

DIARY

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See Speeches by HMJr

April 1, 1943
8:57 a.m.

HMJr: Yes.

Operator: Congressman Doughton.

HMJr: Hello.

Cong. Robert Doughton: All right.

HMJr: Bob?

D: All right, Henry.

HMJr: I want to congratulate you on the magnificent fight you made.

D: Well, I thank you. I did the best I could, and I thank you, and I was going to call yesterday. I was just tied down all day. I told Mr. Paul to tell you, but I was going to call you this morning anyhow....

HMJr: Well....

D:to express my appreciation - very deep and sincere and heart-felt appreciation for your cooperation and help.

HMJr: Well, that's very nice of you.

D: Yes.

HMJr: Now, Bob, I've got to see the press at 10:30 this morning....

D: Well....

HMJr:and I wanted to get your advice as to what angle you thought I ought to take.

D: Well, I hardly know - I - it's a very complicated situation right now.

HMJr: Yes.

D: I don't see how we could do anything more about tax matters until we get rid of - until we dispose of this reciprocal trade, and the President is wanting the Coal Act considered too, you know?

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HMJr: Yeah.

D: And if we get into another controversy over the tax bill - they have acted so dirty about it, and it looks like - the truth of it is, if we'd have had the support from the leadership of the House....

HMJr: Yeah.

D:from the start....

HMJr: Yeah.

D:in the place of giving us - making efforts to have it - to defeat the bill, or weaken it and amend it and all that kind of thing - defeat it, that's what I say, we'd have passed that bill, but when our House leadership gave us no support - and the fact is they were weakening us all the time by saying there ought to be a compromise, a compromise. That's as much as saying the bill wasn't satisfactory, you know.

HMJr: Yeah.

D: And we just got that situation. I'd be glad to - don't know what you should suggest to the President.

HMJr: No, for me....

D: I don't see how we could take up anything about it. Don't know what we could do, hardly. Work out a regular tax bill, but....

HMJr: Yeah.

D:especially now if we took any time, as we have to get rid of this Reciprocal Trade Act, you know.

HMJr: Well, I....

D: What do you think about it?

HMJr: Well, what I thought I would say was something like this. I think it's most unfortunate that they didn't pass your bill....

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D: Yes.

HMJr:because this means that we'll not be able to have a withholding tax by the first of July.

D: That's right.

HMJr: And that from the standpoint of inflation, and so forth and so on, I think it's a - a tragedy. And that - what I'd like to say if this is agreeable to you - that when you do consider another tax bill, that you'll take up a complete tax bill and not just a part of it.

D: Well, I - that's - well, that's been - that's my thought - that's my....

HMJr: Yeah.

D:my feeling about the matter, the way we should proceed.

HMJr: Good.

D: Now whether we'll do that in time to get any withholding tax in by the first of July, we hardly could do that, I guess.

HMJr: No, no. But is that - is that all right?

D: That would be all right with me, and if - if the President thinks we should do something before that ahead of other matters, and we'd have a conference about it....

HMJr: Well, I'm going....

D:and if there's something we could agree on, we could just get behind unitedly, you know, why, that would be one thing and bring out a resolution and do it right in two or three days, but if we have to go into prolonged consideration and discussion by our Committee and a long, bitter debate in the House, why, it wouldn't be smart to take it up now at all.

HMJr: Well, I'm going over to see him in a few minutes, and I wanted to get your advice before I saw him.

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D: You did. I understood - I talked to Marvin McIntyre yesterday about this coal business.

HMJr: Yes.

D: And he's to call me - talk to the President and call me back this morning.

HMJr: Yeah.

D: Of course, the coal business is not your responsibility.

HMJr: Thank God for that!

D: Yes. Well, I'm going to dis.. - talk to the President about that this morning....

HMJr: Yes.

D:if he calls me back - or Marvin calls me back. Well, after you've talked with him you let me know, will you, Henry?

HMJr: I'll do that.

D: Thank you. And, if necessary, why, I'll come down and talk with you. I'm going home tonight.

HMJr: Yeah.

D: But I'd come down and talk with you or the President as soon as I can get back or any time you want to, if necessary, about this tax bill, but as far as I can see right now, your views and mine harmonize exactly.

HMJr: Well, that's - you always do.

D: How's that?

HMJr: We're always together.

D: Well, that's fine, Henry. And I appreciate your cooperation and your friendship too.

HMJr: Same for you.

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D: Thank you. Thank you. Goodbye.

HMJr: Goodbye.

April 1, 1943
11:05 a.m.

HMJr: Hello.

Harold
Graves: Yes, sir.

HMJr: Some time - Callahan's been coming to my
press conferences.

G: Yes, sir.

HMJr: He doesn't furnish anything....

G: Uh huh.

HMJr:and - I mean this is nothing personal or
anything else....

G: Yes.

HMJr:but - I mean he doesn't have - I don't
think he has the overall picture on what's
really going on in the War Finance Committee.

G: Uh huh. That's probably so.

HMJr: What?

G: I - I'm sure that's true of the....

HMJr: And I - I think until this drive is over -
I mean....

G: Yes.

HMJr: Just let me check a minute with Gaston.

G: Yes.

HMJr: Just hold on.

G: Yes, sir.

HMJr: (Talks aside) Gaston agrees with me.

G: Fine. Well, I'll see that until the drive is
over, he remains away.

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HMJr: And tell - tell him it's nothing personal.

G: Yes, I will.

HMJr: But it's just that - I mean if I'm going to have anybody, I'd have Peabody.

G: That's right.

HMJr: See?

G: That's right.

HMJr: If I'm going to have anybody here, I'm going to have Peabody.

G: Yes, sir. Well, I'll explain that to Mr. Callahan.

HMJr: And - and I want to keep the - you see, the number of people that come from the Treasury to my press conferences at the minimum.

G: Sure.

HMJr: But if I'm going to have anybody, I'll have Peabody.

G: Fine. Well, I'll take care of it.

April 1, 1943
11:10 a.m.

Taxes; International Stabilization;
Occupation Currencies

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

H.M.JR: Now, I had a very good conference with the President.

On the tax thing - I went in there with his three secretaries - the President is in agreement they should go ahead with the coal thing and with trade treaties, if they want to, and that we should have a complete tax bill when it does come up. He was very happy about the whole thing.

He told Doughton he knew he didn't drink but that he thought this was a good time for him to go out and get drunk. (Laughter) Steve Early said he had better leave that to his daughter, she does it anyway - not Steve, but one of them, anyway.

The President was very happy. I thanked him for what he had done, said that we couldn't get through without his help. So he is all right on that. We are all right on that.

You will see what I said to the press. I said we weren't going to talk about the next tax bill, but I was very sorry that they defeated the twenty-percent withholding because it was very useful on inflation.

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I said the best we could hope for was to get it by the first of January; that I was delighted that they defeated the Carlson bill. And I couldn't resist it - I said, "We got both Rumls (Rommels) on the run now." (Laughter) I had to get that in. Anyway, you can see what I said.

Now on stabilization, Harry, I told the President about going up before the Senate, and the President is very emphatic - no publication of the American plan. He said, "These things are too early. We haven't begun to win the war." He said, "All these plans - it is all right to talk about them. What the English want to publish is all right."

He said, "Go ahead with your exploratory, that is all right, but how do you know whether it is going to be six months or a year from now", and so forth. He said, "And maybe we will find a lot of gold in Germany; maybe we won't." But he seemed very much against publishing it.

I talked quite a lot about it to the press. You will see. I told them I was going up before the Senate; about the technicians coming here; that everything is very tentative; that we are going ahead, exploratory, so forth and so on. I think what I said is all right. I said we were going up to ask the advice of the Senate and the House, how they would like us to proceed, and to consult them. So we are all right on that.

On invasion currencies--

MR. WHITE: Did you want to use that press release, or shall we drop that?

H.M.JR: Well, what I said - I have given out a press release ad lib. Take a look at it. I hope you won't scold me afterwards. And maybe you will think after you see what I have said that what you wanted to give - I don't think it is necessary.

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Now, on invasion currencies, the President - this is all very much here in the room - is very much with us that we should use the gold-seal or spearhead currency. He thinks it is the height of stupidity that the English want to use this kind of currency (indicating British Military Authority note).

MR. WHITE: Instead of their regular currency - sterling?

H.M.JR: Yes. And as to establishing any rate, he says, "How are you going to know what the rates are, anyway?" But I told him what our program was.

I told him in my usual gracious way that they gave me a piece and cancelled it - called it a specimen - they wouldn't even give me two and a half shillings. (Laughter)

I told him that undoubtedly they would go over my head to him on this thing. I wanted to know he and I were in accord on what I was trying to do. He said, "Yes."

I told him we were going to begin to cut down on the English balances, that they were getting too great, and that they would go to him on that. I reminded him he had signed it. And I also told him that most likely Canada would soon have too many dollars.

MR. WHITE: We are discussing it this morning.

H.M.JR: I know.

So the President and I are vis-a-vis on taxes, on world stabilization, on invasion currencies. I will put it this way, that we are in tune with him and he with us.

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MR. WHITE: Did you raise the question about the Allied governments wanting to use their own local currency?

H.M.JR: I told him about that. I used the example about Japan arriving on our coast with their pockets full of U. S. dollars, and that everybody would think it was counterfeit. He didn't seem to - he went along with everything that I suggested. We had a very good conference.

MR. BELL: How about the other type of currency that we are preparing?

H.M.JR: O.K. on that.

MR. BELL: That is all right to go ahead with that?

H.M.JR: Yes. The thing that he has in his mind, which doesn't make any difference as far as what we are doing, is that he says, "Any rate that exists in a country we invade isn't worth considering." He thinks that the local rate is wholly unimportant because it is a fictitious rate, anyhow. So he isn't bothered. He thinks we should just say, "This is what the rate is", arbitrarily, the way he did. But I mean that he has it very much in his mind.

I said we were going to ask these governments to let us know what the rate was, that we would go that far, but I thought the English had gone much further in consulting with these governments in exile.

I also explained to him that these English wanted to use certain currencies because they could buy them cheap and figured they were worthless, anyway, and it was much better than building up additional sterling debt, of which they had plenty now; that they could get away with using currencies that they already had accumulated from these governments in exile and naturally they would like to do it.

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I think he has got - at least he has got the story this way. I am going ahead. I have got a tough trading, and I am sure he won't do anything to stall me off.

MR. BELL: I hope. (Laughter)

MR. WHITE: I re-read the letters that we sent to the Government of Belgium - to the Finance Minister of Belgium and the Finance Minister of Holland, and they thought - particularly, the Belgian one says that we will consult with them on the matters which are particularly to do with exchange rates.

I think one of the first things we ought to do, in light of those letters, and before anything else is done, is to write them a letter asking them to submit their views on the exchange rate. Then we will have complied with our promise.

H.M.JR: All right. Can you do that?

MR. WHITE: Yes, we will draft a letter for your signature.

H.M.JR: That is a report. I am still weak from my press conference, but I think it was all right. You can all take a look at it.

Anybody got anything pressing?

MR. THOMPSON: On this budget matter, I don't think it is important enough for you to get in on it. It has drifted down to simply ninety positions we are in dispute over. I would like to fight that out with Byrnes myself.

H.M.JR: That is the thing that helps me, when a fellow says a thing like that, that I don't have to get in on it. It is that attitude. If everybody takes that attitude, that is most helpful to me.

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MR. PAUL: I have that reappointment of Mack, which you sent. It is purely technical. I don't think you have to - it ought to go through without any discussion - purely a legal matter.

H.M.JR: It should?

MR. PAUL: It is all tied up with the fact that the renegotiation statute was passed after the previous appointment.

H.M.JR: Want me to sign it?

MR. PAUL: I haven't it here, but I will send it in. It is purely - it is not worth your going into.

H.M.JR: All right.

- 6 -

MR. PAUL: I have that reappointment of Mack, which you sent. It is purely technical. I don't think you have to - it ought to go through without any discussion - purely a legal matter.

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H.M.JR: All right.

April 1, 1943
11:13 a.m.

HMJr: Hello.

Operator: Mr. Doughton.

HMJr: Bob?

Robert Doughton: All right, Henry?

HMJr: This is Henry talking.

D: Yes.

HMJr: Now I - I had a very good talk with the President.

D: Yeah.

HMJr: He's delighted with what you did on the Hill, and he thought you put up a magnificent fight - very much pleased.

D: Well, that - that's very helpful to me to know that, if he feels that way about it.

HMJr: Yeah, and I understood that he was going to send word to you through Marvin McIntyre to go ahead with the Coal Bill. I don't know whether Marvin has called you yet or not.

D: No, Marvin called me and said that Justice Byrnes was coming to see me.

HMJr: Well, may.. - I guess that's the way it is.

D: Yeah.

HMJr: Well, anyway I - as I expected at the press conference they pressed me very hard and I said that you and I had talked things over and we saw eye to eye, and that - and I thought from what you said that you were going to go ahead, and that in a couple of months we'd get around to considering - that you would get around to considering a complete tax bill. Now I hope I didn't talk too much.

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- D: Including collection at the source and all that....
- HMJr: I said....
- D:withholding tax and collection at the source - that's the way I feel now.
- HMJr: Well, that's the way I said.
- D: And if I was to change my mind any way at all before I ever said a word or have any thought of changing, I'd come right and talk with you.
- HMJr: Well, I - I hope I didn't talk too much, but they pressed me awfully hard, and after having talked with you and the President I thought I was on safe ground to say that you and I saw eye to eye on this thing.
- D: Absolutely you were, and since you - or I talked with you, Mr. Cooper was up here and I told him of your - my and your conversation. That's - he's 100% for that.
- HMJr: And I said that it was a tragedy that they didn't pass your bill because your bill would have been most helpful to combat inflation.
- D: Well, you said that at the press conference?
- HMJr: I certainly did.
- D: Well, that's fine and I thank you and I appreciate your fine cooperation.
- HMJr: And I said we had both Rums on the run now.
- D: (Laughs) Well, if we can't lick a political iniquity like that, why, I'd lose faith in popular government.
- HMJr: I think so.
- D: Yes.
- HMJr: But I - as I said, after talking with you and the President I couldn't say that the three of us were in agreement. I couldn't quote the President, but I did say....

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D: I understand.

HMJr:but I did say that you and I were in agreement.

D: Well, that's fine, that's fine, and I - that's exactly now the - the way I feel about it, and I'm very happy that you and I had the same thought about it, and our idea as to what should be done running exactly parallel.

HMJr: Fine.

D: All right. Thank you, Henry.

HMJr: Well, God bless you. .

D: You the same. Thank you. Goodbye.

April 1, 1943
11:20 a.m.

"SECOND WAR LOAN" SPEECH

Present: Mr. Gaston
Mr. Haas
Mr. Murphy
Mr. Lindow
Mr. Peabody
Mrs. Klotz

H.M.JR: Now, look, gentlemen, what I want to do - I am working on a speech to open the drive, and so far, without hurting anybody's feelings, I haven't got what I want. I have been thinking about it during the night and I think it will fall largely on Lindow.

After all, it seems to me that what we should do is this: First tell a little bit about the history of War Bonds. Now, I don't want Lindow to do that. Who can do that for me, George - starting back in '35 when we started this thing? I have to have this tonight.

MR. HAAS: We will do it. Turner probably can start on it.

H.M.JR: I want it tonight, what we have done from '35 until we started on War Bonds.

MR. GASTON: We started in the spring of '35 and then made the Defense Bonds and then went into the War Bond thing in March '41.

H.M.JR: Who knows that?

MR. HAAS: Turner can work up a draft.

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H.M.JR: I don't want it as a speech. I want the information. And then something in that first phase, what happened, and then the second phase which we were in up to the time when we changed from Defense Bonds to War Bonds. In the second phase I mean about the pay-roll deduction, and how many people, and so forth and so on.

Then say what has happened - bring it up to as nearly as possible March first or April first.

MR. MURPHY: Could you give us any idea of how detailed you would like that, Mr. Secretary?

H.M.JR: I don't want too many details. I would like to explain - when I say War Bonds I don't mean War Bonds - I want to explain for background - there is a new person I am bringing in to write this thing - where we have gotten the money to finance.

I will tell you the best way would be if we could start on the first - Pearl Harbor was when?

MR. GASTON: December 7, 1941.

H.M.JR: All right, give me a summary of where we got the money for the calendar year '42.

MR. MURPHY: We have that.

H.M.JR: All right, now where did we get it from?

I think if you will let me run through this, you will get what I have in mind, which is quite different from anything I suggested before.

Then I want - mind you, this all has to be done in twelve minutes - then I want from Lindow - there are three phases, as I see it. There was this idea of getting the people to save, this idea of getting the middle class people investing in America, which we did for a number of years.

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Then we got into this second phase of going along, what we put in the banks, put pressure on - not pay rolls but what we did in '42. Where did we get the money from?

Then the thing that I want to do is boil down the speech that you gave, as to where we have to look for the rest of this year for the money, you see.

MR. LINDOW: Yes, sir.

H.M. JR: You see what I mean. In other words, what I should do when I get up before these people is say, "This is what we have done; this has been the philosophy back of this thing. We have been going to the people. This is where we got it in '42, and this is where we can get it. Now, this is where we can get it for the rest of this year, and this is how much we have got to get.

"We have got to get so much the rest of this year, and we have to get so much of it in April. Now, this is tough. Because when I show you the figures, the sources we can get it from, it shows you how tough it is, and this is where we have got to go."

MR. LINDOW: Yes, sir.

H.M. JR: And then after I have laid down that thing, then maybe I can come along with a hundred words of fireworks to try to excite them sufficiently to do the thing.

Now, that is the way I see the thing as of today.

MR. HAAS: That is magnificent. That is swell.

H.M. JR: I am scrapping everything that has been written up to now. But I am going before the people, and I should have a program. Other speakers should use my speech. They should use extracts, they should use my figures, and I ought to know what I have been doing for the last year. I ought to know where I am going for the rest of this year, and point it out, and where the money can come from, and who we expect to be our customers.

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Then there may be a hundred to a hundred and fifty words at the end when I say, "By gosh, we are going to get this," and then the pressure - the straight sales talk at the end.

MR. GASTON: That is fine. I think that is right along the line of the speech you should make.

H.M.JR: Now what I am getting is - I want these facts. I have got to have this stuff. I know it is terrific pressure, but I would like to have it by nine o'clock tonight. But if there is more time - there is a whole group going up to New York and they could bring it up.

MR. MURPHY: I was intending to take the six o'clock train tonight.

H.M.JR: Blough and Paul are going up. There are a lot of people that could bring this stuff up.

Look, is what I am asking you impossible - to have it by nine o'clock tonight?

MR. LINDOW: I have all these figures right now.

MR. HAAS: We can have it at nine o'clock. We can stay right at it right through lunch and get done.

H.M.JR: No, no, if I said to you - I know you(Lindow) are sick - if I gave you until one o'clock tomorrow, would that make it much easier?

MR. LINDOW: Could I ask one question?

H.M.JR: You can ask three.

MR. LINDOW: The figures, I think, are all together that you would want. The question is what you would want us to do with the figures to give to whom you designate. We have to interpret them, probably.

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H.M.JR: That is just the next point. Just what I was thinking of was possibly - how sick are you?

MR. LINDOW: I am not too badly off.

H.M.JR: How long does it last?

MR. LINDOW: I will be all right. I have had a cold and a blister on my eardrum. This morning I woke up and I had some of the old feelings again. I thought I ought to take the day off.

H.M.JR: What is running through my mind is that this man was going to try to do this job. I want to get this stuff before he sees me and I want him plumb full of this. Then I can talk to him about it afterwards. Maybe we can get him to come down here.

But you all think that this is a good outline?

MR. GASTON: Very good.

MR. HAAS: I think it is excellent.

H.M.JR: That it is appropriate?

MRS. KLOTZ: That is what this should be.

MR. MURPHY: Mr. Haas authorized me to raise a question which has some relevancy, and that is that Monday is the deadline on this history of inflation. That is quite a job.

H.M.JR: I gave him until Wednesday.

MR. MURPHY: Did you? That is the answer, then.

H.M.JR: Wednesday - and don't take that too seriously - Wednesday or Thursday.

MR. MURPHY: Monday would mean working all day Sunday.

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H.M.JR: No, no, Wednesday or Thursday. Pass that along to your subcommittee.

MR. LINDOW: On these figures, Mr. Secretary, we had in our first projected program a series of step-ups in the effectiveness with which we absorbed the savings and accumulations that were being made, going from where we had been in the last six months up to a hundred percent by the end of the year in a series of steps.

We have cut those figures down not going to a hundred percent now, so that we have two versions; the first version going to a hundred percent is ideal, but it is extremely difficult and I think a rather serious thing to make public.

The second version wouldn't be quite so steep, although it wouldn't be as good a job. We would have to borrow more from the banks.

If you have time I would like to show you the progression under each program so you could decide which program seemed most suitable.

H.M.JR: If there is no Cabinet this afternoon, I have lots of time. If there is no Cabinet, I will see you right after lunch.

(Mr. Peabody entered the conference.)

H.M.JR: I am just outlining my speech to these people, and what I need statistically, and they all seem to like it pretty much.

I would like to take just a minute to tell you what I am talking about.

What I am trying to do is get the basic facts for Mr. "X" when he comes down and that is I want to - we went through a phase, about five years, savings bonds, and what we did - what was back of it - and then I want to talk just a little bit about that; then how much money we got

- 7 -

last year and where we got it from; and then I want to go into the third phase, how much money we got to get the rest of this year, and where we expect to get it. I mean, looking forward. And then a hundred to a hundred and fifty words at the end of straight sales talk. That boils it down.

Now, how does it sound, offhand?

MR. PEABODY: I understand.

H.M.JR: That is what I want written out by these men, so that whoever comes could soak it up.

Now, how far have you got?

MR. PEABODY: I got LaRoche last night, as I told you, and he went to work on it at once. It was a little bit late, so I imagine he didn't get anything last night. I have a call in now. I haven't heard from him this morning. But you can - we will have the man.

H.M.JR: Here is the thing. Lindow isn't feeling well. I was just wondering whether the man couldn't come here because all the stuff is here, possibly.

MR. LINDOW: I will do all right, Mr. Secretary.

H.M.JR: I mean, rather than sending you to New York, why couldn't he come down here? There are other people here.

MR. PEABODY: You don't feel that you need to see him up at your farm this week end? Is that right, sir?

H.M.JR: I was thinking this way. If this man could come down here and spend, say, Saturday and Sunday here talking with Lindow, and so forth and so on - I am just thinking out loud - do you think it would be better to see me at the farm?

MRS. KLOTZ: I think you can give him the stuff first.

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H.M. JR: Well, I have got Harry White coming Sunday to get ready for my testifying, Monday. So I have to see this man Saturday, but he really ought to see Lindow, plus what George Haas has got, before he sees me.

MR. LINDOW: I will be glad to go to New York, Mr. Secretary.

H.M. JR: Well, supposing after all - you see what I mean?

MR. PEABODY: Yes, sir.

H.M. JR: He ought to spend Friday afternoon with Lindow. It would be a little bit better. If he came down here and then had to go up to see me, it wouldn't work so well.

MR. PEABODY: We are going to have to pick that man off a job. We obviously are not going to find anybody who is completely available, now, so all of the traveling we can save him will be to the good.

I feel definitely that he ought to talk to you because you have two things involved - material and substance - and you have your personality and your viewpoint which this man, if he is good - and he will be good - can pick up from you and build into this talk, so it is going to sound like Secretary Morgenthau and not like George Doakes.

H.M. JR: Do you fly, or do you prefer going by train?

MR. LINDOW: I fly.

H.M. JR: Then what I would do is this, so you can have a quiet night at home. I would ask them here to get you a plane around eleven or twelve tomorrow morning to take you up to New York.

MRS. KLOTZ: With an earache, do you want to fly?

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MR. LINDOW: I hadn't thought of that, but I will call up the doctor and ask him if it is all right.

H.M.JR: You had better consult your doctor to see whether you should go out at all, because I don't want you to take any risk.

I think you had better aim to have this stuff ready tonight. I would like to take a copy with me. One way or the other, get it to my house by nine o'clock tonight.

MR. HAAS: It is not a speech? It is material?

H.M.JR: Is is not a speech. It is material.

Are you all right on this, Herbert?

MR. GASTON: Yes.

H.M.JR: I will be available after lunch, about quarter of three. Then maybe by quarter of three you can tell me, Peabody--

MR. PEABODY: Yes, sir. I expect that without any question--

H.M.JR: I would like you here. I think we ought to draw on your sense of publicity. I think you ought to listen to this at quarter of three.

MR. PEABODY: I will be here.

April 1, 1943
2:18 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello, Jere?

Cong. Jere
Cooper: Hello, Henry. How are you?

HMJr: I'm alive and very much pleased.

C: Well, fine. That - that's very gratifying.

HMJr: I think you fellows did a fine job up there.

C: Well, fine. We saved you the money.

HMJr: You sure did.

C: Yeah, we saved you the \$10 billion dollars that
.....

HMJr: Also our reputation.

C: That's right.

HMJr: Yeah.

C: Henry, I just wanted to talk to you a minute.
I'm sorry to disturb you.

HMJr: You haven't. You never can.

C: Well, thank you. But Sam Rayburn was telling
Bob Doughton and me a little while ago about
your call to him....

HMJr: Yeah.

C:about wanting to meet with the Ways and
Means Committee, the Foreign Affairs Committee,
and the Coinage, Weights, and Measure Commit-
tee about some money matter or something.

HMJr: That's right.

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C: And he said that - Sam said he understood that you had in mind probably Tuesday.

HMJr: Yes.

C: Well, now there's just this thought that I thought I ought to bring to your attention.

HMJr: Yes, sir.

C: We feel that we better not have a meeting of our committee for a few days....

HMJr: Yes.

C:until things cool off about this Ruml plan tax fight.

HMJr: Yeah.

C: And it might be that if we do have that meeting and the Republicans are there and you're present, they may begin to want to put you on the grill then about the tax question.

HMJr: I think you're right.

C: So unless it's especially urgent, why, I think....

HMJr: No.

C:you better wait a few days.

HMJr: Well, as a matter of fact, Ways and Means on this isn't so important. I really don't - I don't know that they really care about it. It's - it's stabilization of currency. It's a plan with other nations.

C: Uh huh.

HMJr: And I don't think you're particularly interested, are you?

C: No, I don't - wouldn't think so.

HMJr: But I think Weights, Coinage, and Measures and....

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C: Foreign Affairs?

HMJr:Foreign Affairs would be.

C: Well, why don't you just consider the idea then of calling Sam back and tell him that I've talked to you....

HMJr: I'll do that.

C:and in view of the situation that I described, why, you'd rather just have the Foreign Affairs and the Coinage, Weights, and Measures - two - those two committees, and let us stay out.

HMJr: I'll - I'll let you concentrate on coal.

C: Yeah, that's right.

HMJr: I think it's a very good suggestion.

C: All right. I just feel like if these Republicans get you up there....

HMJr: Yeah.

C:with this thing as hot as it is, why, they may want to put you on the griddle on tax matters, which....

HMJr: Well, I'd rather enjoy it, but I - I don't think it's necessary.

C: Well, all right.

HMJr: But I'll - I'll call Sam right back.

C: All right, and tell him - just suggest Foreign Affairs and Coinage, Weights, and Measures, and leave us out of it.

HMJr: I never can get it - I'm mixed where - you're Foreign Affairs and in the Senate they have Relations, is that it?

C: What?

HMJr: It's Foreign Affairs in the House and Foreign Relations in the Senate, is that it?

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C: That's right, that's right.

HMJr: Right.

C: All right.

HMJr: Thank you.

C: All right. Much obliged.

HMJr: Goodbye.

C: Goodbye.

April 1, 1943
2:23 p.m.

HMJr: Hello.

Operator: Speaker Rayburn.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Speaker Sam Rayburn: Yes, Henry.

HMJr: Jere Cooper just called me....

R: Yes.

HMJr:and after talking to him, I don't think it's necessary to drag Ways and Means in on this meeting.

R: I see.

HMJr: They're not really so much interested, and he said he - he'd like them all to cool off. He doesn't want them to see me for awhile.

R: Yeah.

HMJr: And I think he's right.

R: Probably.

HMJr: So if I could get Foreign Relations and Weights, Coinage, and Measures to listen to me for a little while, that would be very good.

R: Well, I'll see - I - I told Jere to call you.

HMJr: He did.

R: He and - I sent for him and the Chairman.

HMJr: Yeah.

R: And the Chairman wasn't going to be here Tuesday....

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HMJr: Yeah.

R:and I told Jere to call you.

HMJr: I think....

R: I'll - I'll see about the other two then, Henry, and let you know.

HMJr: I thank you.

R: All right. And I'll try to get them together at ten o'clock Tuesday morning.

HMJr: Is that what I should put down tentatively?

R: Yes.

HMJr: Ten o'clock Tuesday morning.

R: - All right. I'll - I'll....

HMJr: Thank you.

R:try and get them together. Thank you.

April 1, 1943
2:32 p.m.

HMJr: Hello.

Operator: Justice Douglas.

HMJr: Hello.

Justice Wm.
Douglas: Yes, Henry.

HMJr: Bill?

D: Yeah.

HMJr: On Max Radin....

D: Yeah.

HMJr:I'm a little bit fearful of him.

D: Yeah.

HMJr: I mean it isn't as though he was here - and
I - I'd defend him if he was here.

D: Yeah.

HMJr: But I think I may be - would - might be taking
on an unnecessary fight.

D: Oh, really?

HMJr: Yeah, I think that - some of the California
people think it would follow him here.

D: Oh.

HMJr: And they say he was kind of foolish about
what he did in connection with some students
out there.

D: Uh huh.

HMJr: And....

D: The reason that Phil Gibson, the Chief Justice,
can't do it is that there is a provision in
the California Constitution....

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HMJr: Yes.

D:which vacates the office if - if the judge is out of the state for more than two months.

HMJr: I see. Well, that's out.

D: Yeah.

HMJr: I'm going away for a couple of days, and when I come back if you have any bright ideas, I'd like to contact you if you'd just give me a ring.

D: Yeah. You bet, I will.

HMJr: I appreciate all the trouble you've gone to.

D: None at all, Henry.

HMJr: Thank you.

D: You bet. Goodbye.

April 1, 1943
2:52 p.m.

HMJr: Hello.

Senator
Truman: Hello, Mr. Secretary.

HMJr: Hello, Senator.

T: How are you?

HMJr: Fine.

T: Well, I've got a problem here. I've got some friends of mine who have established a bank down at Fort Leonard Wood, and they've got 18,000 depositors and about three or four hundred thousand dollars in deposits....

HMJr: Yes.

T:and they were - they went down there at the solicitation of the Army....

HMJr: Right.

T:from Fort Leonard - from Fort Riley, Kansas.

HMJr: Right.

T: And now they're up against it because they can't get Federal Deposit Insurance, and they say that the Treasury Department is setting up a branch bank out there, and they're going to lose out and probably lose money for their depositors and themselves. Now what's the answer. What can we do about that?

HMJr: Well, Dan Bell handles this for me, this particular thing, and I'll tell him about this and we'll give you an answer promptly.

T: I'll appreciate it if you will, because....

HMJr: Well, that's easy.

T:it - it doesn't look like a fair thing to me.

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HMJr: No, that - well, I mean it's easy to give you an answer, and I'll assure you we'll be fair.

T: All right.

HMJr: You're doing a swell job, Senator.

T: Well, I appreciate that. I hope I can keep on doing it.

HMJr: Why not?

T: (Laughs) Well, I'm going to keep trying. That's all I can do.

HMJr:a swell job. Keep it up.

T: Thank you a lot, and I - I'll hear from Bell right away.

HMJr: Yes, you will.

T: Thank you.

HMJr: Thank you.

April 1, 1943
2:54 p.m.

Operator: Just a moment, Senator. He'll be right on.

Cong. Robert Doughton: Thank you.

Operator: Senator Doughton.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

D: Hello, Henry.

HMJr: Hello, Bob.

D: Bob. Could you give me the text or the substance of the statement you gave the press this morning?

HMJr: Sure, I'll have a copy made and send it right up to you.

D: How long will it take to get it here?

HMJr: Oh, we ought to be able to get it up there in a half an hour.

D: I have a little conference now with the Democratic members. Somebody has handed them a line here - a little memorandum just containing one sentence of what you said, about you didn't think there'd be any withholding tax this year or something.

HMJr: I - no, no, what I said was this, Bob. I said that - that if the Ways and Means got to hearing a tax bill in a couple of months and it would take a couple of months to get a bill through, and then until we could get the machinery set up, it would be the end of the year. Hello?

D: Yeah, I hear you.

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HMJr: Which is correct.

D: Yes.

HMJr: I mean we've always had to take two to three months to put it in.

D: Take two or three months after the bill is enacted into law.

HMJr: That's right.

D: But - that's what I wanted to know. No use to bother and send it up here.

HMJr: No, no, I'll send - I'll have Schwarz, our - our man that handled it - where are you, Bob?

D: I'm in the Committee Room here in the Capitol.

HMJr: Well, I imagine he could get it up there within - well, if it's done he can get it up there in fifteen minutes to you.

D: Fifteen minutes?

HMJr: Yes.

D: Well, thank you. We'll be right here.

HMJr: In the - in the Committee Room.

D: Committee Room in the Capitol.

HMJr: Right.

D: Not - not the House Office Building - in the Capitol.

HMJr: No.

D: All right. Thank you.

April 1, 1943
8:00 p.m.

"SECOND WAR LOAN" SPEECH

Present: Mr. Bell
Mr. Haas
Mr. Murphy
Mr. Lindow
Mr. Peabody

MR. LINDOW: Before we get at the tables I thought it would be well to look for a minute at these charts which I have used in these talks I have given.

You have seen this before, the same thing we had at that meeting on inflation in December. The whole point of the charts is that here (indicating chart entitled "Production of Goods and Services, Calendar Years 1941 - 1943") is production, and here (indicating chart entitled "Uses of Funds Generated by Production, Calendar years 1941 - 1943") is income, coming to the same amount, but there is maldistribution of the income as between the Government and private persons.

That results in private persons and businesses accumulating large excess funds, and the Government is short about the same amount of these funds. So, in other words, our deficit is really the surplus of the rest of the country.

These savings of individuals, personal savings (indicating chart entitled "Components of Personal Savings, 1941 - 1942"), have been going up from a very small amount back in '41 to a very, very large figure this year. The estimate this year is 45 billion dollars.

This chart shows where these savings have been going: small amounts into debt repayment, small amounts into private insurance, increasingly large amounts into Federal securities, and also very large amounts into deposits and currency.

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Now, the problem is, can we set down a schedule for this year which will result in our taking a larger and larger share of these two things together so that the savings in the form of currency and deposits will go down and our savings in the form of Federal securities will go up.

H.M.JR: That currency saving is bad.

MR. LINDOW: Yes, sir.

H.M.JR: Don't you think I ought to stress something about the currency that a fellow, when he is really hoarding, is just doing himself harm?

MR. LINDOW: I think it would be difficult to bring that in in a short address.

H.M.JR: Fourteen hundred words?

MR. PEABODY: The trouble with this whole thing is, it is awfully short.

MR. HAAS: There is no chance of making that twenty minutes?

MR. PEABODY: You can't do it because you have these other people who have to be on. You have four people, I believe; Mr. Dewey and Mr. Murray, and Green.

MR. HAAS: It is such a swell idea for a speech - I mean the material.

H.M.JR: You can pack a lot. That little talk I gave - the last one I did, the one I gave down in Atlanta, I packed a lot of stuff. That was five hundred and sixty words - five hundred and forty - I think it was, something like that. I talked four minutes and fifteen seconds. I packed an awful lot of stuff.

MR. PEABODY: It was a good talk. It was compact as could be.

H.M.JR: It was all right. What is worrying you?

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MR. LINDOW: The figures, then, where we go on from here, what we have been doing in the past, how we came out last year, and then we will set down some sort of a schedule for this year. This first table is a streamlined version of what I had before. (Indicating chart entitled "Comparison by Investor Group of Current Savings and Accumulations Received and Federal Securities Absorbed, Calendar Year, July 1941 - December 1942.) This first table takes the personal savings here in this first group, shows who got them, and then how much of the money each one of these groups put into Federal securities. Here we have insurance companies. They got in a billion one and invested a billion, and so on, all the way across. Now, the same with mutual savings banks.

H.M.JR: I understand. What is your problem?

MR. LINDOW: The problem is in this group here (indicating). We took in forty-five percent of their individual savings. We worked on up to forty-seven in the last six months. Now, which should we set as our goal for this year? We want to increase that percentage.

In this table, which is the same set-up except it is by three periods of four months each, we increased it to fifty-five percent in this first period. (Indicating chart entitled "Comparison by Investor Group of Current Savings and Accumulations Received and Federal Securities Absorbed, Calendar Year 1943.)

That jibes with eight billion for April, to six five in the May-August period, and to seven five in the September-December period.

H.M.JR: You just listen a minute. This is what Bell doesn't want done?

MR. LINDOW: He raises the question about whether you want to--

H.M.JR: We will settle it now. He has been talking about not releasing these figures. This gets down to straight selling. My own opinion is this, that there are two ways - and I would like Mr. Peabody's advice, parti-

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cularly - on this. Which is better to do, to set a higher figure than we really think we can get and then say the public didn't come up to what we wanted, or set a reasonable figure that we know that we can accomplish, and then say it is better than what we hoped for.

MR. HAAS: You can't go very far out in the future and have your figures so low that people will say, "He doesn't think in big enough terms." They will criticize you.

H.M.JR: But George, I am not worrying about criticism of myself. I am so used to it.

(Mr. Bell entered the conference.)

MR. HAAS: I know you can take personal criticism on the thing.

H.M.JR: Dan, this is for my speech and I think this is the thing that you don't want me to say, so I want you here.

Let me just talk a minute. I think the trouble right now with this country and with Washington is the lack of compliance on the part of the public with what Washington lays down, particularly OPA. But I don't know that it is the public's fault because I don't know that the rules that Washington laid down weren't impossible. This is largely addressed at you (Peabody) because you have been in close contact with the food industry.

When you ask the people to do something and they can't do it, you get what they had at the end of the bootlegging thing where you had the public disregarding the law because the law was impossible to live up to. They were out of sympathy. Maybe you don't see the connection, but in this thing--

MR. PEABODY: Yes I do.

H.M.JR: You see, I don't want to set for individual savings, seventy-five percent if that is impossible. We will come to it afterwards, whether you think I should do it or not, but first, just as a straight selling question of public relations, what do you think?

- 5 -

MR. PEABODY: As a straight selling matter, Mr. Secretary, without the background that I probably should have, I don't think there can be any question that it should be a goal that can be attained because if it is otherwise, you are going to do a number of undesirable things. You are going to make the American public ashamed, for one thing, which is a bad situation, I feel. If it appears impossible to them, you have always got the feeling they don't even mean it, and you don't get, perhaps, the effort that you could get out of it. I think it would be a great mistake to set up something that was either impossible or extremely difficult to attain.

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

MR. LINDOW: This is a revised version which is supposed to be reasonable and possible.

H.M. JR: I thought you told me this morning--

MR. LINDOW: The first version we had would look impossible, I think. I think even that could be done, but I think it would look impossible.

H.M. JR: But this?

MR. LINDOW: But this, I think, looks perfectly possible.

H.M. JR: Sure?

MR. LINDOW: Yes.

MR. HAAS: Maybe the seventy-five isn't as high as it looks - seventy-five percent of the savings accumulated in that four-months period, and in addition to that you have all the savings prior to that which were not converted into Government securities, which amount to seventy-two billion dollars, which is a cushion there.

- 6 -

MR. LINDOW: We reduced the bogey from one hundred to seventy-five at the end of the year in order to make it look very reasonable, and that is after - that percentage is applied to savings which are left after you have taken out insurance, money going into savings bank accounts, and into debt repayment. So it is money there either going into currency and bank accounts or Federal securities. That is really the problem. So I think it is very possible to get the seventy-five.

MR. HAAS: But I would say this, to get it you would have to have a campaign such as you have never had so far. You would have to have personal contact with all the people involved. It means the lower-income groups, too. You just can't - the great emphasis has to be on the mass selling, the mass personal contact. It takes a tremendous organization.

H.M.JR: To get seventy-five percent?

MR. HAAS: To get seventy-five percent.

H.M.JR: We are going to have to have that.

But the seventy-five is reasonable?

MR. LINDOW: I think so.

MR. HAAS: With that kind of organization and that kind of a program.

H.M.JR: That is what we are aiming for. If we don't get this, we certainly ought to get it by December.

MR. PEABODY: I should think so.

H.M.JR: Dan, have you any objection - since I have seen you I have changed everything, and what I want to do is talk about, very briefly, what we started to do in '35, what we were after, what we accomplished, how we raised our money in '42, and how we got it, and then how much money we have to raise in '43, and where we expect to do it for the calendar year, and explain it in a language that a

- 7 -

high-school boy or girl can get. What you have to do is translate this from figures into words.

MR. LINDOW: Yes, sir.

H.M.JR: And then end up with a very short pep talk - a hundred and fifty words at the end.

The reason I asked you in, do you object if we use these figures for forecasting?

MR. BELL: Yes.

H.M.JR: You do object?

MR. BELL: I don't object, but I think it is wrong.

H.M.JR: Do you? Why? You have been saying it is wrong, but I never gave you a chance to say why.

MR. BELL: I think that if you put out these figures as a goal and then you don't meet it, it is going to be bad, whether a hundred or seventy-five, or what. I have no objection to you saying what your objectives are in this financing. You are going to try to get as much money as you can from these individuals and corporations outside of the banking system, and you can give estimates, it seems to me, as to about how much money is in each one of those categories. It is our job to go out and get that money.

And don't say you are going to get seventy-five or a hundred percent of it, but you are going - it is your job to go out and get that money in each one of those categories, and then you don't have a definite goal.

But inside of the Treasury I think we ought to have a very definite policy of turning everything upside down to get that money. I question making it public in any form in which you set a goal for that purpose.

H.M.JR: May I argue with you a little bit? I want everybody to listen, but particularly Peabody.

- 8 -

After all, I am trying to go before the country and set a pattern for our sales - how am I going to get them around if I don't take them into my confidence and say, "This is the goal"?

MR. BELL: For this drive you set a goal of eight billion dollars--

H.M.JR: But I mean as to the sources?

MR. BELL: ... outside of the banking system.

H.M.JR: I mean as to the sources. If I understand this correctly, this says how much we should get from insurance companies.

MR. LINDOW: Yes, sir.

H.M.JR: It says how much we should get from other categories.

MR. LINDOW: Yes, sir.

H.M.JR: And how are these various groups going to know how much they are going to - how much we need? How can they make their plans? For example, an old friend of mine called me up yesterday. I kidded him. He has had trouble selling a plane - he wanted to come down. I said, "You want to sell me a plane?" He said, "No, just a spark plug." (laughter) But his industry - and that is the thing which we have to come to sooner or later - "Are you coming down as a spokesman for the aviation industry?" He wants to talk to me personally - nobody else. What do I expect his industry to do in this April drive? If I will tell him, he will do it.

Now, I am just talking, Dan, and I am trying to prepare a speech which, as I say, other salesmen can quote from. That is, what they ought to expect from me.

I don't want to be bullheaded or insistent, but it seems to me, Dan, that you have got to go out a little bit on the end of a limb, and show these various groups

- 9 -

by industries and collectively, that this is what Morgenthau expects, and he knows what he wants. They say that we don't know what we want - that we don't look far enough ahead.

"That is what they expect. We will cut our pattern. We will buy less railroad bonds and less real estate. If that is what he wants - we have never been told. If that is what he wants, all right. We can't get our portfolio ready on ten-days notice; we need six months to plan our insurance."

And the other people the same way. All right, supposing the insurance people fall down; it is public information. We can go to them and one group will fall down and another group will go up. We will get the money. We may not get it where we said.

All right, the Treasury did it. Who are they going to blame, me, or the group?

Mr. BELL: They are going to blame you.

H.M.JR: All right. Then there is pressure on me. I am out on the end of a limb. I have announced what my program is, and I put pressure on everybody else associated with me.

MR. BELL: Those are all very good arguments. I am wondering if you can't get the same results but name over-all sources, totals. Say the sources of funds, "This is what we want" - not name it as a goal, that we have to have every dollar that is in that pool, or seventy-five percent of every dollar that is in that pool, which does put you out on a limb. But I think if you just give the sources of funds, the amounts available, every effort should be made to get every dollar in that pool. And haven't you accomplished the same thing as you would if you fixed a definite goal?

MR. HAAS: I think that you have reached that stage. I think there is some risk in it, but I think that the leaders in the war effort have to take some risk and that is the only way they will accomplish big things, and this accomplishes a big thing.

- 10 -

The thing that concerns us is just one item. It is a question of sales to individuals. The insurance companies and those - that is a push-over. We can get them. And what you might do, Mr. Secretary, let somebody write it up and then after Dan sees it written up - don't you see?

H.M.JR: I think that is it because I feel this way - maybe the comparison isn't very good, but General Marshall needs so many ships to move his troops; they are not there. He says, "I need them." Then it is up to somebody to find them, but if he doesn't announce how many ships he needs, he will never get them.

MR. BELL: He doesn't announce them publicly.

H.M.JR: well, maybe the comparison--

MR. BELL: He has a goal within the family, and the family undertakes to meet it.

H.M.JR: I would like to maybe say in this speech - I really, personally, think that I am taking a risk - I am putting my neck out, but I have got such confidence in the American public, if I tell them what they need, I am sure they are not going to fail me. They never have since I have been in the Treasury.

MR. PEABODY: I think this may come down to a matter of wording, as Mr. Haas said. I don't think there is an awful lot of difference, basically, in what you are saying, Mr. Bell, and what the Secretary has been saying. It is a matter of how it is expressed.

