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Book 624

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- W -

War Savings Bonds  
See Financing, Government

1 ✓  
Executive Order on Prices and Wages;  
Taxes, 4-8-43

April 9, 1943

8:50 a.m.

Present:

Mr. Surrey  
Mr. Gaston  
Mr. Bell  
Mrs. Klotz

HM, Jr: The radio commentator and the news story don't check.

Mr. Surrey: No.

HM, Jr: There is nothing about ...

Mr. Surrey: ... compulsory savings; no, sir.  
It's just "save more".

HM, Jr: What he said is all right.

Mr. Surrey: That's what I think.

HM, Jr: But the thing he said this morning was he would come out for payroll deduction at the source and compulsory saving and I had a lousy half hour.

Mr. Surrey: The statement seems brief and all right.

HM, Jr: There are two statements and the Order.

Mr. Surrey: The Order did not refer to taxes.

HM, Jr: No. But I got Mr. Paul on the wire. The statement is all right. The thing that bothers me is it goes back to October 4th and does that cut

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across our authority where it is set up? Were you in on that when we worked so hard to keep the Economic Stabilizer from telling us what to do? Who in Paul's office was in on that?

Mr. Surrey: I think Mr. Paul himself.

HM, Jr.: Did you read that part?

Mr. Surrey: Where he delegates to Burns ...

HM, Jr.: Yes. The power to function.

Mr. Surrey: That's Part 5.

HM, Jr.: Part 5? Yes. "The Economic Stabilization Director is authorized to exercise all powers and duties conferred upon the President ..." That's the thing.

Mr. Surrey: Uh-huh.

HM, Jr.: I wonder who in Paul's office would know. (Asked the operator to get him Mr. Paul's office.) He has had 20 minutes to read it. Could we get that Order?

Mr. Surrey: Mr. Paul's office should have that.

(At this point, the Secretary talked to Mr. Paul on the phone and Miss Chauncey left the Secretary's office to get a copy of the October 2 Economic Stabilization Act.)

(At the conclusion of the conversation with Mr. Paul, the following discussion took place.)

HM, Jr.: When I heard this thing this morning, I got this gathering of the clan because it looked again like the President had done something without consulting me and if he came out with a recommendation

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for compulsory savings ...

Mr. Bell: .... on the eve of the drive it would be nice.

HM, Jr: I am just limp. But I just -- There wasn't any "did he do it or didn't he do it?". I went out for a walk and, God!, the speeches I wrote! The letter we wrote up at the hospital would have been ...

Mr. Bell: ... cold water compared ...

HM, Jr: Luke warm water.

Mr. Gaston: It's just a case of the Budget fixing up the statement and Executive Order for him and not being able not to say anything about taxes, but what he said on taxes was all right.

(At this point the Secretary held a telephone conversation with Mr. Doughton.)

HM, Jr: That's that!

Mr. Surrey: The only thing Mr. Paul wanted was we should not go out on a limb in view of the fact they might decide to pass a simple withholding bill at the last minute.

HM, Jr: I am not going out on the end of a limb.

Mr. Surrey: Because Doughton is resisting it and he may be out on a limb.

HM, Jr: Just be sure you people don't go out on a limb.

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April 9, 1943  
8:53 a.m.

HMJr: That's right.

Randolph  
Paul:

Well, taking the whole thing together, I don't really think that goes any - or is intended to go any further. Of course, the language is - you could drive a freight train through the language.

HMJr: Oh, you mean the language is not good or too good?

P: Well, it's very broad, but....

HMJr: Oh.

P: ....but it's clear to me when you take the two things together, the actual Executive Order and the President's statement, that the President certainly doesn't intend to - to invade the tax jurisdiction of the Treasury.

HMJr: Yeah.

P: Now, for instance, at the end of his Order - of his statement....

HMJr: Surrey's here listening.

P: Yeah - at the end of his statement, not the text of the Order but the end of his statement on inflation....

HMJr: Yes.

P: ....he says: "We cannot stop inflation solely by wage and price ceilings. We cannot stop it solely by rationing. To complete the job, Congress must act to reduce and hold in check the excess purchasing power."

HMJr: Congress must what?

P: "We must be prepared to tax ourselves more, to spend less and save more. The details of new fiscal legislation must be worked out by the appropriate committees of the House and the Senate."

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HMJr: Yeah.

P: Then he says, "The executive departments stand ready to submit suggestions.." Now that language seems to imply that - that on the tax front things will go on just the same way as ever, and this delegation of authority under the Executive Order to Byrnes really relates to the First War Powers Act and the Emergency - the Act of October 2, '42, neither of which specifically deal with taxes.

HMJr: Yes.

P: So that taking the whole thing together, I certainly don't think that's the intention.

HMJr: Oh.

P: What does Surrey say about it?

HMJr: He - he agrees. Now there's just one thing, that language you're reading, isn't that almost the same as the Budget language?

P: No, no, it's the same idea that we've all had, but I don't think you can trace that language to - to - in fact, well, you can....

HMJr: Well, there's this....

P: ....find almost exactly the same thing in things that we've said from time to time.

HMJr: But isn't that the language of - confer with appropriate committees, isn't that our - our language?

P: No, not exactly but it's our idea.

HMJr: I see.

P: And the - the earlier language - we've repeatedly said that same thing, that you can't do the job by price - you said - you said it way back in your March 3, '42, statement. We can't control solely by wage and price ceilings or by rationing, and so on. The - it's a pretty good statement, and it's just simple stuff....

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HMJr: Well, I'd like to see....

P: ....that we've all said right along.

HMJr: (Talks aside: Get a copy of the Bureau of -  
the Budget Message. Mr. Bell will have it,  
the Budget Message.)

P: You say Surrey - you say Surrey agrees.

HMJr: Well, he can get on the phone and talk to you.

Stanley  
Surrey: Hello.

P: Hello.

S: Did you - did you want anything, Randolph?

P: Well, I just wondered - you agree with that  
taking those two statements together, that  
there's no intention to do anything different  
with respect to taxes.

S: I - I wouldn't think so. I think it's all  
directed, as you say, to prices and wages and that  
the....

P: Sure.

S: ....tax matter is handled along the general  
lines of the Budget Message. It's a state-  
ment....

P: And - and....

S: ....of more taxes and savings and....

P: And that last paragraph indicates that he in-  
tends then to go on just as before.

S: I - I would think so. I - I wouldn't - I  
wouldn't think - a - a major departure would  
require more than he has done in that Order,  
I would think.

P: Surrey, well, I think we're - I think that's  
perfectly clear. Say, I wish you would tell  
the Secretary....

HMJr: I'm listening.

P: ....any late developments -- he's seeing the President this morning -- and any late developments than what you looked up yesterday....

S: All right.

HMJr: Just - just wait one second. I wanted to... (Talks aside: Bell, find the President's part on the Budget Message where he refers to taxes, will you, please?) Bell's going to look that up.

P: Hello.

HMJr: (Talks aside: I'm the only one against these ?

P: I wanted you to hear any of the late news of what's going on and....

HMJr: Well, I wanted to ask you, what the hell is - is Speaker McCor.. - not Speaker - John McCormack doing up there?

P: Well, he - of course, he has the reputation for compromise - rather, for liking to compromise better than to eat.

HMJr: Well, I - I hope that we're no - we're in on that, are we?

P: No, not at all.

HMJr: What?

P: Not at all. I haven't even seen John. The last thing we did to - was to send that letter. That was before - in the middle of - just before the debate started, and gave him the several plans, and I told Doughton I was doing that. And we - I haven't even seen John McCormack since then.

HMJr: Oh.

P: I haven't talked with him on the phone.

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- HMJr: You sound innocent. (Laughs)
- P: We did - Surrey can tell you about it - a couple of Congressmen that came down to see me, I think it was last Monday, and they were interested in promoting a compromise measure. No, I - I don't think we ought to get in the position of resisting this movement either, because....
- HMJr: Now wait a minute. Before we go on, let me just - Bell's given me this - just - just before we get on taxes, let me look at this other. Will you hold the wire a minute?
- P: All right.
- HMJr: Just relax. Are you still in bed?
- P: (Laughs) No, I'm right next to it.
- HMJr: (Laughs) Oh, it's all right.
- P: Yeah.
- HMJr: There's nothing that - now I was going to call up Doughton before I went to see the President.
- P: Well, my - my point with respect to the tax situation is this. Of course, there is a good deal of force in these statements that something ought to be done, and I don't think we ought to get in the position of trying to defer the tax bill until June. I think our position ought to be that we're - we realize the gravity of the inflation situation, and we're ready to come up any time.
- HMJr: Yeah.
- P: You see what I mean?
- HMJr: Yes. Well, I think I'll call him and let him know that I'm in a fog what's going on up on The Hill.
- P: Well - yeah, well, I - Surrey can tell you a little about it. He was checking up yesterday.

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HMJr: Well, let's hear it, Surrey.

P: But I think what's happening is that a lot of people are sorry that they voted to recommit. They're sorry that they didn't let the Committee bill go through or some bill go through in order to get it over to the Senate, and I think a lot of people are sore because, owing to the parliamentary situation that developed on the floor, they never had a chance to vote on anything else but the Committee bill. So - and then they've been criticized a lot in the papers, and they're beginning to think, "Well, maybe we should have done something?" and - and my whole feeling is that there's enough force in that argument so we shouldn't get on the other side and say "Now you mustn't do anything until June," - we should be willing to do anything at any time.

S: That - that would go so far, Randolph, as to suggest a straight withholding and nothing else?

P: What's that, Stanley?

S: That would go to cover even a straight withholding and nothing else....

P: Yeah, we want the....

S: That - that's what I was thinking.

P: ....withholding. We've always wanted it.

S: That's right.

P: And I think - I just want to cover ourselves so we don't get in an unfortunate position. Yeah - and you get my point, Stanley?

S: Yes, I - I - I agree with that.

P: This point is what we've discussed.

HMJr: Well, now let me....

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P: I thought the Secretary ought to have it in mind when he went over to see the President.

HMJr: All right.

S: Yes.

HMJr: Now look, just repeat again how you interpret that so Mr. Bell can hear it, because he's read it now.

P: Yeah, are....

HMJr: And Gaston will hear it now too.

P: Now there is some broad language in Section 5 of the actual text of the Executive Order, but I think that language relates back to the very beginning where there's a statement of authority, and that statement refers to the First War Powers Act and the Act of October 2, 1942, which have to do mostly with price and wage control. Now it's true that language under Section 5 is quite broad, conferring on Byrnes all authority to take action under those Acts, and then it says - refers to the fact that except, etc. "or inconsistent with this Order, otherwise the powers and duties conferred upon other persons and agencies remain - remain in status quo." Now I think that - the way - the language is so broad that you have to try to get at the intention, and if you read the last paragraph - next to the last paragraph of the President's statement - separate statement on inflation, he talks about wages and price ceilings and rationing not being enough. Then he goes on to say, "We must be prepared to tax ourselves more. The details.....must be worked out by the appropriate committees of the House....The executive departments stand ready to submit suggestions." Now that paragraph indicates to me that he means the tax situation to go on just as before, and - as a sort of separate department from the Executive Order, but that he realizes that - that one has to do more than just control the prices and wages and ration. That's the way I would interpret it.

Daniel  
Bell:

Randolph, this is Dan.

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P: Hello.

B: How much difference is - is there in this than in the one previously issued?

P: Not a....

B: Has Byrnes got more authority - has Byrnes got more authority in this than in the other one?

P: No, I don't think so.

B: Isn't it almost the same wording?

P: Well, I can't remember the exact wording of the other, Dan, but I - it is, in substance, the same.

B: Well, that's - that's my recollection.

P: I mean it's all a question here of what people do and not the words themselves.

B: Uh huh.

P: What they intend, and the language here I don't think is any broader than the language in the old Order.

B: Paragraph 6 keeps the old Executive Order in full force and effect except....

P: Yeah.

B: ....if they're inconsistent with this Order, and I thought that language was largely the same. I don't....

P: Well, it - it certainly is the same in substance, Dan.

B: Surrey thinks it's broader.

P: Surrey does?

B: That - that this Order is broader.

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- S: I have the impression, Randolph, that the Executive Order authorized Byrnes to do quite a bit. This goes somewhat further and gives Byrnes the direct authority to carry out any power which the President has under the Act of October 2.
- P: Yes, but - he may have more authority....
- S: Yes, sir.
- P: ....down the orbit intended, but I don't think he - there's any extension of....
- S: Of that....
- P: ....from an area standpoint, of his authority.
- S: That's right. I think he may have more authority over wages and prices....
- P: Well, I think....
- S: ....and salaries, but not - not over other matters.
- P: That's right.
- S: Yes.
- P: In other words, it's a sort of vertical extension and not a horizontal extension of authority.
- S: You - yeah, I think that's right.
- Herbert Gaston: Randolph, this is Herbert.
- P: Yes.
- G: It occurs to me that if the War Powers Act did not confer upon the President any additional powers with respect to tax - taxation, then this new grant of authority to the Stabilization Director would not - would not cover any - any taxing authority at all.
- P: Well, the....

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- G: In other words, he's conferring here all the authority granted to....
- P: The War Powers Act....
- G: The War Powers Act didn't touch the - his - his Constitutional and statutory authority with respect to taxation, did it?
- P: No, except that very collaterally you might say that he had certain - was given certain authorities where it was....
- G: You mean it....
- P: ....broadly necessary to the prosecution - the way the language might have given some authority....
- G: Yeah.
- P: ....but - but basically it didn't cover the field of taxes.
- G: Yes, and this - I should think this matter of recommending to the Congress additional tax legislation, that - that doesn't rest on the War Powers Act at all. It rests....
- P: Oh, no.
- G: It rests on the President's general Constitutional statutory powers.
- P: Well, Herbert, the way he's put that in his statement, it looks as if he realizes that....
- G: Yes.
- P: ....and he covers the whole subject of - of inflation, the price ceiling and the wage ceiling, and then he goes on with an additional paragraph.
- G: Well, I got the impression, without comparing the two Orders carefully, that - that the new power granted the Stabilization Director did not touch the field of taxation at all.
- P: Well, no, they don't. You might say if you got in a certain jam that certain language of that, as to allocation, helped you on the tax matter, but....

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G: Uh huh.

P: ....there isn't - it isn't basically related to taxes at all.

G: Uh huh. Of course, the President can go as far as he likes in the way of tagging anybody around - around him with the responsibility with respect to taxation, but it didn't seem to me that this Order made any transfer.

P: Well, I don't think it's intended to at all.

G: Uh huh.

P: I don't think it - as far as extending the area of Byrnes' authority is concerned, as distinguished from merely proving his authority in respect to wages and prices, I don't think this Order goes - changes a thing in the last Order.

G: Well, the Secretary would like to talk to you again.

HMJr: Hello.

G: Yeah.

HMJr: I don't know whether I told you. You know what I really was upset about was the seven o'clock broadcast, which....

P: Oh, I didn't hear that.

HMJr: Well, the seven o'clock broadcast said that the President had come out with a statement recommending a withholding tax and compulsory savings, and I never saw the papers until eight o'clock, and so between seven and eight I was making speeches that I would deliver to the President this morning.

P: Yeah.

HMJr: And the broadcast had it all wrong. So by the time I read the paper, I was completely exhausted.

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P: Well, I'm sorry but....

HMJr: Well, there's....

P: ....those broadcasts are almost always wrong.

HMJr: Well, I thought he'd come out with a complete tax program without - without consulting us.

P: Well....

HMJr: So that - that - then when I saw the papers, I realized it was something quite different, and....

P: This - this statement - this is a rather good paragraph, I think, on taxes.

HMJr: Well, I think this - to sum up - I mean that I think it - what he said on taxes is all right, but the overall will be very helpful to us on our bond drive....

P: Yeah.

HMJr: ....which is the important.

P: Well, I think - I think that you want to keep in mind when you talk to the President....

HMJr: Yeah, I'm....

P: ....some of the things that have been developing here on The Hill with....

HMJr: Yes, well, I'm going to have - I - I've got - I've got to stop now because I've got to get Doughton....

P: Okay.

HMJr: ....before - and this is - I didn't want everybody to think that I was just - what upset me was the broadcast.

P: (Laughs) Well....

HMJr: And what the broad....

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P: ....the moral - the moral is not to listen to the radio so early in the morning.

HMJr: Well, the moral is not to be Secretary of the Treasury and then I wouldn't care about the radio.

P: (Laughs) But those - those radio stories are almost - a lot of them are wrong constantly.

HMJr: Yes. Okay.

P: All right.

HMJr: Goodbye.

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April 9, 1943  
9:11 a.m.

Cong. Robert  
Doughton:

All right, Brother Morgenthau. How are you?

HMJr:

All right, Brother Doughton. How are you?

D:

Oh, about so-so.

HMJr:

Bob, I'm going over in a little while to see the President....

D:

Are you?

HMJr:

....and I read about all this stuff from The Hill and what your friend, McCormack, has to say.

D:

Well, I was just - glad you called me, because I've been thinking about asking for an opportunity to see the President exclusively, if McCormack keeps on giving out that stuff.....

HMJr:

Yeah.

D:

....like he's been now in two statements he's issued without ever letting us know anything about it.

HMJr:

Yeah.

D:

The Speaker said that he was not concerned about the statement yesterday, and he advised him --- if he keeps that up we can't do anything down here.

HMJr:

Yeah.

D:

He's playing right into the hands of Joe Martin all the time.

HMJr:

Yeah.

D:

Making our road that much more difficult and, God knows, it's difficult enough anyhow.

HMJr:

Yeah.

- 2 -

D: And if we can't do something about that, why, we'd just as well quit trying to fool with tax matters at all, and let John McCormack and Joe Martin run it.

HMJr: Well....

D: John - well, if he'd have stood up and fought for our Committee bill, in place of talking compromise all the time and thereby creating dissatisfaction with it - there must be some forgiveness and some compromise and all that - we'd - we could have passed the Committee bill.

HMJr: Well, if you don't see the President and get something out of....

D: How's that?

HMJr: I think you should have a chance to see the President.

D: Well....

HMJr: Should I say something or do - I say - or do you want to ask direct?

D: I wish you would. I'd be glad to have the opportunity to come up and see him today or tomorrow.

HMJr: I'll ask - tell him.

D: You tell him that we're - we're distressed, not only disturbed but distressed about the way the thing's going along down here....

HMJr: Yeah.

D: ....and we're going to become completely demoralized now, for outside of maybe two men on our - Democrats on the Ways and Means Committee, we all are in favor of going along with this Reciprocal Trade. The Republicans sent that bill back without any instruction about - when it was recommended - they had their opportunity if they'd have wanted to of some compromise. They could put it in a motion to recommit. They just sent it back without any - just sent it back on a motion to recommit, and they keep talking all

(cont.)

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D: the time, and they're determined to have that  
(cont.) Ruml steal if they can get it....

HMJr: Yeah.

D: ....and playing politics all the time, and if  
we can't get better cooperation from the leader-  
ship, Henry, we can't - can't do anything down  
here.

HMJr: Well, I'll talk to him. I - I'll see what kind  
of a mood he's in....

D: All right.

HMJr: ....and when I come back I'll - when I come  
back I'll call.

D: Well, thank you very kindly. Thank you for  
calling.

HMJr: Right.

D: Goodbye.

April 9, 1943  
10:41 a.m.

HMJr: Hello.

Operator: Speaker Rayburn.

HMJr: Hello.

Speaker  
Rayburn: Yes, Henry.

HMJr: Sam, I first talked with Doughton this morning, and then I was over to see the President, and he suggested that I come up and see you and McCormack about this tax legislation. When could you see me?

R: Well, I've got - as soon as we get - I've got to go to The House now. We're meeting at eleven o'clock.

HMJr: Yes.

R: As soon as I get out of there, I'm having a meeting with Doughton and Cooper and Disney and Willis Robertson....

HMJr: Yeah.

R: ....and let me call you after that. I don't know what their ideas are going to be. John's got everybody pretty mad.

HMJr: Well, John's kind of off the reservation.

R: Well, he's got every - everybody on the Committee mad as hell at him.

HMJr: Yeah, Doughton's mad at him.

R: Oh, he's in a towering rage. Now I had this in my mind, Henry.

HMJr: Yeah.

R: These fellows are bellyaching. I'm going to meet with these fellows and see if they would agree to something like this, if it can be done.

- 2 -

HMJr: Yes.

R: Now, you see, each one of these bills - the Committee bill, the Carlson bill, and the Robertson bill - all had the same provision on withholding.

HMJr: That's right.

R: Now I'm thinking, if these gentlemen agree to that, that I'm going to put it up to them in a statement to the press that if they can get together and agree to bring in a bill with just that in it, that we can pass it very suddenly.

HMJr: That would be wonderful.

R: Huh?

HMJr: That would be wonderful.

R: Well, now that's the statement I'm - I'm thinking of and going to make this afternoon.

HMJr: Well, do you think....

R: ....if these gentlemen think that that's right....

HMJr: Well, do you think you can get McCormack to back you up?

R: I don't know.

HMJr: Well, if you need any....

R: And after I talk to them....

HMJr: Yes.

R: ....I'll....

HMJr: You....

R: Some of them suggested that, if it was agreeable, then that - you know, the Boss has got great influence with him.

- 3 -

HMJr: With McCormack?

R: Uh huh.

HMJr: Yes.

R: And - but we'll talk that over and I'll let you know as soon as I get out of that, Henry, what the outcome of it is.

HMJr: What time is that meeting, Sam?

R: Well, I ought to get out of the Chair around twelve-thirty....

HMJr: Yeah.

R: ....and go in committee on this other bill, and then I'll - I'm going to meet with them immediately.

HMJr: Yes.

R: And I ought to be out of that by one or one-thirty.

HMJr: Well, if you'll call me, I - I eat in the Treasury and I'm available.

R: All right, Henry.

HMJr: And I go over to Cabinet at two, you see?

R: Yeah. I'll do my best to call you between now and then.

HMJr: I thank you.

R: All right, Henry.

April 9, 1943  
10:45 a.m.

HMJr: Hello.

Operator: Mr. Doughton.

HMJr: Hello.

Cong. Robert Doughton: Hello.

HMJr: Henry talking.

D: All right, Henry.

HMJr: Now, Bob, I had a good talk with the President and he's very much interested and he asked me to talk with Sam, which I did. And Sam tells me that he has arranged to see you and some of your Ways and Means people between now and one o'clock.

D: Uh huh.

HMJr: And he said that after he had talked with you gentlemen, 'why, he was going to give me a ring. But he wants to see you all and find out just what you've got in mind.

D: Well, we've got in mind, if we know how - our hearts will guide us, and our minds and hearts will work together to do what's right.

HMJr: Yeah, well, that's - I know it - that's - you always are....

D: And what - you've been cooperating or trying to do - they claim you and I are breaking up the whole tax system and the plan of salvation and bringing - suspending the law of gravitation and bringing about the end - the consummation of all things.

HMJr: (Laughs)

D: And that's....

HMJr: Well....

- 2 -

D: That's a pretty serious charge, you know.

HMJr: Pretty serious. I'd hate to have to face St. Peter with that.

D: Or to face a jury or a judgment either on that, wouldn't you?

HMJr: No, I wouldn't want to.

D: (Laughs)

HMJr: But I think maybe after Sam Rayburn has seen you gentlemen - then he's going to give me a call.

D: All right, then maybe we can clarify the situation some way.

HMJr: That's right, and I'll keep right after it.

D: Thank you, and thank you for your interest and your call and everything else.

HMJr: Thank you.

D: Goodbye.

April 9, 1943  
11:00 a.m.

HMJr: Hello.

Operator: Professor Odegard.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Peter Odegard: Hello.

HMJr: Peter?

O: Yes.

HMJr: Henry Morgenthau.

O: Oh, hello.

HMJr: I was worried. I heard that you'd been quite ill in the office and so forth, and I wanted to know how you were getting along.

O: Well, I - (laughs) - I've been in bed the last two days. I'm in bed now.

HMJr: Oh.

O: But I think I'm shaking this off.

HMJr: Good.

O: I hope that I'll be - have it all off by Sunday.

HMJr: Well, if you do will you join us with Lucky Strike at Carnegie Hall?

O: (Laughs) At Carnegie Hall - I'd certainly like to. I have to speak at a big meeting in Hartford Monday night.

HMJr: Oh. Well, then....

O: And I think probably I'll take Sunday to prepare for that.

- 2 -

HMJr: I see.

O: So I'll listen to it up here.

HMJr: Well, good luck to you, but you're - but you're on your way back on your feet?

O: Oh, yes, thank you very much. I - did - did you get everything all set for Sunday or is that off?

HMJr: That's off.

O: That's off?

HMJr: That's off.

O: But the Monday Carnegie is all set?

HMJr: That's all finished, and the President approved it an hour ago.

O: Fine.

HMJr: So we're all right.

O: Well, I'll - what time is that, Mr. Secretary?

HMJr: Nine to nine-thirty.

O: Nine to nine-thirty.

HMJr: Yeah, Red Network, whatever that....

O: That'll give me a chance to hear it.

HMJr: Good.

O: Before taking the train.

HMJr: Well, take care of yourself now.

O: Well, thank you for calling.

HMJr: All right. Goodbye, Peter.

O: Goodbye.

April 9, 1943

Mrs. Klotz phoned Mr. Sullivan that the Secretary said he is ready any time that Congressman Somers is ready; the sooner the better.

*relating to  
House & Sen  
change of records  
on the 17<sup>th</sup>.  
Wait & not have hearing  
before press*

*Wagner - 10:15  
Chas. Sumner - 1  
10:45*

*11:30*

MEMORANDUM

April 9, 1943.

TO: The Secretary  
FROM: Mr. Sullivan

JHS

Senator Wagner is anxious to introduce the legislation extending the Stabilization Fund and the Power to Devalue in the Senate at the same time that this legislation is introduced in the House. Mr. White agrees with me that it would be advantageous to hold the hearings in the House and the Senate on successive days. If you care to indicate when you would like to have these hearings, I will try to make the necessary arrangements.

April 9, 1943  
3:45 p.m.

HMJr: Hello.

Operator: Speaker Rayburn.

HMJr: Hello.

Operator: Go ahead.

HMJr: Sam?

Speaker Rayburn: Yeah.

HMJr: Sam?

R: Yeah.

HMJr: Henry talking.

R: Oh, are you back from the Cabinet?

HMJr: Sure, just got back.

R: Well, now I tell you, it looks like it will take us until five o'clock here to get....

HMJr: I see.

R: ....through.

HMJr: Yeah.

R: Could you come up then?

HMJr: Five....

R: Or John and I can come to your office, as far as that's concerned. Might be better.

HMJr: Whatever you say.

R: That doesn't make so much noise, you know.

HMJr: Yeah. You and who?

R: John. You asked me....

- 2 -

HMJr: Oh.

R: You said you wanted to see us, didn't you?

HMJr: Yes, sir, that's what the President asked me to.

R: Yeah, yeah. Well, I'll see him, and I think he can come down there with me at that time, and I think it would be better for us to come on down there.

HMJr: Five o'clock.

R: Yeah. Well, I'll - I'll make it then if - if we can get out of here.

HMJr: Right.

R: You're going to wait there a little while?

HMJr: Oh, yes.

R: All right then, Henry.

HMJr: Thank you.

April 9, 1943  
4:39 p.m.

HMJr: Hello.

Operator: Mr. Doughton. Go ahead.

HMJr: Hello.

Cong. Robert Doughton: All right.

HMJr: Doughton?

D: All right.

HMJr: Henry speaking.

D: All right, Henry.

HMJr: I - I wondered if you wanted to tell me what happened today, if anything. Did....

D: We had a conference, and I understood - the Speaker said that he was going to get in touch with you....

HMJr: He has.

D: ....as you had to be at the - at the Cabinet meeting....

HMJr: Well....

D: ....and then he was going to arrange to have - for him and the majority leader to have a conference - conference with you.

HMJr: That's right. Well, now....

D: I suppose this afternoon if you - if you could get together.

HMJr: Well, now this is - may - can I tell you something that's strictly between us?

D: Absolutely.

HMJr: A secret.

D: Yes.

- 2 -

- HMJr: Well, he - he's on his way down now, he and McCormack.
- D: Well....
- HMJr: And I just wondered if you could tip me off on anything.
- D: Well....
- HMJr: But this is just between the two of us. In other words, I'd like to know what you want.
- D: Well, my idea is this, you know, that it's not worthwhile for us to try to go ahead - go ahead with matters of tax legislation or any other important matters unless we're going to have the support - cooperation and support of the Speaker and the Majority Leader. In other words, if we bring out bills and then the Majority Leader is not in sympathy with them or the Speaker's not - not in sympathy with it, why, there's nothing that - it just only produces confusion, and we're anxious at any time - we feel that the Majority Leader should not be taking positions in opposition to what our committee - a majority of the Democratic members favor without - without consulting with us.
- HMJr: Yeah.
- D: Giving out these statements, you know, without consulting about the statements he gives out with us, and then when we had the bill out, why, he didn't give us his support. He was all the time talking about compromise, and as far as we're concerned there's nothing we can do about tax legislation unless there's something we can get together on, as far as I see.
- HMJr: Well, did the Speaker say anything to you about the possibility of trying to get hold - get through just the withholding tax bill?
- D: He talked about that, and I'm issuing - trying to prepare a statement right now to make in the morning.

- 3 -

HMJr: Yeah.

D: I'm saying that as far as I'm concerned, if the leadership will get behind me on that, that I'll introduce a bill and bring it up - containing those non-controversial provisions - as you know, provisions which were in both tax bills....

HMJr: Yeah.

D: ....that I would be glad to cooperate, as far as I'm concerned....

HMJr: Yeah.

D: ....if I can have the assurance of the cooperation of the Speaker and the leadership on both sides, which will be necessary - that I'll introduce the bill and - and con.. - convene the committee for its consideration and do what I can for its favorable consideration at the earliest practicable moment.

HMJr: Yeah. Well, I just wanted to know where you were, because you and I work together, that's all.

D: Why, certainly, and I appreciate that. Well, we can't - there's not any use now to keep talking about us bringing out something when the Majority Leadership is not in sympathy with it and issuing statements and criticizing it all the time and suggesting some other course or something that we haven't - he hasn't conferred with us about.

HMJr: Well, if the leadership can guarantee that they'll get behind you, you're willing....

D: Why, I'm willing and anxious to do it.

HMJr: That's right.

D: And we'll try - try to sandwich it in and bring it out during the consideration of this - the extension of the Reciprocal Trade Act.

HMJr: I see.

- 4 -

- D: But if we don't - and leaving these other controversial matters to be disposed of when we reach the subject of general - consideration of general tax legislation.
- HMJr: Well....
- D: The question of forgiveness and doubling up and all that for consideration when we bring out a general tax bill, which, of course, if you take up now it'll take more time and discussion and consideration than we can possibly give and do anything now. Everybody knows that.
- HMJr: Well, I wanted to know where you were at before I started talking to them.
- D: Well, that's exactly the situation as far as I'm concerned.
- HMJr: Okay.
- D: If I can have the assurance of the support and wholehearted cooperation - that's all we can do now....
- HMJr: Yeah.
- D: ....because there's no use to talk about our committee having time....
- HMJr: Yeah.
- D: ....to bring out and then to get a bill and then get it up to The House on - couldn't get a rule where if we could bring in all the amendments and everything of that kind covering the whole subject - why, we couldn't do that certainly until we dispose of this Reciprocal Trade Act and the Guffey Coal Act.
- HMJr: Yeah.
- D: But if we could just agree to get behind this one thing....
- HMJr: Yeah.

- 5 -

D: ....why, then I'll cooperate if I can have the assurance of the - of the support and cooperation of the leadership. We'd have to have it on both sides. If we didn't, why, we're just playing pol.. - the other side was just playing politics and just killing time.

HMJr: Okay.

D: Yes.

HMJr: Thank you.

D: Well, thank you.

HMJr: I'll let you know what happens.

D: All right. Thank you.

4-9-43<sup>86</sup>

Sivrey just told me  
that confidentially  
he was told that  
Doughton is going to  
make a statement  
tomorrow morning  
that he is perfectly  
willing to introduce  
a simple truth heading  
bill if the majority  
& minority can agree  
on taking that and  
nothing more. This  
should go into effect

on July 1. And <sup>37</sup>  
not go into the  
question of  
forgiveness, Remul  
dence or anything  
else..

This is very  
Confidential

4/9/43

Copy of speech which HM, Jr took  
to the White and which the President  
read and approved.

Tonight I'm going to talk about something you might not expect the Treasury Department to discuss. I'm going to talk about the Second Front.

The Second Front is no military secret. We all know that, just over the horizon, we of the United Nations are piling up the thunder-clouds of the greatest attack in history. We are massing for that attack, now. The planning, the patient preparation, the bitter time when we had to take blows without returning them, because we weren't ready -- all of that is past. Now we're ready to deal a few blows ourselves; and they'll be blows, I can promise you, that will rock Nazi Germany to its rotten, bloodstained foundations.

As the Secretary of the Treasury I've been given the job of seeing to it that money is available to pay for this great military offensive and others to follow. This is why we are launching the Second War Loan tonight -- to raise at least 13 billion dollars before the end of this month to buy materials and implements of war. We

-2-

must buy shells today for big guns that will be roaring tomorrow and the day after. I'm here tonight to tell you that your help is needed. The need is real, urgent, pressing. Ten percent is no longer enough. We are asking everyone to buy extra bonds this month, even workers who are now participating in the payroll savings plan.

In our private lives none of us deals with billion-dollar figures. I know they're bewildering.

But except for the size of the figures involved there is no mystery about financing a war. The Government of the United States is buying the best equipment ever furnished to any army. It is paying not only for equipment that reaches the fighting fronts, but for some equipment that never gets there. For every ship that's sunk we must build two new ships -- for every cargo that's lost we must send out two new cargoes. And that costs money. Where are we going to get it?

Well, there are several ways to get the

-3-

money. We can raise it through taxes. We can borrow it from the banks. And we can borrow it from the people -- and that means you.

We are now getting more money through taxes than ever before. And it will be necessary, I have no doubt, to ask for still more. But we cannot rely on taxes alone to do the whole job, and I wouldn't want to -- because we could not tax with fairness on so huge a scale.

We could borrow all the money from the banks. Our credit is excellent. But for a variety of reasons, economic and social, this is also undesirable. One reason goes to the very heart of our system of Government. It is important to me as I know it is to you. This is a people's war -- so all of the people ought to have a part in financing it.

And I know you feel the same way about it, because five-sixths of all the people who are earning money today have bought bonds.

-4-

As Secretary of the Treasury, I can report that 95 cents out of every dollar which comes into the Treasury, through war bonds, taxes, or anything else, is spent for war purposes. When you pay eighteen dollars and seventy-five cents for a bond, eighteen dollars go immediately into guns and planes and equipment. The 75 cents goes for the regular expenditures of the Government.

