TUBES AND OTHER RUBBER ARTICLES
CONTAINING 36,000 tons of RUBBER

36,000 tons - at rate of 3,000 tons of rubber per month. This includes rubber in all forms except finished military stores.

PB

Item 43. - ABRASIVES

Amount requested: 5,300 tons, in equal monthly installments.

PB

Item 44. - GRAPHITE ELECTRODES AND OTHER
GRAPHITE GOODS

Amount requested: 6,650 tons, in equal monthly installments.

PB

Item 45. - BEARINGS

Amount requested: 5,000,000 pieces, in equal monthly installments.

PB

Item 46. - BALLS AND ROLLS

Amount requested: 28,000,000 pieces, in equal monthly installments.

GROUP III. INDUSTRIAL EQUIPMENT

WPB Item 1. - MACHINE TOOLS

Amount requested: 24,000 each - at rate of 2,000 each per month, in accordance with specifications.

WPB Item 2. - PRESS, FORGING AND ROLLING MILL EQUIPMENT

Amount requested: \$82,000,000 worth, in accordance with specifications.

WPB Item 3. - ELECTRIC FURNACES

Amount requested: 600 each, at rate of 50 each per month.

WPB Item 4. - VARIOUS INDUSTRIAL EQUIPMENT

Amount requested: \$120,000,000 worth, in accordance with specifications.

WPB Item 5. - POWER EQUIPMENT

Amount requested: \$135,000,000 worth, in accordance with specifications.

WPB Item 6. - CUTTING AND MEASURING TOOLS

Amount requested: \$18,000,000 worth - at rate of \$1,500,000 per month.

WPB Item 7. - ELECTRIC POWER CABLE

Amount requested: 12,000 Km. - at rate of 1,000 Km. per month.

WPB Item 8. - CONTROL INSTRUMENTS AND TESTING MACHINE

Amount requested: \$2,000,000 worth.

WPB Item 9. - MISCELLANEOUS AND EMERGENCY EQUIPMENT

Amount requested: \$60,000,000 worth.

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GROUP IX. QUARTERMASTER GOODS

WD Item 1. - SOLE LEATHER

Amount requested: 18,000 tons - at rate of 1,500 tons per month.

WD Item 2. - ARMY BOOTS

Amount requested: 3,600,000 pairs - at rate of 300,000 pairs per month.

WD Item 3. - WOOLEN CLOTH

Amount requested: 18,000,000 yards - at rate of 1,500,000 yards per month.

Item 4. - COTTON CLOTH

Amount requested: 25,000,000 yards, in equal monthly installments.

WD Item 5. - TARPAULINE

Amount requested: 3,000,000 yards - at rate of 250,000 yards per month.

WD Item 6. - WEBBING

Amount requested: 6,000,000 yards - at rate of 500,000 yards per month.

GROUP Y. FOOD PRODUCTS
(in equal monthly installments)

Item 1. - WHEAT, FLOUR, CEREALS, RICE AND BEANS

Amount requested: 1,500,000 tons.

Item 2. - SUGAR

Amount requested: 390,000 tons.

AD Item 3. - CANNED MEAT

Amount requested: 220,000 tons.

AD Item 4. - MEAT PRODUCTS

Amount requested: 200,000 tons.

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GROUP V., Continued

Item 5. - ANIMAL FATS

Amount requested: 220,000 tons.

Item 6. - VEGETABLE OIL

Amount requested: 250,000 tons.

Item 7. - CONCENTRATES

Amount requested: 100,000 tons.

Item 8. - SOAP

Amount requested: 20,000 tons.

GROUP VI. MEDICAL SUPPLIES

Item 1. - MEDICAL SUPPLIES

Amount requested: \$12,000,000 worth.

1. It is understood that the following equipment, such as mine sweepers, submarine chasers, diesel and other motors, as well as stationary steam power plants, individual turbines and boilers, mobile power plants, oil refinery installations, rolling mills, hydraulic presses, forging hammers, cranes, excavators, coke oven installations, blast furnace plant and steel melting equipment, which the United States Government agreed to deliver to the U.S.S.R. during the Second Protocol period, but the terms of delivery of which equipment extends beyond the term of the Second Protocol, shall be delivered in excess of the quantities requested in the Third Protocol Program.

2. Due to the fact that the Soviet Union is in great need of locomotives and railroad rolling stock at present, and will need this equipment particularly after the present war, the respective Governments will discuss specially the question of supply to the U.S.S.R. of 2,000 - 3,000 locomotives and rail road platforms, disassembled, in quantities to agreed upon.

S P E C I F I C A T I O N

for Radio Stations, Radio Locators and other Equipment

(GROUP I., ARMAMENTS AND MILITARY EQUIPMENT, Item 9.)

1. Radio Stations, output more than 1 KW ...	60 ea.
2. Radio Stations, output less than 1 KW ...	12000 ea.
3. Radio Receivers	2000 ea.
4. Aircraft Radio Locators	500 ea.
5. Ground Radio Locators	240 ea.
6. Radio Altimeters	500 ea.
7. Radio Beacons	250 ea.
8. Radio Direction Finding Sets	150 ea.
9. Radio Tubes	2400000 ea.
10. Radio Measuring Equipment and Radio Parts	\$3,000,000

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S P E C I F I C A T I O N

for Marine Diesel Engines and Diesel Generators

(GROUP I., NAVAL STORES, Item 8.)

1. Marine Diesel Engines 1600 HP 12 units
2. Marine Diesel Engines 1200 HP 100 units
3. Marine Diesel Engines 30-100 HP 350 units
4. "Packard" Gasoline Engines 1200 HP 400 units
5. Marine Wooden Gas Engines 30-50 HP
complete with gas products 800 sets
6. Diesel Generators and Diesel Generator
Compressors from 9 to 120 KW 600 units
7. Diesel Generators from 1.5 - 4 KW driven
by Diesel or Gasoline Engines 300 units

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SPECIFICATION

for the Salvage Equipment

(GROUP I., NAVAL STORES, Item 9.)

1. Salvage Stations, complete with diving equipment, spare parts and tools	256 sets
2. Portable Air Compressors, complete with driven Engines	180 units
3. Pontoons, capacity from 5 - 200 tons	600 units
4. Portable Water Pumps, complete with driving Engines	1000 units
5. Underwater Electrical Discharge Water Pumps	100 units
6. Electrical Welding and Cutting Apparatus for underwater welding and cutting	120 sets
7. Electrical and Pneumactical underwater Tools	400 sets
8. Portable Electrical Stations for underwater lighting	240 units
9. Gas Cutting Apparatus	120 units
10. Metal Detectors	55 units

S P E C I F I C A T I O N

for Machine Tools

(GROUP III., INDUSTRIAL EQUIPMENT, ITEM 1.)

1. Automatic Screw Machines	3,200 ea.
2. Turret Lathes	3,500 ea.
3. Lathes	3,000 ea.
4. Multi-Tool Lathes	750 ea.
5. Relieving Machines	200 ea.
6. Vertical Turret Lathes (Vertical Boring Machines)	400 ea.
7. Boring Machines	1,100 ea.
to include	
Horizontal Boring, Milling & Tapping	750
Jig Boring	150
Diamond Boring	200
8. Milling	4,750 ea.
to include:	
Vertical Milling	2,000
Universal Milling	1,500
Horizontal Milling	600
Planer-type Milling	250
Keller-type Milling	200
Thread Milling	200
9. Gear Cutting	500 ea.
10. Planers	300 ea.
Shapers	150 ea.
11. Grinders	4,350 ea.
to include:	
Universal Grinders	800
Cylindrical Grinders	700
Centerless Grinders	600
Surface Grinders	600
Gear Grinders	250
Thread Grinders	400
Special Grinders	100
Sharpners	500
Internal Grinders	400
12. Superfinishing and Honing	150 ea.
13. Drilling	700 ea.
to include:	
Radial Drilling	350
Deephole Drilling	200
Vertical Drilling	150

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CLASSIFICATION for Machine Tools, Continued

14. Broaching	300 ea.
15. Vertical Slotters	200 ea.
16. Journal Wheel Lathes } Car Wheel Lathes } Balanced Quartering and } Crankpin Turning . }	250 ea.
17. Metal Cutting Machines (Saws)	100 ea.
18. Miscellaneous	100 ea.

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S P E C I F I C A T I O N

for Press, Forging and Rolling Mill Equipment

(GROUP III., INDUSTRIAL EQUIPMENT, Item 2.)

1. Rolling Mills 6 ea.
to include:
 - Blooming 1
 - Rail and Beam Mills 1
 - Tube Mills 2
 - Merchant Mill 1
 - Billet Mill 1

2. Hydraulic Presses (Various Capacities) 200 ea.
to include:
 - Forging and Stamping Presses
10,000 tons 2
 - Forging and Stamping Presses
500 - 3,000 tons 63
 - Extruding Presses 500 - 3,500
tons 10
 - Special Shipbuilding Plate
Bending Presses 125

3. Mechanical Presses (Various Capacity) 2,000 ea.

4. Steandrop Hammers, Forging Hammers 300 ea.

5. Forging Machines 100 ea.

6. Wire Drawing Equipment 250

7. Shears and Bolt and Nut Equipment \$3,000,000

8. Straightening and Sizing Equipment \$3,000,000

9. Miscellaneous Equipment for Press,
Forging and Rolling Mill Shops \$5,000,000

CONFIDENTIAL

S P E C I F I C A T I O N S

for Various Industrial Equipment

(GROUP III., INDUSTRIAL EQUIPMENT, Item 4.)

1. Excavators, size of buckets 0,5-5 cu. meters ..	400 ea.
2. Various Cranes (including 50 Portal Cranes)....	500 ea.
3. Compressors, Gas Blowers, Exhausters and Fans	750 ea.
4. Various Pumps	1600 ea.
5. Mining Equipment, Ore Dressing Equipment, Handling and Transporting Equipment	\$20,000,000
6. Equipment for Blast Furnaces, Hearth Furnaces and Coke Furnaces	\$15,000,000
7. Welding Equipment	\$ 6,000,000
8. Fitting (for steam, oil, gas and chemical equipment) and Pneumatic Tools	\$ 9,000,000
9. Auxiliary Industrial Equipment (oxygen plant, absorption and cooling towers, centrifuges, etc...).....	\$30,000,000

CONFIDENTIAL

S P E C I F I C A T I O N S

for Power Equipment

(GROUP III., INDUSTRIAL EQUIPMENT, Item 5.)

1. Complete Steam Power Plants, Stationary Type with a total installed capacity of 650,000 KW.
2. Hydro-power Plant with a total installed capacity of 350,000 KW.
3. Mobile Steam Power plants with a capacity of 100 - 5,000 KW each, and with a total capacity of 250,000 KW.
4. Boilers for installation in existing Boiler houses - 50 ea.

to include:

15 Steam Boilers of capacity 160 - 200 metric tons per hour
15 Steam Boilers of capacity 90 - 110 metric tons per hour
20 Steam Boilers of capacity 60 - 75 metric tons per hour

5. Equipment for existing Power Plants - \$20,000,000 worth

to include:

Synchronous Generators
Capacitors or Synchronous Condensers
Motors
Complete Substations
Power Transformers
Switchgear
Motor Generator Sets, etc...



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

SECRET

March 30, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended March 27, 1943.

As the result of a recent meeting of the Protocol Supply Committee it was decided that steps would be taken to divert to other war needs certain steel products purchased for the U.S.S.R. which have been held in warehouses due to lack of shipping.

Clinton E. Mack
Clinton E. Mack
Director of Procurement



SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF MARCH 27, 1948
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$2922.5 (2920.4)	\$1545.7 (1545.7)	\$1066.1 (1066.1)	\$102.9 (102.9)	\$4.6 (4.6)	\$203.2 (201.1)
Purchase Authorizations (Requisitions)	\$2348.0 (2390.1)	\$1338.6 (1367.3)	\$ 912.4 (930.8)	\$ 41.7 (41.2)	- -	\$ 55.3 (50.8)
Requisitions Cleared for Purchase	\$2227.2 (2292.7)	\$1274.5 (1329.5)	\$ 859.8 (874.2)	\$ 41.1 (41.1)	- -	\$ 51.8 (47.9)
Obligations (Purchases)	\$2179.8 (2156.5)	\$1259.4 (1247.9)	\$ 829.2 (820.2)	\$ 41.1 (41.1)	\$4.5 (4.4)	\$ 45.6 (42.9)
Deliveries to Foreign Governments at U. S. Ports*	\$ 955.4 (947.0)	\$719.7 (714.6)	\$ 208.2 (204.9)	\$ 17.0 (17.0)	- -	\$ 10.5 (10.5)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of March 20, 1948.

SECRET

EXPLANATION OF DIFFERENCES.

The reductions in Purchase Authorizations Received and Requisitions Cleared for Purchase represents a revaluation of the estimated cost on all incomplete requisitions in various stages of process for which no commitments have been made.

TREASURY BILLS

	<u>Mar. 31</u>	<u>Mar. 24</u>	<u>Mar. 17</u>	<u>Mar. 10</u>
Amount offered	\$800 M	\$800 M	\$800 M	\$700 M
Bids tendered	1,101 ✓	1,330	1,303	1,382
Low rate .....	.297%	.297%	.297%	.277%
High rate .....	.376	.376	.376	.376
Average rate .....	.374 ✓	.373	.373	.371
Amount in New York	\$503 M	\$477 M	\$453 M	\$328 M
Amount in Chicago	74	97	128	82
Amount in San Francisco	58	64	66	100
Amount in balance of country ...	165	162	153	190

AMB

March 30, 1943

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 30, 1943.

TO Secretary Morgenthau
FROM Stuart Peabody *S.P.*

The Poster Committee met today to consider providing a special drive poster in black and white.

The Committee was unanimous in choosing the design which all of us preferred in your office this morning. They felt it had real merit and would be very effective in the drive.

They recommended unanimously, however, that we do not ourselves print this poster and send it out. The feeling was that inasmuch as we already shipped four posters for use in April, two of them relating directly to the drive, the capacity of the field to absorb another one would be severely taxed, particularly as it would arrive late. It was the feeling that even after arrival at the point of display, a great many of the posters would not get up.

Inasmuch as the poster design relates directly to the Second War Loan and is therefore dated, the Committee felt that we might be subjected to severe criticism for being wasteful in our use of material. A final point which was felt to be important is that our own organization in the field receiving a fifth poster with only one week to go would criticize us and that there would be comment among our people to the effect that Washington is late again with all the damage to morale which this involves.

It was recommended, therefore, that we have the finished drawing made and that we then send photographs to each of the twelve Federal Reserve Districts, along with a letter suggesting that they may want a special poster to inject into the drive, that we recommend this design, and that if they wish to use it, it will be satisfactory for them to print it themselves and pay for it out of their own funds.

March 30, 1943

Dear Governor Sparks:

On April 12th, the United States Treasury will launch the Second War Loan drive, the greatest money-raising campaign in the world's history. We have set a goal of \$13,000,000,000 of which we hope to raise at least \$8,000,000,000 from sources outside the commercial banking system.

Widespread publicity and promotion efforts have been planned for this drive. It would be most helpful if you would issue a statement or proclamation to the people of your state urging their wholehearted participation, stress the importance of the drive in your speeches at public gatherings during the progress of the campaign, and suggest the securities to be offered to your state treasurer and the trustees of pension, sinking and other public funds.

We need all the help that we can possibly obtain in this huge war financing effort, and we earnestly request your active cooperation.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Chauncey Sparks
Governor of Alabama
Montgomery, Alabama

Copy and list in Diary
Copies to Thompson

SWP:mn

Sent to: (Governors of States)

Chauncey Sparks - Ala.
Henry F. Schricker - Ind.
Edward Martin - Pa.
Robert O. Blood - N. H.
E. P. Carville, - Nev.
Dwight Griswold - Nebr.
Sam C. Ford - Mont.
Forrest C. Donnell - Mo.
Paul B. Johnson - Miss.
Earl Snell - Ore.
John W. Bricker - Ohio
John Moses - N. Dak.
J. Melville Broughton - N. C.
Thomas E. Dewey - Albany, N. Y.
John J. Dempsey - N. M.
Charles Edison - N. J.
Harold E. Stassen - Minn.
Harry F. Kelly - Mich.
Leverett Saltonstall - Mass.
Herbert R. O'Connor - Md.
Sumner Sewall - Maine
Sam Huston Jones - La.
Keen Johnson - Kentucky
Earl Warren - Calif.
John C. Vivian - Colo.
Robert S. Kerr - Okla.
Raymond E. Baldwin - Conn.
Oster W. Bacon - Delaware
Spessard L. Holland - Fla.
Ellis Arnall - Ga.
C. A. Bottolfsen - Idaho
Dwight H. Green - Ill.
Homer M. Adkins - Ark.
Sidney P. Osborn - Ariz.
Lester C. Hunt - Wyo.
Matthew M. Neely - W. Va.
Walter S. Goodland - Wisc.
Colgate W. Darden, Jr. - Va.
Arthur B. Langlie - Wash.
Coke R. Stevenson - Tex.
J. Howard McGrath - R. I.
M. Q. Sharpe - S. Dak.

(over)

Herbert B. Maw - Utah
Andrew Schoepel - Kans.
Bourke B. Hickenlooper - Iowa
Prentice Cooper - Tenn.
William H. Wills - Vermont
Olin D. Johnston - S. C.

MAR 30 1943

Dear Mr. Gannett:

I have read with a great deal of interest your letter of March 25. I did not have an opportunity, following General Marshall's discussion on this subject, to tell you newspaper people what we have been doing in this connection.

At the present time we have 3,471,175 men in the armed services (Army, Navy and Marine Corps), buying Bonds on a monthly payroll savings plan. They are buying at the rate of \$26,033,223.82 per month.

By agreement with the Secretaries of War and Navy, the Treasury Department left this selling job in the hands of the respective Services. Certainly, we have not done everything possible in line with your suggestion, but you may be assured that this is a matter which will continue to have my closest attention.

I am grateful to you for your interest and for your indicated willingness to help us in the big job we have to do.

With all good wishes, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Frank E. Gannett
The Gannett Newspapers
Rochester, New York

File in Diary

JRG

2 - 100

The Gannett Newspapers

Personal and Confidential

March 20, 1943

Executive Offices
Rochester, N. Y.

Frank L. Gannett
Founder

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

Dear Secretary Morgenthau:

I was much impressed by what General Marshall said to us, off the record, in regard to the increased pay for American soldiers.

On my return here I found on my desk a letter from a friend in London in which he said this:

"We have a large number of American troops in this country, as you know, and there is one feature of the situation which is giving some of us Americans here - including Lady Aator - considerable concern. That has to do with the pay of the U. S. Forces which, you will remember, is very much higher than that of the British Tommies. The Americans are also granted but short leaves, and this results in a considerable amount of concentrated spending, with the attending gay time. Some feel that a certain amount of their pay should be retained in the U.S.A. for their account as a backlog for after-war problems, rather than being spent on the young womanhood of England, with the attending jealousies of the home boys which naturally results. I understand the Canadian Forces have such a monetary arrangement, and in my opinion, if the pay of all the soldiers of the United States were so adjusted that they had relatively the same spending power in the country they happened to be in, it would work to better international relationships."

It seems to me that here is a stimulating suggestion for you. Perhaps some arrangement could be made with these soldiers so that a certain portion of their pay could be retained in this country - possibly for the purchase of war bonds, after the needs of their families had been given attention. You probably know the arrangements made in Canada. If not, you can easily learn all about them.

In any event, I feel that here is a situation that ought to be corrected especially in view of what General Marshall said on the subject. I believe you will be rendering a great service if you can help correct this situation.

Again let me thank you for the courtesy you showed us newspaper men last Saturday. I hope some good will come from that meeting.

With best wishes and warmest regards,

Faithfully yours,

Frank Gannett

FEQ:FKM

CORNELL UNIVERSITY
ITHACA, NEW YORK

March 30, 1943

OFFICE OF THE PRESIDENT

Dear Mr. Secretary:

Permit me to acknowledge your letter of March 26th, in connection with the work which Prof. Myers is doing on the War Savings program for farmers. Dr. Day is away on a rather extended business trip but will have your letter immediately upon his return.

Sincerely yours,

Francis P. Eggar
Secretary to the President

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

March 30, 1943

MEMORANDUM FOR THE SECRETARY

You may be interested in the attached questions and answers on the Ruml plan as embraced in the Carlson Bill, which were distributed at the Republican Conference on the Hill a few days ago. The discussion is misleading. It fails to take account of Treasury arguments and tends to put the Treasury in bad light. At the same time, it makes unwarranted claims for the Carlson Bill.

The discussion raises the boggy of overhanging income tax debt. It glosses over the fact that the Carlson plan is essentially a transition device, which involves indiscriminate and wholesale tax forgiveness. It also glosses over the fact that its most important pay-as-you-go feature, collection at source, has been recommended by the Treasury and is contained in the Committee Bill. It overlooks the defect that the Ruml-Carlson proposal once in full operation would in many cases make payments less in accordance with current income than is the case under present law.

The reference to the status of service men under present law and under the proposal is a red herring. For individuals who die while in active service, the Committee Bill would cancel (1) all tax liability on income received during the year of death, and (2) any unpaid taxes on income received in preceding years. In addition, the Committee Bill would permit service men to exclude from their income for tax purposes the difference between \$3,500 of their service pay and their personal exemptions. The Revenue Act of 1942 already provides substantial relief for individuals in the service. If further special treatment for members of the armed services is desirable, such treatment can be provided without indiscriminate tax forgiveness for everybody, civilians and service men alike. The discussion fails to mention that the Ruml-Carlson plan may impose additional burdens on service men and their families as future taxpayers.

The discussion attempts to show the merits of the Carlson Bill by arguing that it incorporates the basic idea of the Ruml plan and meets the criticisms offered against the original plan. It insists that fair and equal treatment involves 100 percent cancellation for all taxpayers and that this would not especially benefit the wealthy. It is claimed that basing the abatement for high incomes on the lower of 1942 or 1943 income eliminates the war profit "windfall" criticism. This anti-windfall provision is at best superficial and would result in major reduction of that type of windfall in comparatively few cases.

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QUESTIONS AND ANSWERS ON THE RUMF PLAN
AS EMBRACED IN THE CARLSON BILL

1. What is the so-called Ruml Plan?

Ans. It is simply a proposal to change the method of assessing and collecting the Federal personal income tax, so as to correct certain defects and weaknesses in the present system. Under the present law personal income taxes are assessed against the past year's income. Thus the collection of the tax is always one year behind. Under the so-called Ruml Plan, the personal income tax would be collected currently - that is, the assessment would be against current income, and the tax would be paid out of current income.

2. What are the defects and weaknesses of the present system which the Ruml Plan seeks to overcome?

Ans. Under the present method of collecting the income tax on income the year after it is earned, the taxpayer is always in debt for his income tax. If he suffers a reduction in income, or loses his job, or dies, the tax-debt from the prior year becomes a serious financial problem. In case his income has merely been reduced, he finds himself having to pay out of that reduced income an income-tax based on the higher income of the previous year. Thus, while the income tax is supposed to be based on ability to pay, the present method of collection does not actually gear the tax payment to the amount of current income out of which it is paid. When the taxpayer's income is completely cut off by loss of his job, retirement, or death, the past year's income tax liability becomes a great burden, since there is no current income out of which it may be discharged. This debt for last year's income tax may be great enough to wipe out every asset the taxpayer possesses.

3. What advantages will accrue to taxpayers by changing to a current, pay-as-you-go basis in collecting the income tax?

Ans. The individual taxpayer will be able to discharge his income tax liability as his income is earned, and thus will have no tax debt hanging over him when he retires, loses his job, or dies. Moreover, if he suffers a reduced income, his current tax payments will be reduced to conform to the lower income.

4. Will any advantage accrue to the Government as a result of the proposed change to a current, pay-as-you-go basis?

Ans. Yes, in several ways. In the first place, there would be fewer tax delinquencies, since the Government would collect the tax liability as the income is earned. Moreover, it would receive the tax on a particular year's income one year sooner than under the present system of collecting the tax the year after the income is earned. This is very important from the standpoint of helping to control inflation.

5. Will not the question of tax delinquencies be a serious problem for the Government when the war boom ends and millions are thrown out of work?

Ans. Unquestionably, if the present system is continued.

6. It has been asserted that the objective sought to be achieved by the Ruml Plan could be realized if all taxpayers saved out of their current earnings enough money to pay their tax on March 15th. What about this?

Ans. The fact is that we must take human nature as we find it. Most people do not set aside money to pay future taxes, though it probably is the wise and prudent thing to do. They either live right up to their income, whether by choice or by force of circumstances, or they find it impossible to save the money to discharge the income-tax liability on their current income while at the same time meeting the installment payments on their last year's income-tax. The income-tax law as presently drafted contemplates that the taxpayer shall pay his income tax liability on the prior year's income out of the income of the following year, or it would not have permitted the taxpayer to pay the prior year's tax in four quarterly installments during the next year. If the law contemplated

that taxpayers would accrue their taxes it would have required them to pay the full amount when filing their income-tax return on March 15th following the close of the taxable year. Of course it would have been difficult for taxpayers to have accrued their 1942 tax since the act was not enacted until October 21st when most of the year had gone by.

7. From what source does the demand for the adoption of a current, pay-as-you-go system come?

Ans. It has been acclaimed by the general public as a most desirable tax reform, and the people are becoming increasingly impatient over the failure of Congress to act upon the matter. The proposal is so simple, and its advantages to both the taxpayer and the Government so apparent, that they are utterly unable to understand why there should be so much determined resistance to the expressed will of the people.

8. Does the demand for a current, pay-as-you-go tax system come only from the public?

Ans. No, the Treasury Department has itself made the strongest possible argument that could be advanced for getting taxpayers on a current basis. Following are excerpts from the statement made before the Ways and Means Committee by the Treasury spokesman, Mr. Randolph Paul:

"The problem of putting income taxes on a pay-as-you-go basis was emphasized by President Roosevelt in his recent Budget message in connection with his request to Congress for \$16,000,000,000 of additional collections for the fiscal year 1944.

"Owing to the great expansion of the individual income tax now taking place in response to war needs, the strengthening of our system of income-tax payment has become a first order of business. The 39,000,000 individual taxpayers required to pay income taxes of almost \$10,000,000,000 for 1942 under the present law must be afforded a way of meeting their tax obligations with a measure of convenience and a minimum of hardship. In addition, the Treasury should be protected from taxpayer delinquency and resultant loss of revenue. And, finally, the Government needs a flexible instrument of fiscal policy under which revenues will react speedily to changes in tax rates and exempt bases and in the national income.

"For the great masses of taxpayers the present method of collecting the income-tax payment has the basic defect that tax payments are not synchronized with the receipt of the income on which the tax is based. This defect arises partly because installment payments are not timed to fit the receipt of income and partly because the taxes on a given year's income are not payable until the following year.