You say, "This is what we want." You (Bell) say, "Don't let's say 'goal'" - all right, let's throw "goal" out as a word. You don't need to use that, but I think, basically, the things are the same, and the key point is that to the people involved, leaving out the individual, again, these things do not seem unreasonable.

- 11 -

MR. LINDOW: You have heard some of the reactions when these figures have been given - when we had the hundred percent, and it was always my impression that people felt they saw better where we were going after the plan was laid down, than they had before.

MR. PEABODY: No doubt about it.

MR. LINDOW: And yet the hundred percent is a very difficult thing to put down.

H.M.JR: Well, let's do this. You give this thing to me - the facts - then what we are hoping to get is a professional writer. You (Peabody) haven't heard yet?

MR. PEABODY: Not yet, but we will have him.

H.M.JR: You don't know when you are going to hear - by five o'clock?

MR. PEABODY: I expect to hear by five. If I don't I will get on the line with somebody else. I know LaRoche is working on it, but it isn't the easiest thing to do, and you have to find the right man and the man that is available. We will have him, all right.

H.M.JR: You couldn't ask him now while I am here - tell him you are in my office?

MR. PEABODY: I have a call in already, and I left instructions if the call came in to route it up here. I have the call in now.

H.M.JR: You go ahead with the work.

MR. LINDOW: Yes, sir.

H.M.JR: Mr. Bell and I, and everybody else can have a look at it.

MR. BELL: It may look different when you get it in writing.

- 12 -

H.M.JR: But we may not be very far apart. I may be wrong, but I am just beginning to feel this thing in my bones - what I want to say. I just want - I would like to take the American public into my confidence and put myself in their hands.

MR. BELL: I think you have got a different group here in getting this income. Most of these people have never had any money before - or at least this much - and I think it is going to be harder to pry loose than in any other boom you ever had. I think you agree with that, don't you?

MR. LINDOW: They like to spend it on goods and services.

MR. BELL: The lower income have more money in this war boom than the same class of people have ever had before.

H.M.JR: If I don't do anything else, in trying to do this thing, at least I am going to thoroughly explore it myself. Then come to a decision, "Can I do it?" Then we will know, also, how much heat we have to put on through our sales organization.

MR. LINDOW: The result of this, Mr. Secretary, if we were able to it, would be that for the year out of seventy-one billions of total borrowing, we would have twenty-three from the banks, and forty-eight outside. I think that would look mighty good. That would be a good job of financing this year.

MR. MURPHY: An interesting way of looking at that figure is that if the goals that Lindow set down were achieved, it would mean that we would have financed the entire increase in the deficit in '43 over '42, outside of the banks. We would be borrowing almost practically the same absolute from the banks in '43 as in '42.

H.M.JR: Are you putting this into this statement for me tonight?

MR. HAAS: Yes, that will be in.

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H.M.JR: Henry?

MR. MURPHY: Wes is writing that one. I am taking care of the other one, history of War Bonds.

H.M.JR: You are telling him about his, or your own?

MR. MURPHY: I meant the remark for you. It was--
(Laughter)

H.M.JR: He is wonderful. He is all right. If he can't do that, he uses a word I never heard of; ~~then~~ I never know what he is talking about. (Laughter)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 1, 1943.

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

Mr. LaRoche has arranged with Mr. Fred Smith and Mr. George ^{Albe} ~~Apley~~ to go to your farm on Saturday and work with you on the speech.

I know Mr. Smith very well and think highly of him and so, I understand, does Mr. Henry Wallace for whom he has done some work. George Apley has written some Treasury material for Governor Edison of New Jersey. He has also done some work for the DuPont Cavalcade which I think you know. He is an experienced writer of radio talks.

If you will let me know when you wish to see these gentlemen, I will pass the information on to them. I will also put them in touch with Lindow tomorrow.

*They will take the
9:20 train arriving
in Beacon 10:51*

Recordings made by HM, Jr on April 1,
13, which were mailed out to all radio
stations for their use on Radio Day, April 12,
as one of the means of opening up the April
drive.

ANNOUNCER:

We bring you now a special message by Secretary of the Treasury, Henry Morgenthau, Jr.

MORGENTHAU:

We are now engaged in the 2nd War Loan to raise thirteen billion dollars through your purchases of War Bonds and other Government securities. And, when I say your purchases, I speak to every man, woman and child. Every one of us must participate in this loan to our Government so that we may provide our sons, brothers and husbands on the fighting fronts with the equipment they need to carry on this fight for life and freedom. It is necessary for many reasons that every one of us buy his full share of the securities of the 2nd War Loan. No nation ... not even this one ... the richest in the world ... can successfully fight such a war as this without total mobilization. And that total mobilization, of course, includes our money. This job of financing the war cannot be done if we rely only on the banks, corporations and a few rich individuals. This is a people's job ... the job of all the people ... for this is a people's war. To make a success of the 2nd War Loan, to help finance this war, it is necessary that every American invest every possible dollar in War Bonds and other Government securities. No loyal American can do any less while brave men are risking and laying down their lives for us. It is of the utmost importance, for the future security and stability of our democratic economy, that every wage earner, every farmer, every businessman, every professional man or woman should be a shareholder in his government.

ANNOUNCER: We bring you now a special message by Secretary of the Treasury, Henry Morgenthau, Jr. - Secretary Morgenthau.

MORGENTHAU: For many months the United Nations were on the defensive.

Everywhere we watched our enemies advance. But thanks to the Russians, the Chinese, the English and others of our Allies we were given time to prepare ... time to train our men in the grim art of mechanized warfare ... time to build necessary military equipment and send it and our fighting men to the front lines. Now our own offensive has begun and we must bring the full force of our striking power against the enemy. To maintain this offensive on the battlefield, we must also take the offensive on the home front. We must wage war at home against waste and inertia of every kind. This means putting an end to unnecessary spending and using every dollar ^{all} ~~beyond what is needed for~~ *thus saved* ~~the committee of 1942~~ to buy War Bonds and other Government securities. During this 2nd War Loan your government is asking you to lend it 13 billion dollars. The money will be used to send an avalanche of weapons and fighting equipment to our sons, brothers, husbands and friends in the front lines. This is a job not for a few but for everyone of us.

MORGENTHAU: It is not only our duty ... it is a ~~prerogative~~ privilege ...
(continued) for it makes us all - every man, woman and child who buys
a bond - a shareholder in our government, and a partner of
Uncle Sam.

ANNOUNCER: We bring you now a special message
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Morgenthau, Jr.

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to raise thirteen billion dollars
through your purchases of War Bonds
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And, when I say your purchases, I
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Every one of us must participate in
this loan to our Government so that
we may provide our sons, brothers and
husbands on the fighting fronts with
the equipment they need to carry on
this fight for life and freedom.

-2-

It is necessary for many reasons that every one of us buy his full share of the securities of the 2nd War Loan. No nation ... not even this one ... the richest in the world ... can successfully fight such a war as this without total mobilization. And that total mobilization, of course, includes our money. This job of financing the war cannot be done if we rely only on the banks, corporations and a few rich individuals. This is a people's job ... the job of all the people ... for this is a people's war.

-3-

To make a success of the 2nd War Loan, to help finance this war, it is necessary that every American invest every possible dollar in War Bonds and other Government securities. No loyal American can do any less while brave men are risking and laying down their lives for us. It is of the utmost importance, for the future security and stability of our democratic economy, that every wage earner, every farmer, every businessman, every professional man or woman should be a shareholder in his Government.

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the enemy.

-2-

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and inertia of every kind. This
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saved to buy War Bonds and other
Government securities. During this
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you to lend it 13 billion dollars.
The money will be used to send an
avalanche of weapons and fighting
equipment to our sons, brothers, husbands
and friends in the front lines.

-3-

This is a job not for a few but
for every one of us.

It is not only our duty ... it is a
privilege ... for it makes us all --
every man, woman and child who buys
a bond -- a shareholder in our
Government, and a partner of
Uncle Sam.

THE SECRETARY OF STATE
WASHINGTON

April 1, 1943

Dear Henry:

Thank you very much for your letter of March thirty-first advising that the War Finance Committee of the Seventh Federal Reserve District has been good enough to extend an invitation to me to speak on the occasion of the launching of the Second War Loan Drive which starts on April twelfth.

I appreciate the invitation and needless to say it would give me much pleasure to speak at the meeting in Chicago launching your Second War Loan Drive. It is only fair to you, however, as well as to myself, to call attention to the uncertainties of my situation. In all frankness I continue to be so completely occupied every hour of the day with emergency matters relating to the war effort that I have with the utmost reluctance felt obliged to decline for the time being all further speaking engagements which would necessitate my absence from Washington. I am, therefore, very regretfully unable to accept this thoughtful invitation which I nevertheless value highly and would accept with much pleasure were it at all possible for me to do so.

I am very sorry that I am unable to send you a more favorable reply but I trust that you will understand and appreciate my situation.

Sincerely yours,



The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

April 1, 1943

Dear Mr. Trammell:

On behalf of the Treasury Department, I want to express my thanks for all that you, your personnel and the stations owned by and affiliated with The National Broadcasting Company are doing to promote Radio Day, April 12, and the 2nd War Loan.

The success of the 2nd War Loan in great measure depends on the ingenuity, resourcefulness and patriotism of your network and the entire radio industry.

Your enthusiasm and fine spirit of cooperation are deeply gratifying.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Niles Trammell, President
National Broadcasting Company
30 Rockefeller Plaza
New York, New York

Copy in Diary

Copies to Thompson

April 1, 1943

Dear Mr. McClintock:

On behalf of the Treasury Department, I want to express my thanks for all that you, your personnel and the stations owned by and affiliated with The Mutual Broadcasting System are doing to promote Radio Day, April 12, and the 2nd War Loan.

The success of the 2nd War Loan in great measure depends on the ingenuity, resourcefulness and patriotism of your network and the entire radio industry.

Your enthusiasm and fine spirit of cooperation are deeply gratifying.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury

Mr. Miller McClintock, President
Mutual Broadcasting System
1440 Broadway
New York, New York

Copy in Diary

Copies to Thompson

April 1, 1943

Dear Mr. Woods:

On behalf of the Treasury Department, I want to express my thanks for all that you, your personnel and the stations owned by and affiliated with The Blue Network are doing to promote Radio Day, April 12, and the 2nd War Loan.

The success of the 2nd War Loan in great measure depends on the ingenuity, resourcefulness and patriotism of your network and the entire radio industry.

Your enthusiasm and fine spirit of cooperation are deeply gratifying.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Mark Woods, President
The Blue Network
30 Rockefeller Plaza
New York, New York

Copy in Diary

Copies to Thompson

April 1, 1943

Dear Mr. Paley:

On behalf of the Treasury Department, I want to express my thanks for all that you, your personnel and the stations owned by and affiliated with The Columbia Broadcasting System are doing to promote Radio Day, April 12, and the 2nd War Loan.

The success of the 2nd War Loan in great measure depends on the ingenuity, resourcefulness and patriotism of your network and the entire radio industry.

Your enthusiasm and fine spirit of cooperation are deeply gratifying.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. William S. Paley
President
Columbia Broadcasting System
485 Madison Avenue
New York, New York

Copy in Diary

Copies to Thompson

APR 1 1943

Dear Mr. Hemingway:

The Sales Manual prepared and distributed to its membership by the American Bankers Association has just been brought to my attention. It appears to me exceptionally well done and will contribute greatly to the success of the Second War Loan campaign.

The fine cooperation and the help of both your Committee and the staff of the American Bankers Association is very much appreciated.

Sincerely,

(Signed) H. Mergenthau, Jr.

Mr. W. L. Hemingway, President,
American Bankers Association,
Mercantile-Commerce Bank & Trust Co.,
St. Louis, Missouri.

(Mailed out by
Buffington's office)
Copy in Diary

REH:GB:dwb
4/1/43

Copies to Thompson

(Suggested Letter for Signature of William Green)

C
O
P
Y

April 1, 1943

To Officers of International, National and Local
Unions, State Federations and City Central Bodies.

Here is a subject of vital importance. On April 12 the Secretary of the Treasury is opening a financial campaign to sell Government Bonds to raise the vast sum of thirteen billion dollars for current war expense. He has asked me to take part with him in a radio broadcast to tell the workers of America that this is a program which must be shared by all of the people and not simply by the bankers and financial interests.

To meet the challenge of this April campaign the workers of America must not only maintain but must increase their participation in the Pay Roll Savings Plan - the highly effective system by which twenty six million American citizens are today doing their part in financing the war. On top of this, it is desirable that all national unions, state federations, city central bodies and local unions adopt special War Bond programs, both for investing their own funds in government securities and for giving their members additional incentives and opportunities to buy War Bonds during the campaign. I believe that the entire American Federation of Labor may well turn its energies to a series of special campaigns sponsored by national unions, state and city bodies and local unions, with definite objectives - such as "Buy a Bomber", "Name a Liberty Ship" or "Buy a Jeep", the nature thereof depending on the size of the sponsoring body, the condition of its treasury and the comparative wage scale of its members.

To explain how such campaigns may be conducted the War Savings Staff is sending you under separate cover an illustrated Promotion Guide-

- 2 -

book, "Selling More War Savings", in which such campaigns are described in detail. I request that you study this pamphlet, go over it with your fellow officers, decide on some one of its many suggestions and submit a plan to your members as early in April as possible.

The War Savings Bonds of Series E, non-negotiable and redeemable by the Treasury on demand, are the best bonds for American workers. They will be available in this campaign. I am officially advised that the United States Treasury has no idea of discontinuing the issuance of these "People's Bonds".

We must face the fact that the increasing cost of the World War is placing additional financial obligations on all loyal Americans. Your Government must raise additional billions of dollars by sound methods which will not increase our cost of living and dislocate present money values in a way which will penalize all wage earners. Here is your chance to help our nation to reach complete victory.

Sincerely yours,

Wm. Green

President,
American Federation of Labor.

UNITED STATES TREASURY WAR FINANCE COMMITTEE

Bulletin
April 1, 1943

Publicity Directors, War Finance Committee:

Here is a letter to Mr. Robbins from Mr. Perry E. Hall of the Second Federal Reserve District which seems to us to be extremely pertinent.

"This is a simple suggestion, but I think it is important. When we have occasion to use figures of millions and billions in news releases, it might avoid a great deal of confusion to use the form, \$13 billion, for instance. It has been brought to my attention over and over again that the press makes typographical errors when endeavoring to use the appropriate number of zeros. To illustrate my point, a paragraph in an article in this morning's New York Herald Tribune stated:

'Payroll deductions are producing approximately \$400,000,000,000 a month. Additional war bond purchases total approximately \$500,000,000,000 a month. The April goal for non-bank subscriptions is eight out of a total of \$13,000,000,000.'

"Moreover, I find when zeros are used that most people don't know how to read them."

There is, of course, no way in which we can control typographical errors by the press, but we can probably minimize them if we will spell out "billions," as Mr. Hall suggests, in all of our publicity releases.

Stuart Peabody
Head Advertising Specialist

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 1, 1943.

TO Secretary Morgenthau

FROM Harold Graves *H. Graves*

Mr. Odegard has furnished me the attached memorandum, giving the Hooper ratings on the "Over Here" program, which, as you will recall, was discontinued on January 16.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 1, 1943

TO Mr. Graves
FROM Mr. Odegard

The Treasury radio program, "Over Here" which opened on the Blue Network November 28, had the following Hooper ratings:

December 5th	4.7
December 19th	3.3 (this followed a change in time for the program)
January 16th	3.5

I think it worth mentioning that by way of comparison the Army show which has been on the air nearly a year has as of March 15th a Hooper rating of 6.1.

You might be interested also to know that the 2 hour radio bond program "Bond Night On The Blue" which was broadcast August 19th had a Hooper rating of 7.

TO: The Secretary

You may be interested in the trend of Postal Savings deposits. They have started to go up in last few months.

SWB
4/1

Office of the Under Secretary



TREASURY DEPARTMENT
WASHINGTON

April 1, 1943.

TO MR. BELL:

Re: Postal Savings System

<u>End of</u>	<u>Principal amount of outstanding certificates of deposit</u>	
	(Millions of Dollars)	
December, 1937	\$1,270	
December, 1938	1,252	
December, 1939	1,279	
December, 1940	1,304	
December, 1941	1,314	
April, 1942	1,306	
May	1,307	
June	1,316	
July	1,328	
August	1,343	+ 15
September	1,358	+ 19
October	1,377	+ 19
November	1,396	+ 19
December	1,414	+ 18
January, 1943	1,444	+ 30
February	1,469	+ 25

Wnt



April 1, 1943

Dear Bob:

I thought you would be interested in reading a copy of the report which was prepared by Mr. Bartelt on the Military Dependency Payments being handled at your Newark Office.

Sincerely yours,

(Signed) Henry

Honorable Robert P. Patterson,
Under Secretary of War,
Washington, D.C.

File in Diary

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

APR - 1 1943

TO Secretary Morgenthau

FROM Mr. Paul

I have marked on the attached excerpt from the Congressional Record for last Monday some rather juicy morsels in Congressman Disney's blast at the dual plan which I think you will find pleasant reading.

Attachment.

sure. I was amused just a little while ago when my friend, the gentleman from Louisiana (Mr. HITTER) was speaking. Last night we got pretty hot under the collar in the radio debate. I dared him to come in today and tell how many letters he had received from his district, which he says comprises about 400,000 people. You noticed how readily he wanted to answer. He told me privately he had received 300 or 400 letters. What is 300 or 400 letters? Does that mean the American people are for the bill?

That reminds me of the Congressman who had a dream about making a speech on income taxes in favor of the Ruml plan, and sure enough, he woke up and it was true.

About the American people being for this bill, I have a representative district, as my colleagues from Oklahoma can tell you. Here before you is a picture of it. It seems like a small matter to bring out a picture of one's district, but I think this will illustrate the situation to you. I think you do not want to walk off the end of the log. I know one good old Republican, the gentleman from Oklahoma (Mr. RUMLEY), sitting there. He is too smart to walk off the end of the log on this Ruml plan. I know how he feels. He has sense. He is not going to do it.

Here is a typical district, with 10 counties. Pawnee County is a Republican county which I always carry. I got two letters from that county against the Ruml plan and none for it.

Let me give you a summary. First, and describe the district. Here is Tulsa County, with two newspapers, each with over 40,000 subscribers. Tulsa has 175,000 people. The people down there are advised by those dailies, if from no other source.

Up here is Washington County, with a big daily paper at Bartlesville, a town of about 20,000 people. Over here is Pawhuska, with a daily paper. Over here is Nowata, with a daily paper; Ottawa, with a daily paper; here is Cralle, with a daily paper; and Mayes, with a daily paper; and Rogers, with a daily paper. There are just two counties in my district without a daily paper. It looks as if the folks down in my district ought to be pretty well informed about what is going on. There are 47 weekly papers in the district. They ought to know just about what is going on in America, as far as the First District of Oklahoma is concerned.

Now, talk about the American people being for this plan. How many letters do you think I have received from that rich district, that populous district, that district with mining in Ottawa County and oil in Tulsa, Washington, and Osage Counties, and all those agricultural interests? There are about 500,000 people in that district. By actual count, I got 61 letters from the whole district. The American people for the Ruml plan. Bosh.

Forty-six of those letters came from Tulsa County, 4 of them came from Washington County, and 1 from a mining county. There are some well-to-do men in these counties. Incidentally and in passing, only 3 men in my district were affected by the famous \$25,000 limi-

tation. There are poor men and rich men there, and both poor men like me and the rich men, too, can appreciate that we ought to maintain our form of government. Only 3 men in my district were affected.

Over here in Mayes County is a powder plant employing 15,000 men. Not a letter came from Mayes County. Some schemer, if there had been one in the du Pont Co., which is building the plant over here, could have gotten thousands of letters if they had been inspired, because if you say to people, "Do you want your taxes for 1942 forgiven without further explanation?" he will say, of course, "Yes."

Over here at Tulsa is an airplane factory run by the Douglas Co., employing about 15,000 people. There is not a letter from a farmer, not a letter from a laborer in my files. This forgiveness business produced just that little flimsy 61 letters from a district of nearly half a million people.

A fellow from Tulsa called me up a few days ago, a real old pal of mine. I have an affection for him such as I have for every Member of this House whom I know well, because the good qualities in you are so great that if the good qualities in me did not respond there would be something wrong, I think, because you do have those qualities, and I appreciate and love you.

I like this old boy. He has had quite a struggle in his life. He was born the son of a rich father. The money got away somehow; you know how it is for these boys who are born with rich fathers. At one time he occupied a sort of a county officer position in one county. He is a lovable fellow. He has one boy who is the apple of his eye. All he has in this world is that boy, and there is no extent to which he will not go for him.

The other day he called me up about an incidental matter relating to something down in one of the departments, and when we got through with that he said, "I hope you vote for the Ruml plan, Desser." I said, "I should say not. Vote for that lousy, unemoral thing? I will do nothing of the kind." He was a little bit taken aback. I was a little rough, maybe. We talk in ordinary street language to each other. He said, "Well, I hoped you would." I said, "Jim, have you suddenly become enamored of this idea of currency in tax payments?" He said, "Oh, forget it. You know I don't care a rap about currency in tax payments. I would just as leave not pay that 1942 tax if you fellows will vote forgiveness of it, if you know what I mean."

I said, "Jim, how much are your 1942 taxes?" He replied, "\$253,000." I said to him, "That is a very big amount, but that does not mean a thing more to you than \$2.152 taxes mean to me." I then asked him where his boy was, and he replied, "On a tanker in the North Atlantic." "Mine is in Africa," I added.

I then asked whether we would not look like a couple of cheaters if we were to forgive him the taxes of \$253,000 and my taxes of \$2.152. The line became a little silent then for a moment, and he said, "Desser, you are right. I will have

a fine nest egg left after I pay the taxes anyway, and I guess you are right."

Mr. Chairman, the gentleman from Oregon (Mr. MORR) in the last few days, several times asked those speaking in behalf of the bill what year's taxes would be forgiven. Before I go further in this prepared speech, which I think will weary you somewhat, I want to invite some gentleman on the Ruml side to ask me those questions again. My good friend the gentleman from Ohio (Mr. JEWELL) this morning castigated us about this New Deal idea, this New Deal committee bill. He did not seem to like it. He seems to be against the old New Deal, but certainly is in favor of this new, raw Ruml deal. It is pretty raw. Yes; these people down here in my district as I indicated, know what the ordinary rules of arithmetic mean. They still think that 3 times 2 is 4, and they do not understand this fantastic set-up. They still try to believe that 2 times 4 is 4.

Mr. DEWEY. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. Yes.

Mr. DEWEY. I am awfully interested in that fellow who made a \$284,000 profit in 1942, and thought that he was not going to pay any taxes.

Mr. DISNEY. Oh, he did not think that. He was not fool enough to think that. He is too smart a man.

Mr. DEWEY. I am still interested in the \$264,000, and this man who is naive enough to think that he was going to pay no taxes, whether under the Ruml plan or any other plan.

Mr. DISNEY. He said he hoped that we would forgive him. He did not think that we would.

Mr. DEWEY. Did he know of any bill that was passed that would forgive him?

Mr. DISNEY. Oh, yes; he had heard of the Ruml bill.

Mr. DEWEY. What did he make in 1942?

Mr. DISNEY. I did not ask him. He was thinking about the \$263,000.

Mr. DEWEY. And what would he make in 1943?

Mr. DISNEY. I do not know.

Mr. DEWEY. If he is only a one-tax-year man, he will pay for that income of 1942, as fixed in the new Ruml plan, as the gentleman knows.

Mr. DISNEY. I am very glad to have that information. It is the first time I ever heard about it.

Mr. DEWEY. I can assure the gentleman it is in section 2.

Mr. DISNEY. I will be very glad to read it.

Mr. JENKINS. The gentleman does not want to leave the impression that the man would escape the taxes under the Ruml plan.

Mr. DISNEY. There have been so many statements made about it, that if I am mistaken, the gentleman will surely forgive me.

Mr. JENKINS. I am very glad that the gentleman does acknowledge that there is a mistake about it.

Mr. DISNEY. I want to call your attention to the Carter plan, and if what I say is not correct, I want you to correct it, and to give me your attention now, if

April 1, 1943

Dear Harrison:

I take pleasure in sending you, under separate cover, a copy of the Report submitted to me by the Committee on Inter-governmental 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 W. Gulick, Director of the Institute of Public Administration, Dr. Harold W. Groves, Professor of Economics at the University of Wisconsin and a former member of the Wisconsin Tax Commission, and Dr. Mabel Neumann, 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) H. Merritt

Honorable Harrison S. Zoeller
Chairman, Board of Governors of the
Federal Reserve System
Washington, D. C.

Identical letter to
Harold Smith, Director of
Budget, Washington, D.C.

Copy in Diary

WH:sem - 4/1/43

Copies to Thompson

APR 1 1943

Dear Mr. Betters:

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 W. Gulick, Director of the Institute of Public Administration, Dr. Harold E. 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.

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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.

We shall be glad to receive any comments you care to make about the contents of the Report and to pass them on to the Committee in order that they may take them into account in preparing the Report for publication.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Harry R. Betters,
Acting Executive Director,
U. S. Conference of Mayors,
730 Jackson Place N. W.,
Washington, D. C.

Copy in Diary

Copies to Thompson

NWH:tw

Carson to Graves 84

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

4/2/43 to speak to

Hamp. 4/8 - Graves

DATE

April 1, 1943

has asked for
apt.

Furnished 4/2/43

TO Secretary Morgenthau
FROM Randolph Paul

After calling on you Mr. Helvering called on me today with respect to his proposed Joint Resolution providing for the appointment of two Assistant Commissioners. He said that you had approved this suggestion.

While I have no objection to the Joint Resolution standing alone, I am somewhat afraid of it on tactical grounds at this time. I am afraid because the Senate might use the Joint Resolution as a mechanism for writing a pay-as-you-go plan. Mr. Stam has told me there is some danger in this regard in another connection. Mr. Surrey and I are therefore agreed that the Joint Resolution should be held for the moment until we can determine more accurately whether there would be any possibility of this outcome.

Mr. Helvering agreed to hold the matter in abeyance until his return from his contemplated trip which I think will be about the middle of April.



TREASURY DEPARTMENT

WASHINGTON

April 1, 1943

MEMORANDUM FOR THE SECRETARY:

Recently enacted statutes and the prospect of pay-as-you-go legislation call for study, development and fundamental changes in the present Bureau methods of doing business.

While the executive duties of myself and immediate staff have increased commensurate with the increased responsibilities of the Bureau there has been no increase in my official staff to whom I may entrust policy decisions or to whom I may look for constructive suggestions and advice in the operation of the Bureau.

I am herein recommending that the Internal Revenue Code be amended to provide for two Assistant Commissioners in place of one Assistant to the Commissioner as now provided by statute. I have attached hereto a proposed draft of a Joint Resolution embodying the recommended change.

In the event my recommendation is approved the present Assistant to the Commissioner will have general supervision, under my direction, over the Income Tax Unit, Salary Stabilization Unit and the Technical Staff. He will have general supervision, under my direction, in technical matters, including new legislation, and will be responsible for the review of tax cases which require my personal approval. In my absence he will act as Commissioner.

The Assistant Commissioner who will occupy the new position will have general supervision, under my direction, over the Accounts and Collections Unit, the Alcohol Tax

Memorandum for the Secretary.

Unit, Miscellaneous Tax Unit, and Personnel Division. With the exception of organizational changes in the units assigned for the general supervision of my present Assistant he will have supervision over all personnel and space matters. In my absence and in the absence of my present Assistant he will act as Commissioner.

Lucy P. Hebring
Commissioner.

Approved:

H. M. [unclear]
Secretary of the Treasury

WAh:LR

re: Sections 3905 and 3906 of the Internal Revenue Code, relating to the Assistant to the Commissioner.

Memorandum for General Counsel Paul:

Due to the greatly increased amount of work in the office of the Commissioner of Internal Revenue, it is recommended that Subchapter B of Chapter 39 of the Internal Revenue Code be amended to provide for two Assistant Commissioners in place of the one Assistant to the Commissioner at present provided by law. Subchapter B of Chapter 39 of the Internal Revenue Code would then read as follows (new matter underscored, deleted matter in brackets):

"SUBCHAPTER B--~~[THE]~~ ASSISTANT COMMISSIONERS ~~[TO THE COMMISSIONER]~~

"SEC. 3905. APPOINTMENT.

"There shall be in the Bureau of Internal Revenue two ~~[one]~~ Assistant Commissioners ~~[to the Commissioner]~~, who shall be appointed by the President, by and with the advice and consent of the Senate.

"SEC. 3906. DUTIES.

"The Assistant Commissioners ~~[to the Commissioner]~~ shall perform such duties as may be prescribed by the Commissioner or required by law."

A proposed draft of a Joint Resolution embodying the recommended change is enclosed.


J. P. WENZEL,
Chief Counsel.

Approved:


Commissioner.

76th Congress
1st Session

H. J. R E S.

IN THE HOUSE OF REPRESENTATIVES

April , 1943

Mr. _____ introduced the following joint resolution; which
was referred to the Committee on Ways and Means

J O I N T R E S O L U T I O N

To provide for the appointment of two Assistant Commissioners in the
Bureau of Internal Revenue, and for other purposes.

Resolved by the Senate and House of Representatives of the United
States of America in Congress assembled, That Subchapter B of Chapter
39 of the Internal Revenue Code is amended to read as follows:

"SUBCHAPTER B—ASSISTANT COMMISSIONERS

"SEC. 3905. APPOINTMENT.

"There shall be in the Bureau of Internal Revenue two
Assistant Commissioners, who shall be appointed by the President,
by and with the advice and consent of the Senate.

"SEC. 3906. DUTIES.

"The Assistant Commissioners shall perform such duties as
may be prescribed by the Commissioner or required by law."

April 1, 1943.

Memorandum for the Files

James M. Barnes, Assistant to the President, came in to see me, by appointment, at 10:00 o'clock this morning, together with Senators McFarland and Hayden and Wirt Bowman, their candidate for Collector of Customs at Nogales, Arizona. Barnes stated that Mr. Bowman was here to state his side of the case, but perhaps it would be better for me to indicate to Mr. Bowman the grounds of my objection to his appointment. I did so, saying that it must be understood that I had no final say in the matter, that my function was solely to make recommendation to my superior, the Secretary of the Treasury. I did not feel that I could recommend Mr. Bowman for the reason that he had, according to my information, made a fortune out of gambling in Mexico and that he was the agent of a syndicate who distributed corruption funds to various Mexican officials in order that the gambling enterprise might continue.

Bowman admitted that he had paid considerable sums of money to various Mexican officials. He professed not to know whether these were official payments. He said the money was in cash and that he got no receipt for it. He and Senator Hayden went on to explain that for many years and over many administrations in Mexico it had been the custom of state officers to enrich themselves through granting privileges of one sort or another to foreigners and he cited the case of certain mining companies, one of which right now had the Governor of a Mexican state on its payroll. He did not consider that what he had done in connection with the Tijuana track was bribery. He said that he had never bribed a man in his life.

I commented that this was an admission of the essential facts which were the basis of my objection.

Both Senator Hayden and Senator McFarland praised Bowman's character and his standing as a citizen. McFarland became somewhat heated and talked about "besmirching" the character of Mr. Bowman. Bowman said he wanted the nomination primarily to clear his record with the Treasury Department and show that his government had confidence in him.

There was more along this line without any dispute as to the essential facts. Barnes and the Senators agreed to my statement that however Bowman's actions might be regarded in Mexico in this country we would describe what he had done, if an American official had been involved, as paying a bribe. McFarland insisted that if there was anybody corrupt in the transactions it was solely the Mexican officials who received the money from Bowman. Barnes finally suggested that since the case seemed

- 2 -

to be fully presented that they leave it with me to consider and to confer with others as I wished, to which the Senators and Bowman agreed and they departed.

Barnes remained behind and he told me that he thought they would have to work on the Senators, particularly on McFarland, to get them to present another name for the office. He agreed with me that I could not conscientiously recommend Bowman for the job. We should do nothing further until we hear again from the White House.

April 1, 1943

Meeting of Cabinet Group Subcommittee
on Dollar Position of United Nations

Mr. White's Office

April 1, 1943

11:30 A.M.

Present: Messrs. Acheson and Feis of State Department
Messrs. Knollenberg and Denby of Lend-Lease
Messrs. Coe and Scheuer of B.E.W.
Mr. Neff of War Department
Mr. White, Miss Kistler and Miss Nielsen of
Treasury Department

At the beginning of the meeting, Mr. White reported that he had received a letter from Sir Frederick Phillips, opposing any reduction in British gold and dollar balances. The opposition is based on Britain's increased sterling liabilities. Mr. White stated that he had assured Sir Frederick that no action would be taken without prior consultation.

The first topic of discussion was the treatment of \$47 million of registered sterling balances convertible into dollars on demand and \$190 million of sterling balances carrying specific rights of conversion into gold. Mr. Acheson felt that they should be excluded, partly as this treatment would reduce the excess balances and thus make the problem easier to handle. Mr. Coe pointed out that the purpose of the balance of \$1 billion had been to permit the British to carry on the war and meet all contingencies including, presumably, such items as the \$237 million of gold and dollar demand liabilities. Mr. White suggested that these liabilities may in actuality be mainly post-war, or at least future, liabilities and that to subtract them from British balances would be departing from the principle that only war needs should be considered.

Mr. Knollenberg thought that in case these and similar liabilities should increase, it might be difficult to know where to draw the line, and that therefore it would be more logical not to subtract these liabilities from their holdings and to raise the maximum to \$1.3 billion. It was the opinion of the group, however, that the recommendation to the Cabinet Group should not be revised.

The committee tentatively agreed, subject to further information from the British and for the guidance of the committee only, that the \$237 million should be subtracted from British assets and that the problem was therefore one of curtailing future accumulations.

- 2 -

It was also agreed that it would be unwise to have any rediscussion of this policy within any department or to reopen the matter with the British.

The group then discussed the alternative methods for reducing the United Kingdom's gold and dollar balances. The first measure considered was the British suggestion of repayment of Britain's short-term liabilities. This, it was agreed, would be unacceptable. Mr. Knollenberg, however, felt that possibly the whole policy of limiting Britain's balances should be reviewed.

The second proposal was an extension of reciprocal aid, either directly or in the form of a revolving fund of sterling as for the Army's petty cash purchases. Mr. Sheuer and Mr. Denby both thought that increased reciprocal aid in the form of specific services and supplies would be preferable to the receipt of sterling balances. Both felt that the former would have greater political value. At Mr. White's request, Mr. Neff said he would find out if the Army had any objection to the proposal for a sterling fund for army supplies purchased locally.

It was decided to hold the next meeting Wednesday afternoon, April 7, at 4:15.

A. L. Nielsen

APR 2 1943

Excellency:

I am sending for your examination a preliminary draft of a Proposal for an International Stabilization Fund of the United and Associated Nations. This draft was prepared by the technical staff of the United States Treasury in consultation with the technical experts of other departments of this Government.

The document is sent to you not as an expression of the official views of this Government but rather as an indication of the views widely held by the technical experts of this Government. I hope you will examine the draft and submit it for critical study by the technical experts of your Ministry and your Government. After you and your experts have had opportunity to study it, you may wish to send one or more of your technical experts to Washington to give us your preliminary reaction to the draft proposal, and to discuss with our technical experts the feasibility of international monetary cooperation along the lines suggested therein, or along any other lines you may wish to suggest. We are informed that the technical experts of the British Government have also been studying the question and will doubtless make their views available.

It seems to me that the enclosed draft proposal points the way to an effective means of facilitating through cooperative action the maintenance of international monetary stability and the restoration and balanced growth of international trade. It is my hope that as a result of unofficial discussions involving no commitments, we may find a sufficient area of agreement to warrant proceeding on a more formal basis.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency,
Maj. Yilma Deressa,
The Minister of Finance,
Addis Ababa, Ethiopia.

(Enclosed in envelope addressed to:
American Consul, Asmara, Ethiopia
- by Sturgis 5:40 4/7/43 to State
Dept. to go "via diplomatic pouch")

Enclosure

Copy in Diary.
Copies to White's office

HEW:rl 4/6/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

APR - 1 1943

I think you will be interested in reading the attached copy of H. Res. 188, introduced on March 26, 1943, by Congressman Voorhis of California, which calls for an investigation of the Bank of International Settlements, including "the reasons why an American retains the position as president of the bank" and "whether or not there exists the possibility of this bank being used to further the designs and purposes of Axis Powers".



78TH CONGRESS
1ST SESSION

H. RES. 188

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 1943

Mr. Voorhis of California submitted the following resolution; which was referred to the Committee on Rules

RESOLUTION

1 *Resolved*, That the Committee on Banking and Cur-
2 rency, either as a whole or by subcommittee, is authorized
3 and directed to make an investigation of the Bank of Inter-
4 national Settlements, of Basle, Switzerland, for the purpose
5 of determining the facts regarding the founding of the bank
6 after the First World War, the degree of control exercised
7 over it by Axis Powers, the reasons why an American retains
8 the position as president of the bank, why representatives of
9 United Nations' banking institutions continue as members
10 on the board of directors under present circumstances, and
11 whether or not there exists the possibility of this bank being
12 used to further the designs and purposes of Axis Powers.

1 (a) The committee shall make a report to the House as
2 soon as practicable after its investigation has been concluded.

3 SEC. 2. For the purposes of this resolution the com-
4 mittee, or any subcommittee thereof, is authorized and di-
5 rected to hold such hearings, to sit and act during the present
6 Congress at such times and places within the United States,
7 whether the House is in session, has recessed, or has ad-
8 journed, to employ such experts and such clerical, steno-
9 graphic, and other assistants, to require the attendance of
10 such witnesses and the production of such books, papers, and
11 documents by subpoena or otherwise, to take such testimony,
12 to have such printing and binding done, and to make such
13 expenditures as it deems necessary. Subpenas shall be issued
14 over the signature of the chairman of the committee, and may
15 be served by any person designated by the chairman. Oaths
16 or affirmations may be administered by the chairman or any
17 member of the committee designated by him.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

April 1, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - With the changing of pay-as-you-go legislation back on their doorstep again, members of the House Ways and Means Committee are expressing different views as to what is to be done next with their number one problem child. Chairman Doughton predicted that, with reconsideration of the Guffey Coal Act and the Reciprocal Trade Agreements Act both in need of their immediate attention, the Committee will have little time to draft more tax legislation until the whole matter of the Revenue Act of 1943 comes up in June or July. Representative Knutson, however, in a prepared statement, announced minority members would demand that pay-as-you-go tax legislation be made the first order of business when the Committee resumes its sessions. Between these two sharply divergent views, House Democratic Whip Ramspeck took a stand in favor of compromise and stated he thought the House had recommitted the whole tax issue in order to achieve this end.
2. Post-War Planning - The Senate Foreign Relations Subcommittee considering the Ball-Burton-Hill-Hatch Allied Council Resolution announced yesterday that all their deliberations would take place in secret sessions. Members refused to divulge the reasons for this decision but it is believed to be due to the "touchy" nature of the subject.
3. Farm Parity - The farm parity issue at the moment is little more than a hotbed of speculation and rumor. It is reported that the farm bloc, dissatisfied with the amount of power over prices given Food Administrator Davis, is ready to renew its campaign for the Bankhead and Pace Bills. One story has it that the President will sign the Bankhead Bill in hopes of partially satisfying the cry for higher farm prices and thus dull the keenness of the demand for the Pace measure. But, according to another prediction, the President's Stabilization Advisers are urging a veto of the measure.

to prevent even the slightest leakage from the bubbling inflation pot. Still again, "rumor hath it" that farm and labor groups, reportedly being used as counterchecks on each other by the Administration, are about to form a coalition to force higher farm prices and industrial wages.

4. Miscellaneous - In Committee hearings yesterday, a Senate Agriculture Subcommittee heard complaints against government handling of the food supply, and the Senate Banking and Currency Committee heard testimony all favorable to the creation of an independent Office of Civilian Supply. A Senate Small Business Subcommittee, receiving WPB reports on mineral resources in their investigation of the mining and minerals industry, heard a description of how the Treasury is loaning "free" silver, to be returned after the war, to war plants as a substitute for copper and aluminum. In House Committees yesterday, the Civil Service group approved the Overtime Pay Bill, and the Appropriations Committee reported a 65 million dollar War Department Civil Functions Bill, after eliminating funds for the proposed Florida Barge Canal. The Senate was in recess yesterday, but the House considered the War Security Act, providing death or long-term imprisonment for persons convicted of "hostile acts against the United States," and also heard Representative Celler urge the importation of Argentine beef as one means of solving the meat shortage.

NOT TO BE RE-TRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 107

Information received up to 7 a.m. 1st April, 1943.

1. MILITARY.

TUNISIA. To 6 p.m. 31st.

8th Army. Our forward patrols still in contact with strongly prepared enemy position WADI AKARIT-DJEBEL EL BEIDA. Patrols occupied KEBILI.

U.S. Sector. Little progress made by U.S. Armoured Forces on EL GUETTAR-GABES ROAD owing to resistance from enemy rearguards and mine-fields. Small enemy attacks in MAKNASSY area. No further reports in FO DOUK area.

First Army. SEDJENANE was occupied at 3 p.m. 30th and 46th Division made further progress east and north after hard fighting. The enemy continues to counter-attack without success south of the town.

RUSSIA. In the KURAN the Russians have captured ANASTASYEVSKAYA an important key position in the enemy defences.

2. AIR OPERATIONS.

WESTERN FRONT. 31st.

101 U.S. Heavy Bombers sent to ROTTERDAM shipyards but owing to bad weather only 33 attacked with unobserved results. One Liberator missing, 3 Fortresses crashed.

TUNISIA. 30th.

Escorted Light and Medium Bombers thrice attacked SFAX landing ground and Fighter Bombers attacked enemy M.T. on the GABES/SFAX and CEHIRA/GAFSA Roads.

BURMA. 30th.

Fifteen escorted enemy Bombers attacked the landing strips at RAMU 110 miles north north-west of ANYAB. Enemy casualties by Fighters nil, 5, 10.

3. HOME SECURITY.

The RUGBY wireless station was partially destroyed by accidental fire on 30th/31st and is unserviceable. The relief station at CRIGGION, MONTGOMERYSHIRE is now operating.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE

APR - 2 1943

TO Secretary Morgenthau
FROM Mr. Paul

Attached are excerpts from the Congressional Record indicating remarks commendatory of Treasury officials made during the course of the debate on the tax bill.



Attachment.

Excerpts from Congressional Record

In an extension of his remarks in the Appendix (A1461-1463 — March 23), Representative Crawford stated:

"The Treasury has certainly not shown any indifference to the Ruml plan, but has given it a very thorough study, and given it an exposition in clearer terms than Mr. Ruml has succeeded in doing. The Ways and Means Committee spent many days in listening to Mr. Ruml and going over the plan with him and with the Treasury from every point of view, and as Mr. Ruml told the committee himself, he had gone over the plan with the Treasury long before he presented it to the public, so that there was never any need for the Treasury to 'save face' — if it could ever be accused of so childish an attitude — by thinking of an alternative to a plan which had 'earned the gratitude of millions of people.'"

Representative Carlson, in an extension of his remarks in the Appendix (A1479-81 — March 23), stated:

"Mr. Speaker, under leave to extend my remarks I am including a very informative article written by Rodney Crowther, staff correspondent for the Baltimore Evening Sun, on March 19, 1943. This article gives an interesting background of the men who represent the Treasury Department on Capitol Hill. They are Randolph Paul, Stanley Surrey, Roy Blough, Louis Shere, and Al F. O'Donnell.

"Those of us who are privileged to serve on the Ways and Means Committee have an opportunity to know personally and work with this excellent group of men. We have utmost confidence in their ability and integrity. As tax legislation will be the important item for consideration by the House for the next 2 weeks, I thought the Members of the House might enjoy reading the background of the Treasury representatives."

Representative Doughton, in an address before the House on March 25 (2527-2528), said:

"Mr. Chairman, in presenting this bill from the Committee on Ways and Means — H. R. 2218 — may I say at the outset that this is a committee bill from first to last. I do this in direct response to unwarranted charges that the Treasury

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Department has written this tax bill. If ever any bill has come before the Congress of the United States written by the committee having responsibility for it, this is such bill.

"I want the members of the press to take note of this statement. At no time during the consideration of this bill has the Treasury Department presented any bill or attempted to usurp the prerogatives of our committee or shown any special favoritism toward any bill. The staff of the Treasury have been helpful and cooperative, as always, in furnishing legal advice, statistics, and information that was very helpful to the committee.

"We appreciate the help that has been furnished our committee by the Treasury staff and the staff of the Joint Committee on Internal Revenue Taxation. Had it not been for the help furnished us by these staffs, our work would have been greatly delayed and we would have been handicapped in our efforts."