The cost of selling bonds is indeed very small. And this is because you and your neighbors and hundreds of thousands of volunteers across the country have taken over the job of selling. I'd like to express, to all of you, my deepest gratitude. I should like to thank all of those who are helping -- management and labor, for the splendid success they have made of the payroll savings plan, under which more than 25 million working people now regularly invest almost 9 percent of their wages and salaries. I'd like to thank manufacturing and retail business firms, large and small, who have given us, free of

-5-

charge, millions of dollars worth of advertising space and radio time, as has the Bell Telephone System tonight. And the Federal Reserve System and thousands of banks working with them -- and all the others who are giving their time in this way in the service of their country.

You can feel every confidence that the financial affairs of your Government are in good condition as the United Nations go on the offensive. The situation is well in hand. We know where we're going. We know how much money our armed forces will need.

During this month of April we must get 13 billion dollars. We shall then have borrowed about 20 billions in the first 4 months of this year. We will need to borrow about 25 billions during the second 4 months, and, without any new taxes, another 25 in the final period of the year; a total of about 70 billion dollars for the year.

-6-

I would like to assure you that we can afford it.

But 70 billion dollars is, of course, a lot of money. It isn't going to be easy to raise it. It means hard work. But I have every confidence, knowing the American people, and how deeply serious they are about this war, that we will get it. We will get it from people who will scrimp and save if need be to buy these bonds. We will get it especially from those upon whom we must depend most heavily -- the men and women who are making good money in shipyards and plane factories and tank production; the gallant women who used to call themselves housewives but who are working today at lathes and drill-presses in the great war plants. These are the Americans who, all together, buy bonds in amounts that a millionaire, or even all of the millionaires combined, could never hope to equal. And they'll buy more of them this year -- this year when 10 percent is no longer enough.

-7-

The boys at the front are counting on them. They are counting on you.

All of us will buy bonds because all of us know that this is our war and that we must win it. We must win it so that nations with a bloody philosophy out of the dark ages of mankind's past will never again be able to raise a traitorous hand against neighbors wanting only to live in peace and friendly good will. An hour ago I passed through a railroad station. Standing at the iron gates, saying goodbye, were boys in uniform with their girls, their wives -- young couples come to the heart-breaking minute when there were no more words; when all they could do was to stand with their hands clenched so tightly together that they hurt. And as I passed them I thought of all the other young Americans whose lives have been torn into ragged bits -- young architects and engineers giving up their studies; school-girls working in factories;

-8-

farmers sending their wives and youngsters out to work in the fields because they can't get hired hands; business men losing what they've spent twenty years creating, because of the necessary curtailments.

By what right do the Germans, the Japanese, blight our lives, shatter our homes, whirl away our boys to drown five thousand miles from home in a scum of oil at sea, or bleed and cough their lives out in a muddy, filthy ditch? Who do they think they are? We know only too well who they think they are. They're the supermen, the Master Races, put here on earth to enslave the rest of us and crack the whip over our bare backs while we do their dirty chores. They and their "great" armies; their great armies of sneaks and bullies that jump on weak, helpless nations when they aren't looking. The Japs, with their dreams of empire, built on lies and treachery. The Germans, who twice within the memory of living

-9-

men have tried, with their Kaisers and their Fuehrers, to conquer the rest of our world. We say: "Never again!" We of the United Nations will show them who we are. We'll show them some really great armies -- Chinese and Russian, British and American.

These armies are the mightiest military machine in all history. But to us they are friends and husbands, fathers and sons. They are your boys and my boys.

They are asked to give their lives.

You are only asked to lend your money.

Shall we be more tender with our dollars than with the lives of our sons?

April 9, 1943

Last paragraph changed after Secretary's first reading copy made, due to rearrangement of program.

4/7/43 48

Saturday Speech

Thank you, Mr. Robbins.

Fellow workers. I want, first, to express my gratitude to you veterans of the home front for the patriotism you have shown in the campaigns that are already history. You have given unsparingly of your time and effort, without compensation of any kind save the satisfaction of serving your country loyally and well, to the most important task to which men today can devote themselves -- the winning of the war.

The experience you have gained in previous campaigns has made you into seasoned, hardened veterans. This experience will now serve you well, for on Monday next you are going to undertake the greatest operation in all financial history -- the raising of 18 billion dollars.

- 2 -

This is a task that will demand all of your ingenuity, all of your resources, all of your patience and strength.

Great as are the sums the Government is raising through taxes, they are far from sufficient to finance the whole costs of the war. And great as has been the sale of Government securities to individuals, trusts, corporations, partnerships, and banks, the sums raised in the past are insufficient in terms of the vastly expanded needs of our war requirements today. What is required this month is a financial mobilization so all-embracing and thorough that the war will be brought to every American, every wage earner and farmer, every business and professional man and woman. Such has not been the case in the past. It must be the case during the Second War Loan Drive if success is to be achieved.

- 3 -

In spite of the unparalleled task that lies before us, the conditions of success are at hand. There is more money in the people's hands available for investment than at any previous time in the nation's history. We have, as you know, designed our securities in such a way to appeal to every type of investor, long-term or short-term, corporate or individual, bank or trust. What is required now is that you workers carry the Government's message to the people of the country -- carry the message to every home in the land. This I know you will do.

To win this war, the people -- all the people -- will have to put their shoulders to the wheel. War on so unexampled a scale cannot be the enterprise of the few; it must be an undertaking of the many. Only the people -- all the people -- can finance this total war.

- 4 -

Our success in achieving the 13 billion dollar goal will not be measured alone by our ability to raise the money. The true measure of success will be the extent to which this money comes from the savings of individual men and women.

The overwhelming majority of our people, I am convinced, are ready, willing, and eager to demonstrate to the men and women of the armed forces, to the teeming millions of our Allies who are enduring the tortures of a living hell at this very moment, that we are with them in fact as well as in spirit in this crusade to blot out barbarism and lay the basis for a better world.

It is your job to see that the men and women of America demonstrate their determination to win through to final victory and lay the foundations for a lasting

- 5 -

peace by buying War Bonds in vastly greater amounts than they ever did before. Some you will only have to approach; some you will have to persuade; and some you may have to convince. All, however, you will have to reach.

*May I express to you in this glorious enterprise*  
~~Before I turn you back to Mr. Robbins, who will give~~  
*My sincerest wishes for the best of success*  
~~you more detail as to the job to be done, and the means~~  
*and Godspeed.*  
~~which are being provided with which to do it, may I wish~~  
~~you the best of success and Godspeed.~~

-oOo-

54  
April 9, 1943

Dear Gardner:

Thank you for calling my attention to the splendid editorial that appeared in the April 1 edition of the Des Moines Register. Certainly, it expresses very clearly the Treasury's position.

I liked especially the reference that our quota was no idle "shot in the dark." I think too that the editorial has done an excellent job of treating the anti-inflationary aspects of our program.

Altogether, it was a praiseworthy example of the intelligent treatment that your papers have been giving all problems dealing with the war effort.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Gardner Cowles, Jr.  
6 Kalorama Circle  
Washington, D. C.

JG:rip

File in Diary  
Initialed copy to Gamble

GARDNER COWLES, JR.  
8 KALORAMA CIRCLE  
WASHINGTON, D.C.

APR 8 1943

April 7, 1943

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

Dear Mr. Secretary:

I think this editorial from our Des Moines  
newspaper may interest you.

Sincerely,  
*Gardner Cowles jr*

Enclosure

# The Des Moines Register

Published every weekday morning by THE REGISTER AND PUBLISHING CO., 112-112 Linn St., Des Moines, Iowa.

TERMS: In Advance \$1.00 per month, \$10.00 per year. Single Copies 5 Cents. Delivery Outside Iowa \$1.50 per month, \$15.00 per year. Postage Paid at Des Moines, Iowa. Second-class postage paid at Des Moines, Iowa, and at additional mailing offices. Postmaster: Please send address changes to THE REGISTER, Des Moines, Iowa.

**Daily** REGISTER 311,888 Sunday REGISTER 378,249

## Speed Up Victory--Buy Extra Bonds This Month!

Here are some simple facts relating to the Second War Loan drive which will get under way April 15 all over the country: In order to insure Victory, the United States treasury is forced to borrow some 70 billion dollars this year from the American people.

In order to insure that this loaning of money to the government will maintain the necessary rate, the treasury is conducting an April drive to raise 12 billions of it.

Eight billions of this must be raised among non-banking leaders—wage-earners, private entrepreneurs, partnerships, corporations, and so on. The rest will be borrowed from banks. Iowa's quota of this 8 billions is 100 million dollars, or one-eighth of it.

This is in addition to loans that will be subscribed by Iowa banks. It is 100 million dollars that must be borrowed from farmers and business men and workers and everybody else, both as individuals and as heads of enterprises and organizations. This quota for Iowa, like the national quota, is no "shot in the dark." It is based on concrete figures of bank deposits and other things which prove, indisputably, that we have the money. Indeed, almost 13 billions was raised in last December's drive, although the original goal then was considerably less than that and our income is now considerably higher.

- ★ ★ ★
- This time the Victory Fund committee and the War Savings staff, which functioned separately in the December drive, are pooling their facilities. They are being united for this month's drive under a new Treasury War Finance committee, so as to integrate the whole fund-raising campaign in one "big push."
- So far as the general public is concerned—excluding the banks' part of the fund-raising, in other words—the treasury has four principal investments to sell:
  - 1.—The common "war bonds" or Series E, at maturity values of from \$25 to \$1,000.
  - 2.—The Series F savings bonds, from \$25 to \$10,000.
  - 3.—The Series G bonds, from \$100 to \$10,000.
  - 4.—The "tax savings notes," Series C, acceptable for future payment of federal taxes.

Now presumably everybody knows most of the good and sufficient reasons why the federal government is spending up this borrowing from the American public.

It is not merely that the federal government needs the use of these funds in the prosecution of the war. A good deal more of the necessary cash could be raised from the banks. But to do all of it, or even a major part of it, that way would be to create the most terrific inflationary pressures.

The government does not want to have inflation. It wants the average citizen's dollar, after the war, still to be worth a dollar—not just 75 cents, or 50 cents, or something else, by present standards.

So if the use of money to win the war is also going to win for us a prosperous and stable peace, then we, the American people—all of us—have got to forego every possible thing during the war period itself, and not to spend our surplus cash until our necessities can be met in peace-time production.

That is the reason for it.

Every bond bought this month helps that much to stave off inflationary pressures and keep our economy stable. Every unnecessary thing we "go without" this month will permit us to buy that much more, instead of less, with the same number of dollars when Victory is won.

Of course there are plenty of other reasons why we all want to buy war bonds, and will go the limit.

One is that it is the simplest expression of patriotism by those who stay at home—we can "fight" with our dollars, show the government what we have dollars as well as soldiers.

Another is that it is the best possible investment, all things considered. It is not "giving." It is saving, with interest—saving by investing in the thing that is now most necessary for all of us.

So still another reason is that no one on the civilian front has made himself a "full partner" in the defeat of the Axis and the achievement of Victory unless he is buying to Uncle Sam.

1.—Every cent he saves, out of everyday income, goes toward production of war goods.

2.—Every cent of savings that are not actually at work in war-time production, is lost.

3.—Every cent of savings that are not actually at work in war-time production, is lost.

4.—Every cent of savings that are not actually at work in war-time production, is lost.

5.—Every cent of savings that are not actually at work in war-time production, is lost.

6.—Every cent of savings that are not actually at work in war-time production, is lost.

7.—Every cent of savings that are not actually at work in war-time production, is lost.

8.—Every cent of savings that are not actually at work in war-time production, is lost.

9.—Every cent of savings that are not actually at work in war-time production, is lost.

10.—Every cent of savings that are not actually at work in war-time production, is lost.

THE WHITE HOUSE  
WASHINGTON

April 9, 1943

My dear Mr. Secretary:

I think the job the American newspaper boys have been doing over the past year in the sale of War Savings Stamps is an inspiration to all of us.

Please extend my congratulations to the boys, their mothers and fathers, and the newspaper organizations who are making this great contribution to our war effort.

Very sincerely yours,

A handwritten signature in cursive script, appearing to read "Franklin D. Roosevelt". The signature is written in dark ink and is positioned below the typed name of the sender.

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

TO:

Apr 9, 1943 *filed to 58*

The Secretary

*all three  
AP representatives*

The Associated Press asked for a short piece to carry your signature to be run this week dealing with the important part the newspapers can play and are playing in the war financing. The attached has Peabody's approval and I think it would be helpful.

*MS*

FROM: MR. GASTON

OK.  
1/2/42

The financial demands of this war have stretched to every corner of the country the need for lending fighting dollars to the Government. Even with history-making numbers already holding a stake in the nation's future, new millions will have to be added to the lists of shareholders in America during the \$13,000,000,000 Second War Loan drive which the Treasury will launch next week.

Thousands of volunteer workers from every group in our national life will be collaborating with their Government in the campaign to sell securities to their friends, neighbors and business associates. Busy as they will be in this important task concentrated into a brief period, they will find their work simplified tremendously by the splendid contributions that have

been made and will be made by the industries that provide our public with information and advertising.

Naturally, one of the great jobs in this field is that contemplated by the newspapers of America. The press -- daily and weekly, urban and rural -- has long been of importance in the Treasury's financing programs. With the development of the War Savings campaign, the publishers and editors and reporters and artists and carrier boys have joined in with a superb will to tell the story of the War Bonds and Stamps and to sell them as well.

Last month I invited to the Treasury leaders of the newspaper industry who were asked for suggestions in the conduct of the Second War Loan drive. I was delighted by the spontaneity with which they recognized our problems and offered even further cooperation. As

a result, they organized themselves into an Allied Newspaper Council to work shoulder to shoulder with us in this gigantic undertaking. In addition to the constant advisory aid of the members of the Council, they have made available to us the full-time services of several of their most talented colleagues.

So painstaking are the preparations for participation by this group that I know that no individual who reads their publications will be unaware of the purposes of our campaign or of the securities that are being offered. On behalf of the Treasury, I am happy to make public acknowledgement ~~even in advance~~ of the valuable support being provided to us by the nation's press.



OFFICE OF CHAIRMAN  
TREASURY DEPARTMENT

INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE  
WASHINGTON

April 9, 1943

The Honorable

The Secretary of the Treasury

My dear Mr. Secretary:

In connection with my assignment as Acting Chairman of the Interdepartmental War Savings Bond Committee I have, from time to time, made use of the services of Mr. F. A. Birgfeld, Chief Clerk of the Treasury Department. Mr. Birgfeld has been particularly helpful in addressing groups of employees and War Bond workers. At the present time I am broadening the scope of the Committee's activities to include the field service of the various Government departments and agencies.

If it meets with your approval I would like to make use of Mr. Birgfeld's talents as a speaker to address employee groups occasionally in Washington and in some of the nearby cities in which there are concentrations of Government employees. I feel that Mr. Birgfeld's services in this connection will be productive of very good results.

Very truly yours,

E. F. Bartelt  
Acting Chairman

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



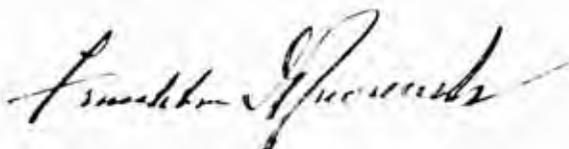
THE WHITE HOUSE  
WASHINGTON

April 9, 1943

My dear Mr. Secretary:

I am pleased to learn that the Treasury Department Committee on Intergovernmental Fiscal Relations has completed its report and that you have made it public. It occurs to me that the recommendations might appropriately be discussed by you with the Joint Federal-State-Local Committee on Fiscal Policies and Practices, of which you are a member.

Sincerely yours,



The Honorable

The Secretary of the Treasury

4/9/43

INCOME AND EXCESS PROFITS TAXES  
FOR MARCH 1943  
AS COMPARED WITH MARCH 1942  
BY  
FEDERAL RESERVE DISTRICTS

	<u>March 1943</u>	<u>March 1942</u>
BOSTON . . . . .	\$ 347,839,896.92	\$ 236,471,789.09
NEW YORK . . . . .	1,181,639,059.13	799,305,521.98
PHILADELPHIA . . . . .	373,729,792.94	220,838,221.35
CLEVELAND . . . . .	544,729,375.92	349,999,089.98
RICHMOND . . . . .	269,942,052.30	181,050,975.16
ATLANTA . . . . .	193,910,994.63	126,261,363.11
CHICAGO . . . . .	862,981,907.54	604,170,493.56
ST. LOUIS . . . . .	133,770,821.61	79,381,720.31
MINNEAPOLIS . . . . .	102,604,449.63	43,456,563.93
KANSAS CITY . . . . .	167,482,001.14	85,785,837.25
DALLAS . . . . .	116,352,065.80	78,067,411.92
SAN FRANCISCO . . . . .	<u>382,513,980.74</u>	<u>235,900,616.18</u>
TOTAL, FEDERAL RESERVE BANKS	\$ 4,677,496,398.30	\$ 3,040,689,603.82
TERRITORY OF HAWAII . . . . *	<u>4,094,029.12</u>	<u>3,039,554.84</u>
GRAND TOTAL . . . . .	<u>\$ 4,681,590,427.42</u>	<u>\$ 3,043,729,158.66</u>

Revised - final

\* Reports March 15, 16, 17, etc. not yet received

April 9, 1943

Mr. Sullivan reported that Mr. Ruml called at the Collector's Office and admitted that he was broke and could not pay the balance due on his 1941 income tax. The Collector's Office told him that the warrant was out and that, therefore, they would have to put a levy on his property. He agreed to pay the amount on the 15th of April with interest.

He told the Collector's Office that he was surprised that they had discovered these back taxes and that he had hoped that they would not discover it for several months and by that time he had hoped to have the money to pay it. He further stated that he thought that we were very tough on him and that the next time he saw his friend, John Sullivan, he would tell him so. Mr. Sullivan not only has never met Mr. Ruml, but he has never seen him.

4/9/43

66

Mr. Schwarz reported to Secy yesterday that White and lawyers are still debating whether to forget about this article or to answer it.

Memo from Dr. White to Schwarz transmitted by Schwarz' memo of 4/9

*forgot. Secy said  
forget.*

April 5,  
1943

Chic Schwarz  
Secretary Morgenthau

I wish you would look at the third column on page 24 of Time Magazine, April 5 issue. It says, "Before the U. S. Treasury finally awoke and forbade such speculation, several huge fortunes were amassed by this trading in invasion dollars." I think that this is wholly inaccurate. I wish you would ask Harry White about it, and see what kind of an answer we can get. Then I would like to decide after you show it to me what we should do about it.

Life Insurance Coordinating Committee  
51 Madison Avenue  
New York, N. Y.

Executive Committee:  
Franklin D'Olier  
George L. Harrison  
Leroy A. Lincoln  
Gerard S. Nollen  
John A. Witherspoon

April 9, 1943.

Chairman  
George L. Harrison  
Claris Adams  
William H. Andrews, Jr.  
Patrick A. Collins  
Franklin D'Olier  
W. T. Grant  
Leroy A. Lincoln  
James Lee Loomis  
A. J. McAndrews  
Gerard S. Nollen  
H. B. Richardson  
Grant Taggart  
Seaborn T. Whatley  
John A. Witherspoon

Dear Mr. Secretary:

I want to thank you for your letter of April 1 giving me your views about the newspaper advertising campaign which the life insurance companies are considering for the purpose of further educating the public about the practical steps which they may take in the over-all effort to check inflation.

The whole matter was considered at some length yesterday at a meeting of the Life Insurance Coordinating Committee. Its members were most enthusiastic about the possibilities of the program. They left with the Executive Committee the problem of endeavoring to raise the necessary funds. This we shall try to do as soon as possible. I shall be glad to advise you as we progress.

I hope you will know that I very much appreciate your letter.

Sincerely yours,

*George L. Harrison*

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

APR 1 1943

MEMORANDUM FOR THE SECRETARY.

April 9, 1943.

Mail Report

Mail receipts for the week ending April 9 took a strong upward surge, with several new types of subject matter appearing, and a great deal more feeling, both pro and con, on the part of correspondents. The first outburst of letters followed Congressional defeat of all proposed tax plans, and the second followed release of news about the International Stabilization Fund.

It is noteworthy that when a radio broadcaster or newspaper columnist criticizes the Secretary, or the Treasury, in a dispassionate and intelligent way, mail may be sharply critical, but is also restrained in tone. However, when such criticism is bitter and personal, the mail follows suit, ranging from scolding letters to actually virulent ones, the latter usually anonymous. This occurred as a result of the Fulton Lewis, Jr., broadcast April 1. Many of the signed communications were nagging and nasty, and the frequency with which the same words were used showed that they were definitely prompted by this particular broadcast. However, only 12 writers actually mentioned Lewis, one sending a letter of reproof that had been addressed to him. There were, in addition, about 75 letters strongly disapproving the present tax policy of the Treasury Department. One-third of these particularly criticized the much publicized statement of Mr. Paul, "Well, we beat Ruml". Others spoke of the fact that the Secretary was quoted as saying he was happy over the defeat of the Ruml Plan, and sent newspaper clippings commenting unfavorably on this. From those who were exceedingly critical there were over 100 requests for a pay-as-you-go plan, Ruml's receiving specific endorsement in about half of these. There were only 18 letters condemning forgiveness of taxes. Five local Unions (CIO) sent resolutions along the lines of earlier mail.

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Memorandum for the Secretary.

April 9, 1943

Disappointment at Congressional failure to approve a pay-as-you-go plan was reflected by a number of suggestions for alternatives. These particularly favor the sales tax or a gross income tax. A few correspondents enclosed copies of an editorial, "The Mute But Forgotten Class", descriptive, of course, of the unorganized, white-collar workers. There were 50 or 60 miscellaneous communications containing ideas or inquiries in regard to taxes.

Immediately upon publication of news about the International Stabilization Fund, requests for copies of the text of the plan began to arrive. Within a day after its release 30 letters of comment, mostly favorable, were received, while Kaltenborn's radio invitation to the public to suggest names for the proposed currency brought in 31 suggestions. Among many serious ones was the following ironic comment: "Should not Mr. Morgenthau's new synthetic money more properly be called 'Bunitas' and be placed under the control of the rubber czar, Mr. Jeffers?"

Although less exciting than the rest of the mail, that concerning Bonds outweighed all other receipts combined. Requests for Bond music, inquiries as to correct procedure and suggestions for sales promotion ran into the hundreds. Many were prompted, of course, by news of the second War Loan drive. Exclusive of those who were disgruntled over tax action and predicted failure of the campaign, mail concerning this drive continues to be most cooperative. However, from radio stations, newspapers, etc., have come several urgent pleas for advertising material not yet delivered. There was a small flurry of protest over the news article headed, "Savings Cut Urged to Buy War Bonds". A number of letters from newspapers inquired about the Bankhead Bill for Government-paid advertising, many smaller publications feeling they would not receive a fair share of any allotment.

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Memorandum for the Secretary.

April 9, 1943

Bonds submitted to the Secretary for cashing rose to 63 this week, 11 from Patchogue, New York, and 14 from Wurtland, Kentucky. Complaints also took an upward turn with 70 letters, of which 60 dealt with war Department cases. A number of these were forwarded by Senators or Congressmen, several of whom commented on the increasing complaints crossing their own desks.

Along with favorable acknowledgments of the Report of the Committee on Interdepartmental Fiscal Relations came a number of requests for additional copies.

Inflation has again been discussed frequently by correspondents who suggest various methods of control.



General Comments

J. D. Davis, Cashier, Love County National Bank, Marietta, Okla. \* \* \* I think your position is exactly right, and I can see no reason for banks or other lending agencies to be raising so much fuss about the R.A.C.C. It appears that the banks in general are fighting the Farm Security, the P.C.A., and the R.A.C.C. I doubt if any of them know just why they are waging this fight, except that they have noticed articles where other bankers are opposing these organizations. We are in close touch here with the Farm Security and with the P.C.A. and none of these organizations so far have been any competition to us. \* \* \* We have been cooperating with the P.C.A. In fact, we have been taking applications for them. This was very desirable and a number of banks sought our cooperation when the R.A.C.C. was operating before, and also after it was taken over or replaced by the P.C.A. They all had loans that they wanted to get off their books. Not so much because they thought the loan was bad, but because it had been running so long, renewing from year to year, and they wanted to clean their liability ledger sheets. \* \* \* There may not come the time again when they will be doing the same thing, but we, I believe, can figure that it might come. Almost all of the P.C.A. customers come to us first before they borrow from the P.C.A., usually wanting a short term loan until they can get their plans made for the year, then borrow and pay us off, and it is not bad business for us. \* \* \* I think at this time when production is so badly needed, there is a great need of the R. A. C. C., and that it should be used to the fullest extent. \* \* \* We have a good many men in this county who have excellent facilities for taking care of livestock but have always been held down for the lack of security, and have never been given a chance to see whether they could really put a production over on their farms. I would like to see them have that chance, and no time is better than now. \* \* \* I am glad to see you and a number of others looking at this matter as you do.

- 2 -

Mrs. E. G. Morrell, Titusville, N.J. \* \* \* Every year around the first of March my husband's employer pays a bonus to some employees on such items as increase in sales of certain items, savings in operation, etc., which the men earn during the previous year. They depend on the bonus for the payment of items which cannot be met by their regular salary, such as taxes, doctor bills, repair bills, etc. This year we fully expected to pay all of these bills on March 1, as usual, but no bonus came through. We waited and waited and waited. Creditors became impatient, threatening our credit rating. \* \* \* Upon inquiry, I found that Borden Company, in bending over backward to keep within all of the many Government regulations, submitted the employees' bonus to one of the Government Boards, WLB, or some such -- and they have not as yet released it. We have bought Bonds, but unless we get our bonus within the next two weeks, I shall have to cash them to pay these bills. We borrowed the first installment of our income tax, in order to pay that. We find it impossible to save enough from our regular income to pay such bills, more and more of our money must be spent for our family of five. I can see no reason for the Government Board's holding the bonus back for our income is much less this year than on the year previous. Our income did not go up when the war began -- it went down instead.

Arthur Stein, Assistant to Secretary-Treasurer, United Federal Workers of America, Washington, D. C. I am writing to you in connection with the case of Walter Blinstrub, an employee who has been employed in the Bureau of the Public Debt in Chicago, and has recently received notice of termination. \* \* \* In view of the strong possibility that Mr. B's. termination is a direct result of Union activity on his part, we requested that a fair hearing be granted Mr. Blinstrub with a presentation of the charges against him, so that he may be given an opportunity to refute them. Personnel refused either a hearing or a detailed statement of charges, and took refuge in the fact that no such procedure is required by Civil Service procedures. \* \* \* We request an interview

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with you at your convenience in order to appeal this decision. The Union began in January a series of negotiations with the personnel officer in Chicago around the question of improving the efficiency and morale of the Chicago office of the Bureau of the Public Debt. The negotiations were conducted for over two months in a spirit of cooperation and mutual confidence. Certain of the Union's proposals involved recommendations with respect to changes in the supervisory structure, based on the strong conviction that inadequate supervision was a key bottleneck to production. This also involved a charge that a certain supervisor was unfit to perform the functions of her office. The personnel officer apparently accepted these proposals in good faith, but in order to assist his investigation, he requested the Union to supply him with signed affidavits from employees of the section, promising that the signers would be kept free from reprisals. \* \* \* Immediately after the submission of this evidence by the Union, a number of Union members and other employees were called into a private session individually, and statements adverse to Mr. B. were solicited from them. Mr. B's dismissal followed immediately. It is interesting to note that Mr. Blinstrub's work until the time of his dismissal had been of progressively greater responsibility and at no time had any suggestion been made to him that his work or personality were in any way unsatisfactory. \* \* \* (Letter referred to Mr. Thompson.)

Anonymous - Chicago, Ill. We have been trying to get a voucher through your office for \$10,000 for 90 days. It is for payment for a large unit used by the Army. Your gang has had the use of this unit now for that period. We have written you - we have wired you - the results are like water on a duck. When people ask you to wait for the payment of their taxes, you tell them \$10,000 and ten years in jail. Possibly if the election was in prospect and that "Bird" in the White House was running, there would be no delay in matters of this kind. \* \* \*

Alden A. Potter, Bethesda, Md. As a very much interested citizen of the United States of America I beg to protest most earnestly against the practice of not letting the public in on every phase of the discussions regarding the proposals for post-war financial arrangements. To plead that we must win the peace by secret negotiations and discussions before the war is over, so that the arrangements are presented to the people as a fait accompli when the peace treaty is finally negotiated, is as indefensible as was the trick of assuring this nation before the end of World War I that there was no secret diplomacy. Or is it supposed to carry some absolution from the sin of secrecy to confess it openly? It is silly to think that the Treasury officials are capable of shaping a safe and sound policy in the proper interest of this nation without plenty of public criticism and plenty of time for it to be developed. It is bad enough to attempt secrecy in discussions of food supplies, but in monetary matters the existing confusion of ideas among the "experts" who cannot be said to agree on any fundamentals whatever, makes public scrutiny imperative.

Joseph Warner, Goshen, Mass. All praise is due for efforts made now to relieve for the future those economic stresses that tend to make for war. But before Uncle Sam passes over five billions to an international currency stabilization agency, do you suppose he could manage to pay my wife for two tires and a tube delivered to his agent on October 17 of last year on his covenant to compensate her in cash? \* \* \* Fortunately, it matters very little to us whether we ever get the pittance for this rubber. It matters vastly to us and to all citizens whether we can feel assurance that Uncle Sam will honor his covenants, either in the matter of rubber or in the matter of money loaned him on his Bonds. Without national honor, we shall not have international honor; and without international honor, no matter what devices we employ, we shall not have peace.

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Favorable Comments on Bonds

Sergeant Henri Bendel, Hq. Co. D.E.M.L. Sec., U.S. Army, Camp Lee, Va. \* \* \* The payroll deduction plan in the Army is good, but I notice oftentimes men would like to buy Bonds with spare cash, but here at Camp Lee, and I imagine posts all over are the same, or similar, one can only buy Bonds at the Post or Finance Office. Why couldn't each Company or Battalion have an officer delegated for the cash sale and immediate delivery of Bonds -- No Delay! This idea would, of course, be additional to monthly deductions. In a large Camp not more than 5% of the men are near either the Post or Finance Office. Ease of purchasing tends toward greater sales. In addition to increased Bond sales, the soldiers or sailors, if the idea is a good one, will be thankful for a convenient place to invest money they would otherwise dispose of foolishly. \* \* \*

Pfc. Harold Stearns, Somewhere in North Africa. I am acknowledging receipt of your letter of February 25. I was very glad to hear of some word of those Bonds. I hope that they are delivered to my St. Paul home so my mother won't have to worry about them. I know that she is watching the mail every day for those Bonds. Thanks very much.

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Unfavorable Comments on Bonds

David Redwing, Navy Supply Depot, Oakland, Calif. I was working at the John T. Knight Camp, Army Base in Oakland, Calif., last year. I had paid for a \$25 War Bond on the 10% plan. I never did get it. They refuse to get it for me. I paid for it on December 9, 1942. I thought by now I should have it. I asked about it two or three times. The last time they said, "What would a big, ignorant Indian like you do with a Bond if you had it?" I told them I had a sick wife who could look at it if nothing else. I wonder if you would speak a word for me about getting this Bond -- or who should I write to? I write to you because I thought you would be the best man to write to. I am now working for the Navy Base at Oakland, California.

Frederick Oscar Reid, R.R. #1, Hartington, Ontario. In regards to War Bonds which I purchased and sent to the Treasury Department for redemption -- what about them? I paid hard-earned cash for them and when I needed the money I thought I could get it from them. I had them taken care of the best I knew how, and your Department refused to cash them that way, sending me forms to be filled out, which was done as nearly as I could possibly do so, and what now? Well, I haven't heard any more -- can't get satisfaction any way. The form is either in the hands of the Treasury Department or the U. S. Consul at Toronto. Which, I do not know. What I do know is that I don't seem to get anywhere regarding same. What is this -- robbery or a run-around? I don't like your way of doing business.

Warren V. Miller, Attorney, New Orleans, La. This is a complaint about War Bonds and U. S. Treasury Notes that is so serious that I know of no one else with whom the subject should be discussed. Unless corrected, it is going to result in the loss of thousands and thousands of dollars of sales. \* \* \* I was the organizer of the

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Council of Civic Club Presidents of New Orleans, which put on the million dollar War Bond Breakfast, selling \$4,000,000.00 of Bonds. \* \* \* The same organization has proposed to put on a similar proposition in May, but I shall have to advise them that I, for one, will not, under the present conditions, be willing to "gyp" the Louisiana public, and have anything further to do with Bond sales. \* \* \* These complaints are two in kind and I will give you specific instances rather than abstract generalities. (1) A client, Mrs. Julie Strauss, died in the City of New Orleans, without will, owning a U.S. Defense Bond, \$25.00 denomination. We cannot cash this Bond without either violating the law and subjecting ourselves to a fine up to \$10,000.00, or by expending from six to ten times the value of the Bond to cash it. The Federal Reserve Bank will only cash Bonds by an Administrator, or else by having all of the heirs of the decedent present in person. The appointment of an Administrator in Louisiana is unnecessary when the decedent leaves no debts, as happened in this instance, but the succession is handled by a short procedure placing the heirs in possession. The appointment of an Administrator would cost \$150.00 or more. \* \* \* The heirs live in Colorado, California and New Orleans, and it would take \$1,000.00 to assemble them. Every other matter in this succession was handled by Power of Attorney, which was referred by the Federal Reserve Bank. Transfer of your Bonds is forbidden by law. In spite of this, the Federal Reserve Bank did state that they would not accept a transfer by the heirs, but would allow an assignment. In law, an assignment is merely a form of transfer, and same is forbidden with penalties, and neither my clients nor myself are willing, for the sum of \$25.00, to incur Federal penalties. As a result, the Bond has practically been preempted to the U. S. Treasury, and cannot be cashed. Remember, that every other effect of this succession has been adjusted, paid off or transferred. \* \* \* There are thousands of this class of succession in Louisiana every year, and if the news ever gets around among the Legal Fraternity, you can bet your bottom dollar that there is going to be a thousand people arguing to their clientele against the purchase of these Bonds. I would not again let a client purchase a Bond until these conditions complained of herein are corrected. (2) The second complaint is about U. S. Treasury Notes

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and use of them in paying income taxes in the State of Louisiana. Hundreds of our citizens have bought U. S. Treasury Notes, expecting to use these Notes for the payment of their income taxes. Louisiana is a community law State and by some nitwit quirk we cannot pay the community tax with these Bonds, the Collector of Internal Revenue claiming that your ruling is that since the Bonds are made payable to the man of the community, the wife's income tax cannot be covered by them, overlooking the fact that in Louisiana, property in the husband's name belongs to the community and he is merely Trustee for the community during its existence, and that, therefore, these Bonds belong as much to the wife as they do to the husband. This means that the interest on these Bonds is almost totally lost for when turned down by the Collector of Internal Revenue, the party must pay cash, and then in turn, the holder of these Bonds has to go to the Federal Reserve Bank and cash them at a lower rate. Today I have talked with four different people in this position, and each and every one of them is firmly convinced that this regulation was made for the purpose of killing the interest provision. \* \* \* The public is already distrustful of the Government, having suffered severely at the hands of the various Bureaus, and they feel that further impositions are being placed upon them in an attempt to get their money under false pretenses. The Government has asked for the public's cooperation, but the Treasury Department is giving no cooperation to the public. \* \* \*

John J. Scully, Secretary-Treasurer, National Organization Masters, Mates and Pilots of America, N.Y.C. It has been brought to our notice that the banking interests are contemplating an intensive campaign for the joint promotion of War Savings Bond and Victory Bond securities. Rumors are also being circulated that the present War Savings Bonds would be changed to a similar status as was the Liberty Bonds in World War #1. The officers of the organization were very responsive to promoting the necessity of the wholehearted support of the present War Savings Bonds, with the result that a very few, if any, of our members have not participated and bought Bonds. Our locals too, have bought Bonds up to the limit of their

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treasuries. \* \* \* We have been requested to write for an official opinion from you as to whether or not the present value of the War Savings Bonds would in any way be changed if our membership participated in this new drive? They are concerned about whether or not new Bonds, at any time while they are holding same, would be cut from their full value. They are also suspicious of the banking interest to the extent that they believe the banking interests may be interested in using these Bonds for a commercial reason and trade with same at a profit.