"The resultant lag caused no serious payment problem as long as the income-tax burden was relatively low, and the persons principally affected by the tax were accustomed to saving and budgeting for various obligations, including taxes. But with the expansion of the income tax the payment lag has become a vital problem. To be sure, the lag does not cause the taxpayer difficulty as long as his income continues at a steady pace. If, however, his income varies from year to year, his taxes will be poorly geared to his receipt of income. And if his income declines sharply or ceases entirely, as in unemployment, retirement, disability, or death, the overhanging tax debt may cause real hardship".

Mr. Paul further pointed out that the chief beneficiaries of a pay-as-you-go system would be those in the lower income brackets, saying:

"The overwhelming majority of the 44,000,000 taxpayers for 1943 will be wage and salary earners whose incomes after exemptions and credits will not exceed the first surtax bracket of \$2,000. This group covers, for example, single persons with net incomes up to \$2,500, married couples without dependents with net incomes up to \$1,200, and married couples with two dependents with net incomes up to \$3,900. It is this group which is hit hardest by the defects in our present payment system.

Taxpayers in this group are accustomed to weekly or monthly budgeting under which expenditures are directly governed by the pay envelope. They are under considerable pressure to use their income as soon

as it becomes available. They find it extremely difficult to make adequate provision for meeting lump-sum tax bills which fall due a year after the receipt of the income being taxed. Because of uncertainty of employment, they cannot escape uncertainty about future income. Moreover, if their income stops because of unemployment, entrance into the armed forces, sickness, or death, the income-tax debt for the last year of income may become a crushing burden."

9. Would not the Ruml Plan be of great benefit to service men who are now obliged to pay a high tax on their past year's civilian income out of a soldier's meager pay?

Ans. Absolutely. They would be the chief beneficiaries, since under the Ruml Plan they would only pay tax on their current income. They would come back from the war free of income-tax debt. While provision is now made for deferment of their civilian income-tax liability under certain circumstances, it still remains a debt which must be discharged after the war. If they fail to come back the debt will have to be paid by their widows or out of their estate, if any. The Ruml Plan would wipe out this debt as a result of shifting to a current assessment basis.

10. Is there anything to the charge that the abatement of the 1942 tax liability in order to get on a current basis would cause a \$13,000,000,000 loss of revenue to the Government, which soldiers would have to make up on their return to private life.

Ans. It is absolutely baseless. Even the Treasury Department concedes that there would be no cash loss to the Government, as appears from the following statement by the Treasury representative, Mr. Randolph Paul, before the Ways and Means Committee:

"The Government by forgiving a year's tax liabilities would be discarding assets as a business would that booked its accounts receivable from customers. - - - - The Government differs from the business in that it has the power to make up the loss by compelling quicker collections and by imposing additional taxes on the same or other people. Through the resulting partial redistribution of the tax burden the cash receipts of the Treasury would be maintained even though the tax liability was forgiven.

"Accordingly it is not correct to assume that the forgiveness of a year's tax liability combined with corresponding current income-tax collection would reduce the cash flow into the Treasury. The effect on the amount of money taken into the United States Treasury resulting from placing the income tax on a current basis and forgiving a year's taxes cannot be determined except by comparing this treatment with some alternative. If the comparison is with the present payment method at existing rates, the cancellation of 1942 liabilities combined with current collections of subsequent liabilities need not involve either an increase or decrease in the amount of money taken into the Treasury in any given span of years. Each individual subject to taxation in 1942 has one year's liability canceled, but he is at the same time required to pay another year's liability sooner than he otherwise would. Individuals who were not taxpayers in 1942, but who become taxpayers subsequently, will be obliged to pay their liabilities 1 year sooner than under existing law. Individuals who die, or who cease receiving an income, pay the Government 1 year's less taxes, but by and large the money loss on their account is offset by the gain from new taxpayers who begin paying their taxes a year earlier.

"The net result in money paid to the Government depends on whether the payments dropped out exceed or fall short of the payments added in the same year. The payments dropped out will be spread over a period of years. If any given year is a year of higher national income than the war-boon year of 1942, the actual receipts of the Government for that span of years would be increased by the change. If it is a year of lower national income, governmental receipts would be decreased by the change."

11. If income tax payments in 1943 are based on 1942 income instead of 1942 income, would not the flow of revenue into the Treasury actually be increased?

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Ans. Yes. The 1942 personal income tax liability is estimated at \$10,000,000,000. The 1943 liability, which under the present system we would not collect until 1944, is estimated at \$13,000,000,000. If we substitute 1943 income for 1942 income as a basis for assessment of 1943 taxes, we will actually collect \$3,000,000,000 more this year.

12. Why is it necessary to cancel the 1942 liability in order to get on a current, pay-as-you-go basis?

Ans. Under the present system, we pay 1942 taxes in 1943. If we desire to advance the time of paying the 1943 liability to 1943 so that we will be on a current basis, something must be done about the 1942 liability, or taxpayers will be required to pay two year's taxes during the first year of the transition. The only way the shift to a current pay-as-you-go basis can be made without doubling up two year's taxes in one year, or spreading the past liability over a period of years in addition to current taxes, is by cancelling the 1942 liability, as proposed under the Rural Plan.

13. Does the Rural Plan involve a year's suratorium on taxes?

Ans. Not at all. Any person who has taxable income in 1943 will continue to pay taxes just as if nothing had happened, the only difference being that his payments would be measured by his 1943 income, rather than his 1942 income. Only those who had no taxable income in 1943 would pay no 1943 tax. Those who had lower incomes in 1943 than in 1942 would pay less tax, and those who had more income in 1943 than in 1942 would pay more tax.

14. Has the Rural Plan been introduced in Congress in the form of a bill?

Ans. Yes, the bill H.R. 2042, by Mr. Carlson of Kansas, embraces the basic features of the Rural Plan, including the discharge of the past year's tax liability so that we may start with a clean slate on a current, pay-as-you-go basis.

15. How would the March 15th tax return, based on 1942 income, be treated under the Carlson Bill?

Ans. It would be regarded as a tentative return on 1943 income, subject to final adjustment March 15, 1944. In order to reflect increased or decreased income over 1942, and adjust installment payments accordingly, the taxpayer at his option could file an amended return on any of the subsequent quarterly installment dates.

16. How would the Carlson Bill treat payments made in connection with the filing of the March 15th return, based on 1942 income.

Ans. They would be applied on the current 1943 liability.

17. Does the Carlson Bill provide for withholding at the source?

Ans. Yes, provision is made for withholding at the source beginning July 1, 1943. The withholding would be on wages and salaries, at a rate of 20 percent on the amount in excess of the usual exemptions and credit for dependents, increased by 10 percent as a provisional allowance for assured deductions. Thus, on single persons the withholding would be on amounts in excess of \$550 per annum, and on married persons on amounts in excess of \$1,320, plus \$365 for each dependent. The separate Victory tax withholding, now in effect, would be abolished under the Carlson Bill, since the 20 percent rate would take care of the net Victory tax liability, plus the net income tax liability in the first bracket.

18. Would quarterly installment payments be continued under the Carlson Bill?

Ans. Yes, but taxpayers whose full liability was being collected at the source would not have to make any installment payments after July 1st. Those whose liability exceeded the amount withheld at the source would pay the balance on the regular installment dates. Those whose income was not subject to withholding, which would include self-employed persons and those with investment income, would pay their full liability in quarterly installments.

19. Would the Carlson Bill provide any relief to those having seasonal incomes, such as farmers?

Ans. Yes, it would permit them to adjust their payments to the receipt of their income, since they would have up to December 31st to file a tentative return for the year and make their payment.

20. Is any provision made to assure the filing of reasonably accurate tentative returns?

Ans. Yes, a 6 percent interest charge is made if the final liability for the year, as adjusted the following March 15th, exceeds the amount paid during the year by more than 20 percent. The interest charge applies only to the excess amount over the 20 percent. In other words, a 20 percent "tolerance" is allowed.

21. Does the Carlson Bill do anything to prevent possible "wind-falls" to those in the upper brackets as a result of abating the 1942 tax liability?

Ans. It does, in this way: Where the taxpayer's income in 1942 exceeds \$20,000, and the 1942 tax would be higher than the tax on his 1943 income, he is required to pay on his 1942 income instead of his 1943 income. In such case, the 1943 liability will be abated instead of the 1942 liability. It is contemplated that a perfecting amendment will be offered to this feature of the bill so as to give proper treatment to those with incomes slightly in excess of \$20,000. In effect, it will abate so much of the 1942 assessment as is attributable to the first \$20,000 of income, and so much of the 1943 assessment as exceeds the amount attributable to the first \$20,000 of income. The benefit of this proposed "netting" provision would disappear as the income increased above \$20,000.

22. Is it true that the Ruml-Carlson proposal would be of more benefit to the wealthy than to persons in the lower brackets?

Ans. This argument has been made, but if it is found to impose income taxes on a progressive basis, then the only fair way to abate the tax assessment in order to get current is on the same basis, and wipe out the liability to the same extent it has been imposed. Every person is treated alike in the sense that the basis for his 1943 tax is his current income rather than his past year's income.

23. Would the abatement of the 1942 tax result in creating any new millionaires, as has been charged?

Ans. No. The assumption that the abatement of the 1942 liability would leave wealthy persons with large tax-free 1942 incomes leaves out of account the fact that during 1942 they have been paying the heavy taxes assessed against their 1941 incomes, as well as State taxes, living expenses, charitable gifts, and so on. These heavy taxes have continued all through the New Deal, and were at a maximum even before war was declared. If any have accrued their 1942 taxes, or bought tax anticipation notes, they are that much ahead on their 1943 liability.

24. Does the Ruml-Carlson plan answer the demand for current, pay-as-you-go taxation?

Ans. It is the one plan, and the only plan, that will achieve this desirable objective. All other plans considered by the Ways and Means Committee, of which there were many, either failed to make taxpayers current, or as the price for doing so required the doubling up of tax payments.

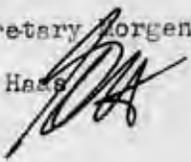
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

108
The Sullivan
C. H. J.

DATE March 30, 1943.

TO Secretary Morgenthau
FROM Mr. Haas



In accordance with your request, the question of using the corporate income tax returns as a partial substitute for the census of manufactures, which Wayne Taylor discussed with you, has been taken up with the Bureau of Internal Revenue. Attached is a memorandum from Mr. Helvering giving the Bureau's reactions.

Mr. Helvering recommends that the suggestion to use the corporate income tax returns in this manner be discouraged for many reasons. Several of these points of objection relate to the inadequacy of the material contained in the corporate income tax returns to serve the same purpose as the census of manufactures. I doubt if the Department of Commerce people are thoroughly familiar with some of the difficulties which are listed in Mr. Helvering's memorandum, and it is possible that they may withdraw their suggestion or certainly think less of it after a discussion with the people in the Bureau of Internal Revenue.

If you think it advisable, I could arrange a meeting for a discussion of the problem between Wayne Taylor, or his man McClure, and some of the people in the Bureau of Internal Revenue.

Mr. Haas is
arranging the meeting
apr 1/43



TREASURY DEPARTMENT
WASHINGTON

MAR 26 1943

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

IT:Cl:TGA

MEMORANDUM FOR Mr. George C. Haas,

Division of Research and Statistics.

The attached memorandum from Mr. McClure to Under Secretary Taylor of the Department of Commerce, relating to the use of duplicates of the corporation income tax return forms by the Census Bureau in connection with its Census of Manufactures, is being returned.

This memorandum was transmitted by you informally to the Bureau of Internal Revenue on March 22, 1943, with the request for comments in respect to the suggestion contained therein.

There are a number of factors involved in the suggestion which seem to me should be rather thoroughly explored.

1. Executive Order Required --Section 55(a) of the Internal Revenue Code provides for the inspection of income tax returns only upon the order of the President, under rules and regulations of the Secretary with the approval of the President.

Section 4630.35 of Treasury Decision 4929 issued thereunder requires that the names of the taxpayers whose returns are to be inspected be stated. Therefore, in order to comply with the suggestion, an Executive Order would be necessary to waive the present requirement of specifying the names of the taxpayers whose duplicate returns are to be given to the Department of Commerce.

2. Ownership versus Establishment Basis --The Census of Manufactures is based on establishment, while the corporation income tax returns are filed on an ownership basis which consolidates the financial and other data for all the separate establishments in one set of figures. With the restoration in the 1942 Act of the privilege of filing consolidated returns, the opportunity exists for reporting in one set of figures the results of an even larger number of establishments than formerly. This prevents any satisfactory industrial classification on an establishment basis, a type of classification which is so important from the standpoint of a manufactures' census.

2 - Memorandum for Mr. Haas.

Moreover, for the same reason, the consolidated return voids the possibility of a geographic distribution of the establishments according to physical location in the case of the integrated companies.

3. Filing Periods --There is a constant increase in the number of corporations shifting from a calendar to a fiscal year basis. The effect of this upon the comparability of the data taken from tax returns with the other data to be included in the manufactures' census and with prior periods is a matter which should be closely examined.

4. Extension of Time for Filing Returns --The necessity for delay in filing returns because of contingencies of one type or another which are of a particularly serious nature at this time may preclude the Census from early access to many of the more important returns. The effect of this delay on the Census is not known.

5. Statistical Detail Omitted from Tax Returns --Frequently, corporations omit the data for a number of items appearing on the tax return blank; because, in their particular instance, such data are not essential to the determination of their tax liabilities. From a tax administration standpoint, these omissions are not too serious, as the corporations make the detail available to the income tax agent directly from their books at time of the field audit.

6. Primary Purpose of the Tax Return Form --The tax form follows the taxing statute and is therefore subject to frequent change with its primary objective being that of aiding the taxpayer to arrive at the correct tax. In order to meet the needs of the Census, it may require classifications and items not precisely comparable to those defined by statute. The technical considerations involved in this factor require much detail study.

On the general proposition, I have to recommend that the suggestion be discouraged for several reasons, among which are:

(1) The importance of our tax returns to the collection of the revenue is such that a diversion of their use for statistical purposes by other agencies may cause them to be looked upon by taxpayers as something other than purely instruments of taxation.

3 - Memorandum for Mr. Haas

(2) Tax administration has become so complex and technical that efficient administration requires that all matters not directly related to revenue collection be avoided. Once the gates are opened, as suggested, increased demands are apt to be made for the use of the returns by any number of agencies and to add many items to the return forms which are not strictly related to tax determination.

(3) As a practical matter, I do not believe that the information supplied on the returns will satisfy the needs of the Census Bureau.


Commissioner.

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

March 17, 1943

MEMORANDUM

To: Mr. Wayne C. Taylor
Under Secretary of Commerce

From: Howard H. McClure

In developing a statistical program for the Department of Commerce, I have tried to follow the criterion of completely utilizing existing sources of data which have been in existence for some time and which are now and will continue to be needed by various government agencies indefinitely. One such source of which the Department is making very little use at the present time is that of corporation income tax returns of the Bureau of Internal Revenue. After considerable investigation of the information collected annually by the Bureau of Internal Revenue on these tax forms, it appears entirely feasible and in the interest of economy both to the government and to industry for the Department of Commerce to utilize corporation income returns as a partial substitute for information now collected biennially by the Bureau of the Census in taking the Census of Manufactures.

A comparison of the data collected by the Bureau of Internal Revenue and the Bureau of the Census for the year 1937 reveals the following:

	BIR Number of (active) Corporation Returns	C of M Number of Establishments	BIR Gross Sales (Millions)	C of M Value of Products (Millions)
All manufactures	91,979	166,794	60,244	60,713

This comparison seems to indicate that for the purpose of securing such market data from manufacturers the corporation income tax returns should yield satisfactory figures on many of the more important "general statistics" heretofore published in the Census of Manufactures. For example, the heading of the tax return provides



Memorandum to Mr. Wayne C. Taylor
March 17, 1943
Page 2

information for classifying corporations by industries; items 1 and 4 give sales figures which serve the same purpose as value of products obtained on the Census reports; items 16 and 17 and Schedule A contain payrolls and compensation of officers; Schedule A in addition shows inventories at the beginning and at the end of the year which compare with the sum of inventories of "materials, supplies, etc.," and "finished products" as obtained by the Census; materials purchased during the year as reported on the tax return compare with the like census figure. The itemization requested in the instructions for filling out the tax return doubtless will provide inventory and materials data in at least as great detail as published in the Census tables.

Therefore, the only change in the present corporation income tax return necessary to supply the Department of Commerce with practically all the information it needs to publish the general statistics for a Census of Manufactures would be a figure on total employment. The addition of this figure should not prove burdensome either to industry or Treasury, since some figure on employees affected by the withholding tax will probably be essential to the Treasury Department.

In order to keep the statistics on a timely basis, I should like to suggest that the Bureau of Internal Revenue ask manufacturers to include an extra copy of their income tax return, which can be on a different colored paper from the return received by the Bureau of Internal Revenue to facilitate identification, and that this copy be properly marked for the confidential use of the Department of Commerce in compiling industry statistics. These forms could then be forwarded, without delay, to the Census Bureau direct from the offices of the various collectors.

It is rather difficult to estimate the saving that would result from this cooperative venture, but on a basis of previous census costs, especially the very heavy expense of a field enumeration, the saving to the government should be at least \$500,000 a year as well as considerable saving of manpower. The saving to the respondent, by making it possible for the Department to utilize figures for census purposes which have been compiled already for tax purposes, is also very hard to estimate, but based upon reports received from manufacturers on how much it cost them to compile special figures for census purposes, the saving should be several million dollars a year.

W. H. Cline
Assistant to the Secretary

March 30, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I am arranging for another meeting with the OPA people on their enforcement problem to be held in my office tomorrow morning.

Notwithstanding the difficulties we face as to (1) weak enforcement laws, (2) shortage of appropriations, (3) lack of manpower, I intend with your permission to make the following proposition to them, to which Guy Helvering agrees:

(1) We will select what seems to us the most aggravated situation and undertake an investigation as to one or two cases involving black market operations. This investigation will be done by Alcohol Tax under Elmer Irey's direction and with the assistance of OPA investigators, who will work under our orders.

(2) We will put Harry Dengler to work reorganizing their enforcement organization and for that purpose Dengler will work very closely with the crew assigned to the first investigation.

Frank Wilson and Al Hall have men at work surveying the production and distribution of the ration books and cards so as to give better protection against theft.

Speck of the General Counsel's office is working on the terms of an Executive Order to give us concurrent authority to investigate OPA violations. Their law is very weak since all offenses are misdemeanors only and there is no power of search and seizure. It may be that as we get into the situation we will develop facts which will enable them to get a better law.

They will have no funds for transfer to us until after July 1, so we will have to proceed at our own expense.

e.K. pmj

MS

*Shaw
to White
3/31/43*

THE WHITE HOUSE
WASHINGTON

March 30, 1943.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

Mr. Eden (he is not a Sir)
is going to do the best he can
about the de Gaulle franc and
will push it again as soon as
he gets back.

F. D. R.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN CONSUL, Algiers
TO: Secretary of State, Washington
DATED: March 30, 1943, 1 p.m.
NUMBER: 514

MURPHY AND GLASSER SEND FOLLOWING FOR SECRETARIES
OF STATE AND TREASURY:

The United States Government has been requested by Tron to sell to Frenchmen resident in the United States North African securities. The introduction of the securities issue is proposed to coincide with the announcement of unification with de Gaulle's forces. With the exception of payment being in dollars, the terms of the issue are intended to be similar to the terms of those issued in North Africa. The purpose of the issue, according to Tron, is for psychological and propaganda reasons than for the funds to be acquired. Tron points out further that General Giraud considers this matter as of great importance.

In reply to Tron we indicated that there might possibly be complications with regulations of the Securities and Exchange Commission as concerns immediate action. However, the Government here attaches greatest urgency to a reply. A similar request to Brazil has received a favorable reply, but those addressed to Britain and Spain have thus far elicited no replies.

WILEY

S:WDM
DFB

4-1-43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
 FROM Frances McCathran

March 30, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax Legislation - The House of Representatives, it appears at the moment at least, has managed to get itself into as tight a stalemate on the tax issue as did the House Ways and Means Committee in its weeks of debate. With supporters of both the Ways and Means Plan and the Ruml Plan irrevocably, according to their own statements, opposed to any middle ground, and with exponents of any of the various compromise measures reportedly unable to muster a majority, only alternative appears to be the recommitment of the whole question to the Committee. However, some quarters predict that the House will pass some sort of a measure, obviously unsatisfactory to all concerned, and thus leave the major decision up to the Senate. Still again, backers of the two major plans claim to have the necessary support lined up for the passage of their respective measures. House discussion yesterday ended the four days of formal debate, and speakers today will ~~be~~ limited to five-minute periods in an effort to reach a vote on some of the alternate proposals to the Ways and Means Majority Bill. Among the more significant remarks in yesterday's lengthy discussion were those of Representative Disney who inquired whether Mr. Ruml has "advised his associates in the store business that they would be nothing out if they forgave all their accounts receivable, some \$7,000,000? That they would still be on an even keel, under his theory, if they canceled out the lay-away plan entries and delivered the merchandise... Stripped of its falsity, what the Ruml Plan amounts to is this: That the taxpayer gets 2 years' income and pays only 1 year's taxes. Duck and dodge and evade as they may, the proponents of the Ruml Plan cannot escape this issue." Voicing equal disapproval of the Ruml-Carlson Plan yesterday were Representatives Mills, Cox and Whittington, but among those speaking in its favor were Congressmen Jenkins, Gifford, Bolton, Bell, and Robsion.
2. Labor - Senator Connally is expected to report to the Senate today a bill, approved by the Senate Judiciary Committee.

authorizing the government to take over plants producing articles necessary or useful in the progress of the war but interrupted by a strike or any other labor disturbance. At present, the government has the authority to seize and operate a plant only if it is closed through some default on the part of the owner. Meanwhile the farm bloc is allowing the farm parity issue to remain temporarily dormant, after Administration predictions that the matter would only add fuel to the fire of the Lewis mine wage demands.

BRITISH MOST SECRET
U.S. SECRET

OPTIM NO. 105

Information received up to 7 a.m. 30th March, 1943.

1. NAVAL

During 28th/29th, at least 12 E-boats were operating off the East coast, 2 of our motor gun boats sank 2 of them and seriously damaged 2 others. On 27th, one of H.M. escort carriers sank near CUMBRAY in the FIRTH OF CLYDE after an internal explosion. Survivors picked up. One of H.M. submarines is overdue from patrol in Mediterranean and must be considered lost. On 28th, Russian aircraft sank a 7,000 ton transport in the Black Sea.

2. MILITARY

TUNISIA. 8th Army. During the night 27th/28th, our patrols found that enemy positions in the MARETH LINE had been thinned out. On the 28th, our troops advanced and about 5 p.m. forward troops of Fourth Indian Division and a U.K. Brigade reached TONJAF, ZFLTYN AND BAIWATA while forward elements of 51st Division had attained a line 2 miles beyond ZARAT-MAPUTY. By last night 50th Division had occupied AFPOQ and MAFFTH. In the EL HAMMA area our Armoured forces which concentrated just South West of the Village contained the enemy throughout the 28th. Meanwhile 8th Armoured Brigade and leading brigade of New Zealand Division advanced East and reached an area 15 miles South West of GAFES. Much equipment and many prisoners were taken.

29th. By midday 51st Division which had passed through the Mareth Line reached an area 4 miles South of GAFES while Indian Division was 15 miles South West of the town. No opposition was met. EL HAMMA village was occupied and 1st Armoured Division reached an area 2 miles to the North East and North. Second New Zealand Division occupied GAFES.

U.S. SECTOR. In the GAFSA area our attack to capture the high ground North and South of the GAFSA-GAFES road began on 28th. The advance was stubbornly resisted but by evening U.S. Forces South of the town had partly captured their objectives and to the North their lines about 11 miles East of EL GUETTAR. Advanced elements of the force which took FONDQUE are now 5 miles South East of the town. French camel troops have occupied DOUZ. French Sector reconnaissances in force were carried out and some prisoners taken.

FIRST ARMY. 28th. In the morning, our forces launched a limited attack astride the DJEREL ABOID-SEDJENAVE road. By afternoon those to the East of the road had reached an area about 6 miles North East of the DJEREL ABOID while on the West they advanced Northwest after successfully beating off enemy counter attacks. Many prisoners were taken.

3. AIR OPERATIONS.

WESTERN FRONT. 28th/29th. ST. NAZAIRE. 341 tons of H.N. and 326 of incendiaries were dropped - good weather, no cloud and crews could distinguish ground details until smoke intervened. Attack over in 30 minutes. Marker bombs dropped very accurately and bombing well concentrated around them. Mass of large fires caused many reports of several large explosions. Anti-aircraft moderate but not very accurate searchlights ineffective.

29th. 39 escorted Venturas bombed shipping and ship yards at BOTTIDAM and railway objectives North East of DORDRECHT. 6 enemy aircraft crossed the South coast, 1 was destroyed, 1 Typhoon missing. Bombs were dropped about 11 a.m. on BRICHTON and NOVE where 17 persons were reported killed.

29th/30th. Following bombers despatched -
Berlin - 320 (20 missing)
Bochum near Essen - 157 (12 missing)
Seamining - 7
Dortmund - 1

5 aircraft crashed in U.K. or in the sea.

BERLIN. Weather bad en route but clear over objective. Fires scattered at first but some concentration obtained later.

BOCHUM. Fires scattered and no heavy concentration obtained.

TUNISIA. 2⁰th. 292 offensive sorties were flown against ground targets in the GAFPS/FL HAMMA area. Enemy casualties - 9. nil 2. Allied - 5 missing.

BERLIN. Weather bad en route but clear over objective. Fires scattered at first but some concentration obtained later.

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TUNISIA. 2nd th. 292 offensive sorties were flown against ground targets in the GAFPS/FL HAMMA area. Enemy casualties - 9. nil 2. Allied - 5 missing.

March 31, 1943
9:10 a.m.

OCCUPATION CURRENCIES

Present: Mr. Bell
Mr. Patterson
Mr. Forrestal
Mr. White
General Carter
Commander Strauss
Mr. Feis
Mr. Coe
Mr. Hall
Mr. Pehle
Mr. Luxford

H.M.JR: I would like to say as we start that what we are bringing to your attention isn't at all what the English want, but it is what we think would be good for the United States.

I think that what we did in Africa worked out pretty well. Certainly it did from the Treasury's standpoint. I don't know whether the Army and Navy were pleased. We think this is much the simplest way.

Of course, they are worried about a lot of things which I don't think, necessarily, should be our worries. (Memorandum distributed, copy attached.)

Where would you like to start, gentlemen?

MR. FORRESTAL: What will the ultimate idea be, to call in these special notes, Henry?

H.M.JR: What has happened in the case of what we call the gold seal, it always flowed to the banks there in North Africa and we either have or will redeem it and give them a dollar credit.

- 2 -

It has this advantage, that they have either these gold seal dollars or dollar credit, with the result that all goods for civilian lend-lease is going to be sold because they have got enough money. Instead of giving it away to them, as we would normally, they have got this money and they are going to pay for it. That is the program as I understand it.