On March 26, during debate on the tax bill, Representative Poulson, referring to an equitable method of getting on a pay-as-you-go or pay-as-you-earn policy, stated that (2597):

"Mr. Paul, general counsel of the Treasury Department, has made considerable contribution to this cause in his statement of February 2, 1943, before the Committee on Ways and Means.* * *

Representative Camp, discussing propositions involved in a method of current tax collection asserted that:

"Those propositions were thoroughly investigated by our committee. As to the first one, it was shown by the Treasury Department that their past experience did not warrant the fears of so many of our citizens that thousands of the workers of this country would avoid payment of their taxes. In fact, it was shown by the records of the Treasury Department that during the past 10 years this country has lost only two-tenths of 1 percent in the collection of income taxes. It was also shown that the Treasury Department requires every employer who pays to anyone a salary or wages in excess of the exemption

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of a single man, to make a return, called 'information at the source.' From this return the Treasury Department has lost only two-tenths of 1 percent. I think that is a great record." (2631 — March 27)

Representative McLean, discussing the effect of adoption of the Carlson substitute on Treasury revenues, asserted:

"* * * There is difference of opinion between those who claim a loss to the Treasury and Mr. Randolph Paul, who is an experienced tax attorney, and for the time being the adviser on tax matters of the Treasury Department, Mr. Paul will go no further in support of the argument that there will be a loss than to say that the tax which it is proposed to abate amounts to nothing more than an asset which may or may not be realized on at some time in the future.* * *"
(2590 — March 26)

On March 29, Representative Jenkins, discussing action of the Ways and Means Committee on the Ruml plan, asserted:

"* * * You know, we have a way in the Ways and Means Committee of considering legislation even without a formal bill before us; we do not always have to have the bill before us; we hardly needed to have a bill on this subject, but we took it up generally; we called people of importance before us and let them testify, let them present their views. We let them come and testify for 3 or 4 weeks from all over the country. Everybody came. Mr. Ruml came. The Treasury came. Mr. Randolph Paul made a magnificent statement before the committee. I recommend it to you if you have not read it.

"Read what Randolph Paul said. Randolph Paul stressed the importance of the pay-as-you-go plan, not a plan such as this bill proposes, pay as you go 2 or 3 years after.* * *"
(2662)

Representative McLean, on March 30, made this statement:

"What happens when we make this change? You gentlemen still have time to read the hearings and there you will find exactly what happens. You can find an excerpt on page 2590

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of the Congressional Record where I quote Mr. Randolph Paul. Mr. Paul is one of the best informed and most capable tax attorneys in this country and the Government has been most fortunate in being able to bring him into its service during these trying times.* * * (2735)

During the address previously referred to, on March 25, Representative Doughton made the statement that:

"The distinguished Secretaries of the Treasury of the past, from the beginning of the income tax, like Mr. McAdoo, Carter Glass, and Andrew Mellon, of whom it was said by some, was the greatest Secretary of the Treasury since Alexander Hamilton, Ogden Mills, our former colleague on the committee and one of the ablest men with whom I have ever served, and the present able Secretary of the Treasury, the Honorable Henry Morgenthau, who is carrying perhaps the heaviest economic and fiscal burden any man ever had--none of these, in a lifetime spent in the profound study of tax problems, could work out and solve this matter as has been done by Beardsley Ruml. ***" (2531)

- 4 -

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MEMORANDUM FOR THE SECRETARY.

April 2, 1943.

Mail Report

Congressional action on the Ruml Plan, and similar proposals, and the Secretary's statement in connection with their defeat, came too late in the week to be reflected in the mail receipts summarized under these dates. One telegram received this morning has been included under Taxes Favorable. If there is any great return, a separate abstract will be prepared early next week; otherwise, any letters of comment will be included in the abstract of April 9.

The tax mail, therefore, has followed the same general lines mentioned heretofore. From 35 letters favoring a pay-as-you-go plan, 13 advocated Ruml's in full; 28 felt there should be no forgiveness of taxes. The CIO-sponsored campaigns opposing the Victory Tax and favoring the Robinson Plan petered out during the week. As usual, there were protests over the possibility of increased taxation, and many bitter comments on individual situations described in full by letter writers.

In miscellaneous tax mail several letters urged segregation in special accounts of the various tax collections made by employers, or immediate transmission of these funds to the Treasury. Replies to the telegram thanking Collectors of Internal Revenue for their work during the recent record collection of taxes were most appreciative of the thought and its expression.

With only a very few exceptions, correspondence in regard to the April Bond drive continues to be heartily cooperative. A few writers question whether the publicity campaign has had OWI approval, but other radio stations which did not receive the form request have voluntarily offered cooperation. A few letters called attention to Representative Gearhart's participation in the Town Meeting radio program, and protested his comment

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Memorandum for the Secretary.

April 2, 1943.

that the Government does not lose when Bonds are cashed to pay taxes. There were a number of strongly worded protests from Kansas citizens who sent a clipping of a Bond ad reading, "Your War Bonds today will buy Rural Electrification tomorrow".

Of the 49 Bonds submitted for redemption only 3 came from Patchogue, New York, and 8 from Wurtland, Kentucky. Complaints about delays fell off slightly, the greater part coming, as usual, from employees of the War Department.

During the last two days there have been a number of acknowledgments of the Report of the Intergovernmental Fiscal Committee, all highly complimentary, as well as several requests for copies of this Report. Several banks expressed disappointment at the Secretary's second statement on the subject of Agricultural Credit Agencies. Protests about charges for cashing checks or redeeming Bonds crop up from day to day. There have been half a dozen letters bitterly criticizing the new steel-zinc pennies, and many letters implying criticism by suggestions as to their possible improvement.

During the month of March 746 pieces of mail were received by reference from the White House, of which 414 were handled in this Division. This does not approach the all-time high for the month, which was reached in March, 1942, with 1,705, although this total included three different campaigns which swelled the receipts. The low in past years was that of 1940, with 322 letters. The average receipts for other years was around 500.

L. Schmitt & *E. Forbush*

General Comments

Congressman J. Hardin Peterson, (Florida), Washington, D. C. I am today in receipt of a card from one of my constituents, Mr. J. A. Kindsman, Tampa, Fla., reading as follows: "The new penny is a great curse to America. Some stores here last Monday received and passed them all day for dimes. You can scarcely tell them from one, especially when they are new. The Government should call them in and put a hole in them or make them square or octagon shape, or change their color. The Government, as it stands, is back of the dime counterfeiters."

J. H. Atkinson, Detroit, Mich. As a member of the un-organized middle-class, I am engaged 100% in defense contacts and my work takes me away from my family of six minor children for two to three weeks at a time. Each month, a portion of my salary is being deducted for War Bonds. I subscribe to the Red Cross and many charitable organizations. In fact, I am ready to undergo further sacrifices to assist in final victory. However, operating on a salary which is only three percent over that of July 1, 1941, I cannot endorse the constant demands of labor and farmers for more of the "new money" -- which reaches me only through personal bank loans.

Anna C. Schwalbe, Treasurer, The Moravian Mission, Bethel, Alaska. Enclosed you will please find Money Order for \$27.55. This is a contribution from the native Eskimos of Tshogfagtulik, Alaska, and it is one of the smallest villages in the Kuskokwim Valley. The money was handed to the Superintendent of our Mission, The Rev. F. Drebert, Bethel, Alaska. The natives told him it is for the President of the United States, meaning that it is to help him to win the war. The village is a small one of approximately fifty people, but they have sent one of their best young men into service. This man, Ray Jenkins, Pfc., was one of the first Eskimos to be drafted from this locality. Will you please use this contribution as they requested?

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William R. Becker, Assistant Vice President, United Bank and Trust Company, St. Louis, Mo. * * * Please let me take this opportunity to tender my sincere congratulations on the splendid manner in which the Government financing has been handled since your taking office. That your task will become increasingly difficult from here on is a foregone conclusion; however, with the God-given courage you have displayed thus far, you certainly are deserving of the commercial bankers' unlimited cooperation.

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Unfavorable Comments on Bonds

Crockett D. Bowers, Route 3, Box 40, Samson, Ala. There is a rumor down here holding down the sale of Bonds. It is like this. If I buy Bonds as I have -- several of them -- if I was to die, my folks could not get the money for the Bonds I got without their names specified on the Bonds, and I want you to explain this to me so I can tell the people how it is as several would buy if it was not for this rumor. It's ever where, my folks never get it if I die so please write me if it is that way or not so I can show it to the people, and know whether to have my next one fixed that way or not, as we need no rumor to hold down the sale of U. S. War Savings Bonds -- we need one to booster it on. * * *

H. C. Walters, Recording Secretary, Local #310, United Furniture Workers of America, Peru, Ind. I am taking the liberty of writing you in regard to one Eddie Rickenbacker whom I believe is doing more harm to the U. S. War effort than all the Germans in the continental U. S. The members of our Local Union have donated to the Red Cross, Russian War Relief, and the U.S.O. They are on a 10% deduction basis at the plant for War Stamps. Some are blood donors, and we have more than 25 members in the Armed Forces, and one fatality. Our Local Union has purchased War Bonds, and I have at this very time a letter before me ready to drop in the mail containing a check in the amount of \$50.00, a donation to the Red Cross from the treasury of Local #310. We also have a bank balance of nearly \$1,000. Our members stand divided on the proposition of "shall we purchase more Bonds", due to the effects of Rickenbacker's open shop propaganda and nothing else. At our recent meeting this matter was fully discussed, and a large number feel that organized labor is being brow-beaten and grossly misrepresented. * * *

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P. N. Steel, Herman D. Steel Company, Philadelphia, Pa. At the request of the Treasury Department, the Air Raid Wardens are selling War Bonds and Stamps. The procedure followed in the writer's Post is to take the various applications and have the Bonds issued by the Post Office. The original applications are copied over by me and the first error in spelling a name and address occurred recently. The Bond was issued incorrectly as a result, and all my efforts to have same re-issued with the name and address properly spelled have met with refusal. My first step was to have form PD 1491 filled out and taken to the Federal Reserve Bank here in town. The Bank tells me they cannot re-issue a Bond which was issued by a Post Office, and suggested that I return it to the Post Office. The Post Office refuses to re-issue it because the Bond was issued originally as applied for. As a net result, the owner of the Bond is now holding the bag and must wait sixty-days to cash it in and buy a new Bond at that time. This has two undesirable features; first, it puts the buyer to a great inconvenience, and secondly, there is no assurance that a new Bond would be purchased, whereas the buyer has a Bond at this time and the only request he makes, and it is a reasonable one, is that the Bond be properly inscribed. There certainly should be some regulation whereby this Bond could be re-issued without any further ado, and I would appreciate it if you could send a directive to the Federal Reserve Bank here, with a copy to me, instructing them to make the necessary adjustments. * * *

Harry L. Bowlby, Lord's Day Alliance of the United States, N.Y.C. This afternoon a representative of a New York newspaper called me by phone and asked if I would give \$10 toward an editorial, and thus be a sponsor of a movement you have asked the various newspapers to assist by giving the use of my name for such a purpose. Some of the daily papers, he stated, were asking \$100 of sponsors whose names would be used in an editorial for the said purpose of getting more people to buy War Stamps. I called the Herald Tribune Office and a man of the editorial department said his desk had seen no such letter,

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and he doubted if such a use would be made of those who were willing to sponsor it, if there is such a movement now on. I am writing to say that I am in heartiest sympathy with the War Stamp selling, but I am wondering if the paper which claims to have received such a letter from you has properly interpreted the same. If he has not, then I think he should be reminded that no such solicitation should be made. * * For your own information, in the event you find something is not in accord with your intention and should be promptly corrected, I give you the name of the publication which a Mr. Ryan told me over the telephone desired my sponsorship as above-indicated, and that you had sent it to his paper. He said he was representing the CIVIL SERVICE LEADER, at 97 Duane Street, Branch 142 Christopher Street. Hoping you will understand the spirit in which I write you, and that whatever we can do to aid any drive you wish to put on to raise funds so greatly needed today for carrying forward the War to mighty and glorious victory, will be done cheerfully.

R. S. Perkinson, Chairman, Board of Directors, Kiwanis Club of Petersburg, Va. The Board of Directors of this Club has instructed me to write you concerning a bundle of song sheets sent to us by the Treasury Department. The Board feels that such spending of the Government's money is extravagant and wasteful. The Club has its charity fund invested in War Bonds, and it has been our privilege to conduct programs for Bond selling, salvage campaigns, recruiting drives, etc., and we do not need to be told by Washington what songs we shall sing. No doubt the motive behind this spending is sincere but we, in this part of the country, find no inspiration in the rather light lyrics of Messrs. Friend, Tobias and Stept, particularly when it involves additional Government spending.

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Senator David I. Walsh sends letter he has received from Francis M. FitzGerald, Headquarters Westover Field Sub-Depot, Office of the Sub-Depot Supply Officer, Chicopee Falls, Mass., which reads in part as follows: " * * * There is a condition here at Westover Field regarding the purchase of War Bonds about which I think you would be interested. This condition is creating a tremendous amount of dissatisfaction among the workers, and one which should be corrected. In July, 1942, we were asked to subscribe a reasonable amount for War Bonds. This we cheerfully did. On October 1, we were again asked to increase our purchases to the amount of 10% of our salary. Again we cheerfully consented, and since that date this money has been kept from our salary. Yet, we have never received a single Bond, and further than that, we have never been able to secure any information as to when we would receive these Bonds. * * * Anything that you could possibly do to clear up this condition would be greatly appreciated, not only by myself, but by many other workers here at Westover Field, and I am sure would result in an even greater purchase of War Bonds."

F. H. Sanford, Manager, Robinson's Golden Rule Wall Paper Company, Titusville, Pa. Mrs. Robinson has asked me to write you in connection with the interest which the Government pays on the Series G Bonds, and which is payable every six months. On Bonds which Mrs. Robinson owns, the last dividend was due Nov. 1, 1942, and the Department in Chicago, which has the business of paying this, did not pay it until Feb. 16, 1943. * * * Mrs. Robinson definitely feels that a delay in paying the interest on these Bonds is a very poor advertisement for the Government, and especially when they are so anxious to sell Government Bonds. * * * Aside from the inefficiency angle, it also gives the Government this interest money to use, apparently for nearly three months, at no charge to them whatsoever. I hardly think that this is fair, in view of the fact that the Government would not consider any one withholding their income

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tax for three months without paying some interest, or some service charge. We find in business that a thing, to be good, must work both ways. Also, a person might invest the greater part of their savings in Government Bonds, and count on the income from these Bonds for their livelihood. * * * We believe that some great effort should be put forth to tend to the very essential things, and that is the financing of this War, and we believe one of the best ways of doing it would be to pay the interest on all Government Bonds when due. * * *

Harold W. Gould, N.Y.C. I heard the Town Hall broadcast and was considerably shocked at Representative B. W. Gearhart's statement that he would recommend the turning in of War Bonds to pay taxes. It is about the last plan I would resort to. Mr. Gearhart is a public man, and he spoke to a large number of American citizens, and I should like to know if you approve of his remark. If you don't care to answer in the public print (which I think would be desirable) may I have your opinion personally, and if you desire, it will be treated as confidential.

Telegram forwarded to Treasury by the White House -- addressed to the President by Lewis M. Russell, San Francisco, Calif. War Bonds purchased by me from July to September, inclusive, a one hundred dollar one each month by salary deduction while employed by Panama Engineer Division at Ancon, Canal Zone, not yet received despite several telegrams and letters to War Bond Division, War Department, Washington, D. C.

Mary C. Quinn, Brooklyn, N.Y. * * * In May, 1942, I purchased my quota of Series E Bonds. I had each one - there were five - registered in my name, payable on death to a beneficiary. When I bought the Bonds, I was given no literature regarding beneficiaries, nor was an explanation made regarding the difficulties one encountered on the death of a beneficiary, or if one wished to change

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the beneficiary. * * * Since March 19, 1943, I am in receipt of informative literature under dates of June 1, 1942, and November 23, 1942. Had I had the information earlier, I would have registered the Bonds in my name only, and thereby saved myself much inconvenience and loss of time. One of my beneficiaries died, and when I wanted the Bond re-issued in my name, I learned the difficulties that had to be met. After sending to San Antonio, Texas, for death certificates, I found my nephew's name on the certificate did not have his middle initial, and I had used it on the Bonds. Since this would require further proof, I decided not to try to have the Bonds re-issued. * * * I redeemed my five Bonds. I did not wish to do this, and upon receipt of the check immediately turned it back into Bonds. But since I was unfortunate enough to lose a nephew, I am penalized by making me lose a year's interest, and have 1943 Bonds instead of 1942. * * * Why must I prove a beneficiary's death in order to have my own money put in my name? Why may a beneficiary prove the registered owner's death "either through a certified copy of the death certificate or in any other satisfactory manner", while the registered owner must produce a death certificate, as nothing else is accepted? * * * Why must I have the consent of the living beneficiary in order to change the beneficiary? I could understand a nominal charge of 25%, or even 50% to cover the cost and inconvenience of the re-issue of the Bonds. This would stop indiscriminate changing of names. I am at a loss to know why I virtually lose control of my own money. * **

E. C. Bush, Albuquerque, N. M. A and B are husband and wife. A has been buying a number of War Bonds in his own name, and was advised that should he die, his widow would have to get all his relation to fifth cousin to sign affidavits, before the Government would pay her the money for the Bonds as they came due. Please advise is this a fact?

Letter forwarded by the White House -- addressed to the President by John A. Lenau, Roscoe, Calif. I am enclosing a letter put out to all employees by the Los Angeles,

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California Rubber Plant. I'm buying a Bond a week myself, as many other men are. We on the job have waited nearly two months for our Bonds. This type of circular is resented by us Americans as dictatorial, and just plain silly. We sure want to work six days, as we are now, to help get the job done. * * * (The following is quoted from the circular mentioned above.) * * * Defense Plant Corporation has asked that every employee authorize deduction of ten percent, or one \$25 Bond each week. Since this is a Government project and it is Government funds paying the salaries, it is felt that such a demand is within reason. Defense Plant Corporation has made a review of Bond pledges and has asked that employees who are not doing so be governed by the above. There is nothing to keep Defense Plant Corporation from inaugurating a forty-hour week on this job, hiring additional men on the same basis. You may receive these pledge cards from the Timekeeper. This matter should be taken care of at once. Such employees as do not agree with above, please show reasons below, and this letter will be given to Defense Plant Corporation for such action as they see fit to take.

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Favorable Comments on Taxation

Herbert van Kaan, Hotel Dauphin, N.Y.C. While the pending tax bill is now in the hands of Congress, the Ruml Planned Robbery of the Federal Treasury is such an acute threat that you will enhance the confidence the people have in your administration of your office if you will take now at this critical time personally a strong stand to intervene while there is yet time. The pork barrel advocates misinformed the public to the point of confusion, and to give them a better understanding on what is going on in broad daylight, you who will speak with the voice of authority in tax matters should tell them that the result of the Ruml Plan will be a shifting of the tax burden from the wealthier taxpayers to the little fellows, as the only way to make up the loss of the cancelled or forgiven taxes to the Treasury. * * *

Homer L. Burg, Dallas City, Ill., sends copy of letter he has addressed to "Town Hall, New York City". To Whom It May Concern: I listened to the radio debate of the Ruml Plan last night, but still am unable to see any justification for cancellation of income taxes accrued during 1942. Any person who has brains enough to earn a taxable income last year surely had sense enough to provide a fund to pay the tax which they knew would be due. Unless they have already paid the first fourth of this tax, they are in serious trouble. * * * Efficiency of our Internal Revenue officers in the past in collecting the income taxes has educated the public to the fact that it is one tax that must be paid. The disregard and evasion of the game laws, traffic laws and OPA rulings by the American public is appalling; if we start forging or forgetting or cancelling income taxes, that law is invalidated also. * * * The public has been pledged that war profits will be curtailed, and that there will be no war millionaires from this war -- to forgive 1942 taxes will be a terrible breach of this pledge. Congress' failure to clear up this tax situation up to this time

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has sorely tried the patience of the American citizen. Usually I pay all my income tax by sending check with the report for full amount of tax due, but this year I sent only one-fourth of the total tax due -- because Congress has left this uncertainty with the public, the Federal Government is being deprived of billions of much-needed funds. * * *

C. A. Donnelly, Acting Collector, New Orleans, La.
(Telegram) Please accept my sincerest thanks for the kind expression contained in your telegram of even date. The personnel of this office is naturally proud that we were able to meet the deadline as regards the deposits of collections of the recent filing period. The Louisiana District takes pride in maintaining the traditions of a fine and honorable service.

N. B. Early, Jr., Collector of Internal Revenue, Richmond, Va. Your wire of March 29 received. * * * No words which I can write can give utterance to our keen appreciation. We will long remember this as coming from one of the greatest Secretaries that the Department of the Treasury can boast from the days of Alexander Hamilton to that of Morgenthau. * * * I voice the sentiment of my entire personnel with a genuine - "We thank you".

Just arrived as result of newspaper statement -- Telegram -- You do not know me and it doesn't matter. Your opinion on tax is correct. Charles Henry McWilliams, Caldwell, N.J.

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Unfavorable Comments on Taxation

Edna E. Bush, Elmhurst, Long Island, N.Y. The low income white-collar workers of America are NOT PLEASED with the outcome of the Federal Income Tax debacle which took place in Washington on March 30, 1943. We want a REAL pay-as-you-go tax plan enacted now, and we do not particularly care who sponsors it, as long as it works. Any of the smart boys in Washington who think we will stand for any scheme to make us pay two years' taxes in one, will find out their mistake at the next election. * * *

John M. Caffery, Columbia Sugar Co., Franklin, La. Enclose you copy of letter to the Revenue Collector in New Orleans, from which you will see we are being fined for delay in filing a report on time. This delay was caused by difficulty in getting a notary before whom to take an oath that we were not lying to you. I have long regarded this requirement as rather an insulting procedure towards a citizen. The Government says in effect to its citizens, "You are such a set of rascals that we would not believe you under oath. But when you are lying under oath, it gives us a right to put you in prison". As this annoying and unnecessary requirement was abolished on income tax returns, why cannot you abolish it also on such matters as these quarterly Social Security reports? No citizen objects to a necessary piece of red tape, but when it is annoying, expensive, unnecessary, and insulting, the Government is very stupid to continue it.

Dr. Alan Benner, San Mateo, Calif. I have received this morning notice that I cannot use Tax Bonds in my name to pay my wife's income tax. I am rather provoked about this because I felt that I had abundantly provided for this responsibility -- in fact, I purchased \$3,600 of Tax Bonds and my income tax was \$2,700 plus. I am enclosing a letter written to the Internal Revenue service, San Francisco, California, which will give you my feeling in the matter. (The following is quoted from

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Dr. Benner's letter to the Collector at San Francisco.) I am a very busy doctor and it takes all of my time to study my cases and treat my patients. I pay a book-keeper \$160.00 to keep books for the Internal Revenue Department, and I pay a Certified Public Accountant \$20.00 a month to see that the Government is not defrauded. * * * Last year I saved \$3,600 in Tax Bonds and \$3,800 in War Bonds. * * * I am now in receipt of your statement that you cannot accept my tax bonds in payment of my wife's income tax. We hold all of our property, such as it is, in joint-tenancy, with the right of survivorship. I now find that my tax bonds are not any good in payment of my wife's taxes, and so I must hazard my savings towards next year's income tax in order to scrape together enough money to pay quarterly \$341.35 on my wife's income taxes. This law is about as foolish as though I were denied the right to pay my grocery bill because my wife ordered the groceries. I am not going to buy any more tax bonds, but will put my money in a savings account in the bank and will pay cash when my income taxes are due. I am not as interested in buying War Bonds as I was. * * *

E. C. Lehman, Inglewood, Calif. I purchased a Tax Anticipation Bond, amount, \$1,004.80, last December 31. It was my intention to tender this in payment of my income tax. However, the Collector here in Los Angeles refused to accept it for my wife's and my tax. The Federal Reserve Bank would not cash it. I was forced to return it to my company at Buffalo and have them cash it at the Buffalo Branch of the Federal Reserve Bank where it was bought. In the deal I lost \$4.80 earned interest. I cannot see why a Federal Note should be refused by a Federal Reserve Bank. Naturally I would never buy such a Bond again, and thought you should know all the trouble I had with this, my first one.

Letter forwarded to Treasury by the White House -- addressed to the President by Mrs. G. F. Nilsson, Minneapolis, Minn. Now when Congress is so undecided as to our new tax bill, I would like to submit our own

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case. * * * Although I am stating our own circumstances, I am sure I speak for thousands of American families in like circumstances, who have been and are being entirely overlooked in the study of this important piece of legislature. * * * We are a family of three, including a 17-year old son. We actually experienced a 15-year depression. The rationing we now have is nothing compared with what we went through during those years. My son has never known anything except our never having enough to make ends meet. In a few months he will be in the armed forces, ready to give his life for his country from which he has not quite enjoyed the "freedom from want" we boast of. My husband, a sergeant of World War I, has a natural mechanical and electrical skill, although he has not been able to do the heavy work so often required in that field. * * * He now is employed by the Minneapolis Moline & Implement Co., although it is a daily physical battle to keep going. All of our creditors, knowing he has a defense job, think we should now be able to pay all our debts immediately. * * * Up to the first of January, 1943, we put 5% of our income into War Bonds, and from that time on, we have been putting in 10%. The 5% Victory Tax is withheld, besides the Old Age and Workers Benefits. Since my husband has had this defense job, we also distribute 10% of our salary to the Church. * * * At the end of 1942 we had \$6.00 in the bank, and \$90.00 in War Bonds, and a debt of over \$700 still ahead of us. * * * Now if we are to have 20% of our salary withheld for taxes, and still pay all of 1942 taxes, how can we ever pay our debts, much of which was borrowed at 6% interest? We have tried not to sell any War Bonds for we do want to help our war effort, but I am sure if we have all the proposed taxes to meet also, we will have to keep on selling Bonds. So you see, we are still going through a depression, although statistics show more money in the hands of the American public than ever before. It must be in the hands of those who were able to keep their heads above water during the 1929-1941 period. But there are many of us who cannot see any reason why we are not able to pay -- and with a Government who has made no provision for us, classing us with the masses who have more buying power than there are goods to buy. I do not want to take a gloomy attitude, but what about us after the

- 15 -

War, when there are no longer defense jobs? * * * I do hope and pray that Congress will remember there are many of us who are willing to do our part, but who have not yet recovered from the very real depression through which we are hoping some day to emerge. Enclosed is our budget for 1942, if you care to study it. Can you tell me from where the taxes are to come? * * *

Letter forwarded to Treasury by the White House -- addressed to the President by B. A. Earhart, Attorney at Law, Hutchinson, Kan. For about the last 40 days the principle thing that has been done in my office has been the making of income tax reports. On the last day we completed 35 reports. * * * I think that the rate should be lowered for the average citizen, or the exemptions increased. The present rate works a hardship on the average person, and I think Congress should pass a Bill or Resolution releasing service men from the payment of 1942 taxes. One of the young women who typed for me has a husband in the Army. We had completed a report where the taxpayer would pay \$400 in taxes. She said to me, as she removed it from the typewriter, "Gee, that fellow is paying some tax!" I remarked that he was not doing as much for his Government as she was. * * * I then figured with her the wages her husband made before he went into the Army, what she is now getting as a family allowance, and I found that they were sacrificing to this Government about \$80 per month. I don't think men who are doing this for their Government should be required to pay income tax. Many of these men have sacrificed valuable business assets at a loss to enter the Army. I think it only right that they should be relieved from the payment of this tax. * * *

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 3, 1943

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

Confirming our conversation, the RCA Rachmaninoff ad was placed by Foote, Cone and Belding, formerly Lord and Thomas.

With regard to the Gracie Fields' show, this is handled by Ruthrauff and Ryan. It is written and directed in New York and produced by Sam Pierce in Hollywood. The script writer is John Warde.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 3, 1943

TO Mrs. Klots

FROM Mr. Peabody *RP*

The time schedule for the Secretary's three appearances at the start of the drive is as follows:

(1) Saturday, April 10th

Closed circuit broadcast - 1:00-1:15 p.m. in the projection room. Material for this will be laid out on Monday, April 5th, and we will have the Secretary's talk ready for him a day or two later.

(2) Sunday, April 11th

3:30-5:00 p.m. - Combined Treasury-Army Hour, NBC network. The Secretary's spot in this broadcast will occur about 4:15 p.m. according to present plans. I cannot give you a statement right now as to where this broadcast can be made. Ideally, it should be New York, but if it is impractical for the Secretary to be there on Sunday, we can probably arrange a pickup here. We expect that General Arnold will be involved in this, and we will need to determine where he will be. All of these details, together with the suggested talk of the Secretary's, will be determined for recommendation in connection with the Army people on Monday (April 5th) afternoon, and I will advise you further.

(3) Monday, April 12th

This is the Carnegie Hall broadcast on which I believe you have the details. The time is 9:00 to 9:30 p.m. in New York over NBC.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE April 3, 1943

TO Secretary Morgenthau
FROM Stuart Peabody S.P.

Some time ago you asked me to look into the possibility of enlisting the aid of Franklin P. Adams in getting better radio scripts.

I understand that Dr. Welch has been in touch with Mr. Adams and that he is working with us.

NEW YORK
Herald Tribune

April 2, 1943

Dear Mr. Secretary:

An annoying attack of influenza has delayed my reply to your letter concerning Mr. George Wanders. As we have a small staff and are at present very shorthanded I am sorry that it is not possible for him to re-enforce your department.

The new issue of Government bonds will call for special attention and I am sure that you would not want us to do less than our part in helping it along.

Very truly yours,

Ogden Reid

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

UNITED STATES TREASURY WAR FINANCE COMMITTEE

BULLETIN
April 2, 1943

Presidents, Federal Reserve Banks:

This is a progress report on activities of the Allied Newspaper Council which you will remember from my bulletin of March 23 was formed by the newspapermen who attended the conference here on March 20.

Mr. Frank Tripp of the Garnett Newspapers has accepted the position of Chairman of this Council and will head up all newspaper activity for the drive.

The Treasury has assigned to him Mr. Don Bridge, formerly of the New York Times and more recently attached to the War Savings Staff. On April 3, Mr. Tripp will send to all newspapers a letter from the Secretary, a copy of which is attached, which asks newspapers to help the drive by securing sponsored advertisements. A longer letter to the same effect will be sent direct to all newspapers signed jointly by Secretary Morgenthau and Mr. Frank Tripp. (Attached)

Mr. Tripp will also send to newspapers a statement on the allowability of War Bond advertising as business expense. This statement is identical with the one which was sent to you on March 9, 1943, as a Bulletin from Mr. Robbins.

As other activity develops in connection with the Allied Newspaper Council, we will advise you. Meanwhile, it would be well to pass this information along to your key people urging them to contact newspapers wherever possible and work with them in securing this sponsored advertising.

Stuart Peabody,
Head Advertising Specialist

Attachments (2)

ADV - 9
TJW

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 appreciate 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.

Sincerely,

(Signed) H. Morgenthau, Jr.

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

APR 2 - 1943

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

Dear Henry:

I have your letter of March 18, 1943, in which you express concern regarding delay in the issuance of War Savings Bonds paid for by military and civilian personnel of the Military Establishment by deductions from pay rolls.

I assure you that this concern is mutual and that the War Department has been aware of the situation for sometime, as you will recall from our previous correspondence.

Several months ago it was apparent that the centralized plan of the War Department for the issuance of War Savings Bonds was not functioning satisfactorily and the following corrective action was taken. The issuance of bonds purchased through pay roll deductions by civilian employees was decentralized to the field beginning January 1, 1943. The purchase of bonds by officers and enlisted men is to be put on an allotment basis effective April 1st. A new office in Chicago has been opened for this purpose. The sale of bonds to military personnel presents an entirely different problem since the continual movement of such personnel makes it impracticable to decentralize the delivery of bonds to the field.

The decentralization of the civilian personnel pay roll deduction and bond issuance to the field will cause prompt issuance of War Bonds for deductions made subsequent to January 1st. The allotment system will permit the issuance of bonds within a few days following the pay date on which final payment for the bond is made by pay roll deductions.

Our problem at the present time is to expedite the issuance of bonds purchased by civilian employees prior to January 1, 1943, and by military personnel prior to April 1, 1943. The immense volume of business in connection with this operation is not generally understood. The size of the task is shown by the following comparative figures:

SECRET

COPY TO ACCOMPANY ORIGINAL

War Department civilian employee accounts (12/31/42)	587,703
War Department military personnel accounts (3/20/43)	<u>3,556,728</u>
Total	4,144,431
Navy Department civilian employee accounts as evidenced by Interdepartmental Com- mittee Report (1/31/43)	674,143
Navy Department military personnel accounts (2/28/43)	<u>16,000</u>
Total	690,143
Remaining Executive Departments as evidenced by Interdepartmental Committee Report (1/31/43)	349,268

Besides the volume of business, the chief difficulty which has been encountered has been the character of office personnel assigned to do the work. The War Bond Division had to be built up at a time when the Civil Service Commission was sending us employees of the lowest skills, people utterly without experience or aptitude for office work. These employees were unfitted to do good work, and the rate of absenteeism and rate of turnover have been very high.

In order to reduce the time required for the issuance of bonds purchased by civilian personnel prior to January 1, 1943, and by military personnel prior to April 1, 1943, decision has been made to initiate the following action at once:

Move present Washington War Bond Office within thirty days to Chicago where space is now available and where the personnel situation is much better than in Washington.

Decentralize to the field, so far as practicable, the issuance of bonds that are due on all unprocessed vouchers now on hand in the War Bond Division for deductions from civilian pay rolls to include December, 1942.

SECRET

It is confidently believed that the foregoing action will considerably reduce the time required to process the vouchers now on hand in the Washington War Bond Division.

The foregoing presentation is substantially the same as contained in Judge Patterson's letter to you of the 24th instant, except that the remedial measures to be taken had not then been determined.

Sincerely yours,

(Sgd.) HENRY L. STIMSON

Secretary of War.

SECRET

-3-

4/2/43

My dear Senators:

The Secretary has advised me of your telephone call yesterday, during which you stated that representatives of the Fort Leonard Wood Bank had requested you to intercede with the Treasury in connection with the operations of that bank on the military reservation at Fort Leonard Wood.

The Treasury has received no official advice as to the status of this bank. It was, according to our information, chartered by the State banking authorities in 1941. Whether this action was taken upon the initiative of the Army authorities or the organizers of the bank is not a matter of record in this Department. It is not a member of the Federal Reserve System nor of the Federal Deposit Insurance Corporation. The Federal supervisory authorities, therefore, have no control over the bank and the only information available to such authorities apparently is the application of the bank to be insured by the Federal Deposit Insurance Corporation, which application, I understand, has not been approved.

The only interest which the Treasury has in the matter arises from the fact that it is the function of this Department to provide depository facilities for Government officers, including officers of the War Department, when such facilities are requested. The existing authority of the Treasury to designate such depositories was first incorporated in the Act of June 5, 1864 (U.S.C., title 12, sec. 90) authorizing the Secretary of the Treasury to designate all National banking associations as Depositories of Public Moneys and to employ such associations as Financial Agents of the Government. The Act of May 7, 1926 (U.S.C., title 12, sec. 332) extended this authority to include State banks and trust companies which are members of the Federal Reserve System. This authority was further extended by Public Law No. 603, 77th Congress, approved June 11, 1942, Section 10 of which authorizes the Secretary of the Treasury to designate any bank insured by the Federal Deposit Insurance Corporation. Inasmuch as the Fort Leonard Wood Bank does not fall within any of the foregoing categories, the Secretary is without authority to designate that bank as a Depository of Public Moneys and Financial Agent of the Government in connection with the conduct of the essential Government business to be transacted at Fort Leonard Wood.

At the present time, the only depository bank available to the Army authorities at Fort Leonard Wood is the First National Bank of Lebanon, Missouri, which is located approximately 40 miles from the post. It is, accordingly, necessary for the Finance Officers, Post Exchange Officers, and numerous other employees of Army organizations funds, to make many trips each month to Lebanon. Also, it is impossible for the many thousands of officers, enlisted and civilian personnel to get off the post during banking hours. The Commanding Officer of the post and the War Department have advised the Treasury that a depository located on the post would materially facilitate the presentation of the war, for the following reasons, among others:

- (1) It would provide facilities for the Finance Officer in securing cash for payroll disbursements, and in effecting his daily deposits;
- (2) It would assist in handling the receipts and disbursement of other funds of the Army;
- (3) It would improve the efficiency of Army and civilian personnel and reduce absenteeism and loss of time in travel to and from the post;
- (4) It would save considerable travel to and from the bank at Lebanon with substantial saving of gasoline and rubber and, in addition, many hours of time now employed by Army personnel;
- (5) It would assist in the sale of War Bonds and Stamps and;
- (6) It would improve the morale of the Army and civilian personnel by eliminating the inconvenient conditions to the lack of readily available facilities. In view of the foregoing, the Secretary of War has urgently requested the Treasury to arrange for the establishment of banking facilities at Fort Leonard Wood.

As I have previously mentioned, the Fort Leonard Wood Bank is not eligible for designation and in view of the relatively limited capital structure there would be some question as to whether it would be able to perform all of the services required even though it was eligible.

Mr. James H. Campbell of Kansas City, Missouri, who states that he is financially interested in the Fort Leonard Wood Bank, recently conferred with my assistant, Mr. H. N. Schuchman, and advised him that the bank had received notice from the Army authorities that it would be required to close its operations on the reservation within the near future. Mr. Campbell firmly, apparently, desired the Treasury to intervene with the Federal Deposit Insurance Corporation in connection with the bank's application for insurance. This step the Treasury could not conceivably take. My assistant did, however, advise Mr. Campbell that the Treasury would confer with the Army authorities with a view to insuring that the bank be given a reasonable period of time to liquidate its affairs or to move to another location in order to avoid loss to the stockholders or individuals who may have deposits with the bank. Mr. Campbell assured my assistant that he understood the Treasury's position in the matter and seemed to be entirely satisfied that the Treasury could, with propriety, do no more.

- 3 -

I sincerely regret there appears to be no further action which the Treasury can take in this matter to be of assistance to the Fort Leonard Wood Bank.

Very truly yours,

S/over Bill

Under Secretary of the Treasury

Honorable Harry S. Truman
United States Senate
Washington, D. C.

HEB:ec 4/2/43

HSK:

The Secretary asked for this draft of a letter last night and Mr. Paul's office could not furnish it immediately so the Secretary said "never mind". Does he still want it?

nmc

DRAFT
4/3/43

Dear Mr. Merz:

In your editorial, "Up to the Treasury," on April 2, 1943, as well as in other recent editorials on tax problems, you have consistently misrepresented the Treasury's position on the related issues of withholding and pay-as-you-go.

I take particular exception to the following misstatement in your editorial of April 2: "... the Treasury should have recognized last Summer the vital importance of the withholding tax. If it had done so, and had recommended such a tax to Congress, the tax could easily have been put into effect beginning on January 1, of this year." Your implication that the Treasury did not recommend the adoption of the withholding principle is in direct contradiction of the facts, facts which you have acknowledged in earlier editorials.

Recognizing the threat of inflation, the Treasury as early as the Autumn of 1941, recommended the adoption of a 15 percent withholding tax. In an editorial on November 7, 1941, you characterized this proposal as "ideally suited to the needs of the moment," but expressed apprehension over the anti-inflation tax program already presented at that time: "It is necessary to put the brakes on inflation; but there is such a thing as jamming on the brakes so hard that the passengers go through the windshield."

In a statement to the House Ways and Means Committee on March 3, 1942, I again emphasized the pressing need for collection at source, saying: "Because of the threat of inflation and because of large increases suggested throughout the existing rate scale, it becomes essential to afford a more convenient method for the payment of income taxes. The best available expedient for this purpose is a provision for collecting at the source for those incomes that are paid periodically including wages, salaries, bond interest, and dividends." The following day you said editorially: "In the light of the heavily increased income taxes, Secretary Morgenthau's proposal for deduction of a part of the tax at the source is highly desirable." In your editorial of May 22, 1942, you commented favorably on "The Treasury's request for authority to deduct at the source up to 10 percent of wages, salaries and other things, as a means of collecting the new income taxes."

- 2 -

During the course of the Revenue Bill of 1942 the Treasury repeatedly emphasized the importance of adopting a withholding plan for the income tax. Our staff conducted an extensive field investigation, interviewing some 500 employers and many employees with a view to devising the most acceptable scheme of collection at source.

These are the facts. The record, including your own columns, clearly shows that the Treasury was in the vanguard of those who urged pay-as-you-go taxation by means of collection at source. It shows that the Treasury urged current collection at source to make the income tax more effective in combatting inflation and to adapt it more closely to the budgeting habits of millions of small income recipients.

I have observed that many of your thirty-odd editorials on pay-as-you-go taxation since the first of the year have not presented fairly the case against the Ruml plan. They have generally ignored the Treasury's major objection, namely, that the Ruml plan would result in a redistribution of war costs from those at the upper end of the income scale to those at the middle and lower end.

The March 16 editorial, for example, claims: "A pay-as-you-go plan can, in fact, be achieved only to the extent that the basic Ruml principle is adopted." Actually, as we have pointed out, the basic Ruml principle of forgiving a full year's taxes is only one of several ways of achieving current collection. The transition to pay-as-you-go can be made by full forgiveness, by partial forgiveness, or by doubling up. The real issue is not doubling up versus forgiveness. Rather, the question is whether the additional revenue the Government must have shall be obtained, (a) by first cancelling a year's taxes and then raising rates, or (b) by collecting the taxes already due on the prior year's income, at the same time that we shift to a pay-as-you-go basis. In a period when revenue needs are as impelling as they are now, it seems inconceivable to talk of relieving taxpayers of their tax liabilities for a year of record incomes and war profits.

In the same editorial you also state that "The great merit of the Ruml plan is ... that it would treat every taxpayer alike." The Treasury has repeatedly demonstrated that the Ruml plan would bestow very unequal benefits on individuals. In terms of income remaining after taxes, which is the income actually available to a

- 3 -

person for spending or saving, complete forgiveness confers a disproportionately large benefit on persons with large incomes. For example, a married person (no dependents) with a \$2,000 net income would receive an amount equal to 7.5 percent of his income after tax; with a net income of \$5,000, he would receive 17.5 percent. At \$25,000, the windfall rises to 58.4 percent; at \$100,000, to 178.2 percent; and at \$1 million, to 585 percent of income after taxes. This, I submit, is a far-cry from treating "every taxpayer alike."

Elsewhere in the March 16 editorial you say: "The objections that the Treasury has brought against the Ruml plan will not bear scrutiny. The plan would not reduce by a dollar the revenue of the Government this year." The Treasury has not argued that the Ruml plan would reduce current receipts. It has stated that if 1942 income goes tax-free, if individuals pay four years' taxes instead of five, nine instead of ten, and so on, an eventual revenue loss is inevitable unless tax rates are increased to make up the difference. Since tax rate increases will of necessity fall mainly on the middle and lower income groups, and since the Ruml plan confers a disproportionately high benefit on the high income groups, the Ruml plan would effect a redistribution of tax burdens which directly violates the principle of ability to pay.

Sincerely yours,

Mr. Charles Mers
Editor, The New York Times
New York, New York

E-R/WHE:nr

Mr. Charles Merz, Editor,
The New York Times,
New York, New York.

Dear Mr. Merz:

I am writing to you with respect to the editorial entitled "What Mr. Doughton Says, Goes," which appeared in the New York Times of April 1, 1942. The personal attack leveled in that editorial against Mr. Doughton has disturbed me deeply. Mr. Doughton needs no one to defend him, but as one who has had the privilege of working with him for a good many years and the opportunity of observing closely his integrity, grasp of tax problems, and qualities of leadership, I cannot disregard this unjustified attack.

Mr. Doughton has had a long and distinguished career in the service of the nation. He has been Chairman of the Ways and Means Committee for 10 years and has served as a member of that Committee since 1923. During those long and honorable years of service he has displayed an unflinching devotion to duty. He has maintained a steadfast resistance to the pressure of special interests intended to divert him from the path which his integrity and sound judgment have pointed as the way of the national interest. His sense of responsibility encompasses not merely the Ninth District of North Carolina but the entire country.

Mr. Doughton need yield to no one in his estimate and grasp of the tax problems which have confronted the nation. He has the rare faculty of stripping tax problems of the slogans and verbiage which have all too frequently camouflaged their essentials and judging their

Expedite!

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Treasury Department
Division of Tax Research

Date April 3, 1943

To: Mr. Paul

From: Mr. Hoker-B.

The Secretary requested, via Mr. Schwarz, that we prepare for his signature a letter to the Publisher of the New York Times. I understand that he wants to see a draft on Monday.

Expedite!

139

Treasury Department
Division of Tax Research

Date April 3, 1943

To: Mr. Paul

From: Mr. Becker-R.

The Secretary requested, via Mr. Schwarz, that we prepare for his signature a letter to the Publisher of the New York Times. I understand that he wants to see a draft on Monday.

Mr. Charles Merz, Editor,
The New York Times,
New York, New York.

Dear Mr. Merz:

I am writing to you with respect to the editorial entitled "What Mr. Doughton Says, Goes," which appeared in the New York Times of April 1, 1943. The personal attack leveled in that editorial against Mr. Doughton has disturbed me deeply. Mr. Doughton needs no one to defend him, but as one who has had the privilege of working with him for a good many years and the opportunity of observing closely his integrity, grasp of tax problems, and qualities of leadership, I cannot disregard this unjustified attack.

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Mr. Doughton need yield to no one in his estimate and grasp of the tax problems which have confronted the nation. He has the rare faculty of stripping tax problems of the slogans and verbiage which have all too frequently camouflaged their essentials and judging their

- 2 -

hard core without fear or prejudice. I do not quarrel with your right to disagree with Mr. Doughton's views. I do question your judgment and good taste in launching a personal attack on an able and distinguished public servant because his views do not coincide with yours. If you will examine the statements of the members on both sides of the political aisle of the House you will find that persons qualified in tax and fiscal matters have nothing but the highest opinion of Mr. Doughton's honesty, ability, fearlessness, and qualities of leadership.

In connection with your reference to the tax bills for which Mr. Doughton "has been responsible," I might point out a fact you seem conveniently to have forgotten. At the last session of Congress the Ways and Means Committee, under the leadership of Mr. Doughton, recommended, and the House adopted, a perfectly feasible tax withholding plan. Had not the issue of cancelling a year's taxes been injected so forcefully in the consideration of tax withholding and current tax payment, those objectives would long since have been realized.

I had not supposed it to be a ground for criticism that a man has grown old in the service of his country. Mr. Doughton has spent almost half of his life in that service, and not only the Ninth District of North Carolina, but the entire country, may well be proud of having such a staunch warrior to represent and protect it.

WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

April 2, 1943

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

Dear Henry:

I thank you for sending me Mr. Bartelt's report on his visit to the Office of Dependency Benefit Payments at Newark.

The suggestions made in the report will be given most careful consideration by the War Department, which greatly appreciates your interest in this matter.

Sincerely yours,



ROBERT P. PATTERSON
Under Secretary of War

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

April 2, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended March 24, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

(init.) J. W. N.

imc:4/2/43

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

April 1, 1943.

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

I am enclosing our compilation for the week ended March 24, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosures

Copy:imc:4/2/43

STATEMENTS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

BANK OF ENGLAND (BRITISH GOVERNMENT)

PERIOD	DEBITS				CREDITS					Net Incr. (\$) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of		Transfers from Official Australian Account	Other Credits (e)				
						Gold	Securities (Official) (b)						
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	\$2.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	\$61.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+125.9	18.5	4.4	- 14.1
1942													
Sept. 1 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1941													
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.6	-	-	15.0	105.8	+ 33.6	-	-	-
WEEK ENDED:													
March 3	14.2	4.9	3.0	6.3	20.2	-	-	5.0	15.2	+ 6.0	-	-	-
10	6.3	3.7	-	2.6	8.1	-	-	-	8.1	+ 1.8	-	-	-
17	8.1	3.6	-	4.5	12.6	-	-	-	12.6	+ 4.5	-	-	-
24	12.2	2.5	-	9.7	31.7(j)	-	-	5.0	26.7(j)	+ 19.5	-	-	-

Average Weekly Expenditures Since Outbreak of War
France (through June 19, 1940) \$19.6 million

England (through June 19, 1940) \$27.6 million
England (June 20, 1940 to March 12, 1941) \$54.9 million
England (since March 12, 1941) \$23.6 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes over \$10.0 million transferred from New York accounts of British Authorized Banks, and \$2.9 million deposited by British Ministry of Supply.

STATE OF CANADA AND AUSTRALIAN ACCOUNTS
(in millions of dollars)

PERIOD	BANK OF CANADA (and Canadian Government)									COMMERCE BANK OF CANADA						
	DEBITS					CREDITS				Net Incr. (+) or Decr. (-) in \$ Funds ^(a)	DEBITS					
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits		Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits
First year of war War period through December, 1940	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	35.1	30.0	6.1	+ 4.9
	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war**	460.4	-	460.4	462.0	245.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	51.2	62.9	16.3	+ 9.0
Third year of war*** 1942	525.8	0.3	525.5	565.3	198.6	7.7	-	360.0	+ 40.5	107.2	37.4	49.8	112.2	17.2	95.0	- 5.0
Sept. 3 - Sept. 30	45.3	-	45.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	55.5	-	55.5	50.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30 1943	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 164.0	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
WEEK ENDED:																
March 3	10.2	-	10.2	15.3	-	3.0	-	12.3	+ 5.1	5.9	5.0	0.9	1.0	-	1.0	- 4.9
10	3.3	-	3.3	19.1	-	-	-	19.1	+ 15.8	0.7	-	0.7	2.7	-	2.7	+ 2.0
17	17.1	-	17.1	9.5	-	-	-	9.5	- 7.6	1.3	-	1.3	3.3	-	3.3	+ 2.0
24	3.4 ^(b)	-	3.4	11.6 ^(b)	-	-	-	11.6 ^(c)	+ 8.2	5.1	5.0	0.1	0.3	-	0.3	- 4.8

Weekly Average of Total Debits Since Outbreak of War

Through March 24, 1943 \$ 8.6 million

**For monthly breakdown see tabulations prior to April 23, 1941.

***For monthly breakdown see tabulations prior to October 8, 1941.

****For monthly breakdown see tabulations prior to October 11, 1942.

(a) Reflects changes in all dollar holdings payable on demand or maturing in one year.

(b) Does not reflect transactions in Treasury bills.

(c) Includes \$4.6 million deposited by War Supplies, Ltd.

148
TREASURY DEPARTMENT
1945 APR 3 PM 12 03
ASST. SEC. ASST.

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BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 108

Information received up to 7 a.m. 2nd April, 1943.

1. MILITARY.

TUNISIA.

First Army. 31st. Occupation of SEDJENANE was completed and much booty taken. Our forces advanced towards high ground 3 miles south-east and 3½ miles north-east of SEDJENANE repelling enemy counter-attack. Contact between French and U.S. Forces has been established at EL ALA (7 miles west south-west of PICHON).

Eighth Army. From Air reports enemy appear to be preparing defensive position on high ground north and north-east of DJ HAIDOUZI (15 miles west of OUDREA)

2. AIR OPERATIONS.

WESTERN FRONT. 1st. Mosquitoes successfully attacked 2 targets at TRIER (southwest of COBLENTZ) and one near MORLAIX. Whirlwinds, Typhoons and Mustangs destroyed or damaged several locomotives in NORTH FRANCE and BELGIUM. 3 enemy aircraft flew over ENGLAND OF NIGHT. Slight damage.

TUNISIA. 30th/31st. Wellingtons dropped 100 tons bombs on SFAX/EL NAOU AIRFIELD and N.T. 31st. Over 1 000 sorties were flown against airfields near SFAX and enemy concentrations in the battle area.

SARDINIA. 29th/31st. Wellingtons dropped 24 tons bombs on DECIMO-MANNU AIRFIELD. 31st. CAGLIARI HARBOUR and AIRFIELDS in SARDINIA attacked by 95 escorted U.S. Fortresses (B.17). Several ships in harbour and many aircraft on ground were hit. Combat casualties - enemy 13, 2, 3. Ours - nil.

MEDITERRANEAN. 31st. A large ship sunk, 2 left sinking and a further 2 set on fire in attack by escorted U.S. Mitchells (P.25) on shipping in SICILIAN CHANNEL.

INDIA. On 29th. 30th and 31st Allied Bombers successfully attacked docks at TAYOR (230 miles southwest of RANGOON) and railway centres at MAYMO, BHAMO and PYAWANA

FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Column 4 shows Federal Reserve operations in millions of dollars as follows:

Marketable issues: Market purchases 1/..... Market sales 2/..... Direct purchases from Treasury +4 Maturities..... -8

Special one-day certificates 2/: Net increase..... +4 Net decrease..... -6

Column 3 shows price changes in 32nds for all securities except certificates. For certificates, Column 3 shows yield changes in 32nds.

RESTRICTED CONFIDENTIAL

Table with columns for dates (Last Week, This Week), descriptions (Summary, Taxable securities, Certificates, Treasury notes, Treasury bonds, Guaranteed securities, All taxable securities), and numerical values for various transactions and price/yield changes.

Office of the Secretary of the Treasury, Division of Research and Statistics.

r Original figures revised.

1/ Less than \$50,000.

2/ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day. Transactions are entered as of the day following that to which they apply, since data are not available until the following morning. Note: Data are rounded and may not add to the totals.

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRET
U. S. SECRET.OPTEL No. 109:

Information received up to 7 a.m. 3rd April.

1. NAVAL.Northern Waters. Two enemy transports, total 15,000 tons, sunk by Russian warships in Barents Sea.Mediterranean. During night 27/28 March a demonstration, feint landing and bombardment carried out near Cape Serrat (35 miles N. of Bizerta).2. MILITARY.Tunisia.First Army. 1st. Infantry continued their advance from Sedjanane along main road towards Mateur overcoming resistance South East of Sedjenane and taking further prisoners. Enemy are carrying out demolitions and laying minefields as they move East.Eighth Army. Patrols of Second N.Z. Division are maintaining contact with the enemy on coastal flank Wadi Akarit position, and U.K. patrols are operating further West.Burma. Arakan. Our troops have made a further slight withdrawal in Donbaik area without enemy interference. Further North enemy has occupied Paletwa on Kaladan River.3. AIR OPERATIONS.Western Front. 2nd/3rd. Aircraft were despatched. St. Nazaire 54 (1 missing), Lorient 48, sea mining 47 (1 missing), leaflets and intruders 4, anti shipping 7.Tunisia. 1st. Bad weather reduced activity 86 light and medium bombers with fighter escorts attacked Sfax-El Maou airfield and 18 U.S. Bostons (A/20) bombed La Fauconnerie airfield. Enemy efforts were concentrated on Maknassy and El Guettar areasIndia. 1st. 27 escorted enemy heavy bombers attacked Fenny airfield (Bengal) and caused some damage. Enemy bomber casualties 5. 5. 3.

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 112

OFFICE
SECRETARY OF TREASURY
943 APR 7 PM 4 10
TREASURY DEPARTMENT

Following is supplement to report of operational events covering the period March 27th to April 3rd, 1943.

1. NAVAL

36 Officers including Captain and 116 other ranks are survivors of merchant carrier reported sunk in OPTEL No. 105. Signs of enemy blockade runners found out of Biscay ports but so far no interceptions this area. Much activity by submarines engaged in one trade in BAY OF BISCAY. During week 4, possibly 5, enemy ships reported torpedoed by H.M. Submarines in MEDITERRANEAN, two of them known sunk.

SUBMARINE WARFARE. Week ending 31st March. 40 attacks on U-boats of which 7 promising. Of the 19 attacks by aircraft, 16 made in special anti-U-boat operation by Coastal Command in BISCAY area. During March, estimated 2 German U-boats sunk and over 24 damaged, also 2 Japanese submarines sunk and 2 damaged. About 100 U-boats operating in ATLANTIC during week, majority concentrated on northern convoy routes. Some activity south of CANARIES and in MEDITERRANEAN. Supporting escort group of destroyers prevented an attack by over 15 U-boats on 2 homeward convoys in area southeast of GREENLAND.

SHIPPING CASUALTIES. During week 27th March to 2nd April inclusive, 14 ships reported attacked by submarines. In NORTH ATLANTIC of 5 British ships torpedoed in homeward bound convoy, 2 sunk, one proceeding and one in tow. Two United States ships, one of them ex-convoy, reported torpedoed. Two British and one Belgian ship sunk in convoy near CANARIES. One British ship in FREETOWN area. In Western MEDITERRANEAN 2 British ships and one Norwegian tanker sunk in convoy, one British ship in another convoy torpedoed and beached. Three British and one Swedish ship overdue in homeward convoy in March now presumed lost. One British ship mined off TRIPOLI (L) but reached port. One British and one Dutch ship in convoy sunk by aircraft in Western MEDITERRANEAN, also one British ship in ALGERIE Harbour. One Dutch and one United States ship sunk by air attack in NEW GUINEA area.

TRADE. Imports in convoy into UNITED KINGDOM week ending 27th March - 331,000 tons, of which 255,000 oil.

2. MILITARY

TUNISIA. 8th Army. General Montgomery, after our forced withdrawal across SAIDI ZIGZAGU decided not to pursue further with infantry attacks on MARSHA line but to strengthen forces engaged in out-flanking movement to north-west. The forces at EL HAMMA, therefore, reinforced by an armoured Division and their successful operations finally decided Federal to evacuate GABES and MARSHA area immediately. Prisoners so far known over 8,000. Our losses considering fierceness of fighting not heavy.

United States Sector. United States forces at MANNASSY and east of EL GUETTAR are still respectively 30 and 50 miles from coast.

First Army. In recent operations, 400 prisoners taken, about half German.

General. No change in number of enemy divisions in Tunisia. Estimated serviceable tanks approximately: Northern & Central Tunisia - 90 German, of which great majority in EL GUETTAR-MANNASSY area and 50 Italian. Southern Tunisia - 40 to 50 German. Indication Axis encountering supply difficulties, especially in fuel and ammunition.

RUSSIA. Spanish Blue Division. Organisation similar to normal German Infantry Division except strength, possibly about 17,000 men. Located Northern Sector since beginning of campaign and until September, 1942, part of German 16th Army. Took part in fighting STARAYA RUSSA and VOLKHOV Fronts winter 1941/42. September 1942 became part of 18th German Army on Leningrad Front. Commanders - General Mucos Grande till December 1942. Subsequently General Esteban Infantes. Personnel wear German uniforms and use German equipment. Impossible estimate casualties, but believed heavy.

3. AIR OPERATIONS

WESTERN FRONT. Day. Three attacks on ROTTERDAM Docks and Shipyards by A.A.F., one by United States bombers. Total of 27 enemy aircraft over United Kingdom by day and night, two destroyed.

Night. 1,405 sorties flown - 45 aircraft missing. More than 1300 tons on BERLIN in two successful attacks although neither considered comparable to March 1st raid since bombs fell mainly on suburbs. More than 660 tons on ST. NAZAIRE docks in highly successful attack causing great destruction.

TUNISIA. Very heavy scale operations carried out against enemy in the EL HAMMA-GABES-SFAX area. One day sorties totalled 919 and on another day they exceeded 1,000. On one day about 300 enemy vehicles were destroyed or damaged and on another total exceeded 320. Particular attention paid to enemy airfields with satisfying results. In all these operations we lost 77 aircraft.

MEDITERRANEAN. Attacks by United States bombers in CAGLIARI Harbour and Cagliari airfield both considered outstandingly successful. Also attack on convoy in Sicilian Channel by United States Mitchells. We lost 30 aircraft in these operations.

RUSSIA. Bad weather considerably hampered operations. Russian activity mainly on Northern Front and in KUBAN, also defensively in DONETS Sector. Russians continued raids on GULF OF FINLAND ports. ALLINI attacked several times with considerable success and severe damage to town. In KUBAN Russian Air Force daily attacked Front line troops and chief towns in German bridgehead. Main weight of German Air Force was still concentrated in DONETS area, chiefly in support of their attacking ground troops. Russian supply lines attacked, especially railways which have assumed added importance owing to them. German aircraft based in CRIMEA continued to support defensive operations in TAMAN Peninsula.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE.

WILHELMSHAVEN. United States daylight attack 27th March. Photographs 29th confirm direct hits on following shops in naval shipyards - Foundry, Furbine, Engine-fitting and Assembly, Boilermakers also artillery offices and an infantry barracks.

HAMBURG. Now known 241 casualties in United States day attack 4th March owing to direct hits on shelters in station.

VEGESACK. United States day attack 18th March further report. Photographs show that direct hit on one slip has capsized a U-boat under construction and probably damaged another. Two other slips damaged, also carpenters shop severely.

NANTES. Mosquito attack on locomotive works 23rd March. Almost entire works damaged to some extent. 17 locomotives put out of action. Population impressed by accuracy, no houses in neighbourhood being hit.

5. HOME SECURITY

Estimated civilian casualties week ending 31st. Killed 68, seriously wounded 144.

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1943 APR 5 AM 10 36

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BRITISH MOST SECRET
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OPTEL No. 110

Information received up to 7 A.M., 4th April, 1943.

1. NAVAL

MEDITERRANEAN. 3rd. One of H.M. Submarines attacked a REGOLO Class Cruiser off Southern ITALY. Result unknown. Another of H.M. Submarines sank two ships off NAPLES.

2. MILITARY

TUNISIA. 2nd. 5th Corps. A successful patrol encounter six miles north east of SEDJENANE cost enemy 26 killed out of total of 30.

19th Corps Front. Intense patrol activity.

2nd U.S. Corps Front. Leading elements of a United States force including armour made some progress, reaching a point on road 9 miles southeast of EL GUEFFAR.

3. AIR OPERATIONS

WESTERN FRONT. 2nd/3rd. 167 tons of bombs dropped on ST. NAZAIRE and 118 tons on LORIENT. Weather good but ground haze prevented observation of results.

3rd. Escorted Typhoon bombers attacked ABBEVILLE-DRUCATE airfield with good results. Escorted Venturas (B. 34) bombed docks at BREST. Mosquitos bombed railway targets in Northern FRANCE and BELGIUM. Enemy casualties 5, 1, 2. Ours 2, 12. Enemy aircraft crossed southeast coast. Damage to house property at EASTBOURNE. Approximately 30 killed and 45 seriously wounded.

3rd/4th. Aircraft despatched. ESSEN 348 (21 missing and 2 crashed); sea mining 20 (1 missing) and leaflets 9. Weather conditions good over ESSEN and bombing concentrated.

TUNISIA. 1st. EL DJEM airfield (35 miles south-southeast of BOUSSE) bombed by 42 escorted United States Mustangs (A. 20).

2nd. Total of 136 escorted medium, light and fighter bombers attacked enemy positions at WADI AKARIT. 18 light bombers bombed LA FAUCONNERIE airfield.

ITALY and SICILY. 1st/2nd. 2 ferry boats believed destroyed in attack by 6 Liberators (B. 24) on ferry termini at MESSINA and SAN GIOVANNI.

BURMA. 31st. United States Liberators dropped 27 tons of bombs on the railway bridge at PYINMANA.

1st. United States Mitchells (B. 25) dropped 8 tons on railway yards at KWATAUNG (10 miles southwest of MANDALAY).

April 5, 1943
8:55 a.m.

FINANCING

Present: Mr. Bell
Mr. Robbins
Mr. Gamble
Mr. Buffington
Miss Elliott
Mr. Peabody

H.M.JR: I think I am going to have a good talk. There were three men up Saturday. We worked on this Carnegie Hall talk. They were the two men that did the pre-convention Willkie campaign, so they must be pretty--

MR. ROBBINS: You are dealing with experts.

H.M.JR: I certainly am. That was one of the best campaigns, and they put it over. Bruce Barton - there is another one they did. I am getting ready to run for office, you see. (Laughter) They are very amusing, too, about it. One said, "I voted for Roosevelt," and the other said, "I didn't vote at all."

I can't do this this morning early unless you want me to get the man at his home - Walter Head. I am going up on the Hill. He will be home now. (See memorandum attached.)

MR. BELL: But I was thinking, won't you be home by twelve?

H.M.JR: I would just as leave get him at home. Shall I just cry over the phone? (Laughter)

- 2 -

MR. ROBBINS: Does Chester say yes?

MR. BELL: Yes, he will do it, but he didn't want to do it. He is apparently on all kinds of things. Eccles thought you might put on the soft soap. I don't think it is necessary. The fellow is all right.

H.M.JR: I will get him at home and get it over with.

(Miss Elliott entered the conference.)

MR. BELL: I see there is a little squib in the morning's Times on the front page. I expect maybe we will get some repercussions from it. It says they wanted - the Treasury wanted people to take their savings accounts and invest them in Government securities. The savings banks will be on our necks this morning.

H.M.JR: Who gave out that this morning?

MR. BELL: It says "Treasury publicity." I don't know who did it.

MR. ROBBINS: That does bring up one point.

H.M.JR: Will one of you gentlemen check up, which one?

MR. ROBBINS: I will do it. That is this morning's Times?

H.M.JR: It is a box on the front page.

MR. BELL: I expect it was just written by the reporter.

H.M.JR: I doubt it. Most likely somebody gave it to him.

MR. ROBBINS: There are three things I could talk to you about.

- 3 -

H.M.JR: Just one second. You will get a very emphatic note from me which I dictated. I want to know who the heck told the Red Cross they could go through this week. That wasn't my understanding.

Remember, you and I - you called up Davis and they said they would slop over a little into April.

MR. BELL: They said they would be practically through the third, but there might be some movies or something go up to Wednesday of this week.

H.M.JR: If you will read, also, the New York Times you will see they have stuff scheduled, I think, for next Sunday. I think that is the way the story read.

(Mr. Gamble entered the conference.)

MR. ROBBINS: That was supposedly set, I thought, some time ago, that they wouldn't.

H.M.JR: Dan, will you check that - take that up - the Red Cross?

MR. BELL: They were to be out Wednesday of this week.

H.M.JR: You talked to Davis. He said he would go over a little bit into April, but he would be out of the way--

MR. BELL: I will tell you what happened, probably. When we talked to Davis we were talking about April 5. When he saw that the drive was going to be the 12th, he may have just gone ahead and slopped over.

H.M.JR: That is not right. Would you call Davis?

MR. BELL: Yes, I will call him this morning.

H.M.JR: You are going to do Mr. Norman Davis?

MR. BELL: Yes.

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MR. ROBBINS: You wanted us to do something about the speakers' bureau and we did.

H.M.JR: Wait a minute. Let me hold tight. (Laughter)

MR. ROBBINS: I don't know that we could report much progress.

H.M.JR: You just talked about it?

MR. ROBBINS: We talked about it, and Mr. Gamble has got some thoughts and also a man with whom he had made at least preliminary contact.

So maybe, Ted, you had better explain where we stand. As a matter of fact, we are partly in accord on one part of the philosophy of this thing, and that is that the speakers' bureau, as run from Washington, will have to be limited in its scope if we are going to be realistic about it, because we cannot deliver speakers to all corners of the country from Washington, and we will disappoint more people than we help.

H.M.JR: Just as long as I don't have to do it, and Ted doesn't have to do it, and you (Robbins) don't have to do it.

MR. ROBBINS: Ted has a man in tow who he thinks would be ideal if we can get him - Bruce Smith.

MR. GAMBLE: Yes.

H.M.JR: Who is he?

MR. GAMBLE: He is a former member of the Northern Trust Company in Chicago, retired a number of years. He was with us in New York, and now is assistant to Paul McNutt. He is a man of considerable means. He has very good contacts around in different Government agencies. I thought, someone of sufficient weight to get his way into these various departments and get various speakers.

- 5 -

H.M.JR: What has he got to do, leave Paul McNutt?

MR. GAMBLE: He would leave Paul McNutt, yes. I have had two meetings with him just to feel him out.

The other person I have had in mind is Mr. John Stevenson of the Penn Mutual. I have not talked to him. I don't think that we can bring in just an individual to head the speakers' bureau, I think that we will have to get someone with some weight - some bearing.

H.M.JR: What is he doing?

MR. GAMBLE: McNutt has a half a dozen people helping him to interview various members of industry - banking and manufacturing - to help with their war manpower problems.

H.M.JR: McNutt and I don't mix very well.

MR. GAMBLE: I don't think this fellow and McNutt mix especially well, either.

H.M.JR: I mean, I don't want him if he is going to be between the two places.

MR. GAMBLE: No, no, he would leave over there and come here. He wouldn't do both.

(The Secretary held a telephone conversation with Mr. Walter Head, as follows:)

April 5, 1943
9:05 a.m.

HMJr: This is Henry Morgenthau.

Walter
Head: Oh, yes, Mr. Morgenthau.

HMJr: I hope I didn't get you out of bed.

H: No, sir, I've - I just had my hat and coat on ready to go to my office.

HMJr: Wonderful. Well, Mr. Head, what I'm calling up about is to tell you how much we hope that you will accept this chairmanship for the St. Louis Federal Reserve District.

H: Well, that's very nice of you. I'll do what I can to help you.

HMJr: Well, now are you going to take it on for us?

H: Yes, I'll take it on.

HMJr: Wonderful. Well, that's fine. That's - that's one less worry for all of us here.

H: It would be nice if you'd confirm it by letter.

HMJr: The letter will go out by air mail today.

H: That - that's very fine of you, and thank you very much, Mr. Secretary.

HMJr: And I gather Mr. Hitt will be vice chairman, is that the idea?

H: That's right. That's what Mr. Davis outlined.

HMJr: We'll put a gold seal on your letter.

H: Thank you, sir. That's very nice of you.

HMJr: (Laughs) All right.

H: Thank you and goodbye.

HMJr: Goodbye.

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H.M.JR: Why don't you give me something hard to do?
(Laughter)

MR. BELL: The ground was pretty well laid for it.
These fellows like to be asked.

(Mr. Peabody entered the conference.)

MR. ROBBINS: There is an angle in this speakers' bureau that is pretty important in the minds of all of us. The field that we can cover must almost be limited to the Washington area. We can't really have a speakers' bureau and announce it as such far and wide across the land, because the deluge would be terrible and our ability to deliver would be pretty low, we are afraid.

But there are people as, for example, Cabinet members, who have already been requested to do something if an assignment comes along, and other important people in Washington with whom such a person could work, and perhaps could do some inter-campaign lining up of individuals who could then be assigned.

H.M.JR: I was just thinking, if it was going to be Cabinet, what is this fellow Casey doing - the defeated Congressman?

MR. GAMBLE: He is in England. I think he went with OWI.

H.M.JR: Casey?

MR. GAMBLE: I think so.

MR. BELL: There was something in the paper.

H.M.JR: I was thinking, he is a good kind of brash fellow to do that. He could walk into Mr. Hull and tell him we wanted him to speak. He could work it on the Administration side. I mean, a fellow like that could just go in and say to Jesse Jones, "You have to do this." He could get in.

- 7 -

MR. GAMBLE: I will check that. I am not convinced we have the right fellow.

H.M.JR: He could just go to Wayne Taylor, or somebody, and say, "You have to get out" - a fellow like Casey.

MR. BELL: I am not impressed with your candidate.

MR. GAMBLE: I am not, especially. It is not an easy task.

H.M.JR: What do you think about a fellow like Casey?

MR. BELL: Very good.

H.M.JR: He is a very fine man; he is the defeated Congressman from Massachusetts. The President has him in mind. He even mentioned him for Ambassador to England. He is a politician, but a good one.

I was thinking in terms of somebody to do the leg work, say, with the Cabinet, and so forth and so on, just for the drive. He can get into any office. He is a youngish fellow and everybody likes him. He is one of these "likable-ish" men. I was thinking of working on the Administration side of the road, then you can get somebody else to do the other side.

MR. ROBBINS: The other angle that worried us considerably when we talked was just how we should tie whoever it might be into the proper ~~place~~ ^{niche} here in the Treasury Department. We feel that that point of tie-in is going to be pretty important, and we also realize that whoever gets the job will really have to do the job quite regardless of where he ties in. It will be his responsibility, and he will have to do the work. But it occurred to us after thinking about it - I believe I reflect the opinion of all - that the proper place to put him in is the same place where Treasury publicity and speech control is handled and that is with Mr. Gaston's office, and have that office attached there for the general use and facility of the entire department.

- 8 -

H.M.JR: You would have to talk to Gaston.

MR. ROBBINS: We haven't talked to him about that, but in looking around for other places to tie in, we couldn't find any place that was quite as appropriate as that. If publicity is to be made, censored, and reviewed at that point, and the general publicity and policy of the department is controlled from that point, if the individual actually does the work, which would be our thought, then there would be a minimum of impact on Mr. Gaston's office, but it would be the proper control point.

H.M.JR: Talk to him about it.

What else?

MR. ROBBINS: Now that Stuart is here - I don't know how much you have mentioned to the Secretary about the bankhead bill and its implications. It is an important subject, I think.

H.M.JR: Before you get on that, I am highly complimented to think the two men that put Bruce Barton and Willkie almost over are trying to put me over. (Laughter)

MR. PEABODY: They were all right, were they, Mr. Secretary?

H.M.JR: Great - very able, with a grand sense of humor. They are all right and they are enthused. I told you about the second speech and the third speech.

MR. PEABODY: They will have you doing an awful lot of stuff here.

H.M.JR: I think that somebody should be my manager, so to speak, and Ted has always done that sort of thing - I mean, looked after me, to see me through this sort of thing. I would like Ted to sort of manage me as far as any public appearances are concerned.

MR. ROBBINS: That is fine. We are all in agreement on that.

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H.M.JR: Which includes Ted not writing my speeches, but seeing they be "writ." That comes down to the Saturday closed-circuit one and the Sunday afternoon show - make sure the torch singer doesn't go just ahead of me or behind me. (Laughter)

MR. BELL: Or at the same time. (Laughter)

H.M.JR: I didn't say that. I didn't say that - that is the trouble. (Laughter)

There is the Saturday one, the Sunday one - I am taking care of myself - and the Monday one, and this other thing that has to be settled. We are going up at twelve to put a show on in the House.

MR. ROBBINS: That is the 12th?

H.M.JR: No, the 13th. There is that--

MR. ROBBINS: How firm is that appointment?

MR. GAMBLE: It is set unless we change it.

MR. ROBBINS: What time?

MR. GAMBLE: Twelve o'clock. It is all complete with the exception of the George Haas material which has been left open until you (Bell), together with the Secretary, decide just what you want to do with the opening part of it.

H.M.JR: That is the 12th?

MR. GAMBLE: The 13th.

H.M.JR: That ought to be discussed and I would like to know how that is going to be handled and who is going to handle it. Who is going to make the presentation?

MR. ROBBINS: This is the first time I have heard that is confirmed.

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H.M.JR: Who is going to make the presentation?

MR. GAMBLE: Here is our thought. You would open this meeting and you can make as brief a talk as you would like to make. You can deal in generalities with this picture. It was our idea then - and this is subject to your approval - I have discussed it with Mr. Bell - that we would have Mr. Lindow, of the George Haas department, give them a little of the economic background to set the stage for this job that is going to start on the 12th - we will have them start it. We have all of our material prepared. It is all written and it is all ready so that it can be seen any time now. The whole display is complete with the exception of the George Haas material.

Now, we didn't intend to have Lindow go into anything as lengthy as he has done at these several meetings, but in ten or twelve minutes' time, tell us something about the consumer goods, the fact there is a shrinkage of them, the fact that forty-five to fifty billions of dollars is available to the Treasury. The Treasury has a very carefully laid program to attempt to get these finances from the sources from which they best should or could come; and show what the size of the job is, where we hope to end up a year from now, and then go into this April drive.

H.M.JR: Well, I think that Robbins should be the master of ceremonies. I can introduce him. But Lindow - I don't want to think beyond that - I mean, just call the meeting; bring it to everybody's attention. And I think it would be very nice if Miss Elliott could have a five-minute spot out of the hour to talk a little.

But if you people here will collaborate on the thing - just see that I get up there - my manager - that is the purpose of this meeting - if I am doing something. I shouldn't do anything on this drive where I make a personal appearance that you (Gamble) don't know about. and you keep everybody else informed and then ride herd on me and attempt to have me there in time, and so forth and so on. but somebody has got to do that.

- 11 -

MR. ROBBINS: On that subject, sir, do you plan to make any other public appearances during the campaign?

H.M. JR: I am in the hands of you people. I am willing.

MR. ROBBINS: I talked to you sometime ago and said I hoped, at that time, that you would make three public appearances during the campaign, and I had in mind that maybe one of them could be out in the Middle West some place.

H.M. JR: You said you were going to wait until you got some call, and I am waiting. I will feel quite differently after Tuesday if this speech is as good as I hope it will be, and if these fellows can turn them out with as little friction, then you find me very willing. It makes all the difference in the world.

MR. ROBBINS: Then, Ted, you and I had better get our heads together on that one. I think it would be a fine thing.

MR. GAMBLE: Let me clear up one point. That is the advisability of setting the stage for this problem of the Treasury. You didn't go beyond telling us you wanted to show the people at the Capitol what we were doing in this campaign, but we think we should give them a little background of the Treasury's problem. We think they should know a little bit of something about the magnitude of the Treasury's job.

H.M. JR: Yes. What I had in mind was, just as I am going to say in this speech - I am going to talk about "we have to raise seventy billions, from now, for the rest of this calendar year, and this is how we propose to do it. This is the means we have, and we are getting so much help from industry, and so much help from the advertising people, and so much help from the radio, which amounts to one to three hundred million dollars, and without that we just couldn't do the job. We are functioning on a budget of so much from Congress for promotion, and this is what we have got. Now we come here to explain this thing to you and we want your help during this campaign. We want your help."

- 12 -

We might go so far as to say, "I sincerely hope that nothing will be started during this next three weeks which will cut the ground out from under our feet." I can say that.

"This is a non-partisan drive and I want non-partisan support."

MR. ROBBINS: I think you could say that, and I think it should be said.

H.M.JR: I want to say - I don't want somebody - I hope, if they want to start an attack on the Treasury, and so forth and so on, "Let's call it quits until the first of May and then if you want to take a crack at us, fine."

MR. GAMBLE: We have only invited the House Ways and Means and the Senate Finance. You suggested that you might want the other committees. It is our opinion--

H.M.JR: What about Banking and Currency?

MR. GAMBLE: It is our opinion that the Appropriations Committee should not be invited, that it would appear as though maybe we were doing a lobbying job and lose the impact of a good job on the Ways and Means.

H.M.JR: Have you spoken up there to the Speaker? Who have you talked to?

MR. GAMBLE: Senator George and Chairman Doughton.

H.M.JR: But in the House?

MR. GAMBLE: Doughton in the House.

H.M.JR: I think the Appropriations Committee should be there.

MR. BELL: Do you?

H.M.JR: Don't you?

- 13 -

MR. BELL: Well, I sort of agreed with Ted that it might look like this is a stage setting for additional funds and it is one way of putting it over.

H.M.JR: Well, the easiest way on these things is to drop in on the chairman - Cannon - and tell him, "Mr. Cannon, this is what we are going to do. We don't want you to think we are out to get something, but if you think your members would be interested, we would love to have you. Would you tell us what you would like?"

I would say the same thing to Henry Steagall, who is very jealous of his prerogatives - banking and currency. I would see these two fellows, "Gentlemen, we are coming up here because we need your help. If you think your people will be interested, we would love to have you."

MR. GAMBLE: I think it may be all right to invite them like that if they want to sort of hitch-hike to see it.

H.M.JR: I would tell them, and it is up to them to get out a memo on it.

MR. BELL: Is this just an hour's program - no questioning from the members?

MR. GAMBLE: You may get some. If there is any questioning, it can run over.

H.M.JR: I certainly would drop in on Steagall and Cannon.

MR. BELL: You give Patman a nice opening for his usual hour's questioning on this banking principle.

MR. GAMBLE: No, it was very well handled the last time we were up there - very friendly and I thought very constructive - the last meeting we had with the committees.

MR. ROBBINS: Is there any place in this show for Mr. Eccles? Because we are using the Federal Reserve System.

- 14 -

H.M.JR: You mean in this hour?

MR. ROBBINS: Yes.

H.M.JR: Not if it is going to be an hour's show.
(Laughter)

MR. GAMBLE: Bill, we have, in the presentation that we prepared for this, covered the Federal Reserve story - their participation in the program.

H.M.JR: Eccles goes on the air for us, doesn't he - next Tuesday?

MR. BELL: Yes, he accepted that invitation.

H.M.JR: So we are using him. He is doing a coast-to-coast hookup Tuesday or Wednesday.

MR. BELL: The 14th.

H.M.JR: He gets a coast-to-coast hookup, which he will love.

MR. ROBBINS: Well, I was thinking--

H.M.JR: No, that is all right. We might ask him to come up with us. It can't do any harm.

MR. ROBBINS: He would be a good member of the team when we went up.

H.M.JR: Let's take him along.

MR. GAMBLE: We had in mind, in addition, to take the heads of the various departments to be prepared in case anyone does want to ask any questions we will have a dozen people to support Mr. Robbins and Mr. Peabody.

MR. PEABODY: Can I bring up that Bankhead business? Senator Bankhead has announced he will introduce this week a bill into Congress authorizing the Treasury to spend twenty-five or thirty million dollars for newspaper advertising for war bonds and stamps.

- 15 -

H.M. JR: Now, the thing for you to do is this. "We have got Tripp here and all those boys. Get something for me, because they will ask me at four o'clock this afternoon. I am willing to hit it and hit it hard. I take it that is what you want.

MR. PEABODY: We do, because it has some very serious implications. If the thing gets widespread publicity the inclination will be for the newspapers to hold back and say, "Why should we go out and do this work, soliticing advertising, if we are going to get it anyway?" The sponsors will hold back.

H.M. JR: It is for these weeklies, as I understand?

MR. PEABODY: That is what the prime objective is, the weeklies.

H.M. JR: If by any chance this Allied Newspaper Council would join me in a joint statement - but I am ready to say something because they will surely ask me at four o'clock. So you had better come in at quarter of four, Peabody.

Bankhead and I, we are always at odds. He called me Enemy Number 1 of the American farmer when I suggested two years ago to bring in wheat from Canada to keep the price of bread down. Now they are struggling with it. So he can give me another citation, you see, add another bar, only call me Enemy Number 1 for something else. (Laughter)

MR. PEABODY: Cowles has taken a position on it apparently, already, with Mr. Bankhead. he stated that he is against it.

H.M. JR: Publicly? In a letter?

MR. PEABODY: It was published in the Baltimore Sun on Saturday.

H.M. JR: Will you have that with you?

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MR. PEABODY: I want to get in touch with Cowles, because this stuff gets out of Treasury pretty quick and into a lot of other agencies of Government.

H.M.JR: I know. It would be wonderful what I could do - I mean, under that bill.

MR. PEABODY: There is some fascinating material there. I mean, the amount of stuff we are now getting.

MR. ROBBINS: Can you get really adequate statistics by this afternoon?

MR. PEABODY: Yes, I am sure I can.

H.M.JR: What else, gentlemen?

MR. ROBBINS: Wanders is going to be in Washington today, and I talked to him over the week end.

H.M.JR: On that thing, if you would make a note when these two men come down - you can tell this to Lindow - in connection with my speech, they are going to have statistics to give out in advance to the newspapers, because they can't give them in my speech. What is his name from the Tribune - Wanders will be an ideal fellow to work on it so it will be acceptable to the financial editors. So pull him in to do that end. He would be perfect because he would know how. We are keeping the statistics out of the speech.

MR. ROBBINS: I don't know that I am saying he has agreed to come and stay. He will be in Washington today.

H.M.JR: If he could be here Tuesday and Wednesday, he could help prepare these statistics in a way that would be acceptable to the financial editors.

What else?

MR. ROBBINS: I don't think I have anything else right now.

- 17 -

H.M.JR: Miss Elliott?

MISS ELLIOTT: No.

H.M.JR: Happy?

MISS ELLIOTT: Yes.

H.M.JR: Well, smile. (Laughter)

What have you got, Buffington?

MR. BUFFINGTON: I have four answers to your telegram about the information in the various districts. One answer was so big I couldn't carry it in here. (Laughter)

H.M.JR: Well, why not let Robbins have them first? That is where this organization - then I would like to sit down and go over them with him - these maps I asked for.

MR. ROBBINS: Yes, I saw the work in the field.

H.M.JR: Let it go to Robbins direct.

MR. ROBBINS: We will have to give some thought to how we can coordinate the information.

H.M.JR: You can put it up in my statistics room across the way, for me.

MR. BUFFINGTON: No, no, not room enough. (Laughter)

MR. ROBBINS: This should be classified as that which we know where to get when we want it, rather than to lay it out.

H.M.JR: I would like you to go over it as sales manager, then I would like you to go over what you consider the best district and the worst. Let me look at two - the best and the worst.

MR. ROBBINS: You have received four, now?

- 18 -

MR. BUFFINGTON: No, we have received more. We are putting it together.

H.M.JR: I would like you (Robbins) to look at all of it. If there are any weak spots - supposing you find its weak spots, and if I have to go somewhere to get these fellows really started this week, I am going to go. But that is what I wanted. If there are any definite weak spots, I want to know about them.

MR. ROBBINS: I don't know whether the information will be sufficiently accurate. However, we will have a look.

MR. PEABODY: At sometime in the next two days, or three, we would like to talk to you about what you are going to expect in the way of publicity clippings, Mr. Secretary.

H.M.JR: That is up to you.

MR. PEABODY: That is fine, because it is our idea that if we try to do any kind of a complete job on this, that there are going to be an awful lot of man hours in the districts, and a lot here, and nobody will be able to see what comes in or even look at it.

H.M.JR: I will leave that to you.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

April 3, 1943

TO THE SECRETARY:

Chairman Eccles called me this morning to say that Chester Davis had contacted Walter Head, President of the General American Life Insurance Company, to see if he would accept the Chairmanship of the Treasury War Finance Committee in the St. Louis district. Mr. Head was very reluctant to accept this responsibility in view of all the other duties imposed upon him, but after some urging by Chester he finally said that he would accept it if the Secretary should ask him.

Mr. Eccles hopes that you will telephone Mr. Head early Monday morning so that he can be on the job at least all of next week before the drive starts. He believes it might be helpful if you would say to Mr. Head that all of us in Washington (you, Eccles, Davis and Bell) are of the unanimous opinion that he is the best man in the district for the job. We realize his heavy duties and to help him out he can rely upon the complete facilities of the Federal Reserve Bank of St. Louis and that Mr. Hitt, the First Vice President of the Bank, who will be acting President in Mr. Davis' absence, will be made Vice Chairman, and he, together with Mr. John R. Longmire, Executive Manager, will be available to do as much of the detail work as he wishes to put on their shoulders.

After you have telephoned Mr. Head, his appointment, together with that of Mr. Hitt, should be mailed from here Monday night.

sub



APR 5 1943

Dear Mr. Head:

This is just to tell you how much I appreciate your willingness to serve as Chairman of the United States Treasury War Finance Committee in the Eighth Federal Reserve District. In accepting this appointment, you are making a patriotic service of the finest kind.

For the purposes of the record, let me state that your appointment became effective April 1, 1943, and that you are being compensated at the token rate of \$1.00 a year. This amount will be paid to you by the Federal Reserve Bank of St. Louis, the bank in turn being reimbursed for such expenditure by the Treasury Department from the appropriation "Expenses of Loans, Act of September 24, 1917, as Amended and Extended."

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Walter W. Head,
President, General American Life
Insurance Company,
St. Louis, Missouri.

Copy in Diary
Copies to Thompson

Sent "air mail"

GB:deb

APR 5 1943

Dear Mr. Hitt:

Mr. Walter W. Head, President of the General American Life Insurance Company, has accepted an appointment to serve as Chairman of the United States Treasury War Finance Committee in the Eighth Federal Reserve District. I am appointing you to serve as Vice-Chairman of the Committee, effective April 1, 1943.

Your cooperation in this undertaking will be very much appreciated.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. F. Guy Hitt,
First Vice-President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Copy in Diary
Copies to Thompson

Sent "air mail"

GR:deb

Material which HM Jr used when he appeared ¹⁷⁷
before Sen. Coms. on April 5, 1943, and
House Coms. on April 6, 1943, in connection
with the International Stabilization Fund.

For some time we in the Treasury have been deeply concerned with the threat of international monetary chaos at the end of this war.

We feel that international currency stability is essential to reconstruction in the post-war period and to the resumption of private trade and finance. It is generally held that this formidable task can be successfully handled only through international cooperation.

- 2 -

I think further that most of us would agree that the establishment of a program adequate to deal with the inevitable post-war monetary problems should not be postponed until the end of hostilities. It would be ill-advised, if not dangerous, to be unprepared for the difficult task of international monetary cooperation when the war ends. No one knows how long or how short the war will be.

- 3 -

We therefore believe it is desirable to begin now to devise an international monetary agency adequate to cope with the problems with which we shall be confronted when the war does end.

The completion of such a task is certain to take many months at the least. Specific and practical proposals must be formulated and must be carefully considered by the policy-shaping officials of the various countries.

- 4 -

In each country acceptance of a definitive plan can follow only upon legislative or executive action. And even when a plan is finally adopted, much time will be consumed in establishing an organization capable of beginning effective work.

There is another important reason for dealing with this problem now. A plan for international monetary cooperation can be a factor in winning the war.

- 5 -

It has been suggested, and with much cogency, that the task of assuring the defeat of the Axis powers would be made easier if the victims of aggression, actual and potential, could have greater assurance that a victory of the United Nations will not mean in the economic sphere a repetition of the exchange instability and monetary collapse that followed the last war. That assurance should be given now.

- 6 -

The people in all of the United Nations must be encouraged to feel themselves on solid ground. They must be given to understand that a victory of the United Nations will not usher in another two decades of widespread economic disruption. The people must know that we at last recognize the fundamental truth that prosperity, like peace, is indivisible.

- 7 -

With these points in mind the technical experts of the Treasury and other agencies of the Government for some time have been studying methods by which post-war monetary stability can be achieved. No specific plan has as yet been considered by this Government, but preliminary suggestions of our technical experts have been formulated and have been made available for exploratory study of the experts of other interested Governments.

- 8 -

The technical men of other Governments have likewise been studying the problem.

Our own thinking along the lines of currency stability has not been addressed to concocting some panacea that will automatically cure all the economic ailments of a post-war world. Rather, we have attempted to address ourselves to the specific problem of foreign exchange stability and the common-sense way of achieving this end.

- 9 -

Our views are based on the rich experience that this country has had in cooperating with other Governments in our attempts to maintain exchange stability. We have tried to adapt that experience to the broader and more difficult currency problems confronting the world during the post-war years. We have also kept in mind the pattern laid down by the Tripartite Agreement and our own stabilization agreements.

- 10 -

Our tentative proposal is to establish an international stabilization fund in which all the United Nations and those nations which are associated with them in this war would participate. This Fund would constitute an international agency with powers and resources adequate to promote the maintenance of currency stability. The cooperating Governments who would participate in the program would, among other things, undertake not to engage in competitive depreciation of their currencies.

- 11 -

This stability would be in large measure secured by fixing the value of currencies in terms of gold, and by providing that changes could not be made without consultation with other members.

The resources of the Fund that we have in mind would be provided by the participating governments in an amount and form suited to each nation.

Participation would be in the form of gold and local currency and public obligations of the member countries.

- 12 -

The operations of the Fund would include buying and selling of foreign exchange under adequate safeguards.

The Fund would deal only with Treasuries and central banks. It would not compete with private banks or existing agencies. Its operations would be maintained only to supplement the efforts made by each member government to maintain monetary stability. The established channels of international trade and international banking would be retained in full for all international transactions.

- 13 -

We have given special attention to the solution of certain troublesome monetary problems growing out of the war and have included suggestions for the handling of such problems. In particular, the Fund would facilitate the restoration of free exchange markets and liberate the abnormal balances which have accumulated in some of the countries as a consequence of war conditions.

- 14 -

The control of the operations of the Fund would be in the hands of an international board appointed by the governments of the member countries and the voting power on that board would be related to the contribution which each country makes to the required revolving fund.

- 15 -

The creation of an international agency of the character that we are contemplating is a logical development of the various tentative steps which have been made in the direction of stabilization of currencies during the immediate pre-war years.