Oscar S. Blinn, Attorney and Counsellor at Law, N.Y.C. Am I not fair in submitting that if Uncle Sam is asking millions of poor people to take money out of their savings bank accounts and sell corporate bonds in order to invest the money in War Savings Bond, he should at least extend to them the same cooperation, courtesy, and facilities which any private bank or the transfer-agent of any private corporation would extend? \* \* \* About two years ago, I had occasion to write you about the preposterous rule of the Treasury Department, requiring that no Government Bonds could be transferred by an estate to a legatee in kind without a court order. However, probate procedure in other states may be, any lawyer in New York State knows that there is no procedure in our Surrogate's Court Act for the making of such an order except as it is a part of a final decree in an accounting proceeding. \* \* \* In reply to my letter, you wrote me to the effect that the rule had been abrogated and that the Treasury Department was now accepting, in lieu of a court order, the same kind of proof which any private corporation would accept. \* \* \* We have now run into a new situation of the same general type in connection with the affairs of the above decedent. She left a few \$25 Series D War Savings Bonds, registered in her own name, but payable on death to two infant nieces. \* \* \* Today we presented the proper forms, the Bonds, and a death certificate to the Federal Reserve Bank, only to learn that the bank was terrifically shocked and claimed that our papers were entirely defective because the Bonds were registered in the name of "Carrie Howd" while the death certificate (like all death certificates) gave the

full name as "Carrie Wolven Howd". It is unnecessary to remind you, as counsel for your Department will readily agree, that middle names are entirely superfluous in the eye of the law as the law requires only a given or Christian name and a family name. We have had many occasions to present similar death certificates to savings banks and private corporations in connection with transfers of money and securities, and have never yet had our papers thrown back upon us. \* \* \* It is going to be extremely onerous to secure supporting affidavits such as the Federal Reserve Bank is now demanding. \* \* \* Just so long as the Treasury Department insists upon putting investors to all sorts of trouble which private corporations would not require, just so long shall we hesitate to advise clients to sacrifice their securities in order to buy War Savings Bonds. \* \* \* The whole attitude of the Treasury Department upon any kind of a re-issue or transfer of Bonds seems to be to throw as many obstacles into the way of the investor as possible. Is it not time that the Department abandoned that attitude and gave at least as good cooperation as private corporations will furnish in similar circumstances?

Hon. Hamilton Fish, Member of Committee on Rules, House of Representatives. I have received numerous complaints such as the enclosed from Whitman S. Wick, regarding the nondelivery of War Bonds purchased by Federal employees through deductions from their pay, some running back as far as eight and nine months. In one case the War Savings Staff actually requested that a Money Order in the amount of \$1.25 be sent to them before they would even give any information as to the status of such a purchase. Certainly it should be evident that if such a practice is continued, and delivery of Bonds purchased continues to be held up by the Treasury, people will discontinue permitting deductions from the pay for such purpose, and with some justification. I am confident that you will want to do everything possible to correct this situation and will appreciate it if you will advise me as to what can be done about it. \* \* \*

- 11 -

H. H. Riddle, Cleveland, Ohio. I understand you appreciate the views of the ordinary man. You are about to start a campaign to sell War Bonds. I wish to state that many of my friends and myself will not purchase any Bonds for the following reasons. The Income Tax problem has become so complicated one does not know what to expect, therefore the only thing to do is to save money in order to pay the tax when due. We object to paying such high taxes in order to allow our Government to pay exorbitant prices for the purchases of material. If our boys are prevented from defending themselves or winning battles on account of the lack of ammunition, planes, etc., it will have to be charged to our Government. We are fast making Republicans out of good Democrats.

Alexander Merdach, N.Y.C. As a worker in the Language Section, Military Intelligence Division, U. S. War Dept., formerly at 17 Battery Place, New York City, I have had deductions made from my salary beginning June 15, 1942. These deductions amount to \$76.25. I was under the impression that this money was to be applied to the purchase of War Bonds. I regret to say that this impression is fast losing its grip on reality. To date, the Chief Finance Officer of the Bond Division has not only failed to send me any Bonds, but he has even failed to answer our telegram of last week requesting information as to the fate of the money that has been collected from us. \* \* \* Were this a matter that concerns me only, I should suppose that it is just a minor slip of Departmental procedure, but it happens that the same dilemma confronts all of my co-workers who too have had deductions from their wages, and who too have as little to show for it.

- 12 -

Favorable Comments on Taxation

George E. Mainardy, Hollis, N.Y. \* \* \* We all understand and admit the necessity of an "all-out" current income tax payment. We all, also, admit that you are qualified to formulate a plan to solve this serious problem. However, it is exasperating to note the lack of definite solution and cooperative action, and passing the matter back and forth for further consideration and action. Such procedure makes for delay and at a time when delays are vitally dangerous and harmful to the best interests of all American people. (Outlines plan.) \* \* \* We all must realize the seriousness of the existing situation and the necessity of giving what is needed now, rather than having an enemy take all from us later, if we fail in our cooperation and support.

Michael Addison, N.Y.C. I listened to a commentator last evening, Fulton Lewis, Jr. His remarks about you were definitely unfair. He spoke of a Poll in which 95% of the people approved of a plan to excuse them from paying a year's or part of a year's taxes. It is surprising that the percentage was not recorded at 99%. I want you to know that I disapproved of the insinuations in the remarks of the above-mentioned commentator.

Copy of letter to Fulton Lewis, Jr., Washington, D. C., from L. C. Miller, Los Angeles, Calif. Your blast of condemnation today, directed at our Secretary of the Treasury, was very unjust, not the voice of a good loser, for example, Wendell Willkie in 1940. The Ruml pay-as-you-go plan had its say, time, and a fair count, and was defeated. Mr. Morgenthau did not vote, neither did he tour all over the country speech-making as did the Ruml Wall Street fox, cleverly attempting to sell his gold brick to Uncle Sam. \* \* \* And now as for your Gallup Poll check on the Ruml tax plan, as you say, it adds up to 95% in favor of a pay-as-you-go plan. All right my boy. Now I will wager you the White House against your Maryland

- 13 -

farm, and this is very good odds, that if you strip the veil off this Rum1 tax plan and bare the behind-the-curtain scheme to the full light of day\* \* \*then give these facts and figures, that this same 95% will reverse their preference. \* \* \*

Lewis Penwell, Collector, District of Montana, Helena, Mont. The entire force of this Collection District is grateful to you for your recent telegram commending it for the manner in which it handled the business during the income tax filing period. During the latter part of the period, every one in the main office worked long evenings, and all of the last Sunday. There were no complaints, every one did his part cheerfully, and all are thankful to you for your graceful recognition of our small contribution to the general good.

Fred Olsson, Art Shop, Cambridge, Mass. For common sense reasoning, do all you can to kill the Rum1 Plan. It is unsound economically, and from every business standpoint. I wonder if Macy would be willing to wipe off all accounts due it for merchandise purchased in 1942, provided that future purchases made in 1943 would be paid for in cash. Would not that be a dream for all debtors? In my opinion the plan is asinine and crazy, and thoroughly unsound. Kill it!

- 14 -

Unfavorable Comments on Taxation

Oliver Johnson (A Low-Salaried Worker), Manhasset, N.Y. Congratulations upon your income tax victory! You have licked Mr. Ruml, and I suppose you and Mr. Doughton feel fine about it. At the same time you have also licked most of the individual income taxpayers as these people are in favor of the Ruml Plan. The partisan resistance to the Ruml Plan as reflected by the House vote is disgusting and stupid. That was due to the Administration's obstinate pressure which in this case means you. \* \* \* You want unity and cooperation from us -- how about our getting some from you?

Henry Erdos, York, Pa. Now that the pay-as-you-earn tax plans have been scrapped by the House of Representatives, don't you think this would be the proper time for you to really get busy with the House Ways and Means Committee and work out a feasible pay-as-you-earn plan? \* \* \* I am manager of a hosiery mill, employing about 400 people, and I can testify to the fact that the big majority of our employees do not have money saved for taxes. In fact, a lot of them borrowed money and cashed in War Bonds to pay their March 15 income tax. I respectfully request that you give this your attention so that deductions at the source could start July 1.

L. H. Bieler, Brooklyn Park, Maryland. Don't you think you owe the American people an apology for your remark concerning the pay-as-you-go plan? I should like to remind you that "we the people" pay the taxes as well as your salary, and "we the people" want that system adopted, so don't be so "pleased" in the future when a few people in Washington choose to disregard the wishes of the voters, who, at the next election won't forget these certain politicians who appoint people like you to office.

C. W. Guinzburg, Yonkers, N.Y. (Encloses Times Editorial.) \* \* \* Our family have always voted Democratic, but Boy, Oh! Boy! did that vote against the Ruml Plan make us eager to vote Republican from now on.

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Miss Bertha E. Irons, New Bedford, Mass. I am writing to ask you to change your mind about the tax plan. The current saying is that the only reason you are against it is because you did not think of it. If you were a Japanese, I would know you could not change your mind without losing face, but we Americans are not bound by such rules. I can understand Franklin D. Roosevelt not having much conception of a pay-as-you-go tax plan, but you must know a few poor folks - not breadline poor, but thrifty poor - who have to worry a little over paying their bills, but who take pride in keeping them paid. We taxpayers are not trying to have any taxes forgiven, we are merely hoping to have the base of taxation changed from last year to the current year. Congress has the power to determine the rate to secure what funds are needed, so there will be no loss of revenue to the Government. If a taxpayer can compute and pay his tax on current income, he can end the year paid to date. Recent Federal rulings make us keep our store charge accounts paid to date, and we would like to pay our taxes in the same way.

Jeannette Hammel, Akron, Ohio. I cannot understand why the Treasury Department will not bend its efforts toward reaching a compromise on pay-as-you-go legislation when it is so obvious that such a system will have to be put into effect if the Government ever hopes to collect. I am incensed over the way this country is being run, and I think it is time you politicians put the United States on a sane economic basis instead of spending it to bankruptcy as you are now doing. I am putting 10% of my salary into War Bonds for the sake of our boys, but not because I have any faith in the present Government.

Haynes L. Everest, West Hartford, Conn. Perhaps my concepts of Government are all outmoded, but it has been my belief that the Secretary of the Treasury, as well as other Government officials are the paid employees of the people. Unless I am wrong, is it not a fair question to ask why you should express, as reported,

- 16 -

pleasure over the defeat of a measure which has seemingly the support of 85 to 90% of the public? Your comments will be appreciated.

R. Winthrop Nelson, West Hartford, Conn. May I say that your remarks about being pleased over the defeat of the wishes of the American people about the Ruml Plan do not sit very well with many people. I happen to be on the Victory Bond Committee and it is indeed hard to put pep into a sales talk for Government Bonds when so little concern is felt by our officials as to modernizing our tax laws. As it is now, everybody owes the Treasury a year's taxes, and when a man dies or retires on half-pay or his pension (if any) his estate or he owes a year's taxes on the larger income he has been receiving, without the means of paying it. People are really remarkably willing to go the limit on taxes, restrictions, etc., and I think it would be sporting for you fellows to meet them half-way, and not take this school teacher attitude. \* \* \*



OFFICE OF THE CHIEF  
U. S. SECRET SERVICE

## TREASURY DEPARTMENT

WASHINGTON, D. C.

April 9, 1943

Memorandum for the Secretary

From: Chief, U. S. Secret Service

Supervising Agent Maloney today advises me that Madame Chiang Kai-shek's doctor in New York had been requested to reserve hospital accommodations for her upon her arrival in New York City on April 14th, but that the plans to enter the hospital have been changed and the doctor advises Mr. Maloney that they wish to secure a country estate within two hours ride of New York City. When the estate is secured the doctor is to notify Supervising Agent Maloney in order that he may make a survey of it.

A handwritten signature in dark ink, appearing to be "J. J. [unclear]", written in a cursive style.



APR 9 1943

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet Government indicating the cargo available for April.

Tonnage at the end of April will be 665,656 an increase of 40,084 tons over March. This increase is chiefly attributable to the accumulation of equipment under the special industry programs such as the tire plant, electric power and oil refinery programs.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House

ABL:kb  
(4-8-43)

Marked "Strictly Confidential"

By Mess. Sturgis 5:14 4/9/43

Copy to: Major Gen. J.H. Burns,  
President's Soviet Prot. Commit.  
1901 Constitution Ave.,  
(marked "Strictly Confidential")

Copies in Diary

TREASURY DEPARTMENT - U. S. S. R.  
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING APRIL 1943

<u>COMMODITY</u>	<u>PRIORITY CARGOES SPECIFIED FOR APRIL 1943</u>	<u>AVAILABLE</u>		<u>BALANCE</u>
		<u>STORAGE</u>	<u>PRODUCTION</u>	
STEEL BARS, SHEETS, STRIP, PLATES, SHAPES, ETC.	10,830	210,146	24,616	223,932
TOOL AND DIE STEEL	2,195	2,316	5,792	5,913
RAILROAD RAILS, WHEEL SETS AND ACCESSORIES	1,700	100,280		98,560
WIRE PRODUCTS	2,150	76,322	9,412	83,584
PIPE AND TUBING	2,000	122,942	2,172	123,114
TIN PLATE		7,923		7,923
COPPER AND ITS PRODUCTS	17,450	38,078	16,943	37,571
ZINC	3,400	853	3,500	953
ALUMINUM AND ITS PRODUCTS	2,000		2,400	400
NICKEL AND ITS PRODUCTS	380	13	460	123
FERRO ALLOYS	3,400	4,401	1,100	2,101
CHEMICALS		3,441	2,030	5,471
MERCURY		31		31
INDUSTRIAL AND CONSTRUCTION MACHINERY, MATERIAL, ACCESSORIES AND PARTS	1,550	42,843	17,897	59,190
AUTOMOTIVE EQUIPMENT AND PARTS			70	70
TIRES AND TUBES	9,000	735	10,000	1,735
GRAPHITE - METAL ELECTRODES	20	1,168	1,890	3,038
RUBBER PRODUCTS		2,864	2,935	5,799
HAND AND MACHINE TOOLS		1,200	2,030	3,230
BALL AND ROLLER BEARINGS	160	123	500	463
PAPER AND PAPER PRODUCTS		2,070	300	2,370
MISCELLANEOUS SUPPLIES AND EQUIPMENT	<u>250</u>		<u>345</u>	<u>95</u>
	56,455*	617,729	104,382	665,656

NOTE: \*Priority Cargo represents only that tonnage with assured shipping space as of today.  
As in previous months substantial other cargo will be shipped.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, London  
TO: Secretary of State, Washington  
DATED: April 9, 1943, 7 p.m.  
NUMBER: 2510

CASADY SENDS THE FOLLOWING FOR THE SECRETARY OF THE  
TREASURY

The British Ministry of Information in London is mimeographing the American post-war currency proposal. They are distributing it through our Treasury Attache's office and the Office of War Information. Because of the large demand and the necessity for re-stenciling, the process of distribution is relatively slow.

Officials of the British Treasury wish to know whether there is any objection to having H.M. Stationery Office print the United States currency document for widespread distribution to the public, the members of Parliament, and so forth, as was done in the case of the State Department's publication Peace and War and the Senate document number 188 entitled Addresses and Messages of Franklin D. Roosevelt on the Development of United States Foreign Policy. Peace and War is still in demand, and it is said that some 28,000 copies were sold. Sales to date  
of

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of Addresses and Messages are unavailable, although they are believed to be large, and 40,000 copies were printed in the original edition.

Reference is made to the last sentence of the Department's message number 2161 of 1 p.m. April 7. Authorization for printing to proceed has been granted with the approval of Mr. Winant. Prior to final printing, proofs are to be submitted to the Embassy.

WINANT

S:WDM  
FS:MLM  
4/10/43

Treasury Department  
Division of Monetary Research

92

Date..... April 16, 1943  
194

To: Miss Chauncey

The Secretary might be interested  
in glancing at this item from Ankara.

H.D.W.

MR. WHITE  
Branch 2058 - Room 214½

C  
O  
P  
Y

Mrs. White

93✓

DM

PLAIN

Ankara

Dated April 9, 1943

Rec'd 9:54 p.m.

Secretary of State,

Washington.

680, ninth

Yesterday's VATAN declares that should United States congress fail to renew reciprocal trade agreements act by next June, United States would be obliged to resort to its former isolationist policy and that should Congress override President's veto on farm parity prices bill, general equilibrium of life there would be upset. These two alarming possibilities, editorial continues, give evidence of extent to which American politics may affect world peace.

SON POSTA of seventh remarks that endeavors of American Treasury Secretary to create stable international currency unit imply that gold standard will again be universally adopted sooner or later.

STEINHARDT

DD

Copy:bj:4-13-43

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

April 9, 1943

FROM Frances McCathran

## CONTROVERSIAL ISSUES BEFORE CONGRESS

1. International Monetary Plan - Representative Ford took exception on the floor of the House yesterday to remarks made by Representative Smith of Ohio criticizing the Treasury's plan for post-war currency stabilization. Smith, calling it "Mr. Morgenthau's secret plan to establish an international stabilization fund" and a "clandestine movement," said the proposal would threaten the "freedom and sovereignty" of the people of this country. He then went on to pose questions sounding like the tag-line on a grade B radio serial, such as: "Who wants to get control of our gold hoard?", "Who are the real forces back of this sinister scheme?", etc. Representative Ford yesterday pointed out, however, that there could be nothing very secretive in a plan submitted to Congressional committees and made public by both press and radio all over the world. The fact that it was withheld from the public until presented to the Congressional committees was simply a matter of courtesy, Ford observed. The principles of the plan are already embodied, he added, in the tripartite agreement between the United States, Britain, and France, and the results of this were far from "sinister." The Treasury's proposal, Ford continued, "which has a worthy and I might add, a vital objective, the stabilization of international currencies, is merely a plan to apply to the world the mechanism used in our tripartite stabilization plan, and thus avoid the chaos that would be inevitable, in the absence of some plan, in the post-war world." Later in the day Representative August H. Andresen served notice that he intended to introduce a resolution in the next few days providing for the creation of a Congressional committee to sit in on the monetary conferences when they are held in Washington. Since "Mr. Morgenthau...felt it would be necessary to have additional legislative authority" in the hearings on the post-war monetary plan, Andresen said he thought Congress should be represented in the "international conference, not necessarily to take part in the deliberations, but to get the viewpoint and knowledge of secret agreements that are often made in such conferences."

2. Tax: Pay-As-You-Go - Chances for action in the near future on pay-as-you-go income tax legislation appear to have reached another stalemate, despite House Democratic Leader McCormack's statement yesterday that if a "reasonable compromise" plan is presented by the Ways and Means Committee he will "see that it is brought up in the House at once." Republican Leader Martin, however, while calling for immediate action, announced that he was still firmly behind the Ruml-Carlson Plan, although McCormack had observed that "a reenactment of the Ruml fight by my Republican friends would do no good." Meanwhile Representative Anderson's letter to Representative Doughton urging the revival of plans for putting taxes on a current basis has been signed by 65 Democrats. In it Anderson criticizes the Treasury Department for what he calls its "arbitrary position" and urges that "no more attention be paid" to its opinion. Whether all these words are not "much ado about nothing" remains to be seen, however, for the House Ways and Means Committee, with a full program ahead of it, may decide to go ahead with hearings on the Guffey Coal Act and the Reciprocal Trade Agreements Act first.
3. Farm Issue - In hearings before the Senate Agriculture Committee on the Pace Bill yesterday, Price Administrator Brown again stirred up tempestuous criticism from farm bloc Senators when he reiterated his approval of a government subsidy program to encourage food production in place of raising farm prices as provided in the Pace and Bankhead Parity Bills. But Chairman Smith, declaring himself completely unsatisfied with OPA's explanation of their claim that the Pace Bill would increase living cost more than 14 per cent, disgustedly requested that the Committee "continue this burlesque" on Monday. Meanwhile on the other side of the Capitol, the Senate passed a bill providing \$40,000,000 to create a new "land army"--principally of imported Mexican workers--and sent it to conference to resolve differences with a similar House measure.

BRITISH MOST SECRET  
U.S. SECRET

SECRET  
APPROVED FOR RELEASE  
DATE 10 MAR 1985  
INVEST TO BE RE-TRANSMITTED

OPTEL No. 116

Information received up to 7 A.M., 9th April, 1943.

1. NAVAL

A Norwegian patrol vessel is overdue from patrol off NORWAY and must be considered lost. One of H.M. Submarines between 24th and 30th March sank a 2,500 ton west-bound tanker off Northern SICILY, attacked shipping in MILAZZO Harbour and sank 3 schooners and damaged another north of the Strait of MESSINA.

2. MILITARY

TUNISIA. To 6 p.m., 8th Army. It now appears that the 8th Army attack on the AKARIT position took the enemy by surprise and caught him with two Armoured Divisions already committed on the EL GUETTAR Front. During the afternoon 7th, 30th Corps were in close pursuit of the enemy and 51st Division advancing astride the Coast Road were 5 miles southwest of CEKHIRA by 6 p.m., our armoured forces protecting the left flank fought an action during the afternoon 7 miles northwest of CEKHIRA. The enemy soon withdrew. Further west our troops had by the end of the day caught up with an enemy protective screen running southeast from SEKRETEL EL NOUAL. Other forces were clearing the AKARIT battlefield and forming a firm base in the bridgehead position out of 5,311 prisoners taken by the 8th Army on the 6th, only 98 were German. During the 8th, enemy withdrawal from the CEKHIRA-SEKRETEL NOUAL position continued and there is considerable congestion of vehicles on road leading northwards. Our troops are in pursuit and forward elements have reached the CEKHIRA Area and have crossed the SFAX-GAFSA Road.

U.S. Sector. During the 7th, enemy forces in the southern portion of the sector made a general withdrawal, an armoured force followed up and fought an engagement with rearguards east of BIR ZELLOUDA (Road junction about 25 miles east of EL GUETTAR). 2,000 prisoners were taken during the day. In Sector of southeast Algerian Command, French troops attacked enemy positions south of DJEREL BARDJA directly the enemy began to withdraw. They captured 50 prisoners and considerable material, including 20 guns, with only a few casualties. They followed up the enemy rearguards beyond BIR OUM ELI but their advance was delayed by mines. They have established contact with United States forces on GAFSA-GABES Road.

First Army. On 7th, our infantry attacked between BEJA and MEDJES EL BAB on a front of 10 miles and gained all their objectives against strong enemy resistance. High positions 5 to 8 miles north of OUED ZARGA were captured and 120 prisoners taken during the morning. Further progress was made on the morning of the 8th and the attack continues in the PICHON-PONDOK Area. British, United States and French forces are now advancing. The United States Forces southwest of PONDOK were held up by heavy fire, otherwise according to the latest report good progress is being made. General Headquarters 9th Corps (Lieutenant General Crocker) has arrived in 1st Army Area. 1st Army now consists of 5th and 9th United Kingdom Corps and 19th French Corps. Although early indications could be expected to be received, there are at present few signs of an intention by enemy to evacuate. Jetties have been built in Gulfs of HAMMAMET and TUNIS which have not been used for supply purposes and which might be intended for evacuation. There are, however, no signs of concentration of light craft which would use them. Troops and supplies continue to be sent to TUNISIA.

3. AIR OPERATIONS

WESTERN FRONT. 8th/9th. Aircraft despatched - DUISBURG 392 (21 missing and 1 crashed); sea mining 27 (1 missing) Intruders 5. Over DUISBURG weather was bad with thick cloud to above 20,000 feet and most aircraft bombed by navigational aids.

TUNISIA. 5th/6th. Wellingtons dropped 33 tons of bombs on TUNIS and started a very large fire. 6th. 76 escorted U.S. Bostons made 6 attacks on LA FAUCHNERIE airfield. 6th/7th. Wellingtons dropped 144 tons of high explosive on SFAX and vehicles in the vicinity. 7th. 333 Bomber and fighter bomber sorties were flown against vehicles withdrawing along the Coast Road in the SFAX area. Hurricane tank-busters attacked 25 tanks preparing for a counter attack at CEKHIRA. From incomplete details at least two tanks were set on fire. 6 Hurricanes missing. In patrols over the forward area many casualties by Spitfires 4, 1, 2. Ours 1 missing.

SICILY. 22 U.S. Liberators bombed the train-ferry terminus at MESSINA.

SICILIAN CHANNEL. 6th. U.S. Bombers attacked 3 large ships with four escort vessels; of these vessels 3 were sunk, category unspecified. Enemy fighter casualties 3, 5, 5.

April 10, 1943  
9:30 a.m.

FINANCING

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

H.M.JR: I had nothing particular. I did want to hear what Mr. Robbins is going to say at one-fifteen, in case there is something I might not like about it.

I got the suggestion about the rehearsal.

MR. PEABODY: One o'clock, sir.

H.M.JR: I will be there at one.

I have been working on my speech since eight this morning and I am in such a lousy mood over that speech because the more I read it the more terrible it sounded to me. In two paragraphs the word "people" appeared five times. So I made a few changes, but it just - I don't like it. So I don't want to be--

MR. ROBBINS: How long will you be, sir, do you know?

H.M.JR: If you divide the thing by a hundred and twenty you will get whatever it is. I don't know how many words it is.

MR. ROBBINS: Our thought on the organization of the fourteen and a half minutes we have - after we left you yesterday we went to my office, Mr. Gaston, and Peabody, and Mager, and myself, and it seemed best for me to get

- 2 -

my stuff finished and then turn it over to you. Now, according to the timing on these comments, it will take about eight minutes. That was built to that number of minutes because what you had - what was prepared for you - was planned to take about four, I believe.

MR. GASTON: It will take at least five.

MR. ROBBINS: Whatever it was - four or five. This was built to fill in the gap and leave perhaps - well, at least two minutes leeway at the end.

H.M. JR: On a speech like that that I read, I will come within five seconds of hitting it right. I won't vary - ten seconds at the most.

MR. ROBBINS: That would give us thirteen - a minute and a half to play with.

H.M. JR: What I did was I cut out maybe ten or fifteen words this morning. There are a couple of words that are unpronounceable.

But the sooner I get that speech out of my system and the sooner I can get back to my Carnegie Hall speech, the happier I will be, because it just throws me off on the Carnegie Hall speech. It constantly throws me off. That is what puts me in such a bad humor.

MR. GASTON: At this stage you don't want anybody else to do anything more with that speech?

H.M. JR: No, I cut out some words and changed a few. It is being retyped now.

MR. ROBBINS: I have done a good bit of chopping and hacking with mine, so I am reading from the rough notes to be retyped between now and one o'clock.

I would be preceded by an announcer, wouldn't I, and then I would come on?

MR. PEARBODY: Yes.

(Speech read by Mr. Robbins, copy attached.)

MR. ROBBINS: I can change that last and say, "And now I would like to introduce to you our leader in this great financial mobilization. I have the honor to present Secretary Morgenthau."

H.M.JR: Would you like a few suggestions?

MR. ROBBINS: Sure.

H.M.JR: Don't call me the leader - translated in German that means the Fuehrer. (Laughter)

MR. ROBBINS: That is a good thought.

H.M.JR: If you want to be a little colloquial, call me "the boss" or something like that.

MR. ROBBINS: Much better.

H.M.JR: If you wanted, I mean, a little something on the human side about me, or something in there just before you go into that - humanize--

MR. ROBBINS: Have you any thought? Do you want me to generate that myself?

H.M.JR: A little bit on me. That is such a cold introduction.

MR. ROBBINS: I agree with you.

H.M.JR: Get a little warmth over about me to them.

MR. ROBBINS: I can refer to you perhaps as the real sales manager of this campaign - the boss.

H.M.JR: I don't mean that, but a little humanizing, if you can. Maybe Gaston could help you on that.

Did you mention Bell in the opening group?

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MR. ROBBINS: No, I did not - a very definite oversight.

MR. BELL: I don't think you have to do that.

H.M.JR: Oh, yes - very much.

MR. BELL: He has enough names there now.

H.M.JR: Oh, no. Then there was one thing - when you said you don't want to challenge their patriotism. It leaves the impression, do we want to - I mean, raising the issue. And then there is so much about patriotism.

MR. ROBBINS: I worried about that sentence and took it out. It was in, and I read it back in again this time.

H.M.JR: We don't want to challenge patriotism. It sounds as though maybe we really do. I don't think this thing should be based on patriotism.

MR. ROBBINS: Let's take that whole sentence out.

H.M.JR: I read somewhere the other day they were painting RFD boxes yellow where the boys went back on the farm. Did you see that?

MR. PEABODY: No, sir, I didn't.

H.M.JR: I read it in Arthur Krock's column.

MR. ROBBINS: That is terrible.

H.M.JR: Then the other thing, Herbert, either Robbins or I should say - because I think the most important thing that happened this week was the President's statement on freezing costs and wages, and it certainly is going to be most helpful to us.

MR. ROBBINS: I think that belongs in your comments - not in mine.

H.M.JR: I think then, Herbert - there isn't anything in mine - if I could lead into - say something like this: "The President helped us by starting this drive, first by buying a bond - the thing he did which is going to be the most helpful is this freezing" - and so forth and so on. Everybody knows - I don't know as we want to go - it will direct the peoples' minds to buying a bond as against an equity. If you want to go that far, that is the truth. Maybe you don't have to spell it out.

MR. ROBBINS: There would be a lot of people on the receiving end of this that will understand that.

H.M.JR: It will direct their thoughts towards buying a bond as against buying an equity. What do you think, Herbert?

MR. GASTON: I think it would be a good idea.

H.M.JR: I mean, I would like to bring in something about - that the thing was lead off by the President, but that is the least that he did - buying a bond - the really important thing he did this week was the thing he did on prices and wages, which will direct the peoples' minds towards a bond campaign as against going out and buying an equity. If they don't know what that means, say "speculating in the stock market." How does that leave you, Peabody?

MR. PEABODY: I think it is fine.

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

MR. ROBBINS: Do you think this will have much effect on the stock market?

H.M.JR: The worst flop yesterday--

MR. BUFFINGTON: I wonder if that is common knowledge. In other words, only the sophisticated will understand it, and they understand it now. I wonder if it adds much. In other words, you don't want to do anything that is controversial as far as any of these workers are concerned.

MR. GASTON: We don't need to go into the stock market end of it.

MR. BUFFINGTON: That is what I mean.

MR. GASTON: Just say that, "Freezing prices makes money available."

MR. PEABODY: "And is going to make your job easier."

MR. BELL: Stay away from equities.

H.M.JR: Say "It will make your job much easier."

MR. ROBBINS: The financial community by and large have constantly expressed an opinion that a healthy, although not necessarily wild, stock market would help us in this bond campaign.

MR. BUFFINGTON: That is why I wouldn't hit too hard on hurting the market. It doesn't add anything.

MR. ROBBINS: It does become, therefore, a controversial issue if you toss it out into the ears of ten thousand bankers.

Schram asked me only one question in my New York bankers meeting, and that was that question that dealt with the attitude of the Treasury towards activity in the stock market at the time of the drive. I was very fortunate in having a whole roomful of bankers, and I said, "Gentlemen, you had better keep me on selling, not on banking."

H.M.JR: What did he want?

MR. ROBBINS: The opinion was then crystallized that a healthy stock market would be a stimulus to bond sales, not a run-away market.

H.M.JR: We had been having a run-away stock market and Schram came down here. He was the fellow on the door step of the White House who talked about the possibility of taking some steps to curtail it, which wasn't very intelligent. He didn't say how, but just sort of frightened people.

Herbert, see what you can do. It may throw my whole speech out of tune; I don't know.

MR. GASTON: I don't think so. Let me take a look at it.

H.M.JR: Miss Chauncey will have an up-to-date copy.

MR. ROBBINS: Is there anything basically wrong with this?

H.M.JR: No.

Bell, do you think so?

MR. BELL: No.

MR. GRAVES: I think he ought to take the words "projection room" out of that first sentence and just say "from the Treasury Department." That is very minor, but somebody might--

MR. ROBBINS: I was feeling around for local color.

H.M.JR: We have an advertising factor - we have a projection room--

MR. PEABODY: Say, "from a room in the Treasury." The "room" does pull it closer to an intimate thing.

MR. GRAVES: Why not say "from the Secretary's office"?

H.M.JR: I have never said that when it wasn't so.

MR. BELL: Say "from the Treasury building" or "Treasury offices."

H.M.JR: "From the Treasury."

Peabody, have you anything?

MR. PEABODY: No.

MR. BUFFINGTON: I rather agree with Harold. If you work that in, say - if it were in the Secretary's office it would be more intimate.

H.M.JR: We have never said that if it wasn't true.

MR. BUFFINGTON: I have nothing else.

MR. GAMBLE: No.

H.M.JR: Herbert?

MR. GASTON: No. We will have to count words on this thing now.

H.M.JR: I will be down at five minutes of one, and will be glad to run through it then.

Could I just say one thing? Would you mind making a note to give to the people that are coming to this meeting - I take it they are the key people in the Treasury?

MR. GAMBLE: Yes, sir, thirty-two people.

H.M.JR: Would you give them a little package of the stuff which went out last night for the newspapers, the letter to the publishers, the chart, and my speech?

MR. PEABODY: Yes, sir.