COMDR. STRAUSS: Has Gresham's law operated? That is to say, has the existence of an inferior currency driven dollars in Africa into hoarding by the local population so that it has substantially disappeared?

H.M.JR: A little bit. Practically all of it shows up in the banks. Isn't that right, Harry?

MR. WHITE: Some is beginning to be hoarded now, particularly in Morocco.

COMDR. STRAUSS: I would expect that to happen in Europe, that if an inferior currency was still legal tender in any amounts, you would find our money disappear.

MR. WHITE: You have the advantage in this yellow seal currency, however, of deciding at sometime in the near or distant future to have it all turned in, in which case there wouldn't be much use in hoarding it.

H.M.JR: You mean you could announce as of June first, all gold seal currency must be turned in; if it isn't it becomes worthless?

COMDR. STRAUSS: Printed on the bill itself?

MR. WHITE: No, but the bill has a special designation.

GENERAL CARTER: One problem in West Africa is there is a deficiency in local currency. Whether it is being hoarded or not--

(The Secretary exhibited the gold seal currency.)

MR. PATTERSON: Do we each get a souvenir of that? (Laughter)

H.M.JR: Yes

- 3 -

MR. PATTERSON: What happens if we try to pass that?

H.M. JR: If the teller was smart he would refuse it, but this Hawaiian currency comes back into San Francisco and that hasn't been caught.

COMDR. STRAUSS: They tried to pick that up.

MR. WHITE: We haven't placed any restrictions upon the yellow currency because there isn't enough of it.

H.M. JR: The difference between me and Sir Frederick is I give you the real thing. Look at the stuff he gives me. That is a specimen. (Laughter) (BMA note exhibited.)

MR. WHITE: Sir Frederick Phillips came in late last evening, Mr. Secretary, with some statements from his government bearing on this point, when you are ready to consider it.

GENERAL CARTER: There are some areas in which we will have to arrive at a rate of exchange, or at least the value of the dollar, when we go in.

For example, in Italy we would have to have it understood what the dollar would be worth in Italy.

H.M. JR: Well, what we figured was that whatever the country is, that sometime or other you will do what you did last time - let us know in strictest confidence. I forget how long - a couple of months in advance you let us know.

GENERAL CARTER: About two months.

MR. WHITE: I think the General has in mind that after you go in and after you set the rate of exchange, that since you don't get the whole country under your control - or you may not - that you may be confronted with increasing and rapid depreciation of the local currency which would necessitate periodic alterations in the exchange rate, which might well happen.

MR. PATTERSON: And a flow over the border of the currency.

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MR. WHITE: Yes, in the part that you are not occupying. There may be a number of reasons why the depreciation is rapid.

GENERAL CARTER: In Libya the rate on the lira is four hundred and eighty to the pound. That immediately raises the question as to what it would be if you went into Italy.

H.M.JR: Well, we would have to do what we did last time, come to an agreement with them and then let somebody higher up change it for us. (Laughter) After we agree on it.

MR. PATTERSON: What is the rate now in Algeria?

GENERAL CARTER: Fifty.

MR. WHITE: In Tangier where there is a free market, it is seventy-five.

MR. FORRESTAL: How does that tie to the currency of the country?

MR. WHITE: Some filters back and forth, almost as though you are giving them two separate entities.

MR. BELL: It went fifty to the dollar, Bob, by direction.

COMDR. STRAUSS: It would be considerably greater when you get into a European country with no sea barrier. Have you considered it expedient, as in the last war, of having all the notes - all the local currency presented to the banks for stamping on a certain date, and everything that hadn't been stamped was invalid? It has the advantage, it seems to me, of limiting and giving you definite information as to the amount of outstanding currency for which you are responsible.

MR. WHITE: You might wish to do that under certain circumstances such as the one that I think the general had in mind. You go into Italy and you are dealing with

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successive depreciations, or the enemy is pouring a lot of currency in indiscriminately into the area over which you have no control. You might want to distinguish the currency in existence in the country that you are going into. You can best determine that on the ground. It is a rather lengthy and difficult process, but would have to be done in certain circumstances.

COLDR. STRAUSS: In Czechoslovakia and Jugoslavia--

MR. LUXFORD: If that were an enemy measure, I doubt if that would be enough protection. They would duplicate the stamp.

MR. BELL: The scheme in number two, you will have the currency clearly distinguishable.

MR. WHITE: Yes, if you use two.

MR. BELL: You could make a rate of exchange between the two currencies.

MR. PATTERSON: The principal thing that interests me is the suggestion that this be a local currency of a new sort. In thinking before, I thought that they had agreed that except for the immediate invasion stage when we would use the special marked currency with the gold seal, they would go over to the local currency, as in North Africa.

H.M.JR: The trouble with that is this: In the first place, we doubt whether you would have enough, and one of the things here was the question of secrecy; and if we had to print currency for you - I mean, you used Italy, so I can stick to Italy. You say, "We need so much Italian currency." I couldn't guarantee you secrecy. I had Mr. Hall here from the Bureau of Engraving, but he can't, with all of these thousands of employees, guarantee you secrecy. If, on the other hand, you said to us today, "We want some of this special currency," we would begin to deliver it to you in forty-eight hours. You could have the first shipment in forty-eight hours, which would take care of you for the first month.

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We were looking at it from your standpoint and the standpoint of secrecy. The British certainly have a lot of lira, and they want to use them. What I have argued here in the Treasury is that if we go into Italy, we will be there from three to five years, and the English will have ample time to use up their six hundred and fifty million lira that they have. There won't be any worry about that. They will use it.

And the other thing is, with the little experience I have had with these ministers of finance in exile in London, I don't think you can tell them anything.

MR. PATTERSON: The secrecy thing, though, is very important.

MR. FORRESTAL: No question of that.

MR. PATTERSON: That is a very urgent factor.

Would this funny money here - it would be funny to us and funny to the local people - would that carry any credit?

H.M. JR: We put the words United States Government on it and we think it would, and it wouldn't be in effect for more than a month or so.

MR. FORRESTAL: You mean have acceptance certainly by contrast with their local currency.

MR. FEIS: Would that be put in circulation by our forces, or would we seek some local banking--

H.M. JR: Either way.

MR. WHITE: Both. That is one of the things Patterson has in mind. We still continue to use the local currency as it comes in. There is no distinction drawn, once you get in, between the currency our forces use and the local currency in there. You go to that as quickly as possible.

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MR. PATTERSON: Why resort to that at all? Why don't we continue to use the dollar with the gold seal?

MR. WHITE: Chiefly because it is apt to be much more expensive. You go into an occupied territory, Italy or Germany - one of those countries - and you might end up by spending half a billion to three or four billion dollars in that area.

MR. PATTERSON: Not in this one month.

MR. WHITE: I thought you meant during the period of occupation.

MR. PATTERSON: No, no, you propose three stages. You propose a stage for the dollar with the gold seal, then this funny money, and then finally the local currency on an exchange.

MR. WHITE: No, the second and third series are identical except that you come in ready with the money instead of giving it up in other ways.

It happens to be a different appearing currency, but the unit of currency is the same, circulated at par, and established at the same exchange rate in either case; and in very quick time the local population, if they distinguish at all, it might have a preference for this currency, depending upon, as I say, how much of the area you take over. But there really are two stages.

MR. PATTERSON: I am abysmally ignorant on the whole thing.

MR. COE: One view on the second money was that you would probably in some areas be confronted with cases where there was just a lack of local currency and money in local denominations.

MR. PATTERSON: I understand the trouble was too much rather than too little, in most of these places.

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MR. WHITE: Too little in Morocco. We still have to use the dollars because in Spanish Morocco there isn't enough of the currency which we are printing for them, now. It will be another six weeks or two months before we get an adequate supply to them. However--

MR. FEIS: When they announced a rate that rate would set the terms of exchange built between the yellow seal dollar, this new local currency and existing local currency, which would be an identical rate for them both.

MR. WHITE: Right. They circulate at par. If you change the rate, you change them on both. Otherwise you would have confusion.

MR. LUXFORD: Would it be fair to say that if you went into a country where there was an ample supply, you might not need to use this currency at all?

MR. WHITE: You might after the Army on the ground decides the banks could supply local currency; this would be out.

MR. PATTERSON: I don't quite see the need of it yet. - an intermediate phase between your gold seal dollar and your local currency.

H.M.JR: Well, maybe I can explain it, because I also am not a technician. The reason to go to what you call phoney money--

MR. PATTERSON: I didn't say phoney, I said funny.

H.M.JR: Well, we had a much more dramatic name, spearhead currency. Anyway, this special U.S. military currency that is exchangeable for Italian currency and it is lira and not dollars, and we don't establish dollar credits - isn't that the thing, Harry?

MR. WHITE: That is right.

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H.M.JR: And as long as we use the gold seal we are - it is the same as giving them real dollars. When we begin to go to the other one - and the second intermediate one is simply in case there isn't enough local currency there--

MR. PATTERSON: What is the British objection to that?

H.M.JR: They don't want to use sterling at all.

MR. PATTERSON: They object to the first phase?

H.M.JR: Yes.

MR. WHITE: They reiterated their objection, Mr. Secretary, last night. They repeated that they do not propose to use full value sterling, and prefer we do not use dollars as spearhead currency. But that is a reiteration of their position - nothing new on that one point.

They also want to use the local currency which they have and which the allied governments have, and they communicate to us that most of the allied governments have objected strongly to the issue of dollars in sterling - what we call spearhead currency. The allied governments prefer that we not use dollars.

I can give you the reasons they describe.

MR. PATTERSON: Are the British using special money now, in Algeria?

MR. WHITE: No, they don't have any. They started to use these British military notes which the Secretary showed you, but they were equivalent to sterling, to all intents and purposes, because we tie them to the dollar at a fixed rate of four to one, and they were made interchangeable so that anybody could bring those notes in and get dollars for them. We would take the sterling and give it back to them, and they would give us dollars. So they were, in effect, the same.

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What they propose to use, now, is this British military note which they would not like to make interchangeable with the dollars; but they have not yet made a final decision on that because they are between the devil and the deep sea. If they don't make them interchangeable, their note becomes less attractive to the local communities that they are going into, and the dollars will soon go at a discount, which they feel will be an invidious comparison.

That is why they tried to get us to use something less attractive than the regular dollar. But they may be forced to follow the same step in the next operation as they did in North Africa; namely, using the British military note to begin with, but make it interchangeable with the dollar. But they will get out of that just as soon as possible, and in North Africa they were able to get out of it within two or three days. They got right into the local currency.

They got out in a hurry for two reasons, because people were showing a definite dislike for their currency as against the dollars; and secondly, they were able to get a supply of francs.

MR. FORRESTAL: You control the issuance of local currency?

MR. WHITE: Well, after you get in. That will be part of the Army's job.

MR. FEIS: Isn't it a fair surmise that there will be a much more probable need for this special local currency in enemy countries as compared with the countries, Harry, in which you have now got operating friendly governments situated in London, even though you don't consult them - and I agree that you can't.

H.M.JR: You agree on that?

MR. FEIS: I agree that you can't. I also think--

H.M.JR: Do you agree you can't consult them? Do you agree so far, that we shouldn't even consult them on the rate?

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MR. FEIS: No, sir, I think this strikes just the right line, but I think they will be likely to be opposed to the use of any such new local currency as we are suggesting, and although they are not consulted in advance, I think most of them will be in a position, very speedily, to let us have any needed supplies of local currency; even in the absence of prior consultation. And therefore I think, in practice, you will find that we can proceed in those countries - countries like Belgium, Holland, and so on, without resorting to the special local currency which you would have to use in the countries like Italy, and so on.

MR. WHITE: That raises a question which I think the Secretary would like to comment on - the difference in troops coming in after they have used dollars, and then coming in as the British would like them to come in, in some cases.

MR. FORRESTAL: I will have to leave, Mr. Secretary.

H.M.JR: I wanted you to know about it, but you people don't do anything. You just go ahead and spend dollars. You don't pay any attention to what we say. I just wanted to be polite, you know. (Laughter)

(Mr. Forrestal left the conference.)

MR. WHITE: That is all right in the Fiji Islands, but when they get into Indo China they will probably have to discuss these matters.

H.M.JR: Herbert, taking what you are saying, you are perfectly right, but it is comparatively inexpensive for us to print up some of this special currency. There is a great difference whether you go into a friendly enemy country or whether you go into Italy, for example; but one of the reasons - just to point out - I mean, if we had this special currency - which I think is particularly the State Department and the President - we are told that the English want to take all the lira out of Libya and substitute a special currency there and use the Italian lira in this military situation, which is a purely political thing. And I think certainly you people want to take a position on that.

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I mean, do you want to just suck out all this lira? We had that in mind. Do you get what they are going to do? Then they will give them some kind of British currency.

MR. WHITE: British military sterling.

H.M.JR: If we said, "Gentlemen, we don't need that, we have a special currency of our own," there would be some argument for you, but the State Department ought to definitely advise us on that.

MR. FEIS: We are preparing it right now. I don't think we have any anxiety at all regarding this plan applying to countries like Italy. In the case of our allies, I think the feeling will be, if it is at all possible, to avoid using any new local currency of our own making. See whether they can provide any local currency we need at once, the chances of which, I suppose, are entirely dependent on the course of the military campaign.

It may very well be that, as this thing develops, the element of secrecy in some situations will just fade. That is, you may be in one country on the border line of another country, and it is no secret that as soon as you can you are going to try to break through to the next country. It is hard to foresee.

H.M.JR: Herbert, what I would like to do, unless these people feel very strongly - the State Department feels very strongly about it - is this, because we will have a fight with the English. I would like to get an agreement; one, we are to use our gold seal currency in the first instance; then to have Mr. Hall print up some of this and have it in stock. Then, after all, the expense involved, compared to military operations, is insignificant. It is there; and then - but it takes time to do that. I mean, unless he cuts these dies. Supposing he has the dies and everything ready - that is all you would have to do, isn't it?

MR. HALL: And buy the paper.

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H.M.JR: But you wouldn't do anything only just have it there, and then if General Carter or somebody said, "I have to have it, as of yesterday," the ship is sailing, or the airplane, and you want it - it is there if you are short of currency. If you don't want it, and you have enough local currency, O.K.

It seems to me it is just a good precaution.

MR. PATTERSON: Yes.

H.M.JR: What harm can there be?

GENERAL CARTER: To supplement the local supply if there is a shortage?

H.M.JR: Just if necessary. If you don't want it, all right.

GENERAL CARTER: It would be in blank until we call for it?

H.M.JR: Until you call for it; then it is just over-printed with whatever country you say.

Mr. Hall says that within forty-eight hours from the time you specify the country, he can begin to deliver it to you.

MR. PATTERSON: Do the British also object to our use of any of that money? Do they want to take their money?

MR. WHITE: No, no, in fact they want us to print some for them of this money. The difference will be that theirs will be British military notes and ours would be United States.

But they would, as I say, prefer that we not use the dollars, but this special currency, or local currency, that would be provided and is being made available by the various allied governments, already.

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I am not clear from Mr. Feis' view, and I think that is one of the points we need to clear up. He said he would not discuss "A", the exchange rate. That is clear.

"B", the British--

MR. FEIS: No, I agree with you that I think it is appropriate to handle the exchange question as stated.

MR. WHITE: As stated - ask them for a memorandum, and that is all?

MR. FEIS: That is right.

MR. WHITE: Then the further one - "B" - is, if you rely on the use of this special funny money for local currency, and leave for determination as to whether you will use that, or whether you will have adequate supplies of local currency after you get in - leave that for the determination of the Army on the spot after a week or two or three of operations. Then there is no need to conduct any negotiations or any discussion with the allied governments as to using their money. That has the advantage of reducing discussion with any exiled government to a minimum on this front, at any rate.

If, on the other hand, you want to use their local currency when they go in, as the British wish to do - the British wish to come in equipped not only with the British military sterling, but also, if it is France, with French francs. That is not a good example, but with Belgium with the Belgium currency, after they have had discussions with the Belgium government - after they have had arrangements for the currency which the Belgium exiled government is printing in London - made available to them. So that is that.

I don't know whether there has a clear decision been made on that point.

I gather that we would prefer not to have any discussions with the allied governments at all, but after you go in a territory, then you can see what you want to do.

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GENERAL CARTER: The War Department has taken that position in the case of the Belgian government. We did not want to discuss it in advance.

MR. WHITE: Other than this request for a memorandum from each of the allied governments. That is the only contact they would have between this government and that, with respect to currency matters.

That is the issue, I think, that has to be clarified.

H.M. JR: Would you be worried if we asked very one of the countries - each country for a memorandum?

GENERAL CARTER: I suppose if it were done generally it would--

MR. WHITE: There are ten of them.

MR. PATTERSON: That element could be used on printing of the money. If you saw fit you could print some of every country's money.

H.M. JR: Well, that was the original suggestion, that we print the dies for each country, and I said, "No, I don't want to do that," because it is - well, it is up to you people.

MR. PATTERSON: I wouldn't like that, really, though. It savors a little of forgery.

MR. WHITE: That is what the Secretary felt.

MR. PATTERSON: I should think it would be resented.

MR. WHITE: That is one of the reasons - the Army coming in with its pockets filled with the local currency of the country, the Secretary felt as though - for instance, if the Japanese appeared here with their tills full of United States currency - new currency - the feeling would be that it was counterfeit. That is the chief reason the Secretary preferred to use the authorized gold seal in the earlier stages - something very definitely United States military authority.

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There was no camouflage about it; the implication was that it was a definite currency used by the military forces, and not either counterfeited or looted currency.

H.M.JR: When I was in Lisbon, a place that is just filthy with brand new Bank of France thousand-franc notes - just filthy with them - and as Harry said, the thing - the first month when you land in one of these countries, and your pockets are full of their currency, the people can't help but be suspicious. Those people are so much more sensitive, even than we are over in this country.

MR. WHITE: Though, as a matter of fact, you are not taking any more out of it. It appears to the people that you are cheating them out of something - coming in their country with their money. They are not able to figure out the fact that there is not a great deal of difference between getting it that way, or printing it yourself; but I think there is a somewhat different psychological reaction.

MR. FEIS: Mr. Secretary, I think I can clear up Mr. White's fear that there may be obscurity.

I suggest that if there is an agreement, that the discussion - and I am now only talking about friendly allied governments - there is an agreement that the consultation - prior consultation with those governments be limited with requests for a memorandum on exchange rates, and that there shall be no prior discussions looking forward to having their supply in local currencies, but I think also--

H.M.JR: Well--

MR. FEIS: We are not to enter into prior discussions with them, but the purpose of having them arrange to supply local currencies - I agree to those two features of this memorandum.

I also anticipate that their preference will be strongly against having us use any new and special local currency, and that, therefore, the moment military considerations

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permit, which might be one hour after our troops land, or in circumstances where military secrecy may just not be present, and that may also occur as this campaign goes on - in either of those two cases, then, we immediately ascertain whether they cannot provide us with all the local currency we may need, in which case we will not have to use this new special currency.

MR. WHITE: Something more than that--

H.M.JR: That is all right.

MR. WHITE: I think there is something a little more than that. .

H.M.JR: Just wait one minute, please. But you also agree that it is wise to have some of this special currency in the Bureau of Engraving?

MR. FEIS: Yes.

H.M.JR: Now, hurry?

MR. WHITE: You have been directing your comments with respect to security, which is real, but I think in addition to security, even though the thing, for reasons of security you may be able to discuss with them, there is the further fact that it is felt that the less we discuss matters of this importance or significance with exiled governments the less commitments of a political character there are with any existing government. You have a freer hand, which the State Department would wish. And I think it must be borne in mind that the exiled governments in objecting to our use of dollars - in insisting that we use their local currency - do not have the interests either of the occupation or the military invasion - or possibly the people - at heart.

What they are chiefly concerned with is, I think, strengthening their own status with respect to the government to be dealt with. I think we can't be naive on that score.

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Therefore, I think that we agree with you up to the point that after the Army goes in there, and after the authorities are in there, there will be other considerations beside security which the State Department and the Army will wish to take into consideration whether or not they go into local currency.

H.M.JR: I don't see but what you arrive at the same end, Harry.

MR. WHITE: If we do, fine.

MR. FEIS: We arrive at the same end, but there is one statement Harry made that I don't know whether I understand. You are suggesting, Harry, that they are going to object to our use of dollars.

MR. WHITE: They have - they do.

MR. FEIS: Well, I am not nearly--

MR. WHITE: They communicated that through the British Treasury last night.

MR. FEIS: I am not nearly as afraid of that as their objection against our use of a special new local currency. That, I think, would be the point of dispute. But I agree, at least, to the same conclusion that--

H.M.JR: General Carter was going to say something, weren't you?

GENERAL CARTER: I would be interested to know what the British view would be if our position is that we are not going to discuss the use of friendly allied currency. If they don't agree with our position, and have had discussions, say, with Holland, we are in a difficult position to make a change to anything but whatever they have agreed to, after we stop using the gold seal dollars.

H.M.JR: Look, General, when we started on this thing, before the African thing, the English went so far as to

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say they had this money printed and they wanted us to use it.

GENERAL CARTER: That is right - their BMA notes.

H.M.JR: We refused to do it and said we would use our own. I think we are in a strong enough position. All I can concern myself with is for the benefit - I say the Army and Navy is, up to the time you land - and then you are going to do what you think - the commanding general is in charge, isn't he? And if, out of this meeting, the State and War and Navy say, "All right, we are in agreement," then I am willing to take on negotiations vis-a-vis the English. There is no use prolonging it.

If Mr. Patterson says he wants to think about it, or if he wants to express himself, all right. If the State Department - if Mr. Feis says that - unless he wants to consult his superiors - if he is satisfied, I am satisfied with what he has told me, to go ahead with Sir Frederick Phillips, if the Army and Navy are satisfied. I mean, that is up to the time - I just take up to the time you land.

GENERAL CARTER: It is pretty clear we want to use the dollars.

MR. PATTERSON: Yes.

GENERAL CARTER: We want to use the dollars.

H.M.JR: Up to the time you land, then. When you land the commanding general takes over? Isn't that right?

MR. PATTERSON: Yes.

MR. BELL: If he wants the new currency, you have it for him.

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H.M.JR: If he wants something else, we will try to get it for him.

MR. BELL: If he wants to use dollars until he gets in touch with the local authorities and have their own currency printed just like Africa--

MR. FEIS: Again I say, that in the case of these friendly countries the transition from dollars to some new local currency is a decision that ought to be discussed back here before it is taken by the local commanding general. As long as he is operating on dollars there is no question. It is the transition, but that, I think, raises the question--

MR. PATTERSON: No doubt of the fact it is a good thing to have this in reserve.

H.M.JR: Well, the commanding general - if they are all as good as Eisenhower, they will always send word back for advice.

GENERAL CARTER: Yes, sir.

MR. BELL: A good many of those decisions are kept back here purposely, aren't they, General?

H.M.JR: How about Commander Strauss?

COMDR. STRAUSS: I think this is a very intelligent arrangement. I haven't any suggestions to offer.

H.M.JR: How about BEW?

MR. COE: We liked it. I think on the last question, that it should prove very helpful to the Army and Navy if they, when the policy decision is made that you are going to call in the government in exile, and it takes over, that then the monetary arrangements with that country become more intensive. Otherwise you are in an awful--

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H.M.JR: Maybe I am putting my head in the sand, but I think if we can get this straightened out with the English up to the time you land, and then have this other currency in reserve, it seems to me that is about as far as you can see ahead.

MR. PATTERSON: Yes, sir.

H.M.JR: Is that all right?

MR. PATTERSON: Yes.

H.M.JR: The English aren't going to like this.

MR. WHITE: The English want to reserve the privilege and they think they will pursue the practice of coming equipped with their British military notes and with the local currency which the exiled governments have made available to them, even if we don't. They want to be able to use either one from the very start - whichever they prefer.

The reason for that is they realize that if they use the British military notes, they have to tie them to the dollars as they did in North Africa and it becomes equivalent to dollars or regular sterling.

They want to use the local currency which they feel won't cost them anything, as quickly as possible.

MR. LUXFORD. Doesn't that commit us to use that local currency, too, if they want to?

MR. WHITE: I think not. They use local currency; we can use whatever--

MR. LUXFORD: There it is in circulation. Are you going to have three currencies in circulation?

MR. WHITE: No, no, just two local currencies.

MR. LUXFORD: And the refugee currency.

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MR. WHITE: Refugee currency? What is that?

MR. LUXFORD: You have the currency they are circulating now, the refugee government currency--

MR. WHITE: That is the local currency. That is the one they are going to get.

MR. LUXFORD: It will look different than the other.

MR. WHITE: Oh, yes, the American - there are lots of notes. Notice the United States notes; one is silver and one is a Federal Reserve banknote. They are different appearing, but they are dollars.

GENERAL CARTER: That seems to me to be rather confusing to the commander because if the British go in and immediately are equipped with local currency, and they get off of their BMA notes as fast as they did in North Africa, it seems to me that we are committed to that currency, then, at once.

MR. WHITE: I don't think so. You are only committed to the acceptance of that local currency on the same basis as any other local currency, which is perfectly all right, because you are not committed to any of it until you make a decision to commit yourself under any terms that you want to. Subsequently, it leaves you a perfectly free hand.

MR. BELL: Haven't we got to have an agreement with the British?

MR. WHITE: It doesn't matter, just as it doesn't matter now.

H.M.JR: I think this - I think if they use B&W - (Laughter)

MR. COE: That is not the funny money. (Laughter)

H.M.JR: PWA currency. (Laughter)

I think what we should say to the English is this: "If you insist on going in with your BMA, British Military Authority notes, we go in with gold seal. Then before we

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shift to the local currency, we certainly should consult with each other." That is the point you are making.

GENERAL CARTER: That is right.

H.M.JR: That we should consult?

MR. FEIS: Yes, sir.

GENERAL CARTER: In other words, they will not go in with local currency in hand and begin using that until it is agreed upon by both.

H.M.JR: Both Commanding Generals?

GENERAL CARTER: I should think so.

MR. FEIS: Yes. I agree with the General.

H.M.JR: That is the point you made.

MR. BELL: Yes. I do agree with what Feis says about the local currency one hundred percent.

H.M.JR: what is that, Dan?

MR. BELL: About consulting the exiled governments.

H.M.JR: That is just what I said.

Is it agreeable to you that I take on these very pleasant negotiations with the British and then report back?

MR. PATTERSON: All right.

MR. BELL: I have two questions I would like to raise - rather unpleasant, one of them. We have no appropriation with which to print this currency, and I wonder if the Army can pay for it.

H.M.JR: I took that for granted.

GENERAL CARTER: We can pay for it, sir.

MR. BELL: You will pay for the printing of it. Mr. Hall works on a reimbursable basis, mostly.

The other thing is you said that there would be no dollar credits established for these countries where this currency is going to be used. I think, again, that the War Department in buying this currency, are getting this currency from us, ought to pay for it at the rate of exchange established and we ought to set up dollar credits on our books.

H.M.JR: I am willing for you and General Carter and Harry White to work that out. I think it is important we have something back of it, even if it is only a credit on books.