I have been anxious to discuss this matter with you and to keep you informed of developments. Obviously, we are still in the early stages of our thinking and discussions.

- 16 -

However, I did want you to know what we are doing and I do want to feel free to come back from time to time and discuss the subject with you and obtain your views and advice.

MEMORANDUM

A Stabilization Fund
of the
United and Associated Nations

It is still too soon to know the precise form and magnitude of post-war monetary problems. But it is certain that we shall be confronted with the task of dealing with three inseparable monetary problems: to prevent the disruption of foreign exchanges, to avoid the collapse of some monetary systems, and to facilitate the restoration and balanced growth of international trade. Clearly, such a formidable task can be successfully handled only through international action.

The creation of instrumentalities adequate to deal with the inevitable post-war monetary problems should not be postponed until the end of hostilities. It would be ill-advised if not dangerous to leave ourselves unprepared at the end of the war for the difficult task of international monetary cooperation. We should begin now to devise an international monetary agency, for the task is certain to take many months at least. Specific and practical proposals must be formulated by the experts and must be carefully considered by the policy-shaping officials of the various countries. In each country acceptance of a definitive plan can follow only upon legislative or executive action. And even when a plan is finally adopted, much time will be consumed in gathering personnel and in establishing an organization before an international institution for monetary cooperation can begin effective work.

There is another important reason for initiating now concrete discussions of specific proposals. A plan for international monetary

cooperation can be a factor in winning the war. It has been suggested, and with much cogency, that the task of assuring the defeat of the Axis powers would be made easier if the victims of aggression, actual and potential, could have greater assurance that a victory of the United Nations will not mean in the economic sphere a repetition of the exchange instability and monetary collapse that followed the last war. That assurance should be given now. The people in all of the United Nations must be encouraged to feel themselves on solid ground. They must be given to understand that a victory of the United Nations will not usher in another two decades of widespread economic disruption. The people must know that we at last recognize the fundamental truth that prosperity, like peace, is indivisible.

One of the appropriate agencies to deal with international economic and monetary problems would be an international stabilization fund with resources and powers adequate to the task of helping to achieve monetary stability and to facilitate the restoration and balanced growth of international trade. A proposal drafted by American technical experts is appended. The draft presents only the essential elements of an international stabilization fund. The provisions of the proposal are in every sense tentative, intended as a basis for discussion and exchange of views. Obviously, there are many details that have been omitted and that can be better formulated after there is agreement on the general principles.

It is recognized that an international stabilization fund is only one of the instrumentalities which may be needed in the field of international economic cooperation. Other agencies are also needed to provide capital

for post-war reconstruction and development, to provide funds for rehabilitation and relief, and to promote stability in the prices of primary international commodities. There is a strong temptation to embrace within a single international agency the responsibility for dealing with these and other international economic problems. We believe, however, that international economic institutions can operate more effectively if they are not burdened with important but extraneous duties for which they have not been devised and for which they are unsuited. For example, the highly specialized nature of international monetary stabilization and the provision of long-term capital would seem to call for separate institutions each designed to deal with its distinct problems.

It should be emphasized that the appended draft deals only with an international stabilization fund. It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development. It is hoped that the appended draft will call forth from the experts of the United Nations, critical comment and constructive suggestions. It is our belief that a workable and acceptable plan can emerge only from the joint efforts of the United Nations.

Washington, D. C.
January, 1943.

U.S. Treasury Department

Preliminary Draft Outline of
Proposal for a United and Associated Nations
Stabilization FundI. Purposes of the Fund

1. To stabilize the foreign exchange rates of the currencies of the United Nations and nations associated with them.
2. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.
3. To help create conditions under which the smooth flow of foreign trade and of productive capital among the member countries will be fostered.
4. To facilitate the effective utilization of the abnormal foreign balances accumulating in some countries as a consequence of the war situation.
5. To reduce the use of foreign exchange controls that interfere with world trade and the international flow of productive capital.
6. To help eliminate bilateral exchange clearing arrangements, multiple currency devices, and discriminatory foreign exchange practices.

II. Composition of the Fund

1. The Fund shall consist of gold, currencies of member countries, and securities of member governments.
2. Each of the member countries shall subscribe a specified amount which will be called its quota. The aggregate of quotas of the member countries shall be the equivalent of at least \$5 billion.

The quota for each member country shall be determined by an agreed upon formula. The formula should give due weight to the important factors relevant to the determination of quotas, e.g., a country's holdings of gold and foreign exchange, the magnitude of the fluctuations in its balance of international payments, and its national income.

3. Each member country shall provide the Fund with 50 percent of its quota on or before the date set by the Board of Directors of the Fund on which the Fund's operations are to begin.

- 4. The initial payment of each member country (consisting of 50 percent of its quota) shall be 12.5 percent of its quota in gold, 12.5 percent in local currency, and 25 percent in its own (i.e., government) securities. However, any country having less than \$300 million in gold need provide initially only 7.5 percent of its quota in gold, and any country having less than \$100 million in gold need provide initially only 5 percent of its quota in gold, the contributions of local currency being increased correspondingly. A country may, at its option, substitute gold for its local currency or securities in meeting its quota requirement.
- 5. The member countries of the Fund may be called upon to make further provision toward meeting their quotas pro rata at such times, in such amounts, and in such form as the Board of Directors of the Fund may determine, provided that the proportion of gold called for shall not exceed the proportions indicated in II-4 above, and provided that a four-fifths vote of the Board shall be required for subsequent calls to meet quotas.
- 6. Any changes in the quotas of member countries shall be made only with the approval of a four-fifths vote of the Board.

III. Powers and Operations

The Fund shall have the following powers:

- 1. To buy, sell, and hold gold, currencies, bills of exchange, and government securities of member countries; to accept deposits and to earmark gold; to issue its own obligations, and to discount or offer them for sale in member countries; and to act as a clearing house for the settling of international movements of balances, bills of exchange, and gold.

All member countries agree that all of the local currency holdings shall be free from any restrictions as to their use. This provision does not apply to abnormal war balances acquired in accordance with the provisions of III-9, below.

- 2. To fix the rates at which it will buy and sell one member's currency for another, and the rates in local currencies at which it will buy and sell gold. The guiding principle in the fixing of such rates shall be stability in exchange relationships. Changes in these rates shall be considered only when essential to

- 3 -

correction of a fundamental disequilibrium and be permitted only with the approval of four-fifths of member votes.

3. To sell to the Treasury of any member country (or stabilization fund or central bank acting as its agent) at a rate of exchange determined by the Fund, currency of any member country which the Fund holds, provided that:
 - a. The foreign exchange demanded from the Fund is required to meet an adverse balance of payments on current account with the country whose currency is being demanded.
 - b. The Fund's holdings of the currency of any member country shall not exceed during the first year of the operation of the Fund, the quota of that country; it shall not exceed during the first two years 150 percent of such quota; and thereafter it shall not exceed 200 percent of such quota; except that upon approval by four-fifths of the member votes, the Fund may purchase any local currency in excess of these limits, provided that at least one of the following two conditions is met:
 - i. The country whose currency is being acquired by the Fund agrees to adopt and carry out measures recommended by the Fund designed to correct the disequilibrium in the country's balance of payments, or
 - ii. It is believed that the balance of payments of the country whose currency is being acquired by the Fund will be such as to warrant the expectation that the excess currency holdings of the Fund can be disposed of within a reasonable time.
 - c. When the Fund's net holdings of any local currency exceed the quota for that country, the country shall deposit with the Fund a special reserve in accordance with regulations prescribed by the Board of Directors. This provision does not apply to currencies acquired under III-9 below.
 - d. When a member country is exhausting its quota more rapidly than is warranted in the judgment of the Board of Directors, the Board may place such conditions upon additional sales of foreign exchange to that country as it deems to be in the general interest of the Fund.

- e. A charge at the rate of 1 percent per annum, payable in gold, shall be levied against any member country on the amount of its currency held by the Fund in excess of the quota of that country. Abnormal war balances acquired by the Fund (in accordance with III-9 below) shall not be included in the computed balance of local currency used as a basis for this charge.
- f. When the Fund's holdings of the local currency of a member country exceed the quota of that country, upon request by the member country, the Fund shall resell to the member country the Fund's excess holdings of the currency of that country for gold or acceptable foreign exchange.
- 4. The right of a member country to purchase foreign exchange from the Fund with its local currency for the purpose of meeting an adverse balance of payments on current account is recognized only to the extent of its quota, subject to the limitation in III-3 above and III-7 below.
- 5. With the approval of four-fifths of the member votes, the Fund in exceptional circumstances may sell foreign exchange to a member country to facilitate transfer of capital, or repayment or adjustment of foreign debts, when in the judgment of the Board such a transfer is desirable from the point of view of the general international economic situation.
- 6. When the Fund's holdings of any particular currency drop below 15 percent of the quota of that country, and after the Fund has used for additional purchases of that currency,
 - (a) Gold in an amount equal to the country's contribution of gold to the Fund, and
 - (b) The country's obligations originally contributed,

the Fund has the authority and the duty to render to the country a report embodying an analysis of the causes of the depletion of its holdings of that currency, a forecast of the prospective balance of payments in the absence of special measures, and finally, recommendations designed to increase the Fund's holdings of that currency. The Board member of the country in question should be a member of the Fund committee appointed to draft the report. This report should be sent to all member countries and, if deemed desirable, made public.

Member countries agree that they will give immediate and careful attention to recommendations made by the Fund.

7. Whenever it becomes evident to the Board of Directors that the anticipated demand for any particular currency may soon exhaust the Fund's holdings of that currency, the Board of Directors of the Fund shall inform the member countries of the probable supply of this currency and of a proposed method for its equitable distribution, together with suggestions for helping to equate the anticipated demand and supply for the currency.

The Fund shall make every effort to increase the supply of the scarce currency by acquiring that currency from the foreign balances of member countries. The Fund may make special arrangements with any member country for the purpose of providing an emergency supply under appropriate conditions which are acceptable to both the Fund and the member country.

The privilege of any country to acquire an amount of other currencies equal to or in excess of its quota shall be limited by the necessity of assuring an appropriate distribution among the various members of any currency the supply of which is being exhausted. The Fund shall apportion its sales of such scarce currency. In such apportionment, it shall be guided by the principle of satisfying the most urgent needs from the point of view of the general international economic situation. It shall also consider the special needs and resources of the particular countries making the request for the scarce currency.

8. In order to promote the most effective use of the available and accumulating supply of foreign exchange resources of member countries, each member country agrees that it will offer to sell to the Fund, for its local currency or for foreign currencies which it needs, all foreign exchange and gold it acquires in excess of the amount it possessed immediately after joining the Fund. For the purpose of this provision, including computations, only free foreign exchange and gold are considered. The Fund may accept or reject the offer.

To help achieve this objective each member country agrees to discourage the unnecessary accumulation of foreign balances by its nationals. The Fund shall inform any member country when, in its opinion, any further growth of privately-held foreign balances appears unwarranted.

2. To buy from the governments of member countries, abnormal war balances held in other countries, provided all the following conditions are met:
- a. The abnormal war balances are in member countries and are reported as such (for the purpose of this provision) by the member government on date of its becoming a member.
 - b. The country selling the abnormal war balances to the Fund agrees to transfer those balances to the Fund and to purchase back from the Fund 40 percent of them with gold or such free currencies as the Fund may wish to accept, at the rate of 2 percent a year beginning not later than 3 years after the date of transfer.
 - c. The country in which the abnormal war balances are held agrees to transfer to the Fund these balances described in b above, and to purchase back from the Fund 40 percent of them with gold or such currencies as the Fund may wish to accept, at the rate of 2 percent a year beginning not later than 3 years after the date of transfer.
 - d. A charge of 1 percent, in each case payable in gold, shall be levied against the country selling its abnormal war balances and against the country in which the balances are held. In addition a charge of 1 percent payable in gold shall be levied annually against each of them on the amount of such balances remaining to be repurchased.
 - e. If the country selling abnormal war balances to the Fund asks for foreign exchange rather than local currency, the request will not be granted unless the country needs the foreign exchange for the purpose of meeting an adverse balance of payments not arising from the acquisition of gold or the accumulation of foreign balances or other capital transactions.
 - f. Either country may, at its option, increase the amount it repurchases annually. But, in the case of the country which sold abnormal war balances to the Fund, not more than 2 percent per annum of the original sum taken over by the Fund shall become free, and only after 3 years shall have elapsed since the sale of the balances to the Fund.
 - g. The Fund has the privilege of disposing of any of its holdings of abnormal war balances in the form of free funds after the 23 year period is passed, or sooner, provided
 - i. its holdings of the free funds of the country in which the balances are being held fall below 15 percent of its quota; or
 - ii. the approval is obtained of the country in which the balances are held.

- h. The country in which the abnormal war balances are held agrees not to impose any restrictions on the use of the installments of the 40 percent portion gradually to be repurchased by the country which sold the balances to the Fund.
- i. The Fund on its part agrees not to sell the abnormal war balances acquired under the above authority, except with the permission, or at the request of the country in which the balances are being held, but the Fund can invest these balances in regular or special government securities of that country. The Fund shall be free to sell such securities in any country provided that the approval of the issuing government is first obtained.
- j. The Fund shall determine from time to time what shall be the maximum proportion of the abnormal war balances it can afford to take over under this provision.

Abnormal war balances acquired under this provision shall not be included in computing the amount of foreign exchange available to member countries under their quotas.

10. To buy and sell currencies of non-member countries, but shall not be authorized to hold such currencies beyond sixty days after date of purchase, except with the approval of four-fifths of the member votes.
11. To borrow, at such rates as the Fund may recommend, the currency of any country, provided four-fifths of the member votes approve the terms of such borrowing.
12. To sell member-country obligations owned by the Fund provided that the Board representative of the country in which the securities are to be sold approves.
- To use its holdings to obtain rediscounts or advances from the central bank of any country whose currency the Fund requires.
13. To invest any of its currency holdings in "short-term" securities -- commercial or government -- of the country of that currency provided four-fifths of the member votes approve, and provided further that the Board representative of the country in which the investment is to be made approves.
14. To lend to any member country local currency from the Fund for one year or less up to 75 percent of the currency of that country held by the Fund provided such loan is approved by four-fifths of the member votes. A country borrowing such funds shall pay interest to the Fund at a rate to be determined by the Board.

15. To levy upon member countries a pro rata share of the expenses of operating the Fund, payable in local currency, not to exceed .1 percent per annum of the quota of each country. The levy may be made only when the earnings of the Fund are inadequate to meet its current expenses and only with the approval of four-fifths of the member votes, and only to the extent necessary to meet its current expenses.

The Fund shall make a service charge of 1/4 percent or more on all exchange and gold transactions.

16. The Fund shall deal only with or through
- a. The governments of member countries;
 - b. The central banks or fiscal agencies of these countries (and then only with the consent of the member of the Board representing the country in question); and
 - c. Any international banks owned predominantly by member governments.

An exception to the above limitation is that the Fund may, with the approval of the member of the Board representing the government of the country concerned, sell its own securities, or securities it holds, to the public or to institutions of member countries.

IV. Monetary Unit of the Fund

1. The monetary unit of the Fund shall be the Unitas (UN) consisting of 137 1/7 grains of fine gold (equivalent to 10 U.S.). The accounts of the Fund shall be kept and published in terms of Unitas.
2. The value of the currency of each member country shall be fixed by the Fund in terms of gold or the Unitas and may not be altered by any member country without the approval of four-fifths of the member votes.
3. Deposits in terms of Unitas may be accepted by the Fund from member countries only upon the delivery of gold to the Fund and shall be transferable and redeemable in gold or in the currency of any member country at the rate established by the Fund. The Fund shall maintain a 100 percent reserve in gold against all Unitas deposits.
4. No change in the value of the currencies of member countries shall be permitted to alter the value in gold or Unitas of the assets of the Fund. Thus if the Fund approves a reduction in the value of the currency of a member country (in terms of gold or the Unitas) or if, in the opinion of the Board, the currency of a member country has depreciated to a significant extent, that country must deliver to the Fund an amount of its local currency equal to the decreased value of that currency held by the Fund. Likewise, if the currency

of a particular country should appreciate, the Fund must return to that country an amount (in the currency of that country) equal to the resulting increase in the gold or the United value of the Fund's holdings. The same provisions shall also apply to the securities of member countries held by the Fund. However, this provision shall not apply to currencies acquired under III-9 (abnormal war balances).

V. Management

1. The administration of the Fund shall be vested in a Board of Directors. Each government shall appoint a director and an alternate, in a manner determined by it, who shall serve for a period of three years subject to the pleasure of their government. Directors and alternates may be reappointed.

In all voting by the Board, the director or alternate of each member country shall be entitled to cast a number of votes to be agreed upon. The distribution of voting power shall be closely related to the quotas of member countries, although not in precise proportion to the quotas. An appropriate distribution of voting power would seem to be the following: Each country shall have 100 votes plus 1 vote for the equivalent of each \$1 million of its quota.

Notwithstanding the approved formula for distributing voting power, no representative shall cast more than one-fourth of the aggregate votes regardless of the quota of his country. All decisions, except where specifically provided otherwise, shall be made by a majority of the member votes.

2. The Board of Directors shall select a Managing Director of the Fund and one or more assistants. The Managing Director shall become ex officio a member of the Board and shall be chief of the operating staff of the Fund. The Managing Director and the assistants shall hold office for two years, shall be eligible for reelection, and may be removed for cause at any time by the Board.

The Managing Director of the Fund shall select the operating staff in accordance with regulations established by the Board of Directors. Members of the staff shall be available upon request of member countries for consultation in connection with international economic problems and policies.

3. The Board of Directors shall appoint from among its members an Executive Committee to consist of not less than eleven members. The Chairman of the Board shall be Chairman of the Executive Committee, and the Managing Director of the Fund shall be ex officio a member of the Executive Committee.

The Executive Committee shall be continuously available at the head office of the Fund and shall exercise the authority delegated to it by the Board. In the absence of any member of the Executive Committee, his alternate shall act in his place. Members of the Executive Committee shall receive appropriate remuneration.

4. The Board of Directors may appoint such other committees as it finds necessary for the work of the Fund. It may also appoint advisory committees chosen wholly or partially from persons not regularly employed by the Fund.
5. The Board may at any meeting, by a four-fifths vote, authorize any officers or committees of the Fund to exercise any specified powers of the Board. Such powers shall be exercised only until the next meeting of the Board and shall be exercised in a manner consistent with the general policies and practices of the Board.

The Board of Directors may not delegate, except to the Executive Committee, any authority which can be exercised only by a four-fifths vote.

6. The Board may establish regulations governing the operations of the Fund, except where a four-fifths vote is required, and the officers and committees of the Fund shall be bound by such regulations.
7. The Board shall hold one annual meeting and such other meetings as it may be desirable to convene. On request of member countries casting one-fourth of the votes, the chairman shall call a meeting of the Board for the purpose of considering any matters placed before it.
8. A country failing to meet its obligations to the Fund may be suspended provided a majority of the member votes so decide. While under suspension, the country shall be denied the privileges of membership but shall be subject to the same obligations as any other member of the Fund. At the end of two years the country shall be automatically dropped from membership unless it has been restored to good standing by a majority vote of the Fund members.

Any country may withdraw from the Fund by giving notice and its withdrawal will take effect two years from the date of such notice. During the interval between notice of withdrawal and the taking effect of the notice, such country shall be subject to the same obligations as any other member of the Fund.

A country which is dropped, or which withdraws, from membership shall have returned to it an amount in its own currency equal to its contributed quota, plus other obligations of the Fund to the country, and minus any sum due from that country to the Fund. Any realized losses of the Fund may be deducted pro rata from the contributed quota to be returned to the country dropped or withdrawing from membership. The Fund shall have five years in which to liquidate its obligation to such country. When any country withdraws or is dropped from the Fund, the rights of the Fund shall be fully safeguarded.

9. Net profits earned by the Fund shall be distributed in the following manner:
 - a. 50 percent to reserves until the reserves are equal to 10 percent of the aggregate contributed quotas of the Fund.

3. 50 percent to be divided each year among the members in proportion to their quotas. Dividends distributed to each country shall be paid in its own currency or in Units at the discretion of the Fund.

VI. Policies of Member Countries

Each member country of the Fund undertakes the following:

1. To maintain by appropriate action exchange rates established by the Fund on the currencies of other countries, and not to alter exchange rates except with the consent of the Fund and only to the extent and in the direction approved by the Fund. Exchange rates of member countries may be permitted to fluctuate within a specified range fixed by the Fund.
2. To abandon, as soon as the member country decides that conditions permit, all restrictions and controls over foreign exchange transactions (other than those involving capital transfers) with other member countries, and not to impose additional restrictions without the approval of the Fund.

The Fund may make representations to member countries that conditions are favorable for the abandonment of restrictions and controls over foreign exchange transactions, and each member country shall give consideration to the representations of the Fund.

3. To cooperate effectively with other member countries when such countries, with the approval of the Fund, adopt or continue controls for the purpose of regulating international movements of capital. Cooperation shall include, upon recommendation by the Fund, measures that can appropriately be taken:
 - a. Not to accept or permit acquisition of deposits, securities, or investments by nationals of any member country imposing restrictions on the export of capital except with the permission of the Government of that country and the Fund;
 - b. To make available to the Fund or to the Government of any member country full information on all property in the form of deposits, securities and investments of the nationals of that member country; and
 - c. Such other measures as the Fund shall recommend.
4. Not to enter upon any new bilateral foreign exchange clearing arrangements, nor engage in multiple currency practices, except with the approval of the Fund.
5. To give consideration to the views of the Fund on any existing or proposed monetary or economic policy, the effect of which would be to bring about sooner or later a serious disequilibrium in the balance of payments of other countries.

6. To furnish the Fund with all information it needs for its operations and to furnish such reports as it may require in the form and at the times requested by the Fund.
7. To adopt appropriate legislation or decrees to carry out its undertakings to the Fund and to facilitate the activities of the Fund.

Simplified Highlights of the Proposed
International Stabilization Fund

Contributions to the Fund

The purpose of the proposed Stabilization Fund is to stabilize the value of the currencies of the various member countries. To achieve this purpose a Fund of at least 5 billion dollars is contemplated, consisting of gold and currencies and securities of member countries.

The various member countries would each subscribe a previously agreed upon amount and make an initial payment of one-half of this subscription and agree to be liable for the remainder. The basis for determining the contribution from each country would be such things as a country's holdings of gold and foreign exchange, its national income and changes in its debtor-creditor relations with other countries.

Stabilization of Exchange rates

At the outset of the operation of the Fund the exchange value of the currency of each country would be established by the Fund. To help maintain these exchange values the Fund would provide a mechanism whereby any member country could obtain needed foreign exchange for legitimate purposes under conditions safeguarding the Fund from becoming over-loaded with the holdings of the currency of any one country.

To meet an extreme situation in which it is judged that the maintenance of an established rate is proving injurious both to the particular country involved and to the other member countries, the Fund is given authority to alter the exchange value of that currency. In this way changes in the exchange rate would be the result of international deliberation rather than unilateral action. On the other hand, by making it possible for countries to secure foreign exchange when needed, and when justified by circumstances countries would not be forced, as in the past, to lower their exchange rates because of inability to obtain foreign exchange to meet current obligations.

Removal of Exchange Controls

It would be expected that these arrangements for stabilizing international exchange rates would remove in almost all circumstances the need for continuance of exchange control by individual nations.

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Therefore, as a means of beginning the trend back toward freer exchanges, the Stabilization Fund Agreement provides that no nation may adopt new exchange control measures except to curb undesirable capital movements and, then, only with the consent of the Fund. It also prohibits resort to multiple currency devices and bilateral exchange clearing arrangements except with approval of the Fund.

Freeing of "blocked" balances

It is hoped that the existence of the Fund will make it possible to cope effectively with one of the major post-war problems, namely: the existence of large blocked balances in countries where the sudden and uncoordinated unblocking of such balances by the various countries would cause serious domestic, as well as international repercussions. For this reason, the plan provides special treatment for blocked balances arising out of the war, under which the creditors are able to obtain their funds without injury to the debtor country. The risk involved in holding blocked balances is borne by the debtor and creditor countries and to a slight extent by the Fund.

Powers of the Fund

To accomplish its purposes the Fund is given appropriate powers. These include the buying and selling of gold, the buying and selling of obligations of member countries, and the authority to require member countries to furnish the technical information necessary to the efficient operation of the fund. Special mention might be made of the fact that before either buying or selling the obligations of any country within that country, the prior approval of that country must be obtained because such operations might have serious effects upon the money markets of that country. The Fund also has the power to borrow local currencies from Central banks with appropriate collateral and with approval of the Central Bank.

In line with the governmental character of the arrangement, the Fund is permitted to deal only with the Central Banks or fiscal agents of the member countries or international banks owned predominantly by member countries.

New international unit

The plan provides for the creation of an international gold monetary unit, the Unitas, equal in value to $\frac{1}{10}$ of United States money. The accounts of the Fund will be kept in terms of this unit. The Fund will not be able to issue unitas notes to circulate as

- 3 -

money but any government or central bank may deposit gold with the Fund for a credit in Unitas which it can then transfer, as it wishes, to any other member country.

Management of Fund

The Fund will be managed by a Board of Directors representing the national governments which have contributed to the Fund. The representative of each country will be entitled to cast votes roughly proportionate to that country's contribution to the Fund save that no country's representative may have the right to cast more than 25 percent of the total votes.

In general, the decision of the Board of Directors are made by a mere majority vote. In certain important specified cases, however, it is provided that a four-fifths vote will be necessary and this provision will enable the United States or any other country or group of countries having votes in excess of 20 percent of the total, to prevent the Fund taking action in such cases.

The Board of Directors will meet annually and oftener if desirable, but the active management of the Fund will be delegated, for the times when the Board is not in session, to a Managing Director of the Fund as the chief executive officer and to an Executive Committee (all appointed by the Board) who will be responsible for the adoption of policies subject to the approval of the Board of Directors.

U. S. Treasury Department
Division of Monetary Research

Copy of letter sent to the Ministers of Finance of 34 countries

Excellency:

I am sending for your examination a preliminary draft of a Proposal for an International Stabilization Fund of the United and Associated Nations. This draft was prepared by the technical staff of the United States Treasury in consultation with the technical experts of other departments of this Government.

The document is sent to you not as an expression of the official views of this Government but rather as an indication of the views widely held by the technical experts of this Government. I hope you will examine the draft and submit it for critical study by the technical experts of your Ministry and your Government. After you and your experts have had opportunity to study it, you may wish to send one or more of your technical experts to Washington to give me your preliminary reaction to the draft proposal, and to discuss with our technical experts the feasibility of international monetary cooperation along the lines suggested therein, or along any other lines you may wish to suggest. We are informed that the technical experts of the British Government have also been studying the question and will doubtless make their views available.

It seems to me that the enclosed draft proposal points the way to an effective means of facilitating through cooperative action the maintenance of international monetary stability and the restoration and balanced growth of international trade. It is my hope that as a result of unofficial discussions involving no commitments, we may find a sufficient area of agreement to warrant proceeding on a more formal basis.

Very truly yours,

Secretary of the Treasury.

Australia	Yugo-Slavia
Belgium	Bolivia
Brazil	Colombia
Canada	Chile
Costa Rica	Ecuador
Cuba	Paraguay
Czecho-Slovakia	Peru
Dominican Republic	Uruguay
El Salvador	Venezuela
Ethiopia	
Greece	
Guatemala	
Haiti	
Honduras	
India	
Iraq	
Luxembourg	
Mexico	
Netherlands	
New Zealand	
Nicaragua	
Norway	
Panama	
Poland	
South Africa, Union of	

Q. How soon do you anticipate that such an agreement could be effective?

A. It should be completed before the end of the war for the reasons given in my statement. However, it is impossible to say at this time how long it will take since it is a matter of obtaining international agreement. It would be safe to say that it could not be consummated in less than six months to a year. It is a hopeful sign that thus far all of the nations have shown a great interest in reaching a solution of the exchange problem by international cooperation.

Q. Does this mean a return to the gold standard?

A. This plan is based firmly upon gold. Gold would be used by the Fund as one means of stabilizing all members' currency. But each member is free to use or not to use gold in its domestic currency system, as it sees fit. There is also provision made for an international money firmly based on gold which members may or may not use, as they see fit. If what you mean by the gold standard is whether it is contemplated to use gold as a measure for determining the value of different currencies, it is so contemplated.

Q. Will this fund be used as an agency to finance rehabilitation and restoration?

A. This is not a lending agency. Its purpose is to stabilize exchange rates and not to provide capital for world-wide enterprises. This is a stabilization fund, not a bank.

4/2/43

Would you have to have a U. S. Fund if an International Fund were established?

It is impossible at this stage to answer this question. However, it can be said that if a successful international stabilization fund is established, it will diminish substantially the amount the United States will have to keep set aside for international stabilization purposes. In fact, ~~since~~ an equal sum used under such an international agreement could accomplish more to stabilize our currency than the same sum used by us acting alone.

Who is going to participate in this fund?

All of the United and Associated Nations would be invited to participate in the formation of such a fund. It is hoped that others may be invited at a suitable time after the conclusion of the war.

Does the United States need an international fund if Congress reappropriates the \$2 billion for its national fund?

Successful international monetary stabilization is inconceivable without the active participation and leadership of the United States. Moreover, any attempt by the United States to maintain international monetary stability by its own action would be infinitely more costly than by cooperation with other countries. The International S¹tabilisation Fund contemplates more than simply the employment of a fund for the stabilization of currency. ~~but~~ ^{it} will constitute an agreement on the part of the participating nations with respect to matters affecting international exchange relationships.

How does this differ from the Keynes proposal we have seen in the newspapers?

- A. ✓ A fundamental feature of the British plan would have to be that the government of any country which temporarily had a surplus of exports would have to advance the payments to these exporters which could not, under this arrangement, be collected directly from foreign purchasers, and it was our feeling that the Government of the United States might not be prepared to finance such an arrangement.

(2) In the British plan, none of the governments put any funds in the "Clearing Union". It has no assets. Countries with a "favorable" balance of cash payments get credits on the books; the countries with unfavorable balances get debits. Credits and debits are in terms of "bancoirs", and the bancoirs act as the ^{new} international medium of exchange among the member countries.

(3) Voting power (i.e. control) in the American plan is related to the contributions to the Fund that each country makes; in the British Plan the voting power is proportionate to each country's share of world trade.

Salve

What would be the cost to the United States? *Draft sent - ?*

As in the case of our own stabilization fund it will be necessary for the United States to invest in the Fund a substantial amount of money. However, again as in the case of our own stabilization fund this contribution remains intact. For every dollar which comes out of our Fund at any time money of equal value must go in. In its actual operations the Fund might well prove to be a source of revenue to the United States Government as a result of profits made from the operations of this Fund. The Treasury is glad to assure the members of this committee that before any definite contribution or any commitment to make a contribution is entered into by the Treasury the Treasury will consult with Congress again to give it the opportunity to pass on such contribution.

MEMORANDUM

April 5, 1943.

TO: The Secretary

JWS

FROM: Mr. Sullivan

The following members of the Senate were present this morning to listen to your discussion of the international stabilization agreement plans:

- | | |
|------------|-----------------------|
| Barkley | Wagner |
| Danaher | Taft |
| Maloney | LaFollette |
| Capper | Austin |
| Connally | Tunnell |
| Vandenberg | Pepper |
| Radcliffe | Johnson of Colorado |
| Byrd | Johnson of California |
| Barkhead | O'Mahoney |
| Bailey | Guffey |
| Shipstead | George |
| Downey | McClellan |
| Gillette | White |
| Clark | McNary |
| Murdock | Thomas of Idaho |
| Milliken | Thomas of Utah |
| Lucas | Butler |

Also present was Leslie F. Biffle, secretary to the Majority, Mr. Bell, Mr. White and myself.

This afternoon I talked with Mr. Biffle who told me he thought the conference this morning was very successful, and that he had seen many of the senators and they were pleased at the frankness of your presentation and several features of the plan which apparently impressed them favorably.

April 5, 1943
2:50 p.m.

RE: MR. WIRT BOWMAN

Present: Mr. Bell
Mr. Gaston
Mr. White
Mrs. Klotz

H.M.JR: I talked to the President about Wirt Bowman. He said, "I know all about it." And he agrees.

He said, "He used to be a smuggler, wasn't he?"

I said, "He didn't smuggle, he just took"--

MR. GASTON: We think he did but he wasn't caught.

H.M.JR: The President said that he was just a smuggler. I said, "I don't know about that."

He said, "I agree with you that we can't put a man like that in there doing business with the Mexicans, but can't we get some other job?"

He said, "tustle around for another job. There is no reason why we shouldn't make him Commissioner of Immigration out there under Francis Biddle. If it is worth two votes" - in other words, quite a compliment. He thinks Biddle will be easier than I am. (Laughter)

So, seriously, when you go up to see Barkley, tell Barkley that the President agrees with me that you can't make this fellow a Commissioner of Customs, but if there is some other Federal appointment where he won't be dealing directly with the Mexicans - the President suggested Immigration, or something - he would be glad to take it under consideration.

- 2 -

MR. GASTON: Tell Barkley that?

H.M.JR: Yes.

MR. GASTON: We don't have to go around and rustle a job for him?

H.M.JR: No, no, let Barkley or what's-his-name do it.

MR. GASTON: You haven't talked to Barkley?

H.M.JR: No, you see, they are going to vote tomorrow. I think you ought to tell Jimmy Byrnes.

MR. GASTON: Yes.

H.M.JR: Byrnes can't see why this man shouldn't be collector of Customs down there.

The President doesn't think so, and he says he knows all about it. I remember this case years ago.

April 5, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

SUBJECT: Wirt G. Bowman

Wirt G. Bowman of Nogales, Arizona, is now and has been for some years past the Democratic National Committeeman for the State of Arizona. He owns the controlling interest in the First National Bank of Nogales and the Montezuma Hotel and is believed to have large interests in other properties both in Arizona and in Mexico. He is a man apparently in his late sixties.

On February 16 Commissioner Johnson received a letter signed jointly by Senators Hayden and McFarland of Arizona recommending the appointment of Bowman to the vacancy in the office of Collector of Customs at Nogales caused by the death of Collector Frank J. Duffy. Recalling that we had considerable material in our files about Bowman which would probably create sufficient obstacles to his appointment I did not order a regular character investigation but asked Mr. Irey to have a search made of our files, which was done by Mr. Peabody of his office. On receipt of his report, dated March 16, I called Senator Hayden and informed him that the Treasury could not recommend Bowman's appointment. Senator Hayden said he would have Senator McFarland come in and talk to me.

Oscar Ewing of the Democratic National Committee called me on March 24. I gave him an outline of the facts relating to Bowman, as shown by our records, and he agreed with me that the appointment should not be made. Marvin McIntyre called me on March 31 and told me that Senators Hayden and McFarland considered our attitude in not recommending Bowman's appointment as an affront to them and that they were threatening to desert the administration on important issues. I summarized the case against Bowman to him and he

- 2 -

also agreed with me that the appointment was one that should not be made.

Later on the same day former Congressman Jim Barnes of Illinois, now one of the President's administrative assistants, called me to tell me that Senator McFarland and Wirt Bowman were then in McIntyre's office and asked for an appointment with me, which I set for the following day at 10:00 A.M. Barnes came over the next day, Thursday, April 1, with Bowman, accompanied by both Senators Hayden and McFarland. A separate report of this interview is attached.

Dan Bell called me this morning to say that Jim Byrnes had talked to him and had said that our refusal to make the Bowman appointment was one of the matters that might cause serious difficulty in connection with the vote on the veto of the Bankhead bill as the administration's margin of control was very slender.

The case against Bowman.

I informed Mr. Bowman last Thursday, in the presence of Senators Hayden and McFarland and Mr. Barnes of the White House, that the question of his appointment was not one for me to decide, but that I could not recommend it to you for the primary reason that our records showed that Mr. Bowman had made a large fortune principally through the operation of gambling enterprises in Mexico and that as an incident to the operation of these gambling enterprises he had disbursed large sums of money in the corruption of Mexican officials. The substance of Mr. Bowman's reply to this was: (1) that his wealth was only about half a million dollars; (2) that he had done only what any American had to do who wanted to transact business in Mexico; that he had no reason for knowing that the sums he had paid to Mexican officials were in any sense corruption funds; that he paid the money in cash; that he did not know whether it was for official fees or not; that he took no receipts and that he had never bribed a man in his life. I commented that if similar amounts of money had been paid under similar circumstances to officials in the United States they would certainly be regarded as bribes, to which none of the party dissented.

- 3 -

The income tax liability of Wirt Bowman and his wife for the years 1926 and 1927 was the subject of an exhaustive investigation carried on for several years by revenue agents (not Intelligence Unit agents) beginning in the late fall of 1930. These investigations resulted in the assertion of additional undeclared income to Mr. Bowman in the years 1926 and 1927 of \$381,805.28, which Mr. Bowman agreed was substantially correct. This income was established by compiling a statement of Bowman's net worth at the beginning and at the end of the period, which showed an increase of \$301,525.10 and adding thereto personal expenditures in the amount of \$80,280.18.

Bowman for some years prior to 1925 had been engaged in a variety of enterprises in Nogales, including the buying and selling of cattle, Mexican peas and other merchandise. He speaks Spanish fluently and had extensive acquaintances in Mexico. In the early part of his career he was a telegraph operator working in Mexico and married a Mexican woman. He had close associations with many influential officials and citizens of Mexico.

Carle Withington, who had represented the Mexico Development Company which controlled race track and gambling concessions in Tijuana, died in October, 1925, and Wirt Bowman was chosen to succeed him. He moved to San Diego early in 1926 for that purpose. The necessity of paying tributes to Mexican officials to retain the gambling concessions is freely admitted by all concerned. The corporation turned over large sums of money to Bowman, charging the amounts to "Concessions Fund" and kept no account of the further disposition of the funds. Funds disbursed in this manner amounted to \$769,817 in 1926 and \$802,400 in 1927, represented in some 72 checks to Mr. Bowman over the two years, the checks ranging in amount from \$400 to \$65,000. Bowman kept no record of the disposition of these funds. However, he made available to the revenue agents such records as he kept and from these records, including cancelled checks and bank deposit slips, plus a search of real estate transfers and brokerage accounts, revealed that during the years 1926 and 1927, his increase in net worth, plus personal expenditures, totaled \$381,805.28, as compared with a total income of approxi-

mately \$138,000 according to his income tax returns. This increase in income of \$244,000 for two years resulted in the assessment of additional taxes in the amount of \$49,000, one-half against him and the other half against his wife, due to the community property law of Arizona. Bowman accepted the figures as correct and agreed to pay the full amount without interest, which was not accepted. He finally paid the amount with interest, but without fraud penalty, on August 13, 1938, but in the meantime had made a succession of efforts to delay and reduce the payment. One of these efforts consisted of his submitting in June, 1936, an affidavit which purported to have been executed in May, 1934, by General Calles, former President of Mexico, which was to the effect that in the latter part of 1925, or early in 1926, he had lent Bowman \$150,000 in currency. After interviewing General Calles the investigators came to the conclusion that the affidavit should be disregarded. This conclusion was partly based on the fact that the purported affidavit contained the expression: "I consider the loan still outstanding, although, perhaps, I shall never have need of demanding payment." plus the fact that Calles cannot read English, plus the additional fact that Calles was decidedly hazy regarding the details of the matter when interviewed.

For the years 1927 to 1931 Bowman reported dividends totalling \$985,092.42 from Mexican corporations which operated gambling clubs. In 1932 he formed a Mexican holding company known as La Mexicana Commercial, to which he transferred most of his assets located in Mexico. He has reported no dividends from La Mexicana Commercial, but his returns for 1933, 1934 and 1935 show substantial salaries from The Foreign Club, Tijuana, Mexico, a gambling institution.

In the Customs and Narcotics files are unsubstantiated allegations that Bowman has engaged in the narcotic traffic.

In 1920 a Customs agent seized from Bowman a diamond ring worth \$1,000, which he admitted he had brought into the United States without declaring it. It was established, however, to the satisfaction of the Customs agent that the ring was the property of the proprietor of a gambling house in Nogales and the gambler paid the penalty on the importa-

- 5 -

tion of the ring. The same gambler was convicted and sentenced to three years in a penitentiary for having illegally re-entered the United States after having been deported as an undesirable alien.

On February 20, 1943, Charles H. Richerson, an attorney of Phoenix, Arizona, wrote to the President protesting the proposed appointment of Bowman as Collector of Customs on the ground that Bowman had earned his fortune running gambling and brothel houses in Mexico and adding "as the narcotic business on the border has been a menace to the United States it is hard to conceive of any practical effort to curtail the narcotic traffic by this appointment."

A censorship report shows Bowman to be in correspondence with one John S. Alessio, manager of a bank in Tijuana, who is reported to be receiving Nazi propaganda. The letter related to a business transaction.

In 1931 Bowman employed Wade Ellis, a Washington lawyer, to "clear his record" in the Justice and Treasury Departments. Justice had in its files a complaint that Bowman in 1917 was selling arms and ammunition to Mexico, that he used fictitious names to dispose of sugar in Mexico in violation the War Trade Board regulations in 1918; that he was a member of a clique engaged in shipments across the border which were given careless inspection and that he was avoiding mail censorship at Nogales.

After an interview with Hoover Bowman succeeded in getting a letter from Hoover stating that he was of the opinion that the charges against Bowman were without foundation. We evaded his rather persistent efforts to get a similar clean bill of health from the Treasury Department.

Peabody who examined the files on Bowman is of the opinion that a further tax investigation of Bowman would be highly desirable.

MS

April 5, 1948
2:55 p.m.

INTERNATIONAL STABILIZATION

Present: Mr. Bell
Mr. Gaston
Mr. White
Mrs. Klotz

H.M.JR: I got hold of the President and I told him what had happened on the Hill this morning, and he didn't seem to know why I had gone to the Hill at all.

MR. BELL: Didn't he know about it?

H.M.JR: I should have told him, but I didn't tell him.

MR. WHITE: You told him in the memo.

H.M.JR: Did I? What memo?

MR. WHITE: That you gave him.

H.M.JR: He forgets. Then I told him that this thing was published in the Financial News - this story. Have you seen this (indicating cable from Mr. Winant, copy attached)?

MR. GASTON: You read this to me.

H.M.JR: Isn't the Financial News Brendan Bracken's paper?

MR. WHITE: Either the Financial News or the other financial paper. I am not sure which.

H.M.JR: Can you find out?

- 2 -

MR. WHITE: I am sure we can. I don't know how soon.

H.M.JR: I don't mean between now and four o'clock, but if you can find out.

So I told the President I wanted to publish this tomorrow after I had been up before the House, and he agreed that that was the thing to do.

I didn't want to publish it this afternoon, so what I thought - I am checking - I cleared this all with the President. I am just checking - I would tell the press I am going before the House - not be discourteous - but that tomorrow afternoon we will hold a special conference and explain the whole thing to them for Wednesday morning publication.

MR. BELL: Should you tell that to Phillips?

H.M.JR: I have sent for Phillips. I am going to get Cordell Hull on the phone, too, and tell him.

MR. WHITE: The papers will have it tomorrow morning here.

H.M.JR: I know, but I can't-I mean, I am going to keep some semblance of dignity around here. You know what I mean - for the Treasury - and simply say I am going before the House and I can't give this thing out before then. Don't you agree?

MR. GASTON: Yes, inasmuch as you did go into this in Executive Session, you have to keep that assumption, that it isn't public.

H.M.JR: The lid is on. "I can't help what you gentlemen write. I can't help it if it leaks out of London. Tomorrow afternoon if you people will come around here at three o'clock we will explain the whole thing to you."

- 3 -

MR. GASTON: Of course, this thing is put forward as a basis of discussion, isn't it?

H.M.JR: The word that the President used over and over again was "exploratory."

MR. WHITE: And the covering, both the letter - which I think ought to go out--

H.M.JR: Tomorrow.

MR. WHITE: The letter and the other makes it perfectly clear that it is unofficial and it is exploratory.

H.M.JR: Tomorrow. "Exploratory" was the word the President used.

MR. GASTON: Andresen of Minnesota delivered a speech this morning saying the Secretary of the Treasury had been discussing matters that ought to be told to the American people; that he had been holding secret discussions.

(The Secretary held a telephone conversation with Mr. Sumner Welles, as follows:)

April 5, 1943
2:54 p.m.

HMJr: Hello.
Operator: Secretary Hull is home this afternoon. He's had a little throat trouble, they said.
HMJr: Well, give me Sumner Welles, please.
Operator: All right.

2:55 p.m.

HMJr: Hello.
Operator: Mr. Welles.
HMJr: Sumner?
Sumner Welles: Hello, Henry.
HMJr: How are you?
W: I'm fine. I hope you are.
HMJr: I'm all right, Sumner.
W: Good.
HMJr: Sumner, I was up this morning in so-called Executive Session before three committees of the Senate, at my request.
W: I have just seen some news flashes.
HMJr: Yes. And they were very friendly and very kind to us.
W: Good.
HMJr: Now I got this telegram from Winant, which you may or may not have seen....
W: I have just seen it.

- 2 -

HMJr:the gist of which is they've published this plan in the Financial News.

W: Yes.

HMJr: Now originally I wanted to publish the thing....

W: Yes.

HMJr:Sumner, simultaneously with the English, but the President didn't want me to.

W: Yes.

HMJr: And I just got through talking to him and told him what happened and said I recommended that after I appear before the House tomorrow morning that then tomorrow afternoon we release it here.

W: Yes.

HMJr: But I wanted to sit tight until I went before these Foreign Affairs - whatever you call it - Foreign Affairs and Foreign Relations in the House....

W: Yes.

HMJr:tomorrow.

W: Yes.

HMJr: And then let it out tomorrow afternoon.

W: Yeah.