H.M.JR: Have forty packages.

MR. GAMBLE: Thirty-two is the exact number. That is all the seats we have.

H.M.JR: I think it would be nice.

MR. BELL: Put one in each seat. (Laughter)

H.M.JR: Keep it hot. (Laughter)

I have nothing other than that, unless somebody wants to shoot something at me.

MR. BELL: I assume that there will be no publicity over the week end from the Treasury - press release, I mean, that we usually have on financing. We don't need that because--

MR. PEABODY: No, we will have a general promotional story for release in tomorrow's papers. In other words, it is background on the drive. It involves a great many people. It includes a summary of districts and in general what they are planning to do, but that is all, nothing specific.

There is one point I want to raise--

H.M.JR: You were worrying about a formal--

MR. BELL: Yes, a formal press release. We talked about it earlier in the week and we thought we ought to get Wanders down here Thursday or Friday and have him work on it if there were going to be one, but I understood it wasn't contemplated. I wanted to make sure.

The other thing is, Wanders is coming Tuesday.

MR. PEABODY: He wants to be up for the speech Monday night and will report Tuesday.

MR. BELL: I think it would be a good thing if you announce he is coming.

MR. PEABODY: It has already been done with regard to our own organization.

MR. BELL: I know, but publicly.

MR. PEABODY: I think it would be - we talked about that, Mr. Gaston and myself. We felt that if the Secretary at his next press conference could make a statement to that effect--

MR. BELL: That is Monday. The boys yesterday thought if there was some place they could come - they suggested they might come to me, Herbert, and John Sullivan during the

campaign with suggestions for quotations so as to help out with their stories. I told them I thought by Monday or Tuesday there would be a channel through which they could come.

H.M.JR: Who would the channel be?

MR. BELL: Wanders. They come to Wanders and make this suggestion that somebody be quoted during the campaign like it was last time - not very much, but there were quotes. You were in three or four times. They said it helped the stories immensely. If they come to him, he works out the quotes and then clears them.

H.M.JR: But he works under you?

MR. PEABODY: Yes, sir. What we plan to do is make him a coordinator of all of the releases in the campaign, have everything flow through him and prevent the overlapping, and be sure the emphasis is right in each type of release.

H.M.JR: Harold?

MR. GRAVES: I have nothing.

MR. ROBBINS: I haven't anything else.

There is only one thing I want to register with you, and that is that we have all those reports in - this is off the subject - but one, and that is on the way. So any time - I don't think now is the time, but probably in the next week--

H.M.JR: Are you satisfied with them?

MR. ROBBINS: Well, yes; I think they serve the purpose you had in mind. I believe we have a reference now of all except the twelfth district.

H.M.JR: Which is the twelfth?

MR. ROBBINS: California.

H.M.JR: But I meant, in looking at these reports, do they seem to have every county filled in?

MR. ROBBINS: One place didn't show up with city records. The rest of them even went down to city levels.

MR. BUFFINGTON: Yes, went through the county organization to city.

H.M.JR: Does it show any weaknesses in our organization I mean?

MR. ROBBINS: No, it shows a surprising strength. The volume is terrific.

H.M.JR: Good.

MR. PEABODY: One point on the closed circuit thing is the timing. If it is under on this thing, it doesn't matter. In other words, I just throw that out as a reassuring fact, because we could go off the circuit for a full minute before our period is up and it would have no repercussions whatever.

H.M.JR: So you don't have to put a piano player on?  
(Laughter)

MR. PEABODY: Nobody needs to be under pressure as to timing, because the way we have it here we are under - we don't have to worry about it.

MR. ROBBINS: That does bring up the point, though, that after my comments and the Secretary's comments there is perhaps a closing comment that should be made - at least so we thought in our discussion yesterday, that I would go back on for a very brief statement. The thought I had in mind was to thank the Federal Reserve presidents for the important part that they have played in the organization and development of the plan and sort of throw the challenge out to them that the leadership is in their hands and they should go ahead. That is it; that is the end of it. Does that sound all right?

H.M.JR: Sure.

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MR. BELL: Thank them all for gathering.

H.M.JR: If you are going to write out anything more about me, would you mind showing it to Gaston before you say it, please?

MR. ROBBINS: Yes, I will. It wasn't my thought that I would write this in at all. It would just end up with that.

MR. GAMBLE: We have set that date for Wednesday at twelve o'clock. That was agreeable to everybody. Congressman Doughton agreed with you.

H.M.JR: Have you notified them?

MR. GAMBLE: Yes.

H.M.JR: No trouble?

MR. GAMBLE: No trouble.

H.M.JR: That is much better.

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Mr. Robbins' Opening Speech (8 minutes)

Fellow workers in the field: I am speaking to you from the Treasury Building in Washington. In the room with me are some of the men and women who have built up this great organization of war workers from its very beginning: leading the list, of course, Secretary of the Treasury Morgenthau; also Under Secretary Daniel Bell and my coworkers Harold Graves, Ted Gamble, George Buffington. I regret that another associate whom most of you know, Peter Odegard, is not here with us this morning.

In the brief time since I have joined the Treasury Department, I regret that it has been impossible for me -- or for our advertising associate, Mr. Peabody -- to meet personally all of the many people who are joined in this radio conference this morning. For you are many people, no doubt of that. You are approximately 60,000 war workers listening over a closed

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circuit from 130 stations of the National Broadcasting Company and 216 stations of the Mutual Broadcasting System.

Since coming to the Treasury, however, I have traveled across the land and back, and I have met many members of this great staff. It was a truly inspiring experience for me, for I learned at first hand how devoted, determined, and enthusiastic all of you really are. I appreciate full well the part you will play in this April Drive.

For our part, we in Washington have done all in our power to set the stage for success. I would like to tell you something of what we have done.

We have made the preparations for perhaps the greatest national advertising and publicity campaign in history. The American public has some idea already of the forthcoming Second

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War Loan Drive. The full force of the Drive, the full impact of our message, however, will not be registered until 48 hours have passed.

As all of you know it is our intention to relate the Second War Loan Drive to the activities of the armed forces. Starting tomorrow at 3:30 p.m. Eastern War Time the big guns of our campaign, working in conjunction with the nation-wide Army Hour radio program, will release their first great salvo. Those who are tuned to their radios will hear a stirring tale of heroism from the fighting fronts. The intimate connection between the fighting fronts and fighting dollars, between the lives of our soldiers and the lending of our money, will be forcefully brought home.

Monday, April 12, will be, however, the red letter day on the radio throughout the nation. Practically every radio

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station in this land will go all-out on war Bonds for the full 24 hours of that day. The high spot will be the mass meeting at Carnegie Hall in New York, from which Secretary Morgenthau will address the nation.

Other avenues of publicity will operate with increased force as the campaign develops. In their advertising and in their editorial columns, the newspapers of the land will lay down a terrific War Bond barrage. There will be billboards, car cards, posters, and pamphlets -- a gigantic volume of advertising donated to the nation by leading American industries, institutions, and individuals.

The magnitude of this advertising campaign is too huge to cover in the brief time at our disposal, embracing as it does everything from the modest pamphlet to the local newspaper, the nation-wide radio program and featured newsreel. Your own

local advertising and publicity campaign will supplement and in many respects even surpass the national programs handled from here. America will be made aware of our presence. The people of this country will know that the Second War Loan Campaign has started. And you, as salesmen, will be preceded to your customers' doors by the persuasive, compelling support of perhaps the greatest publicity drive in history.

Much as the advertising will do to aid you in your work, the fact remains that the success of this April Drive depends on you, and you alone. Advertising and publicity, regardless of its force and persuasiveness, will not do the job which lies ahead of us. The job before us will only be accomplished by personal contacts, by dealing face-to-face with the people to whom we wish to sell. We cannot wait for the people to come to us. On the contrary, we must go to the people. The success

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of our campaign rests upon millions of conversations -- face-to-face conversions -- which will take place between you and the people. And that is going to take time, patience, effort. Above all, it is going to take skill.

Let us have no illusions. The selling of United States War Bonds to the citizens of the country is a unique kind of sales job, far different, for example, from selling packaged merchandise or even an automobile. In the first place, it is difficult, often impossible, to know when you have achieved success. It is not enough simply to sell John Jones a \$100 bond. Such a sale may indicate real achievement, or, in turn, it may fall short of the mark. If John Jones could afford to buy only a \$100 bond -- if, in fact, his purchase represents a real sacrifice on his part -- then you have certainly achieved success. If, on the other hand, John Jones was in

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a position to buy \$1,000 worth of bonds, but only bought \$100 worth, then the measure of our success has been small indeed.

In dealing with an individual's ability to buy, we are face to face with the most intimate financial relationship that can possibly exist between customer and salesman. I know of no sure way to meet this problem. I have but a few suggestions which are homely and certainly not original. Put yourself in the position of the man to whom you are trying to sell, try out your own sales plan on yourself, appeal to the self-interest of the customer as well as his patriotism. Hard sincere selling will do the job and no other kind of selling is worthy of the effort. Study your manual, plan your calls, make bond selling your first and only business until the job is done - and see the people.

I am extremely optimistic as to the results you are going to achieve. I say this as one whose job for many years it has been to sell, and to work with salesmen. Every salesman knows that to achieve success, the feel of the sales force must be right. I have been out with many of you in the field and I have the feel of our organization - it is fine! - we are on our way - nothing can stop us!

You war workers joined up in this great crusade out of your own free choice. You came in to perform a patriotic service to your country. You came in because a hard, difficult job had to be done, and you felt you had the experience, the judgment, and the skill to do it. I know you have! You came in because you believe the securities of your Government -- and the great country that backs them up -- are the finest things in the world

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to have and to own. To achieve success in this April Drive, all you need to do is communicate some of your own feeling, some of your own enthusiasm, some of your own patriotism, to the millions with whom you will come in contact. Patriotism is a contagious thing. And I have every confidence you will spread your own contagion far and wide.

And now I would like to introduce to you the Commanding General of this great army of volunteer workers. The man on whose shoulders rests the chief financial responsibility of our nation in time of war. The man who now asks you to shoulder a portion of this great responsibility - The Secretary of the Treasury - Henry Morgenthau, Jr.

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April 10, 1943

Pages changed by the Secretary.

Thank you, Mr. Robbins.

Fellow workers. I want, first, to express my gratitude to you veterans of the home front for the patriotism you have shown in the campaigns that are already history. You have given unsparingly of your time and effort, without compensation of any kind save the satisfaction of serving your country loyally and well, to the most important task to which <sup>and women</sup> men <sup>^</sup>today can devote themselves -- the winning of the war.

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In spite of the unparalleled task that lies before us, the conditions of success are at hand. There is more money in the people's hands available for investment than at any previous time in the nation's history. We have, as you know, designed our securities in such a way to appeal to every type of investor, long-term or short-term, corporate or individual, bank or trust. What is required now is that you workers carry the Government's ~~message to the people of the~~ country -- ~~carry the~~ message to every home in the land. ~~That~~ I know you will do this

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*everybody*

To win this war, ~~the people -- all the~~  
~~people~~ -- will have to put their shoulders to  
the wheel. War on ~~so unexampled~~ *such a huge* scale cannot  
be the enterprise of the few; it must be an  
undertaking of the many. Only the people --  
all the people -- can finance this total war.  
Our success in achieving the 13 billion dollar  
goal will not be measured alone by our ability  
to raise the money. The true measure of success  
will be the extent to which this money comes  
from the savings of individual men and women.

-0-

The overwhelming majority of our people, I am convinced, are ready, willing, and eager to demonstrate to the men and women of the armed forces, to the teeming millions of our Allies who are enduring the tortures of a living hell ~~at this very moment~~, that we are with them in fact as well as in spirit in this crusade to blot out barbarism and lay the basis for a better world.

It is your job to see that the men and women of America demonstrate their determination to win through to final victory and lay the foundations for a lasting peace by buying War Bonds in vastly greater amounts than they ever did before.

Some you will only have to approach; some you will have to persuade; and some you may have to convince. All, however, you will have to reach.

May I express to you in this <sup>magnificent</sup>~~glorious~~ enterprise my sincerest wishes for the best of success and Godspeed.

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These new safeguards  
against inflation  
will make it  
more desirable than  
ever to invest in  
Gov. Bonds.

The President of the United States has already given us powerful help in this campaign; not ~~merely~~ by selling the first bonds, but - what is far more important - by the <sup>new</sup> ~~new~~ <sup>new</sup> action he has just taken to hold down the cost of living ~~and make more money available for investment~~ through freezing ~~prices~~ prices as well as wages.

These new safeguards against inflation will add to the ~~money~~ <sup>funds</sup> available for investment, which ~~are~~ <sup>are</sup> now greater than at any time in the Nation's history.

In spite of the unparalleled task that lies before us, the conditions of success are at hand. There is more money in the people's hands available for investment than at any previous time in the nation's history. We have, as you know, designed our securities in such a way to appeal to every type of investor, long-term or short-term, corporate or individual, bank or trust. What is required now is that you workers carry the Government's message to every home in the land. I know you will do this.

April 10, 1943

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Reading copy of the closed circuit  
speech by the Secretary.

Thank you, Mr. Robbins.

Fellow workers. I want, first, to express my gratitude to you veterans of the home front for the patriotism you have shown in the campaigns that are already history. You have given unsparingly of your time and effort, without compensation of any kind save the satisfaction of serving your country loyally and well, to the most important task to which men and women today can devote themselves -- the winning of the war.

-2-

The experience you have gained in previous campaigns has made you into seasoned, hardened veterans. This experience will now serve you well, for on Monday next you are going to undertake the greatest operation in all financial history -- the raising of 13 billion dollars. This is a task that will demand all of your ingenuity, all of your resources, all of your patience and strength.

Great as are the sums the Government is raising through taxes, they are far from sufficient to finance the whole costs of the war.

-3-

And great as has been the sale of Government securities to individuals, trusts, corporations, partnerships, and banks, the sums raised in the past are insufficient in terms of the vastly expanded needs of our war requirements today.

What is required this month is a financial mobilization so all-embracing and thorough that the war will be brought to every American, every wage earner and farmer, every business and professional man and woman. Such has not been the case in the past. It must be the case during the Second War Loan Drive if success is to be achieved.

-4-

In spite of the unparalleled task that lies before us, the conditions of success are at hand. The President of the United States has already given us powerful help in this campaign; not merely by selling the first bonds, but -- what is far more important -- by the new <sup>Courageous</sup> action he has just taken to hold down the cost of living through freezing prices as well as wages. These new safeguards against inflation will make it more desirable than ever to invest in Government bonds. We have, as you know, designed our securities in such a way to appeal to every type of investor, long-term or short-term, corporate or individual, bank or trust. What is required now is that you workers carry the Government's message to every home in the land. I know you will do this.

-5-

To win this war, everybody will have to put their shoulders to the wheel. War on such a huge scale cannot be the enterprise of the few; it must be an undertaking of the many. Only the people -- all the people -- can finance this total war. Our success in achieving the 13 billion dollar goal will not be measured alone by our ability to raise the money. The true measure of success will be the extent to which this money comes from the savings of individual men and women.

-6-

The overwhelming majority of our people, I am convinced, are ready, willing, and eager to demonstrate to the men and women of the armed forces, to the teeming millions of our Allies who are enduring the tortures of a living hell, that we are with them in fact as well as in spirit in this crusade to blot out barbarism and lay the basis for a better world.

It is your job to see that the men and women of America demonstrate their determination to win through to final victory and lay the foundations for a lasting peace by buying War Bonds in vastly greater amounts than they ever did before.

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Some you will only have to approach; some you will have to persuade; and some you may have to convince. All, however, you will have to reach.

May I express to you in this magnificent enterprise my sincerest wishes for the best of success and Godspeed.

April 10, 1943  
11:35 a.m.

Operator: Go ahead.

James V.  
Forrester: Hello.

HMJr: Hello, Jim?

F: Yes. Henry?

HMJr: Yes.

F: Oh, on this Glenn Martin, we'll get a man over there to take a look....

HMJr: Yeah.

F: ....and I think probably if Eubank himself goes, it's worth doing. He's very good.

HMJr: Yes, he is.

F: And I think he can put some steam in it.

HMJr: I gathered you've glanced at that memo.

F: Yeah.

HMJr: Yeah.

F: Yeah, well, it's just obvious there isn't any - there isn't any zip in the thing at all.

HMJr: That's right, and that goes - what - what hurts us on War Bonds hurts you on production.

F: No question of that.

HMJr: The two are tied up.

F: Yeah.

HMJr: Jim, sometime when you have a - a minute I'd love to talk to you about what the Navy does to go into the plants and really give these fellows pep talks on....

F: Well, I'd be - I'd be - I'd be very glad to do it because we've got a very - I'd be - I'd be glad to send you, as a matter of fact, the monthly reports I got on it. This - we have a very - you see, the Navy - Army and Navy "E" is tied up with - the award of that insignia is tied up with what we call our Incentive Division.

HMJr: Yeah.

F: And that's run by Admiral Clark Woodward, the - the Incentive part of it.

HMJr: Yes.

F: And we try to get people to tell us when they've got a feeling of let down, because we can shoot into those plants men back from the front, such as the captain of the Boise....

HMJr: Yeah.

F: ....and that's the most effective thing - I mean if - we're - we get - well, this Sullivan family we've got on a tour now of all of the required escort plants.

HMJr: I see.

F: That is, all of the plants making components, and they are very effective because this little woman gets up - she had her five kids go down on the Juneau, you know.

HMJr: You have some kind of a monthly report on that?

F: Yeah, and I'd like to send it to you.

HMJr: Would you do that?

F: You bet.

HMJr: I thank you.

F: Okay.

THE UNDER SECRETARY OF THE NAVY  
WASHINGTON  
10 April 1943

Dear Henry:

Captain Eubank, who heads up the Navy's Bond Selling organization, is going down to Glenn Martin to have a look. I am confident results will follow — they always have wherever he has gone.

Sincerely yours,

*Fourestal*

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

THE UNDER SECRETARY OF THE NAVY  
WASHINGTON

10 April 1943

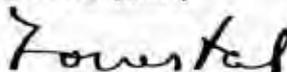
Dear Henry:

I am asking Admiral Woodward's office to send you a brief summary of what we do by way of stimulation of morale in our industrial plants as well as copies of two or three of his recent reports to me. As I told you over the telephone, the most effective stimulus we find comes as the result of visits and talks by the men back from actual war - Captain Moran of the BOISE, the parents of the five Sullivan boys who went down on the JUNEAU, etc. We find that speeches have to be administered with judgment - that there is definitely a point of diminishing return in their effectiveness.

We are now in the process of getting some movie shorts for display in plants making components for the escort vessel program. There are so many of these plants doing work remote from the ultimate delivery of vessels that it is hard for them to visualize the relation of what they do to one of the most important weapons in the war. John Ford, who did the Midway picture, will run this program and it may be that some of the results might be useful to you in your own Bond selling efforts.

With thanks for your interest, I am

Sincerely yours,



James Forrestal

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

April 10, 1943

Dear Jim:

With reference to your question concerning the number of Bonds redeemed in March, I would like to give you the following information:

Total redemptions in March of outstanding Savings Bonds on sale since May 1941 and including Series E, F, and G were 131 million two hundred thousand dollars. This is a much smaller figure than had been anticipated by a great many people.

A very interesting and pleasing story in connection with the March picture is the sale of Bonds in this tax month. Our total sales for the month of March 1943 of E, F, and G Bonds were 944 million three hundred thousand dollars, compared to 557 million nine hundred thousand dollars in March 1942. The sale of Series E Bonds in the month of March 1943 alone was 720 million four hundred seven thousand dollars compared to 337 million five hundred and ninety-nine thousand dollars in March 1942, an increase of 382 million eight hundred eight thousand dollars.

For your further information I am attaching a sheet which gives you something of the over-all picture on redemptions which I think will interest you.

With all good wishes, I am,

Sincerely yours,

(Signed) Henry

Honorable James V. Forrestal  
Under Secretary of the Navy  
Navy Department  
Washington, D. C.

TG:vm

Copy in Diary

Copies to Thompson

Since U. S. Savings Bonds (Defense and War) Series E, F, and G were first offered May 1, 1941, cash receipts totaled over fourteen and three quarter billions from that date through March 31, 1943.

Redemptions (cost plus accrued interest) through March 31, 1943, totaled about 507 million dollars or 3.4% of sales.

We still have 96.6% of the over fourteen and three quarter billions taken in on Series E, F, and G since they were first offered for sale.

U. S. Savings Bonds (Defense and War) Series E only. Over nine and one quarter billions have been taken in and 449 millions (cost plus accrued interest) paid out through March 31, 1943.

April 10, 1943  
2:52 p.m.

HMJr: Hello.

Operator: There you are.

HMJr: Yes, Sam.

Speaker  
Rayburn: Henry?

HMJr: Yes, Sam.

R: We'll be down as soon as I can get my car.

HMJr: Oh, you're coming earlier?

R: Yeah. Will you be ready?

HMJr: Oh, sure, I'll adjust myself.

R: All right. I'll - well, we were supposed to start down there about three, but the car hasn't come, and - and it may be....

HMJr: I was....

R: It may be as late as three-thirty, I don't know.

HMJr: Well, whenever you're here, I'm at your service.

R: All right, fine. We'll come on down then when I can get the car.

HMJr: Thank you.

R: All right.

April 11, 1948

Memorandum to the file:

After a preliminary conference beginning at 3 p.m. Saturday, April 10, 1948, attended by the Secretary, Mr. Blough, Mr. Surrey and myself, the Secretary and I had a long conference with Speaker Rayburn, Majority Leader McCormack, Chairman Doughton and Mr. Jere Cooper. The conference lasted for about two hours, until almost 6 o'clock. It was held in the Secretary's office.

The general subjects discussed were -

- (a) the defeat of the Ruml plan;
- (b) the tactics of Martin and the Republicans since that defeat;
- (c) the public reaction with respect thereto; and
- (d) what steps should be taken for the future.

There was considerable discussion of the question whether to bring forward some compromise plan at an early date. Jere Cooper voiced the opinion that in beating the Ruml plan so many members of the Committee and House had gone out so strongly against forgiveness that it would be hard for them now to reverse their position by backing plans involving forgiveness and that he thought it would be hard to get a majority of the Committee for any one plan. He spoke particularly of the Chairman and himself in connection with the forgiveness issue and said that practically every member of the Committee, except Robertson, was in the same position. Cooper also voiced concern that on another vote the Ruml plan might succeed, since the vote had been very close and the Republicans were so solid as a party matter. McCormack expressed some agreement with this fear. The Chairman indicated that he thought the Ruml plan could be defeated again provided the Democrats stuck together and no one was in disagreement with the Administration policy.

This brought on a quarrel between McCormack and Chairman Doughton. The Chairman accused McCormack of having failed to

back the Committee in discussing compromise with many members. McCormack denied that he had talked compromise and claimed that he had attempted very hard to secure votes. The Chairman accused McCormack of insulting him which he did not have to take when he wasn't acting as Chairman of the Committee. After some period of quarreling, the two shook hands and decided to let bygones be bygones.

The only compromise measures suggested were the Doughton No. 1 plan which I explained briefly and the plan suggested by the Secretary of withholding 10 percent the first year without any forgiveness and 20 percent the second year, this plan being similar in theory to the 5 and 10 percent plan adopted last year by the House. McCormack, particularly, objected to this last mentioned plan because it did not have enough sweetening. The Chairman said that I had beaten his second plan and then he criticized his first plan (which was only a "suggestion") because under it there would be a hang-over of debt which might prevent further tax increases. However, he thought it was the best available plan and everyone else seemed to be in agreement. Cooper said that this plan had lost in the Committee 11 to 13, that the Robertson plan had secured only about 7 votes, and that the Doughton No. 2 plan had secured only about 5 votes. In the course of this discussion there was some discussion of withholding and the farmer situation. I said quarterly statements could be used, and the Chairman made the discrimination point if they were not covered.

The discussion then turned to the tactical situation. After a good deal of discussion on the question of danger in reviving a vote on the House floor, it was agreed that Mr. Doughton should make a short speech Monday in which he would say that if the leadership on both sides would agree a bill could be introduced immediately covering the non-controversial collection at the source provisions of all the bills recently under consideration; that passage of any such bill would probably enable collection at the source to start July 1 or, at the latest, August 1; and that the controversial issues, particularly that of forgiveness, could be taken up later as part of the regular tax bill. Among the non-controversial issues which

could be included in the immediate legislation would be the provision as to soldiers' exemptions. It was felt particularly by Rayburn that this procedure would put the Republicans on a spot in that they would then be in the position, if they refused to join, of sharing responsibility for delay in collection at the source, and would be showing that they wanted forgiveness more than collection at the source. It was felt that such a statement by Doughton (which he had already prepared but did not have with him at the meeting) would possibly lead to a compromise discussion with Martin at which the possibility of the first Doughton plan or some other plan could be discussed.

*REP*

*The Second*  
**WAR LOAN  
CAMPAIGN**



*Banking's job in April*



**AMERICAN BANKERS ASSOCIATION**

22 East 40th Street



New York City, N. Y.

*See back cover for announcement of special broadcast on Second War Loan Campaign by President Hemingway*

### A. B. A. COMMITTEE ON TREASURY WAR BORROWING

W. L. Hemingway, *President*  
Mercantile-Commerce Bank and Trust  
Company, St. Louis, Mo.  
*President, A. B. A., Chairman*

Edward E. Brown, *President*  
The First National Bank of Chicago  
Chicago, Illinois

W. Randolph Burgess, *Vice Chairman*  
of the Board  
The National City Bank of New York  
New York, N. Y.

Robert V. Fleming, *President*  
Riggs National Bank  
Washington, D. C.

William C. Patez, *Chairman of the*  
*Executive Committee*  
Guaranty Trust Company of New York  
New York, N. Y.

Thomas M. Steele, *President*  
First National Bank & Trust Company  
of New Haven  
New Haven, Connecticut

Robert Strickland, *President*  
Trust Company of Georgia  
Atlanta, Georgia

W. H. Wood, *President*  
American Trust Company  
Charlotte, North Carolina

A. L. M. Wiggins, *President*  
Bank of Hartsville  
Hartsville, South Carolina  
*Vice President, A. B. A.*

Harold Stonier, *Executive Manager*  
American Bankers Association, *Secretary*

**T**HIRTEEN BILLION DOLLARS! That is the amount of Government securities that must be sold during America's Second War Loan Drive which starts April 12. Banks will be called upon to play a vital role in this tremendous wartime undertaking. They will be asked to redouble their efforts in an attempt to sell Government securities to the public on an unprecedented scale. Too, they will be expected to purchase substantial blocks for their own accounts.

The economic background of this campaign has been stated and the urgent reasons for wholehearted bank participation clearly set forth by the Economic Policy Commission of the American Bankers Association in its recent publication "The 100 Billion Budget and the Banks."

The list of the securities offered by the Treasury with the distinctive characteristics of each is outlined on the following pages. This folder has been prepared to provide the bankers with additional information and sales suggestions which will assist them in the successful conduct of the campaign in their communities.

### WAR FINANCE COMMITTEE

Previous fund raising campaigns have been under the sponsorship and direction of either the War Savings Staff or the Victory Fund Committee. In the April drive, however, these two groups will be united under the name the United States Treasury War Finance

Committee. This group will coordinate the activities of the War Savings Staff and the Victory Fund Committee so that the personnel, facilities, skill and experience of each organization will be made available for the gigantic effort necessary to exceed the Thirteen Billion Dollar quota.

This national committee will have charge of the over-all campaign and its functions and responsibilities will be duplicated by similar committees in each Federal Reserve District. The presidents of each of the Federal Reserve Banks will serve as chairmen of the United States Treasury War Finance Committee in their respective districts with authority and responsibility for the conduct of the Second War Loan Drive.

Representatives of the Victory Fund Committee and the War Savings Staff will be included in the membership of each district committee and the volunteer workers in both organizations will join in a united effort to assure the success of the Treasury's greatest project.

Every individual who has worked with either group will have an important assignment in the April program. This is a job where everyone has a part—a job that requires complete cooperation and thorough coordination.

### THE BANKER'S PART IN THE CAMPAIGN

Banks will play an important part in the activities of the War Finance Committees and will continue to be active in their local War Savings and Victory Fund groups.

Perhaps you are a member of one of these committees or perhaps you are one of the 90,000 volunteer workers from the banks of the country who will patriotically contribute their experience and skill in finance, their knowledge of the investment habits of their communities and their time and effort. Officially or otherwise, you are a part—and a vital part—of a great sales organization created to obtain thirteen billion dollars for America's war effort.

### ORGANIZING FOR ACTION

The first job confronting every banker is that of organizing his own bank for the campaign. There is a place in the April drive for every man and woman on your staff and for your stockholders and your directors too. The variety and nature of the securities offered make everyone, from the president to the youngest member of the staff, a potential salesman.

This does not mean of course that every member of the staff is qualified to discuss intelligently the entire list of securities with all prospective investors. A qualified group should be selected who will do the actual sales work among the men and women appearing on your prospect list particularly among the large investors. These men will probably require special training so that they may become thoroughly familiar with every security listed in the April offering. Too, they should be able to select and recommend specific securities for the consideration of every type of investor.

The other members of the staff can sell the well known Series "E" War Savings Bonds to men and women who they know are logical prospects for the purchase of this type of bond.

In order to give the entire staff accurate information regarding the campaign, meet-

ings should be held at which the objectives and urgency of the drive are discussed and the various securities described. You will find the summary on the inside pages of this folder helpful in staff discussions.

Allocation of prospects and instructions regarding sales plans are problems that every bank must solve for itself. Before the campaign opens every officer and member of the staff should clearly understand the part he is expected to play.

Many banks in previous campaigns have successfully employed the team method of competition within the bank with prizes awarded the winning group. Other banks have conducted contests in which the entire staff participated with rewards going to the top salesman in various classifications. Some banks make their officers available as members of teams organized by local sales committees.

### WHO SHOULD BUY

The nature and variety of the securities offered in the Second War Loan Drive brings into the market a wide variety of prospects. In building your prospect list you should consider as potential investors:

- Cemetery Associations
- Charitable Organizations
- Cooperative Organizations
- Corporations
- Credit Unions
- Dealers and Brokers
- Educational Institutions
- Executors
- Farm Organizations
- Foreign Relief Organizations
- Foundations (Endowed)
- Fraternal Organizations
- Fund Managers
- Guardians
- Hospital and Medical Boards
- Government and its Agencies:
  - States
  - Counties
  - Municipalities
  - School Districts
- Labor Organizations
- Libraries and Museums
- Orphanages
- Partnerships
- Patriotic Societies
- Pension Funds—
  - Governmental or Private
  - Political Subdivisions

# \$13,000,000,000 Second War Loan Drive

## SUMMARY OF UNITED STATES GOVERNMENT SECURITIES ON SALE DURING APRIL, 1943

	Treasury Bills	Cfs. of Indebtedness, Series B-1944	Tax Savings Notes Series C	United States War Bonds, Series E	United States Savings Bonds, Series F	United States Savings Bonds, Series G	2% Treasury Bonds of 1950-52	2½% Treasury Bonds of 1964-69
Issue price	Discount basis by tender	100% and interest	100%	75% of maturity value	74% of maturity value	100%	\$500 or \$1,000 bonds, 100%. Over \$1,000, 100% and interest.	\$500 or \$1,000 bonds, 100%. Over \$1,000, 100% and interest.
Dated	Offered weekly	April 15, 1943	First day of month in which purchased	First day of month in which purchased	First day of month in which purchased	First day of month in which purchased	April 15, 1943	April 15, 1943
Due	Generally in 91 days	April 1, 1944	3 years from issue date	10 years from issue date	12 years from issue date	12 years from issue date	Sept. 15, 1952	June 15, 1969
Rate	Governed by price bid	¾%	Varies—1.07% if held to maturity	Varies—2.90% if held to maturity	Varies—2.53% if held to maturity	2½%	2%	2½%
Registration	Bearer form only	Bearer form only	In inscribed form only	Registered form only	Registered form only	Registered form only	Bearer or registered form	Bearer or registered form
Denominations	\$1,000 to \$1,000,000	\$1,000 to \$1,000,000	\$1,000 to \$1,000,000	\$25 to \$1,000	\$25 to \$10,000	\$100 to \$10,000	\$500 to \$1,000,000	\$500 to \$1,000,000
Books open	Generally on Fridays	Banks Apr. 12, 1943 Others Apr. 12, 1943	Continuously	Continuously	Continuously	Continuously	Banks Apr. 28, 1943 Others Apr. 12, 1943	April 12, 1943
Books close	Generally on Mondays at 2 p.m. (E.W.T.)	Banks Apr. 14, 1943 Others upon order of Treasury	Upon order of Treasury	Upon order of Treasury	Upon order of Treasury	Upon order of Treasury	Banks Apr. 30, 1943 Others upon orders of Treasury	Upon order of Treasury
Payment due on	Generally on Wednesdays	Banks— Others on subscription	Application	Application	Application	Application	Banks— Others on subscription	Subscription
Delivery date	Generally on Wednesdays	A few days after payment	A few days after payment	A few days after payment	A few days after payment	A few days after payment	A few days after payment	A few days after payment
Taxable by Federal Government	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Eligible for subscription by individuals	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Eligible for subscription by commercial banks	Yes	Yes	Yes	No	No	No	Yes	No*
Acceptable in payment of Federal (income, estate or gift) taxes prior to maturity	No	No	Yes, during and after 2nd calendar month after purchase	No	No	No	No	Federal estate taxes only, on death of owner
Redeemable for cash prior to maturity	No*	No	At holder's option only, after 6 months, at 100% and interest on 1 month's notice <sup>1</sup>	At holder's option only, after 60 days from issue date	At holder's option only, after 6 months, on variable schedule on 1 month's notice	At holder's option only, after 6 months, on variable schedule on 1 month's notice <sup>2</sup>	No	At Government's option on or after June 15, '64 at 100% and interest
Use as collateral	Yes	Yes	For loans from banks only	No	No	No	Yes	Yes
Eligible for deposit of public moneys	Yes	Yes	No	No	No	No	Yes	Not before April 15, 1953
Salable in open market	Yes	Yes	No	No	No	No	Yes	Yes
Amount for which eligible investor may subscribe	Limited only by amount of offering	No limit <sup>3</sup>	No limit	Not more than \$5,000 maturity value in one calendar year	Not more than \$100,000 issue price of Series F and G together in one calendar year		No limit <sup>3</sup>	No limit

\*But Federal Reserve Bank will purchase from holder on discount basis at rate of ½% per annum.  
<sup>1</sup>Total sales to commercial banks limited to \$ billion.  
<sup>2</sup>At purchase price only if commercial bank is holder for own account.

<sup>3</sup>Upon death of owner redeemable at 100% after six months from issue date, if application for redemption is made within four months after death.