You don't want to get into that, Feis, do you?

MR. FEIS: No, sir.

MR. WHITE: It is strictly an accounting procedure.

MR. BELL: More than accounting.

H.M.JR: Well, if Bell and Carter and you get together on that, whatever you agree - is that all right with you, Bob?

MR. PATTERSON: Yes, sir.

H.M.JR: What else, Dan?

MR. BELL: I just thought somebody might be interested in seeing twenty billion dollars' worth of securities.

MR. WHITE: I think it might be interesting to this group to show the deterioration in the Treasury. We had a discussion, and when we ended up, Mr. Hall said to Mr. Bell, "Oh, by the way, Dan, there is twenty billion dollars I would like to give you." (Laughter)

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(Certificates handed to the Secretary.)

H.M.JR: What is this?

MR. BELL: Those are one-day certificates we give to the Federal, certificates for our overdrafts. A hundred million dollars apiece.

MR. HALL: That is the second order in a month; forty billion in one month.

H.M.JR: This is the way we got the Huml plan defeated; I took this up in my pocket. (Laughter)

We got votes changed - we gained nineteen votes. A little expensive, but worth it. (Laughter)

MR. WHITE: Before you end this meeting there is one question that needs to be decided. Mr. Feis, I don't think, understood because he didn't give you the answer to it.

The British have asked us for permission to absorb the Libyan currency and replace it with sterling, in order to equip themselves with lira in case they need to use it.

Now, I don't know whether Herbert commented on the fact that he has or has not a concern with the question--

H.M.JR: May I answer for you? He says he will give us a written answer.

MR. WHITE: - I am sorry - I beg your pardon.

One other point the British made--

H.M.JR: Listen, you can't be like a photographer, who always says, "One more." (Laughter)

MR. WHITE: Phillips wanted me to be sure to point it out. I would like to point it out, and then pass, because we have considered it carefully.

Treasury Department
March 30, 1943.

SECRET

MEMORANDUM REGARDING INVASION AND OCCUPATION CURRENCIES

There is submitted for consideration the following Treasury recommendations and summary of the more important considerations governing these recommendations on some of the problems of invasion and occupation currencies.

1. In the invasion stage the United States armies should use regular United States currency with a yellow seal and some other minor distinguishing mark.
 - (a) No other type of currency can be expected to be as eagerly accepted by the local population.
 - (b) The additional expense of using regular dollar currency instead of special dollar currency would not necessarily be great. Part or most of the costs of occupation can in any case be shifted to the local population later if desired.
 - (c) A distinctive mark could permit the isolation of the currency should it fall into enemy hands and also prevent influx into the area of looted dollar currency already in the hands of the enemy.
 - (d) Were the United States to use a special currency with the word "dollar" on it which it did not intend to redeem eventually at par, it might seem to some people to be resorting to unethical and dishonorable practices unworthy of a great republic.
2. The best currency for the occupation stage is a currency designated in local units and as quickly as possible the shift should be made from regular United States dollar currency to local currency.
 - (a) Great inconvenience and probable increased economic disorder will result to the local populace and economy from having in use a local currency as well as currencies designated in dollars and sterling.
 - (b) The continued use of regular United States currency alongside local currency would result in black markets in which the market rates of exchange are likely to be more favorable than the decreed rate. Unless the exchange rate was repeatedly changed, the discrepancy between the decreed rate and the black market rate would confuse and irritate the soldiers and Army finance officers.
 - (c) The sooner the local currency is introduced, the less dollars will have to be spent by the invading armies and the subsequent problem of adjustment of costs made easier.

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3. Steps should be taken immediately to provide adequate supplies of currencies designated in terms of local units to be available when needed.
- (a) The Treasury should immediately prepare substantial stocks of specially prepared blank currency with the legend and denomination to be filled in immediately after the invasion has begun (for security reasons).
 - (b) Such currency should not resemble outstanding local currency and should bear the following legend "United States Military Authority". The same basic design should be used for all countries with variations confined to color, denomination, etc.
 - (c) By means of the photo-offset process such blank currencies could be produced by the Treasury in sufficient quantities within a month or so after the Bureau is given the green light. The blank currency can then be completed and deliveries begun within a few days after the invasion has started.
4. The British should be urged to pursue the same procedure as the United States does, except that
- (a) The British will use British Military Authority Sterling notes (B.M.A. notes) instead of U.S. yellow seal currency as their "spearhead" currency. B.M.A. notes will be tied to the dollar at the rate of 4 to 1 and made interchangeable with the dollar just as was the case in North Africa.
 - (b) A supply of local currency bearing the legend "British Military Authority" will be prepared for the British on the same basis as that described in paragraph (3) above.
5. No discussions should be held with the Allied governments preparatory to invasion dealing with either the supply of currency or rates of exchange, but each one of the Allied nations should be asked to submit a memorandum to the U.S. and British governments setting forth their views of an appropriate exchange rate to be adopted at the time of invasion of their respective countries.

British Views

The British strongly desire that we use a special military note instead of the yellow seal currency during the initial period of invasion and that local currencies of invaded areas already available in London, or in the process of being made available, should be used during the initial period of invasion wherever possible.

March 31, 1943
10:10 a.m.

Operator: Go ahead.

HMJr: Hello.

Leslie L.
Biffle: Mr. Secretary?

HMJr: Speaking.

B: I was going to call you this morning.

HMJr: Yeah, I was anxious to get word from you.

B: I talked with Senator Barkley about that matter, and he had hoped to arrange it tomorrow.

HMJr: Yes.

B: But he found out there were so many committee meetings. The Banking and Currency is having a meeting....

HMJr: Yes.

B:so he says that it's doubtful if he can have it before Monday, and he wanted me to find out if that would be all right with you.

HMJr: Monday would be fine.

B: All right, suppose then - say, 10:30 Monday morning?

HMJr: 10:30 Monday morning.

B: And we will - we'll arrange to have it in Room 201, Senate Office Building.

HMJr: Room 201, Senate Office Building.

B: Yes....

HMJr: Now....

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B:and he's going to ask the entire mem. - membership of the Banking and Currency Committee and Foreign Relations Committee....

HMJr: Yes.

B:and Senator McNary will be there.

HMJr: Yes. Now what about that special committee on Post-War Planning, that committee of ten, are they....

B: I think it would be well. Let's see, most of them are members of the two committees, but those that are not, it would be well to have those also.

HMJr: Would you do that?

B: I'd be happy to do it, sir.

HMJr: Now that's 10:30, Room....

B: 201.

HMJr: Room 201, Senate - Senate Office Building.

B: That's right. That's the southeast corner of the Senate Office Building.

HMJr: Yes.

B: That's right, next - by Senator Barkley's office.

HMJr: All right, then I think I'll have one in the House in the afternoon.

B: Fine, fine.

HMJr: Fine. And then you will include that - sort of - Post-War Committee.

B: Include the three committees, in other words. That is....

HMJr: Yes.

B:the second committee, and the two....

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HMJr: Right.
B:standing committees.
HMJr: Thank you.
B: Fine.
HMJr: Thank you.
B: Goodbye.

March 31, 1943
10:10 a.m.

LAZARD FRERES

Present: Mr. Irej
Mr. Pehle

H.M.JR: I ran into something very interesting last night in the 1940 returns of Mr. and Mrs. Altschul which you may be entirely aware of; but if you are, you haven't mentioned it to me. Didn't I ask you (Irej) to really go in and make a check in Lazard Freres? Was it you?

MR. PEHLE: My recollection is that - this is just my recollection - there was some request made of Revenue in connection with Lazard Freres, but I wouldn't swear to it.

MR. IREY: Way back in the beginning?

H.M.JR: Within the last six months. You people said you went in. You didn't do it very thoroughly, so I said, "Let's do a real job."

MR. PEHLE: I think that probably was addressed to us.

H.M.JR: Here is the thing - I thought you and I would go over it together. You told me - see how good my memory is - that there was a five million dollar capital in Lazard Freres of which a million and a half was put up by Frank Altschul.

MR. PEHLE: That is right.

H.M.JR: Now it turns out that that million and a half is not his - look at me - but it is Mrs. Altschul's, and he pays her twenty thousand dollars interest on it.

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MR. PERLE: Twenty thousand dollars a year?

H.M.JR: On the million and a half.

MR. PERLE: He gets sixty now.

H.M.JR: Now wait a minute. The Bureau in this note (indicating note attached to income tax return filed by Mr. and Mrs. Altschul) has questioned this, but it doesn't say what they have done about it. But here is the thing which again doesn't check: He left his securities in the firm, which looks to me - I did it very hastily and I didn't want to go into the whole thing - it looks to me as though he had left, as his contribution to the firm, a couple of million dollars' worth of securities as his investment in the partnership. He can trade in these securities as he wants to, personally, although it is his contribution to the firm.

Now, are there two contributions to the firm? There is no question about Mrs. Altschul having loaned the million and a half, but what are these other securities which are in there - that is, when his whole investment was only supposed to be a million and a half? There is something that doesn't make four. Foreign Funds didn't know it wasn't Mr. Altschul's money - the million and a half.

MR. PERLE: He borrowed it from her?

H.M.JR: You didn't know that?

MR. PERLE: No, I didn't know that.

H.M.JR: Let me just take a minute - here is the part which I don't understand; I just don't get it. The balance of the income from the partnership - the taxpayer's guaranteed drawings of twenty to twenty-five thousand a year from Lazard Freres - the balance of income from the partnership is made up of dividends, stocks owned by the taxpayer personally, but used as partnership - as either - less taxpayer's share of depreciation on furniture, fixtures, and so forth, and so on, which is dated on December 31, 1937.

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The capital loss of securities is charged to the taxpayer's individual loss, although shown on the partnership books in the same way; dividends on these stocks are the taxpayer's, although included in the partnership account and credited to him.

"Explanation of this arrangement is as follows -" and I want to say in passing that you certainly ought to get out Frank Altschul's partnership agreement and all the partnerships. If you haven't examined them, they should have been examined.

MR. PERLE: I think they have been looked at.

H.M.JR: They should be. I mean, just when did the Frenchmen come in? Is that recent or what?

"On December 31, 1937, the old partnership of Lazard Freres was dissolved and the new partnership of the same name was formed. The taxpayer withdrew his capital in the form of securities and then redeposited most of them as capital with the new firm. However, it is provided that these securities are his. He gets credit for the dividends on them and is charged with losses on sales or credited with gains. The losses sustained on the sales part of these accordingly makes up the greater part of the capital loss shown in taxpayer's return. Furthermore, since the securities are actually" and so forth. "When the taxpayer withdrew his capital in '37, the old firm - taxpayer sustained" - that isn't it.

The point that I can't get through my head is this, "Interest paid, twenty thousand to Helen Altschul, on a loan of a million and a half. This information has been submitted to Internal Revenue for further investigation."

Now the point is this: You told me he has a million and a half. This says that at the end of '37 he redeposited his securities with the firm.

MR. PERLE: That was just the end of one partnership agreement, and the beginning of a new one.

H.M.JR: But he can't have--

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MR. PEHLE: I think his million and a half is in the form of securities, but I think it should be carefully studied anyway.

H.M.JR: No.

MR. PEHLE: Why not?

H.M.JR: The million and a half belongs to Mrs. Altschul.

MR. PEHLE: That doesn't stop it from being in the form of securities.

H.M.JR: But he is taking a loss in the securities, from his own return, that he has deposited.

MR. PEHLE: He borrowed from her, put it in securities, and then he gets a loss on the securities that he has the money invested in. I don't see anything inconsistent. That may not be the case.

H.M.JR: I don't think it is the case.

MR. PEHLE: In any event we ought to find out for sure what the case is.

H.M.JR: It is something that a man like Elmer going in with you would say, "Mr. Morgenthau, it is what you said it is," or - what I am getting at is, maybe the French don't have that much money in there.

MR. PEHLE: I am sure they do, Mr. Secretary. I am sure they have that much money in there. The French partnership has always had the two-thirds capital in there.

H.M.JR: You may be right, but this looks funny to me.

MR. PEHLE: We certainly ought to find out the answer.

H.M.JR: I mean--

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MR. TREY: We ought to get these two sets of documents together, our returns and your records.

H.M.JR: It may be perfectly according to Hoyle, but I just - where was it I saw the thing which amounted to a couple of million dollars? This is "12-31-40, capital of Lazard Freres on books December 31, '36, four million seven." Then they take some losses, which brings it down to four million five. Then received in distribution 11-1-37, two million three.

MR. PEHLE: Altschul received?

H.M.JR: Yes. Then my inference is that he redeposited that with the firm.

MR. PEHLE: With the new partnership.

H.M.JR: Yes.

MR. PEHLE: That million and a half is the capital, and the rest is private funds either belonging to him or his wife. That would be my guess until we go into it thoroughly to be sure.

H.M.JR: I don't know; it certainly isn't clear. There are two angles; there is your angle. You certainly should look at the partnership agreement as of '37, the new partnership agreement.

MR. PEHLE: We will look at both.

H.M.JR: Then there is his return, and there is this thing, his wife's money. What form is it in? I mean a million and a half is the figure that you told me.

Then on top of that it looks as though there was another two million three, which, if correct, would leave very little for the French.

MR. PEHLE: We will check that.

H.M.JR: You admit that it looks confusing?

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MR. PEHLE: It certainly looks confusing.

H.M.JR: The other thing I want you to do - I want full details and a full explanation of the million two that went to Switzerland. I mean I want a complete statement from the man - which one of the two partners did that?

MR. PEHLE: Singer did that, I am quite sure.

H.M.JR: Whose money was that?

MR. PEHLE: That was money that belonged to the two Frenchmen, Pierre David-Weill and Andre Meyer. It was here in the name of a dummy corporation. Singer took the money and--

H.M.JR: I want the two Frenchmen to give me a sworn statement in full detail, to the best of their knowledge, as to what happened to the money after it got to Switzerland. That is what I want to know. I want a sworn statement from the two Frenchmen as to what happened to that million two. They should come clean on that. That is the big one, isn't it?

MR. PEHLE: That is right.

H.M.JR: They should come clean. I want the full details from each, a sworn statement of what the purpose behind that was. That is a question of good faith on their part.

MR. PEHLE: I am sure we will get it.

H.M.JR: But you haven't got it?

MR. PEHLE: We haven't got it, we hadn't questioned it.

H.M.JR: I want each one of them to make me - "Mr. Secretary, we did this. This is what we had in mind, it went there; and this is what we think -" or know, or surmise--

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MR. PENLE: Would it be just as--

H.M.JR: ... after it got to Switzerland.

MR. PENLE: ... just as satisfactory if we do it in the form of questioning them under oath? That is our preferred way of doing it. We will get the information.

H.M.JR: That is all right. What I want to know - the fellow - the case came in here the other day. A man was saying this - "I know," and "this is surmise," but at least I want their surmise of the million two.

MR. PENLE: We will get the complete story.

H.M.JR: To me that is awfully important. This is just a sort of by-product.

MR. PENLE: We intended to get the full story on the million two.

H.M.JR: I want it.

(Income tax return filed by Mr. and Mrs. Altschul handed to Mr. IreY by the Secretary.)

H.M.JR: What I really would like to have - I will go back - I would like the partnership traced to the time that Altschul went in as head of the firm.

MR. IREY: Trace the terms and all of that?

H.M.JR: From the time he went in as the head of the firm, which must have been around - I don't know - the early thirties, but from that time on, and the time he put it in. Was it always his wife's capital or was it his capital from the time he went in and took the place of George Blumenthal? George Blumenthal used to be the head of the firm then; Altschul forced him out and took his place from that time on.

MRS. KLOTZ: Is that the same Blumenthal at Mount Sinai?

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H.M.JR: Yes. The whole thing was very funny at the time. They forced George Blumenthal out. He has died. When he died his wife wrote that lovely letter saying that her husband had always been such an admirer of mine.

Altschul forced this man out.

He had been the head of it; he was a great money-maker. Early in '30 on some questionable business they forced him out. He sort of wooed these Frenchmen; then they got him out.

MR. PENLE: Altschul's father was with this firm in San Francisco way back. He keeps referring to that.

H.M.JR: But the thing - Blumenthal was a great money-maker.

MR. PENLE: Altschul has never been in this firm.

H.M.JR: Blumenthal was. He is one of these horn money-makers. I am just curious. When Altschul went in to take Blumenthal's place, was it his money, or his wife's money? Is there really French money, or isn't there French money? It is all very pertinent.

MR. PENLE: Certainly if there is any possible question.

H.M.JR: Then as I say, there may be something on this return, and yet nobody questioned this thing.

MR. PENLE: We will work together on it.

H.M.JR: I want to know. I like to play the game of detective, and I can smell it, can't I? (Laughter)

MR. IREY: You sure can.

H.M.JR: I can smell it, can't I?

MR. IREY: I am still worried about whether you told me to go into this matter, because your memory is too good for me.

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H.M.JR: I told one of you people. Didn't you have agents in there once?

MR. IREY: Way back in the beginning when first organizing the Foreign Funds Control. When they got organized, we stepped out of the picture.

H.M.JR: I told somebody - I thought it was Revenue. You went in there once and did a quick job. I said, "Do a thorough job."

MR. PEHLE: That was us - you told us.

March 31, 1948
10:30 a.m.

FINANCING

Present: Mr. Bell
Mr. Gaston
Mr. Graves
Mr. Gamble
Mr. Buffington
Mr. Peabody
Mr. Thompson
Mrs. Klotz

H.M.JR: Has everybody seen Gardner Cowles' letter? (referring to letter addressed to Mr. George Harrison, drafted by Mr. Gardner Cowles, copy attached.)

MR. BELL: No, not everybody. Gaston has got it. I don't know whether you have seen it or not. Have you, Mr. Peabody?

MR. PEABODY: No, sir, I haven't.

MR. BELL: But you saw the memorandum.

H.M.JR: Do I send it, or don't I send it? I want to be told.

MR. GASTON: No.

MR. BELL: They have been trying to get this for the last eight or ten months. First it started with Lowell Mellett; he sent over a letter. We turned that down, and then I believe the next one came - George Harrison tried to get a quotation of one of the speeches of Randolph Paul to put in some sort of a bulletin or letter.

MR. GASTON: Two men came down here from the Life Insurance Institute to talk to Randolph Paul and they had a long statement incorporating some quotations from Randolph Paul's speech. They wanted Paul to issue it as a statement or as a letter.

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MR. BELL: That was turned down.

This ad with these five or six statements in it came to Mr. Peabody about ten days ago, and we went over them. We see no objection to them if they want to use them. They asked us if we had any objection. The word "give" in the first sentence ought to be "lend." I think that is as far as we ought to go.

MR. PEABODY: I got that changed.

H.M.JR: Has everybody seen this?

MR. BUFFINGTON: No.

MR. GAMBLE: No.

H.M.JR: Have you seen it, Harold?

MR. GRAVES: No.

H.M.JR: I am not in a very good mood this morning; I am exhausted, having been with the Army and Navy and BEW. When you fellows leave this room you can adjourn to Mr. Bell's room and decide it for me. How is that?

MR. BELL: O.K. with me.

H.M.JR: I will do whatever you say.

Gardner Cowles should be answered today, and I think George Harrison should be answered.

MR. BELL: Have we a letter from George Harrison?

H.M.JR: No.

MR. BELL: You mean answer Cowles?

H.M.JR: But I think somebody should speak to George. We don't have to treat him as a stranger.

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MR. BELL: He knows your position. We have talked with him a good many times.

H.M.JR: But that ought to be done today, and I think that Peabody is the man to do it. It is publicity, isn't it? Or do you (Bell) want to do it?

MR. BELL: No, I think Mr. Peabody ought to do it.

H.M.JR: But today.

MR. PEABODY: All right, sir.

MR. BELL: The other thing is the question of a chairman in St. Louis.

H.M.JR: Yes, sir.

MR. BELL: Chester Davis is flying out tomorrow morning to attend his last Board meeting and he said while he was there he would like to talk to Walter Head, if that is agreeable to you, to become chairman.

H.M.JR: Who is Walter Head?

MR. BELL: He is the man recommended by the bank and he is a man recommended by Eccles.

H.M.JR: What does he do?

MR. BELL: He is president of the Missouri Pacific Life Insurance Company. He has had a great deal of banking experience. He is probably about the best known man in St. Louis.

H.M.JR: Is he the fellow--

MR. BELL: President of the Boy Scouts.

H.M.JR: Red Cross?

MR. BELL: USO.

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H.M.JR: Is that Maister?

MR. BELL: He is the man in Red Cross.

MR. BUFFINGTON: That man is an exceptionally good organizer.

MR. GASTON: What are they proposing this man for?

MR. BELL: Chairman of the War Finance Committee for the St. Louis Federal Reserve District.

MR. GASTON: Doesn't Chester have the Victory Fund?

MR. BELL: Hitt, who is vice president, is acting. He is not the type of man that ought to head this organization, and he will have all he can do to run his end of the bank and be acting while Chester is away. He will be vice chairman.

MR. GASTON: Elmer is checking up on this man's income tax returns, but otherwise he is one of the most public spirited and well known citizens of St. Louis.

MR. BELL: I met him a couple of years ago when he first became president of the Boy Scouts of America. He is really very nice.

H.M.JR: That often is true, but sometimes they have a weakness on this income tax. (Laughter)

MR. GASTON: Sometimes. (Laughter)

H.M.JR: What did Robbins say? He was there yesterday.

MR. BELL: I haven't talked to Robbins yet.

H.M.JR: Well, you and--

MR. BELL: He ought to call in today.

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H.M.JR: Well, if you and this group here, plus Robbins, plus Mr. Eccles, agree, it is O.K. with me. How is that?

MR. BELL: O.K.

H.M.JR: Mr. Eccles should be consulted.

MR. GASTON: Then there is this letter here that you wanted to take up at this meeting. (Referring to letter dated March 29 from Mr. George Allen.)

Madden - this insurance company is insisting he has to see you about that proposition.

H.M.JR: Well, George Allen is just an insurance salesman.

MR. GASTON: They can't talk to any subordinates.

H.M.JR: By gosh, they are going to talk to somebody besides me.

MR. GASTON: It was brought in with the word I should take it up.

H.M.JR: I don't think at two o'clock is a good time - two in the afternoon on April 28.

MR. GASTON: Yes, and then this minor feature, I don't think you ought to make the talk. (Laughter)

H.M.JR: Herbert is wonderful. (Laughter) Is it the spring weather, or--

Gamble, you can have the good with the bad. You can say to George Allen, "No." Do you (Bell) disagree?

MR. BELL: No, but I think there ought to be something done here to coordinate the speeches as you were trying to get a speakers' bureau.

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H.M.JR: Were you here the other day?

MR. BELL: Yes.

H.M.JR: When I had a little talk with Theodore Roosevelt Gamble? (Laughter)

MR. BELL: I don't think so. I don't know.

H.M.JR: Weren't you present when I asked him about the speakers' bureau?

MR. GRAVES: I don't think he was here at that time.

H.M.JR: You weren't here.

MR. GRAVES: I was here.

H.M.JR: No, you weren't.

MR. GRAVES: I heard one such conversation. (Laughter)

MR. BELL: I heard several. (Laughter)

H.M.JR: Harold wasn't here.

MR. GAMBLE: He came in late.

H.M.JR: I am very definite because I made some remarks which I wouldn't have said if you were present. (Laughter) So I am not going to say whether they were good or bad, but they were to Ted, so you can imagine what they were about.

I thought you were here.

MR. BELL: Maybe I was. I have heard this speakers' bureau come up two or three times.

H.M.JR: Look at Gamble, not me.

MR. BELL: I understood most speeches were to clear through Gaston.

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H.M.JR: As to content.

MR. BELL: I think the dates ought to, because Randolph Paul is making two speeches in Reading, Pennsylvania, next Tuesday, one at noon and one at night, and I understood one of them is a tax speech, and Mr. Williams of the Federal Reserve Bank of Philadelphia said he has had some repercussions from the chairmen of his committees that they don't think this is the time to make tax speeches; and I would like to have any speeches made by Treasury people kind of cleared or coordinated with what the Federal Reserve president is doing.

H.M.JR: That is a little bit difficult, but this I can say: Gaston is the final word on content. Right?

MR. GASTON: All right.

H.M.JR: You are certainly not going to run a speakers' bureau. Mr. Graves and Mr. Gamble are bound to give me the name of a man who is going to head - did I hear-- (laughter)

MR. GAMBLE: We don't have a name.

H.M.JR: To head the speakers' bureau, so they won't have both Frank Knox and Cordell Hull making a speech in Chicago at the same hour.

Now, if I may tell you, Paul said last night that he thought that after what happened in the House, that there would be nothing done on the Ruml plan or anti-Ruml plan, or tax bill, until after the first of May, which is three cheers for us. Certainly if that is the case, I think all tax speeches for the time being should be postponed.

MR. BELL: Check.

H.M.JR: Give us a breathing spell and let us sell some securities. So you had better get hold of Paul.

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MR. BELL: I think every speech made throughout the country, certainly the president of the Federal Reserve District ought to know of, and whether or not it conflicts with anybody he has got.

H.M.JR: That would be this man that Gamble almost has ready for us, you see.

MR. BELL: Just ready to step in the door, Ted?
(Laughter)

H.M.JR: This man - I think the dating and the contacting the Federal Reserve Bank as to speakers will be the head of the speakers' bureau - somebody that comes in - but the content of the speeches out of Washington will be Mr. Gaston. He will be final.

MR. GASTON: If it is anything aside from War Bonds and War Loan Drive speeches, I think, if I am going to pass on content, I ought to know if anybody is contemplating a speech on anything else.

MR. BELL: I think whoever heads your speakers' bureau ought to work very closely with Herbert as to what is contemplated.

MR. GASTON: Certainly I don't want to try to run a speakers' bureau on War Bonds.

H.M.JR: I wouldn't let you, Herbert, even if you begged me. I am too good a friend of yours. It is a lousy job. That is true. We will fix up an order.

What else have you got?

MR. BELL: I haven't anything except I thought you might be interested in the Treasury participation in the War Bonds. The Office of the Superintendent stands out.

H.M.JR: Office of the Superintendent?

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MR. BELL: The labor force has twelve and two-tenths percent of their salaries, with eighty some percent participation.

H.M.JR: Am I not in on this?

MR. BELL: I believe not - isn't the Office of the Secretary there?

H.M.JR: Yes, we are pretty good.

(Mr. Thompson entered the conference.)

H.M.JR: Norman, make a couple of notes on this, will you?

The content of all Treasury speeches, where there are policy matters, should be cleared by Mr. Gaston - all Treasury speeches by anybody, from me down. From me down, because he writes my speeches, so if he doesn't agree, I can't help it. But starting from my office.

Then on routing of speakers out of this office, I mean, out of Washington, and helping the War Bond, Mr. Graves and Mr. Gamble are going to get a new man to head a speakers' bureau. This man should advise the twelve Federal Reserve Districts if a Washington speaker - a National speaker - is coming into his district.

Fix me up - I wouldn't make it an order, but a little memorandum from me to circulate around.