HMJr: And then I was going to - I'm going to see Phillips - Sir Frederick Phillips at 3:30 and tell him this.

W: Yes.

HMJr: Now how does it sound to you?

W: I think it's much better for you to do it. I think there's every reason for you to do it now.

HMJr: It's out; it's been published....

- 3 -

W: Absolutely. Much better.

HMJr: ...and I can't understand, now the English have put - they've been stimulating this thing right straight along, all this discussion.

W: No question about it.

HMJr: And I don't know what their motive is. Have you got a guess?

W: No, I haven't off hand.

HMJr: Do you know by any chance if this Financial News, in which this was published, is that Brendan Bracken's paper?

W: Well, that - that was my impression when I read the telegram.

HMJr: Yes.

W: I'd have to check to make sure, but that's very definitely my impression.

HMJr: Could you ask somebody in your shop?

W: Yeah, I will. I'll let you know.

HMJr: Well, then this - this sounds all right to you?

W: I don't see anything else you can do, Henry.

HMJr: Yeah. The Senators of both parties were very friendly and - and very much interested. There were 38 of them there.

W: That's good. I'm glad to hear that.

HMJr: And so....

W: That's encouraging. That's fine. I'm glad.

HMJr: All right. Thank you.

W: I'll send you word about this later.

HMJr: If you please.

W: All right, Henry. Thanks.

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H.M.JR: Well, that is that.

I think this afternoon at three o'clock I will simply say, "Gentlemen, I am sorry, I went up in Executive Session. I can't help what happened. I am going to do the same thing tomorrow. If you will come back here at three o'clock tomorrow afternoon, we will hold a press conference, and we will give you a copy of the plan and a copy of my letter to the nations, and we will answer questions just as long as you want."

Does everybody agree?

MR. GASTON: Yes.

H.M.JR: There is something funny about this thing.

MR. WHITE: I was just saying that the quickest leak, the most copious leaks, most intelligible leaks come out of England than I have ever seen - than England has ever attempted. Usually they are pretty careful about leaks.

H.M.JR: The thing that bothered me was, you see, when they got this word that the President said he didn't want this thing they published it anyway. The thing - the timing on this thing - they learned about this thing on a Friday - Sunday Churchill mentioned it on the radio. Then they get this word again Thursday or Friday that we are not going to publish it, and Monday morning it is given. To come out Monday morning in the papers, he must have had it about Saturday.

MR. GASTON: The word "exploratory" is very important. What they are doing is advertising the fact that the British currency is going to be so tied into American currency after the war as to protect the value of British currency.

MR. BELL: They have their own plan for that. They are not advocating this plan. They are advocating the Keynes plan.

- 5 -

MR. GASTON: I know they are, but they want to emphasize the fact of the close tie-up and united action on a monetary front.

MR. WHITE: I wonder if we could ask Casaday what allied government - it would be interesting to know which one of the governments gave them a copy, because the giving of a copy is not a leak.

H.M.JR: Why not ask OWI to find out?

MR. WHITE: Yes. They are probably in a better position to find out.

There was another man just now from the United News that Chick Schwarz brought in. He wanted some information about the money being made in North Africa because of Treasury operations - Treasury decisions.

H.M.JR: Is this unpleasant attack this morning by that man in the House--

MR. GASTON: Simply a somewhat demagogic attack, "Important negotiations about money are going on behind the backs of the people. The people ought to be informed."

MR. BELL: That is the usual type of statement.

MR. WHITE: They stopped him in the House after that. I suppose some of the important members will be listening, so they won't give that much support.

H.M.JR: That was sort of what Arthur Vandenberg was saying this morning.

MR. BELL: He made that very statement.

(The Secretary held a telephone conversation with Mr. Gardner Cowles, as follows:)

April 5, 1943
3:03 p.m.

HMJr: Hello.

Operator: Mr. Cowles.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Gardner
Cowles: Hello, Mr. Secretary.

HMJr: How are you?

C: Fine, sir.

HMJr: Look, we've just gotten a telegram from Ambassador Winant, in which he says that this morning's London Financial News carried the complete Treasury stabilization of currency plan.

C: Uh huh.

HMJr: Now this, of course, was given - copies of this were given in confidence to the English and to the Allied governments in exile.....

C: Uh huh.

HMJr:which, I believe, there are ten of them in London.

C: Yeah.

HMJr: I wondered if you could get off a cable to your man in London....

C: Uh huh.

HMJr:and see if he can find out which government handed this thing out.

C: Yeah.

HMJr: See?

- 2 -

C: Yeah.

HMJr: Because there - there's something funny. Thursday or Friday we told the British Treasury representative here that the President would - did not want this thing published.

C: Uh huh.

HMJr: Now in order for the Financial News to carry it Monday, they must have gotten it at least by Saturday.

C: Yeah.

HMJr: What?

C: I'll get one off right away, and I'll report to you as soon as I get an answer.

HMJr: I thank you. And now I was going to go to town at four o'clock on this so-called Bankhead newspaper subsidy thing, see?

C: Yeah.

HMJr: And Senator Barkley asked me to hold off for twenty-four hours. He said, "One fight with Bankhead at a time."

C: (Laughs) Okay.

HMJr: So if you don't see me shooting off at four o'clock, you'll know why.

C: Fine.

HMJr: But I will - I will - I am going to go to town - I understand you've given a statement.

C: Yes. I didn't do it formally, but....

HMJr: Well....

C:indirectly at....

HMJr: Well, I - Peabody is working on something, but I'm not going to town on it tonight.

- 3 -

C: Fine.

HMJr: That's just for you.

C: Yeah, okay.

HMJr: You'll get off the cable.

C: Yes, sir.

HMJr: Thank you very much.

C: Thank you.

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H.M. JR: He will get one off.

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

April 5, 1943

In reply refer to
ED

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of a paraphrase of telegram no. 2395, dated April 5, 1943, from the American Embassy, London, England, transmitting an urgent message for Secretary Morgenthau from Ambassador Winant concerning the publication of the White Plan in this morning's FINANCIAL NEWS.

Enclosure:

From Embassy, London,
telegram no. 2395,
April 5, 1943.



PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England

DATE: April 5, 1943, 1 p.m.

NO.: 2395

THIS IS AN URGENT TELEGRAM TO BE DELIVERED IMMEDIATELY TO SECRETARY MORGENTHAU FROM AMBASSADOR WINANT.

When I returned to my office this morning for the first time there was a telephone call for me from the Chancellor of the Exchequer informing me that this morning's FINANCIAL NEWS published the White Plan. The Chancellor said that the form of the text caused him to believe that it emanated from one of the allied governments. The Chancellor further explained that although the Keynes plan is to be published on Thursday the President had decided to delay publication of the White Plan. I understand that already press correspondents have cabled to the United States part of the White Plan text as published in the FINANCIAL NEWS.

WINANT

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

Degges of the United Press obviously has got hold at least of a draft of today's statement. I have double-checked what copies were made here and they have been under lock and key, except for a half-dozen supplied to Harry White at his request this morning. I am checking further to determine his source.

CS 4/5

TREASURY DEPARTMENT
OFFICE OF THE UNDER SECRETARY

To The Secretary

Harry White
says I did tell
Phillips that
matter of publication
of Plan was
discussed with
President and he
decided it should
not be published
DWB

Under Secretary.

4/5/43, 19

April 5, 1948
3:30 p.m.

INTERNATIONAL STABILIZATION

Present: Mr. White
Sir Frederick Phillips

H.M.JR: Well, things are happening in an amazing way out of London.

SIR FREDERICK PHILLIPS: What do you refer to?

H.M.JR: There is Representative Andresen - what he thinks about the thing. (Ticker release handed to Sir Frederick Phillips, copy attached.)

SIR FREDERICK PHILLIPS: I just got a telegram about that. Have you seen these people?

H.M.JR: Who?

SIR FREDERICK PHILLIPS: The committee.

H.M.JR: I was there this morning, before thirty-eight Senators. I have been there. It was an Executive Session on this, and of course they had all heard this radio, and so forth and so on. It was a nice way to go up, to have everything on the radio at eight o'clock. I didn't hear the eight o'clock radio this morning.

Who owns the Financial News?

SIR FREDERICK PHILLIPS: I don't know, at the moment.

H.M.JR: Which one does Brendan Bracken own?

SIR FREDERICK PHILLIPS: I am not sure that isn't the Financial News. He owns one of them. It is an opposition paper as regards our financial policy.

- 2 -

I got a cable from London. Perhaps I had better tell you what it is about. This Financial News carries on its front page a summary of the plan. As the summary refers to "abnormal war balances" and not to the block balances, it seems that the text from which the summary has been compiled is a text which was issued on this side. I didn't know that point.

H.M.JR: On this side?

SIR FREDERICK PHILLIPS: We altered that phrase - I looked it up - sometime after February.

MR. WHITE: I gather you mean that it would be from the one which was sent to all the governments.

SIR FREDERICK PHILLIPS: Yes. If you sent a copy to the - I have never heard - did you send a copy to the British Government in London of the new text?

MR. WHITE: We didn't. I presume Mr. Berle handed it to you.

SIR FREDERICK PHILLIPS: I had it. That is all right. I wondered whether your Ambassador did.

MR. WHITE: That I don't know. I shouldn't think so.

SIR FREDERICK PHILLIPS: I have not sent any text to London - no copy of the new text.

H.M.JR: Is this the new text?

SIR FREDERICK PHILLIPS: Yes.

H.M.JR: Well, the new text went out on March 4th, didn't it?

SIR FREDERICK PHILLIPS: March 5th.

H.M.JR: That went to all these Governments in exile - thirty-four of them - not all in exile, but thirty-four governments.

- 3 -

SIR FREDERICK PHILLIPS: To the best of my knowledge and belief there is no text in London. Unless the ambassador has been given one, there is no text in London held by our Treasury which has got those words "abnormal war balances" in it.

H.M.JR: What is the point you are making?

SIR FREDERICK PHILLIPS: Merely that I think it is pretty certain the text that this paper got hold of is the text issued after February 24th and was not a text that was in the hands of the British Government.

H.M.JR: I don't for a minute - you are defending something - I wasn't for a moment thinking that the British Treasury would--

SIR FREDERICK PHILLIPS: I am thinking possibly of a leak. I was thinking it was a leak out of our office, but I don't see how it could happen that way.

H.M.JR: From here?

SIR FREDERICK PHILLIPS: No, on the other side.

H.M.JR: Well, there are ten governments in exile in London.

SIR FREDERICK PHILLIPS: Yes.

H.M.JR: They each have a copy.

SIR FREDERICK PHILLIPS: Undoubtedly. There are repeated rumors that the leak was from an alleged embassy in London.

H.M.JR: Will you write it on a piece of paper for me? (Name written on paper and handed to the Secretary.)

SIR FREDERICK PHILLIPS: They say they are quite unaware from what source the newspaper obtained the detailed information and very much regret the whole matter. They would have prevented it if they could. They would be glad if you would let us know.

- 4 -

H.M.JR: I have a cable from the Ambassador. I appreciate that. I also appreciate their putting the thing forward until Friday. Here is the thing. I have a regular press conference every Monday at four o'clock. Here are the boys armed with this stuff. What I propose to tell them is that I am going before the House tomorrow to do the same thing, and that after I have been before the House tomorrow afternoon, I will have the press in at three o'clock and give them this thing for Tuesday or Wednesday morning release. I mean, it is no news. I don't suppose anybody will publish it. But at least I am not going to give it to them this afternoon.

SIR FREDERICK PHILLIPS: You are giving your plan to the press tomorrow?

H.M.JR: Tomorrow at three o'clock.

SIR FREDERICK PHILLIPS: That is eight o'clock, London.

H.M.JR: Which gets back to your original time, doesn't it? Tomorrow is the 6th?

SIR FREDERICK PHILLIPS: Yes.

H.M.JR: That gets back to your original time.

SIR FREDERICK PHILLIPS: Yes. I don't know - they were, of course, sticking to it Thursday, but I might get a cable.

H.M.JR: That is why I wanted to call you. I can't do it tonight because I can't go before the House tomorrow.

SIR FREDERICK PHILLIPS: You have a perfectly good reason for not doing it tonight.

H.M.JR: So I am not going to say anything tonight. I am going to say, "Gentlemen, you come back at three o'clock tomorrow and we will explain the plan." I am going to keep emphasizing the word "exploratory."

- 5 -

SIR FREDERICK PHILLIPS: Yes.

H.M.JR: I have talked to the President and I have talked to Sumner Welles. They both concur in my suggestion. There was nothing else left for me to do. And the interesting thing, a number of these people up there thought it was much better if there had been no plans published.

SIR FREDERICK PHILLIPS: They all thought that?

H.M.JR: No, they didn't all, but certain of the more influential Senators, particularly the Democratic Senators, felt it much better if no plan - just go ahead with our discussion. I mean people like George and Connally and Barkley - the more important - Barkley was like this, but George and Connally felt very definitely--

SIR FREDERICK PHILLIPS: Of course, they are both very good men, but I don't think our Chancellor, once that leak of ours had occurred--

H.M.JR: As I said to the President today, "This thing ought to be a lesson for us, that anything that we want to do that is really important, we just can't take all these countries into our confidence."

SIR FREDERICK PHILLIPS: I am afraid so.

C O P Y

Post-War Currency Stabilization - Apr 5-1943
12:48 p.m.

Andresen Criticism

Washn - A P - REPRESENTATIVE ANDRESEN -R MINN- SAID TODAY THAT ROOSEVELT ADMINISTRATION HAD FAILED TO TAKE CONGRESS AND THE PEOPLE INTO ITS CONFIDENCE -WHEN IT COMES TO DEALING WITH MONEY AND GOLD BELONGING TO THE CITIZENS OF OUR COUNTRY-

ANDRESEN TOLD THE HOUSE LONDON NEWSPAPERS -CARRIED THE ENTIRE ROOSEVELT-MORGENTHAU PLAN THIS MORNING AND DETAILS WERE GIVEN TO THE WORLD OVER AN INTERNATIONAL BROADCAST AT 8 O-CLOCK-

-TO MY AMAZEMENT- ANDRESEN SAID -I LEARNED FROM THE LONDON BROADCAST THAT WE ARE TO SET UP A FIVE BILLION DOLLAR INTERNATIONAL STABILIZATION FUND PRESUMABLY AMERICAN GOLD AND CREATE AN INTERNATIONAL CURRENCY IN TEN DOLLAR UNITS - -CALLED -UNATAS- -THE BRITISH FINANCIERS HAVE PROPOSED AN INTERNATIONAL CURRENCY TIED TO THE BRITISH POUND CALLED -BANCOR- AND I ASSUME THAT FROM HERE ON THE FIGHT WILL BE BETWEEN -UNATAS- AND -BANCOR- -AND THE VICTOR OF THE COMING NEW INTERNATIONAL CURRENCY BATTLE WILL TAKE OVER CONTROL OF AMERICA-S GOLD HOARD OF 22 600 000 000 DLS-

April 5, 1943
4:45 p.m.

HMJr: Hello.

Operator: Mrs. Reid.

HMJr: Hello. Hello.

Mrs. Ogden
Reid: Hello.

HMJr: Mrs. Reid?

R: Yes.

HMJr: Henry Morgenthau, Jr.

R: Yes.

HMJr: How are you?

R: Very well.

HMJr: Are you in good humor?

R: (Laughs) I'm afraid of you.

HMJr: (Laughs) Well, we're very far apart in
mileage.

R: Yes.

HMJr: Mrs....

R: That's dangerous too.

HMJr: I see. Well, I'll be less dangerous if I
can have George Wanders from now until the
first of May.

R: (Laughs) You know, we're getting so awfully
shrunken....

HMJr: Yeah.

R:Mr. Secretary.

- 2 -

HMJr: Me too.

R: And you don't have people drafted....

HMJr: Oh, you're wrong.

R: Are they?

HMJr: We lose - we lose them by the hundreds every month.

R: I thought you could take care of that.

HMJr: No, I think I've taken care of ten out of 80,000.

R: Well, I - I know that they just - the feeling was they were so awfully shrunken they didn't know how they'd manage and they hoped he could help up here. Is there no possibility of his doing it here?

HMJr: No, no, while your paper is very, very useful and very important....

R: (Laughs)

HMJr:and - he has an unusual technique which is very useful down here.

R: How long did you want him for?

HMJr: Oh, until the first of May.

R: Well, will you let me check through....

HMJr: Surely.

R:and let you know? I'll - we certainly want to be helpful if we possibly can, you know that.

HMJr: Well, can he stay down here until I hear from you?

R: He's there at the moment, is he?

HMJr: That's right. (Laughs)

- 3 -

R: (Laughs) Is he sitting beside you?

HMJr: No, no. No, I wouldn't do that to you.

R: Well, of course, you - you tell him that we'll get word to him.

HMJr: All right.

R: And....

HMJr: And if you have - if you haven't read last week's New Republic, the column by T.R.B., I recommend it.

R: The - the New Republic?

HMJr: Last week's. There's a column signed "T.R.B."

R: All right.

HMJr: In which it discusses the New York Times and the Tribune.

R: Well, you know I've been meaning to look that up. I heard there was something interesting there.

HMJr: And it said the trouble with the Times was that it was getting hardening of the arteries.

R: (Laughs) Do you think....

HMJr: And it spoke very kindly of the Tribune.

R: You think this is the solution to our keeping our arteries flexible? (Laughs)

HMJr: Well, they come down and - yes.... How are you feeling?

R: Yes.

HMJr: Have you recovered?

R: Oh, yes, and I think work agrees with people for the most part.

HMJr: Yes. Well, now you - you look around, and it really would help us out a lot.

- 4 -

R: Well, we - we do want to help you if we possibly can.

HMJr: Yes.

R: I - I will get word to you, Mr. Morgenthau.

HMJr: Thank you so much.

R: All right.

HMJr: Goodbye.

R: Goodbye.

April 5, 1943
4:48 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Cong. Henry Steagall: Hello, Mr. Secretary. How are you?

HMJr: I'm fine. How are you, Henry?

S: Oh, about as good as an old man can be. I got a little lumbago. I don't feel good today. I'm kinda on the lift.

HMJr: (Laughs)

S: Mr. Secretary, some of the boys on the committee want you to come down and testify on this bill -- I reckon you're familiar with it....

HMJr: Yeah.

S:which is intended to relieve the bank of assessment deposit - for deposit insurance on Government deposits....

HMJr: Yeah, I know.

S:and some of them insist that the Treasury is more interested than anybody else and they want you to come down.

HMJr: Well, now....

S: And if you can come tomorrow, I think maybe we can get rid of the bill and be done with it.

HMJr: Well, I - I can't come tomorrow because I'm appearing before Weights, Coinage, and Measures and Foreign Relations at ten o'clock. Hello?

S: The House or the Senate?

HMJr: House - well, Foreign - or what is it in the House, Foreign Affairs? Sol Bloom anyway.

- 2 -

S: Uh huh.

HMJr: And Andy Somers.

S: Uh huh.

HMJr: Foreign - ten o'clock tomorrow morning.

S: Well....

HMJr: It'll be all morning.

S: I don't know what to do. I don't think we could possibly get through it tomorrow afternoon. I reckon we'll just have to go over until Thursday.

HMJr: Now look....

S: Maybe Governor Eccles will be with us most of the morning anyhow.

HMJr: Can I be very frank with you?

S: Yes, certainly.

HMJr: I know - it's Wright Patman who wants to get me up there, I was told.

S: Well, there's some others too.

HMJr: Oh, could - couldn't - couldn't I beg off that thing. I mean it....

S: Well, I wasn't going to ask to do it....

HMJr: Because....

S:because I know how busy you are.

HMJr: No, I'm - any other - but this is just the week before our \$13 billion dollar drive starts, see?

S: Yes, I know it.

HMJr: And I'm just about as flat as a pancake with a steam roller over it.

S: I know just how you are, and I can appreciate it fully. To tell you the truth, I've got a fellow feeling for you for I'm in that same boat right now myself.

- 3 -

HMJr: Because if you say to me, "Morgenthau, we want you," that ends it as far as I'm concerned, see?

S: Well, I tell you what I think.

HMJr: Yes.

S: I think it's important to come, and I'm going to tell you why. Now I want to be frank with you.

HMJr: Yeah.

S: There are two or three reasons for it. In the first place, now I want to report this bill.

HMJr: Yeah.

S: Not that I care anything about it or think it's of any great importance, because I don't see it in that light.

HMJr: Yeah.

S: But it's all right if you all think it will help any with the bond sales program. I'm glad to go along and do it. Some of the boys are not inclined to do it, and Patman has announced that he doesn't know whether he's going to support this bill or not.

HMJr: Yeah.

S: Well, now it's important for us to get a unanimous report out of this committee if we can, and I think we can maybe, and in that way we'll save time and be able to shoot the bill right through. If we could get this bill out tomorrow, we can pass it Friday, I think.

HMJr: Well, I can't come up....

S: Well, I understand. I'm not urging you.

HMJr: No, well, I mean I've got this appointment to....

- 4 -

S: I understand. I'm not undertaking to - to interfere with that or say that you should.

HMJr: Yeah.

S: But I'm only putting the case before you.

HMJr: Yeah.

S: Because it will be helpful - and it's not only Patman. I'm going to say something to you that I didn't intend to say.

HMJr: Yes.

S: But some of the boys on our committee are complaining that you are fixing to deal -- and God knows I don't care, if there's anybody that wants somebody else to do some work instead of me, they've got my thanks and good wishes....

HMJr: Yeah.

S:because I've got more than I can do -- but some of the boys on the committee are feeling just a little bit - well, I won't - I don't know exactly how to express it - maybe say surprised....

HMJr: Yeah.

S:to put it that - to use that word - I think I could express it otherwise though - that you are undertaking to discuss post-war international finance and currency plans....

HMJr: Yes.

S:with various committees of the House and Senate and haven't said anything to the committee of the House. Now that - that doesn't come from me. You'd never hear me make that complaint, but I'm telling you that because it has - it might have -- I don't think it has either; I won't say that it does -- but it might have some bearing on this legislation that's now before us.

HMJr: Well....

- 5 -

- S: Now I'm passing that along to you....
- HMJr: Well, why don't....
- S:and you - you take it from me, and you don't need - I don't want anybody to know that I've said this to you.
- HMJr: Well, that - that's very simple. I'll see that your committee is invited tomorrow when I appear up before the House at ten o'clock.
- S: Well, I don't think I'd do that now, because I - I don't want the members of the committee to know that I mentioned this to you, because I think maybe there'd be some better way to take care of it than - than for them to think that I went to you and - and asked that the committee get invited. I don't think that's quite the way to do it.
- HMJr: No, it's the other way around. I've asked for a chance to come up there. The committee - I've asked for the privilege to come before these people, and on account of our stabilization fund going before Andy Somers, I think that's why they thought that was the right one.
- S: I can understand how you would want to talk to anybody, as far as that's concerned, that has any direct connection - directly or otherwise - with the situation that may develop in connection with that program. And please don't understand that I'm complaining about this.
- HMJr: No, no...
- S: I wouldn't mention this to you....
- HMJr: I - I think you're doing me a favor.
- S: I wouldn't mention this to you if it didn't come up just in the way it has.
- HMJr: Well, why - can I not call up Sam Rayburn and tell him this and ask him - because I did it through his office.

- 6 -

- S: Well, now that might be a good way to do it.
- HMJr: I did....
- S: You might get by with that. Now I hadn't thought of that. I was going to tell you this, that - that - that you in some way - I was going to suggest you give a statement to the press that you were discussing this matter with various committees and were going to discuss it with the Banking and Currency Committee some other time. I don't want these boys to know that I phoned you about this.
- HMJr: No, well, why can't I give it to Sam and let Sam say, well, he just thought of it himself.
- S: Well, that might be one way to do it. Now I tell you what I believe now.
- HMJr: Yeah.
- S: You see, this thing's been going around in the press here for several days. These boys mentioned this thing to me last week, and I just sort of brushed it aside and said, "Oh, well, that doesn't mean anything. It has something to do with this gold business or something else." I don't know but what the best thing you could do wouldn't be to - to tell me to say to the committee that you couldn't get here tomorrow but that you want to come before the committee, this committee....
- HMJr: Yeah.
- S:on another matter, and let me go in there and tell them that you said that you had in mind to come before us to discuss further matters in Executive Session....
- HMJr: Well....
- S:and not say any more than that.
- HMJr: But now....

- 7 -

- S: And - and that you can't come tomorrow, and that you want to know if you couldn't do it all at once, you know, or something like that.
- HMJr: Well, now....
- S: And then I can tell them that we want to hurry this bill out, and we'll hear you another time, or something of that sort.
- HMJr: Now wait a minute, Henry - why I don't think that that would work - I've had a press conference at four o'clock today....
- S: Yes.
- HMJr:and this plan leaked from England today, and I told the press I was going up before - I'm inclined to think - I don't want to say but I was under the impression that I asked Sam Rayburn to include you, and I want to call him up. I - I think I told him that I wanted Banking and Currency there.
- S: Now I'll tell you what, if you can do.
- HMJr: I'm pretty sure I....
- S: Now wait a minute - wait a minute, I think now we can work it out. Let me tell you what you do. You say you got a press conference at four o'clock?
- HMJr: I had one at four.
- S: For today?
- HMJr: Yeah, and at which I said at three o'clock tomorrow, after I appeared at the House, I would give out the points....
- S: I was just going to say that if you had any way of giving this to the press today now....
- HMJr: I can still do it.
- S:then if you can, that'll clear it all.

- 8 -

HMJr: Well....

S: It's the best way in the world to do it, and don't let me say one darn word.

HMJr: Don't - let me work this out with Sam Rayburn.

S: Well, now I tell you what you do though. You let me make you this suggestion.

HMJr: Yes.

S: You tell the press this afternoon....

HMJr: Yeah.

S:that - give them a statement that you're going before these committees tomorrow or that you're going before these committees and that later you expect to go before Banking and Currency, or something like that, and let it go to the press and don't let it come from me at all to the committee.

HMJr: Well, now would you want me up there Wednesday or Thursday?

S: I'll have to ask you to come Wednesday if you can't come tomorrow.

HMJr: Well, I'll come Wednesday.

S: Because I tell you, it's important for you to come.

HMJr: What time?

S: It - it'll kind of smooth things out here, and I think I can get a unanimous report on this bill.

HMJr: What time?

S: If you don't, that bill may get in trouble.

HMJr: What time?

S: Well, you come - if such time suits you - I'd say, you can come at 10:30....

- 9 -

HMJr: All right.

S:or 11:00, either one, or 10:30. You - we can get through with you in a little while. It isn't like Governor Eccles. When they get to talking to him, we just can't help....

HMJr: Well, then....

S:taking a lot of time.

HMJr:let's say 10:30.

S: That'd be all right.

HMJr: And now I'm going to call up Sam Rayburn as soon as I'm through and ask him....

S: You - you do this now. Don't let it be - come through me.

HMJr: No, no, I won't, I won't.

S: You give some statement to the press today about it, some....

HMJr: I - I will.

S: That's the way to do it.

HMJr: I appreciate it.

S: Look for you Wednesday.

HMJr: Thank you. Right.

S: Goodbye.

April 5, 1943
4:59 p.m.

HMJr: Hello.

Operator: The Speaker is on the floor. I have Mr. Cantrell.

HMJr: All right. Hello.

William Cantrell: Hello, Mr. Morgenthau.

HMJr: Look, Mr. Cantrell, I think that when I spoke to the Speaker about arranging this meeting for me to appear before the House Foreign Relations and Weights, Coinage, and Measures, I think I included Banking and Currency - hello?

C: Yes, I'm listening, sir.

HMJr: Now I've been tipped off that some of the boys on Banking and Currency are a little bit hurt, you see.....

C: Uh huh.

HMJr:that they weren't included....

C: Uh huh.

HMJr:and I can't - the one thing that I'm trying to do is always - is build up good relations.

C: I see.

HMJr: Now I wondered and - if you could slip in and see the Speaker, you see?

C: Uh huh.

HMJr: And possibly get him to authorize you to say that they're - they're expected at this meeting tomorrow. It's....

C: What time is that meeting?

HMJr: Well, just a moment. It's at the House Foreign Relations Committee at ten o'clock tomorrow.

- 2 -

C: And do I understand that Coinage, Weights, and Measures have already been invited?

HMJr: They've been invited, and I could almost swear that I'd suggested Banking and Currency.

C: Well, it's possibly just an oversight, you know.

HMJr: Yeah, but do you think....

C: I - I've been in and out of the office so much that I wasn't familiar with that meeting.

HMJr: Well, if they could - a little - maybe take a little of the heat off of me, and....

C: Well, I - I don't see why it wouldn't be all right. I'll go in and talk to the Speaker.

HMJr: Will you?

C: And I'll call you back.

HMJr: Will you call me right back?

C: I'll sure do it. All right, sir.

HMJr: And if they're going to do it, they want a little publicity announced that they're included in the meeting.

C: I see. Well, now you let me call you back in about five or ten minutes.

HMJr: Wonderful.

C: All right, Mr. Morgenthau.

April 5, 1943
3:09 p.m.

HMJr: Yes.

William
Cantrell: Hello, Mr. Morgenthau. This is Bill Cantrell.

HMJr: Go ahead.

C: I talked to the Speaker....

HMJr: Yeah.

C:and I also talked to Sol Bloom....

HMJr: Yeah.

C:and everything's okay.

HMJr: Well, you mean that - well, now who's going to ask them?

C: Well, I thought - I can do it any way you want to. I thought I would call the Chairman's office....

HMJr: Henry Steagall.

C:and tell them that they were invited to the meeting....

HMJr: Yeah.

C:and suggest that the clerks over there get in touch with the individual members.

HMJr: I think they're in meeting now.

C: Yeah, and I think that would be a good time.

HMJr: Now - would....

C: Would you prefer to do it?

HMJr: Now I - oh, no - no, that's just the - no, I'd very much want - prefer to have it come from you....

C: Well, I rather thought you would.

- 2 -

HMJr: Now could you give it to the newspaper men that they're included in the meeting?

C: Why, I'd be delighted to.

HMJr: And they've asked - because I'm not going to kid you or the Speaker - this conversation was with Henry Steagall, see?

C: Uh huh.

HMJr: I'm not - he said I shouldn't tell anybody, but I never kid the Speaker.

C: I know you don't.

HMJr: Now he said if there'd be a little publicity up there and a little publicity down here, the boys would feel all right.

C: All right. I'll - I'll take care of it and inform the press gallery.

HMJr: And I'll - and he asked me also down here to say that when I went up tomorrow that Banking and Currency was included.

C: Well, then....

HMJr: Do you think that's a mistake?

C: Uh....

HMJr: I think if the publicity comes from the Hill, it's much better.

C: Well, I don't think it will hurt anything from your end, provided it comes from here also.

HMJr: Well....

C: See?

HMJr: Yeah.

C: Well, I'll tell you what I'll do....

HMJr: Yeah.

- 3 -

- C: I'll get in touch with the press gallery and tell them as to that meeting - tell me a little more about the meeting so I can talk more.
- HMJr: Well, it's the same thing that was with the Senate. I'm going before this - the House people tomorrow to explain this draft of a plan that we have on stabilization of world currencies.
- C: Oh, yeah.
- HMJr: You see?
- C: Uh huh.
- HMJr: Post-war.
- C: Uh huh.
- HMJr: And I was before the Senate today and I'm going before the House tomorrow.
- C: And it will just be the three committees - Foreign Affairs, Coinage, Weights and Measures, and Banking and Currency.
- HMJr: That's right.
- C: Well, I think I can take care of it with the press gallery here.
- HMJr: Well, I think that would be much the best way.
- C: All right, sir.
- HMJr: And - and you'll - you'll contact Henry Steagall?
- C: Yes, I'll call him and tell him that the invitation is being extended.
- HMJr: And remember - this is the Speaker's own idea.
- C: Oh, yes. I understand.
- HMJr: Fine.
- C: I wouldn't make that mistake. (Laughs)

- 4 -

HMJr: All right. Well, I won't - I think I - I'm not going to say anything at this end, because then if I say something, it - it looks....

C: I know. I see your point, and I'll take care of it.

HMJr: Righto.

C: All right.

HMJr: Thank you.

C: Goodbye.

April 5, 1943
5:30 p.m.

HMJr: Yes, it's important.

Operator: All right.

HMJr: Hello.

Operator: Go ahead.

HMJr: Yes.

William Cantrell: Hello, Mr. Morgenthau?

HMJr: Speaking.

C: This is Bill Cantrell.

HMJr: Yes.

C: I thought I'd tell you the progress here.

HMJr: Yes.

C: I talked to Mr. Steagall and extended the invitation to him for the Speaker and Mr. Bloom, and he was a little hot under the collar.

HMJr: Yeah.

C: And so he told me, "Well, we've got a committee meeting down here tomorrow that's more important than post-war planning. We've invited the Secretary to be present at that, and just - and talked like that. He never did say he wouldn't be there or...."

HMJr: Yeah.

C:anything, but I conveyed the invitation to him, and he said his committee was in meeting, and I said, well, I hoped he'd convey it to them. He said he would.

HMJr: Yeah.

- 2 -

- C: But then he kind of climbed my frame (laughs) about the whole thing, see....
- HMJr: He did what?
- C:in a mild sort of way.
- HMJr: He did what?
- C: I say - you know, he was just talking - I could see he was irritated.
- HMJr: Yes.
- C: And he was talking - that he seemed to think his meeting was more important, you know. But that doesn't get anybody anywhere. So I called up the press gallery and told them that Banking and Currency had been invited.
- HMJr: Yeah.
- C: Well, it seems that somebody up there had talked to Banking and Currency to inquire if they were coming, and they had told them very definitely they were not included so....
- HMJr: Oh.
- C: A notice had come over of a joint meeting between the Foreign Relations and the - Foreign Affairs and the Coinage Committees of the House....
- HMJr: Yeah.
- C:and (laughs) they had called up to check to see if that meant Banking and Currency also, and the woman in Banking and Currency told them very definitely it did not.
- HMJr: Yeah.
- C: However, I got the superintendent of the press gallery and I told him that Banking and Currency had been invited, because I had extended the invitation myself.
- HMJr: Yeah.

- 3 -

- C: Now I told him I didn't know whether they'd attend, or whether they could - I don't know.
- HMJr: Yeah.
- C: But I did convey that information to him, and he said he'd make a note of it on the notice....
- HMJr: Yeah.
- C:he'd just received.
- HMJr: I see.
- C: And I don't know very much else under the circumstances. I can do, Mr. Morgenthau.
- HMJr: No, well, I'm - I'm telling a - as I say, I always deal my cards face up, and Steagall - it was some of the boys, and he didn't want me to say it was him, and so forth and so on, you know, and went on like that, but - that kind of thing isn't....
- C: Well, I cer.. - I extended the invitation, and told him I had been directed by the Speaker and Mr. Bloom to extend it to him and to his committee.
- HMJr: Well....
- C: And he said they were in session and that he'd tell them.
- HMJr: Oh. Well, we've done....
- C: That's been done.
- HMJr: Well, we've done all we can do.
- C: Yeah. I hope that is what you wanted.
- HMJr: Yeah, that's exactly what I wanted.
- C: And I've done my best to get the boys up in the press gallery to try to handle it right, and I think maybe they will.

HMJr: No, that's exactly, Cantrell, what I wanted and if Steagall doesn't want to come, I can't help it.

C: Oh, no, you can't - you can't help that. But he's been invited.

HMJr: Maybe they - well, I'm ever so much obliged; he's been invited; and - I - because I can't play this business. I can only play it one way and that's straight across the table.

C: Well, that's right, Mr. Morgenthau. That's the way we play it too.

HMJr: And after all we're talking about something pretty important, and if they don't want to come that's....

C: Oh, I imagine they'll trickle in. (Laughs)

HMJr: All right.

C: All right, sir.

HMJr: Thank you.

C: This was most important to you.

HMJr: Thank you.

C: Goodbye.

HMJr: Goodbye.

April 5, 1943
5:38 p.m.

(First portion of conversation omitted because dictaphone record chipped.)

Cong. Henry
Steagall:

Is your phone number in the directory?

HMJr:

Well, I have a direct phone from my house to the Treasury.

S:

I'll - no, no, that's all right.

HMJr:

Hello.

S:

I'll get you back in a few minutes. I - I just kind of need to think about that. I don't know which way to turn. Now I tell you, these fellows are red hot down here. They - you know what they think? These fellows actually think that I'm delaying the bill now. I'm not. I'm trying to get the bill out with a unanimous report so they can pass it....

HMJr:

Yeah.

S:

....and....

HMJr:

Well, the thing that I - I think it's awfully important for us Democrats. I mean I don't want anybody to think that this very important committee of yours is by any chance overlooked.

S:

Oh, I know that.

HMJr:

And I think that between telephone calls and everything else that it was just a misunderstanding.

S:

Yes. Well, now....

HMJr:

Now did you get....

S:

....let me....

HMJr:

Did you....

- 2 -

S: Let me ask you this.

HMJr: Yeah.

S: How far have you gone with that other meeting?

HMJr: Which meeting?

S: For tomorrow.

HMJr: Oh, that was set last week. That was set last week. I mean that was all arranged last week.

S: Well, I tell you what I think you better do.

HMJr: Yeah.

S: You better let me - you better let me think a little bit and scratch my head....

HMJr: Yeah.

S:about what to do here.

HMJr: Yeah.

S: And talk to one or two of these boys, and let me see if I can't - and get - and get an agreement that we will join you all.

HMJr: Well, I think it would be awfully nice.

S: And that....

HMJr: And I know it would be helpful.

S: The only thing about it, it comes here in such a way that I'm just not sure which is the best way to go about it. Let me think about it.

HMJr: I think it would make a nice team play, you know?

S: Let me - let me figure on it and do the best I can with it.

HMJr: You've heard from the Speaker, haven't you?

- 3 -

S: Oh, yes. They sent a message over here about that.

HMJr: Yeah.

S: Ah....

HMJr: Well, you can always do these things when you want to.

S: Well, I - I'm just thinking about - before I say anything that I'd better talk with two or three of these boys....

HMJr: I know.

S:about it, you know.

HMJr: Well, they all listen to you. They all look to you, you know.

S: Yeah, I'll - I'll handle it the best I can.

HMJr: Now....

S: And leave it to me. I'll see if I can't work it out.

HMJr: Well....

S: But I don't want to just go and announce that - without talking - there's - they - some of these boys I need to talk to one time first.

HMJr: Well, you know what the Speaker did. He told the press gallery that you people were included.

S: Yeah, that was all right.

HMJr: Yeah.

S: And I think maybe in the morning is a better time for me to work at it than today.

HMJr: Well, I wouldn't dream of advising you.

S: Well, the only - there's only one thing about that, you know, I told you that I don't want them to - to understand that I had anything to do with this. That's the only thing about it.

- 4 -

HMJr: Well....

S: I'd just rather that it came without my ever having it mentioned, you know?

HMJr: Well, now should I call you tonight or tomorrow morning? Well, I'll be up on the Hill tomorrow morning.

S: Yeah, what time are you coming up here?

HMJr: Let me just see. Ten o'clock.

S: Well, I'll tell you what you do. You call me in the morning at 9:30.

HMJr: All right.

S: You call me in the morning at nine - I'll tell you what you could do.

HMJr: Yeah.

S: But you'll be here right exactly at ten, won't you?

HMJr: Yeah.

S: By the way, I can't figure on that thing that late because we don't meet until 10:30.

HMJr: Yeah.

S: Uh huh. You just let me work this out. I've got to talk to two or three of them first, then I can get busy on the phone and send them as they come in or something, I don't know.

HMJr: Well, I'll give you a ring in the morning.

S: That'll be fine.

HMJr: Thank you.

S: Goodbye.

April 3, 1943

Dear Mr. Davis:

On behalf of the Treasury Department, I wish to thank you and, through you, to thank the men of your main offices and regional offices for the splendid cooperation of the Office of War Information with the Treasury Department in promoting Radio Day, on April 12, and the entire 2nd War Loan Campaign.

The Office of War Information and its regional consultants have assisted us greatly in influencing the radio industry to devote its facilities to the task of successfully promoting the 2nd War Loan.

Seven days from now will see the opening of the 2nd War Loan Campaign to raise \$13 billion in Government securities to provide more weapons and equipment needed by our sons, brothers and friends in uniform. During these seven days and, indeed, throughout the campaign of approximately three weeks, I know that the radio industry will be inspired to additional effort by the Office of War Information and its regional consultants. And, I wish to thank you, the men of your main offices and regional offices, on the occasion of your meeting today in Chicago.

Sincerely,

(Signed) H. Morgenthau, Jr.

H. Morgenthau, Jr.,
Secretary of the Treasury.

Honorable Elmer Davis,
Director,
Office of War Information,
Washington, D. C.

Photo file in Diary
File to Thompson

SP/Ah

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 31, 1943.

Mr. D. W. Bell

Mr. Peabody

S. P.

This letter, for the Secretary's signature, is needed to secure and maintain full cooperation from the Radio Division of OWI which, as you know, exerts a powerful influence on stations. It will be sent out by Mr. Davis to all the OWI Washington and Regional Committees.

Hand 277

H



TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON

BUREAU OF ACCOUNTS
OFFICE OF THE COMMISSIONER

April 5, 1943.

TO THE SECRETARY:

In accordance with your instructions, I proceeded to Chicago, Illinois, on March 31st for the purpose of inspecting the facilities established by the War Department to issue War Savings Bonds to officers and enlisted personnel of the Army, commencing with deductions made from their pay after March 31, 1943. These deductions are known as Class B allotments and relate to officers and enlisted men of the Army, MAACS, and civilian personnel outside the continental limits of the United States, except Alaska, Hawaii, Panama, and Puerto Rico.

As you know, the Bonds purchased with deductions made on or before March 31, 1943 will be issued by the War Bond Office in Washington (Note: Since my memorandum of March 25, 1943, it has been decided by the War Department to transfer this work to Chicago).

SPACE

The Army War Bond Office is located in the Carson-Firie-Scott Building, an 8-story brick building, at 366 West Adams Street, Chicago, Illinois. All of the second floor and about half of the first floor, consisting of about 100,000 square feet, are occupied by the Bond Office. This would be adequate for about five million accounts. Additional space would be available if needed. The space appears to be well suited for the work. Only part of it is now being used, allowing for considerable expansion. I was unable to obtain any information as to what protection is provided for this building in the way of anti-aircraft guns.

MANAGEMENT

The management is under Lt. Colonel Henry M. Burnett, assisted by Lt. Colonel L. D. Hall. Both officers are well qualified for the task and seem to be fully aware of the size and nature of the problems ahead.

FOR DEFENSE



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ORGANIZATION

The organization is composed of three major divisions: viz., Examination Division, Central Registers Division, and the Bond Division. There are also three sections, viz., Audit Section, Planning and Procedure Section, and Office Service Section.

The Examination Division is composed of a Correspondence Branch and an Examining Branch. The Central Registers Division is composed of three branches--Allotment Branch, Accounting and Recording Branch, and Abstract Branch.

The Bond Division is composed of a Graphotype Branch, and a Bond Inscription Branch.

PERSONS SUBJECT TO THE PLAN

As previously indicated, the plan applies to (a) all military personnel (including WAACS) irrespective of their location, and (b) all civilian personnel of the War Department who are located outside the continental limits of the United States, except Alaska, Panama, Hawaii, and Puerto Rico.

EFFECTIVE DATES

For military personnel the effective date of the plan is April 1, 1943; and for civilian personnel, January 1, 1943.

PLANS

(i.e., options, based on amounts of monthly deductions)

There are eleven plans, each of which is an aliquot part of the purchase price of a bond:

Plan No. 1	- \$ 3.75	buys one \$25 bond in 5 months
" " 2	- 6.25	buys one \$25 bond in 3 months
" " 3	- 18.75	buys one \$25 bond in 1 month
" " 4	- 12.50	buys one \$50 bond in 3 months
" " 5	- 37.50	buys one \$50 bond in 1 month
" " 6	- 25.00	buys one \$100 bond in 3 months
" " 7	- 75.00	buys one \$100 bond in 1 month
" " 8	- 150.00	buys two \$100 bonds in 1 month
" " 9	- 225.00	buys three \$100 bonds in one month
" " 10	- 300.00	buys four \$100 bonds in 1 month
" " 11	- 375.00	buys one \$500 bond in 1 month

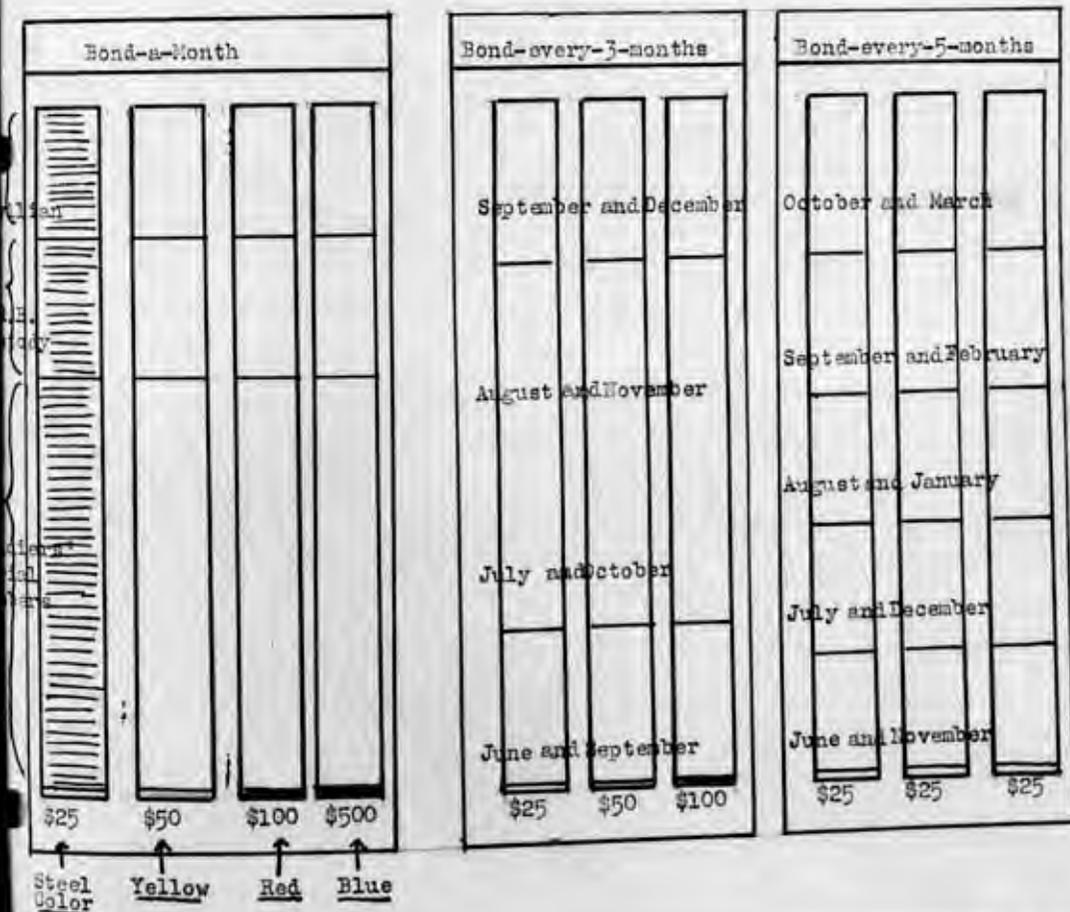
It will be noted that these eleven plans fall into three groups.