<sup>4</sup>May not be held by commercial banks for own account until April 15, 1953.

Professional Groups  
Religious & Fraternal Organizations  
Service Groups  
Individuals  
Insurance Companies  
(Life, Fire and Casualty)  
Trustees and Trust Accounts  
Universities and Colleges  
Veterans Organizations

### BUILDING YOUR PROSPECT LIST

Prospect lists and their intelligent use are the key to the success of any fund-raising campaign. This will be particularly true of the April drive. All the time and care you take in building your own prospect list will pay rich dividends. A carefully considered list will aid in the sale of securities and save manpower, time and expense.

Prepare a prospect list of those whom you know to be potential investors. Determine in advance how you intend to use this prospect list, then build it accordingly. Make it a selective list and one that can be capably covered by you and your associates. Mere numbers are meaningless if they do not possess quality or are not called upon. Names should be allocated to certain officers or the prospect list routed among them in order to determine who knows each prospect best and who is most likely to succeed in making a sale.

Some banks will turn over lists of prospects to their local campaign organization for assignment to its salesmen. Where this is done, the source of the lists will not be revealed either to the worker or the prospect. Others will turn over their list to the district or local organization so that it may be checked for duplications. It was found in previous campaigns that the name of the same prospect appeared on the list of several banks with the result that he was over-solicited. The committee will respect the confidence of the banks when asked to perform this checking or clearing duty.

Many banks will prefer to handle their own lists exclusively. Whatever method you follow, it is important that you do have a list and that you use it systematically.

### MAKING THE SALE

Prospects may be approached personally, by telephone, through correspondence, or by any combination of these established sales techniques. Direct personal solicitation, however, is by far the most successful method.

When you can sit down and personally discuss with the prospect the merits of a security and point out the patriotic and economic factors that compel widespread public participation in this drive, you are well on your way to making a successful sale.

When you discuss these securities with the people of your community, you are not merely a salesman asking them to buy a bond. You represent the Government of the United States. You are a citizen of responsibility and integrity and you are patriotically performing an urgent and vital service for your country.

The telephone method is most effective when an officer known to the prospect makes the call. Here again is another reason for allocation of names to the various officers. If you are conducting a telephone campaign, a routine should be established and calls made on schedule. Set aside certain hours of the day and night for your telephone calls. Evening calls are effective. Some banks have installed special switchboards in order to handle this work. Too, the telephone can be used successfully in making appointments for personal interviews thereby eliminating much waste of time and effort.

When letters are used they should be real sales letters expressing the writer's personal interest in the success of this gigantic war-time task. A folder describing the issues, such as that distributed by the War Finance Committee or the booklet produced by the Advertising Department of the American Bankers Association, should be enclosed.

Before any letters are mailed check the prospect list carefully to make sure the names are spelled properly and the addresses are correct. Whenever possible use the personal salutation, Dear Mrs. Jones or Dear Bill. The letter should be signed by the president of the bank or some other officer well known to the prospect. Carry into the correspondence the factors that make personal solicitation so successful. When possible, follow up these letters with telephone calls or provide some return card or other sign whereby the prospect may indicate his desire to purchase or discuss the securities.

### THE NEW INVESTOR

In order to exceed the Thirteen Billion Dollar goal an army of new investors must be reached during the drive. Many of these people will be investing their money for the

first time. Some will be unfamiliar with Government securities or puzzled by the variety offered for sale during the April drive. These men and women, whether they are acting for themselves or representing boards, associations or other groups, will need the benefit of your experience and guidance in determining which securities are best adapted to their investment needs.

Take time to analyze their investment or savings problems so that your recommendations will be sound. Avoid technical terms. Describe the securities and their characteristics in simple everyday language. Remember, the potential investor is no mind reader. What is a familiar story to you is perhaps a new and exciting adventure to him. Take time and have the patience to explain thoroughly and, if necessary, do it again and again. Make sure the new investor understands every important characteristic of the security he is buying.

### TELLING THE STORY

Every effective advertising and publicity technique will be brought into action during the April drive. The Treasury will send three advertisements each week for four weeks to every daily newspaper. Weeklies will receive adaptations of the daily material. Proofs of these advertisements will be sent each bank.

These advertisements are to be sponsored by individuals and the financial, business, industrial, labor and other groups in each local community. Sponsorship will be sought by the newspaper publishers and by representatives of your local committee. Banks and clearing house groups throughout the country gave generous support to the sponsorship of similar advertisements in previous campaigns. And they will do so again in the April drive. Sponsorship, however, should not be confined to the banks but should represent a cross-section of the patriotic leadership of your entire community.

Many banks of course will prefer to use their own newspaper copy. Such advertisements are effective and contribute much to the success of local campaigns.

Billboards and car cards carrying campaign copy will be sponsored by advertisers in various sections of the country. An attractive poster for lobby use will be sent to every bank.

Radio will be used extensively throughout the Second War Loan Drive. Speeches by

outstanding citizens, special feature programs, and spot announcements are included in the broadcast schedule. Banks making regular use of radio facilities can stimulate the campaign in their own districts by devoting a substantial part of their programs to the local sales drive. Script can be obtained through the publicity head of your local committee or by writing to the secretary of your state bankers association. Secretaries have been supplied by the American Bankers Association with radio and speech material.

The dramatic story of America's greatest financial drive should be told to every organization in the country. Here is an opportunity for bankers to make an additional and important contribution to the success of the program. Either personally or through your committee arrange to appear before service clubs, trade associations, business, industrial and agricultural groups, patriotic societies, women's clubs, and other organizations.

The need for public participation in this great undertaking and the investment opportunities afforded by it can best be stated in your own words. If, however, time prevents you from preparing a talk, your local committee or the secretary of your state bankers association will be glad to provide you with manuscripts suitable for a brief talk before any group.

Cooperate with the chairman of your local publicity committee by providing him with facts relating to the progress of the campaign in your district. He will be particularly interested in the human interest stories that are always present during bond campaigns.

Your lobby can be made an attractive center for the bond selling activities of your bank. Many banks in previous drives placed a booth or table in the lobby with capable girls from their own staff or volunteers from women's defense organizations handling the sales. Massed flags, souvenirs of the present war and of World War I, pictures of home town boys who are now in the service, specimens of war materials produced by local industries, and other interesting but inexpensive display material will quicken public interest in the War Loan drive and will attract attention to your bank. Your windows can be used for similar displays. The place where the securities are offered for sale in your bank or where information concerning them can be obtained should be clearly marked. This will avoid confusion at other windows.

## CAMPAIGN INFORMATION

Banks can obtain booklets containing basic information regarding the Second War Loan and the drive organized to assure its success from the United States Treasury War Finance Committee and from the American Bankers Association.

The Association has produced through its Economic Policy Commission the booklet "The 100 Billion Budget and the Banks" which has already won high acclaim for its thorough, accurate and interesting analysis of the war-financing problem that now confronts the people of America.

In addition, the Advertising Department of the American Bankers Association has made available an attractive two-color folder describing the securities and carrying a brief sales message. Many banks are planning to use this as a mailing piece and for counter distribution.

Excellent campaign material has been produced by the United States Treasury War Finance Committee. A sales manual for volunteer workers will be sent to every banker serving as a member of a committee or as a worker in the Second War Loan effort.

In addition, the War Finance Committee has produced an attractive folder containing descriptive circulars which give the facts re-

garding each of the securities included in the April offering.

A third folder contains a summary of the securities prepared in chart form. This folder and the descriptive circulars are well written and carefully designed and can be used effectively in personal solicitation, direct-by-mail, and in lobby distribution. All material produced by the War Finance Committee can be requisitioned through your local organization or from the War Finance Committee in your Federal Reserve District.

The War Savings Staff has also issued a basic pamphlet on the April drive giving a detailed description of the securities.

## THE JOB AHEAD

This great Thirteen Billion Dollar sales campaign to provide the urgently needed money whereby America may wage total war on a victorious basis commands the cooperation and participation of every thinking American. You can play a tremendously important part. You can give strength, encouragement and direction to this great democratic movement through your leadership. This campaign presents a challenge and an opportunity to the bankers of the country. We are confident that you will maintain your proud wartime record and will again meet the needs of the nation fully, quickly, and with high patriotism.

### BROADCAST BY PRESIDENT W. L. HEMINGWAY

President Hemingway will make a special radio broadcast over the Blue Network at 7:15 P.M., Eastern War Time, April 12, on the Second War Loan Campaign.

Your depositors and other people of your community will be interested in this important broadcast.

**BLUE NETWORK, MONDAY, APRIL 12, 7:15 P.M., EASTERN WAR TIME**

April 10, 1943

My dear Mr. Albee:

I want to take this opportunity to thank you and Mr. Smith for the assistance which you so generously gave me in preparing my Carnegie Hall speech. I feel that it is the best that has been done so far in connection with War Bonds.

I am enclosing herewith the "package" which we gave to the press last night.

With kind regards,

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. George Albee,  
Route 1,  
Accord, New York.

(Closed Circuit Speech - 4/10/43  
sent same day with Secy's card)

File in Diary

April 10, 1943

My dear Mr. Smith:

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I am enclosing herewith the package which we gave to the press last night.

With kind regards,

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Fred Smith,  
C/o Young & Rubicam,  
285 Madison Avenue,  
New York, N. Y.

(Closed Circuit Speech - 4/10/43 -  
sent same day with Secy's card)

File in Diary

MEMORANDUM TO EDITORS,  
PUBLISHERS AND COMMENTATORS  
FROM HENRY MORGENTHAU, JR.,  
SECRETARY OF THE TREASURY

Note to editors:

While this memorandum is not intended as a news release, facts herein may be used as the basis of news stories or editorial comment on and after Tuesday, April 13.

On April 12th, at Carnegie Hall in New York City, I shall officially launch our Second War Loan drive.

I am taking this opportunity to give you some background. We are very anxious that you, and through you the American people, should understand the problems of war finance, and why it is that we want them to help finance the war.

There is no mystery about war finance. There are many problems, however, and it is difficult to explain some of them to the people.

We need your help

I feel strongly that we are going to have to find new ways of explaining the situation to the American people: and I hope that you who are closest to the people, and who spend your life explaining things to them, will turn your hand to seeing that this job is done.

The job ahead

During the calendar year 1943, the Treasury is going to spend about \$100 billion. Present taxes will cover about \$30 billion of this, leaving about \$70 billion to be raised.

People ask, "Where will the money come from? Where will we find the money to pay for such a costly war?" The answer is simple. We will have the income. When we produce munitions or peacetime

goods or anything else, we likewise produce income. For every dollar of production, there is a dollar of income. This income may find its way into the hands of individuals, into corporation profits or reserves, or it may be turned over to the Government as taxes. The important thing to remember is that somebody gets a dollar of income for every dollar of goods produced. This point ought to be put across to the American people -- every dollar that is spent on war equipment finds its way to American business and the American worker.

The problems of war finance arise mainly with respect to the whereabouts of this income. If individuals and businesses receive more income after taxes than there are things produced for them to buy, then excess funds arise. At the same time, the Government will necessarily be receiving less in taxes than it is spending. It boils down to the fact that the Government deficit is matched by the combined surplus of everybody else.

How should we raise the \$70 billions?

There are several ways to get the money we need. We can raise it through taxes. We can borrow it from the banks. And we can borrow it from the people.

Limitations of taxes

We are now getting more money through taxes than ever before - and it will be necessary, I have no doubt, to ask for still more. But we cannot rely on taxes to do the whole job, and I would not want to - because we could not tax with fairness on so huge a scale. For example, we all know of family groups where there are extra workers profitably employed at this time; and certainly it is not fair to base a tax upon what these people are able to pay and force into near bankruptcy the average many workers whose income has increased little if at all.

Bond sales are mounting

We could borrow all the money from the banks. Our credit is excellent. But for a variety of reasons, economic and social, this is also undesirable. One reason is that we would then sacrifice what we believe to be our greatest dam against inflation. Another is that this is a people's war, and the people should finance it. Our

experience in the past has proved that the people want to finance it. The sales of Savings Bonds have mounted consistently since Pearl Harbor.

The redemption of bonds, about which there have been many rumors, has been relatively small. In March, because taxes had to be paid, redemptions were at a peak of \$131 millions; but during this same month the sale of \$954 million in Savings Bonds established a record which has been surpassed in only three months since Pearl Harbor.

I am very anxious that the American people be given credit for their truly excellent participation to date, and that we attack this new campaign with the idea that the people will not let us down if we deal with them honestly and frankly -- if we tell them why we need the money, how much we need, and where we must get it.

#### Borrowing plans for 1943

Your Treasury Department has the financing for the calendar year 1943 well organized. We know where the money is going to be; we know how much we need to borrow from civilians and how much from bankers. With the greatest invasion in history just around the corner--our invasion of enemy-held territory--we feel confident that the American people will live up to our expectations.

Last December we conducted the first war loan drive. Our goal was \$9 billions. We surpassed it by about \$4 billions. More than half of the total funds came from non-banking sources.

This year we are planning to conduct a series of drives--beginning with the Second War Loan which opens on April 12th. This drive is for \$13 billions, with at least \$8 billions from non-banking sources. Later drives will probably be for higher aggregate amounts with even larger proportions from non-banking investors. We also expect to increase the participation in the payroll savings plan during the year and raise the average investment under that plan. This work will go on independently of the periodic drives.

#### A tentative program

Let me tell you something about the tentative program we have set down for ourselves for the year.

The details are of course subject to change from time to time. My purpose here is to illustrate how we are planning for the year. First of all let's divide the \$70 billions which we must raise during the year into three financing periods of four months each. The job for the first period comes to about \$20 billions; for the second period to about \$25 billions, and for the third period, assuming no new taxes, to another \$25 billions. Sales of the continuing types of securities such as Savings Bonds and tax notes will, of course, go on month by month throughout the year. In addition, our present plans call for a drive during the last month in each period to make up the remainder of the funds which will be required.

#### Analysis of savings and accumulations

If our deficit is going to run to \$20-odd billions in each financing period this year, then current savings and accumulations by individuals and businesses will also run to about this same magnitude. This follows from the fact that the Federal deficit is matched by the combined surplus of everyone else. For each period, we have analyzed these current savings and accumulations and classified the funds by investor groups.

#### Personal savings

In the case of personal savings, we know that people will put a certain amount into life insurance, into savings bank deposits and into the payment of debts. We can also estimate the amount of personal savings which will be left in the hands of individuals and which may be said to be available for investment in Federal securities. Of this reservoir available for Federal securities in the last six months of 1942, we found that 47 percent was actually so invested. (The remainder went largely into currency and commercial bank deposits.) As a tentative program for this year, we have set our sights so that this percentage would be successively increased in each of the three financing periods to 55, 65, and finally to 75 percent in the last four months of this year.

#### Corporate accumulations

For corporations other than banks and insurance companies, we made a similar analysis. In the last six months of 1942, 72 percent of the newly available accumulations of these corporations was invested

in Government securities. For this year, we assumed that this percentage could be increased in each of the financing periods to 75, 80, and finally to 85 percent in the last four months.

#### Insurance companies and mutual savings banks

We also estimated the amount of securities which might be absorbed by insurance companies and mutual savings banks as a result of the new funds flowing to them, and other funds which would probably be released for new investment during the year.

#### Governmental investment accounts

Similar estimates were made as to the amount of savings going to governmental investment accounts -- Federal, State, and local -- and of the amounts of securities which might be absorbed by them.

#### Summary

Adding together the scheduled sales to each of these non-banking investor groups provides us with a total for each of the three financing periods of the year. The remainder of our requirements we will have to fill by going to the commercial banks.

The tentative schedule for the year calls for total borrowing of \$48 billions from non-banking sources, and \$22 billions from banking sources. Borrowing from banks for the year would be held to approximately the same figure as in 1942, although the amount of total Federal borrowing required will be much higher. This means that the tentative program would call for financing the entire increase in the deficit this year over last year from non-banking sources.

#### Getting \$25 billions from the people

In order to sell \$48 billions of securities outside of the banks this year, the tentative schedule calls for selling \$25 billions to individuals. If we expect to do this, it will be necessary to adopt a widespread campaign to reach all income groups. Our own economists and consulting economists point out that the bulk of the money which we must get in 1943 must come from those people

earning from \$1,000 to \$5,000 net. They will have three quarters of the current incomes after taxes; and we must urge these people to do much better than the 10 percent we have asked them for up until now.

IT IS OBVIOUS THAT EVERY PERSON RECEIVING INCOME ABOVE THE BAREST SUBSISTENCE LEVEL WILL HAVE TO BE REACHED IN OUR CAMPAIGNS IF WE ARE TO SUCCEED IN OUR GOAL OF RAISING \$25 BILLIONS FROM THE SALE OF SECURITIES TO INDIVIDUALS THIS YEAR.

### Inflation

I am not sure that the American people really understand the relationship of war bonds to inflation. Certainly it is not enough simply to tell them that they have a great amount of excess cash which must be siphoned off if prices are not to be bid up out of sight, when as a matter of fact the average person never thinks of himself as holding "excess" cash. Moreover, he -- personally -- never actually "bid" against anybody for a porterhouse steak in his life. But when you take all of these average Americans as a group, it is a different story.

It is very important that the total excess money should be saved rather than used collectively to bid up prices. Ideally it should be invested to a very large extent in Government securities to close the circuit between the matching deficit of the Government and the surplus of everyone else.

I am hoping you can help to explain this difficult idea to the American people.

### A final remark

Before I close, I want to tell you how much I appreciate the wonderful cooperation we have been receiving in connection with the selling of our bonds. You know that there may be some feeling that Washington, D. C., is so filled with people on the Government payroll that a significant part of the money represented by a war bond must be detoured into the maintenance of a bond selling bureau.

Actually, this is not the case. The cost of selling bonds is very small. This is because hundreds of thousands of volunteers across the country have taken over the job of selling. Management and



(The background information presented herewith may be used in news stories and editorials appearing Tuesday, April 13, 1943, and thereafter.

The attached tables summarize the tentative financing program and the sources of funds for the calendar year 1943.

Table A. shows the estimated production for the country during the years 1941, 1942, and 1943. Table B. analyzes the estimated uses of the income generated by this production. Table C. shows the uses of personal savings.

Table 1. outlines the estimated sources of funds for Treasury borrowing from July 1941 through December 1942 by investor groups. Table 2. shows the estimated sources of funds for the calendar year 1943 under a series of tentative schedules to increase the participation of non-banking investors during the year. Table 3 analyzes the distribution of personal incomes by size classes.

All of the figures shown in these tables are, of course, estimates, and are subject to change from time to time. The figures for 1943 are naturally subject to a wider margin of error than the estimates reflecting the actual situation in the past. The tentative financing program for obvious reasons cannot be a hard and fast plan, but is illustrative of how the Treasury views the situation at this time.

Table A  
Production of Goods and Services, Calendar Years 1941-1943  
by 6-month Periods

(Annual rates - in billions of dollars)

	1941		1942		1943		
	First	Second	First	Second	First	Second	Full
	half	half	half	half	half	half	year
	(.....In current prices.....)				(.In January 1943 prices.)		
War <sup>1/</sup> .....	8	15	35	63	84	96	90
Federal Government (except war) <sup>1/</sup> .....	6	5	5	5	5	5	5
State and local Governments <sup>1/</sup> .....	8	8	8	8	7	7	7
Private capital goods:							
Purchased by business .....	15	17	11	2	0	-1 <sup>3/</sup>	-1 <sup>3/</sup>
Purchased by consumers <sup>2/</sup> .....	2	3	2	1	1	1	1
Total .....	17	20	13	3	1	0	0
Consumers' goods and services <sup>2/</sup> .....	74	78	81	83	76	69	73
Gross national product .....	113	126	142	162	173	177	175

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

March 1, 1943.

<sup>1/</sup> Excludes Government expenditures not constituting a drain on gross national product.

<sup>2/</sup> Total consumer spendings consist of purchases of (1) private capital goods and (2) consumers' goods and services.

<sup>3/</sup> Represents excess of liquidation of inventories (net) over expenditures for plant and equipment, etc.

Table B  
Uses of Funds Generated by Production, Calendar Years 1941-1943  
by 6-month Periods

(Annual rates - in billions of dollars)

	1941		1942		1943		
	First half	Second half	First half	Second half	First half	Second half	Full year
	(..... In current prices .....) (...In January 1943 prices.)						
Personal savings: ordinary savings and pressure funds .....	6	12	19	31	38	52	45
Social Security accumulations, etc. ....	1	2	2	3	3	3	3
Business accumulations .....	-1	-1	3	19	19	20	20
Federal taxes paid <sup>1/</sup> .....	8	7	16	15	29	26	27
State and local taxes paid <sup>1/</sup> .....	8	8	8	8	7	7	7
Spent for private capital goods:							
By business .....	15	17	11	2	0	-1 <sup>3/</sup>	-1 <sup>3/</sup>
By private persons <sup>2/</sup> .....	2	3	2	1	1	1	1
Total .....	17	20	13	3	1	0	0
Spent for consumers' goods and services <sup>2/</sup> ....	74	78	81	83	76	69	73
Gross national product .....	113	126	142	162	173	177	175

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

March 1, 1943.

<sup>1/</sup> Adjusted for transfer of purchasing power through pensions, relief, etc.

<sup>2/</sup> Total consumer spendings consist of purchases of (1) private capital goods and (2) consumers' goods and services.

<sup>3/</sup> Represents excess of liquidation of inventories (net) over expenditures for plant and equipment, etc.

Table C

Uses of Personal Savings, Calendar Years 1941-1943  
by 6-month Periods

(Annual rates - in billions of dollars)

	1941		1942		1943		
	First half	Second half	First half	Second half	First half	Second half	Full year
	(.....In current prices.....)				(.In January 1943 prices.)		
Private insurance .....	2.0	2.1	2.2	2.4	2.4	2.6	2.5
Mutual savings bank deposits .....	-.2	-.3	-.5	.6	1.2	1.8	1.5
Debt repayment .....	-2.6	-.7	2.8	2.8	2.8	2.6	2.7
Investment in Federal securities .....	1.6	5.0	8.8	11.6	(		
Currency and commercial bank deposits, etc. <u>1/</u> .	4.8	6.1	6.1	13.2	(	31.2	45.0
Total .....	5.6	12.2	19.4	30.6	37.6	52.0	44.8

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

March 1, 1943.

1/ Includes minor amounts of non-Federal securities and savings and loan association shares.

Table 1: Recent Experience

Comparison by Investor Groups of Current Savings and Accumulations  
Received and Federal Securities Absorbed, By Semi-annual Periods,  
July 1941 - December 1942

(In billions of dollars)

Source of funds and investor group	July - December 1941			January - June 1942			July - December 1942		
	Savings received	Securities absorbed	Percent	Savings received	Securities absorbed	Percent	Savings received	Securities absorbed	Percent
<b>A. Nonbanking sources:</b>									
<b>1. Personal savings:</b>									
a. Insurance companies..	1.1	1.0		1.1	.9		1.2	2.1	
b. Mutual savings banks.	-.2	.3		-.3	.2		.3	.7	
c. Recipients of debt repayment.....	-.4	-		1.4	-		1.4	-	
d. Individuals 1/.....	5.6	2.5	45%	7.5	4.4	59%	12.4	5.8	47%
e. Total.....	6.1	3.8		9.7	5.5		15.3	8.6	
<b>2. Corporate accumulations:</b>									
a. Corporations 2/.....	-.7	2.4	-	1.9	1.0	53%	9.5	6.8	72%
<b>3. Accumulations in Govern- mental funds:</b>									
a. Federal 3/.....	1.0	1.0		1.0	1.1		1.3	1.6	
b. State and local 4/...	.2	.1		.1	.1		-	.2	
c. Total.....	1.2	1.1		1.1	1.2		1.3	1.8	
4. Total for nonbanking sources.....	6.6	7.3		12.7	7.7		26.1	17.2	
<b>B. Banking sources.....</b>									
		1.7			5.0			17.9	
<b>C. Total borrowing.....</b>									
		9.0			12.7			35.1	

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

March 1, 1943.

- 1/ Individuals, partnerships and personal trust accounts.  
2/ Corporations other than banks and insurance companies.  
3/ Federal agencies and trust funds.  
4/ State and local Governments, their agencies, sinking and trust funds.

Table 2: Tentative Schedule for 1943  
 Comparison by Investor Groups of Current Savings and Accumulations  
 Received and Federal Securities Absorbed, By Four-Month Periods,  
 Calendar Year 1943

(In billions of dollars)

Source of funds and investor group	January-April			May-August			September-December			Total for year		
	Savings : received	Securities : absorbed	Percent	Savings : received	Securities : absorbed	Percent	Savings : received	Securities : absorbed	Percent	Savings : received	Securities : absorbed	Percent
<b>A. Nonbanking sources:</b>												
<b>1. Personal savings:</b>												
a. Insurance companies..	.8	1.1		.8	1.1		.9	1.1		2.5	3.3	
b. Mutual savings banks.	.4	.5		.4	.5		.7	.8		1.5	1.8	
c. Recipients of debt repayment.....	1.1	-		1.0	-		.6	-		2.7	-	
d. Individuals 1/.....	9.6	5.3	55%	14.7	9.6	65%	13.8	10.4	75%	38.1	25.3	66%
e. Total.....	11.9	6.9		16.9	11.2		16.0	12.3		44.8	30.4	
<b>2. Corporate accumulations:</b>												
a. Recipients of debt repayment.....	.6	-		1.0	-		1.3	-		2.9	-	
b. Corporations 2/.....	5.6	4.2	75%	5.6	4.5	80%	5.2	4.4	85%	16.4	13.1	80%
c. Total.....	6.2	4.2		6.6	4.5		6.5	4.4		19.3	13.1	
<b>3. Accumulations in Governmental funds:</b>												
a. Federal 3/.....	.6	1.0		1.3	1.5		1.2	1.4		3.1	3.9	
b. State and local 4/...	-	.2		-	.1		-	.2		-	.5	
c. Total.....	.6	1.2		1.3	1.6		1.2	1.6		3.1	4.4	
<b>4. Total for nonbanking sources.....</b>	<u>18.7</u>	<u>12.3</u>		<u>24.8</u>	<u>17.3</u>		<u>23.7</u>	<u>18.3</u>		<u>67.2</u>	<u>47.9</u>	
<b>B. Banking sources.....</b>		<u>8.9</u>			<u>8.5</u>			<u>5.4</u>			<u>22.8</u>	
<b>C. Total borrowing.....</b>		<u>21.2</u>			<u>25.8</u>			<u>23.7</u>			<u>70.7</u>	

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

March 1, 1943.

- 1/ Individuals, partnerships and personal trust accounts.  
 2/ Corporations other than banks and insurance companies.  
 3/ Federal agencies and trust funds.  
 4/ State and local Governments, their agencies, sinking and trust funds.

## PRELIMINARY

Table 3  
 Analysis of Personal Incomes by Size Classes  
 Calendar Year 1943

	Total	Distribution by net income groups				
		0- \$1,000	\$1,000- 3,000	\$3,000- 5,000	\$ 5,000- 10,000	\$10,000 and over
I. <u>Number of income recipients</u> 1/						
Millions of persons .....	63	19.6	37.1	5.2	1.1	.4
II. <u>Dollar figures</u> , in January 1943 prices (in billions)						
Gross incomes (total income payments) .	132	14.9	72.7	23.3	8.9	12.4
Less: Personal taxes 2/ .....	13	.6	4.8	2.3	1.4	4.2
Equals disposable incomes .....	119	14.4	67.9	21.0	7.5	8.2
Less: Consumer spendings .....	74 3/					
Equals personal savings .....	45 3/					

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

March 1, 1943.

Note: Figures are rounded and do not necessarily add to totals.

1/ Excluding individuals under 18 required to report incomes as part of their parents' returns.

2/ State and local as well as Federal.

3/ Distribution by income groups not estimated.

APR 1 10 1949

Dear Frank,

I read with a great deal of interest the statement which you released to the papers yesterday on behalf of the Allied Newspaper Council.

It was an excellent statement and I am sure it is going to do much to aid us in our April Drive. Altogether it would appear that you have helped us immeasurably in getting away to a good start, and I am indeed appreciative of the work you are doing.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Mr. Frank Tripp  
Chairman, Allied Newspaper Council  
7 Gannett Newspapers  
Elmira, N.Y.

TR0000

# The Evening Star

APR - 9 1943

## Tripp Pledges Aid Of Newspapermen to New War Loan Drive

### Head of Press Group Finds Industry Ready For National Campaign

By the Associated Press.

Frank E. Tripp, chairman of the Allied Newspaper Council, today asserted that America's newspapermen—remembering that their own heritage "was bought with sweat, blood and tears"—are marshaled on the home front lines, ready "to help their Government borrow 13 billion fighting dollars from Americans from every station of life."

"They await the zero hour on April 12 to strike a blow for their own preservation as well as the preservation of all human rights," Mr. Tripp said in outlining plans for press participation in the Treasury's second war loan campaign, slated to start Monday.

#### Press Joins Front Line.

His statement follows:

"Newspapermen of the country go into battle on April 12th on the home front to help their Government borrow 13 billion fighting dollars from Americans from every station of life.

"Newspapers in every section—newspapers with small circulations and newspapers with large circulations in point of number of subscribers, but all equally great in the service of their country in an hour of need—are listed in the front lines. They await the zero hour on April 12 to strike a blow for their own preservation as well as the preservation of all human rights.

"Millions upon millions of lines of advertising space and countless millions of lines of editorial space will spill forth the messages of the second war loan appeal with the force and roar of Niagara.

"There are certain truths we, as

newspapermen, know about this terrible war. These truths inspire us to do our duty in this second war loan campaign.

"Hitlerism has ravaged and thrown into the world's gutters the free voice of free information. If any vestige of Hitlerism were to triumph out of the war, American newspapers, greatest and most independent in the history of mankind, would be sucked into the sewers.

#### Newspapermen Defend Heritage.

"Newspapermen would not be worth their salt if they did not fight with all their souls and might and skill and courage to defend their heritage.

"The heritage of American newspapermen was bought with sweat, blood and tears. Once this country had an underground press as Europe has it today. Once we had our presses smashed and our editors murdered because newspapermen dared to fight for the truth.

"In this war newspapermen are living up to the grandest traditions of a free press. They are dying on the battlefield and on the seas.

"Can we whose duty and lot in this war is to man the presses at home do less than to attempt to match the record of these true soldiers of the press?"

"The Allied Newspaper Council, of which I have the honor of being chairman, was formed in answer to the appeal of Secretary of the Treasury Henry Morgenthau, Jr., for an all-out contribution by newspapers—daily and weekly. It has placed the problem of publicizing the second War loan campaign squarely up to the individual publishers and editors. The response has been heartening.

"I am sure that every reader of a newspaper in America will know why the Government is asking for this loan of \$13,000,000,000 and what is expected of each citizen during the drive. Of course, in order to do this, your newspaper must do its part. In the manner in which the appeal is presented by each newspaper and the response of its advertisers and subscribers we will have a moving national picture of the patriotism, resourcefulness and the ingenuity of a free press freely acting to aid a free government."

*Answer for Secretary*

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE April 10, 1943



TO Secretary Morgenthau  
FROM Stuart Peabody *SP*

The attached ad which you liked was prepared through the Advertising Council by Young and Rubicam. There is no sponsor indicated and I would, therefore, guess that this is a contribution of space by the newspaper itself.

As you probably know, we keep a record of all of these and send an acknowledgment card to the sponsor.

# The 2<sup>nd</sup> War Loan Starts April 12



## 13 billion dollars must be raised!

**THE GOVERNMENT** of the United States is asking us to lend it 13 billion dollars in the next few weeks. We can do it. And we must do it. Every American must realize the truth:

In this, our toughest war, we've made a good start. We've trained a lot of men—made a lot of weapons—built a lot of ships.

But it's only a start. No man or woman among us would contend for a single instant that we're doing enough now to win this war!

### We've Got to Build More!

We broke all records building 8 million tons of shipping last year. But grim-faced Army and Navy men will tell you that the 18 MILLION tons we're building this year still won't be enough!

### We've Got to Fight More!

From now till this war is won, America must be on the offensive. In overwhelming numbers, your sons, brothers, husbands must go

into actual battle. Our losses have already begun to mount—and they will not grow less.

### And We've Got to Buy More War Bonds!

Sure we're all buying War Bonds now. But we've got to help pay for our increased fighting and building . . . We've got to match, as best we can, the sacrifice of those Americans who are toiling and sweating on a dozen battlefronts—with the bloodiest yet to come. The blunt fact is this: to keep our war machine going, we've got to dig up 13 billion extra dollars this month. 13 billion dollars over and above our regular War Bond buying!

In the next few weeks you may be visited by one of the thousands of volunteers who are contributing their time and effort to this Drive. But don't wait for him. Make up your mind now that before this drive is over, you're going to march right down to your nearest bank, Post Office, or place where they sell War Bonds, and do your duty. And don't ever forget that in doing your duty, you're doing

yourself one of the biggest favors of your life!

For United States War Bonds are the greatest investment in the world—bar none. They're investments tailored to fit your particular situation. And they give you the chance of a lifetime to order and get the kind of world you want to live in after this war. Every cent you put in War Bonds now will help to guarantee plenty of peacetime jobs making peace-living for every one of us.

For your Country's sake—for your own sake—invest all you can!

### There Are 7 Different Types of U. S. Government Securities—Choose The Ones Best Suited For You:

**United States War Savings Bonds—Series E:** The perfect investment for individual and family savings. Gives you back \$4 for every \$3 when the Bond matures. Designed especially for the smaller investor. Dated 1st day of month in which payment is received. Interest: 2.9% a year if held to maturity. Denominations:

\$25, \$50, \$100, \$500, \$1000. Redemption: any time 60 days after issue date. Price: 75% of maturity value.

**2½% Treasury Bonds of 1964-1969:** Readily marketable, acceptable as bank collateral, these Bonds are ideal investments for trust funds, estates and individuals. A special feature provides that they may be redeemed at par and accrued interest for the purpose of satisfying Federal estate taxes. Dated April 15, 1943; due June 15, 1969. Denominations: \$500, \$1000, \$5000, \$10,000, \$100,000—also \$1,000,000 if registered. Redemption: Not callable till June 15, 1964; thereafter at par and accrued interest on any interest date at 4 months' notice. Subject to Federal taxes only. Price: par and accrued interest.

**Other Securities:** Series "C" Tax Notes; ½% Certificate of Indebtedness; 2% Treasury Bonds of 1950-1952; United States Savings Bonds Series "F"; United States Savings Bonds Series "G."

## THEY GIVE THEIR LIVES . . . YOU LEND YOUR MONEY!

APR 10 1943

Dear Mr. Connolly:

I want to thank you very much for your telegram of April 6th.