MR. THOMPSON: Yes, sir.

H.M.JR: If you please. Does anybody want to add anything to this? You (Thompson) can show it to Bell.

MR. THOMPSON: Mr. Gaston is going to clear the speeches at OWI?

MR. GASTON: I do it through Chick, but that is all right. But I would appreciate it if I knew about dates in advance of speeches, other than War Bond speeches, by members of the Treasury staff.

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H.M.JR: You might show it to Bell and Gaston and Graves before you bring it to me. Have them initial it. I would like it to clear tonight, because there are a couple of speeches popping.

MR. BELL: Are you going to tell everybody, or is Norman going to tell them, "No more tax speeches"?

H.M.JR: No, I want the order. Once the order is out, then Gaston has the authority. Gaston will say - if he said to Paul this morning, "No more tax speeches," Paul would say, "How do you get that way?" If Gaston has this, from tomorrow morning he says, "I get this way, this way." (Indicating) (Laughter)

MR. BELL: That may help that Reading situation, because that is the tax speech they don't want.

H.M.JR: I don't want tax speeches. Let the country take a breathing spell on taxes.

(Mr. Thompson left the conference.)

MR. BELL: That is all I have.

MR. GRAVES: I have nothing.

H.M.JR: Anything good?

MR. GRAVES: All that I have is good. (Laughter)

H.M.JR: I could stand something good. Let me have something good.

MR. GRAVES: I have nothing specific. As far as I can see, everything is going along well.

H.M.JR: Peabody?

MR. PEABODY: I have a report that yesterday I met with Frank Tripp and Barnum and Don Bridge, and the whole subject of the activities of the Allied Newspaper Council is now

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well tied up, rolling, generally, in terms of what was discussed on Monday.

In other words, that is all under control and it is going very well. Tripp is writing a letter to all the newspapers which is a very fine piece of copy. I mean, he has got - Tripp is an individualist, and he has got Tripp all through it and it is a good job. I think we will get a lot of cooperation.

H.M.JR: What do I do?

MR. PEABODY: Nothing, sir.

H.M.JR: I don't have to do anything?

MR. BELL: Where are the letters?

MR. PEABODY: The letters, as I understood - I have them here - I understood that the letters had already been cleared, Mr. Bell. They are the ones I got from you and there is no change in them.

MR. GASTON: I had a question this morning about that joint letter for the Secretary's signature and Mr. Tripp's. Has that gone?

MR. PEABODY: No, sir. None of it has gone.

H.M.JR: But do I understand I don't have to send any letter to the publishers?

MR. PEABODY: I mistook your question, Mr. Secretary. You had one short letter which was direct from you to the newspaper publishers. (Referring to letter "To All Newspaper Publishers" dated April 3, 1943, copy attached.)

MR. BELL: That has to be signed by the Secretary.

MR. PEABODY: That is going to be a processed job, Mr. Bell.

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MR. GASTON: I think the Secretary should see it, however.

MR. PEABODY: I thought he had.

H.M.JR: No, I haven't seen it - at least, I don't think I have.

MR. GASTON: That is the one that was boiled down that I gave you.

H.M.JR: (Reading) "To all Newspaper Publishers.

"To make current and continuing war financing a complete success we shall need the wholehearted cooperation not only of the newspapers but also of newspaper advertisers.

"In addition to the powerful aid that your newspaper itself can supply, I shall be grateful for your help in informing business and industry in your community of the important role that sponsored local newspaper advertising can play in advising the public of the urgent need for investment in Government securities."

MR. BELL: That is what the publisher uses, Mr. Secretary, as a tool in going out and getting advertising.

H.M.JR: Instead of "I shall be grateful," would you mind saying, "I would appreciate"?

MR. PEABODY: No, sir. It is just as good.

MR. BELL: That is what we had originally.

H.M.JR: Do you mind using that? It is a little less unctuous.

MR. PEABODY: Yes, I don't think it makes any material difference, Mr. Secretary.

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H.M.JR: "I would be very appreciative" - something like that. I am willing to say that, but I just don't want to be grateful.

MR. GASTON: That is all right.

He wanted, you know, some specific guarantees about tax deductions.

H.M.JR: I know.

MR. GASTON: We talked him out of that. What he is planning to do is in his own letter to the publishers he will send them a copy of the Commissioner's statement, which says what they can do.

H.M.JR: That is the difference between day and night, and that is what got me all flustered on Monday.

MR. PEABODY: He already has that.

MR. GASTON: We told him flatly he couldn't do that.

MR. PEABODY: He also wants - I think that is the letter you are referring to - he also wants another statement which I think Mr. Heilvering is working on, Mr. Bell, with regard to the contribution phase of it.

MR. BELL: I have got on my desk a statement that combines both the allowance for advertising and the contribution end of it, which would go to the Federal presidents, and that wasn't intended for him to use specifically, but he could have a copy of it.

MR. PEABODY: That second statement he planned also to send out to his people. (Referring to letter "To All Newspapers" dated April 3, 1943, copy attached.)

H.M.JR: Mrs. Klotz pleads that when a letter like that goes out even over a processed signature, that we get a copy here.

MR. PEABODY: Yes, sir.

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H.M.JR: No, we haven't been. Out of Robbins' office there was a letter to Mrs. Reid, and we didn't have a copy.

But if you would tell his secretary and yours that anything that goes out - it is a must that Mrs. Klotz gets a copy.

MR. GASTON: Did this have your (Bell's) final approval?

MR. BELL: That is the letter you saw.

H.M.JR: Anything that goes out. Don't you (Graves) do that?

MR. GRAVES: Yes.

H.M.JR: You have been trained, or you trained me - either way. (Laughter)

MR. GRAVES: I have been trained.

H.M.JR: Maybe you were trained at the white House - Foster over there--

Anyway--

MR. BELL: That is the letter you saw in which you said you would like to have it go out over the joint signatures (signed by the Secretary and Mr. Tripp).

H.M.JR: Yes, I have seen it. It has been fixed up, but this is all right.

MR. PEABODY: You have seen that before, sir.

MR. BELL: Did they take out in one of them the reference to representatives of the Federal Reserve president calling on these--

MR. PEABODY: That is all out, sir.

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H.M. JR: What else?

MR. GAMBLE: We would like to have Mr. Gaston go out to Detroit and make the presentation at the Ford Motor Company, Friday. That is the flag that you were going to present. We think it is rather important. The Unions are very much exercised about the fact we were never able to get you out there. I think he will do a good job for us.

H.M. JR: I am sure he can. It is entirely up to him. How do you feel?

MR. GASTON: I can go if you want me to. It might be that you would want Sullivan to go.

H.M. JR: No.

MR. GRAVES: We want a Labor Union fellow. (Laughter)

MR. GASTON: Take my card along. (Laughter)

All right.

H.M. JR: Thank you.

MR. GAMBLE: Mr. Doughton is going to be away for a week. Mr. George is going to be away Friday and Saturday. Mr. Doughton is going home Saturday for a week, so we would have to do this job either Thursday afternoon - that is tomorrow - or on the morning of the 12th when we launch our drive. It might be a good time to do it on the morning of the 12th.

MR. PEABODY: I think it would be fine. Robbins won't be here tomorrow, I don't think.

H.M. JR: Wait a minute. You want me in New York on the 12th.

MR. GAMBLE: You wouldn't probably leave until noon, would you?

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H.M.JR: That is what you say! (Laughter)

No, I have to be here Saturday noon, that is the trouble. I go on the air for you people Saturday. I hate to do that. The Congress in the morning and then speak at night - that big meeting, that is too much for me. Don't you think so?

MRS. KLOTZ: Definitely. I wouldn't do it. You won't be your best.

H.M.JR: Why the 12th? Is that when Doughton gets back?

MR. GAMBLE: Yes, the morning of the 12th. Of course, it could be done on the 13th or 14th - a little anti-climatic. It certainly wouldn't hurt the drive any.

H.M.JR: Let it simmer and speak to me about it again this afternoon. It is purely personal.

MR. GAMBLE: One other matter,--

H.M.JR: It seems too much.

MR. GAMBLE: Senator Capper, for his radio station out in Kansas, has asked for a transcription. Several other stations have asked for transcriptions for this drive from you.

We would like to suggest that we make up a one-minute transcription for every radio station in the country.

H.M.JR: That is all right.

MR. GAMBLE: Will this afternoon be all right?

H.M.JR: No, sir. No, I don't want to do any more today.

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MR. GAMBLE: When you are ready, we can do it in the theater downstairs.

H.M.JR: I got off to a bad start this morning.

He (Gaston) has to pass on these things.

MR. GAMBLE: I understand, sir.

H.M.JR: Show it to him. If it is down in the theater maybe I can - I will do it sometime tomorrow.

MR. GAMBLE: Fine.

H.M.JR: Get Mrs. Klotz to work on me. (Laughter)

MR. PEABODY: Would the theater be all right for the closed circuit broadcast, too? We have the wires all ready in there. That is the Saturday one. It would be a good deal better than if we try to put them in here.

H.M.JR: All right.

MR. BUFFINGTON: The American Bankers' Association has mailed out fifteen thousand of those to all member banks. It is pretty good. (Indicating pamphlet entitled "Second War Loan Campaign.")

H.M.JR: How about a little letter to them?

MR. BUFFINGTON: I think that would be fine.

H.M.JR: Herbert?

MR. GASTON: I had my meeting with OPA this morning. We are going ahead.

H.M.JR: That was a terrific memorandum; I mean, a shocking memorandum about OPA and enforcement.

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MR. GASTON: About their powers, and so on?

H.M.JR: No, I mean the lack of organization.

The President at his press conference said it was wonderful what Chester Davis has done. He has got this whole farming-manpower-land army all straightened out.

MR. BELL: Twenty-four hours - magic touch.
(Laughter)

April 3, 1943

To All Newspaper Publishers:

To make current and continuing war financing a complete success we shall need the wholehearted cooperation not only of the newspapers but also of newspaper advertisers.

In addition to the powerful aid that your newspaper itself can supply, I shall be grateful for your help in informing business and industry in your community of the important role that sponsored local newspaper advertising can plan in advising the public of the urgent need for investment in Government securities.

Sincerely,

Secretary of the Treasury

April 2, 1943

TO ALL NEWSPAPERS:

The Second War Loan Drive is the largest war financing campaign in the world's history. It will start April 12 and will run for approximately three weeks. The goal is 13 billion dollars. During the drive a complete assortment of seven Government securities will be sold.

To be successful our effort must reach into every home in the land, because money must come primarily from individual Americans.

The people of your community look first to their newspapers for leadership when united action is needed and this loan can only succeed through such action. Speaking for the Treasury and the Allied Newspaper Council, we ask you, therefore, to give this drive your enthusiastic support both in your news and editorial columns and by enlisting sponsored advertising support.

We need this all-out support of newspapers to make this drive a success and to demonstrate to our armed forces, our Allies, and our enemies what a voluntary and united effort can accomplish on the American home front.

Any communications or questions regarding advertising matters for the Second War Loan Drive should be addressed to Don Bridge, Allied Newspaper Council, 709 12th Street, N. W., Washington, D. C.

Henry Morgenthau, Jr.
Secretary of the Treasury

Frank E. Tripp
Chairman, Allied Newspaper Council

March 31, 1943

Dear Mr. Harrison:

Gardner Cowles, Jr., Deputy Director of the Office of War Information, has told me of the newspaper campaign to combat inflation which the life insurance companies are planning to run.

We have reviewed the copy and find nothing in it which could in any way be construed as contrary to Treasury policy.

I appreciate the important position you are giving to the War Bond mention.

Sincerely,

(Signed) H. Morgenthau, Jr.

H. Morgenthau, Jr.,
Secretary of the Treasury

Mr. George L. Harrison,
President,
New York Life Insurance Company,
51 Madison Avenue,
New York, New York.

Copy of file in Diary
File to Thompson

SP:ik

March 30, 1943

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

Dear Mr. Secretary:

Last week in New York, I talked with George L. Harrison, President of the New York Life Insurance Company, Mr. Leroy A. Lincoln, President of the Metropolitan Life Insurance Company, and Mr. Gerard Nollen, President of the Bankers Life Insurance Company (who is also President of the Institute of Life Insurance).

They told me that all of the life insurance companies are considering joint sponsorship of a rather extensive newspaper advertising campaign to start almost immediately, and to run during the next six months, explaining to the American people the dangers of inflation and suggesting certain specific ways in which the American people can help to prevent inflation.

I think such a campaign would be distinctly helpful. Elmer Davis has sent Mr. Harrison a letter urging them to go ahead with their plans. I am asking Justice Byrnes to send a similar letter.

The insurance presidents specifically asked me to ask you whether you thought such a campaign would be helpful. If you think it would be helpful, I know they would appreciate hearing from you. I have taken the liberty of drafting a suggested letter, which is attached. If you send a letter to Mr. Harrison, I'd appreciate receiving a copy of it.

Sincerely,

W. Gardner Cowley, Jr.

Suggested letter from Secretary Morgenthau to
George L. Harrison, head of the Insurance Group

March 30, 1943

Mr. George L. Harrison
President
New York Life Insurance Company
51 Madison Avenue
New York, New York

Dear Mr. Harrison:

Gardner Cowles, jr., Domestic Director of the Office of War Information, has told me that the life insurance companies are considering a rather extensive newspaper advertising campaign to help acquaint the American people with the dangers of inflation.

I understand the campaign will urge the public to follow these six rules:

1. Buy and hold war bonds (to give our country the money it needs now to fight the war to victory).
2. Pay our taxes promptly (to keep down our government's debts).
3. Buy and hold life insurance (for family protection and security for old age).
4. Establish a savings account (something to fall back on in an emergency).
5. Reduce our debts (avoid new ones now).
6. Live faithfully by the rationing rules set by our government (to conserve goods of which there are shortages).

I just want you to know that I think such a campaign would be distinctly helpful.

Sincerely yours,

March 31, 1943
12:02 p.m.

Harold
Graves:

Yes, sir.

HMJr:

I've just got an impression -- it may be wrong -- that there are a great many concerns all over the United States that are entitled to the Treasury flag but they haven't got them.

G:

No, I think you are wrong. We have a system under which firms that reach our standard....

HMJr:

What's that?

G:

We have a system under which concerns that reach our standard of - of 90 and 10 send a report in directly to the Treasury here, and then we go on from there and see that they are given the certificate which entitles them to fly the flag.

HMJr:

Yes, but how....

G:

I think that we're all right on that.

HMJr:

Well, I wish you'd check up.

G:

I will.

HMJr:

And don't just take Washington's word for it. You might check any State.

G:

Yes, all right.

HMJr:

My impression is that you may be all right here, but the flags are not up.

G:

Well, that - it - that may be. You see, all - all we do is to award a certificate.

HMJr:

Yeah, well, I'd like - one, are the certificates up - I mean have the certificates been issued - how far behind are you?

G:

Yes.

- 2 -

HMJr: Two, once the certificate is issued, what about the flag?

G: Yes.

HMJr: I don't think they're flying.

G: I'll make some inquiries.

HMJr: Make - make - oh, if you could check - well, take the last hundred certificates that you've issued.

G: Yes.

HMJr: And - and just send out a - check - have those last hundred - have they got flags flying?

G: Yes. Very good. We'll make a check.

HMJr: If you please.

G: Yes.

HMJr: And - and then be sure and report back to me on this.

G: Yes, I will. Yes, sir.



TREASURY DEPARTMENT
WASHINGTON

March 31, 1943.

MEMORANDUM FOR THE SECRETARY:

Re: Minute Man Flags.

I find that we have awarded certificates to 52,855 companies or firms which have been reported to us as having achieved participation in the payroll savings plan in excess of 10 per cent of gross payroll.

As the result of your suggestion this morning, we are calling upon all State Administrators to ascertain, as best they can, the extent to which these firms are actually displaying the Treasury flag.

GRAVES.

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS

March 31, 1943
2:36 p.m.

HMJr: Hello.
Operator: Sir Frederick is in a meeting until about four.
HMJr: Oh. Well, ask them if - if they could get him to come to the telephone, please.
Operator: All right.

2:42 p.m.

HMJr: Hello.
Operator: Sir Frederick.
HMJr: Hello.
Operator: Go ahead.
HMJr: Hello.
Sir Fred. Phillips: Hello, yes.
HMJr: Phillips?
P: Yes.
HMJr: This is Morgenthau.
P: Yes.
HMJr: I got your message that you - your government expected to release on the night of the 6th.
P: That's right.
HMJr: Now I've been negotiating with the Senate about having me come up to explain the plan, on account of so many being away - but the - I'm going before Foreign Affairs, Finance, and Post-War....

- 2 -

P: Yes.

HMJr:in the morning, and I think the House in the afternoon.

P: Yes.

HMJr: And, therefore, I'm going to ask your government whether they can't postpone that thing twenty-four hours until the 7th.

P: Yes. Well, I'll try again, sir, but the answer they gave to me before was that they'd - what they were doing was compelled by some Parliamentary rule. It's a white paper they're laying before Parliament.

HMJr: It has to be done?

P: Yes, I - that's what - that's what their message was.

HMJr: Oh, I didn't....

P: I'll certainly try once more.

HMJr: Oh, I didn't - it's a Parliamentary rule?

P: Well, yes. They've got to - the thing has got to reach the M.P.'s, you see, by the time it appears in the press.

HMJr: Well....

P: And so they picked that particular day and time.

HMJr: But I mean - I mean is it - is it the - the press that they've promised or is the....

P: Parliament.

HMJr: Or Parliament?

P: Uh huh.

HMJr: I mean which - which is the one that they're trying to meet, the Parliamentary date or the press date?

- 3 -

P: Parliamentary - the Parliamentary date.

HMJr: Oh, I didn't - I didn't understand that.

P: I didn't until I got their message back.

HMJr: That was the message that you told White last night?

P: Yes, I said - that's why I suggested, I think, eleven o'clock on Tuesday night.

HMJr: Oh, but that's something that they've promised Parliament?

P: Yeah, that's to get it out on the members' breakfast tables by Wednesday morning.

HMJr: Well, I'm not going to ask any more.

P: Well, if you - if you want me to try it, sir....

HMJr: No, no....

P:I'm really willing to.

HMJr: No, I'm not - I don't like the whole thing anyway. I mean these constant stories coming out of London and forcing our hands, I think - it isn't cooperation and I don't like it. So I - I'm not going to make any more requests. I - I just - I didn't realize it was Parl. I don't want to be turned down again.

P: Well, I - I'm very willing to - very willing to make....

HMJr: No, let's forget it. I mean I don't - I mean all these stories that they feed out of London, and it's just the whole thing - it - it's - well, I just don't think it's....

P: Of course, they got their leak - there was a definite leak....

HMJr: Yes, yes.

P:a little while back, as you know.

- 4 -

HMJr: No, but here was a story the other day in the New York Times, and then - you got your New York Times' unfavorable editorial. I mean there're beginning to be editorials which are unfavorable for anybody that's even seen the plan. I - I'd forget about it. I didn't realize that there were any - that they had a Parliamentary date to fix.

P: Yes.

HMJr: But it makes it impossible for me, because I asked Monday to come up before the Senate - this Mon.. - I mean - and now I only got word now that they can't see me until next Monday. So it doesn't give me very much time to turn around.

P: No. Well, I'm very sorry, but....

HMJr: Well, I - I'd much rather you wouldn't ask. I mean....

P: Yes, all right.

HMJr: I - I didn't - I only got, evidently, half the message.

P: Yes.

HMJr: Well, I'm seeing you later today.

P: Yes, all right.

HMJr: Thank you.

March 31, 1943
3:10 p.m.

"SECOND WAR LOAN" SPEECH

Present: Mr. Gaston
Mr. Odegard
Mr. Mager
Mr. Murphy
Mrs. Klotz

(Second draft of speech handed to the Secretary,
copy attached.)

H.M.JR: Has this got fireworks?

MR. ODEGARD: Some towards the end.

H.M.JR: Have you contributed towards it, Herbert?

MR. GASTON: We discussed it in my office. My office
contributed to it.

H.M.JR: And you?

MR. MURPHY: In a very minor way.

H.M.JR: In a double-duty way? (Laughter)

MR. MURPHY: No, I am afraid just a single
action. (Laughter)

MR. ODEGARD: I think, Mr. Secretary, it ought to be
put in the record that Mr. Henry Murphy is the most
academic person I have ever worked with.

H.M.JR: Why?

MR. ODEGARD: Well, it is a long story. He objected
to a phrase in here, which you will find, in which I

- 2 -

suggested that it is high time that we said to our money as we are beginning to say to our men, "Work or fight."

He said, "What do you mean, 'Work or fight'?" He tore it all to pieces, so we moved back on him with double-duty dollars - "What do you mean by double-duty dollars?" (Laughter)

H.M.JR: (Reading) "Total war is an incredibly costly business. We are now spending every month more than it cost both North and South to fight the entire Civil War. In the first half of this year alone, war expenditures will exceed the entire money cost of our participation in the first World War. War expenditures in March amounted to blank million dollars, or blank million dollars a day. And the rate of expenditures will increase as our war economy goes into high gear. Out of every dollar to be spent by the Federal Government in this coming year no less than 96 cents will be for purposes directly related to the war."

I am going to criticize as I go along. This is the only thing - the people will say, "My gosh, it is an awful lot of money," but you don't say to them, "But ladies and gentlemen, don't worry, those of you who want to get on with the war, while this is a huge sum, it should be reassuring to you to know that ninety-six cents out of every dollar -" you just go from one to another.

I take it the point is that this is a terrific quantity of money, but you can have the satisfaction of knowing that vast as this is ninety-six cents out of every dollar goes into it. Otherwise, I don't get the point.

MR. GASTON: I think that connection would help it.

H.M.JR: There should be something. You don't want to scare them.

MR. WAGER: It has a point, anyway. The point is that this is a very costly business, and this is a war loan speech in which you want them to pay up the money. All that sentence is is reassurance--

- 3 -

H.M.JR: Well, there is no reassurance.

MR. MAGER: ... that ninety-six cents out of every dollar they put out is related to the war effort.

MR. GASTON: The primary purpose is to put out to them the fact that we have got a terrific financial job to do here.

H.M.JR: That is right, but I think you should just not run from one sentence into another.

MR. ODEGARD: You want a transitional word there.

H.M.JR: I am not sure after reading it whether I want to talk about how expensive the war is. What purpose does it serve? I know I mentioned it.

MR. GASTON: To show that everybody has to dig in. This isn't a half-portion war. They have to save and put up the money.

H.M.JR: Do we say that later on?

MR. ODEGARD: I think it would be better, Mr. Secretary, if I can suggest it, that you read the whole thing and you will get it.

H.M.JR: "Up to recent months we have been fighting the war on our accumulated fat. But the fat is nearly gone and as a nation we shall have to live on shorter rations of both manpower and materials. As individuals, we shall have to work longer and harder, consume less and less, and save more and more. The time has gone when we can take civilian supply for granted, or assume that life can go on pretty much as it did before Pearl Harbor. As yet we have scarcely felt the pinch. In 1941, consumption expenditures reached an all-time high; in 1942, when corrected for price increases, they were not much smaller." That is a clumsy radio sentence.

MR. GASTON: The point is that we spent, actually - bought more things in 1941 than we ever did in our history; in 1942 it was just about the same. In dollars it was eight - eight billions more.

- 4 -

H.M.JR: Don't be so fussy. Use the dollars - forget about the--

MR. ODEGARD: Another thing, in 1941, which was a year of peace, consumption expenditures reached an all-time high. In 1942, when we were engaged in a desperate war--

MR. GASTON: ... we did nothing to reduce the amount. We didn't reduce the amount at all.

MR. ODEGARD: I am sure that can be strengthened.

H.M.JR: This won't be an editorial in yardage or tonnage - that is what is worrying you. (Laughter)

MR. MURPHY: It worries me because the price increases are something that is in everybody's mind, and to simply say that we spent more money - consumers' expenditures in 1942 - would cause quite a number of people to say, "Yes, but what did we get for it? We didn't get as much."

MR. GASTON: I think it is darned important. We spent seventy-four billions in 1941, and it was the top amount, both in dollars and in goods, that we ever spent in the whole history of the country.

In 1942 we spent eighty-two billions - between eighty-one and eighty-two billions - which is seven and a half billion more than we spent in 1941; corrected for price increases it comes to about the same amount, about seventy-three or seventy-four.

MR. ODEGARD: You might even say without any straining of the truth that even when one takes account of the increases in prices, 1942 reached an all-time high.

MR. GASTON: There is no evidence in the figures that we had cut down our expenditures at all.

H.M.JR: All of you are talking differently than what is in the speech.

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MR. ODEGARD: I think that can be improved.

MR. MURPHY: To me the real figure is more impressive than the other, but I have a few qualms about the real figure because you know and I know that the indexes are not reflected in the real increase in prices. Most people have a suspicion of that, too.

H.M.JR: What is the real figure?

MR. MURPHY: We don't know. We know that the indexes of the Bureau of Labor Statistics really haven't reflected the full extent to which prices have risen. They reflect quoted prices. You used to be able to buy things on sale at less than quoted prices; now you either buy them at quoted prices or some of them in blackmarkets at above the quoted prices. The quality has deteriorated. You buy substitutes - things you don't want - and you pay more for them and use them less. There are all sorts of things which haven't been measured in the statistics indexes, which probably makes the amount - we say consumer gratification - at least the amount of all things available to consumers is substantially less than you get by correcting the figure for the industry. For that reason I feel that the figure ought to be used with some caution.

For example, although this isn't my composition, that way it is stated there is certainly conservative. It is not much smaller.

H.M.JR: Yes, but it is bum radio technique.

MR. ODEGARD: "As yet we have scarcely felt the pinch."

MR. GASTON: The figures for 1942 show no evidence that we have made any substantial reduction in our expenditures.

MR. MAGER: They went up, as a matter of fact. When you speak of expenditures, you mean dollar amounts.

H.M.JR: Consumption.

MR. MURPHY: I like the form, "In 1941 our standard of living reached an all-time high; in 1942 it remained at approximately the same level."

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MR. GASTON: I intended to say "No reduction in our scale of living." That was the same thing - no reduction in our scale of living.

H.M.JR: I think the same way, as somebody said, "In 1941 they reached an all-time high of consumption of goods; and in 1942--

MR. MURPHY: ... maintained approximately the same level."

H.M.JR: Yes.

MR. GASTON: I would say, "The figures for 1942 give no evidence that we have reduced our scale of living in any substantial amount."

H.M.JR: Something along those lines. I wouldn't use these big billions. They don't sound right.

"But not even America can fight a total war without drastic reduction in its standard of living.

"That we can no longer live on our fat is especially true in the field of public finance,"

Why not "even America--"

MR. GASTON: "With all its rich resources" might be put in there - "Not even America with all its rich resources."

H.M.JR: "The time has gone when we can take the financing of the war for granted and assume that the rich, or the banks, or someone else can provide the Government with the vast sums it requires. Even if all corporation profits and all the savings of all the rich people in the country were used to buy Government bonds we should still be a long way from our goal. Only the people -- all the people -- can finance a total war."