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as follows: (1) bonds purchased each month; (2) bonds purchased every three months; and (3) bonds purchased every five months. The first group equals about 23% of the total bonds issued, the second group, about 36%, and the third group, about 41%. The addressograph plates, which constitute the basic means of issuing bonds, are segregated according to these three groups so that the issuance of the bonds will be automatic. You will be able to visualize the setup from the following chart.

ADDRESSOGRAPH PLATE FILES

(Bird's eye view)



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Bond every month: It will be noted that the addressograph plates for a "bond every month" are for \$25, \$50, \$100, and \$500 denominations, these plates, being arranged in separate rows according to denomination. For convenience of identification, the \$25 plates have a steel-colored top; the \$50 plates have a yellow top; the \$100 plates, a red top; and the \$500 plates, a blue top. All of the plates in this unit will be run monthly in the issuance of bonds. Each of these rows of plates is filed in three divisions: (1) bonds issued to military personnel for mailing to home addresses; (2) bonds to be delivered to the Federal Reserve Bank of Chicago for safekeeping, and (3) civilian bonds. Behind these three major divisions, the plates are filed as follows: military, according to the soldiers' serial numbers; civilian, alphabetically.

Bond every 3 months: The second unit contains the plates for the issuance of a "bond every 3 months." These relate to \$25, \$50 and \$100 bonds. The denominational arrangement is the same as that described with respect to the "bond every month." However, instead of filing the plates strictly in accordance with the soldiers' serial numbers, they are further subdivided according to the months in which the bonds are to be issued. For instance, soldiers whose monthly deduction of \$6.25 begins in April, would be entitled to their first bond in June, their second bond in September, the third bond in December, and so on. Soldiers enrolling in the plan in May with a \$6.25 monthly deduction, would receive the first bond in July, the second in October, the third in January, the fourth in April, and so on. After the June bonds have been issued, the same plates will be used for the September bonds, December bonds, March bonds, and every three months thereafter. Similarly the July plates will be used for October, January, April, and every three months thereafter. The August plates will be used for November, February, May, and every three months thereafter. This arrangement is illustrated in the table shown below:

Month of first deduction	Month of bond issue (every 3 months)		
	First series	Second series	Third series
April.....	June	September	December
May.....	July	October	January
June.....	August	November	February
July.....	September	December	March
August.....	October	January	April
September.....	November	February	May
October.....	December	March	June
November.....	January	April	July
December.....	February	May	August
January.....	March	June	September
February.....	April	July	October
March.....	May	August	November

Note: The months stated above are the months as of which the bonds will be dated. Delivery will be made within 15 days after close of the month in which the last deduction was made.)

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Bond every 5 months: The third unit contains the plates for the issuance of "bonds every 5 months." These relate only to \$3.75 allotments for the purchase of \$25 bonds. The plates are filed in numerical sequence according to the soldiers' serial numbers. A soldier allotting \$3.75 monthly commencing in April 1943 would be entitled to a bond every 5 months, viz: September, February, July, December, May, and so forth. Allotments commencing in May would purchase bonds in October 1943, March 1944, August 1944, January 1945, and so forth.

PROCEDURE

The procedure involves the use of three basic forms which are received from the soldier's personnel officer, as follows: (a) allotments, (b) changes in allotments, and (c) cancellations.

Since the issuance of bonds is automatic, after an allotment has been made, no change or cancellation can be made effective until it has been cleared through the Chicago Bond Office.

The Office Service Section classifies the mail, puts it into bundles and sends the allotments to the Examining Branch of the Examination Division. The soldier's serial number must be shown. If the serial number is not shown, it is rejected. Further comment will be made on the rejection procedure later.

After the allotment has been examined and found acceptable, they make a graphotype (addressograph) plate, showing the form of inscription to be placed on the bond. The plate shows the soldier's serial number, the plan number (i.e., \$3.75, \$6.75, etc.); the purchase price of the bond (i.e., \$18.75, \$37.50, etc.); and the month of issue (i.e., June, July, etc.). After the addressograph plate has been embossed, it is reproduced on a 3 by 5-inch card for verification purposes. The information on the card is examined against the soldier's allotment authorization to see that it is in exact agreement. This insures against discrepancy in the form of inscription to go on the bond. Having been examined for correctness, the plate is then reproduced on the soldier's allotment authorization so that the allotment itself will show exactly how the bond is to be inscribed, the plan number, the purchase price of the bond, and the first month of issue. These allotment cards are filed exactly like the plates and, therefore, play a part in the control of the plates. The 3 by 5-inch cards made from the plates are filed alphabetically by soldiers' names and without regard to the sequence of serial numbers except in those cases where two or more soldiers would have identical names.

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VOLUME OF BUSINESS

As of April 1, 1943, there had been received 846,000 allotments, of which about 46,000 were rejected because they were not in conformity with the regulations. There have been about 700 changes, and about 1,500 cancellations. There was a little backlog in the processing of the allotments and the embossing of the plates, but General Heuper of the Office of the Chief of Finance informed me over the telephone this morning that he had made arrangements to bring this up to date through outside contract. The Chicago Bond Office indicated that they would issue bonds within two weeks from the time they are paid for, and I believe they will be able to accomplish this.

New allotment authorizations are being received at the rate of 45,000 a week. Employees are working "around the clock," in 3 shifts embossing the plates to be used for inscribing the bonds.

REASONS FOR REJECTING ALLOTMENTS

There are several reasons for rejecting allotments, the more important of which are: (1) omission of soldier's serial number, (2) omission of effective date of allotment, (3) where it is not clearly indicated whether the second person is to be co-owner or beneficiary, (4) where the co-owner or beneficiary is shown as, for example, Mrs. John Jones, instead of Mrs. Mary Jones, (5) failure of Army Field Officer to show that the allotment has been entered on the soldier's service record or pay card, (6) failure of Army Field Officer to certify allotment, (7) omission of soldier's signature or illegible signature, (8) address omitted or illegible, and (9) disposition of bonds omitted or uncertain.

It was observed that the original allotments, when not acceptable, are returned to the Field Personnel Officer from whom received with a form indicating the nature of the imperfections, a salmon-colored card being placed in the file where the authorization would normally be. At this point the Chicago War Bond Office relieves itself of further responsibility until a corrected allotment form has been received. Meanwhile, the Army Paymaster nevertheless will continue to deduct the amounts involved from the soldier's pay. In view of the possibility of loss of these original allotment authorizations in the mails or failure to receive prompt handling by the Army Personnel Officers in the field, coupled with the fact that the soldier, in the meantime, may have been transferred to another place, all resulting in confusion and misunderstanding, it seemed to me that there was grave danger in this practice, particularly in view of the fact that 46,000 of such authorizations have already been rejected and returned.

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Accordingly, I suggested for the consideration of the Chicago Bond Office a change in procedure whereby these original allotment authorizations would not be returned (running the risk of loss in the mails, or otherwise) but that they would be sent to a special desk, under competent supervision, for close follow-up. Instead of returning the allotment authorization itself, I suggested that they adopt a self-addressed postal card appropriately designed to indicate the nature of the correction to be made, such as to supply the soldier's serial number, effective date of the allotment deduction, form of inscription, etc. This card should be so designed that it would be easy to supply the deficiency and remit it to the Chicago Bond Office. It should carry in large bold-face type a word of caution to all personnel officers that it must be handled promptly. It would be the duty of the person in charge of the rejection desk to thumb through the applications daily for the purpose of following up on those which have not been returned within a reasonable time.

MONEY CONTROLS

The procedure for automatic issuance of bonds from addressograph plates, based upon allotment authorizations, rather than upon evidence of actual pay-roll deductions is, of course, an innovation. Its main purpose is to facilitate the issuance of bonds. Heretofore it has been the practice to maintain a formal account with each person, which account was credited with the amount of deductions taken from certified pay rolls. In Chicago, the bonds will be issued on the basis of the allotment authorizations prior to actual checkup on pay-roll deductions. Avoidance of improper issuance of bonds under the Chicago plan will be dependent, in a large measure, upon careful compliance by field officers in making the deductions as indicated on the soldier's allotment authorization. If this should not be done, it is readily apparent that bonds will be issued to persons who are not entitled thereto. This is important to the Treasury for the reason that there must be no question concerning the integrity of our public debt; that is to say, the Treasury must be certain that all public debt obligations issued are represented by an equal amount of money having been received into the public Treasury.

Under the procedure established in the Chicago office, provision has been made for the receipt of what is called an abstract of deductions taken from the pay rolls. This abstract shows the soldier's serial number, his name, the amount of deductions, and is signed by an authorized finance officer who made or has knowledge of the deductions. These abstracts will be used by the Chicago office to make an audit of the addressograph plates from which the bonds are issued. Because of the tremendous number of

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items involved, it is not the intention to make what is known as a detailed item-by-item audit. Rather, what they will do is to select at random the plates in different sections of the files and run them against the abstracts. There will, of course, be good cross sections of selection, and there will be a staff continuously engaged in this type of audit work. If discrepancies are noted, they will be run down. Also, they intend to establish controls for the purpose of proving total deductions on the abstracts against total bonds issued.

Your special attention is called to the fact that the procedure as set up for the Chicago Bond Office, however, does not contemplate that the office will have anything to do with money itself. Moreover, the amount of the deductions would remain in the Army appropriations until the money is needed to actually pay for the bonds issued to the soldiers. This is basically wrong as I explained orally to General Carter and General Loughry, as well as to Colonel Burnett, the Officer in Charge of the Chicago Office. The procedure can be corrected without taking away any of the simplicity of the detailed procedure and at the same time there might be avoided criticism which is bound to arise if the officer responsible for issuing the bonds has no responsibility for tying the issues into the cash accounts. Accordingly, I recommended consideration of a procedure under which the amount of bond deductions would immediately be taken out of the appropriations involved and deposited in a special account with the Treasurer of the United States to be used for the payment of the bonds as and when they are issued. Preferably, this account should be kept in the name of the responsible finance officer of the War Department. At the end of each day he would draw a single check* against this account in favor of the Treasurer of the United States, depositing the proceeds in the general account of the Treasurer as public debt receipts. This would not only be in the interest of better accounting but is also essential if the Daily Statements of the United States Treasury are currently to reflect the true expenditures of the Army from day to day and month to month. If such an account should be maintained, there would not be the same basis for criticism later on that the Government issued bonds without reference to the question of proof that an equivalent amount of money was received in payment for the bonds. The balance in the special account would, if there are no errors, represent the amount of deductions from pay for which bonds had not been issued.

I also suggested for consideration the advisability of establishing something in the nature of progressive accounting controls which would work about as follows: A separate control would be established for each plan, class, or unit, according to the month

*For purchase price of bonds issued.

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in which the bonds are to be issued; the deductions (supported by a check) relating to the bonds covering such plan, class, or unit would be credited to this account and the bonds issued would be charged to the account; the abstracts received from the Army finance officers showing the amounts deducted would be verified against the credits entered in the accounts; if no errors have been made with respect to the bonds to be issued for a plan, class, or unit, for a particular month, when all the work has been done, the amount of the bonds issued should exactly equal the amount of the deductions entered on the credit side of the account. The balance in the account would indicate either discrepancies or bonds still to be issued. In other words, each progressive controlling account would balance out as the bonds are issued, thus enabling them to localize discrepancies, if any.

SAFEKEEPING OF BONDS

Arrangements have been made with the Federal Reserve Bank of Chicago to hold bonds in safekeeping when requested by the soldiers in their allotment authorizations. Upon receipt of such bonds, the Federal Reserve Bank will send a notice of receipt to the address indicated by the soldier. Officials of the Federal Reserve Bank advised me that they are prepared to handle this part of the work satisfactorily.

CONCLUSION

My conclusions are: (1) that personnel, space, and facilities in the Chicago Bond Office appear to be adequate to do a good job; (2) that the addressograph procedure should enable the delivery of bonds within 15 days from the date the pay-roll deductions accumulate to the purchase price of the bond; (3) that a change in procedure for handling rejected allotment authorizations should be made as indicated above; (4) that there should be established a money control over the pay-roll deductions and bond issues; (5) that appropriate instructions should be issued to all personnel officers of the Army with a view to reducing to a minimum the number of authorizations which must be returned; and (6) that consideration should be given to the assignment of a promotional officer with headquarters in the War Bond Office at Chicago. One of this officer's principal duties should be to make arrangements so that there is a last minute checkup at ports of embarkation with a view to (a) procuring allotment authorizations from soldiers who have not executed one, and

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(b) to advise enlisted men with a view to increasing the amounts of their allotments. In this connection, it would seem advisable to make an effort to encourage enlisted men to put as much money as they can afford into War Savings Bonds through the pay-roll allotment plan.

I recommended that the following warning be printed on envelopes somewhat similar to the one used on Dependency Benefit envelopes.

WARNING

Whoever obtains or receives this bond without being entitled thereto, with intent to defraud is punishable by fine of not more than \$2,000.00 or imprisonment for not more than one year, or both.

This envelope is not to be opened by any person other than the one to whom it is addressed.



E. F. Bartelt,
Commissioner of Accounts

Handwritten: 287 ✓

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE April 5, 1943.

TO: Secretary Morgenthau
FROM: Emerson Waldman

As per your instructions I interviewed Martin Aircraft workers in the nearest thing to a natural, home atmosphere that is possible in Essex, Md., and in the trailer camps about the plant. (Could not attend union meeting due to fact that none was being held over weekend.) I "listened" to about 20 workers -- neither arguing with them nor asking any "leading" questions which might cause them to feel that they were expected to give certain answers. Following is a summation of their reactions:

- 1) They'd rather buy Bonds themselves than through the payroll savings plan.
- 2) All quoted "higher prices" as the reason for not buying Bonds or for not buying more Bonds than they were buying.
- 3) They said that they were buying Bonds or -- if they were not buying Bonds -- they should buy Bonds for their own futures and to "help win the war."
- 4) All expressed a willingness to do whatever the Government wanted them to do "to help win the war." It was obvious, from this, that the Martin plant workers would buy many more Bonds (their participation in the payroll savings plan is 40% at two per cent of the gross payroll) if there was a "live"

organization of foremen and/or management within the plant to stimulate and direct and explain the immediate necessity of buying Bonds with every possible dollar through the payroll savings plan.

5) All those with whom I spoke mentioned that there were Bond-buying booths within the plant. Only a few mentioned that their foreman had approached them on the idea of buying Bonds through payroll savings. Those who told of being approached by their foreman said that he had "asked them whether they wanted to buy Bonds through the payroll savings plan." The foreman had not urged them to do so. The foreman had not asked them to invest any certain percentage of their pay. The foreman had mentioned that, if they did not want to buy Bonds through payroll savings, they could buy their Bonds at the Bond-booths in the plant.

6) None of the workers with whom I spoke had any realization of or interest in inflation. None had any idea of the importance of Bonds in helping to keep prices down. None -- as a matter of fact -- seemed to have any idea of the importance of his individual job in the war. Strangely, none introduced the war into the discussion other than to say that buying Bonds "helped to win the war." In no case was there any sense of urgency either about their jobs or in buying Bonds to aid the men in the front lines.

7) The main thought motivating those with whom I spoke was equality of wages with others in the plant; with other workers in other aircraft plants.

In addition to speaking with workers of the Martin plant, I interviewed minor executives of the CIO, in Baltimore, who had had contact with workers in other airplane and war plants. Also, I spoke with individuals who worked in other war industries in the Baltimore area. Their reactions on the war and on Bond-buying were much keener than that of Martin plant workers.

1) A woman whose husband worked at the Bethlehem steel plant in Baltimore said that her husband was a member of the plant's ten per cent club ... that they were keeping on with their Bond-buying through the payroll savings plan even though prices are rising and they have five children to feed and care for. They have 25 Bonds and "no matter the sacrifices the war effort is worth it to me." She said that foremen contact all workers at the Bethlehem plant and contact them regularly after they have signed up, to get them to increase their allotments.

2) Herewith some reactions and quotes, following conversation with CIO executives: a) "I never saved any money before I started buying Bonds. Now I haven't any money to spend but I've got plenty of Bonds. It's a good feeling ... War Bonds give American workers another reason to fight harder and work harder. They mean a better future..." Speaker expressed thought of shareholder in democracy idea ... partners with Uncle Sam idea ... said "War Bonds give you a feeling that you are a part of America that you own a hunk of these United States." b) One of these CIO men asked about the rate of "cash-ins" of Bonds and I gave him the figures. It seems that

the story everywhere is that Bonds have been cashed in at a tremendous rate. The CIO men were pleasantly surprised at the figures I gave them. They said that they could understand why such a small percentage of Bonds was being cashed in: "if you've got it in mind to buy something ... it takes too long to get your money out of Bonds ... so you don't bother and you don't buy that something. And there's the moral reason, too ... nobody wants to think of himself as a cheap slacker who makes out he's buying Bonds up there with the rest and then is cashing them on the side. And, then, there's the idea of the future ... a guy thinks of his Bonds for after the war is over when he'll maybe want to start up a business of his own. A \$25 Bond means a lot more than \$18.75 to a worker..." c) One of the CIO men said that "workers want to buy all the Bonds possible but prices are higher, wages are levelled off, taxes are going up..." This man spoke as a result of his experiences in covering five states which centered on the Maryland area. d) Another CIO executive gave an interesting insight on why many workers are holding onto their "cash" instead of investing every possible dollar in Bonds. Said he: "There was a fellow named Smitty, who worked in Glen Martin's Number two plant. He was a union steward. Smitty saved his money. He didn't spend on anything he didn't have to. When Smitty had saved up \$500 he quit his job. He said that his \$500 was more than his father -- a farmer -- had been able to save up in a lifetime. So, Smitty

said, he was going home (to North Carolina) and buy himself a farm with his \$500. 'I'm going to retire for the rest of my life. I won't be drafted because I'm going to be a farm worker....' e) Another CIO representative, who had come to Baltimore from Buffalo (Curtis-Wright plant) only two weeks before, said: "The workers in the Curtis-Wright plant, where I worked as a tool-maker, don't like the payroll savings plan. This plan is run by the financing branch of the company... and it takes anywhere from two to five months for a worker to get his Bond, after he's paid for it. The workers feel that the financing outfit is using the money they've paid in for Bonds as 'loan money' -- money which this financing branch lends back to the worker and for which the financing outfit charges him interest ... about 2% a month." This same CIO man -- who is attempting to organize the Martin plant workers -- said that, perhaps, one of the reasons the Martin workers were not buying more Bonds was due to the fact that their wages were lower than the wages in Baltimore's Eastern Aircraft plant... for the same work. This CIO representative also said that the main reason, though, for Martin workers not buying more Bonds through payroll savings, with a higher percentage of their pay, was lack of any systematic campaign within the plant, lack of any organization within the plant to educate the workers to the meaning of War Bonds, to the meaning and workings of the payroll savings plan. Here he brought the conversation back to the Curtis-Wright plant in Buffalo, citing this plant where wages are essentially the same as at Martin as an example of what he meant. In spite of feeling within the

(Curtis-Wright plant against the handling there of the payroll savings plan, the workers were buying Bonds through this plan: "The foreman contacts every new worker, the day he starts work, and asks him to sign up in the payroll savings plan ... giving him a pep talk on Bonds. Three or four times a year, the foreman contacts every one of the workers in his group and asks for an increase in the worker's allotment for Bonds.

Following are individual reactions by Martin plant workers:

1) The wife of a Martin plant worker -- interviewed at a trailer camp, her home, near the plant -- said "No ... I'm not buying and my husband is not buying Bonds. I wouldn't mind if he bought Bonds out of his pay at the plant. He's just never done it ... Yes ... they ask you at the plant if you want to buy Bonds out of your pay ..."

2) Husband and wife (husband works at the Martin plant): They were not interested in discussing Bonds. Wouldn't say whether they were buying or not. Wife said "they have a booth at the plant."

3) Martin plant worker from North Carolina ... is buying Bonds "with what I can afford. No ... I'm not buying on the payroll plan. I'm buying them myself. I don't like anybody to take anything 'out of my time.' I like to 'pay it out myself.' I'm buying Bonds and sending them home for my four-year-old son ... and to help win the war."

4) In connection with the above interview it is interesting to note that most of the workers with whom I spoke do not have their wives and families with them -- due to housing conditions and the high cost of living in Essex and other areas near the

plant. "Rooms For Rent" signs mean one-fifth of a room is for rent ... there are five beds in most of these "rooms". Often, these rooms -- in private homes -- are fixed-over attics.

5) A Martin plant worker -- about 40 years old -- said "no payroll savings plan for me. I buy Bonds when I get the money ... when I have the money to spare. I got obligations at home ... the wife. That comes first." Said he had been contacted by the foreman on buying Bonds through payroll savings. Didn't like the plan because -- in addition to above reasons -- "you got to wait from a couple of months to five months before you get your Bonds." As this man got to talking he "warmed" to the subject of War Bonds -- in the abstract -- saying that he's got two brothers in service. And he knows what War Bonds to do help them. At one point in the conversation he said that he had "a few Bonds," at another point in the conversation that he had no Bonds. He said that he "wasn't goint to work today ... I'm taking the wife to Baltimore" (that was on Saturday). "When I get well I'm going to buy some War Bonds ... they'll help my brothers, I know."

6) A descendant of a man who arrived in America in 1732 was the only one who seemed to have an understanding of the part his job was playing in helping to win the war ... in the part his War Bonds were playing to help win the war. He said that there was no campaign or drive in the plant to influence him to buy Bonds through either the payroll plan or at the booth.

He'd heard about the payroll plan over the radio (almost all the Martin workers mentioned hearing about War Bonds over the radio. Due to dislocated housing conditions they depend on the radio for their news as well as their entertainment.). He was buying Bonds with five per cent of his pay. He was paying income taxes and the Victory tax, and would pay more and buy more Bonds "if necessary". Said he: "If we lose the war I lose everything. Money in Bonds helps to win the war ... War Bonds are the best investment I can make ... because if anything is good they are. If we lose the war everything isn't worth anything ... anyway ... I'm going back to the farm after the war. There won't be any airplane jobs like this after the war ... War Bonds will give me a stake on the farm after the war ... It's the only way to save money ..." He mentioned, as the reason he was not putting more of his pay into Bonds, higher prices. "It's so hard to save a penny these days ..."

7) A man who'd been working at the Martin plant for eight months said that he had not "started buying Bonds yet. Been sick ..." (almost all of those who were not buying Bonds or were buying very few Bonds mentioned being sick or that their wives or other relatives were sick.) He knew very little about War Bonds and said that nobody had asked him to buy Bonds out of salary, through the payroll plan.

8) This Martin plant worker had been buying Bonds himself. Said he didn't like the payroll plan because he liked to see his Bond when he paid over his money. He wasn't buying Bonds now and had cashed in all his Bonds ... to pay for his wife's illness. He'd start buying again, when his wife was well and he'd paid all his bills. "Bonds help to win the war ... everybody is interested in buying Bonds ... everyone at home is willing to put into War Bonds and taxes all that the Government feels is necessary to do the job ..." He had no idea on whether a worker ought to buy Bonds with ten or any per cent of pay ... idea was "what a man can afford ..."

APR 5 1943

My dear Mr. Byrnes:

We have examined the materials on the 45-hour work week submitted with your letter of February 24, 1943. This letter relates to the memorandum prepared by Mr. Eccles, in which he offers two suggestions for consideration:

- (1) That workers be required to accept, in the form of war-savings bonds which are not redeemable until after the war, that portion of their weekly earnings which is attributable to overtime premiums. This would apply to all overtime premiums and not merely to those paid as a result of Executive Order 9301.
- (2) That corporate employers not subject to the excess-profits tax be allowed a tax credit equal to 60 percent of all overtime premiums paid as a result of the Order. The credit would not be allowed to corporations subject to the excess-profits tax. Moreover, it would be reduced by an appropriate amount in any case where it would result in the corporation enjoying a net income which otherwise would be subject to the excess-profits tax.

1. The savings-bond suggestion

This suggestion is designed "to neutralize the inflationary effects of longer hours at overtime rates." Its application to all overtime premiums would effect a substantial reduction in spendable income, although the net increase in workers' savings would probably be less than the amount of premium wage payments. Since wage earners are already saving a part of their earnings, the payment of overtime premiums in the form of savings bonds would tend to bring about some reduction in voluntary savings.

- 2 -

Cash payments for overtime ensures the maximum effectiveness of premium wage payments as a method of increasing war production. The substitution of non-cashable savings bonds for cash would tend to make workers less willing to work longer hours and would increase industrial absenteeism. A given amount of overtime work could be secured more economically by cash premium payments than if the bonus for overtime were paid in non-cashable bonds. There are other ways to minimize the inflationary effects of increased wage payments, without sacrificing the stimulus of cash premiums for overtime. For example, a part of regular wages might be paid in bonds. In any event, there is no apparent reason why this particular class of income payment should be singled out for anti-inflationary treatment.

2. The suggestion to relieve taxpayers from the higher labor costs resulting from the 48-hour Order

In connection with the establishment of a mandatory 48-hour work week in certain areas and activities, it is suggested that employers be relieved of the higher labor costs resulting from the involuntary extension of work schedules through the medium of a tax credit. This suggestion is predicated on the assumption that the 48-hour Order will be fully complied with, regardless of any hardships which the resulting increase in labor costs might impose on employers.

Although the 48-hour Order increases the labor costs of producers, it does not necessarily follow that they are entitled to relief. They are not necessarily entitled to relief even if the Order reduces their profits below normal profit as defined for purposes of excess-profits taxation. In time of war it is inevitable that many actions of the Government will impose hardships on individuals and corporations. Relief obviously cannot be granted in all such cases. The need for compensation can be recognized only in those instances where excessive and unreasonable hardships have been imposed.

Apart from its own merits, it appears that the adoption of this suggestion would set a generally bad precedent with respect to the treatment of future Government orders which increase industrial costs. If business concerns ought to be recompensed for the cost of premium overtime payments, why should they not also be recompensed with the cost of complying with War Production Board orders requiring the use of more expensive raw materials than

- 3 -

those previously used, or even for the installation of sprinkling systems or of devices required for the safety of their employees! Furthermore, if the Government should undertake to pay a third of the wages of a large group of industrial workers for every hour worked over 40, it might result in further demands from the farmers and so complicate an already bad situation.

The need for relief

The fact that an employer lengthens his work week to 48 hours as a result of the Order may be regarded as presumptive evidence that this change has involved some sacrifice of profits. Except in those cases where employees have opposed a longer work week, it is probably correct to assume that employers generally would have voluntarily adopted a 48-hour schedule if it had been in their economic interest to do so. The necessity of paying wage premiums for overtime presumably accounts in large part for their unwillingness to work longer hours before the mandatory order was issued.

On the other hand, the memoranda on the mandatory 48-hour work week, submitted by Secretary Perkins and Administrators Brown and McWitt tend to minimize the effect of the Order on labor costs. In the memorandum submitted by Secretary Perkins, it is stated that "the mere fact that many plants preferred to remain on a 40-hour schedule is not conclusive proof that the overtime provision of the Fair Labor Standards Act was prohibitive from the point of view of production costs. Many other factors accounted for the decisions of firms to remain on a 40-hour schedule." These memoranda suggest that, as yet, the hardships imposed on employers as a result of the mandatory order are not sufficiently severe to establish a need for compensation.

The tax instrument as a means of providing relief

If it becomes evident that the 48-hour Order has imposed excessive and unreasonable hardships on employers, relief could be granted in several ways. The tax instrument is one possibility. In the past, the Government has been reluctant to use the tax instrument as a method of granting relief, partly because tax credits are, in effect, hidden subsidies which cannot be easily removed even after the need for them has passed, and partly because they are more costly than other relief instruments. In any event,

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the tax instrument is a crude relief device which cannot cover those cases where there is no tax liability, and which cannot give adequate compensation to taxpayers most in need of relief without giving excessive compensation to the less needy.

If the tax instrument were to be used as a method of providing relief from the 48-hour Order, the Government would, in effect, reimburse all corporations qualifying for relief for substantially the full amount of overtime premiums paid. This would be the case irrespective of the adequacy of the profits of the concerns involved. Under a selective subsidy, on the other hand, compensation would presumably be granted only to those firms able to demonstrate that profits, after compliance with the Order, were inadequate. Thus, the aggregate amount of compensation paid would tend to be less under a selective subsidy than under a tax credit.

Since adjustments in OPA price ceilings would presumably have to be made on an industry basis, relief could not be easily restricted to those employers who were suffering excessive hardships as a result of the 48-hour Order. Nevertheless, increases in price ceilings would undoubtedly be more closely related to the effect of the Order on total profits within the industry than to the actual amount of overtime premiums paid. To this extent, price ceiling adjustments would be less costly than tax credits.

Although the selective subsidies would ordinarily provide the best instrument through which to compensate employers for unreasonable hardships resulting from the mandatory 48-hour week, the use of this instrument would undoubtedly impose a greater administrative burden upon the Government than would the use of either the tax credits or the price ceiling adjustments. On the whole, direct subsidies and price adjustments appear preferable to the tax credit as a means of granting relief.

- 5 -

Conclusion

Pending demonstration of the need for relief as a result of the mandatory 48-hour week, it is our view that overtime premiums should not be allowed as a tax credit for the purpose of relieving corporate employers from the higher labor costs resulting from the 48-hour Order. If the need for relief should subsequently become established, use of the tax credit might be reconsidered. However, in view of the fact that relief would be needed only in specific cases of excessive hardship, the Treasury believes that a general tax credit would not be a desirable method of accomplishing this purpose.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable James F. Byrnes, Director
Office of Economic Stabilization
Washington, D. C.

Photo file in Diary
Copies to Thompson

() Mr. McNutt's memo is dated 2/19/43
Miss Perkins' memo is dated 2/18/43
Mr. Eccles' memo is dated 2/19/43

February 24, 1943

My dear Mr. Secretary:

Enclosed are the reports which were submitted by Mr. Mohr, Mr. Brown, Miss Perkins, and Mr. Scoles at the last Board Meeting. All of them deal with the 48 hour work week and its economic consequences.

I should be glad to have any comment you might care to submit.

Sincerely yours,

James F. Byrnes
Director

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

15-303

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

April 5, 1948

FROM Randolph Paul

In the absence of Roy Blough and myself in New York on the Port of New York Authority case, you suggested to Mr. Schwarz and he suggested to Mr. Ecker-Racz that a letter or letters be written to the New York Times answering their editorials of April 1 and 2 dealing with the Ruml plan. The first of these editorials blamed the Ways and Means Committee, and particularly Mr. Doughton, for the present situation. The second, which is full of misrepresentations of fact, blamed the Treasury.

Although I may originally have given you the idea that the first of these two letters should be written by way of improving our status with Doughton, I now feel emphatically that neither letter should be written. I talked the matter over with Messrs. Gaston, Surrey and Ecker-Racz and they are in complete agreement.

My reasons for this conclusion are, (1) with respect to the first editorial - Mr. Doughton's record is hard to defend. About all that can be said for him is that he has been a hard working, conscientious public servant. On the specific 1948 issue it is hard to make a good case for him. (2) Second Treasury editorial - This editorial is easier to answer, but we get into some trouble on account of the editorial in the Times of the third where the Times apparently to improve its own record stepped out for compromise plans as distinguished from the Ruml plan. This editorial urges speedy action of something short of the Ruml plan and argues against the delay of collection at the source until January 1944. Developments apparently are strong in the direction of more speedy action and a letter to the Times strongly defending the decision to postpone until the regular tax bill might embarrass us if the present trend of opinion in favor of Congressional action develops greater momentum. We could, of course, answer the Times editorial insofar as its misrepresentations are concerned but this would be dealing mostly with water that is over the dam.

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Draft letters have been prepared and are in the hands of Mr. Ecker-Racz and Mr. Surrey, but I advise against sending any letters.

I am going to Reading this afternoon to make a speech on buying bonds and will go on from there tomorrow to New York.

A handwritten signature in dark ink, appearing to be 'W. J. R.', is written below the typed text.

CONGRESS OF THE UNITED STATES
 JOINT COMMITTEE ON REDUCTION OF
 NONESSENTIAL FEDERAL EXPENDITURES

There will be a meeting of the Joint Committee in
 Room 314 Senate Office Bldg., on Monday, April 5,
 at 2:30 P.M. *From Byrd's 4/2/43*
~~at 10:30 a.m.~~ *Office Executive session.*
E. J. J.

To hear representatives of the Treasury,
Budget Bureau and General Accounting Office.

Helfferich
attended

HARRY FLOOD BYRD,
 Chairman.

SPO 74126

4/5/43

Mrs. Klotz



TREASURY DEPARTMENT
WASHINGTON

April 5, 1943

MEMORANDUM ON MEETING OF THE JOINT
COMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called at 2:30 P.M., Monday, April 5, 1943, in the Senate Finance Committee Room in the Senate Office Building. There were present:

- | | |
|-------------------|----------------------------|
| Senators: | General Accounting Office: |
| Byrd | Comptroller General Warren |
| George | Mr. Yates |
| Butler | Mr. Bagley |
| McKellar | Bureau of the Budget: |
| Congressman Taber | Mr. Lawton |
| | Mr. Patterson. |

The meeting was opened at 2:40 P.M. Senator McKellar did not arrive until 3:15 and Mr. Taber arrived at 3:25. The Committee reporter made a stenographic transcript of the meeting. No reporters were present.

Senator Byrd opened the meeting and said that the Committee was endeavoring to obtain information with respect to the manner in which governmental corporations were subject to audit of their expenditures and controlled through the Bureau of the Budget. He said he had asked the Comptroller General and representatives of the Bureau of the Budget to appear before the Committee to furnish information along these lines.

Comptroller General Warren said that corporations generally do not report to the General Accounting Office; that his office had noted that information placed in the hearings before the appropriation committees with respect to governmental corporations in many instances, if not inaccurate, was at least incomplete and that his office had determined to make a full study of governmental corporations. He said this study has been under way for sometime and will probably be available within the next three months. He then read a list of names of about 32 corporations which do not account to the General Accounting Office. He said these corporations were not required to report on the basis of present law. He then read a list of names of corporations which account to the General



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Accounting Office for their expenditures for administrative purposes only. This was followed by a reference to the corporations which account to the General Accounting Office for all their expenditures.

Senator Byrd inquired whether any corporations are required by law to report to the General Accounting Office and Mr. Warren replied that there is no question as to the requirement with respect to reporting administrative expenses. He said the General Accounting Office is of the opinion that RFC is required to report its administrative expenses but the Corporation holds otherwise.

The Comptroller General referred to his service as a former member of the House and said he believed that the present situation with respect to the audit of corporate expenditures grew up through a deliberate action of Congress in exempting such corporations from the usual accounting controls or that the Congress in some cases was not watchful and legislation exempting the corporations had been placed in acts or appropriation bills without giving much thought to the matter. He said the problem resolved itself into whether the Congress desired control of corporations by any other agency, such as the General Accounting Office. He said he realized that no fixed system could be devised to cover the audit of all governmental corporations because each corporation had its specific problems and functions to perform.

Senator Byrd asked whether the General Accounting Office could appraise and value the loans of various governmental corporations. Mr. Warren replied that it would be possible but with the present setup and the shortage of trained personnel, he doubted whether such job could be undertaken. Senator Byrd said he thought there should be a report to Congress by a disinterested agency, such as the General Accounting Office, showing the appraised values of the loans by governmental corporations.

Senator Byrd asked whether the General Accounting Office audited the Commodity Credit Corporation and Mr. Yates replied that all expenditures of that Corporation were audited but that the audit did not extend to the policy of making loans. Senator Byrd observed that there is no agency of the Government which determines the legality or illegality of loans. Mr. Yates replied that there is no agency to discover illegal loans. Senator Butler asked whether additional legislation would be required for this purpose.

Comptroller General Warren referred to the unlimited authority of the RFC to create corporations and said in many cases the General Accounting Office only hears of such corporations by accident after they have been established.

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Mr. Yates stated that much of the present situation with respect to governmental corporations grew up after the decision of the Supreme Court in the Skinner and Eddy case involving the old Merchant Fleet Corporation. Mr. Yates said in his opinion that decision was more for application to those cases of governmental corporations which were created under State charters and such decision did not necessarily apply to corporations created by act of Congress for governmental purposes.

The Comptroller General said that generally speaking all appropriated funds should be audited and accounted for by the General Accounting Office, but since RFC subsidiary corporations get their funds through the RFC and not by appropriation, they escape audit control.

Senator Byrd referred to the collections of the HOLC which are averaging about \$25,000,000 a month and asked whether there would be any objection to an audit of such receipts. He also asked for the Comptroller General's views if an act should be passed to permit the General Accounting Office to audit and appraise loans after they are made. The Comptroller General said he was not prepared to answer that particular question but he had a broader matter to suggest. He said it would be difficult to take corporations one by one and enact legislation requiring them to account to the General Accounting Office. He said there should be a general statute to give the Comptroller General broad authority to prescribe systems of audit and accounting for corporate agencies so as to bring everything under the General Accounting Office. A burden would then be on that office to treat each case separately and it would always be in position to furnish information to the Congress.

Senator Byrd said he was not familiar with the RFC subsidiary corporations but he thought an audit of administrative expenses only does not go far enough. He said there should be some agency to report to Congress if a corporation makes illegal loans and also to audit its collections. He asked whether the Comptroller General would approve a bill to require the General Accounting Office to perform these functions. The Comptroller General said he would not object.

The Comptroller General submitted for the record a statement of the duties and functions of the General Accounting Office. He then departed in his remarks from the subject of the hearing and went on to explain how the General Accounting Office is disallowing items under cost-plus fixed fees contracts, discovering questionable contracts, establishing field offices to audit expenditures in the plants of contractors, and collecting overcharges from ~~freight~~ freight and passenger bills submitted by railroads. He said the General

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Accounting Office on April 1 had 7,900 employees and has had as many as 8,000 employees and needs far more to do a good job.

Mr. Patterson of the Bureau of the Budget made a general statement as to the developments with respect to requiring governmental corporations to report to the Bureau of the Budget and the General Accounting Office. He called attention to the fact that in August, 1935 by executive order 15 corporations were directed not to incur obligations for administrative expenses unless such expenses were approved by the Bureau of the Budget. The information submitted by Mr. Patterson was not particularly important and duplicated somewhat the information previously given by Mr. Warren.

Senator Byrd asked whether the Bureau of the Budget had any information with respect to subsidy payments being made by the RFC and Mr. Patterson furnished two figures representing expenditures as of February 28, 1943 by the RFC for this purpose. He said \$104,000,000 had been paid out covering excess transportation costs on petroleum and Cuban sugar and \$8,000,000 in connection with charges on British wool in the United States.

It was agreed that the Comptroller General and the Bureau of the Budget would jointly undertake to prepare a statement for the Committee's use with respect to all governmental corporations showing whether they were subject to Budget control or accounted to the General Accounting Office.

The meeting adjourned at 4:25 P.M.

WJH

April 5, 1943.

Dear Dan:

It was very good of you to write me frankly and in detail about Dr. Radin, and I appreciate your sending me the information contained in your letter of March 29. Of course it will be held in confidence here.

With cordial regards and best wishes,

Sincerely,

(Signed) Henry

Mr. Daniel E. Kochland,
Levi Strauss and Company,
S. E. Corner Battery and Pine Streets,
San Francisco, California.

File in Diary
Envelope marked "Personal"

GEF/dbs

LEVI STRAUSS AND COMPANY

311

38 CORNER BATTERY AND KING STS
SAN FRANCISCO, CALIF.

March 29, 1943

Honorable Henry Morgenthau, Jr.
2434 Belmont Road
Washington, D. C.

My dear Henry:

Following our telephone conversation this morning, I have checked up on Professor Radin, more particularly with one of our outstanding educators and with a leading attorney who has a splendid record of public service. The opinion of all those whom I talked to coincides with mine, which is

1. That Dr. Radin is a fine, likeable, straightforward, honest human being.
2. He has a brilliant legal mind and an extraordinary fund of broad knowledge on social and economic subjects.
3. He is impulsive, emotional, impetuous, and a great talker.
4. He has been indiscreet and stupid in some public activities. One incident is related below.
5. He is liberal but not an extremist, though he is dubbed as one by those on the more conservative side of the fence.

About two years ago he was nominated for the Supreme Court (highest court) of the State of California by Governor Olson. A committee provided by law and consisting of the Attorney General of the State, the Presiding Judge of the United States District Court, and the Chief Justice of the State Supreme Court, voted two to one against his confirmation. Earl Warren and Judge Nourse, both Republicans, voted nay and Chief Justice Gibson, an Olson appointee, voted for Dr. Radin. I think that the majority was right because those with whom I have consulted agree that Radin is an advocate rather than the judicial type.

The incident to which I referred, and which received considerable publicity, was as follows:

A Committee of the State Legislature subpoenaed some students of the University of California for investigation into their alleged "red activities". Some or all of the students did not appear and were held in

RELIABLE MERCHANDISE SINCE 1850

March 29, 1943

contempt. Dr. Radin, desiring to help these youngsters, wrote to a lawyer in Stockton, California, a former pupil of his, asking him to intercede with the Judge before whom the young people were to be tried and seek leniency. The recipient of the letter considered it an outrage and published the correspondence. My own comment and that of others is that it was indiscreet and stupid of Dr. Radin to write the letter at all. This incident, together with consideration of some of the temperamental characteristics mentioned above, probably motivated the majority of the Committee in its adverse vote.

I hope I have given you a fairly good picture of the man. Not knowing what type of work which you have in mind for him, it is hard to advise. He might be an excellent consultant or advocate, but I would hesitate a great deal before placing him in an administrative position or one calling for calmness and judicial demeanor.

If there is anything further I can do in this matter, please do not hesitate to command me.

Very sincerely yours,

Dan

Daniel E. Koshland

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE April 5, 1943

TO Secretary Morgenthau

FROM Mr. Hays

Subject: The Business Situation,
Week ending April 3, 1943.Summary

National income: The annual rate of national income payments rose to a new high of \$134.9 billions in February. This compares with an annual rate of \$131.8 billions in January and only \$109.7 billions in February 1942. Salaries and wages accounted for nearly three-fourths of total income receipts in February and were 34 percent higher than a year earlier.

Food costs: Labor leaders, concerned over the rising cost of living, urged the President last week to take action to reduce rising food prices. They contended that unless food prices are stabilized wage stabilization must fail. Menasha, increases in farm and retail milk prices in the Washington, Baltimore and Philadelphia areas have been noted.

British subsidies: The success of the British Government in holding the cost-of-living index to a rise of but 1 percent in the 22 months ending January 1943 has been attained, in large part, through the extensive subsidizing of basic foods. Between \$500 and \$600 millions were spent for subsidies in the past year.

Commodity prices: Presidential veto of the Bankhead bill caused no significant change in basic commodity prices last week. In fact the BLS price index of 23 basic commodities rose fractionally to a new high during the period. The BLS all-commodity price index in the week ended March 27 rose 0.3 percent to 105.3, the highest level since 1925.

Stock prices: The Dow-Jones average of industrial, railroad, and utility stocks all moved up to new highs for the current rise last week. Testifying to the marked increase in security trading recently, compilation of March trading data reveals that stock transactions on the New York Exchange last month were the largest since May 1940, while domestic corporate bond trading was the largest on record, featured by heavy trading in speculative rail bonds.

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- 2 -

National income rises further

National income payments continue to forge ahead to new high levels. Actual income payments in February fell below the previous month, but the decline was less than seasonal, and the annual rate of payments advanced to a new high of \$134.9 billions. This compares with an annual rate of \$131.7 billions in the previous month and only \$105.7 billions in the corresponding month of last year.

The expansion in salaries and wages continues to be the dominant factor in the rise in income payments. At the new peak reached in February, payments for salaries and wages were 34 percent higher than a year earlier, and they accounted for nearly three-fourths of all payments. Part of the rise in salaries and wages, of course, is due to increasing employment. Following a further employment gain of about the usual seasonal proportions, total employment in non-agricultural establishments in February stood at nearly 38 million, or about 3 million above last year.