It is certainly gratifying to know that an organization such as yours is so wholeheartedly behind the Treasury Department's Second War Loan Drive.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. J. V. Connolly, President  
International News Service  
New York, New York

VFC/mon

Photo of incoming in Diary  
File to Thompson

1943 APR 6 PM 4 37

W166 29 DL - 1 EXTRA

WUX CD NEWYORK NY APR 6 1943 402P

HENRY MORGENTHAU

THIS IS TO CONFIRM MY PROMISE MADE TO MR CALLAHAN THAT  
INTERNATIONAL NEWS SERVICE WILL GIVE THE TREASURY DEPARTMENT  
ITS UTMOST COOPERATION IN THE DEPARTMENTS FORTHCOMING BOND  
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J V CONNOLLY PRESIDENT INTERNATIONAL NEWS SERVICE.

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TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE April 10, 1943

TO: Secretary Morgenthau

FROM: Emerson Waldman

Subject: Norfolk

Norfolk is a "resentful" town, and this fact must be taken into consideration when looking at the War Savings picture.

When I say "resentful" I mean the following; reported to me during interviews with Norfolkiens:

1) The civilians in the Norfolk area resent the "sailors." Two civilians with whom I spoke said that the "sailors" come into Norfolk from their base and "eat up our food. They have their own food out at the base, for which the taxpayers pay: But they don't eat that. Instead they come into Norfolk and let food, already prepared for them, go to waste. They crowd our restaurants so we can't get a meal. They crowd our movies so we can't see a picture show." These two men whom I quote (one a cab driver, the other a local union leader) only put into words a feeling which I could sense in watching street, restaurant and hotel scenes. There seemed to be no mingling of civilians and sailors.

2) The Navy (sailors as well as officers) feel the resentment of the people of Norfolk. They don't like the people of Norfolk. They feel that the people of Norfolk are unfriendly, inhospitable. One sailor summed it up. He

said: "When I got my training out in Chicago I had more than enough things to do in my off time. The people were swell, too. The only trouble was that I didn't have the 'liberty' to do everything and go everywhere I could. In Norfolk it's different. I've got all the 'liberty' in the world but no place to spend it."

3) Working men with whom I spoke resented the housing available to them: "There are holes in the walls," one of them said, describing his "room." He added: "four beds in a room, two to a bed. I got bedbugs crawling on me... I'd be ashamed to let my friends know how I'm living..."

4) Local union leaders and some minor executives of Norfolk industry resented the Victory Tax... resented the continued uncertainty over the future of income taxes. They were vociferous on the subject of higher prices and the increased cost of living.

5) Civilians and sailors resented the overcrowded condition of the city. There has been an increase in the town's population of almost 200%, and the town is not of the "expandable" type.

\*\*\*

I spoke with approximately 20 civilians -- working men and women, union labor leaders and minor representatives of management -- and from no one of them did I get a spontaneous statement on the urgency of the war. No one of them seemed to have any conception of the importance of to-the-limit buying of War Bonds as a means of helping to win the war.

Nor was there any mention of the importance of such Bond-buying as a means of helping to keep prices down ... helping to prevent uncontrolled inflation. There was some mention of the value of War Bonds as a personal investment.

Of these civilians, the ones who showed the greatest understanding of the necessity of buying Bonds out of pay were carpenters and bricklayers. These migratory workmen said that they were "willing" to have part of their pay set aside for Bonds through the payroll savings plan. They added that the reason they now are not buying Bonds through the payroll savings plan is due to the fact that such a plan has not been set up where they work. They said that, on other jobs, they had bought Bonds through payroll savings. (They had recently worked in the East.) The great majority showed no Bond-buying initiative, only acceptance. Except for a small minority they are not now buying Bonds through outlets such as banks and post offices.

Some thumbnail interviews with these bricklayers follow:

a) Foreman on a hospital construction job is buying Bonds with 50% of his pay "to help win the war and for savings."

b) Swedish-American bricklayer: said he had no War Bonds, was buying none; was in 1-A and his wife needed the money if he got drafted.

c) Italian-American bricklayer: is not buying Bonds now, but like idea of payroll savings; had bought Bonds this way, on past jobs, where they had plan.

d) Bricklayer from New York (of Jewish religion): wife buying Bonds at home out of money he sends her. Would like to see payroll savings plan established on present job. He was "willing to help Government in everything it needed!"

e) Irish-American bricklayer from Boston: He would buy Bonds on the payroll savings plan if there was such a plan ... not buying Bonds now.

f) Bricklayer from New York (Negro): liked Bonds ... to help Government and for savings... not buying any now. Had bought them on past jobs through payroll savings. He said that this was the only way he'd ever get Bonds. "If I get the money I spend it. If I don't get the money I don't spend it... and I get the Bonds." He, more than the others, was preoccupied with housing.

Naturally the housing situation is harder on Negroes than on whites. However, I did see one Negro housing development which was the superior of any that I saw for whites. This caused comment by whites with whom I spoke, to the effect: "It's just a waste to give that over to Niggers. They'll ruin it all in a couple of weeks..." Still, there was no apparent "race" feeling. A white man, with whom I spoke, explained this by saying that "Norfolk needs the Negroes now..."

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Scattered interviews:

- 1) Working woman: "I work in this soft drink stand and

get \$25 a week. My husband works at the building trades... rain or shine... day in and day out ... No, we don't buy no Bonds. Sure... my husband gets good money. But we drink it all up..."

2) Several workinmen from the shipyards: They were more incommunicative than the others: a) "We got to buy Bonds on the job, buddy. Voluntary? That's a laugh. You know what happened to one guy who said he bought his Bonds at the post office and didn't want to buy Bonds through the payroll savings plan? Why, they give him his time and told him to go down and work for the post office..!" b) "What about higher prices? My wife came home yesterday and told me the man at the store wanted \$1.05 for three pounds of turnip greens! c) "Bonds 're all right. But how about income taxes? And what are they going to do about them? And how about the way prices are going up? Sure... I buy what Bonds I can. I buy what I can afford..."

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I spoke with six local union leaders. All of these were white, excepting two Negroes whom I will indicate as such:

1) Local union leader "A" said: "Most of the men feel, about their Bond buying, that the Government is using this information in order to check up on how little they can live on... The men are forced to buy ... If they don't buy they don't work... I buy my Bonds out of my pocket. I don't like the payroll savings plan. I don't like anybody spending my money... No, I'm not buying regularly. And I don't like

these drives ... one after another ... War Bonds or anything else. They are just too many drains on a man's pay." From the way he spoke War Bonds were another form of taxation. He said, too: "Most of the people buying Bonds now bought Liberty Bonds in the last war ... got swindled out of their money by the banks ... expect they'll get swindled out of it again ... The housing in this town is lousy. The houses aren't houses, they are shacks. They are firetraps. There's a lot of people going to get burned up. Why, you can't even get insurance on these houses they're so bad ..."

2) Local union leader "B" said: "Taxes are too high. I don't mean only such things as income taxes and other direct taxes. I mean all those indirect taxes which make everything cost more ... The tapering off of Bond-buying since the first of the year is due to the higher cost of living (with which the other union leaders agreed) and higher income taxes (with which they did not agree). In the state of Virginia, labor as a whole is not recognized in the Bond drives to a point of putting credit where credit is due. The firms get the flag ... not the union (with which statement all union leaders agreed)." All six union leaders "resented labor's treatment by the press." Personally he seemed to have a low regard for the value of War Bonds either to the country or the individual. He illustrated his belief by a remark which he attributed to his wife: "They just don't look like money to me!"

Labor leaders "A" and "B" greatly resent the Victory Tax. They say that they don't understand where the money goes. They understand income taxes but not the Victory Tax. They blame the Victory Tax for a decrease in Bond buying by workers.

3) Local union leader "C" said: "The terrific increase in the cost of living is hurting Bond sales. Another reason Bond sales are not better is that many men who work here have to send money back home to maintain their families. Also, many working men have to help take care of the families of relatives who've been drafted." I asked this man why payroll savings plans had not been established on some projects ... such as the hospital construction job. He said that it was the management's fault; that the management would not install such a plan where it had to pay the cost itself. He said that if this construction job had been on a cost-plus basis that the management would have installed a payroll savings plan because, then, it could have passed the cost of this plan's operation on to the Government. He said that the only way to get the working man and woman to invest substantially in War Bonds was through the payroll savings plan ... that if they got the money in their pockets they would spend it.

This man, in a discussion with a representative of another union, objected strenuously to the men of that other

union doing work which he said should be done by the men of his union (on a housing project). There was no question here of the speed with which such work should be done or might be done if one crew of men did the very minor job to which he referred; there was no question here of the need for the whole job to be finished as a part of the war effort.

4) Local union leader "D" said: "The Victory Tax is hurting War Bond sales. A working man looks at his Victory Tax deduction of 5% and then just cuts his War Bond buying in half...I buy my War Bonds at the post office. They're a good investment. When you have War Bonds you don't spend the money... I also buy War Bonds for patriotic reasons..."

5) Local union leader "E" -- a negro -- said: "Most of my men (dock workers) are buying a few Bonds... some out of pay... some out of pocket. I believe in payroll savings as best. If you leave the money in their pockets they'll spend it. Most men buy Bonds through payroll savings in this area because they are forced into it ... some because of 'loyalty' ... Most of my men are ignorant and need to be educated. I believe that somebody ought to meet with the 'locals' and educate them on War Bonds. ... War Bonds are as good as life insurance as an investment..." He inferred that he thought it was a good thing for the workers that many of them had been made to feel, by their employers, that they must buy Bonds... "Not enough attention is paid to or credit given labor unions in promoting Bonds."

6) Local union leader "F" -- a negro -- said: "My men (chemical workers) have voted for 10% Bond deductions from pay. Some companies are cooperating and some are not cooperating in establishing payroll plans... I want to see employers putting more pressure on the workers to buy Bonds. The workers are making more money and they can buy more Bonds. If they don't invest their money in Bonds they won't have it when they need it ... We need men to come into this area and sit down with the workers and explain Bonds to them. Wall stickers are not enough... The workers who buy, buy for investment ... others for showing patriotism... I think if you put on a drive like the Red Cross did the men would buy more Bonds.

7) A member (Negro) of the pile drivers' local said: "My work is irregular. I work a day now. I work a week later. I'm not buying Bonds now... What happens to my money if I'm buying Bonds through payroll plan and I get laid off...? Nobody explains this about War Bonds... I haven't heard enough about War Bonds to be interested in them..."

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The Payroll Savings official of a company employing about 2500 workers said: "I'm buying Bonds with all I can spare ... all I can afford. It's the only safe and stable investment on the market outside of life insurance... Income taxes caused a drop in War Bond buying by our men. First of

the year 85% of the men were buying, with 9½% of gross pay. Now it's dropped to 60% of the men, with 6.6% of gross pay. This company does not force its men to buy Bonds. Many companies in Norfolk do. I think that the foremen on the jobs should do the selling. (The labor union leaders disagreed with this thought, saying that the foreman didn't have time and wouldn't be interested in handling this job along with his own work.) The men on this job buy Bonds only after solicitation. They don't volunteer to buy Bonds or increase their allotment... It was easier to sell Bonds before all this confusion about income taxes... The men are worried about higher taxes and the higher cost of living." He summed up, as the present reaction of his firm's clerical help: "If they (the Government) don't know what they want, why should we put our money into Bonds? It's foolish for a man to put into Bonds money he'll have to pay into taxes." ... "The Company would have a better payroll savings record if we'd put the pressure on the workers to buy instead of just leading them to buy as we have..."

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A woman clerical worker at the above plant is buying Bonds through payroll savings ... "because we're supposed to... to help win the war." Before working for this company she bought stamps. She likes the payroll plan better because "it's quicker than buying stamps."

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Another woman clerical worker -- in a downtown Norfolk firm not engaged in war work -- is buying Bonds regularly. She's buying because it helps to win the war. "I've got four brothers in uniform ... I think that everybody ought to be forced to buy Bonds..."

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Before I left Norfolk I spent a number of hours wandering around the heart of the town... on the streets and in and out of stores, pool rooms and hotels.

The town is full of money and it's in the hands of working men and women. In one "pool parlor" I saw games played for from two dollars to ten dollars and an offer was made to play a single game for \$50 ... with the money thrown upon the pool table. The participants in these games wore workmen's clothing and workers' badges. This pool room was crowded with sailors as well as workmen. The sailors did not mingle with the civilians.

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As a comment on the "higher cost of living," I found that restaurant prices compare well with prices in Washington and that a very good evening meal can be had in one of the town's good eating places for 75 cents.

During my day's interviews I was invited to look at work sheets and wage scales which showed that a semi-skilled worker can earn from \$75 a week on up.

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In the first part of this report I commented on reactions of Navy men to Norfolk. My comments resulted from conversations with four sailors and one officer.

April 10, 1943

Dear Pat:

Your poster to buy War Stamps was the bright spot of the day for me. I think you show a great deal of talent and your parents should be very proud of you.

I have only one complaint to make and that is that you have not called on me in years. I think it is high time that you and your brother came to see me.

Yours sincerely,

(Signed) H. Morrenthan, Jr.

Miss Patricia Sullivan,  
4871 Glenwood Road,  
Washington, D. C.

File in Diary

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BUY  
STAMPS  
WATER



FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

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

Marketable issues:

Market purchases 1/..... +  
 Market sales 1/..... -  
 Direct purchases from Treasury..... -  
 Maturities..... -

Special one-day certificates 2/:

Net increase..... +2  
 Net decrease..... -2

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

STATISTICAL

Last Week										Index	Description	This Week																	
Monday		Tuesday		Wednesday		Thursday		Friday				Saturday		Full Week		Monday		Tuesday		Wednesday		Thursday		Friday		Saturday		Full Week	
Mar. 29	30	31	Apr. 1	2	3	A	B	A	B			A	B	A	B	Apr. 5	6	7	8	9	10	A	B	A	B	A	B		
<b>I. Summary</b>																													
Marketable issues:																													
Market purchases.....																													
Market sales.....																													
Direct purchases from Treasury.....																													
Maturities.....																													
Special one-day certificates:																													
Net change.....																													
Total net increase (+) or decrease (-).....																													
Wednesday report of total portfolio.....																													
<b>II. Taxable securities</b>																													
All - all issues combined																													
Market purchases.....																													
Market sales.....																													
Maturities.....																													
Total net increase (+) or decrease (-).....																													
Certificates																													
.65% C - 5-1 43																													
7/8 B - 6-1 43																													
7/8 D - 11-1 43																													
7/8 E - 12-1 43																													
7/8 A - 2-1 44																													
Special one-day certificates																													
Treasury notes																													
3/4% D - 9-15 44																													
1-1/4 C - 3-15 45																													
3/4 B - 12-15 45																													
1 A - 3-15 46																													
1-1/2 B - 12-15 46																													
Treasury bonds																													
2% - 3-15 45-50																													
1-3/4 - 6-15 48																													
2 - 6-15 49-51																													
2 - 9-15 49-51																													
2 - 12-15 49-51																													
2 - 3-15 50-52																													
2 - 12-15 51-55																													
2-1/2 - 3-15 52-54																													
2-1/4 - 6-15 55																													
2-1/2 - 3-15 55-58																													
2-1/2 - 6-15 55-57																													
2-1/2 - 12-15 55-58																													
2-1/2 - 9-15 67-72																													
Guaranteed securities																													
GOC 1-1/8 G - 2-15 45																													
RPO 1-1/8 F - 7-15 43																													
RPO 1 W - 4-15 44																													
All taxable securities																													
Marketable issues:																													
Market purchases.....																													
Market sales.....																													
Direct purchases from Treasury.....																													
Maturities.....																													
Special one-day certificates:																													
Net change.....																													
Total net increase (+) or decrease (-).....																													

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

\* Less than \$50,000.

1/ 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.  
 2/ Transactions are entered as of the day following that to which they apply, since data are not available until the following morning.  
 Note: Data are rounded and may not add to the totals.

r Original figures revised.



Handwritten signature or initials.

April 10, 1943

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

Jim Maloney, Supervising Agent of the Secret Service in New York, is in town today and reported on O.P.A. cooperation. They found that a very bad situation existed in the use of counterfeit "T" stamps for gasoline by independent stations. The O.P.A. had done practically nothing about the matter and hadn't the faintest idea how to go about breaking it up. Maloney finds it isn't difficult at all and the prospects look very good for suppressing this traffic entirely within a very short time. He has operated by tracing sheets of counterfeit stamps turned in through deposit banks to the gasoline wholesalers and thence to the retailers. They are working on 112 cases in Manhattan, Bronx and Queens, and have made ten arrests. Assistant District Attorneys have been assigned to cooperate with them. They have seized one plant and sixteen plates, and arrested two printers. They plan to pick up the distributors of the counterfeits, which they think will not be difficult, and then make conspiracy cases under several statutes. One of them, Section 72 of the Criminal Code, which deals with the falsification of any Government document, carries a ten-year penalty.

Believing that the main objective was to stop this traffic rather than multiply arrests, Maloney went to Saul Herzog, a New York lawyer who represents 50,000 independent gasoline dealers east of the Mississippi, and told him what he had discovered. Herzog was greatly upset, since he has been accusing O.P.A. of not allowing sufficient supplies of gasoline to the independent dealers. With Maloney's permission, Herzog gave to the Associated Press a story that the Secret Service had discovered extensive use of counterfeit stamps by independent dealers and quoted Herzog as pleading with the dealers to stop it. Herzog has

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called a meeting for tomorrow at Philadelphia at which he promises to get to work on the dealers to make them do some self-policing.

We plan to send out to the supervising agents in other cities a report on what Maloney has done, with instructions to go to work on this problem. In New York, Maloney has had the O.P.A. assign one of their so-called investigators to trail along in each case, with the idea that we can train them how to do the job. After we have had a clean-up in the more important cities it is possible that O.P.A. will get the idea and will be able to carry on by themselves with some occasional assistance.

Secret Service in New York is also working with Alcohol Tax on the sugar diversion problem. As Maloney says, "We are leaving 'em roll" until sufficient evidence is collected for prosecution. That is to say, Alcohol Tax and Secret Service men are trailing the trucks and not making arrests for the present.

I asked Speck, of the General Counsel's office, to clear our proposed Executive Order with Justice before submitting it through O.P.A. to Justice. Irey reports that it has been cleared so far as the Attorney General is concerned but is now resting on Hoover's desk. We should have it, but I don't think it is anything to worry about, since the gasoline and sugar cheaters are not going to challenge the authority of the Secret Service and the juries of "A" card holders are not going to bother about who made the arrests. An O.P.A. man in New York asked Maloney who was going to get the credit for making these cases. Maloney told him the Secret Service was.

*MSG*

NEW YORK HERALD-TRIBUNE  
APRIL 8, 1943

### 116 in City Found Holders Of Bogus T Gas Coupons

#### Secret Service Starts Inquiry Into Counterfeit 'Flood'

Sol A. Herzog, general counsel for the Eastern States Gasoline Dealers Conference, announced yesterday that the Federal government had extended throughout the metropolitan area its drive against distributors of counterfeit gasoline coupons, and that in the first day's investigation in New York City alone 116 cases of possession of such coupons had been discovered.

Mr. Herzog said he had been informed that the circulation of counterfeit T coupons in Manhattan, Brooklyn, Queens, the Bronx and Westchester had become "a veritable flood." Genuine T coupons are issued only for transport and commercial vehicles.

Pointing out that Federal criminal statutes prohibit making, possessing or dealing in counterfeit government documents, Mr. Herzog said that the current investigation is not in the hands of the Office of Price Administration, but is being conducted by the Secret Service.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 10, 1943

TO: Miss Chauncey

FROM: James L. Houghteling

You asked me to find out about the labor record of Charles Sawyer of Cincinnati, member of the Democratic National Committee from Ohio and former Lieutenant Governor of that State.

I have consulted William Green, president of the American Federation of Labor, whose home is at Coshocton, Ohio, and who is thoroughly familiar with leading personalities in that State. Mr. Green stated, with considerable enthusiasm, that Mr. Sawyer's labor record is in every way eminently satisfactory and that he endorsed him without any reservation whatsoever.

I also had Ted Wagner, Deputy State Administrator of the War Savings Staff in Ohio, get me a line on Mr. Sawyer from the C.I.O. standpoint. Ted Silvey, the new president of the Ohio Industrial Union Council, C.I.O., advises that the C.I.O. endorsed Mr. Sawyer in 1938 when the latter was a candidate for Governor against Governor Bricker, and has had no reason to change its attitude. Mr. Sawyer has a good record as far as Organized Labor is concerned. Mr. Silvey was somewhat cautious about a blanket endorsement without knowing how said endorsement might be used. However, I think we are safe in concluding that Mr. Sawyer's standing with the C.I.O. is satisfactory.



BOARD OF ECONOMIC WARFARE  
OFFICE OF EXECUTIVE DIRECTOR  
WASHINGTON, D. C.

Mr. H. D. White  
Assistant to the Secretary  
Treasury Department

Dear Harry:

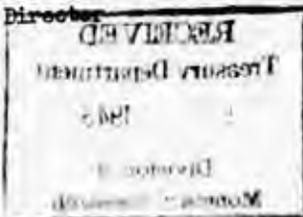
In connection with the position you mentioned, may I suggest Charles Sawyer for consideration? Though I do not know him, he was recommended to me by a friend in the War Production Board as a person who might be brought to Washington for a large-scale job.

Mr. Sawyer is probably known chiefly to the public as a liberal Democratic politician in Ohio, a member of the Democratic National Committee. However, he is a substantial owner in one of the largest American business concerns, has a considerable interest in a large life insurance company, and in one of the largest electrical equipment manufacturing concerns. I think he is Chief Counsel for all of these businesses. I believe the President thinks highly of him and that he was at one time seriously considered for the position of Attorney General.

Yours sincerely,

*Frank Coe*

Frank Coe  
Assistant to the  
Executive Director



TO:

Memo.

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Mr. Bell advised of  
this message and  
will advise Bernstein's  
family

From: Mr. Fitzgerald



DEPARTMENT OF STATE  
WASHINGTON

April 10, 1943.

In reply refer to  
FA - 102.1/8076

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, confirming the communication by telephone to the Treasury Department today, advises him of the receipt of a telegram from the American Consulate General at Algiers containing a message "for Morgenthau and Carter" which states that Colonel Bernstein has arrived safely and requests that his family be informed.

The War Department has been advised in the matter.

*copy to Harry White  
4/12/43.*



*J.B.P.*

April 10, 1943

TO: MR. Gaston  
FROM: The Secretary

Speaker Rayburn asked me the following question:

"Is there any move to stop the flow of money into Mexico?"

He says there is a lot of money going into Mexico. What about it, please?

*Gaston  
submitted by  
to Mr. Rayburn  
for Secy's msg  
4/14/43*

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

DATE  
**APR 10 1943**

**TO** Secretary Morgenthau  
**FROM** Randolph Paul and H. D. White

On October 7, 1942, we sent you a memorandum with regard to the shipment of food parcels from Portugal into occupied Europe. Our recommendation, with which you agreed, was that in view of the small amount of shipments proposed, the Treasury raise no objections to the proposed shipments but that the movement of food into occupied Europe should be carefully watched.

On Saturday, April 3, 1943, Pehle attended a meeting in Dean Acheson's office at the State Department with regard to shipments of food into occupied areas. There was distributed at the meeting a memorandum signed by Governor Lehman, dated March 16, 1943, which sets out Lehman's views with regard to such shipments. A copy of such memorandum is attached.

We have been asked to comment on the following proposal:

- 2 -

1. Shipments of food, clothing, or medicines from the neutral countries of Europe to the occupied territories shall be freely approved by this Government, provided that there seem to be reasonable ground to assume that such shipments will reach the civilian population for whom they are intended and will not directly benefit the enemy.

2. The transmission of funds by allied governments to the neutral countries of Europe to purchase the supplies to be shipped will be licensed, provided that the funds may be obtained against blocked dollars.

The argument given in support of such action by this Government may be summarized as follows:

1. The British Government apparently is allowing shipments within the blockade and our failure to follow a similar policy antagonizes the exiled governments.

2. There would be little benefit to the enemy in such shipments since Germany could obtain these supplies in neutral countries of Europe by purchasing them herself. When Pehle asked what amount would be involved on a yearly basis, the best estimate State could make was somewhere between \$7½ million and \$20 million. It seems clear that purchases of supplies in this amount and the shipment thereof into occupied areas would be of material assistance to the enemy.

3. The authorization of shipments to the occupied areas originating within the blockade relieves the pressure for shipments through the blockade. It can be argued that this is the case. On the other hand, if there are

- 3 -

extensive campaigns to raise funds for shipments of supplies within the blockade, and there are not enough supplies to use the funds which have been raised, there will undoubtedly be substantial pressure created for shipments through the blockade.

4. Apparently we have asked the British for their assent to the shipment of limited supplies through the blockade to Norway and Belgium. It is argued that it is inconsistent to ask the British to agree to shipments through the blockade and at the same time refuse to authorize shipments within the blockade. This is not necessarily a good argument if the shipments which we propose to make through the blockade are felt to be clearly justified on the basis of promoting the war effort. For example, shipments of food to prospective areas to be occupied by our forces in the not too distant future might be justified. The real query is the reason why we are pressing to make shipments through the blockade to Europe.

The most disturbing factor in the situation is that the State Department determines the policy of this Government with regard to these matters and the State Department has assigned this area of responsibility to Governor Lehman, whose main job it is to see that food gets through to Europe, as soon as areas are reoccupied. If he is going to use all of his energies to see that food shipments to areas not yet occupied are made, the whole blockade policy of this Government may be jeopardized.

Under the circumstances, we recommend that State be advised as follows:

The Treasury Department will not object to the shipment to occupied areas of food and other supplies which are within the blockade and thus available to Germany, subject to the following conditions:

(a) Only products which have not been shipped through the blockade, and which are not substitutes for products shipped through the blockade, will be included.

(b) We are opposed to public campaigns to raise funds for these purposes, since they will give rise to more public pressure to make shipments through the blockade.

(c) Insofar as possible all shipments should be handled by the governmental authorities involved and not by private organizations, since private organizations will use all of the pressure at their command to make the shipments as large as possible.

(d) The purchase of food and other supplies in the neutral countries should be subject to careful regulation and supervision.

(e) Shipments of food and other supplies through the blockade give Germany materials which she cannot otherwise obtain. Accordingly, the Treasury Department is opposed to shipments through the blockade, except where such shipments definitely further the successful prosecution of the war.

REP

HPW

COPY

March 16, 1943

A-A - Mr. Acheson:

In reviewing our policy relative to food shipments to civilian populations in territories occupied by the enemy the following seems to be true:

1. With reference to proposals to send food shipments through the blockade, the American and British attitudes have in the past been similar, i.e. to oppose any mitigation of a rigorous blockade policy.
2. With reference to proposals for relief by intra-blockade food shipments from neutral European countries to civilians in areas under enemy occupation, this Government has adopted a more restrictive policy than the British.

The British view is that within the general limits of the European blockade such small surplus food supplies as may exist in neutral countries are available to the Germans in any case; and that to permit them to go to non-German civilians is not seriously harmful to the Allied cause while it undoubtedly ameliorates civilian food conditions.

This difference in the American and British viewpoints has given rise to a number of slight irritations and misunderstandings. It has also tended to place Britain in a more favorable light than the United States with our other Allies. Our greater reticence has, however, been without much practical effect. To my knowledge we have never in the end actually refused our assent to any of the various British proposals to permit the shipment of foodstuffs from neutral countries; but we have examined them so carefully and minutely that much time has been lost in putting them into execution - for which we have probably had to bear the blame.

On the other hand we have refused proposals made directly to us by private organizations and governments, particularly in the case of Norway to send funds to neutral countries for the purchase there of food supplies.

- 2 -

I want to suggest for consideration a liberalization of our policy in this whole matter.

I believe this is the more necessary because, as you doubtless know, we have now asked the British for their assent to the shipment of limited supplies through the blockade for the relief of certain sections of the civilian populations in Norway and Belgium. Clearly our position will be rather illogical, if we press this much more serious modification of blockade policy while at the same time we maintain an intransigent attitude toward intra-blockade relief proposals. We would be, in effect, asking the British to swallow what we and they have regarded as a camel while we continue to strain at gnats.

I would recommend, therefore, that hereafter we pursue a policy which may be generally outlined as follows:

1. Requests from allied governments to purchase foodstuffs, clothing or medicines in neutral countries for shipment into occupied territories shall be given approval and even be encouraged provided, of course, that there seem to be reasonable grounds to assume that such shipments will in fact reach the civilian populations for whom they are intended and will not directly benefit the enemy.
2. Requests from Allied governments and private organizations for the transmission of funds from this country to neutral countries for the purchase of foodstuffs, clothing and medicines to be sent into occupied countries shall also be given approval, provided that reasonable assurances exist that the goods will reach the people whom it is desired to help and provided further that the amounts involved are not excessive and that the transfer of free exchange is not involved.

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The adoption of this policy does not mean that each proposal will not be carefully examined to determine whether there is some particular aspect of it which might render it undesirable; it does mean that in the absence of such a factor it will receive speedy approval as being in line with a recognized policy.

The existing policy seems to rest upon a fear that food sent into occupied territories may assist in relieving the Nazi food situation; and that, even though these food supplies may be theoretically available to the Axis, the latter cannot buy them without sacrificing their own foreign exchange, whereas if they are bought with neutral or American funds, the amount of foreign exchange in the neutral countries potentially available to the Axis is increased. It must be admitted that these arguments are not without validity. Some slight advantage may accrue to Germany from the shipment of food and clothing from neutral countries. However, the same thing is true of prisoner-of-war packages particularly when the number per month is as high as it is in the case of British and American prisoners.

And on the other side of the picture, there is unquestionably a great and growing demand in this country and in Britain that effective measures be taken to improve the food situation in occupied countries. The simplest method of doing this is obviously to send in whatever food supplies may be available within the limits of the continental blockade. This raises no question of the use of ship tonnage.

There is also in my mind real validity in the contention that, as things are now going, the future will find the vitality of the peoples in Allied countries seriously undermined, whereas that of the Germans will be less affected.

Another argument which weighs with me, at least at the present time, is the entirely practical one that having pressed the British to send food through the blockade, it is quite illogical to adopt a restrictive policy in respect of limited food shipments from inside the blockade. It is

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clear that such shipments can only be very limited in view of the small surpluses available in these countries.

If you approve the liberalization of policy I have outlined I would bespeak your assistance in securing the acceptance of it by the Treasury which is involved in all such transactions as may require the transfer of funds from or through this country.

Herbert H. Lehman

GFR:LCsborne:VIC

## RELIEF PLEA BASED ON FROZEN FUNDS

French Societies Council Says  
Money Held Here Could Buy  
Food for Children

### SHIPS, GRAINS AVAILABLE

200 at Meeting Urged to Ask  
President and Congress to  
Free Necessary Assets

Instead of another appeal for funds, a large group of business and social leaders who attended a luncheon meeting called yesterday by the Coordinating Council of French Relief Societies at the Hotel Plaza heard an urgent recommendation to telegraph or write to the President and their Representatives in Congress asking their support for measures to free frozen French, Belgian and Dutch funds in this country to buy food for children in Nazi-occupied countries.

Howard E. Kerschner, director of the International Commission for the Assistance of Child Refugees and an executive of the American Friends (Quakers) Society, made the recommendation to 200 persons at the Pot au Feu luncheon organized by Miss Anne Morgan's relief agency. Those attending included Mr. and Mrs. Archibald Brown, Mr. and Mrs. Pierre Cartier, Mrs. Spencer Eddy, Princess Guy de Faucigny-Lucinge, Miss Elizabeth Hudson, Theodore Rousseau, Mr. and Mrs. André Maurois and the Marquis and Marquise de Talleyrand.

"We don't need any money with which to do this," said Mr. Kerschner. "There is money belonging to France, Belgium, Holland and Norway in this country—more than sufficient to send all the food that it is proposed to send. All that would be necessary would be for our government to unblock the money belonging to these countries, to pay for the food.

"Ships are not a problem. There are 100,000 tons of Swedish shipping tied up right now at the docks in Sweden. You can't hire these

ships for the war effort. They won't take anything to a belligerent country. But after a guarantee of safety from the belligerent powers, they take food to the children of these occupied countries.

"As far as supervision goes, the International Red Cross, with Swedish and Swiss personnel, is willing to undertake the responsibility of distribution, the same as they are doing so satisfactorily in Greece.

"We have no shortage of cereals in this country. There is enough so that we could spare a few thousand tons without ever missing it, and we need to send cereals to the children of these countries. Vitamins and milk are no longer enough. The children of these countries have reached the point where vitamins will not do them any good unless they get food also.

"There is no foundation to work on any more. We need to send them cereals and fats and meats, as well as milk. The cereals are right here in this country and the fats and meats are in South America in sufficient quantity. The neutral ships could go to South America and take these fats and meats to the starving children of Europe.

"So everything is in order—the money, the food and the ships, with supervision for the distribution. All that is needed is the official permission of Washington and London to do it. What you can do to help persuade Washington that it ought to be done is to write to the President, write to both your Senator and your Congressman. You can say that Senate Resolution 100 and House Resolution 117, which advocate food for the children of occupied countries, ought to be supported."

ote:

This is undoubtedly an indication of the beginning of an extensive campaign to send substantial amounts of food to occupied areas through the blockade.

78TH CONGRESS  
1ST SESSION

## S. RES. 100

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 11, 1943

Mr. GILLETTE (for himself and Mr. TAFT) submitted the following resolution;  
which was referred to the Committee on Foreign Relations

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### RESOLUTION

Whereas the small democratic countries of Belgium, Norway, Poland, the Netherlands, Greece, Jugoslavia, Czechoslovakia, and others have been invaded and occupied; and

Whereas these small countries which are allied with us in the cause of democracy resisted to the limit of their strength the onrush of invading forces; and

Whereas the usual economic processes of these small countries have been completely dislocated as a result of being occupied by invading forces; and

Whereas the food supplies of all these nations are dangerously exhausted due to requisition of native food supplies by the Germans, and inability to secure their usual imports through the blockade; and

Whereas no relief can be brought to them unless there be inter-

national action through which their native supplies can be protected and imports be made through the blockade; and

Whereas starvation has already begun; and

Whereas a plan for feeding the people of Greece has been in effect for several months in Greece under supervision of the Swedish and Swiss Governments and the International Red Cross; and

Whereas after six months' trial this relief has been certified by the State Department as working satisfactorily and without benefit to the Germans; and

Whereas the Governments of Belgium, Norway, Poland have requested that their people be given relief; and

Whereas there are food surpluses available in the United States and in South America; and

Whereas many of the small invaded countries have money with which to purchase the food needed to keep their people alive and have signified their desire to use funds for that purpose; and

Whereas the Swedish Government has ships not available to the Allies which could be used for transportation; and

Whereas the specter of mass starvation among friendly and noncombatant women and children is a tragedy that the compassionate heart of America wants to avert; and

Whereas Belgium, Czechoslovakia, Norway, Poland, Greece, Jugoslavia, and the Netherlands and others have lived in friendship with the United States during our entire national existence, and have sent us millions of our most useful and helpful American citizens, and now have no means whatever

of securing the necessary agreements by which this disaster can be averted: Now, therefore, be it

1       *Resolved*, That the Senate of the United States does  
2 express the conviction that immediate steps should be taken  
3 to extend the Greek experiment and thereby prevent this  
4 impending tragedy of mass starvation heretofore named; and  
5 be it further

6       *Resolved*, That the Senate of the United States respect-  
7 fully urges that the Government of the United States, through  
8 the Secretary of State, endeavor as quickly as possible to  
9 work out, in cooperation with the British Government and  
10 the Governments of Sweden, Switzerland, and the accredited  
11 representatives of the other governments concerned, the  
12 setting up of systematic and definite relief for all stricken  
13 and hungry countries where the need is now the most acute;  
14 this relief to be based on agreements by the belligerents  
15 for the protection of the native and imported food supplies,  
16 with rigid safeguarding of such relief so that no military  
17 advantage whatever may accrue to the civil populations or  
18 armed forces of the invading nations.