That is interesting. I take it that is something you supplied.

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MR. MURPHY: No.

MR. ODEGARD: That is our line.

H.M.JR: Was that in there before?

MR. ODEGARD: Yes.

H.M.JR: "But there is another important reason why the Government appeals to everyone, rich and poor alike."

There is so much rich and poor.

MR. ODEGARD: That is the only place it is.

H.M.JR: You have here "savings of all the rich people in the country."

MR. ODEGARD: You see the reason for this, Mr. Secretary, is that all through the War Savings organization we get reports back that workers and other people say that they can raise all the money that they need, all they have to do is tap the corporations and the rich people. We want to make emphatic the fact that if you took it all from all the corporations and all the rich people in the country, you still wouldn't be able to finance the debt.

H.M.JR: "It is not healthy for a democracy to be mortgaged to a small and privileged class. Every American, every wage earner and every farmer, as well as every employer, and professional man or woman, should be a shareholder in his Government. Think of what that would mean for the security and stability of our Government and economic life.

"If this people's war is to bring a people's peace, then we must rely, not on a comparatively few banks, corporations, and rich individuals to buy Government bonds, but on the people, all the people whatever their walk of life, to invest in War Bonds to the limit of their ability."

It is awfully repetitious. I take it you want to emphasize that.

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MR. ODEGARD: I think that can be tightened up.

H.M.JR: Have you fellows worked together?

MR. ODEGARD: Rather hectically.

H.M.JR: But not relaxed, without interruption?

MR. ODEGARD: No.

H.M.JR: You did?

MR. GASTON: We had only a few minutes this morning. Then we put in from twelve to one-fifteen on this.

H.M.JR: Did you today?

MR. ODEGARD: Yes.

H.M.JR: "We have made a good beginning in this direction through the war Savings Program. Nearly fifty million people are buying War Bonds with more or less regularity. Over twenty-six million of them have authorized their employers to set aside an average of nearly 9 percent of their pay every pay day for this purpose. Total investments in savings bonds alone will average nearly one billion dollars a month for this fiscal year."

I am not going to say all that again. I have said it so often - "Total investments in savings bonds alone" - I am not going to say that stuff. Say, "We have made a good beginning in this direction through the War Savings Program," period.

MR. ODEGARD: Then just "Fine as this record is--"

MR. GASTON: I would like to see it stay in, because I think that is an important phase in the financial history of this war, that we started so early with this thing of going down to the bottom and getting a lot of people in.

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H.M.JR: Then leave it for this afternoon.

"Fine as this record is, it is clearly not enough. It is of the utmost importance for ourselves and for our country, for what we are and what we aspire to be, that everyone increase his War Bond purchases during this Second War Loan Drive.

"We have set as our goal 13 billion dollars to be raised in the next few weeks. Our success in achieving the goal will not be measured alone by our ability to raise the money. The true measure of success will be the extent to which this money comes from individual men and women.

"The times demand the total mobilization of our dollars. They must put off the civilian dress of peace and put on the uniform of war. We can no more tolerate idle dollars than we can tolerate idle men."

Is that new?

MR. ODEGARD: Yes.

H.M.JR: "It is high time we say to our money as we have begun to say to our men, "Work or Fight."

Is that you?

MR. MURPHY: It hasn't any substance that I can see.

MR. GASTON: Your working dollars of your income are those dollars which you absolutely need for your necessary expenses. Those are working dollars. The fighting dollars are everything above that that you can possibly spare.

MR. ODEGARD: If you want places where people will applaud, you can write down there - take my word for it, there will be applause immediately after that.

H.M.JR: "Our idle dollars are called to the colors. They must be placed in the service of their country by

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buying War Bonds or other Government securities. But the mobilization of idle dollars is not enough. We shall all have to cut down our personal expenditures, tighten our belts, save every cent we can out of current income, and put every dollar beyond our barest needs into the uniform of War Bonds. Otherwise, we shall find ourselves competitors rather than partners of our country in its fight for life."

"Tighten our belts," and "live off our fat" - you don't have to go to a reduction center. (Laughter)

"Let no one say it can't be done. It must be done if we are to win the war, not only against the Nazi, Fascists, and the war lords of Japan, but also the battle of the home front right here in America. Let us never forget that the future of everything we cherish and the value of everything we own is at stake in this twin war against despotism abroad and economic disaster at home."

MR. GASTON: I don't like the "twin war." That is new.

H.M.JR: You don't like it?

MR. GASTON: It is one war. I would prefer to let this stop. It gives too much emphasis to the war against economic disaster. "Let us never forget that the future of everything we cherish and the value of everything we own is at stake - " I would stop there on that sentence.

H.M.JR: "There are a few among us -- no one here, I am sure -- who believe that we cannot at the same time wage war and avert economic disaster at home -- who say that our confidence in the American people is misplaced and our high hopes 'utopian.' These are not the views of your Government. Nor are they the views, thank God, of the American people.

"The fine mettle of the American people has been demonstrated time and again since Pearl Harbor. For nearly a year the tide of battle ran against us. After

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the sickening shock of Pearl Harbor, we stood, almost helpless, and watched our enemies advance. Malaya, Singapore, New Guinea, Burma -- these were the stepping stones of Jap conquest. Worse for us than even this cavalcade of disaster was the tragic spectacle of Bataan, the anniversary of which we celebrate this month. Day by day, and inch by inch, American men and their Filipino comrades, against overwhelming odds, were forced to yield, with little more support from us than fist-clenched resolutions of revenge. In Europe and Africa, the same sad tale was being told.

"But these cruel setbacks did not slacken for an instant our determination to win through to ultimate victory, to snatch triumph from the ashes of defeat. They served only to steel our determination the more, to make us grit our teeth and concentrate our activities for such time when we could pass from the defensive to the offensive.

"And now the tide is turning. The United Nations are striking back. After months of defensive warfare our own offensive has begun. Thanks to the heroic Russians, the faithful Chinese, and the incomparable British, we Americans have had the time to prepare so that the Nazis and the Japs are now beginning to feel the weight of our striking power. The victories at Guadalcanal, in New Guinea, in North Africa, in the Bismarck Sea are but the beginning of a combined offensive that, whatever temporary setbacks it may suffer, will not stop short of Berlin and Rome and Tokyo.

"America is on the march. Our military mobilization is in full swing. Our industrial mobilization is in full swing. And now the time has come to complete our financial mobilization -- to synchronize in one great overall pattern of total war the military, industrial, and financial gears of our economy. Don't let anyone say it can't be done. It can be done -- it must be done -- it will be done.

"April is an auspicious month in which to carry on this Second War Loan Drive. It is the anniversary of

- 12 -

Bataan, and of the Minute Men of Concord and Lexington, and it marks the 200th anniversary of Thomas Jefferson's birth. It is up to us to prove ourselves worthy of this great heritage.

"To prove ourselves worthy, we shall have to match the heroism of our fighting men with heroic measures here at home. We cannot do this with words alone. Our part in this war is more vital than that of a cheering section which shouts huzzas to those who carry on the struggle.

"One sure way every man, woman and child can keep faith with these honored dead and with those who are giving their lives today is to provide the material and financial means which they need to win the final victory. The bonds you buy are not only a means toward this great end -- they are tangible symbols of everything this nation has been, of everything it is, and of everything it aspires to be. Buy them without stint and in so doing swell the mighty chorus which says to our enemies our only terms for ending this struggle are unconditional surrender."

I don't know what is the matter with it, but I don't like it. It may be me this afternoon. Let it soak - let me see - I am all free tomorrow afternoon. We may have Cabinet, though. I can't contribute anything this afternoon.

MR. GASTON: Well, you have - it is a week from next Monday, isn't it?

H.M.JR: Yes. I am tired.

MR. GASTON: There is time to attempt to complete a redraft with our bunch in on it. I think we might progress further by not trying to come back too soon with something.

H.M.JR: No, there is no use, because I am tired, and I will be more tired tomorrow. I think we had better take it on Monday morning.

You won't be here, will you?

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MR. ODEGARD: I don't expect to be here.

MR. MURPHY: Mr. Secretary, as far as this is concerned, is it all right if I go to New York on Friday and Saturday for a meeting on the Port of New York Authority test case.

H.M.JR: I won't be here.

MR. MURPHY: Mr. Haas asked me to get clearance on it.

H.M.JR: Let me see when I come back from the farm how I feel. It is me; I am just petered out; that is all.

MR. GASTON: I don't think we have the right final result yet.

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

Anyway, thank you very much.

MR. ODEGARD: You have three people on this program, really four, you and Mr. Murray, Mr. Green, and Governor Dewey. The thought was that you would speak first.

I talked to Mr. Houghteling this morning as to what Mr. Green and what Mr. Murray might say, and they will want to know something about what you are going to say so that they can adjust what they say to that.

H.M.JR: Well, I can't speak this afternoon, so let's just adjourn.

Draft of Second War Loan Speech

(2nd draft 204)

3/31/43

Total war is an incredibly costly business. We are now spending every month more than it cost both North and South to fight the entire Civil War. In the first half of this year alone, war expenditures will exceed the entire money cost of our participation in the first World War. War expenditures in March amounted to _____ million dollars, or _____ million dollars a day. And the rate of expenditures will increase as our war economy goes into high gear. Out of every dollar to be spent by the Federal Government in this coming year no less than 96 cents will be for purposes directly related to the war.

Up to recent months we have been fighting the war on our accumulated fat. But the fat is nearly gone and as a nation we shall have to live on shorter rations of both manpower and materials. As individuals, we shall have to

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work longer and harder, consume less and less, and save more and more. The time has gone when we can take civilian supply for granted, or assume that life can go on pretty much as it did before Pearl Harbor. As yet we have scarcely felt the pinch. In 1941, consumption expenditures reached an all-time high; in 1942, when corrected for price increases, they were not much smaller. But not even America can fight a total war without drastic reduction in its standard of living.

That we can no longer live on our fat is especially true in the field of public finance. The time has gone when we can take the financing of the war for granted and assume that the rich, or the banks, or someone else can provide the Government with the vast sums it requires. Even if all corporation profits and all the savings of all the rich

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people in the country were used to buy Government bonds we should still be a long way from our goal. Only the people -- all the people -- can finance a total war.

But there is another important reason why the Government appeals to everyone, rich and poor alike. It is not healthy for a democracy to be mortgaged to a small and privileged class. Every American, every wage earner and every farmer, as well as every employer, and professional man or woman, should be a shareholder in his Government. Think of what that would mean for the security and stability of our Government and economic life.

If this people's war is to bring a people's peace, then we must rely, not on a comparatively few banks, corporations, and rich individuals to buy Government bonds, but on the people, all the people whatever their walk of life, to invest

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in War Bonds to the limit of their ability.

We have made a good beginning in this direction through the War Savings Program. Nearly 50 million people are buying War Bonds with more or less regularity. Over 26 million of them have authorized their employers to set aside an average of nearly 9 percent of their pay every pay day for this purpose. Total investments in savings bonds alone will average nearly one billion dollars a month for this fiscal year.

Fine as this record is, it is clearly not enough. It is of the utmost importance for ourselves and for our country, for what we are and what we aspire to be, that everyone increase his War Bond purchases during this Second War Loan Drive.

We have set as our goal 13 billion dollars to be raised

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in the next few weeks. Our success in achieving the goal will not be measured alone by our ability to raise the money. The true measure of success will be the extent to which this money comes from individual men and women.

The times demand the total mobilization of our dollars. They must put off the civilian dress of peace and put on the uniform of war. We can no more tolerate idle dollars than we can tolerate idle men. It is high time we say to our money as we have begun to say to our men, "Work or Fight."

Our idle dollars are called to the colors. They must be placed in the service of their country by buying War Bonds or other Government securities. But the mobilization of idle dollars is not enough. We shall all have to cut down our personal expenditures, tighten our belts, save every cent we can out of current income, and put every dollar beyond

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our barest needs into the uniform of War Bonds. Otherwise, we shall find ourselves competitors rather than partners of our country in its fight for life.

Let no one say it can't be done. It must be done if we are to win the war, not only against the Nazis, Fascists, and the war lords of Japan, but also the battle of the home front right here in America. Let us never forget that the future of everything we cherish and the value of everything we own is at stake in this twin war against despotism abroad and economic disaster at home.

There are a few among us -- no one here, I am sure -- who believe that we cannot at the same time wage war and avert economic disaster at home -- who say that our confidence in the American people is misplaced and our high hopes "utopian". These are not the views of your Government. Nor

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are they the views, thank God, of the American people.

The fine mettle of the American people has been demonstrated time and again since Pearl Harbor. For nearly a year the tide of battle ran against us. After the sickening shock of Pearl Harbor, we stood, almost helpless, and watched our enemies advance. Malaya, Singapore, New Guinea, Burma -- these were the stepping stones of Jap conquest. Worse for us than even this cavalcade of disaster was the tragic spectacle of Bataan, the anniversary of which we celebrate this month. Day by day, and inch by inch, American men and their Filipino comrades, against overwhelming odds, were forced to yield, with little more support from us than fist-clenched resolutions of revenge. In Europe and Africa, the same sad tale was being told.

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But these cruel setbacks did not slacken for an instant our determination to win through to ultimate victory, to snatch triumph from the ashes of defeat. They served only to steel our determination the more, to make us grit our teeth and concentrate our activities for such time when we could pass from the defensive to the offensive.

And now the tide is turning. The United Nations are striking back. After months of defensive warfare our own offensive has begun. Thanks to the heroic Russians, the faithful Chinese, and the incomparable British, we Americans have had the time to prepare so that the Nazis and the Japs are now beginning to feel the weight of our striking power. The victories at Guadalcanal, in New Guinea, in North Africa, in the Bismarck Sea are but the beginning of a combined offensive that, whatever temporary setbacks it may suffer,

will not stop short of Berlin and Rome and Tokyo.

America is on the march. Our military mobilization is in full swing. Our industrial mobilization is in full swing. And now the time has come to complete our financial mobilization -- to synchronize in one great overall pattern of total war the military, industrial, and financial gears of our economy. Don't let anyone say it can't be done. It can be done -- it must be done -- it will be done.

April is an auspicious month in which to carry on this Second War Loan Drive. It is the anniversary of Bataan, and of the Minute Men of Concord and Lexington, and it marks the 200th anniversary of Thomas Jefferson's birth. It is up to us to prove ourselves worthy of this great heritage.

To prove ourselves worthy, we shall have to match the heroism of our fighting men with heroic measures here at

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home. We cannot do this with words alone. Our part in this war is more vital than that of a cheering section which shouts huzzas to those who carry on the struggle.

One sure way every man, woman and child can keep faith with these honored dead and with those who are giving their lives today is to provide the material and financial means which they need to win the final victory. The bonds you buy are not only a means toward this great end -- they are tangible symbols of everything this nation has been, of everything it is, and of everything it aspires to be. Buy them without stint and in so doing swell the mighty chorus which says to our enemies our only terms for ending this struggle are unconditional surrender.

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March 31, 1943
4:05 p.m.

INFLATION

Present: Mr. White
Mr. Haas
Mr. Blough
Mrs. Klotz

H.M.JR: What the heck do you people want?
(Laughter)

MR. HAAS: This is a meeting on what the Treasury has done on anti-inflation.

H.M.JR: Have you got it all written out?

MR. WHITE: It isn't complete. It isn't finished. There is a subcommittee.

H.M.JR: A subcommittee to this committee?
(Laughter)

MR. WHITE: The subcommittee has just handed its tentative report to this committee. (Laughter) We told the subcommittee to stand by. But of course you didn't put a time limit on it. There are a couple of questions that have emerged from the preliminary discussion.

MR. BLOUGH: We have got reams of stuff here.

MR. WHITE: One question is, do you want to go into your own records, and have Miss Diamond--

(Mrs. Klotz entered the conference.)

H.M.JR: I wanted you to hear this. This is a committee which I have appointed to get together what the Treasury has done on inflation. They appointed a subcommittee. (Laughter)

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MRS. KLOTZ: Who is that, you? (Laughter)

H.M.JR: Say it officially, Harry. Say it again.

MR. WHITE: We appointed a subcommittee to prepare the preliminary documents. (Laughter)

MR. BLOUGH: What he means is a technical committee.

H.M.JR: And the subcommittee is in another room. They haven't had time to hear what the subcommittee said. (Laughter)

Now, where is the subcommittee? I would like to meet the works. Where are they?

MR. WHITE: We can call them in.

MRS. KLOTZ: I thought they had appointed you the subcommittee. (Laughter)

(Mrs. Klotz left the conference.)

H.M.JR: Listen, don't try to get away with this stuff, that I didn't set a date, but we will let that pass over.

MR. WHITE: It is a long job.

H.M.JR: Well, I am all tied up now through next Monday - or Tuesday. Let's have another meeting a week from today. By that time certainly you fellows ought to have something.

MR. HAAS: We have got something today.

MR. WHITE: There is quite a draft of a document here. But there are a few questions that we want to make certain about.

One is do you intend to confine yourself only to published documents, or have a complete record and then cull out of that whatever you want to use.

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H.M.JR: Complete.

MR. WHITE: And do you want to utilize your own resources?

H.M.JR: Yes.

MR. WHITE: Will Miss Diamond do that?

H.M.JR: You have to clear it with Mrs. Klotz.

MR. WHITE: You mean Mrs. Klotz will--

H.M.JR: Will arrange to have someone that you will select go through that stuff. Miss Chauncey is as good as anybody.

MR. WHITE: She will take the stuff out or she will--

H.M.JR: Just tell Mrs. Klotz that I want the stuff on inflation and that I suggest she let Miss Chauncey work at it.

MR. WHITE: Those are the only two questions that occur to me.

H.M.JR: I will tell Mrs. Klotz now so there will be no misunderstanding.

March 31, 1943
4:09 p.m.

HMJr: Hello.

William
Robbins: Yes, good morning - how do you do, sir?

HMJr: How are things going?

R: Ah, fine. I arrived in here probably not more than a half an hour ago. My plane was late....

HMJr: Oh.

R:and so I'm here with Mr. Fleming and Mr. Fleet....

HMJr: Good.

R:and we're looking over their set-up, their organization, and their plans.

HMJr: Good.

R: They plan to have a dinner tonight at the - at one of the clubs here in town, and they'll have about twenty of their leaders in to that dinner.

HMJr: Good.

R: So I'll get a chance to meet with the organization pretty well there, and tomorrow morning my plan is to spend some time with Moore and Trounistine....

HMJr: Yes.

R:and then perhaps rejoin Mr. Fleming for lunch prior to my departure on a 2:25 plane.

HMJr: Now how did you leave things in St. Louis?

R: Well, I - I had a very interesting day in St. Louis. They had a really big meeting. They must have had thirty-five or forty of the people in from all of their regions, both War Savings and Victory Fund. I found a very nice feeling between the groups.

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HMJr: Good.

R: Everybody was working together most cooperatively....

HMJr: Good.

R:and there was a nice local spirit. We talked, of course, a little bit about the problem that Mr. Davis' resignation or departure has brought up to us....

HMJr: Yeah.

R:and I've talked to George Buffington about that.

HMJr: Have you talked to Bell?

R: No, George called me at - at Bell's request.

HMJr: Oh, well....

R: And of the names suggested, Maestre was the first out there....

HMJr: Yeah.

R:but he is apparently not going to be available.

HMJr: Yes.

R: He's just finished a Red Cross drive.

HMJr: Yeah.

R: And Head was the second one, and that was the one you had in mind.

HMJr: Okay - well, no, it wasn't - no, get me straight. That wasn't the one I had in mind. It's the one that the people here - I - I don't know any of them.

R: Well, I don't either, of course.

HMJr: But it was the one that Bell and I think - no, it was the one that Chester Davis was recommending.

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R: Yes. Well, I told them there yesterday when the subject came up....

HMJr: Yeah.

R:that I didn't feel that I - I had any real contribution to make....

HMJr: Oh....

R:that there were three points of view that had to be taken into consideration: yours, being the controlling; Eccles, being one; and Davis himself, being the third point of view.

HMJr: I forget the man's name that's connected with a life insurance company.

R: Well, that's right. That's Head.

HMJr: Head, yeah.

R: And he's the one....

HMJr: Well....

R:that was the No. 2 man on the list as I picked it up down there yesterday. So I think the plan is that Dan Bell will call Chester Davis at St. Louis and to have Mr. Head sounded out.

HMJr: Okay. But - but you sound cheerful and everything is all right.

R: Oh, yes. I think everything is progressing very nicely.

HMJr: Good.

R: They - they had an enthusiastic group....

HMJr: Good.

R:and there was some very intelligent planning going on, and the organizations, I think, were very happily welded together.

HMJr: Good.

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R: They had a rather strong feeling that this happy welding of the organizations was one of those things that will work all right for a once-over job but that we'll have to face the facts of life at the end of this drive.

HMJr: (Laughs) All right.

R: (Laughs)

HMJr: Okay.

R: All right, sir.

HMJr: Thank you.

R: I'll be in tomorrow at five o'clock. Do you want to see me tomorrow afternoon?

HMJr: Well, when you get here ask for me. If I'm here I want to see you, yes.

R: I'll - I'm due to arrive at the airport at five. I probably won't hit the office much before five-thirty.

HMJr: Well, if I'm here I certainly want to see you.

R: All right, sir.

HMJr: Goodbye.

R: Goodbye.

March 31, 1943
4:15 p.m.

OCCUPATION CURRENCIES

Present: Mr. White
Sir Frederick Phillips

H.M.JR: This will be on military currencies. I had a meeting this morning in my office with the Under Secretary of War, Navy, representatives of the State Department, and BEA, and this is the way we feel about this thing: At this stage of the campaign we don't want to take it up with any of the governments in exile on account of security reasons.

Irrespective of whether the country is a so-called friendly country or enemy country where they are going into, we here feel that what we will call, for lack of a better name, our spearhead money - we would like to use the same money that we used in North Africa, which we called gold-seal money.

SIR FREDERICK PHILLIPS: Yellow seal.

H.M.JR: We call it gold seal. We don't want to use any of the currency of the country which we are going into in the first instance. We are, however, going to print here - while it wasn't discussed, I am sure there would be no objections to printing some for you - a military currency which will not have any name on it because I can't guarantee security if we have a name printed on it. But our Bureau of Engraving said that using this particular kind of currency - as soon as I can get a form I will be glad to show it to you - we could, within forty-eight hours from the time the War Department asked us to, print the name of the currency over it. So in case in this country that we went into there was a shortage of money, we would have this military currency to supplement our own gold-seal money, if it were necessary.

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SIR FREDERICK PHILLIPS: That is fine, but what is your military currency expressed in?

H.M.JR: It will have a cross rate just the way it did when we went into Africa.

SIR FREDERICK PHILLIPS: Is it a dollar rate - dollar stuff or the local currency?

MR. WHITE: Lira - francs - local.

H.M.JR: It will be dollars, and it will have a fixed rate.

SIR FREDERICK PHILLIPS: That is all right.

MR. WHITE: The yellow-seal currency will be the dollars; the other will be local currency units.

SIR FREDERICK PHILLIPS: I am not talking about the yellow-seal one now - would these things you are now having printed be in dollars, too, or in the local currency?

H.M.JR: I misunderstood you. They definitely would be expressed in local currency.

Now the thought here was - if I haven't made myself plain - the thought here was this, that the Army felt that if you people wanted to use this kind of currency (indicating British Military Authority Note) when you went into a country, the way you did in Africa, all right; but before you use the local currency of that country, they feel that there should be definite consultation either before, or certainly afterwards, because we here feel that if we go into a country or you go into a country with your pockets stuffed full of the currency of a country there will be definite suspicion on the part of the people that it is counterfeit. You arrive with bundles of lira or bundles of francs - the suspicions develop just as when I was in Lisbon. I saw all these new thousand-franc Bank of France notes, and I took it perfectly for granted that they were printed recently and they were worthless. It is the same thing as somebody

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said this morning, if Japan arrived on our shores today in San Francisco with their pockets stuffed full of dollars everybody would think that they were counterfeit - and they most likely would be.

Have I oversimplified this thing, Harry?

MR. WHITE: No; I am not sure. There is just one point. You say that the Army feels that after they have used the spear-head currency, either theirs in sterling or ours in dollars, and are thinking of shifting to local currency, that there would be consultations before any action were taken.

H.M.JR: That is right.

MR. WHITE: Not after. I thought you said before or after.

H.M.JR: I said before; I think so - I meant to, anyway.

MR. WHITE: That might be the day after invasion or a week or a month, but prior to the use of local currency.

SIR FREDERICK PHILLIPS: Did they give any other reason for this suggestion which I think our people will find very surprising?

H.M.JR: No, except that we think that this is the best from the standpoint of reception from the country which we go into. What is amusing?

SIR FREDERICK PHILLIPS: I thought our own military were not blind to the point of desirability of a good reception, and certainly they have raised no such point.

H.M.JR: Well, is it the military, or is it the British Treasury that lays down the policy?

SIR FREDERICK PHILLIPS: They have had consultation.

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H.M.JR: Well, we have had consultation here, with the State Department represented. There was complete unanimity of opinion. We went through the same thing for Africa, more or less. We started out by your wanting us to use your currency. That is where we started. And from our standpoint the African operations from a financial and fiscal standpoint have been successful. Our Army is entirely satisfied. In fact, they are very much pleased.

SIR FREDERICK PHILLIPS: Well, as I understand the British Treasury, the main point is on the question of this special currency, which you describe, where you have the blanks all ready and which you print off as soon as the operation is public and the news of the operation is public property.

H.M.JR: Not necessarily.

SIR FREDERICK PHILLIPS: You would have the blanks before then, but you would print them after--

H.M.JR: Yes, overprints.

SIR FREDERICK PHILLIPS: Our view was, and still is, I believe, that it would be very much better if those notes were expressed not in the local currency, but in dollars or sterling, for the simple reason that if they are expressed in dollars or sterling any quantity desired can be ready before the operation begins, without raising any question of security.

H.M.JR: Wait a minute; I don't understand you. It seems as though we are talking about two separate things.

SIR FREDERICK PHILLIPS: Take that note (British Military Authority Note) - you say you will leave that for your corresponding note. You will have the blanks printed, and when the expedition is announced - public property - you proceed to print on your note the "one hundred francs," or "one hundred lira," or whatever it may be. What I was saying was that if instead of that you would print on your note "one dollar" you would have no trouble whatever in having your notes ready even before the expedition.

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H.M.JR: We have that on these gold-seal notes.

SIR FREDERICK PHILLIPS: Yes, but that is--

H.M.JR: And I understood just the opposite from you. Maybe Mr. White - I am sure he took great trouble to explain it, but maybe I didn't understand it. That is what we are talking about.

SIR FREDERICK PHILLIPS: Yes, I know.

H.M.JR: That is your spearhead currency.

Now what I understood was that position; I am sure you took great pains to explain it, but maybe I didn't understand it - that thing - the one thing that you people didn't want to do was to establish a sterling credit in these countries, that you wanted to use a local currency as much as possible.

SIR FREDERICK PHILLIPS: Well, yes.