Longer working hours, higher wage rates and overtime premiums have contributed very heavily to the increased payments, as evidenced by the fact that factory payrolls have been consistently increasing at a more rapid rate than employment. Nevertheless, labor groups have been contending recently that gains in workers' earnings have been more than offset by the rise in the cost of living, and as a consequence these groups have been exerting heavy pressure for a revision of the "Little Steel" formula for stabilizing wages. Presidential veto of the Bankhead bill near the end of the week brought the whole controversy over rising living costs to the show-down stage, and this development was followed by the issuance of a joint CIO - AFL statement expressing complete support of the President's action.

Labor concerned over rising food prices

In a conference with the President last week, labor leaders urged that action be taken to reduce rising food prices, and that labor be represented in the new Food Administration headed by Chester C. Davis. Unless food prices are stabilized, they contended, wage stabilization cannot be achieved, and the "Little Steel" formula will have to be revised. They cited newspaper advertisements of food prices in medium-priced grocery stores in Canton, Ohio, a war production town, showing increases in the cost of foods between January 1941 and January 1943 ranging from 25 percent for bottled milk to 260 percent for boiling beef. Other price increases cited were: butter, 51 percent; eggs, 69 percent; potatoes, 96 percent; and hamburger steak, 212 percent.

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In comparison with these drastic increases, the retail food price index of the Bureau of Labor Statistics for Cleveland, Ohio, a much larger city but a war production center in the same area as Canton, showed an increase of about 36 percent from mid-January 1941 to mid-January 1943. This was the same percentage increase as for the country as a whole. The apparent conflict between the figures on food prices in Canton and the BLS food index caused one labor leader to criticize the Government index as not containing many of the items used by workers. It is interesting to note that the Bureau of Labor Statistics is now reported in process of changing their cost-of-living index.

Washington milk prices raised

The same day that labor leaders were requesting rigid ceilings on retail prices, a tentative increase in milk prices at both producer and retail levels in the Washington, Baltimore, and Philadelphia areas was approved by the Department of Agriculture and OPA. Under the order, dairy producers were granted an increase in price of 45 cents per hundredweight in the Washington milkshed and 35 cents in the Baltimore and Philadelphia areas. Present retail prices will remain in effect, however, until officials of these agencies reach a decision on the amount of the increase, but dairymen estimated that the rise in producers' prices would entail a price boost to consumers of 1 cent a quart.

The reason for the price adjustment, according to the joint press statement of the two Government agencies, was to "eliminate regional inequalities and place the major markets along the Eastern seaboard on an even competitive basis". Many dairymen in Maryland and Virginia had warned they would be forced to close unless an increase were given to permit them to meet rising production costs.

Although the President has failed to clarify the price powers of the new food administrator, he intimated in his Veto message on the Bankhead-Steagall Bill that a further rise in the cost of basic foodstuffs must be prevented in order to stave off further wage increases.

Farm leaders were reported to have told the President at a conference last week that they were not concerned with the question of farm price parity, but desired price increases on certain products to assure maximum production. The President said last week, according to press reports, that he favors the use of Government subsidies to relieve price squeezes, and to encourage production, processing and distribution, but he advised the use of some other term than subsidies.

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Subsidies stabilize British living costs

The success of the British Government in stabilizing prices of items making up the official cost-of-living index, and thus minimizing the pressure for wage increases, is shown by a rise of only 1 percent in this index in the nearly 2 years between April 1941 and January 1943, after a previous war-induced rise of 28 percent. One of the major instruments used to attain this stability has been food subsidies. Subsidies have been used to stimulate production of industrial raw materials to a limited extent, but it is principally in the food industry that they have been used most effectively.

A recent article in Dun's Review explains that British food subsidies have been employed for three reasons: (1) to prevent a rise in the retail cost of foods, (2) to stimulate the consumption of certain foods, especially among the poor classes of people, and (3) to increase the production of foods. In stabilizing the costs of foods, the emphasis has been placed upon those foods which are included in the official cost-of-living index. Twelve food items, accounting for 54 percent of the weight of the food index, were subsidized in 1942. Since the food component is given a weight of 60 percent in the total cost-of-living index, the British Ministry of Food has been able to stabilize more than half of the total index by preventing a rise in the food index through subsidizing these 12 foods. The subsidized foods include meat, bacon, fish, flour, bread, tea, sugar, milk, butter, cheese, eggs, and potatoes. Only oatmeal and carrots, outside the index, have been subsidized.

Two types of food subsidies have been used: the absorption of marketing losses, and direct payments to retailers, wholesalers, producers, and shippers. Since the Ministry of Food is the sole importer of food products and the only purchaser of many products produced domestically, it is relatively easy for the Government to absorb high costs and to sell the products at uniform prices low enough to enable wholesalers and retailers to maintain ceiling prices. In cases where the Government does not own the products, the Ministry of Food may pay a flat bonus to a merchant on every sale. To prevent higher transportation costs from being added to food prices, shippers are paid a subsidy equal to the higher costs.

When adequate supplies of a product are available, subsidies may be used to lower the price and thus stimulate consumption, as in the case of potatoes and bread. While the price of milk has been allowed to rise, a subsidy has been instituted to provide milk at lower cost to low-income groups and certain mothers and children. Subsidies to stimulate production take the form of payment of a flat sum per acre planted, but the payments

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may be withheld from bad cultivators. On potatoes, a seasonally variable subsidy is paid to licensed merchants in order to keep retail prices unchanged and yet allow growers higher prices toward the end of the storage season.

The amount spent for subsidies was between \$400 and \$500 million in the 1942 British fiscal year, and between \$500 and \$600 million in fiscal year 1943, thus accounting for from 2 to 3 percent of the total British budget each year.

Surplus food distribution program suspended

Reflecting the growing tightness in food supplies, the surplus food distribution program of the Department of Agriculture, which was designed in part to maintain prices to farmers, is being discontinued. Distribution of foods through State Welfare Departments to local communities for use in school lunch programs will stop April 30, and inventories remaining on that date will be released for Federal procurement programs or turned back to normal channels of trade.

Since March 1 no rationed foods have been allocated by the Food Distribution Administration for this purpose, and after April 1 no additional foods, rationed or unrationed, will be allocated. Approximately 42 million pounds of food with an estimated retail value of \$4.6 million were distributed to more than 5 million children in schools in January, the latest month for which data are available. The amount of food released when distribution for school lunches is discontinued will probably be small, however, because inventories maintained by State Welfare Departments for this purpose are limited.

The Food Distribution Administration will continue to supply foods to public-assistance cases and institutions until June 30, when this distribution will cease. There has been a decline of 62 percent in the number of people in family groups receiving such food during the twelve months ending January 1943. Almost 22 million pounds of food were distributed in January to the 1,900,000 persons on the rolls, including 573,000 living in Puerto Rico, the Virgin Islands, and Hawaii.

Commodity prices steady despite Bankhead Bill veto

Despite hesitant tendencies in commodity prices last week as traders awaited presidential action on the Bankhead-Steagall Bill, the veto of the bill late in the week caused no significant changes in the market. The BLS price index for 23 basic commodities made slight gains which carried it to a new high. (See Chart 1.) Prices of steers and flaxseed rose noticeably

- 6 -

under strong demand, and there were small price increases for hogs, wheat, cotton, and wool tops. Rosin prices were somewhat lower.

After a temporary decline in the preceding week, the BEA all-commodity index resumed its gradual advance in the week ending March 27 with a rise of 0.3 percent, and now stands at 103.3, which is 37.7 percent higher than the pre-war level of August 1939. The index is now at the highest point since late in 1925. Increases in prices of foods and farm products were principally responsible for the most recent increase in the index.

Farm prices rise

Featured by a 10 percent rise in the index of fruit prices, the farm price indexes for all groups of farm products advanced during the month ended March 15. (See Chart 2.) Contrary to the usual seasonal decline, the index of dairy products was up slightly, with price increases for butter, butterfat, and retail milk.

The rise in the chicken and egg index, resulting from a moderate increase in chicken prices, marked one of the few occasions on record when this group index advanced from February to March. Increasing sharply, prices of beef cattle and veal calves on March 15 were at the highest level in the 35 years recorded, and the meat animals index rose 2 percent.

Overcoming the depressing influence of heavy marketings of lower-priced types of tobacco, which had been largely responsible for the decline the preceding month, the index of prices received by farmers in the month ending March 15 rose 4 points to 182, the war-time high level of January. The index of prices paid, interest, and taxes was up but one point; consequently, farm product prices averaged about 113 percent of parity in mid-March, compared with 111 percent in mid-February and 97 percent a year earlier.

Stock prices firm in active trading

Stock prices showed further gains during the past week, with the Dow-Jones averages of industrials, railroads and utilities all reaching new highs for the current move. (See Chart 3.) Although railroad and utility stocks displayed persistent strength throughout, industrial stocks eased moderately after the early part of the week. The pace of trading activity was steadier than in the previous week, and although the daily peak was lower, aggregate trading for the week was somewhat higher.

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The scope of the current revival of trading activity in the securities markets is brought out sharply by March totals for stock and bond trading. Stock transactions on the New York Exchange last month were the largest since May 1940 when stocks were sold heavily on news of the German breakthrough in France and Belgium. The total of nearly 37 million shares for the month contrasts sharply with only 3.6 million shares a year earlier. Likewise, trading on the New York Bond Exchange reached the highest levels since September 1939.

Even more impressive results were shown in bond trading, as total bond sales (in par value) on the New York Exchange last month were the highest since December 1920, while domestic corporate bond transactions were the largest on record. The market was featured by unusually heavy trading in speculative rail bonds. In reflection of the increase in activity and improvement in sentiment, the price of a cent on the New York Exchange has risen to \$44,000 as compared with last year's low of only \$17,000.

Stock prices show divergent trends in two war periods

As a result of last month's gains, common stock prices have recovered to around the levels prevailing just before the outbreak of war in Europe in 1939. After the first 45 months of the last World War, common stock prices also stood at about the same levels as prevailed just before the outbreak of hostilities. However reference to Chart 4 will disclose that during the intervening months stock prices in the two war periods traced radically different patterns.

First of all, the initial impact of war was quite different. In 1914 the New York Stock Exchange was closed at the outbreak of hostilities in order to avert a deluge of selling from Europe, and when the Exchange reopened in December 1914 prices were lower than at the time of closing in the previous July. However, under the leadership of war-goods producers in the industrial group, a rise in prices got under way in the spring of 1915 which carried up to a peak in the latter part of 1916. An outstanding performer in this period was the common stock of Bethlehem Steel, which rose from a low of 30 in July 1914 to a high of 700 in 1916. A few months after our entry into the war in the spring of 1917, however, a sharp decline got under way that lasted until the end of the year. This decline, in turn, was followed by an irregular price upswing in 1918 until after the Armistice.

During the present World War, prices moved sharply higher at the outset and then went into an irregular decline lasting until April 1942, by which time prices were 30 percent lower than just before the outbreak of war in Europe. In retrospect,

- 5 -

it is obvious that this extended period of liquidation, in contrast to the market exploitation of war stocks in 1915 and 1916, provided a strong base for the price rise that has been under way virtually without interruption since last spring.

Retail sales volume moderated in March

Although current year-to-year department store sales comparisons are distorted by the earlier occurrence of Easter last year, it is apparent that scarce buying has become a less important factor. Thus department store sales in the first three weeks of March averaged about 18 percent lower than the peak week in February.

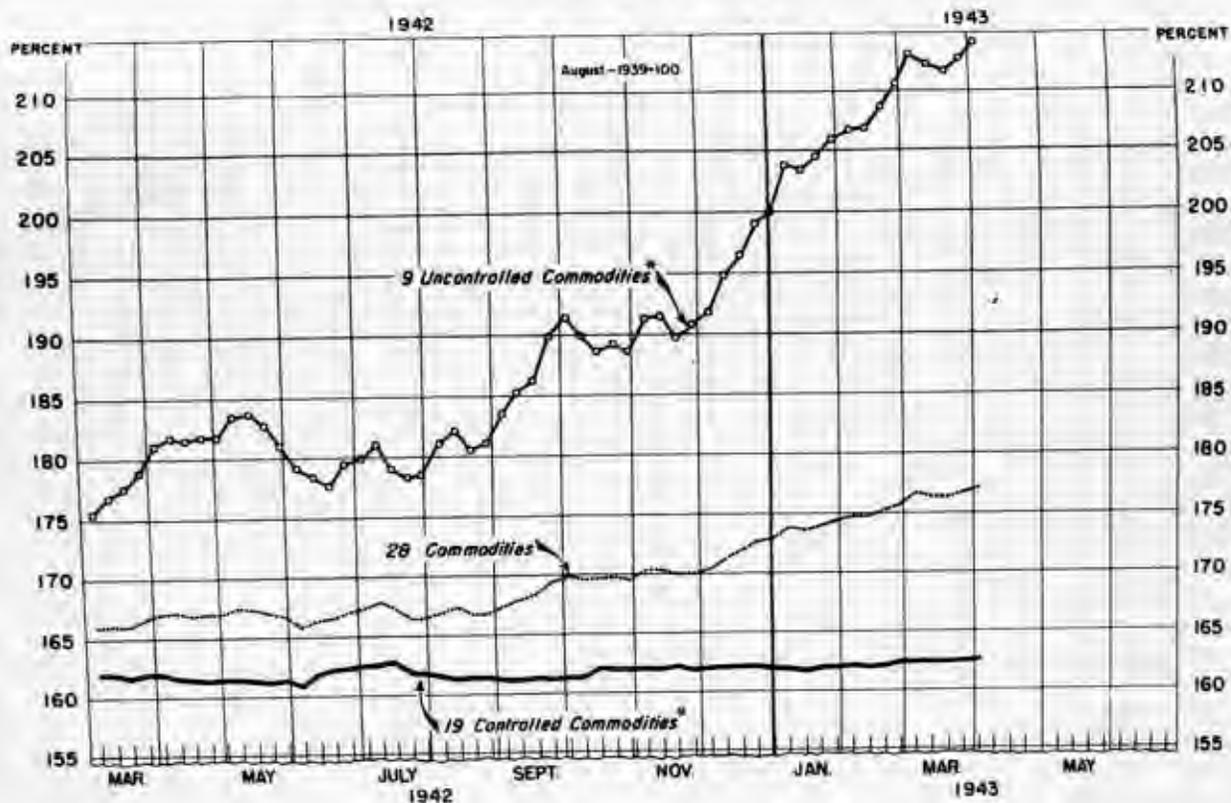
Figures released last week by the Department of Commerce reveal that, after allowance for seasonal factors, sales of all retail stores in February rose to the highest level on record, with the adjusted sales index advancing to 171 from 158 in January. On an adjusted basis all major store groups except drugs and housefurnishings showed gains. The widest increases over 1942 levels were shown by apparel stores and eating and drinking places, with gains amounting to 65 percent and 39 percent, respectively.

Consumer short term debt reduced

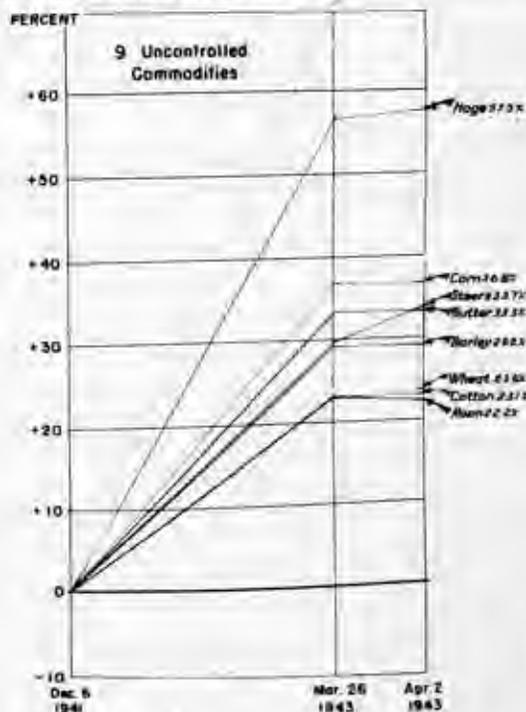
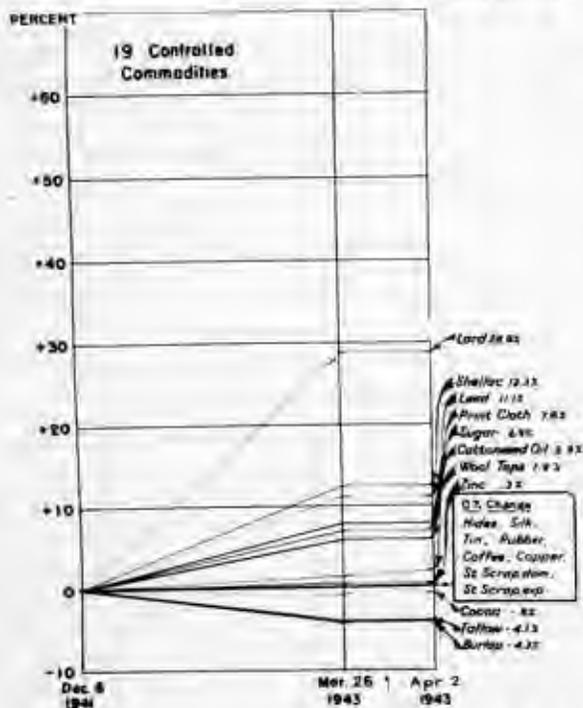
Despite the splurge of consumer buying in February which reversed the normal seasonal decline in retail sales, preliminary estimates indicate that a further reduction of about 3 percent was effected in the outstanding volume of consumer short-term debt. Reference to Chart 5 will show that in the face of a general upward trend of sales, short term consumer debt has been reduced almost without interruption since September 1941, when a record total of \$9,718 million was outstanding. On the basis of the preliminary estimate of \$5,505 million outstanding at the end of February, the intervening reduction has amounted to no less than \$4,213 million or 43 percent.

Dominant factors in this decline have been the stoppage of production of automobiles and other consumer durable goods, and the credit restrictions imposed by Regulation W of the Federal Reserve Board. The steady reduction of the previous huge volume of short term consumer debt has absorbed a substantial portion of surplus purchasing power arising from war-time conditions. However, the progress already made in reducing this debt indicates that the future effectiveness of this anti-inflationary cushion has been materially reduced.

MOVEMENT OF BASIC COMMODITY PRICES



PERCENTAGE CHANGE DEC. 6, 1941 TO MAR. 26, AND APR. 2, 1943

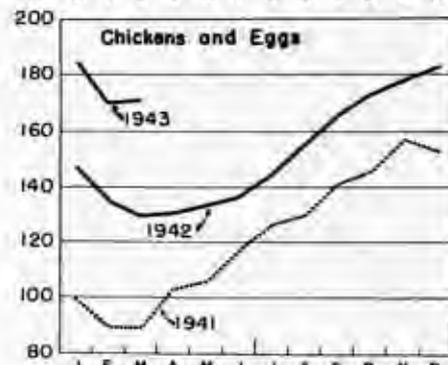
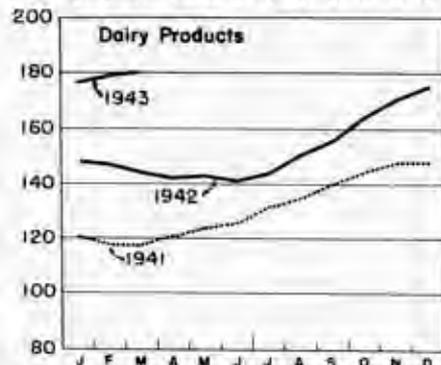
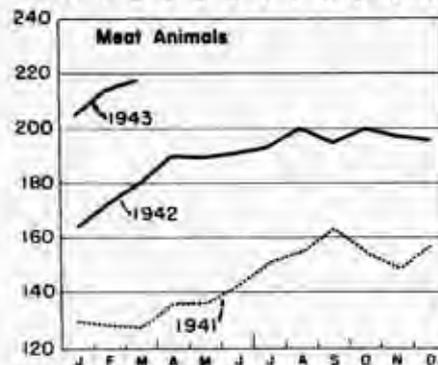
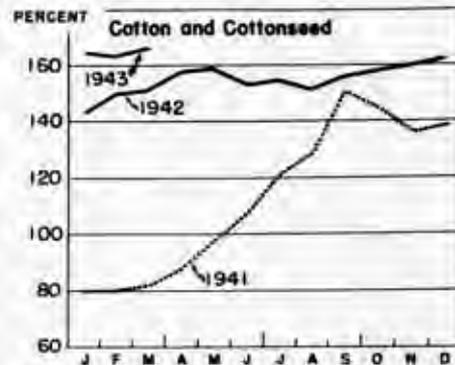
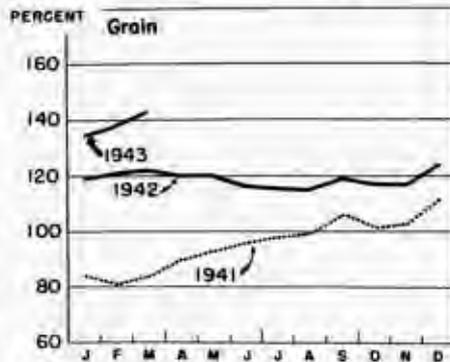
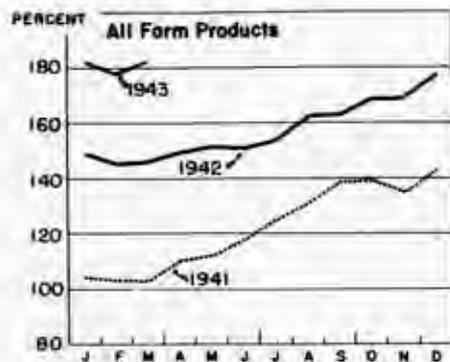


*20 Controlled and 8 Uncontrolled previous to June 26

321

AVERAGE PRICES RECEIVED BY FARMERS

Indexes. August 1909 - July 1914=100

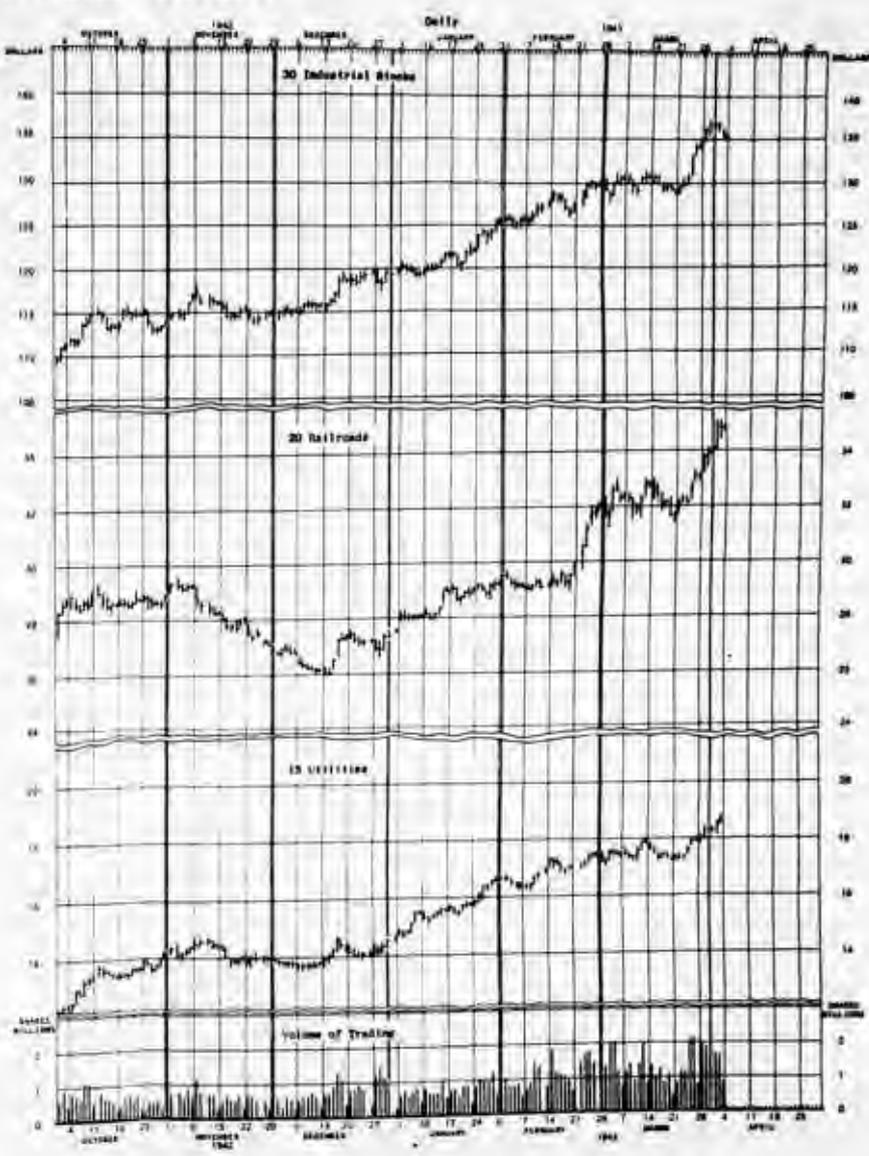
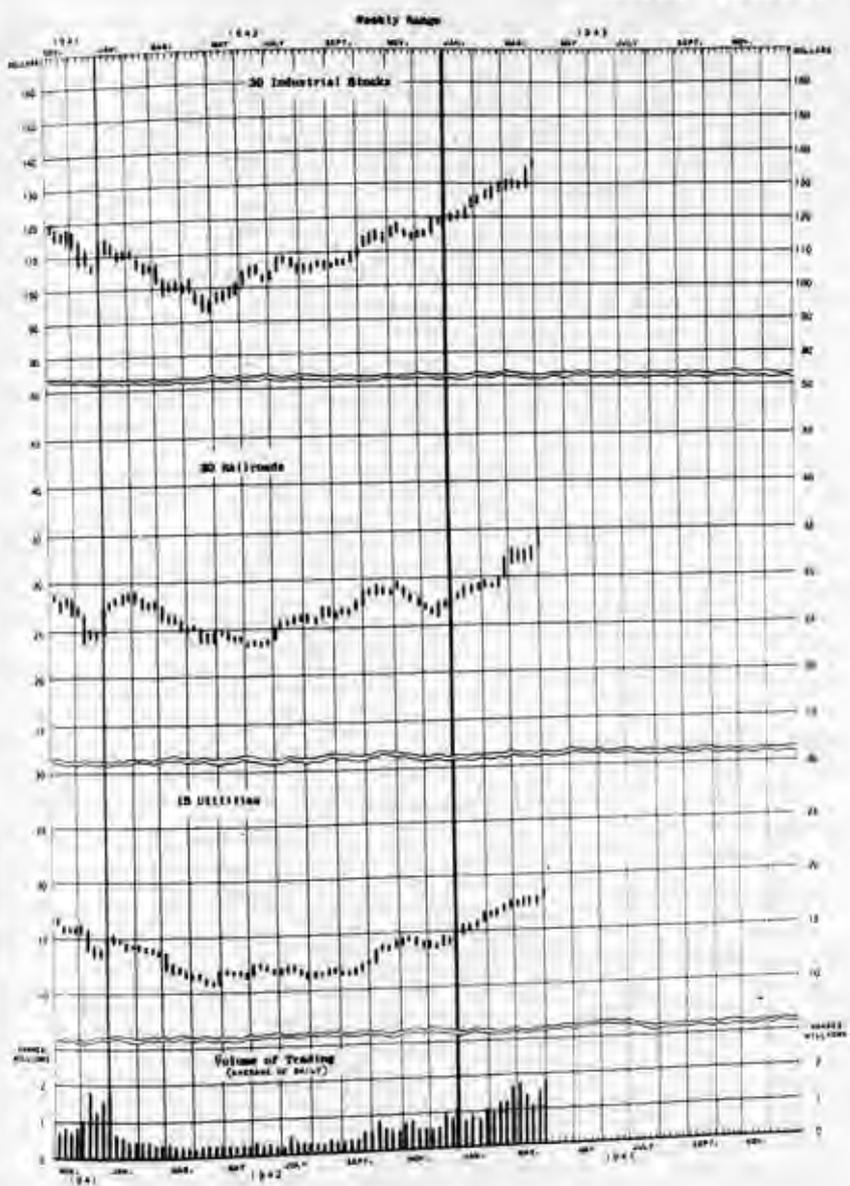


Office of the Secretary of the Treasury
Division of Research and Statistics

P-257

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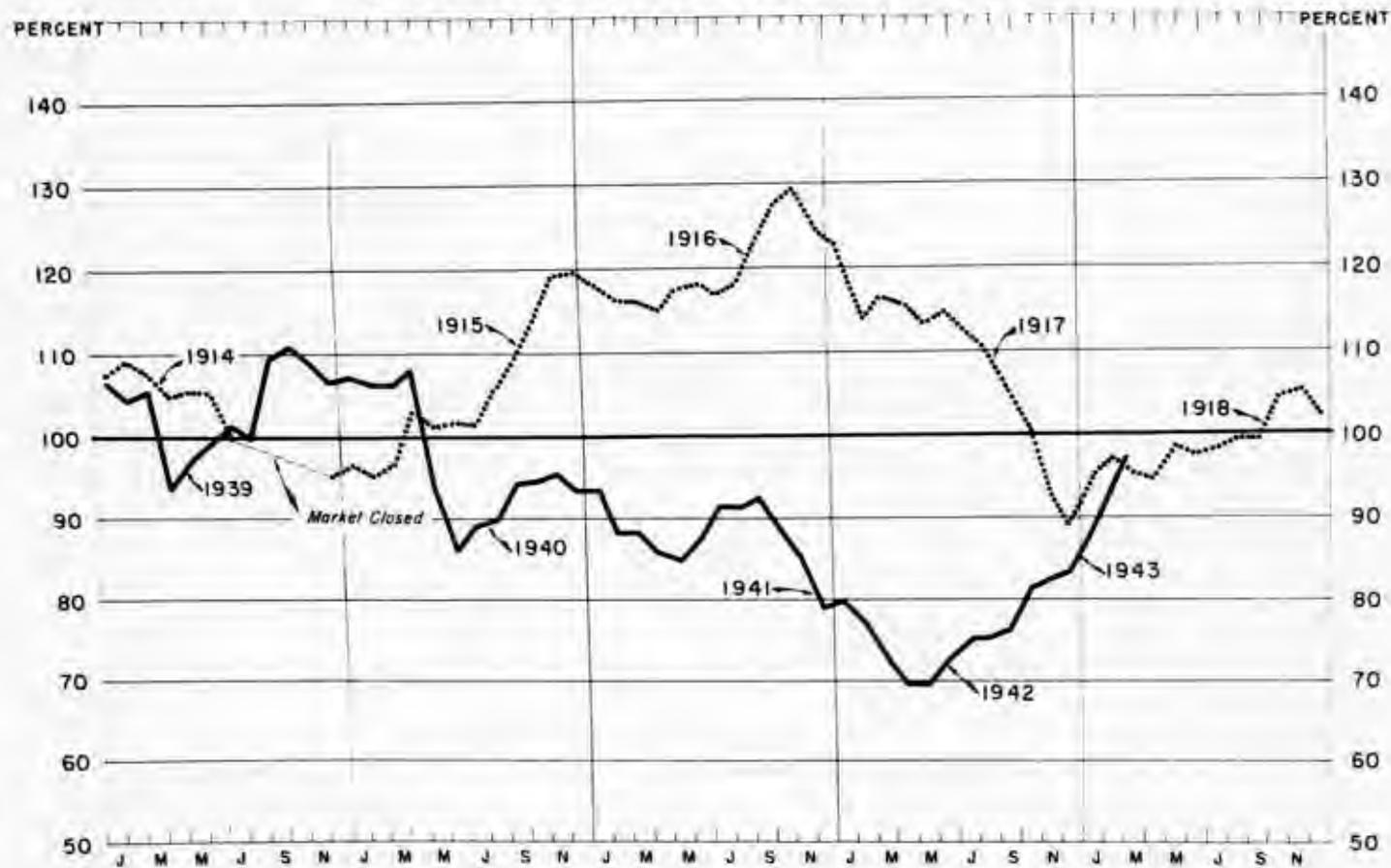
STOCK PRICES, DOW-JONES AVERAGES



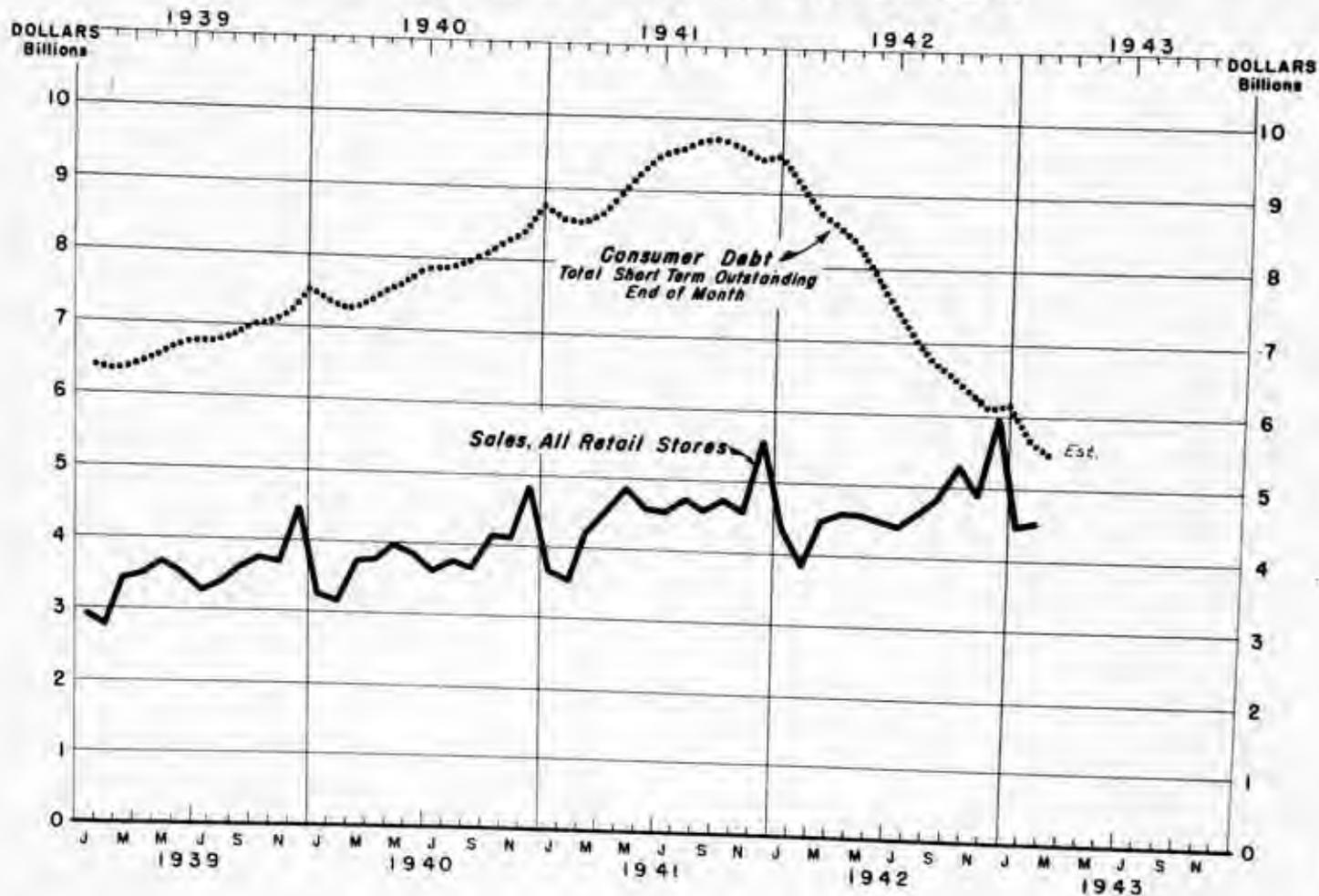
Stocks of the Secretary of the Treasury
Bureau of Economic Warfare

STOCK PRICES: 1939 TO DATE COMPARED WITH 1914 TO 1918

July 1914=100 World War Period; Aug. 1939=100 Present Period



RETAIL SALES AND CONSUMER DEBT



Office of the Secretary of the Treasury
Division of Research and Statistics

D-482

Regraded Unclassified

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statement No. 79 - Aircraft Despatched
- for week ended March 30, 1943.

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

April 5, 1943.

MOST SECRETSTATEMENT NO. 79Aircraft Despatched from the United StatesWeek Ended March 30th, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>BOEING</u>					
Fortress II	U.K.	U.K.		1	
<u>CONSOLIDATED</u>					
Catalina 18	U.K.	U.K.		1	
Liberator GR V	U.K.	U.K.		2	
<u>CURTISS</u>					
Seamew	Canada	Canada			17
Kittyhawks	Middle East	Port Sudan	41		
<u>DOUGLAS</u>					
Boston III A	U.K.	U.K.		1	
Dakota 1	U.K.	U.K.		2	
Dakota 1	India	India		7	
Dakota 1	Middle East	Middle East		5	
<u>FAIRCHILD</u>					
Cornell PT 26	Canada	Canada			17
<u>GLENN MARTIN</u>					
Baltimore	Middle East	Middle East	1	5	
Baltimore IIIA	Middle East	Middle East		20	
Baltimore IV	Middle East	Middle East			
<u>LOCKHEED</u>					
Ventura (A)	S'Africa	S'Africa		1	
Hudson III (B)	Canada	Canada		1	
<u>NORTH AMERICA</u>					
Mitchell I	Bahamas	Nassau		2	
Harvard	New Zealand	Auckland	8		
Harvard	S'Africa	Capetown	10		
Harvard	India	Bombay	25		
<u>VULTURE</u>					
Vengeance	India	Bombay	23		
Vengeance	Australia	Sydney	29		
Vengeance	Australia	Melbourne	22		
<u>WACO</u>					
Waco Gliders	U.K.	U.K.	3		

(A) Exported week ended March 16th. Total 162 48 34
 (B) Probably to be retained in Canada for R.A.F.F.O. Establishment or training.

*Please note final destinations for 9 Dakotas 1 reported Nassau enroute in report No. 78 for week ended March 23rd are as follows: India 4, Middle East - 5.**
 Movements Division, British Air Commission. April 3, 1943.

Regraded Unclassified

SECRET 328



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

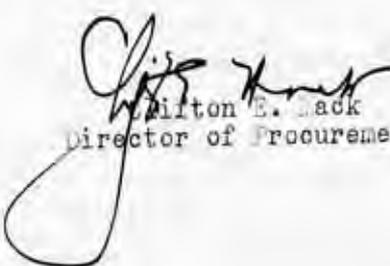
WASHINGTON

April 5, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of March 29, 1943, the purchases against the North African Rehabilitation Program from March 29, 1943 to April 4, 1943, totaled \$697,676.96, or a total of purchases for the program thus far of \$21,678,861.43.

Attached is report giving status of shipping against these purchases.


Wilton E. Back
Director of Procurement



SHIPPING REPORT AS OF APRIL 3, 1943

SECRET

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
New & used clothing	2013.75	102.5	303.5	3.25
Cotton piece goods	5939.5	1642	3157.5	1420.5
Shoes, boots & soling	211.25	82.75	99	27.25
Refined sugar	4196.5			
Raw sugar	1545			
Powdered milk	119.5			
Tea	171.5			
Matches	389.75			4.25
Copper sulphate	5292.75	918.75		
Drugs	6			
Books & booklets	2			
Wire nails	100		22	
Lamp chimneys			17	
Newsprint	673	296		188
Printers ink	.1			
Mach. finished book paper	2			
Cordage & twine	225	5	40	
Cotton thread	29.25	60		
Chemicals	163.5	240	191	133
Cotton hose	22.5	.5	13.5	
Nipples, bottles, eye cups			9	
Phonograph records			1,000 Each	
Tooth brushes			.75	
Wash basins			7	
Spark plugs	2		2	.25
Storage batteries	47		7	
Tires, tubes & tape	175.75			15.75
Parts for autos, tractors & harvesters	219.5	8	192	48.75
Tin plate	845			

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

April 5, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Currency Stabilization - Commenting Saturday on the Treasury's proposed four-point plan for currency stabilization, Senator Pat McCarran said he is opposed to any system "based on mere bookkeeping" that would threaten the value of American money spent in the post-war rehabilitation period. Claiming that the Treasury plan apparently would employ special funds to combat currency fluctuations, he asserted that the only sound policy would be to base international currency on gold and silver. In the task of rehabilitation after the war, the American people, he said, "must not be hampered by the danger that the money with which they do business may lose its value." Plans similar to the Keynes "Bancor" system, he added, "might readily become a sort of international bank night, with countries other than our own holding most of the winning tickets." Senator Taft also eyed the Treasury's stabilization plans with "suspicion" and compared them to the Keynes plan. Although he considers a preliminary study now of future monetary problems "interesting," he claimed, "The immediate problem after the war will be one of relief, not purchasing."
2. Tax: Pay-As-You-Go - Before leaving for a brief rest in North Carolina, Chairman Doughton of the House Ways and Means Committee announced that his committee would not meet again until April 12 when they would consider the Guffey Coal Act and the Reciprocal Trade Agreements Act, thus making May 1 probably the earliest possible date for reconsideration of the tax issue. However, with Representative Knutson, who led the fight on the floor of the House for the Carlson-Ruml Plan, also heading southward, it is rumored that the two leaders may meet somewhere to see if they can't compromise pay-as-you-go tax differences. Meanwhile, here in the Capital agitation from both Democrats and Republicans for some action on tax legislation is continuing. House Democratic Leader McCormack on Friday urged partial abatement of a year's taxes as a compromise, but Republican supporters of the Ruml Plan, gave every indication

of standing pat. It is reported that they are considering the initiation of a petition to discharge the Ways and Means Committee from further responsibility in the matter, which, if signed by a majority of the House, would return the tax issue to the floor for final settlement. Republican Congressman Ditter in a prepared statement lashing at Administration leaders for defeating the Ruml Plan, charged, "The Treasury had no plan except one of opposition." However, an editorial in the Washington Post this morning urges immediate enactment of a withholding tax at the source, the basic principal behind the Ways and Means Committee Plan, and suggests leaving the controversial issue of forgiveness until a later date.

3. OPA Investigation - Chairman Patman of the House Small Business Committee has ordered "an investigation into all phases of the issuance of orders and regulations by the OPA" to determine whether the agency exceeded the powers granted it by Congress.
4. RFC Probe - A similar investigation to determine whether the subsidiaries of the Reconstruction Finance Corporation are exceeding the authority granted them by Congress will be started this week by the Byrd Joint Committee for the Reduction of Nonessential Expenditures. Among the agencies to come up for inspection are: the Defense Plant Corporation, Defense Homes Corporation, War Damage Insurance Corporation, Federal Farm Mortgage Association, and several others.

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 111

Information received up to 7 A.M., 5th April, 1943.

1. NAVAL

Our Motor Torpedo boats sank a trawler off MUNKIRK yesterday.

MEDITERRANEAN. 31st/1st. 2 of our motor torpedo boats sank one and probably another heavily laden ship off North TUNISIA. One of H.M. Submarines probably sank a 2,000 ton ship south of SARDINIA on 23rd. Another of H.M. Submarines torpedoed a 3,500 ton ship west of SICILY on 24th. Another of H.M. Submarines torpedoed a large southbound tanker off southern ITALY on 3rd. 4th. One of H.M. Submarines has torpedoed 3 ships of 6,000, 3,000 and 300 tons respectively off PALERMO.

2. MILITARY

TUNISIA. 3rd. A Naval party with some French forces occupied G. SERRAT without opposition. West of FICHON two small attacks supported by tanks were repulsed by the French. North of the GAFSA-G. BES road United States force made a slight advance and a U.S. attack with limited objective south of the road was partially successful.

BUHMA. At DONBAIK local readjustments of our forward position have been carried out without enemy interference. The Japanese force which crossed the MAYU River has been reinforced. Fighting continues in the hills west of NANPA. A small force of Japanese and Arakanese has occupied PALETWA in the KALADAN Valley.

3. AIR OPERATIONS

WESTERN FRONT. 3rd/4th. ESSÉN. Tonnage 467 H.E. (6 8,000 pound and 187 4,000 pound) and 435 incendiary. Excellent weather. Good visibility only impeded by usual industrial haze. Attack lasted 30 minutes from 2150 hours. Marker bombs extremely accurately placed and bombing well concentrated upon them. Many large fires spread over wide area and several in Krupp. Enthusiastic reports of one or two large explosions. Intense heavy and light A.A. working with great number of searchlights considerably augmented since last time. Fighters also active.

4th. 97 U.S. Fortress sent to attack Renault works BILLANCOURT while 25 U.S. Liberators made diversion over Dutch coast and 25 R.A.F. Venturas attacked an airfield at CAEN. 222 tons H.E. on Renault's and bombing reported good. 4 Fortresses missing. Venturas dropped 24 tons. Further attacks - ST. BRIEUC railway yards - 9 Venturas; ROTTERDAM Shipbuilding Yards - 23 Venturas (2 missing); DIEPHE Harbour - 6 Typhoon bombers; ABBEVILLE Railway Centre - 8 Whirlwind bombers which probably sank 2 R-boats on way home. Fighters provided escorts for above operations. Enemy casualties 11, 4, 16. Ours 12 missing. Off Norway a Hampden torpedoed and probably sank a 5,000 ton ship while torpedo carrying Beaufighters sank a 3,000 ton ship and probably another of 1,500 tons.

4th/5th. 577 bombers sent to KIEL. 12 missing. Preliminary report complete cloud but markers well placed.

TUNISIA. 3rd. Adverse weather restricted operations. 16 Mitchells bombed an enemy airfield and fighter bombers attacked enemy M.T. in the WADI AKARIT area. Enemy aircraft attacked our landing grounds at SOUK EL KHENS and near EL GUETTAR. 19 of them were shot down, our casualties 3 missing.

SICILY. 15 Spitfires, 11 of them with bombs, attacked SYRACUSE Harbour.