78TH CONGRESS  
1st Session

## H. RES. 117

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 15, 1943

Mr. LESINSKI submitted the following resolution; which was referred to the Committee on Foreign Affairs

### RESOLUTION

Whereas the small democratic countries of Belgium, Norway, Poland, the Netherlands, Greece, and Yugoslavia have been invaded and occupied; and

Whereas these small countries, which are allied with us in the cause of democracy, resisted to the limit of their strength the onrush of invading forces; and

Whereas the usual economic processes of these small countries have been completely dislocated as a result of being occupied by invading forces; and

Whereas the food supplies of all these nations are dangerously exhausted due to requisition of native food supplies by the Germans, and inability to secure their usual imports through the blockade; and

Whereas no relief can be brought to them unless there be inter-

78TH CONGRESS  
1st Session

S. RES. 100

### RESOLUTION

Favoring action looking to relief for starving peoples of Europe.

By Mr. GILLETTE and Mr. TAPP

FEBRUARY 11, 1943

Referred to the Committee on Foreign Relations

national action through which their native supplies can be protected and imports be made through the blockade; and

Whereas starvation has already begun; and

Whereas the American Committee on Food for the Small Democracies eighteen months ago made a proposal that a trial feeding should be undertaken in one of these countries under neutral protections and agreements from German seizure; and

Whereas this plan has in effect now been adopted in respect to Greece under supervision of the Swedish and Swiss Governments and the International Red Cross; and

Whereas after six months' trial this relief has been certified by the State Department as working satisfactorily and without benefit to the Germans; and

Whereas the Governments of Belgium, Norway, and Poland have requested that their people be given relief; and

Whereas there are large food surpluses available in South America; and

Whereas many of the small invaded countries have money with which to purchase the food needed to keep their people alive and have signified their desire to use funds for that purpose; and

Whereas the Swedish Government has ships not available to the Allies which could be used for transportation; and

Whereas the specter of mass starvation among friendly and non-combatant women and children is a tragedy that the compassionate heart of America wants to avert; and

Whereas Belgium, Norway, Poland, Greece, Yugoslavia, and the Netherlands have lived in friendship with the United States during our entire national existence, and have sent us millions

of our most useful and helpful American citizens, and now have no means whatever of securing the necessary agreements by which this disaster can be averted: Now, therefore, be it

1       *Resolved*, That the House of Representatives of the  
2 United States does express the conviction that immediate  
3 steps should be taken to extend the Greek experiment and  
4 thereby prevent this impending tragedy of mass starvation  
5 heretofore named; and be it further

6       *Resolved*, That the House of Representatives of the  
7 United States respectfully urges that the Government of the  
8 United States, through the Secretary of State, endeavor as  
9 quickly as possible to work out, in cooperation with the  
10 British Government and the Governments of Sweden,  
11 Switzerland, and the accredited representatives of the other  
12 governments concerned, the setting up of systematic and  
13 definite relief for all stricken and hungry countries where the  
14 need is now the most acute; this relief to be based on agree-  
15 ments by the belligerents for the protection of the native and  
16 imported food supplies, with rigid safeguarding of such  
17 relief so that no military advantage whatever may accrue  
18 to the civil populations or armed forces of the invading  
19 nations.

APR 10 1943

My dear Mr. Ford:

I have read with interest in the Congressional Record for April 8 your remarks concerning my so-called "secret plan" to establish an international stabilization plan. May I thank and congratulate you for bringing to the House so promptly and concisely the true facts concerning this important matter.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. Thomas F. Ford,

House of Representatives.

DJS:mj  
4/9/43

sub HDW Wt

Mr. FORD. Mr. Speaker, yesterday the distinguished gentleman from Ohio (Mr. SMITH) called attention to what he described as the secret plan of Secretary of the Treasury Morgenthau to establish an international stabilization fund.

The plan is so secret that three committees of the House—Foreign Affairs, Banking and Currency, and Coinage, Weights, and Measures—were all invited to meet Secretary Morgenthau and offer any suggestions that might occur to them.

The plan is so secret that it has been published Nation-wide and commented on both by radio commentators and editorial writers. In spite of this fact, the gentleman from Ohio (Mr. SMITH) asks, "Why all the secrecy?"

The answer is very simple: What secrecy?

The fact that the meeting with the Secretary was an executive meeting, a meeting which the gentleman from Ohio (Mr. SMITH) attended, the only secrecy about it was that the Secretary asked that his answers to any questions be off the record, the reason being one of courtesy because the plan had not as yet been published.

The distinguished gentleman assures us that he will do all in his power to inform his people of the peril that is involved in this secret New Deal scheme.

Well, since the United States, Great Britain, and France have had a tripartite agreement of this sort for some years, and the result of the peril involved has been a \$30,000,000 profit to the Treasury of the United States, I may be pardoned if I suggest to the gentleman from Ohio that his effort to inform comes rather late.

The plan, which has a worthy and, I might add, a vital objective, the stabilization of international currencies, is merely a plan to apply to the world the mechanism used in our tripartite stabilization plan, and thus avoid the chaos that would be inevitable, in the absence of some plan, in the post-war world.

Treasury Department  
Division of Monetary Research

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Date.....April 9, 1943.....19

To: Mr. Herbert Feis

Dear Herbert:

I am returning the unsigned letter of April 1, in accordance with our telephone conversation.

The British Treasury stated that they were proposing to replace all currency in circulation in Tripolitania with B.M.A. notes. In response to an oral query by me, Phillips said that they were to be in sterling units. I think your interpretation that such replacement could only be on formal basis is the correct one. Any other procedure would replace other currency in terms of local units only very slowly and with confusion, in that it would soon bring about a dual price system.

Your draft is perhaps adequate, but I wonder if you could express more clearly your objections to the introduction of the B.M.A. notes in sterling as the unit.

H.D.W.

MR. WHITE  
Branch 2058 - Room 214½

Treasury Department  
Division of Monetary Research

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○ Date.....4/10/43.....19

To: Miss Chauncey

From: L. Shanahan

The letter to the Secretary from State Department, unsigned, dated April 1 (with regard to reported British plan for withdrawing the Italian lira from circulation in Tripolitania) was returned to Mr. Feis yesterday with the original of this note.

DEPARTMENT OF STATE  
WASHINGTON

April 1, 1943

My dear Mr. Secretary:

Fels and Livesey have drawn my attention to your request for an expression of opinion as regards the reported British plan for withdrawing the Italian lira from circulation in Tripolitania and replacing it with British military authority notes over-printed with the word "TRIPOLITANIA". As I understand it, this would mean that the British, through some formal action, would require the full conversion of outstanding lire into the new British currency.

If my understanding of the suggestion is correct, I do not understand the necessity for it and doubt its advisability. I can see no objection of course to the use by the British of a special military currency designated for use or circulation in Tripolitania. The enforced substitution of this currency for Italian currency might, however, give rise to misunderstanding, and furthermore seems to run contrary to the general principle being considered of resort as soon and as fully as possible to the use of local currencies in reoccupied areas.

I should be obliged if you would let the British Treasury authorities know of this opinion, provided my understanding of it is correct and adequate.

Sincerely yours,

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

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
 FROM Frances McCathran

April 10, 1943

## CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - Yesterday saw more demands from Republican Representatives for immediate action on pay-as-you-go taxation. In a formal statement, nine Republican members of the House Ways and Means Committee urged the Committee to "take no action on other matters until it has first reconsidered the all-important question of establishing a current, pay-as-we-earn tax collection system and has given the House of Representatives another opportunity to vote on the matter." In an attempt to answer objections to the Carlson-Ruml Plan, Representatives Compton and Newsome presented another compromise plan. Their method would grant complete forgiveness of 1942 taxes to some 7,000,000 new taxpayers, cancel 45% of this liability for the remaining taxpayers and allow this last group to pay the 55% owed, over a period of five years. Also veering toward compromise, Representative F. Edward Hebert, leader of 15 southern Democrats who supported the Ruml Plan, advised his followers yesterday, "If we can't have the whole loaf, I think it best to take half." House Republican Leader Martin also announced his intention of blocking any Easter recess for the House "until something is done on this tax matter." According to an article by John H. Crider in the New York Times this morning, all Martin says he wants is an opportunity for the House "to decide the matter for itself," and by this statement Mr. Crider concluded "the minority leader was understood to be inviting a compromise." However, all previous remarks from Representative Martin have been strictly on a "no compromise" basis. Meanwhile there is little indication of whether the House Ways and Means Committee, which alone has the key to the deadlock, will allow the recommitted subject of taxes to be brought up in its hearings Monday on the Reciprocal Trade Agreements Act. Chairman Doughton, however, is said to have announced himself as "unimpressed" with the Anderson letter petitioning immediate action on taxes.

2. Labor - Marking the first legislation passed in this session of Congress to curb Labor, the House approved yesterday, by a vote of 270 to 107, the Hobbs Bill amending the 1934 Anti-Racketeering Act. The bill provides imprisonment up to 20 years and fines up to \$10,000 for "robbery and extortion" in interstate commerce, and for "interference during the war with the transportation of troops, munitions, war supplies, or mail in interstate or foreign commerce." The bill also carefully defines the terms "robbery" and "extortion." Representatives recalled in House debate yesterday the Supreme Court decision refusing to uphold the conviction of teamster union members who stopped non-union trucks entering New York and forcibly demanded "fees." The House accepted, however, an amendment approved by the Judiciary Committee, providing that nothing in the act would be construed as nullifying the Clayton Act, the Norris-LaGuardia Act, the Railway Labor Act, or the National Labor Relations Act. Meanwhile the Senate yesterday unanimously approved the Byrd resolution requiring the NLRB to submit to Congress by May 10 a complete report on wage increases granted since the Board was formed in January 1942, and similar monthly reports thereafter.

INVENTORY DEPARTMENT  
TREASURY DEPARTMENT  
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APR 12 1943  
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NOT TO BE RE-TRANSMITTED

COPT NO. 13

SECRET  
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APR 12 1943

Information received up to 7 A.M. 10th April, 1943.

1. MILITARY

Tunisia. To Midnight 6th.

Eighth Army.

The enemy continued his withdrawal throughout the day from the Line Mezzouna-Cekhira closely followed up by the Eighth Army. Early in the afternoon his main forces were reported North of the Mezzouna-Mehares Railway going towards Agdeh and Sfax. Since 7th the Eighth Army has taken over 9,000 prisoners U.S. Sector. Little contact with the enemy. A patrol moving down the road from Maknessy reached the hills South of Mezzouna without opposition. No further activity East of Bou Hamran apart from an armoured reconnaissance of the hills East of Djebel Chemsil.

First Army.

Attack by 78th Division already reported continued 6th and all objectives for the day taken. Since early 7th over 400 Prisoners captured, all Germans. Further South in the Pichon-Fondouk Area British and U.S. Forces attacked on 7th/8th. On the 8th the enemy withdrew from Pichon which was entered by our tanks during the afternoon and our Infantry crossed the River between the two villages and reached the high ground East of Pichon. Meanwhile U.S. Infantry occupied the High Ground South of Fondouk. The enemy is reliably reported to have brought up some of his armour from the Faid Area.

2. AIR OPERATIONS.

Western Front. 8th/9th.

About 800 tons of bombs were dropped in Duisburg Area. Cloudy conditions with severe icing forced some aircraft to return early. Over objective identification impossible and no results seen. A.A. heavy and accurate. 9th. 3 Mosquitos bombed a factory near Aachen. Fighters damaged 16 locomotives and 3 Minesweepers. Hampdens off Eastern Norway torpedoed a tanker of 8,000 tons which blew up and also hit a 1,000 ton ship, two Hampdens missing.

4 Messerschmidt Fighters attacked Folkestone and others were intercepted over the Channel. Enemy casualties 6, Pil, 4. 8th/10th. Aircraft despatched Duisburg 100, Leaflets 5, Intruders 1. Nine aircraft missing, one crashed in United Kingdom. Weather over Duisburg cloudy but some fires were seen.

Tunisia. 7th.

Wellingtons dropped a total of 26 tons on the Railw. centres at Tunis and Djebel Djelloud. Spitfires intercepted 2 formations of JU 87's over the Medjez El Bab Area. Enemy casualties 5, 4, 2. All JU 87's. 7th/8th. Wellingtons dropped 122 tons on Sfax and vehicles on Manages Road. 8th. 11. between Mezzouna and Sfax was attacked and heavy damage.

inflicted enemy columns in retreat being broken up and disorganized. At least 330 Vehicles were destroyed or damaged. Enemy casualties Nil, One, 3. Ours 7, Nil 3.

Burma.

Between 5th and 7th U.S. Mitchells successfully bombed Railway Yards at Rangoon and in Mandalay Area. On 8th Blenheims bombed villages in the Mayu Area. 17 escorted enemy bombers attacked one of our airfields damaging buildings and two Blenheims on the ground.

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TREASURY DEPARTMENT  
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BRITISH MOST SECRET  
U.S. SECRET

OFFICE No. 120

Following is supplementary resume of operational events covering the period 3rd April to 10th April, 1943.

1. NAVAL

ATLANTIC OCEAN. German blockade runner DOGGER BANK reported sunk 3 March by unidentified submarine, probably U-boat S.W. of AZORES. One 6,000 ton Italian ship has arrived at BORDEAUX from FAR EAST. 3 German ships have left BORDEAUX - OSERNO, 6,900 tons and KORTLAND, 7,100 tons, probably for JAPAN and a 2,700 ton ship which may be acting as a U-boat supply vessel.

MEDITERRANEAN. Reports received of promising attacks by H.M. Submarines on 6 tankers and 4 merchantmen. About 1100 tons of shipping arrived in TUNISIA from ITALY during the period. During March about 40 percent of shipping to TUNISIA was sunk.

SUBMARINE WARFARE. Very large homeward bound N. ATLANTIC convoy has arrived in U.K. with only few ships lost. Air cover was provided in mid-Atlantic and ships of escort successfully drove off numerous night attacks by pack of U-boats. 17 attacks on U-boats of which 11 by surface craft. 5 promising attacks of which 2 by surface craft. U-boat activity more widely dispersed but North Atlantic remains scene of main effort.

SHIPPING CASUALTIES. During the week 3rd to 9th inclusive 12 ships reported attacked by submarines. 2 British ships sunk in S.W. Approaches; 3 British ships (1 tanker) sunk and one Dutch ship torpedoed in homeward bound convoy in North Atlantic; in West Indies one U.S. Tanker and one Norwegian ship sunk and one U.S. ship in convoy torpedoed; one British ship torpedoed N.E.S. of CAPE TOWN and one French ship off DAKAR; one Egyptian ship sunk in LEVANT. One British tanker was mined in convoy in THAMES ESTUARY, stern sunk, forward part towed in. 3 British ships were reported overdue at ADEN, FREETOWN and SAN DOMINGO respectively. Provisional losses by enemy action March - 654,000 tons which includes 6 tankers totalling 48,000 tons. Main losses in ATLANTIC, 72,000 tons in MEDITERRANEAN and 27,000 tons in INDIAN OCEAN and PACIFIC.

TRADE. Imports in convoy into UNITED KINGDOM week ending 3rd - 845,000 tons including 148,000 oil.

2. MILITARY

TUNISIA. Now apparent that the enemy has suffered severe defeat. Pursuit continues gathering momentum. 8th Army prisoners since MARSHA attack 20/21 March now 20,000. Number of Axis Divisions unchanged gave indications elements new German Infantry Division northern TUNISIA. Estimate serviceable tanks approximately - Northern Tunisia 30, majority German; Central and Southern Tunisia 130, majority German. No indications evacuation is contemplated yet. Fuel supply difficulties probably continuing. Italian Divisions. Total has been reduced to 68 owing to losses in RUSSIA. Estimate 4-5 divisions eliminated. Little change in the past 3 months in movement and Italian Divisions now disposed as under. Italy 9; South of France 7; Corsica 2; Sardinia 2; Sicily 3; North Africa equivalent 7; Jugoslavia and Albania 20; Greece 8; Aegean Islands equivalent 4; Russia equivalent 6.

3. AIR OPERATIONS

WESTERN FRONT. Day. U.S. 8th Air Force made heavy attack on Renault works and similar scale attack on Minerva aircraft repair works at ANTWERP, both caused considerable damage. R.A.F. Venturas bombed docks at ROTTERDAM and BREST. Other aircraft attacked airfields, war industry and railway objectives. 29 aircraft lost. Night. Bomber Command operated 1,546 aircraft and lost 67. Main attacks - ESSEN - very successful; KIEL - very heavy attack and BRISBURG. Both latter hampered by bad weather. Tip and run raids by 29 enemy aircraft on south coast, 9 destroyed.

TUNISIA. Intense activity in support of the Army by North West African and Western Desert air forces maintained. Much damage to enemy aircraft on airfields and to M.T. vehicles. Enemy losses in air 32, ours 19.

MEDITERRANEAN. Large scale raid on NAPLES by U.S. Fortresses. 5 convoys in SICILIAN CHANNEL attacked by total of 76 U.S. Mitchells. Extensive damage caused to supply ships and one escorting destroyer blown up. A number of transport aircraft intercepted and destroyed by U.S. Lightnings.

- 2 -

RUSSIA. Except in the south, especially KUBAN Area, Russian air activity was light, probably due to weather. Russians attacked several convoys in BLACK SEA. German Air Force supported their troops in KUBAN and bombed Russian harbours and naval bases in Western Caucasus. Over 40 German aircraft reported destroyed over Leningrad.

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

BERLIN. Final interpretation of photographs after raid 1st/2nd March explain why this attack has always been regarded as outstandingly successful since considerable fire damage is disclosed confirming numerous reports that fire situation was out of control and that organisation and discipline of Berlin Fire Services collapsed, assistance was obtained from LEIPZIG and other centres. One bomb fell in an inner courtyard of Air Ministry damaging 200 to 300 rooms and destroying important records. Phosphorus incendiaries and the heavy bombs appear to have caused great effect.

VEGERSACK. U.S. day attack on 18th March. Opinion on photographs of specialist in Naval shipbuilding. Of 15 U-boat hulls on slips 7 have been severely damaged and 6 slightly. U-boats were in different stages of construction, some almost ready for launching. As a result of additional damage to dockyard buildings this yard may well be of little importance for at least 12 months.

ESSEN. A visitor third week in March reported no work in progress at Krupps. Pass required to enter town. Reported that 15,000 Krupp workmen and 90,000 workers homeless and that damage at Krupps was greatest blow to German war industry yet inflicted by R.A.F.

GENERAL. Recent reliable report from GERMANY states that latest attacks have made marked impression on whole nation. Soldiers home on leave are shocked at the state of the towns and have openly criticised the party.

DOUGREE. In attack on 12th March on Cockerill works the electric power house was hit. All work has stopped and no resumption date has been fixed.

ANTWERP. Minerva aircraft repair works. Assembly shop and aero-engine repair shop partly destroyed; aircraft dismantling and wing repair shop severely damaged by several direct hits.

5. HOME SECURITY

Estimated civilian casualties week ending 7th - killed 23, seriously wounded 41.

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Sunday, April 11, 1943.

Press Service  
No. 36-10

The greatest war financing campaign in the world's history - \$13,000,000,000 to help clear the roads to Berlin, Rome and Tokio for American liberators - will get underway tonight at midnight throughout America.

More than 1,000,000 volunteers, the largest civilian army ever assembled, await the zero hour, the Treasury Department announced today.

From New England, where a modern Paul Revere will ride once again the cobbled streets and spread the alarm, to California where the Second War Loan campaign commanders telegraphed the War Finance Committee of the Treasury that "preparations on the Western Front are complete, the ammunition is ready," everything was set for the gigantic home front offensive.

Reports from all of the twelve Federal Reserve Districts revealed a feeling of confidence that the \$620,000,000-a-day sales of Government bonds - the pace necessary to reach the 13 billion dollar objective during the approximately three weeks of the drive - will be achieved.

Government bonds to fit every purse will be offered. Victory Fund Committees and War Savings Staffs have merged their resources and manpower to make a thorough canvass of every community in the land.

The campaign theme, "They Give Their Lives - You Lend Your Money," runs through every preparation and will resound over the radio, in newspapers and from outdoor billboard displays in an unprecedented mobilization of American advertising resources.

The plain citizen whose son, brother and friends are being called upon to sacrifice their lives if need be for the defense of the Republic is being asked during the Second War Loan to:

1. Divert every cent that is not absolutely required for food, shelter and other necessities of life into extra War Bonds.

- 2 -

2. Canvass his neighbors to make sure they make an equal extra loan to the Government during the drive.

Here is a swift picture of the highlights of Second War Loan campaign plans:

First Federal Reserve District - Connecticut (excluding Fairfield County) Maine, Massachusetts, New Hampshire, Rhode Island and Vermont: 20,000 volunteers mobilized; campaign fervor at white heat with newspapers going all-out to stimulate feeling that people must back up boys at the front by lending their money to the Government; special emphasis is being placed upon observance of Patriot's Day, April 19, when Minute Men and ride of Paul Revere will be dramatized to give renewed impetus to the drive as it rolls on toward victory.

Second Federal Reserve District - New York, northern New Jersey and Fairfield County in Connecticut: 115,000 War Finance Committee volunteer workers will launch drive with rallies in every region of the district; Secretary of the Treasury Henry Morgenthau, Jr., will launch the campaign from Carnegie Hall Monday night over a nation-wide radio network with Governor Thomas E. Dewey, President William Green of the American Federation of Labor, President Phillip Murray of the Congress of Industrial Organizations and other distinguished leaders participating. Efforts will be concentrated throughout the drive on obtaining loans from sources other than commercial banks. District has set goal of \$3,000,000,000, which "we are confident we will exceed."

Third Federal Reserve District - Eastern and Central Pennsylvania, Delaware and Southern New Jersey: Every county in district is fully organized and awaits the zero hour at midnight Sunday. Sales will be made at that moment in Philadelphia, Cradle of Liberty. More than 50,000 volunteers have answered the call. Special events include parades and other public meetings. Civilian Defense workers, civic organizations, women's clubs, religious groups and public-spirited citizens are assisting War Finance Committee workers in making the canvass the most thorough in history of the area.

Fourth Federal Reserve District - Eastern Kentucky, Ohio, western Pennsylvania, northern West Virginia: 120,000 volunteer workers to spring to action Sunday to get jump on national drive. Parades and public meetings scheduled in large population centers.

Fifth Federal Reserve District - District of Columbia, Maryland, North Carolina, South Carolina, Virginia and southern West Virginia: 50,000 workers have been welded into a fighting

civilian organization by the War Finance Committee with the announced objective of canvassing every citizen. "The organization is being strengthened every day and enthusiasm is very high."

Sixth Federal Reserve District - Alabama, Florida, Georgia, southern Louisiana, southern Mississippi, eastern Tennessee. Many of the 40,000 volunteer salesmen and women have already made contacts and report favorable results. War Finance Committees, civilian defense, commercial bankers, security dealers, civic clubs and independent citizens are cooperating.

Seventh Federal Reserve District - Northern Illinois, northern Indiana, Iowa, southern Michigan and southern Wisconsin: More than 250,000 men and women volunteer workers mobilized. Chicago planning parade of Army, Navy, Red Cross and volunteer women's groups. Special dinners planned for Chicago and Indianapolis.

Eighth Federal Reserve District - Arkansas, southern Illinois, southern Indiana, western Kentucky, northern Mississippi, eastern Missouri and western Tennessee: 29,000 workers ready; St. Louis to "celebrate" Hitler's birthday April 20, with special sales drive to furnish ammunition "that will make it his last."

Ninth Federal Reserve District - Northern Michigan, Minnesota, Montana, North Dakota, South Dakota and northern Wisconsin: Fully organized with 56,000 workers. Many counties are well on way toward quotas as solicitation was started early to avoid bad roads expected during latter part of April. Governor Moses of North Dakota has proclaimed April 12 Dedication Day for sale of War Bonds. Aim to contact 1,500,000 citizens for personal subscriptions to Second War Loan.

Tenth Federal Reserve District - Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, northwestern Oklahoma, Wyoming: 50,000 workers ready; kick-off breakfast meetings planned Monday, April 12, throughout 385 counties of district; 1,800 banks as well as other financial institutions are cooperating and urging their depositors to invest in War Bonds. Insurance companies lending hundreds of sales agents to volunteer sales force; constructed large thermometers throughout district and arranged special daily radio broadcast on percentage of quota attained; clergy to announce the Second War Loan from pulpits Sunday.

Eleventh Federal Reserve District - Texas, southeastern Arizona, northern Louisiana, southern New Mexico and southeastern Oklahoma: "Remember Bataan" is the battlecry of the

- 4 -

20,000 volunteer salesmen and women; communities are incorporating into the drive special events such as purchase of fighting ships and bombers; April 21 is San Jacinto Day and will be featured as "Texas Heroes' Day."

Twelfth Federal Reserve District - Oregon, Utah, Washington, northwestern Arizona, California, Idaho and Nevada: From the district came this terse report, "Twelfth district reports 18,750 picked representatives of War Finance Committee in 1,550 communities are ready. These trained troops report preparations on the Western Front are about completed. The ammunition is ready. The big guns are loaded as the barrage awaits only the zero hour, Monday, April 12."

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FOR THE PRESS

IMMEDIATE RELEASE

APRIL 11, 1943

## STATEMENT BY THE PRESIDENT

The Public Debt Act of 1943 is before me for signature. This bill increases the limitation on the face amount of obligations issued under the Second Liberty Bond Act that may be outstanding at any one time from 125 billion dollars to 210 billion dollars.

I pointed out the need for this increase in my Budget message on January 6. A bill to authorize the increase was introduced in the House of Representatives on January 25 by Chairman Doughton of the Ways and Means Committee. The Treasury informed the Ways and Means Committee that the present debt limit would be insufficient to cover the necessary bond issues which would be required during the month of April.

The Treasury has advised me that, to permit the execution of its war financing plans the Public Debt Act must become effective without further delay. I am accordingly allowing the Bill to become law without my signature, in order to avoid embarrassment to our war financing program.

If the circumstances were otherwise, I should veto the bill. Even so, I cannot permit this legislation to become effective without registering my protest against the attachment to this Bill of an irrelevant and unwarranted rider.

There was attached to this Bill in the House a provision which would have taken from the President the right to stabilize salaries until they were raised above \$67,200 or the annual rate paid on December 7, 1941, whichever was the greater. This rider would have destroyed the entire stabilization program. It would obviously have been unfair to stabilize wages, and yet leave salaries free to rise to \$67,200.

This patently indefensible provision was eliminated in the Senate. But instead of dropping it altogether, the Senate substituted a provision removing from the Act of October 2, 1942, the President's authority, granted in terms by that Act to reduce wages or salaries "to the extent that he finds necessary to correct gross inequities and also to aid in the effective prosecution of the war." The effect of this provision, which was accepted in conference, is to terminate the authority given to and exercised by me to prevent the payment during the war of salaries in excess of \$67,200.

The reasons which prompted me to exercise the authority conferred upon me are fully explained in the letter which I sent to Chairman Doughton of the Ways and Means Committee on February 15. A copy of that letter is appended to this statement. As I explained in my letter, I agree with those who say that the limitation on salaries does not deal adequately with the problem of excessive incomes. Practical limitations ought by appropriate taxation to be placed on all income, earned and unearned. I urged and would have welcomed a special tax measure applicable to all excessive incomes from whatever source derived in place of the flat \$67,200 salary limitation.

But the Congress has chosen to rescind my action limiting excessive salaries without even attempting to offer a substitute. The result is that Congress has authorized the drafting of men into the army for \$600 a year regardless of whether they are earning \$1,000 or \$100,000 a year, but has refused to authorize the reduction in the salary of any man not drafted into the Army no matter how high his income may be.

At the same time the stabilization program enacted by the Congress requires wage increases to be denied to workers earning \$1,500 a year even when their employers are willing to pay those wage increases. The essence of stabilization is that each should sacrifice for the benefit of all. This principle the Congress has failed to recognize.

Some 2 or 3 thousand persons who on September 15, 1942 were receiving salaries in excess of \$67,300 may continue to receive them. About 750 persons will be able to receive salaries in excess of \$100,000; about 30 persons, salaries in excess of \$250,000; and 3 or 4 persons, salaries in excess of \$500,000.

One hundred and thirty million Americans can make the stabilization program work even though a relative handful of persons are not obliged to cooperate as they should. The exemption accorded these excessively high salaries does not help morale, but American morale is too strong to be permanently injured by this ill-considered action.

The act of October 2, 1942 set up a stabilization program covering wages, salaries and prices. It could, of course, be revised or repealed by the Congress but subject, under the Constitution, to the approval or veto by the President.

The Congress, however, did not adopt this constitutional method.

It chose to take away the authority of the President to adjust salaries which were grossly inequitable, not by a separate law, but by attaching a rider to a Bill increasing the debt limit.

This system of attaching riders to Bills relating to a wholly different subject has been used by former Congresses in a number of notable cases. Such abuses of sound legislative procedure have been protested by many former Presidents, and the practice has been condemned by sound opinion. It is noteworthy that the Constitutions of many States require that a proposed law shall relate to only one subject.

In this particular case the problem is easy to understand.

If I veto this Bill, with its rider, the Treasury's war financing plans may be seriously retarded. I have no means of assuring prompt action by the Congress prior to a great bond issue, the sale of which is about to start. I have no means of preventing indefinite delay if either branch of the National Legislature should decide to recommit the measure to a Committee for further study.

If I sign the Bill I would be accused of giving my approval to salaries which most persons regard as excessive in the midst of a war for the survival of this Nation.

Thus the Congress has successfully and effectively circumvented my power to veto.

All that remains to me is to permit the Act to become a law without my signature.

I am doing this with two earnest objections. The first is against the practice of attaching extraneous riders to any Bill. The second is to make clear to the country that I still hope and trust that the Congress, at the earliest possible moment, will give consideration to imposing a special war surtax on net income, from whatever source derived, which after the payment of all taxes exceeds \$25,000.

I still believe that the nation has a common purpose -- equality of sacrifice in war time.

February 15, 1943

Dear Mr. Chairman:

Some days ago you wrote me that there was a proposal before your Committee to amend the Public Debt Bill by adding a provision nullifying the Executive Order issued by me under the Act of October 2, 1942, limiting salaries to \$25,000 after taxes, and asked if I cared to submit any views with reference to the proposal. In reply, I told you that I hoped the Public Debt Bill could be passed without adding amendments not related to the subject, but that if the Committee thought otherwise, I would later write you my views.

In a message to the Congress on April 27, 1942, I stated, "discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year." Thereafter the Treasury advised the Committee, "To implement the President's proposal, the Treasury now recommends the enactment of a 100% war supertax on that part of the net income after regular income tax which exceeds a personal exemption of \$25,000. \* \* \* It is recommended that for the purpose of the super-tax, joint returns be made mandatory and that a personal exemption of \$25,000 for each spouse be allowed, or in effect \$50,000 for the married couple."

So far as I know, neither House of the Congress acted upon the recommendation.

When the Act of October 2, 1942 was passed, it authorized me to adjust wages or salaries whenever I found it necessary "to correct gross inequities and also aid in the effective prosecution of the war." Pursuant to this authority, I issued an Executive Order in which, among other things, it was provided that in order to correct gross inequities and to provide for greater equality in contributing to the war effort, no salary should be authorized to the extent that it exceeds \$25,000 net after the payment of taxes. Provision was made for certain allowances in order to prevent undue hardships.

The legality of the Executive Order was attested by the Attorney General, prior to its issuance. No Executive Order is issued without such approval.

The regulation issued under this Order, with my approval, was so worded that it affected only gross salaries in excess of \$67,200, the amount of taxes due upon such salaries reducing them to approximately \$25,000 net. I could not exercise the discretion vested in me by the Congress to adjust salaries, without finding that it is a gross inequity in wartime to permit one man to receive a salary in excess of \$67,200 a year while the Government is drafting another man and requiring him to serve with the armed forces for \$600 per year. I believed it a gross inequity for the President of a Corporation engaged in the production of materials for the government, to receive a salary and bonus of \$500,000 a year while the workers in the Corporation were denied an increase in wages under the provisions of the law and my Executive Order. The correction of such inequities, I believed, would aid in the effective prosecution of the war.

I call your attention to the fact that the limitation of salaries was, by the language of the Order, limited to the war period; and that the law upon which the Order was based expires June 30, 1944, and can be continued only by the affirmative action of the Congress. Therefore, no fair argument can be made that the limitation was intended either by the Congress or by the Executive to become permanent law. The intention was made plain in my original message. I then and there affirmed my belief that this limitation should be made "in time of this grave national danger when all excess income should go to win the war."

This desire to limit personal profits during wartime is no new thought. Its origin is neither alien nor obscure. It is in accord with the solemn pledges of the Republican Party and the Democratic Party.

In 1924, just after our soldiers had returned from the First World War and the leaders of both parties were conscious of the views of the returning soldiers as to war profiteering, the Republican Party declared in its platform:

"We believe that in time of war the nation should draft for its defense not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms the President be empowered to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities, whether utilized in actual warfare or private activity."

The Democratic Party platform the same year solemnly pledged:

"In the event of war in which the man power of the nation is drafted, all other resources should likewise be drafted. This will tend to discourage war by depriving it of its profits."

I repeat, this was in 1924, not 1928, and that these were the platforms of the Republican and Democratic Parties.

I agree with those who say that the limitation of salaries does not deal adequately with the problem of excessive personal profits and that the limitation should extend to all income. My Executive Order endeavored to correct the inequity to the extent of the power granted me. The Congress can, however, make the limitation adequate by extending it to the coupon clipper as well as the man who earns the salary.