H.M.JR: I mean, that is the way it was explained to me. That is just what you didn't want to do, to establish sterling or dollar credit in these countries. What you wanted to do was to use as much of their currency as possible.

Now you tell me, if I understand you correctly, that that isn't what you want to do; you want to use sterling.

SIR FREDERICK PHILLIPS: Perhaps I began at the wrong end.

H.M.JR: Did I understand you rightly?

MR. WHITE: Yes, I think so. There is some hiatus in thought, jumping one step, but I think that is definitely correct.

SIR FREDERICK PHILLIPS: Let's begin with the first thing, what we call the spearhead currency, which is your

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yellow-seal dollar. Our objection to the spearhead currency is that we know very well the Allied governments would object to the use of spearhead currency expressed in full value dollars; they have told us so - or sterling. If you asked why - I suppose their reason is that no one likes another government issuing full-value money in its territory.

If instead of your gold-seal note, which is a full-value note, your spearhead currency were entitled, instead of whatever your ordinary currency bears, "United States Military Authority, One Dollar," we do not think the objection from the other Allies would be so strong. That makes it merely a temporary military affair.

H.M.JR: But what we said - we would use the second currency only after consultation with you; and only after we found we couldn't get enough of the local currency from the local banks or from the local populace would we use this secondary currency, or possibly some of the currency which you may have accumulated.

Now let me go back again. It has been represented to us very carefully that the country involved or the government in exile - if it is one of these governments in exile - would object. We have considered it, and we don't - we are not going to let it influence us.

SIR FREDERICK PHILLIPS: I don't know quite what answer you gave to them, but they put in their views, and you said that you would consult them, I think.

H.M.JR: There is nothing that I know of; nobody raised that point this morning.

MR. WHITE: That is quite a different matter. They put in a letter to us - Belgium and Holland - after the last episode, and they said that before any currency was used in their country they would like to have an opportunity to consult with us. Bell answered the letter and said that we would be glad to consult with them on such problems at any time, or something to that effect. We are ready to consult with them in the sense of asking them for a

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memorandum on what their views are with respect to the appropriate exchange rate. They were interested in the exchange rate. They didn't want us to force an exchange rate on them the way they claimed we did in Africa without the French knowing anything about it. And it was on that point that we had reference to consultation. Our consultations would now consist of asking them to submit a memorandum expressing their views on it. That would be our definition of consultation.

H.M.JR: As to the rate?

MR. WHITE: As to the rate. There are two governments - I think I am right - it is Belgium and Holland who wrote us letters, which we answered.

H.M.JR: We feel pretty strongly about this.

MR. WHITE: About four months ago--

SIR FREDERICK PHILLIPS: I am told they feel very strongly on this point.

H.M.JR: Who?

SIR FREDERICK PHILLIPS: The Allied governments.

H.M.JR: From what I have seen of some of the representatives recently, I don't worry much about some of these governments. I am talking about governments in exile that I have seen recently. I say, some of the governments in exile - some of the representatives that I have seen recently - where you have a big military operation and millions of lives are involved, and all the rest of that.

SIR FREDERICK PHILLIPS: Yes, but you are not asking us to concur in this - to use full-value dollars as spear-head currency?

H.M.JR: No.

SIR FREDERICK PHILLIPS: I think our people feel that--

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H.M.JR: No, our understanding is that you will use this (indicating British Military Authority note). That is what you used in North Africa. What we are saying is that we would like to use our gold-seal currency, but we are asking the concurrence before either of us use the local currency, after we have landed, that there be consultation. Do I make myself plain on that? I am not thinking about the Allied Governments, I am just thinking about England and the United States.

SIR FREDERICK PHILLIPS: Well, I think their intention was to use as spearhead currency either that thing or such local currency as they possess.

H.M.JR: Well, we would prefer - much prefer - that you use this (indicating British Military Authority note). The point is this, I don't care what country you go into, you are going to be there from three to five years, and whatever money you have accumulated - if that is what is worrying the English Government - if you want to use that local currency there will be ample time to use it. You will use it all and many times over, so there will be ample time to use it. So as an economy measure that money will be used no matter how much you have accumulated or how much these Allied Governments have accumulated.

SIR FREDERICK PHILLIPS: Not a matter of economy. It was simply their view that currency would be immediately acceptable.

H.M.JR: Well, that is where we begin to differ with you. Put yourself in the impossible situation - it can't happen - of being in England and the Germans arrive with their pockets stuffed with sterling.

Well, anyway, have I covered the ground, Harry?

MR. WHITE: Yes, I think those are the three points. One, the spearhead currency would be yellow-seal dollars and they could use the BMA notes; second, that the local currency would not be used until after there is consultation, and that consultation would take place after invasion, and that the Allied--

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H.M.JR: Make that plain, the consultation after the invasion.

MR. WHITE: After the invasion. And there would be no consultations before the invasion as to whether or not you use local currency. But after the invasion when either Army wished to go into local currency of any form, there would be consultations, before any such step were taken, between the British and the Americans.

H.M.JR: And most important, there would be consultation between the English, ourselves, and the Allied governments as to the rate, the sterling X country rate and the U.S. dollar X country rate.

MR. WHITE: I didn't know that we in the question of the rate were going to do more than ask them to submit their views.

H.M.JR: Yes, as you said, but between England and ourselves.

MR. WHITE: Between England and the United States there would be complete agreement on the rate as there has been hitherto. But the exiled governments would be asked only to submit their views to the British and the United States governments as to the appropriate rate. They should all be asked soon so that for reasons of security there would be no question left, and it wouldn't constitute an agreement, because we wouldn't be in a position to know what the rate should be until the last minute.

Those are the three points. The question of Litya remains unsettled for the moment.

SIR FREDERICK PHILLIPS: I think they will ask on that, "How long is this spearhead currency going to be in use."

MR. WHITE: We thought that that would be left to the military forces to determine on the ground - that is,

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I presume, that they will have advice from the British Treasury; your military forces, and our military forces would likewise have advice from us and they would determine it as of the time after they go in.

H.M.JR: That is what happened in Africa. I mean, General Eisenhower asked for advice and took it.

MR. WHITE: I think our own feeling has been expressed very generally that the sooner the better, unless there are good reasons for not doing it, and this other local currency would be ready within a couple of weeks after invasion on the spot in case they needed to use it.

H.M.JR: And if the British Government wanted us to print some for them--

MR. WHITE: They have asked us to--

H.M.JR: No, but we are for Morocco, aren't we?

MR. WHITE: No. They have asked us whether we wouldn't have some of the kind of currency. This we were going to print with British Military Authority, too, because they may not have enough.

H.M.JR: The answer is, we would be glad to do it.

SIR FREDERICK PHILLIPS: Well, I can so report to London, but after all, if I didn't say my belief is - they will see pretty suitable objections to some features.

H.M.JR: That is all right. I am getting used to it now.

March 31, 1943
4:40 p.m.

INTERNATIONAL STABILIZATION

Present: Mr. White
Mrs. Klotz

H.M.JR: Sir Frederick Phillips stayed behind.

He said, "Now just explain to me what it is that you have to do about testifying on this stabilization plan - postwar stabilization plan?"

I said, "I have got to go up there Monday." I said, "It isn't very courteous to the Senate to tell them that I am coming up there Monday to testify and I am going to publish it Tuesday night, and particularly if I can't get before the House until Tuesday morning and ask them the same thing.

"Then they will say, 'Why do the English rush you so when the war isn't won yet? What is all the hurry? Why do the English rush you so? What difference does a week make?'"

I said, "I don't know what the answer is." I said, "Furthermore, so that there can be no misunderstanding, I have not yet asked the President, but I am going to tomorrow. I asked the Senate, and I asked the House. They said, 'We would like to have it. You tell me when you would like to have it.' I said, 'The night of the 8th.'"

MR. WHITE: The night of the 8th?

H.M.JR: You do it the night of the 8th instead of the night of the 6th.

So he said, "I will do it in my own name, and not bring you into the picture."

- 2 -

I said, "That is very good."

MRS. KLOTZ: Why didn't he say that in the first place?

H.M.JR: Today he got a little ugly - said that the commanders ought to know what they want.

MR. WHITE: He isn't nearly as ugly here as he can be elsewhere.

H.M.JR: I won't take it. I am not going to take it from anybody. I haven't taken it right from the beginning. And particularly when they were down, I was the most courteous, patient person in the world. I never took advantage of it.

MR. WHITE: He doesn't give - he is not wholly frank in their reasons on this matter. They are not wholly frank.

H.M.JR: Did you see where he tried to twist me up, but he wasn't successful?

MR. WHITE: On whether you meant local currency, yes.

March 31, 1943
4:54 p.m.

HMJr: Sam, you did a beautiful job yesterday.

Sam
Rayburn: (Laughs) Well, part of the way, at least.

HMJr: What?

R: Part of the way, at least. We did the job on the....

HMJr: I....

R:by the Ruml, but....

HMJr: I think it's all right.

R: Well, I think it was a dog fall. Nobody got badly hurt. I - I don't know what to do now. I - the newspaper boys have been around, and I have....

HMJr: They're some newspaper men around?

R:said nothing, and I'm going to get a bunch of the boys together and talk things over. Now there isn't any use in bringing in a bill here, Henry, that's not practically unanimous....

HMJr: No.

R:with the Committee - bringing another split Committee, and you'll have the same kind of a fiasco.

HMJr: Well, do you want to know what I think?

R: Uh huh.

HMJr: I - I hope -- and this is just for you only....

R: Uh huh.

HMJr:that they'll stop talking taxes for a month or so and let us get our April drive over and raise \$13 billion dollars, and then take up the tax bill and this whole question all at one time.

- 2 -

R: Well, now that might be the best thing to do.

HMJr: All at one time - what's the use of taking two bites at it?

R: Well, I - I think you've - I think that's - that's a sensible approach.

HMJr: Now another thing, after all, whatever we do - I mean in the President's Budget Message, he's asked us to raise an additional \$16 billion, and why not present the whole picture to the country at one time?

R: Well, maybe that - that may be the best thing.

HMJr: Because then we're not just talking about "forgiveness, forgiveness".....

R: Yes.

HMJr:all the time.

R: That's right.

HMJr: What?

R: That - that's right. That's right.

HMJr: So that's the way I feel.

R: You can afford to forgive a little if you can....

HMJr: If you can get some.

R: Well....

HMJr: Because I don't mind taking two steps forward, if it's only one backward.

R: That's right.

HMJr: But if it's one backward and none forward, why, I don't get very far.

R: That's right.

HMJr: What?

R: That's right. I - I - I - that - that would be my off-hand opinion, and I said that to John or somebody today.

- 3 -

HMJr: Well....

R: And we certainly got to have a tax bill before the year is over.

HMJr: And if they'd let us come up and really invite us to tell them what we want, we've got a program. You remember John asked at that....

R: Yes, that's right.

HMJr:meeting, have we a program? We've got one.

R: That's right.

HMJr: But if they'd ask me to come up there, I'll give them one and I'm 90% sure it will certainly suit the - all of you fellows.

R: Uh huh. Well, that'd be fine.

HMJr: What?

R: That'll be fine. Well, I'm going to get their attitude, try and get it tomorrow if I can....

HMJr: Yes.

R:and if I get it, I'll let you know.

HMJr: Will you do that? Now, I need a little help. You may have read in the paper that the English have been talking about a stabilization currency plan for when the war is over?

R: Yes.

HMJr: The papers have been full of it.

R: Yes.

HMJr: Now we've had a plan, which was ready for about a year, and in consulting with the English they went ahead and there was a leak over there from one of these Allied governments in exile, and that's mostly where the talk has come from, you see? Now I got hold of the Senate, and they're having me up there Monday morning at 10:30 in Executive Session to explain this plan to the Finance Committee, the Foreign Affairs Committee, and this committee that Tom Connally - of ten

(cont.)

- 4 -

HMJr: Senators on Post-War, you see?
(cont.)

R: Uh huh.

HMJr: And I'd like to be able to do the same thing
to - before the House.

R: Yes.

HMJr: And I'd like to do it, if possible, either
Monday afternoon or Tuesday morning.

R: Uh huh.

HMJr: See?

R: Yeah. That's that Post-War.

HMJr: That's that Post-War....

R: Yeah.

HMJr: Currency.

R: Well, I'll speak to these - you'd like to do
that at the Senate Monday and then about over
here Tuesday.

HMJr: If I - well, say, Tuesday at the latest, if
possible.

R: Uh huh.

HMJr: I'm doing it Monday morning before the Senate.

R: Yeah.

HMJr: Now if you've got a pencil, the committees
I'm appearing before in the Senate are Finance
....

R: I'll be - now just a second.

HMJr: Hello?

R: Yes, just a second.

- 5 -

HMJr: Finance....

R: If I can ever get this....

HMJr: Hello?

R: Yes, Finance.

HMJr: And Foreign Affairs -- I think that's what you call it over there, isn't it? In the Senate?

R: Foreign Relations.

HMJr: Foreign Relations.

R: Yeah, those old fellows have relations....

HMJr: Right.

R:we have affairs over here.

HMJr: Right, and then they got this special committee of ten, I think, and which Tom Connally is the head of on - on Post-War. I don't think you have a corresponding committee. But you have this added committee over there, and that's Weights and Coinage.

R: Yeah, that's right.

HMJr: See?

R: That's right.

HMJr: And I've got to go before them to get an extension of my stabilization fund, so....

R: Uh huh. Might be a good idea to have them in.

HMJr: Yeah. I - if you don't mind my suggesting that.

R: Well, I think that's right.

HMJr: What?

R: I think that would be a good idea.

- 6 -

HMJr: So do you think you could let me know....

R: I'll try to find out for you tomorrow, Henry.

HMJr: Will you?

R: Yes.

HMJr: All right, and, as I say, it will be in Executive Session.

R: Yeah. I'll try to find out for you tomorrow.

HMJr: Righto.

R: Thank you, Henry.

HMJr: Thank you so much.

March 31, 1943
5:06 p.m.

HMJr: Hello.

Operator: Mr. Vaughn.

HMJr: Right.

Operator: Go ahead.

HMJr: Hello.

Guy
Vaughn: Hello.

HMJr: What do you want to do, sell me a couple....

V: Well, how are you?

HMJr: Want to sell me an airplane? Is business that bad?

V: Business is pretty bad.

HMJr: You want to sell me an engine or something.

V: That's right, a spark plug.

HMJr: I see. (Laughs)

V: (Laughs) I wonder if it would be convenient for me to stop in and see you on Friday afternoon? I've got to be down there before the Military Affairs Committee Friday morning.

HMJr: I don't think I'll be here.

V: Oh, my!

HMJr: I ex.. - I expect to be out of town.

V: Well, that's too bad. I'll tell you what I want to talk to you about, buying something instead of selling something.

HMJr: Yeah, what do you want to buy?

V: Well, we don't - I want to talk to you about this bond issue that you're bringing out, as far as the East Coast Council is concerned and our position.

- 2 -

HMJr: Yes.

V: We wanted to make it pretty clear with you and ask your advice on what you think we ought to do.

HMJr: Well, now I....

V: I know what you want us to do, but there're certain other factors that make it impossible to do what we want to do, and I just wanted to talk it over with you.

HMJr: Do you want to see anybody else in place of me?

V: Oh, hell, I don't think so.

HMJr: Well, won't you be down....

V: I - I don't - I don't know. I....

HMJr: Well, don't you....

V: I get along with you pretty well up to date, and....

HMJr: That's right.

V:I thought I'd like to talk with you. I know your time is....

HMJr: Well, I'd see you but I'm not going to be here, Mr. Vaughn.

V: Well, I know. Well, now I'd rather come down a special trip....

HMJr: Fine.

V:at your convenience.

HMJr: Uh....

V: You're not going to be - well, I'd be in Washington anyway.

HMJr: Well, how about next Wednesday?

- 3 -

V: I've, unfortunately, got to be at Columbus next Wednesday, and I'm going to California shortly after that and I won't be back until after the first of May.

HMJr: Oh. Well, we've got to see each other before that.

V: Yeah.

HMJr: How about Monday afternoon?

V: Monday afternoon's okay. I'll be down Monday afternoon.

HMJr: Say around three o'clock?

V: Yes, sir, absolutely.

HMJr: Be glad - be glad to see you.

V: Well, that's fine. I just wanted to show you what cards are on the table, and ask you how to play them.

HMJr: Fair enough.

V: All right, sir. See you 'at three o'clock Monday.

HMJr: Fine.

V: Thank you very much.

HMJr: Goodbye.

V: Goodbye.

March 31, 1943

Dear Mr. Goodale:

It was with real regret that I received your telegram and letter stating that you had found it impossible to come with us here in the Treasury. I was confident that not only would you have been of great assistance but also that you and I would have gotten along famously. I hope that our paths will cross somewhere in the future.

With kindest regards,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Francis G. Goodale,
Hill, Barlow, Goodale & Wiswall,
58 State Street,
Boston, Massachusetts.

HILL, BARLOW, GOODALE & WISWALL

(FORMERLY, HILL, BARLOW & HOMANS)

COUNSELLORS-AT-LAW

33 STATE STREET

THUR DEHON HILL
ROBERT SHAW BARLOW
RICHARD H WISWALL
FRANCIS G GOODALE
WENDEL ADAMS
CHARLES Y WADSWORTH

JAMES J O'BRIEN
WILLIAM A NEAL
RALPH T O'HARA
LEONARD HOLMES

GENE G KRAETZER, JR.
ASSOCIATE

BOSTON, MASSACHUSETTS

March 29, 1943

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

Dear Mr. Morgenthau:

Fearing to waste your time unnecessarily I have today sent you the following telegram:

"FOR REASONS IN LETTER WHICH FOLLOWS REGARDING MATTER DISCUSSED WITH YOU MARCH TWENTY FIFTH HAVE REGRETFULLY BUT DEFINITELY DECIDED THAT I MUST DECLINE"

I appreciate deeply your friendliness and courtesy, as well as the honor which you have done me in suggesting the work in question. I should like to make it clear to you that I have come to my present decision only after most careful deliberation.

There is no need to burden you with the details of my domestic and professional responsibilities and problems, which are many and involved. They all add up to the fact that I cannot resign from my firm without imposing undue hardship on a number of persons. Please believe that it is not at all a question of my own wishes, and still less a question of immediate compensation, but turns on the fact that many individuals are dependant on the continued existence of my firm. The firm has already been so far depleted that it cannot stand the loss of another active partner. I have in the past led others to believe that I would stand by the firm during and after the war, and they have made decisions in reliance on this. To abandon the firm now would make me feel guilty of something almost like bad faith. It would certainly demand great sacrifices of persons who had no voice in my decision.

I take the liberty of adding that I have come to my present conclusion all the more regretfully not only because the work which you outlined attracts me greatly, but because I should like to work in your Department and for you personally.

Sincerely yours,

Francis G. Goodale
Francis G. Goodale

FGG/W
AIR Mail

March 31, 1943.

Dear Chester:

I have your letter of March 27, 1943, submitting your resignation as Chairman of the U. S. War Finance Committee for the Eighth Federal Reserve District and giving the reasons therefor.

I regret the necessity for your resignation, but fully understand that the new duties you are taking on compel you to relinquish this post. I accept your resignation, therefore, with regret.

I am pleased to note that the preparation for the Second War Loan Drive in your District is in such an advanced state of organization.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Mr. Chester C. Davis
President
Federal Reserve Bank
St. Louis, Missouri.

Photo file in Diary
File to Thompson

DWB:ew

FEDERAL RESERVE BANK
OF
ST. LOUIS

OFFICE OF
THE PRESIDENT

March 27, 1943

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

My dear Mr. Secretary:

It is with genuine regret that I am forced to advise you that recent developments will make it impossible for me to continue to serve you as Chairman of the U. S. War Finance Committee for the Eighth Federal Reserve District.

I discussed the general situation here with you by telephone this morning, and understand that Mr. Robbins will be prepared to look into the matter for you when he arrives on Tuesday, and that in the meantime you will have discussed the situation with Chairman Eccles in his capacity as our liaison officer.

Therefore, I submit herewith my resignation to take effect at your pleasure and convenience.

It gives me great satisfaction to say that I am happy over the advanced state of organization in this district in preparing for the Second War Loan Drive.

Sincerely yours,


Chester C. Davis
President

March 31, 1943

Dear Cordell:

The Second War Loan Drive starts on April 12th.

The War Finance Committee of the Seventh Federal Reserve District, comprising parts of Illinois, Michigan, Indiana, Iowa and Wisconsin, are very anxious to have you as the principal speaker on the occasion of their launching program.

The meeting will be held in the Grand Ballroom of the Palmer House in Chicago, Monday evening, April 12th, at 6:15 p. m. They have suggested that a fifteen or twenty-minute speech by you would do much to generate enthusiasm throughout the organization that they have brought together for this drive.

As this is one of the important activities that I am trying to keep a hand in myself, I would appreciate an early response from you.

Yours sincerely,

(Signed) Henry

Honorable Cordell Hull,
Secretary of State.

By _____

Copies in file

March 31, 1948

My dear General Smith:

I am sending you this letter by hand via Lieutenant Colonel Bernstein.

I want to take this opportunity to thank you for the invitation to come to North Africa. Naturally, I was disappointed when I could not accept at this time. We are in the midst of preparing for a \$13,000,000,000 drive which starts on April 12th and I hope will end by the first of May. I sincerely hope that after our financing is over that the situation in North Africa will be such that it will be convenient to have me come over at that time.

Please give my kindest regards to General Eisenhower.

Yours sincerely,

(Signed) H. Morgenthau, Jr

Major General Walter B. Smith,
United States Army.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 31, 1943

FROM Randolph Paul

Yesterday you said you wanted the men who had been working particularly close to the tax bill to get away for a short rest as soon as possible.

Mr. Blough's office: Mr. Blough and Mr. Shere of the Division of Tax Research are planning to be out of the office the two weeks April 5 through April 17. The division can be run satisfactorily in their absence by Mr. Ecker.

Mr. Blough should be in New York the week April 19 to 24 at the trial of the Port of New York Authority case. I may appear for part of this important trial.

Mr. Surrey's office: Mr. Surrey expects to take about a week off scheduled irregularly from April 5 through April 19, depending in part on when I am here as Mr. Blough and Mr. Shere expect to be away those two weeks. Mr. and Mrs. Kirby expect to take the week of April 5. Mr. Brodsky expects to take the week of April 12, and Mr. Lusk the week of April 19.

Miscellaneous: Some of the leading assistants and secretaries in Mr. Blough's and Mr. Surrey's divisions who have borne the brunt of the tax bill will be given short appropriate leaves.

RP

March 31, 1943

MEMORANDUM FOR THE SECRETARY

In the course of the debate on the current tax bill, Chairman Vinson of the Naval Affairs Committee asked the House to consider the meaning of the Ruml Plan in relation to the facts on war profiteering which have been revealed by his Committee. He cited cases where "sales representatives" or war brokers have received enormous contingent fees and commissions in connection with the procurement of Government contracts. He pointed out that the only justification for these profits advanced by these agents was the fact that most of such commissions would have to be repaid to the Government in the form of taxes. Mr. Vinson also declared that the so-called "anti-windfall" provisions of the Carlson bill would be entirely inadequate for recapturing these excessive fees and commissions.

Among the cases cited by Mr. Vinson was that of Mr. Floyd Bronson Oleott, of Washington, D. C., who testified: "We agree now that this thing has gone beyond all bounds, and the reason that we haven't been particularly concerned about rushing these negotiations is, we figure that this money we are getting, 80 percent of it will go back to the Government in taxes, and it didn't make much difference whether the Government got it from us or from our companies." Another agent, Mr. William Springleour, of Washington, D. C., when asked why he hadn't made an adjustment by way of reimbursing the Treasury for exorbitant profits he had made, replied that the Government would take "quite a lot of it out in taxes."

- 2 -

In demonstrating the inadequacies of the "anti-windfall" provisions of the Carlson bill for recapturing excessive fees and commissions, Mr. Vinson cited the case of the firm of Shirley, Olcott & Nichols. Although the three partners of this firm received almost \$1 million in 1942, under the Carlson bill they would have a total tax liability of about \$91,000 or less than 10 percent of their 1942 profits. Another case cited was that of Luther Matthew Bolton who received \$140,000 in 1942 and whose tax under the present law is approximately \$98,000. The Carlson bill's "anti-windfall" provisions would require a payment of only \$17,750, or approximately 18 percent of the tax which would otherwise be due.

Testimony also taken from the Hearings before the Committee on Naval Affairs but not referred to by Mr. Vinson indicates that salary bonuses have been given in order to cover increased tax liabilities. Mr. William S. Jack of the firm of Jack & Heintz, Inc., testified that he expected to receive a bonus in 1942 which would be sufficient to defray his entire income tax liability for that year.



March 31, 1943

Dear Jack:

The Secretary turned over to me your recent correspondence with the Editor of the New York Times. I certainly agree that we had a raw deal, not only from the New York Times, but also from most of the other leading newspapers.

We licked the Ruml plan, I am glad to say. My reaction when this misrepresentation and vilification was going on was much the same as noted in your letter to Merz dated March 19, that is, what's the use, they are determined to be the way they are.

Thanks for reminding me of the Tom Tulliver story.

You might be interested in a particular answer we prepared on one New York Times editorial, a copy of which is enclosed. We never used the material, what was the use?

Sincerely,

(Signed) Randolph

Dr. Jacob Viner
Yale University
Institute of International Studies
New Haven, Connecticut

Enclosure - Memo for the Secretary on New York Times editorial, "Pay-as-you-go: Yes and No", March 16, 1943.

REP:s

March 27, 1943.

Dear Jake:

Thank you for your further copies of correspondence exchanged with the Editor of The New York Times. I am passing these on to Randolph Paul, in accordance with your request.

We appreciate your desire to see that the Treasury viewpoint be adequately handled by the Press.

Sincerely,

(Signed) Henry

Dr. Jacob Viner,
Yale University,
Institute of International Studies,
New Haven, Connecticut.

File in Diary

GEF/dbs

YALE UNIVERSITY
INSTITUTE OF INTERNATIONAL STUDIES
NEW HAVEN, CONNECTICUT

March 19, 1943

Hon. Henry Morgenthau, Jr.,
Treasury Department,
Washington, D. C.

Dear Henry;

The enclosed may interest
you. Would you please pass them on
to Randolph Paul?

Cordially yours,

Jake

JV:B
Encl.

C
O
P
Y
The New York Times
Times Square

March 18, 1943.

Dr. Jacob Viner,
Yale University,
Institute of International Studies,
New Haven, Conn.

Dear Dr. Viner:

It was at my suggestion that Mr. James wrote you recently about your criticism (reported to me by Robert L. Duffus of our Editorial Staff) that the Times had not fully covered the Treasury's case against the Ruml plan, either in its editorial comment or in its news columns. I suggested that Mr. James write you because it is to us a very serious criticism when we fail to report any news adequately and with complete nonpartisanship.

Your letter to Mr. James expresses your belief that we have "plugged for the Ruml plan day after day" in our "Washington correspondence and news columns" as well as in our editorials. I wish that you were prepared to document this charge. We have, to be sure, published a great deal about the Ruml plan in our news columns; but the Ruml plan has undeniably been very much in the news and there has been a great deal of testimony in its favor. I believe that we have also reported, in quite as much detail, the testimony against the Ruml plan. We have surely devoted a great deal of space to the Treasury's position.

I have only recently looked over all of our news columns in this matter and express this opinion on the basis of that examination.

Let me say again that if you can put your finger on any mistakes we have made in our news columns, I shall appreciate it enormously--for we do our level best to keep our news columns devoted strictly to news.

So far as our editorial position is concerned, it seems to me that we have dealt with several of the objections which you bring forward in your letter. Other objections which you raise seem to me, frankly, to be somewhat farfetched. To the extent that they are valid, they do not seem to me to offset the distinct advantages of the plan.

If you care to send us a letter for publication, stating your objections to the Ruml plan, we should be very happy to use it. We might want to make some editorial comment on it.

Sincerely yours,

Charles Merz,
Editor.

March 19, 1943

Mr. Charles Merz,
Editor,
The New York Times,
Times Square,
New York, N. Y.

Dear Mr. Merz:

If an examination of your record on the Ruml plan leaves you satisfied with it, and especially leaves you convinced that you have "reported, in quite as much detail, the testimony against the Ruml plan" as the testimony for it, then I am convinced that any attempt on my part to deal with the record in detail would be wasted effort. Your remark that "We have surely devoted a great deal of space to the Treasury's position" reminds me of George Eliot's Tom Tulliver, who "was very fond of birds, that is, of throwing stones at them." There would be no point in my writing a letter on the Ruml plan. What I had hoped was that you would offer space to at least one competent person either to present the Treasury case against the Ruml plan or to deal objectively, as an unhired tax expert, with both the pros and cons.

Sincerely,

Jacob Viner

JV:B

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

This is the first part of the story
on the Federal-state tax report
sent to weeklies and which will be
distributed tomorrow at the seminar. ←
It has been approved by Gulick and
our Tax Research division. @ 2/26

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, March 31, 1943.

Press Service
No. 35-87

An action program for Federal, State and local governments designed to resolve conflicts between them over taxation and to improve all intergovernmental relations in fiscal affairs has been laid before Secretary of the Treasury Morgenthau by the Committee on Intergovernmental Fiscal Relations, it was announced at the Treasury Department today.

The committee completed two years' work by submitting an exhaustive report analyzing existing problems of Federal-State-local fiscal relations, stressing the importance of coordination and cooperation in dealing with these problems, and recommending specific steps to be taken by governmental agencies of all three levels, some immediately and others when circumstances permit.

Copies of the report are being submitted by Secretary Morgenthau to President Roosevelt, to the Governors of the States, and to the House Ways and Means Committee and the Senate Finance Committee.

Establishment of a Federal-State Fiscal Authority to stimulate efforts toward better coordination of related fiscal functions of governments is one of the committee's chief suggestions. The report presents a plan of organization for the

- 2 -

Authority, calling for Congress to take the lead in providing legislative approval. Personnel of the Authority would consist of one member appointed by the President, one selected by a conference of delegates named by State Governors, and a third named by the first two.

The three members of the committee, Dr. Luther Gulick, Dr. Harold M. Groves and Dr. Mabel Newcomer, were asked by the Secretary to reexamine the entire subject of intergovernmental fiscal relations, giving attention to both temporary wartime and permanent peacetime aspects of the subject's manifold questions. In making its report, the committee explained to Secretary Morgenthau that its research program was curtailed because of wartime exigencies. Nevertheless, its inquiry into the field of interrelated governmental financial affairs has been one of the most vigorous and comprehensive ever made.

The report lays the groundwork for possible legislative and administrative efforts to remedy a lengthy list of economic ills to which the diversity of government in this country has given birth. Included in the scope of the inquiry were the affairs of about 165,000 American governments "of all shapes, sizes, populations, and degrees of sovereignty", the committee observed. Conflicts between these 165,000 jurisdictions,

particularly conflicts growing out of revenue-raising enterprises, are numerous and many of them are deep-seated.

The committee pointed out that President Roosevelt repeatedly had expressed the belief that "no really satisfactory tax reform can be achieved without readjusting the Federal-State-local fiscal relationship," and Secretary Morgenthau asked the committee to direct its work toward that goal.

In urging the importance of "coordination and cooperation rather than subordination and coercion" in attacking the inter-governmental problems, the committee rejected the idea that "a group of specialists could draft a formula or a set of specifications to satisfy all parties and resolve all the conflicts." Rather, it said, the unspectacular method of "nibbling" at the task, bit by bit, "promises most in the way of progress in what must be a cooperative venture."

Considered in much detail in the report are problems of coordinating Federal and State taxes in the fields of income, death, tobacco, liquor, automotive,*sales, business, stock transfer, and payroll levies. The need for Federal-State cooperation in tax administration as a means of achieving coordination is stressed in connection with several of these taxes.

- 4 -

Federal payments in lieu of taxes, State and local taxation of Government contracts, and tax-exempt securities are dealt with in the portion of the report relating to tax immunities.

The committee informed the Secretary that its report was "based on the assumption the United States will be on the winning side of the war and that the struggle will not be so long and exacting that all our institutions will need to be revolutionized to conform to military necessity."

Special funds were provided by Congress to meet part of the cost of the committee's study. Aid of the Institute of Public Administration, of New York, was made possible by a grant from the Carnegie Corporation. State and local governmental agencies gave the committee ready cooperation, and assistance came from many Federal sources.

Inquiries already made indicate that the report will be given widespread attention.

Dr. Groves served as the committee's chief of staff. He is professor of economics at the University of Wisconsin. Experience as a Wisconsin legislator and as a member of the Wisconsin Tax Commission provided Dr. Groves with part of his many qualifications for the responsibility of directing the committee's endeavors. Long a recognized authority on public

- 5 -

finance, he is author of an outstanding textbook in this field, titled "Financing Government." In the committee sessions Dr. Groves was prepared to speak with particular knowledge of State affairs.

Dr. Gulick, who is director of the Institute of Public Administration, has been a professor of municipal science and administration, a participant in much research by legislative committees and tax departments, and counsel to numerous public agencies on tax matters. He has been prominently identified with activities of such bodies as the Tax Research Foundation and the National Municipal League.

Dr. Newcomer, professor of economics at Vassar College, has studied intergovernmental fiscal problems for many years in the United States and abroad. She took an important part in the Twentieth Century Fund study, "Facing the Tax Problem."

A small full-time staff of economists and tax specialists had the assistance of the Treasury Department's Division of Tax Research in making the factual surveys on which the report was based. Intergovernmental relations in several foreign countries were studied for ideas applicable to the American intergovernmental scene. The statistical material assembled by the committee on such vital subjects as the overlapping of Federal-State-local

- 6 -

taxes and the need for coordination of tax levies provides a basic fund of knowledge never before available to legislative and administrative bodies.

From the starting point of creation of a Federal-State Fiscal Authority, recommendations of the committee as embodied in its "action program for each level of Government" move across a broad range of intergovernmental fiscal relations. They deal with such important phases as overlapping tax systems, overlapping expenditures and debt systems, interstate cooperation, State-municipal relations, and the coordination of governmental operations generally. Running through all the recommendations is the theme of cooperative endeavor, with all governments regarded as partners in a joint enterprise.

Following are the principal features of the action program as the committee summarized them:

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470
Mayor La Guardia phoned Mr Gulick

BW14 35

PXX NEWYORK NY NPT MAR 31 1943

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HON HENRY M ROSENTHAU

SECRETARY OF THE TREASURY WASHN DC

WILL YOU KINDLY CAUSE TO BE SENT TO ME REPORT OF YOUR COMMITTEE ON
INTER GOVERNMENTAL FISCAL RELATIONS WILL GREATLY APPRECIATE IT OR
ELSE PLEASE TELL ME WHERE I CAN GET COPY OF REPORT THANKS
LA GUARDIA.

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March 31, 1943

My dear Mayor:

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 study was made with the full cooperation of the responsible officers of the Treasury Department, but the findings and recommendations of the Report are those of the Committee and do not necessarily reflect the views of the 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 especially helpful to Federal, State, and local officials concerned with this problem.

Sincerely yours,

(Signed) Henry

Secretary of the Treasury

Honorable Fiorello W. LaGuardia
Mayor of New York City
New York, New York

By Mess. Simmons 5:28 3/31/43
Copy in Diary
Copies to Thompson

SPECIAL DELIVERY

K-Rieb

Treasury Department
Division of Monetary Research

265 ✓

Date March 31, 1943

To: Mrs. Klotz

I gave a copy of the chart and the memorandum to Mr. Welles.

I had talked with Mr. McCloy who also has a copy and he said that he will strongly support this idea.

H. D. White

Good copy

MR. WHITE
Branch 2058 - Room 214¹

SUGGESTED WASHINGTON ORGANIZATION FOR HANDLING OF
CIVIL ECONOMIC AFFAIRS IN OCCUPIED AREAS

Need for Organization

Expansion of our military naval operations into the continent of Europe and Asia is not going to wait for the completion and ultimate agreement upon plans relating to rehabilitation, to civilian supply, or to finance or property controls in the various possible invasion areas. Nevertheless, any such expansion of military operations should have as its necessary concomitant completed plans for dealing with all important problems relating to civil affairs. The interested agencies in Washington will not have carried their full share of the load, if at the required time they are not prepared for any eventuality with a well-coordinated program for meeting civil affairs problems in occupied areas.

The primary purpose of the organization set forth in the attached chart is to provide an integrated single source from which it may secure the best collective judgment of the various interested departments and agencies of the Government on civil affairs, both in preparation for military operations and in the administration of civil affairs in occupied areas.

1. Inter-Departmental Committee

There would be established an over-all inter-departmental committee to be known as "Inter-departmental Committee for Civil Economic Affairs in Occupied Areas". At least each of the following departments or agencies would designate one responsible official as a member of the interdepartmental committee and possibly an alternate: State, Treasury, War, Navy, Board of Economic Warfare, Lend-Lease Administration, and Office of Foreign Relief and Rehabilitation Operations. The chairman should be a very high officer in the Government. The Inter-departmental Committee would be concerned only with economic policy questions. Operations below the level of fundamental policy would be carried out through sub-committees — each concerned with certain category of problems.

Secretariat

Attached to the Inter-departmental Committee would also be a secretariat, the chairman of which would be a representative of the State Department. On this committee would serve the secretaries of the various subcommittees on operational problems. The secretariat would be responsible for keeping the Inter-departmental Committee and each subcommittee currently advised of the activities in progress in each subcommittee. It would also be responsible for properly channelling and distributing to the interested committees and departments all civil affairs communications to and from occupied territory.

2. Sub-Committees of the Inter-Departmental Committee

Each of the major economic problems on civil affairs in occupied areas would be considered by subcommittees of the Inter-departmental Committee. Their chairman would be the members of the Inter-departmental Committee whose respective department or agency performs functions most nearly coincident with the principal functions of the particular subcommittee. Each subcommittee chairman would appoint a secretary. Each agency represented on the Inter-departmental Committee would select a representative to serve on each sub-committee. Sub-committees might well be formed to deal with the following questions:

- (a) Personnel Committee. This committee would be concerned with the acquisition and training of appropriate personnel for service in the occupied areas. The chairman of the sub-committee would be a representative of the State Department.
- (b) Liaison Committee. Attached to the Inter-departmental Committee would be a liaison committee to deal with the representatives of Allied Governments on civil economic affairs questions in occupied areas. The liaison committee would be under the chairmanship of the State Department. No representatives of foreign governments would serve on this committee.
- (c) Lend-lease, imports into occupied areas and civilian supply in occupied areas. The chairman of this sub-committee would be the representative of the Lend-Lease Administration.
- (d) Currency, banking, budgetary and foreign funds control in occupied areas. The chairman of this sub-committee would be the representative of the Treasury Department.
- (e) Production, development and procurement in occupied areas. The Chairman of this sub-committee would be the representative of the Board of Economic Warfare.
- (f) Public welfare, relief and rehabilitation. The chairman of this sub-committee would be the representative of the Office of Foreign Relief and Rehabilitation Operations.
- (g) Security and Public Order. The chairman of this sub-committee would be the representative of the War Department.
- (h) Other sub-committees presumably would be formed as problems in different fields of operation develop.

- 3 -

3. Sections

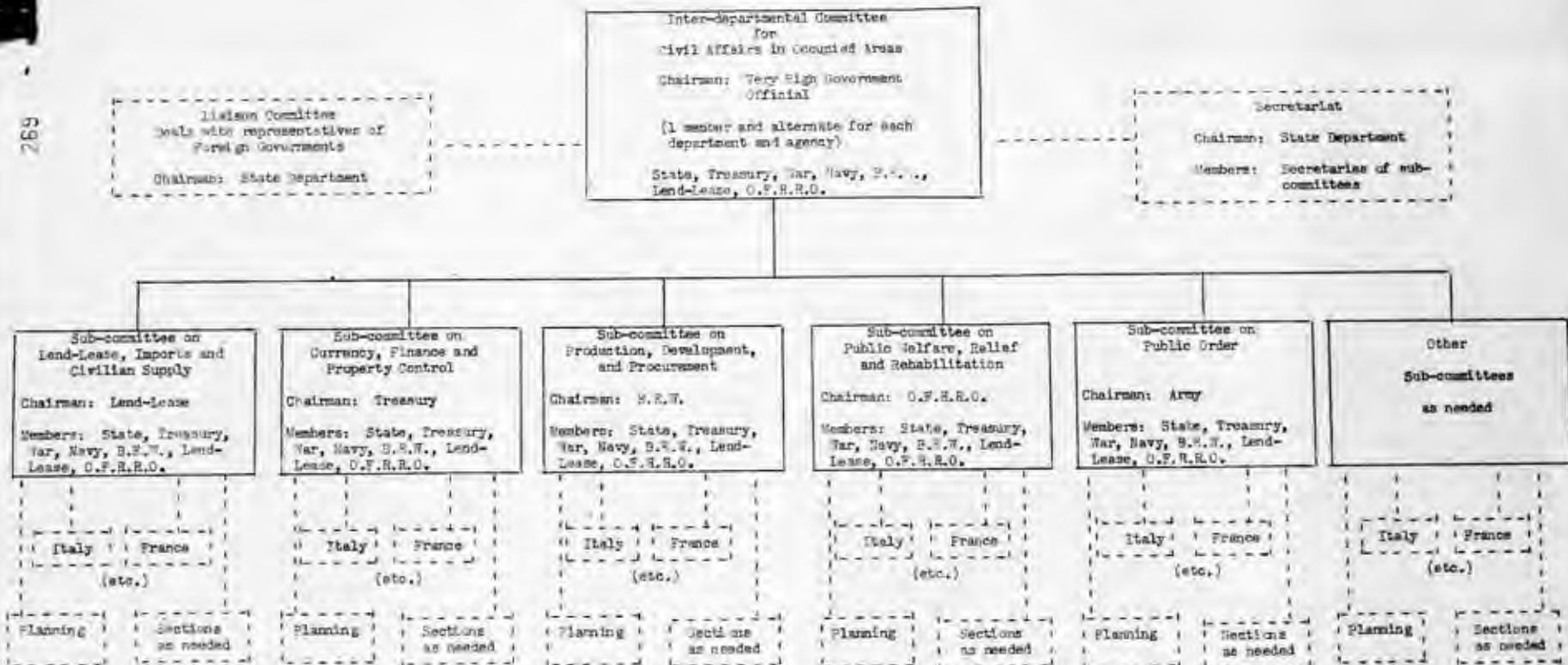
In order to assure a proper functioning of the sub-committees, the chairman may find it desirable to create sections of such sub-committees, such as a planning section, geographical sections, such as Italy, France, etc.

4. Communications

All communications to and from occupied areas would bear the name of the Inter-departmental Committee and, in most cases, would also bear the name of the particular sub-committee concerned. It is presumed that only communications on a level of fundamental policy would be brought from the sub-committees to the Inter-departmental Committee for review and consideration.

SUGGESTED PLAN OF ORGANIZATION FOR WASHINGTON AND OF CIVIL ECONOMIC AFFAIRS IN OCCUPIED AREAS

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Canada's U.S. Dollar Position at March 31, 1943

Aggregate holdings of U.S. dollars and gold by the Minister of Finance and the Foreign Exchange Control Board as at March 31, 1943, were as follows:

Gold	\$124	millions
U.S. dollars, F.E.C.B.	200	"
" " Minister of Finance	<u>133</u>	" *
	<u>\$537</u>	" *

- * Excludes \$19 millions held in the redemption account for the redemption of Dominion of Canada 5% bonds which were called for redemption on March 15, 1943, when the Dominion issued a revolving loan in New York in January.

The total of \$537 million includes the special non-recurrent receipt of \$150 million received from the United Kingdom (\$21 million in December, 1942, \$104 million in January, 1943, and \$25 million in February, 1943.).

The receipts during the first quarter of 1943 may be summarized as follows:

	Balance Dec. 31/42	1943			First Quarter 1943	Bal. as at March 31, 1943
		Jan.	Feb.	Mar.		
Special Receipts from U.K.	\$21	\$104	\$25	\$ -	\$129	\$150
Other Receipts (net) *	<u>298</u>	<u>15</u>	<u>42</u>	<u>32</u>	<u>89</u>	<u>367</u>
	<u>\$319</u>	<u>\$219</u>	<u>\$67</u>	<u>\$32</u>	<u>\$218</u>	<u>\$537</u>

- * Excludes transactions in the bond redemption account referred to above.

The following data are all that are available to explain the changes, as compared with the forecast made in February but dated March 1, 1943:

	Jan.	Feb.	Mar.	First Q. 1943	Forecast
A. Sales of Canadian securities other than Dom. Govt. financing	\$17	\$24	\$25 *	\$66	\$62
B. Sales of U.S. and foreign securities	1	2	7	7	3
C. Deposits by War Supplies Limited	26	22	27	77	100
D. Gold sales to F.E.C.B.	12	11	11	34	35

* estimated

April 3, 1943.

Handed to Mr. White by Dr. Clark 4/1/43 4:15 p.m.

3/31

Original to Mr. Paul



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
#2

March 31, 1943

My dear Mr. Secretary:

I have received Mr. Rehle's letter of March 23 regarding application no. NY519198 for a license to transfer \$14,403.53 of funds of the Finnish-American Trading Corporation to the National City Bank of New York to pay interest due on the City of Helsingfors dollar loan of 1930. The Department was subsequently informed that the Treasury had also received applications for a license for the National City Bank of New York to transfer \$50,000 to Brown Harriman & Company, paying agent for the loan, and for a license for the latter to pay \$55,000 for coupons of the loan due April 1, 1943. Mr. Rehle has also written the Department under date of March 30 that his office has received application no. NY518880 filed by the National City Bank of New York for a license to transfer \$202,400 from the blocked account of the Finnish Cellulose Association to the blocked account of Finland's Bank, to be used for the payment of interest and amortization of Finnish dollar loans. The Department was further informed on March 31 that the National City Bank of New York had withdrawn its application for a license to transfer \$50,000 to Brown Harriman & Company since the total amount in the account drawn on was only \$19,000.

Mr. Rehle's letter of March 23 stated that in view of existing circumstances and the inadequacy of Finnish assets within the United States to meet American claims against Finland, it is the view of the Treasury Department that continued debt service on Finnish obligations of this type (i.e. the type of the City of Helsingfors loan) should not be permitted from blocked accounts within the United States. The view of the Department of State in respect of the matter was requested.

Mr. Rehle's

FOR DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

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

Mr. Penle's letter of March 30 stated that his office had been advised that the National City Bank of New York has standing instructions from Finlands Bank to debit the latter's account approximately \$72,000 monthly to cover amortization payments due the tenth of each month for the service of Republic of Finland 6 per cent external loan due 1945. Mr. Penle commented that the present balance of Finlands Bank in the National City Bank is stated to be about \$39,000 while the present balance of the Finnish Cellulose Association is stated to be approximately \$212,000. Mr. Penle stated it is the view of his office that the continued depletion of Finnish blocked assets within the United States for the purpose of servicing Finnish loans is undesirable, and that the views of the Department of State in respect to the matter would be appreciated.

The pride which the Finnish people has taken in Finland's debt record and credit standing in the United States is a matter of universal knowledge. Action by this Government forcing default of a Finnish loan by declining to license the use of Finnish funds in this country to pay interest coupons would therefore be interpreted as a political action, the sums involved in each application being small. The Department of State does not feel that it is advantageous to produce such an effect at the present moment in the absence of financial grounds such as might make necessary a general refusal to license payments for Finnish debt services in this country. It has been understood that the total of Finnish short-term assets in the United States is something short of \$11,000,000 of which official accounts (Finnish Government and Finlands Bank, including gold holdings) is something short of \$7,000,000.

This Department would therefore favor the granting of licenses covering transfer of sufficient funds to pay the City of Helsinki's bond coupons due April 1, 1943. This would apparently require the approval at least in part of the application to transfer funds of the Finnish Cellulose Association to the blocked account of Finlands Bank. The Department does not see that it would be disadvantageous to approve the transfer of the full requested amount of \$202,400 from the Finnish Cellulose Association to the blocked account of Finlands Bank, it being understood that disbursements from the

latter

latter will continue to be subject to specific license.

As you know, this situation is carefully watched and the successive questions of this kind, including the applications for monthly transfers in respect of amortization on the Finnish Government loan, are given individual rather than routine consideration.

Sincerely yours,

Cordell Hull

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 31, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax Legislation - In a heated session yesterday the House of Representatives, first, approved the Carlson-Ruml Plan by a teller vote of 199 to 188; secondly, defeated the measure by a roll call vote, asked by Representative Cooper, of 215 to 198; and finally, moved to recommit H.R. 2218, the Ways and Means Bill, to the Committee. By this action the House placed the entire tax issue practically back where it was on January 11 when the President submitted his budget message to Congress. Chairman Doughton of the House Ways and Means Committee, however, announced, "The present law is so much better than the Ruml Plan that I am gloriously satisfied," and adding that he didn't know "whether the question will ever come up again," said, "We are going to let it rest for a while. We have got other important things to do." Representative Carlson, on the other hand, announced his intention of continuing the fight. Ironically enough, Speaker Rayburn earlier in the day had predicted that the House would pass "some bill because Congress must not be put in the position before the American people of spending months on Tax legislation and then failing to function at the last minute." Without ever reaching a vote on the Majority Ways and Means Committee Plan or even on the third most popular method, the Forand-Robertson compromise, the House yesterday voted down various other amendments offered by Representatives Luce, Vinson, McGranery, and Doughton before voting on the Carlson measure began.
2. Farm Parity - Rumbings from the farm bloc for an upward revision of farm prices were heard again in the announcement of the Senate Agriculture Committee that they would begin hearings next Tuesday, April 6, on the Pace (farm labor costs in parity) Bill with Food Administrator Davis, Secretary Wickard, and Price Administrator Brown as the first witnesses. This measure was previously reported favorably by the Committee but was recommitted by the Senate for

Further study. However, according to Mark Sullivan this morning, "If the President refuses the (Lewis-Mine) demand for wage increases, and does it firmly, probably nothing more will be heard of the measure to increase the crop parity standard by including wages." Meanwhile, the farm bloc is reportedly warning that they are able to muster the necessary two-thirds majority in the event of a Presidential veto for the Bankhead Bill (which now does not appear so certain) requiring the inclusion of all government subsidies in parity computations. Additional resentment from farming groups was stirred yesterday in the testimony of Philip Raymond O'Brian, President of the Chicago Board of Trade, who told the Senate Agriculture Committee that the government, through CCC sales, was selling corn 8 cents over ceiling prices and thus creating a "black market" of its own.

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRETD.S. SECRETOPTEL NO. 106.

Information received up to 7 a.m. 31st March, 1943.

1. NAVAL.

Yesterday one of H.M. Cruisers on patrol North-west of ICELAND (C) intercepted the German blockade runner REGENSBURG, 8,000 tons, homeward bound from RANGOON. On being sighted the ship was scuttled. 6 prisoners were taken. One of our submarines on patrol off North coast of SICILY probably sank a 10,000 ton South bound tanker and also a 3,000 ton East bound tanker which was in tow. Russian warships have sunk a 2,000 ton transport in the Black Sea.

2. MILITARY.

TUNISIA. To Midnight 29th, Eighth Army. During the day New Zealand troops pushed on North and North-west of GABES meeting enemy rearguards in the afternoon in the METOUJATA OUDREF area. RHENBOUGH about 5 miles North-west of GABES reported cleared of enemy by 4.30 p.m. British armoured patrols pushed on further to the west and reached an area 2 miles south of the GAFSA-GABES ROAD.

First Army. British attacks eastwards along the coastal road made some progress despite very difficult country and stiff opposition. Further south the French supported by a few Churchill tanks captured an important height south-west of PICHON and repelled an enemy attack 5 miles to the North. The Germans launched several minor attacks against U.S. positions round MAKNASSY which which were all repulsed. U.S. troops made slight but steady progress south-east of EL GUETTAR.

3. AIR OPERATIONS.

WESTERN FRONT. 29th/30th. BERLIN. 288 tons of H.E. and 240 tons of incendiaries were dropped, including 119 4,000-pound H.E. and 7,000 30-pound incendiaries. Bad weather and a severe icing forced some aircraft to turn back but little cloud over BERLIN. Main force attacked about 1 A.M. for 35 minutes. Marker bombs scattered at first but well concentrated later. Good fires seen in South-east, North-east, South-west and centre districts. Moderate A.A. combining well with many searchlights.

BOCHUM. 140 tons H.E. and I.B. were dropped. Many crews returned early owing to bad weather conditions though good visibility and clear weather over objective. Flares accurate, bombing fairly well concentrated. Many fires in built up areas near centre of town spreading during attack; one large explosion reported. Strong defences increased during operation. Many searchlights at work. Attack not heavy enough to saturate defences which took full advantage of this fact.

30th. 9 Mosquitoes attacked the Philips Radio Works, EINDHOVEN, and scored many hits. Other Mosquitoes damaged a 15,000 ton ship off LORIENT and several locomotives in BRUNNEN. A Whitley attacked a 6,200 ton ship 130 miles North-west of CAPE ORTELAL.

TUNISIA. 28th/29th. Heavy and medium bombers dropped 110 tons on M.T. on the GABES/SFAX road with good results.

29th. Our bombers and fighters which flew 919 sorties attacked M.T. and airfields near SFAX. At least 320 vehicles were destroyed or damaged on the GABES/SFAX Road.

LATE NEWS. TUNISIA. To noon 30th. Eighth Army.

Our forces had cleared OUDREF and METOUJATA by 8.15 a.m. and later crossed GABES/GAFSA road without opposition. Our patrols in contact with defensive position eight miles north of OUDREF. S.E. ALGERIA French troops advanced on KEBILI from DOUZ. U.S. Sector. Pressure maintained on enemy who shows signs of withdrawal.