Therefore, I urge the Congress to levy a special war surtax on net income from whatever source derived (including income from tax exempt securities) which, after payment of regular income taxes, exceeds \$25,000 in the case of a single person, and \$50,000 in the case of a married couple. If the Congress does not approve the recommendation submitted by the Treasury last June that a flat 100% surtax be imposed on such excess incomes, then I hope the Congress will provide a minimum tax of 50% with steeply graduated rates as high as 90%. The exact amount of the exemptions to be allowed and the exact rate of taxation to be applied are necessarily arbitrary and these are matters the Congress must decide.

If taxes are levied, which substantially accomplish the purpose I have indicated, either in a separate Bill or in the general Revenue Bill you are considering, I shall immediately rescind the section of the Executive Order in question. The Congress may appropriately provide that such taxes should take the place of the \$25,000 limitation imposed by Executive Order.

I trust, however, that without such tax levies, the Congress will not rescind the limitation and permit the existence of inequities that seriously affect the morale of soldiers and sailors, farmers and workers, imperiling efforts to stabilize wages and prices, and thereby impairing the effective prosecution of the war.

Very truly yours,

FRANKLIN D. ROOSEVELT

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: April 11, 1943, 9 a.m.

NO.: 527

Reference is made to the last paragraph of my 492 of the fifth of April, noon. Dr. Kung, in response to request from the Belgian Ambassador--Doyen of the Diplomatic Corps--through the Foreign Office, in order to offer relief from the exchange situation, has finally indicated willingness, through reluctance, to give a subsidy of fifty cents on the dollar to diplomatic missions. It is stipulated though that no publicity should be given to this action, that no special diplomatic rate be fixed, and that the word subsidy be used so as to indicate that the step is made voluntarily by the Finance Ministry and is not a matter which can later be used as a precedent.

Objection of the Belgian Ambassador to the idea of a subsidy to diplomatic missions (which objection was later withdrawn) led to altering the phrase to "exchange subsidy". This was then accepted by the Belgian Ambassador. The Belgian Ambassador will report back to the Foreign Office when he has obtained the agreement of other Chiefs of Missions, which he is endeavoring to do.

I discussed the matter with the Belgian and British Ambassadors and with the Acting Foreign Minister without making any commitment on our part. The Acting Foreign Minister was informed that from the standpoint of the Chinese Government, as well as the diplomatic (omission) the use of the word subsidy in any context was inappropriate, with which he was in agreement. The Belgian and British Ambassadors, and the Acting Foreign Minister, were informed that the matter would have to be submitted to the Government of the United States.

Apparently the Foreign Office has not been informed regarding our plans for reciprocal Lend-Lease and it is also possible that Dr. Kung has not been informed concerning such plans. I see no reason why other diplomatic missions should not take what exchange relief they can get regardless of the effect the Lend-Lease agreement might have on our position, but I would like to have the instructions of the Department with regard to the foregoing.

Unsigned

NPL

EA:rw

TREASURY DEPARTMENT  
1943 APR 12 AM 11 46  
ASURY

NOT TO BE RE-DISSEMINATED

COPY NO. 13

BRITISH MOCN SECRET  
U.S. SECRET

REF ID No. 118

Information received up to 7 a.m., 11th April, 1943.

1. NAVAL

One of H.M. Fast Minelayers intercepted an Inward bound Blockade runner, the SILVAPLANA, 4,800 tons, ex-Norwegian on afternoon 10th 220 miles west of CAPA FRIESTERRE. The ship was scuttled. 146 survivors rescued.

2. MEDITERRANEAN

TUNISIA. 8th Army. After some enemy resistance a few miles south west of EL HARES our leading troops entered the town at 1350 hours and by last night were in contact with enemy forces 5 miles north west of the town. 35 miles further inland New Zealand troops advanced north of the main SPAX-SPAITLA road with 1st Armoured Division 15 miles further on their left.

10th to 2100 hours. Our troops occupied SPAX at 0815 hours. By 1130 hours forward elements of 7th Armoured Division had reached a point 8 miles north west of SPAX and 51st Division were 5 miles south of the town. Leading groups of New Zealand Division reached LA BENCHA between SPAX and DJEM while patrols of 1st Armoured Division were moving north towards KAIROUAN. Air reconnaissance has reported heavy traffic on roads to the north and northeast through KAIROUAN and on the coastal road as far north as SAFIDAVILLE.

1st Army. On the 9th troops of 73th Division captured CHLOUGH 6 miles north west of MEDJAZ EL BAB together with the high ground to the northwest of it. All objectives for our attack of the 7th/9th have been captured together with 775 prisoners including about 500 German. Further south French forces occupied the high ground 8 miles north east of PICHON and good progress was made on the southwest slopes of the hills north of PICHON. Enemy resistance was strong in the hills north and south of the FONDOUK PASS but by 1600 hours they had been cleared and our armour passed through westwards 10th. 6th Armoured Division following up the enemy towards KAIROUAN had some tank casualties from enemy mines in FONDOUK GAP. Other United Kingdom troops and 34th United States Division are following along and clearing up north and south of FONDOUK GAP.

3. AIR OPERATIONS

WESTERN FRONT. 9th/10th. DUISBURG. 296 tons of H.E. and incendiaries were dropped. Complete thin cloud with occasional breaks covered objective. Attack lasted 17 minutes. Reports vary some alleging concentration of well established fires, others describing fires as scattered. Heavy A.A. accurate and fairly intense. Few searchlights.

10th. In Northern FRANCE and the Low Countries fighters, of which 4 were missing, destroyed a barge and damaged 22 small craft and 3 goods trains. Blockade runner thought to be 6200 ton Italian ship believed to be returning after an attempt to break out and escorted by 4 German destroyers was attacked by 6 Wellingtons and 5 torpedo carrying Hampdens 120 miles southwest of ST. NAZAIRE. The ship was hit with a bomb and one of the escorts was damaged. A Hampden and a fighter of the fighter escort are missing.

10th/11th. Aircraft despatched - FRANKFURT 502 (19 outstanding, 2 crashed in the sea and 1 in United Kingdom); sea mining 7, leaflets 4. Preliminary reports indicate complete cloud over FRANKFURT at about 10,000 feet.

TUNISIA. 8th/9th. Wellingtons and Halifaxes dropped 104 tons of bombs on SOUSSA and its landing ground, also vehicles on the EL DJEM road.

9th. Fighters intercepted 16 JU 88's in the PICHON/KAIROUAN Area. Casualties 8, 3, 1. Allied - 1 missing.

April 12, 1943  
9:20 a.m.

FINANCING

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

H.M.JR: Mr. Bell:

MR. BELL: Did you see the piece in the Wall Street Journal about what the President said on inflation - what he said about the enforced savings plan that is being worked out?

H.M.JR: The President didn't say that. I don't think he said that.

MR. GASTON: The newspapermen told me that at the press conference on Friday morning he talked a little about forced savings.

H.M.JR: Well, if that is the worst he does--

MR. BELL: "Administration plans for taxes and forced savings are being worked out."

H.M.JR: Well, don't look at me so seriously. (Laughter) He gave us a great boost last night. He said that thanks to the April drive in the Treasury he was going to veto the bill, so that everybody who doesn't like the twenty-five-thousand-dollar feature ought to feel kindly disposed to the Treasury. (Laughter)

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It was kind of a left-handed compliment, but at least, in the room here, seeing that I never saw it until four-thirty--

MR. BELL: It was a good message.

H.M.JR: It was all right.

MR. GASTON: It was a Ben Cohen message, wasn't it?

MR. BELL: I don't know. I thought it was pretty well written, particularly that part about attaching irrelevant riders to the bill. (Laughter)

MR. GASTON: That is a strong feature - well justified.

H.M.JR: I think that on the whole we in the Treasury can be very well pleased with what the President did last week. He did the movie for us. I mean, he has got a lot of things on his mind. He gave us a letter to the news people that they could use that.

MR. PEABODY: That was the carrier boys, Mr. Secretary.

H.M.JR: What else, Mr. Bell? I take it that you people in the room will keep Mr. Gaston and me informed on how this drive is going along.

MR. BELL: Every day. You mean as to the amount? We get a report every night, as we did on the other.

H.M.JR: By districts?

MR. BELL: Yes, by districts and by issues, but not down to individuals, and so forth.

MR. BUFFINGTON: We asked, Dan, that in the districts they make estimates from their figures on number of sales, as we did in the last drive.

MR. BELL: We won't give that out until the end, though.

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MR. BUFFINGTON: That is right.

H.M.JR: The last report on the weather seems bad. It is getting steadily worse. They will give me, as far as I am concerned, a final weather report at eleven. I am not going to fuss. If at eleven it still looks bad, I will go up on the train at one and come back at midnight.

I am not going to this time get up as far as Philadelphia and have them put me back and then try to scramble into a train.

MR. GASTON: I would like to make a suggestion, and that is that if you can you should try to get away by eleven o'clock - get an eleven o'clock train, get up there and go to the hotel and give yourself a couple of hours to lie down before you eat dinner. I think it would make it much easier if you could do that.

(Miss Elliott entered the conference.)

H.M.JR: That isn't a bad idea. You mean get up there earlier?

MR. GASTON: Yes, leave here by eleven and get up there at three or three-thirty.

H.M.JR: Anything else, Dan?

MR. BELL: No.

H.M.JR: Harold, you look kind of fresh and full of beans. (Laughter)

MR. GRAVES: I feel all right.

H.M.JR: Are you attending this meeting tonight?

MR. GRAVES: No, I wasn't intending to.

H.M.JR: Incidentally, Mr. Manager, I am going as is.

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MR. GAMBLE: That is right, that is correct.

H.M.JR: Miss Elliott?

MISS ELLIOTT: No, sir. I got back yesterday from North Carolina, and I was very much pleased with the way they are organizing things there.

They are starting this morning in Greensboro with a public meeting and a parade, and interest is very general. I was particularly pleased with the way they had organized the whole community.

I called Raleigh, and they are doing the same thing there, which I thought was a very good beginning.

I also found at the college and down at Chapel Hill great interest among the students. They had a student committee meet with me Saturday noon - the Chapel Hill unit, also - and there was great interest in the student group.

H.M.JR: Good. We are counting on you women.

MISS ELLIOTT: Ringing those doorbells? (Laughter)

MR. ROBBINS: I don't think of anything that is critical or vital this morning. I think we are right in the dead center spot.

H.M.JR: All right.

MR. BELL: The slogan is going over well.

MR. ROBBINS: Incidentally, I like our board out here. (Indicating billboard outside the Treasury.)

H.M.JR: I will have to look at it.

MISS ELLIOTT: I did notice, Mr. Secretary, that in all the papers, and I saw southern papers - I went to the library Saturday morning and looked over all of the

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papers, and they are carrying full-page announcements, with the slogan very prominent in them.

H.M.JR: Will one of you gentlemen just think this over. You are saying that the Washington Herald isn't doing enough. I don't know how to approach the woman, and I don't want to, but you might inquire around - I don't know - she is a very sentimental person.

MR. ROBBINS: It certainly is conspicuous by absence of advertising.

H.M.JR: I don't know who is close to her. Some of the big department store advertisers might or might not be.

MR. ROBBINS: Maybe Mr. Rust, the local leader here, might have more interest than any of us.

H.M.JR: What business is he in?

MR. ROBBINS: Real estate.

MR. GAMBLE: Hecht's is their biggest advertiser.

MR. GASTON: Let Rust do the talking to Hecht's.

H.M.JR: Can I throw that out?

MR. ROBBINS: I am going to see Mr. Rust at eleven o'clock.

MR. BELL: The business manager over there is a very nice fellow. I don't know whether he has any influence or not.

H.M.JR: I am just throwing it out. After all, if she slaps us off we are no worse off than we were. But, as I say, she is a sentimental person.

MR. ROBBINS: The Post has gone all-out.

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H.M.JR: I will be curious about what happens. It will be an interesting experiment in psychology. I mean, the woman started as a great Roosevelt person, then she got in this terrific row down at Warm Springs with Ray Moley. They actually had a battle, fistic battle, in her private car. From that day on she has been off the New Deal, so to speak, but up to that time she was all-out. I suppose she and Ray Moley now weep on each other's shoulders. (Laughter)

MR. PEABODY: It is a deliberate thing. From the standpoint of news, there isn't any reason why that shouldn't be on the front page today.

H.M.JR: I will make a bet that the Chicago Tribune goes all-out. Take a look at the New York Daily News, too, will you?

I was very much pleased with the opening this morning.

Mr. Peabody, anything else?

MR. PEABODY: No, sir.

H.M.JR: I would like to see you, my manager, afterwards.

MR. GAMBLE: Yes, sir.

H.M.JR: I hope you have no headache?

MR. GAMBLE: I have not.

H.M.JR: George?

MR. BUFFINGTON: I have nothing.

H.M.JR: Herbert?

MR. GASTON: I was thinking of something which I suppose will be done anyway, and that is I think a

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pretty careful survey of the use of advertising space during this campaign would be worth doing, see whether they spread it properly, whether they over-do it, whether they under-do it.

MR. PEABODY: We are doing a new thing on that for this drive. We are getting a checking agency - not an ordinary news checking agency but one which specializes in checking advertisements - and they are going to check every paper that they get, which is substantially all papers, and give us a tabulation at the end of the thing on all of the stuff that appeared.

H.M.JR: Who is going to do that?

MR. PEABODY: A checking agency in New York. I don't remember the name of it.

H.M.JR: Fine.

MR. PEABODY: Heretofore we had a spot check and had gotten a lot from the districts, but this time we are going to get the whole thing.

H.M.JR: Did you men get anything out of Likert?

MR. PEABODY: Yes.

MR. ROBBINS: Yes, indeed. That is a fine service, and it is something that I think we can use very effectively as we go on.

H.M.JR: I am going to call up LaRoche in a little while and ask him whether he won't let me have Smith and Albee down again this week just in case I want to do another speech. I would like them to be thinking about it.

Thursday and Friday I have to testify on the Stabilization again, and after that I am holding myself in readiness to go anywhere that is necessary.

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MR. ROBBINS: Our thought there, sir, is that we would like very much to have you go as far west as you feel you can.

H.M.JR: Well, I would be--

MR. ROBBINS: Would you seriously think of going all the way to the Coast?

H.M.JR: I would on one condition. I insist on going to Portland. (Laughter)

MR. PEABODY: Managerial relationships. (Laughter)

MR. ROBBINS: If you would seriously consider going to the Coast, I think it would be splendid.

H.M.JR: You think that is where I would be needed the most?

MR. ROBBINS: Yes.

H.M.JR: Think a little bit about it. I wouldn't tell them anything, but let's just see.

I have to do this Stabilization thing in the House and Senate on Thursday and Friday, and after that I am free.

MR. PEABODY: Mr. Rubicam has told Smith to be available to you for this drive, so that is cleared.

H.M.JR: Well, I would like to have them down here - you can save me a call, if you will--

MR. PEABODY: Glad to.

H.M.JR: Either one - really both of them because they like to work together, don't they? Smith is cleared for this drive?

MR. PEABODY: Mr. Rubicam told Mr. Smith that he was to do anything on this drive you wanted him to.

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H.M.JR: If Smith could come down with enough collars to last him, if necessary, throughout the week - and the other man, too, Albee - and tell them when they come down they will not be rushed. I want to sit around and just talk with them. I would like them to get the feel of this thing.

MR. PEABODY: Will you be able to talk with them tomorrow?

H.M.JR: Yes. If Smith could be here the whole drive it would be wonderful. Gaston mentioned it to me.

MR. GASTON: Yes.

H.M.JR: That fellow has got - he can tell pretty well how the public will react. He is awfully good.

MR. ROBBINS: He is top-flight in that work.

MR. GASTON: If he comes down here I think it would be a good idea to get together clippings showing the sore spots, the attacks and criticism over a period, and discuss the general thing about how to handle them. He is smart.

H.M.JR: You will take care of that for me?

MR. PEABODY: Yes, sir.

H.M.JR: I will tell you what I will do now. If they will come, I will set the time for ten-thirty for them.

MR. PEABODY: All right, sir, I will confirm that this morning. If for any reason they can't make that time I will let you know.

April 12, 1943  
9:50 a.m.

HMJr: Hello.

Cong. Wright  
Patman:

Henry, this is Wright Patman.

HMJr: Hello, Wright. How are you?

P: Fine. I hope you're all right.

HMJr: I hope so.

P: Did you see that - (laughs) - yes - did you see that Post editorial this morning?

HMJr: No.

P: I thought it right good about this Second War Loan Drive, and I wanted to give it a boost - what I mean, your drive - and I wonder if it would be all right with you or meet your - with your disapproval if I recommended Series G Bonds for people who can invest more than \$100?

HMJr: You mean just pick that one out?

P: Well, for those who invest in that - in that category, from \$100 to \$10,000. On the theory, I believe they'll keep those bonds better. You know, these - these 10-year bonds, I think they'd come nearer cashing them....

HMJr: Yeah.

P: ....when they find out how low the interest rate is for the first few years.

HMJr: Of course, the ones that we'd like them to buy the most is this 2½% bond, the long one.

P: The long one.

HMJr: Yeah.

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P: Well, that's the - which - which series is that?

HMJr: It has no particular name. It's just known as the tap issue.

P: The - the tap issue?

HMJr: Yes.

P: Oh, that's the 2½%.

HMJr: Yeah.

P: Well, that would be just as good.

HMJr: From the standpoint of the Treasury, that's the best issue for us to have the public own.

P: Uh huh. And they can get their money any time anyway on sixty days notice, can't they?

HMJr: No, no, they can't. It's not a demand issue.

P: It's not?

HMJr: No, that one fluctuates with the market.

P: Well, you're not going to let them go down below par, are you?

HMJr: We're going to try our best not to, but we can't promise anything. But, of course, a man would be a fool not to buy his \$100,000 limit of either F or G.

P: Uh huh.

HMJr: See?

P: Uh huh.

HMJr: What we'd like them to do is this....

P: Well, listen, I don't like that business of putting - them things on the open market. You know....

HMJr: Well....

- 3 -

P: ....that's what we're trying to avoid.

HMJr: Well, the point is this. We'd like everybody first to buy everything they can of the E Bond. That's the best from the fellow - man's - from the standpoint of the investor, see?

P: Yeah.

HMJr: And then next - if he loads up with F and G, that's the thing for him to do.

P: Uh huh.

HMJr: And then if he has over a \$100,000, the long bonds.

P: Uh huh, yeah.

HMJr: See?

P: Yeah. And, of course, that won't hit the small investor?

HMJr: No, no, no, we're - we're protecting the small investor.

P: Yeah, well, that's good.

HMJr: The whole purpose here is to avoid the mistakes of the first war where they didn't look after the small investor.

P: That's right. Well, I - I'm glad to know that.

HMJr: Now - that the whole underlying principle here is - and on this long run, for instance, we don't sell anything less than a \$500 bond.

P: Uh huh, I know.

HMJr: Because we don't - we don't want the little fellow to buy it.

P: Yeah.

HMJr: See?

P: Yeah. There's a good description of all those issues in this morning's Daily News put in by the Bowery Bank.

- 4 -

HMJr: Good. But we - we don't - we don't want the little fellow buying it. We want to protect him. We don't want to see the bonds go down to eighty-three the way they did and all that.

P: That's right.

HMJr: And we don't want him to hypothecate them.

P: Yeah.

HMJr: The whole thing is designed to look after the little fellow.

P: Well, that's good.

HMJr: So if - if you're going to make a speech or anything, I'd recommend in this order if I might suggest it, first, the E and then the F and G.

P: That's right. For the little fellows.

HMJr: For the little fellow. And if they got any money left over, why then they can go into the other bonds.

P: That's good.

HMJr: How....

P: Well, I'm anxious to get this tax business started. I think the President's exactly right....

HMJr: Yes.

P: ....if we don't tax some, we're going to have inflation.

HMJr: Yes, no question about it.

P: And we got to go to work on that.

HMJr: Well - we've been working on it, and I - you watch Doughton today.

- 5 -

P: Yeah, okay. And I sure thank you for this....

HMJr: And again - well, I'm indebted to you for  
excusing me the other day.

P: (Laughs) Oh, that's all right.

HMJr: Thank you.

P: I'll - I'll get a hold of you some other time.

HMJr: Thank you.

P: All right, thank you. Goodbye.

April 12, 1943  
10:05 a.m.

HMJr: Hello.

Operator: Mr. Boettiger.

HMJr: Hello. Hello.

John Boettiger: Hello, Henry.

HMJr: Hello, John.

B: How are you?

HMJr: I'm okay. How are you?

B: I'm fine. I talked with Elinor a little bit ago and I have gathered from her and from FitzGerald that you're really busy as hell writing a wonderful speech for tonight.

HMJr: Well, that's the idea, and we're leaving at quarter of eleven to go up to New York.

B: Yeah, well, we'll be back - Anna isn't here yet. She's coming in later in the week, and we'll go right down to Charlottesville, and we ought to be back here around the 8th or the 10th of May. Are you planning to be in town then?

HMJr: Oh, yes.

B: Well, we'll - we'll try to work out that evening that we missed the last time.

HMJr: Well, you've got two rain checks on it.

B: (Laughs) All right, fine. I've got a couple of little things to talk with you about, but they can wait until then.

HMJr: Okay.

B: How are you?

HMJr: I'm all right, and things are coming a little bit faster than usual, that's all, and....

- 2 -

B: Yeah.

HMJr: But....

B: Don't let it get you down, Henry.

HMJr: It isn't.

B: Okay, fine.

HMJr: And I'm very envious of you.

B: (Laughs) Well, I'm envious of myself somehow or other. I can't believe it's me.

HMJr: Well, it's wonderful.

B: I dumped all the worries and troubles in the world there, and I may - I may get into a mare's-nest of new ones, but at - at least while I'm contemplating it, it's - it's - it looks all right.

HMJr: Well, as I say, I wish you the best of luck, John.

B: Thanks a lot, Henry, and I'll be seeing you.

HMJr: Right.

B: Fine. Goodbye.

April 12, 1943

READING COPY OF THE SECRETARY'S  
SPEECH AT CARNEGIE HALL, NEW YORK, UPON  
THE LAUNCHING OF THE SECOND WAR LOAN DRIVE.

Tonight I'm going to talk about something you might not expect the Treasury Department to discuss. I'm going to talk about the Second Front.

The Second Front is no military secret. We all know that, just over the horizon, we of the United Nations are piling up the thunder-clouds of the greatest attack in history. We are massing for that attack, now. The planning, the patient preparation, the bitter time when we had to take blows without returning them, because we weren't ready -- all of that is past. Now we're ready to deal a few blows ourselves; and they'll be blows, I can promise you, that will rock Nazi Germany to its rotten, bloodstained foundations.

1467  
116  

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1351

-2-

Pause

As the Secretary of the Treasury I've been given the job of seeing to it that money is available to pay for this great military offensive and others to follow. This is why we are launching the Second War Loan tonight -- to raise at least 13 billion dollars before the end of this month to buy materials and implements of war. We must buy shells today for big guns that will be roaring tomorrow and the day after. # I'm here tonight to tell you that your help is needed. The need is real, urgent, pressing. Ten percent is no longer enough. We are asking everyone to buy extra bonds this month, even workers who are now participating in the payroll savings plan.

$$\begin{array}{r} 122 \\ \hline 1229 \end{array}$$

-3-

Pause

In our private lives none of us deals with billion-dollar figures. I know they're bewildering.

But except for the size of the figures involved there is no mystery about financing a war. # The Government of the United States is buying the best equipment ever furnished to any army. It is paying not only for equipment that reaches the fighting fronts, but for some equipment that never gets there. For every ship that's sunk we must build two new ships -- for every cargo that's lost we must send out two new cargoes. And that costs money. Where are we going to get it?

$$\begin{array}{r} 103 \\ 1126 \end{array}$$

-4-

Well, there are several ways to get the money. We can raise it through taxes. We can borrow it from the banks. And we can borrow it from the people -- and that means you.

We are now getting more money through taxes than ever before. And it will be necessary, I have no doubt, to ask for still more. But we cannot rely on taxes alone to do the whole job, and I wouldn't want to -- because we could not tax with fairness on so huge a scale.

We could borrow all the money from the banks. Our credit is excellent. But for a variety of reasons, economic and social, this is also undesirable. One reason goes to the very heart of our system of Government.

126  
1000

-5-

It is important to me as I know it is to you.

This is a people's war -- so all of the people  <sup>$\frac{1}{3}$  three</sup> (4 minutes) ought to have a part in financing it.

And I know you feel the same way about it, because five-sixths of all the people who are earning money today have bought bonds.

Pause

As Secretary of the Treasury, I can report that 96 cents out of every dollar which comes into the Treasury, through war bonds, taxes, or anything else, is spent for war purposes.

When you pay eighteen dollars and seventy-five cents for a bond, eighteen dollars go immediately into guns and planes and equipment. The 75 cents goes for the regular expenditures of the Government.

$\frac{122}{378}$

-6-

The cost of selling bonds is indeed very small. And this is because you and your neighbors and hundreds of thousands of volunteers across the country have taken over the job of selling. I'd like to express, to all of you, my deepest gratitude. I should like to thank all of those who are helping -- management and labor, for the splendid success they have made of the payroll savings plan, under which more than 25 million working people now regularly invest almost 9 percent of their wages and salaries.

$$\begin{array}{r} 90 \\ \hline 788 \end{array}$$

-7-

I'd like to thank manufacturing and retail business firms, large and small, who have given us, free of charge, millions of dollars worth of advertising space and radio time, as has the Bell Telephone System tonight. And the Federal Reserve System and thousands of banks working with them -- and all the others who are giving their time in this way in the service of their country.

Pause

You can feel every confidence that the financial affairs of your Government are in good condition as the United Nations go on the offensive. The situation is well in hand. We know where we're going. We know how much money our armed forces will need.

111  
677

-8-

Pause

During this month of April we must get thirteen billion dollars. We shall then have borrowed about twenty billions in the first four months of this year. We will need to borrow about twenty-five billions during the second four months, and, without any new taxes, another twenty-five <sup>billions</sup> in the final period of the year; a total of about seventy billion dollars for the year.

I would like to assure you that we can afford it.

But seventy billion dollars is, of course, a lot of money. It isn't going to be easy to raise it. It means hard work.

$$\begin{array}{r} 101 \\ \hline 576 \end{array}$$

-9-

But I have every confidence, knowing the American people and how deeply serious they are about this war, that we will get it. We will get it from people who will scrimp and save if need be to buy these bonds. We will get it especially from those upon whom we must depend most heavily -- the men and women who are making good money in shipyards and plane factories and tank production; the gallant women who used to call themselves housewives but who are working today at lathes and drill-presses in the great war plants.

$\frac{2}{3}$  three  
(8 minutes)

96  
480

-10-

These are the Americans who, all together, buy bonds in amounts that a millionaire, or even all of the millionaires combined, could never hope to equal. And they'll buy more of them this year -- this year when 10 percent is no longer enough.

The boys at the front are counting on them. They are counting on you.

All of us will buy bonds because all of us know that this is our war and that we must win it. We must win it so that nations with a bloody philosophy out of the dark ages of mankind's past will never again be able to raise a traitorous hand against neighbors wanting only to live in peace and friendly good will.

120  
360

-11-

*Just about* An hour ago I passed through a railroad station. Standing at the iron gates, saying goodbye, were boys in uniform with their girls, their wives -- young couples come to the heart-breaking minute when there were no more words; when all they could do was to stand with their hands clenched so tightly together that they hurt. And as I passed them I thought of all the other young Americans whose ~~lives~~ lives have been torn into ragged bits -- young architects and engineers giving up their studies; school-girls working in factories; farmers sending their wives and youngsters out to work in the fields because they can't get hired hands; business men losing what they've spent twenty years creating, because of the necessary curtailments.

$$\begin{array}{r} 125 \\ \hline 235 \end{array}$$

-12-

By what right do the Germans, the Japanese, blight our lives, shatter our homes, whirl away our boys to drown five thousand miles from home in a scum of oil at sea, or bleed and cough their lives out in a muddy, filthy ditch? Who do they think they are? We know only too well who they think they are. They're the supermen, the Master Races, put here on earth to enslave the rest of us and crack the whip over our bare backs while we do their dirty chores -- they and their "great" armies; their great armies of sneaks and bullies that jump on weak, helpless nations when they aren't looking.

$$\begin{array}{r} 112 \\ \hline 123 \end{array}$$

-13-

The Japs, with their dreams of empire, built on lies and treachery. The Germans, who twice within the memory of living men have tried, with their Kaisers and their Fuehrers, to conquer the rest of our world. We say: "Never again!" We of the United Nations will show them who we are. We'll show them some really great armies -- Chinese and Russian, British and American.

These armies are the mightiest military machine in all history. But to us they are friends and husbands, fathers and sons. They are your boys and my boys.

$$\frac{93}{30}$$

-14-

*Pause*They are asked to give their lives.You are only asked to lend your money.*Pause*Shall we be more tender with our dollars  
than with the lives of our sons?
$$\frac{30}{0}$$

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Monday, April 12, 1943

Press Service  
No. 36-11

Washington, D. C., April 12 - In scores of communities throughout the nation, volunteer workers in the Treasury's Second War Loan drive "jumped the gun" on Bond sales and as early as a minute after midnight rang up the first purchases of the 13 billion dollar quota set for the drive.

In the meantime on the opening day of the campaign the civilian army of more than a million men and women wheeled into action in what officials of the drive said was "the greatest demonstration of unity and cooperation ever manifested in the history of the nation."

Parades, rallies, demonstrations of all kinds were scheduled to feature the first day's promotion to bring home vividly to the American people the vital importance of the Treasury's war financing program which must proceed at a pace of hundreds of millions of dollars daily to reach the goal in the time set.

Highlighting the opening day's activities will be a radio message tonight from Secretary of the Treasury Morgenthau, speaking at a rally in Carnegie Hall. He will be joined in a program, the broadcast portion of which will begin at 9 p. m., Eastern War Time, by Governor Thomas E. Dewey of New York and President Philip Murray of the Congress of Industrial Organizations and President William Green of the American Federation of Labor.

The bulk of the financing must come from non-banking sources, including the workers in plants, stores and offices in income brackets of from \$1,000 to \$5,000, officials said.

Backing up the point-of-sales efforts was the most widespread advertising and promotion campaign ever placed behind a single product, and from newspapers, both daily and weekly, from the radio, both individual stations and the networks, came the message of urgency and the story of the part the American people must play in the Second War Loan Drive.

Spread on thousands of billboards, on car cards, millions of posters and throughout the retail stores of the nation, was the same story - "They give their lives - You lend your money," which is the theme of the campaign.

-000-

4-258  
*[Handwritten initials]*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 12, 1943

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

I thought you might like to see the latest series of ads which are to be contributed to the Treasury by the Drug, Cosmetic and Allied Industries.

These ads are written in such a way as to focus closely on the circulations of magazines of various kinds.

They were prepared by Benton & Bowles, Pedlar & Ryan, and Young & Rubicam.

Attachments.



## Will you do without an evening gown today for a wedding dress tomorrow?

**T**HAT'S a gorgeous evening gown you're thinking of buying! It's so gay and glamorous—and what a flattering neck line! It's YOU.

But who's going to see you wear it—if America should lose the war?

Not that soldier you kissed good-bye in a mist of tears! He's not going to see it until it's years out of style if America should lose the war.

Remember! Germany knocked out France in June, 1940. And today millions of Frenchmen are *still* Nazi prisoners of war!

That's the pattern—of defeat.

So, if you want that soldier of yours to come marching home before too many springtimes have passed—if you want that big church wedding to

come true *soon*—you won't buy that evening gown!

You'll buy U. S. War Bonds instead! You'll help make sure that we will win the war!

Just what are U. S. War Bonds?

They're the incendiaries that will rain on Tokyo and Berlin—the landing barges that will win back the Philippines!

They're your anchor to windward—your nest egg for the future.

They're your white satin wedding dress, your coronet of lace, that little house you dream of by the edge of the wood.

And they're the safest, soundest, strongest investment that anyone has had the privilege of making in all the long history of mankind!

### Here's what War Bonds do for You!

- 1** They are the safest place in all the world for your savings.
- 2** They are a written promise from the United States of America to pay you back every penny you put in.
- 3** They pay you back \$4 for every \$3 you put in, at the end of ten years... this is interest at the rate of 2.9 per cent.
- 4** You may turn them in and get your cash back at any time after 60 days. The longer you hold them, the more they're worth.
- 5** They are never worth less than the money you invested in them. They can't go down in value. That's a promise from the financially-strongest institution in the world: The United States of America!

**SAVE YOUR MONEY THE SAFEST WAY—BUY U. S. WAR BONDS REGULARLY**

*Published in cooperation with the Drug, Cosmetic and Allied Industries by:*

## The biggest dime's worth in the whole, wide world



I WAS DRIVING in to the feed store when I saw Harry Brown's little girl trudging toward town carrying a basket of berries. I invited her to hop in and ride.

"What you doing with the berries, Dot?" I asked her.

"I pick 'em and Daniel's store buys 'em," she said. "I expect I'll get ten cents again today. That's what I got yesterday and the day before."

"That's fine, Dot," I said, "and you'll be just in time for the movie."

She looked up at me, surprised, and said, "But it's not for movies, it's for a War Stamp. You get them at the Post Office!" I felt sort of funny.

"That's right," I said, "—a War Stamp. For Uncle Sam."

"But it's not for Uncle Sam!" she replied, impatiently. "It's to go for a bond to buy bullets and things for my brother."

"Sure, Dot. Of course it's for Andy. He's fighting for you, away over there, and you're fighting for him, back home here." Dot looked down and didn't say anything the rest of the trip.

But it set me to thinking. Was I doing as much, in my way, as that little tot was, in hers? Every dime she worked so hard to earn was dedicated to someone she loved—*her own brother*. And some day when Andy marched in the big victory parade, Dot would know she'd helped bring it about.

When I got home Mary and I decided I could make my overcoat go another year. Today we took \$18.75 and bought a \$25 War Bond. It's for Uncle Sam, of course, but especially for my nephew in the Navy. You'd be surprised

how much better you feel when you do it that way.

Why don't you try it? Dedicate a bond to every youngster you know in the service. Just figure to yourself that your particular bonds are going to save their particular lives some day. *But hurry!*

### 5 reasons why

#### WAR BONDS ARE THE WORLD'S BEST BUY

1. For every 83 you invest in War Bonds, you get back 84 at the end of 10 years.
2. War Bonds can't go down in value. After 2 months, you can always get your money back. After 12 months, you can get it back *plus interest!* No other investment is so guaranteed.
3. Money invested in War Bonds *cannot be lost or stolen!* The United States Government guarantees payment—even if you lose your bonds. And nobody can cash them in but you or your heirs.
4. War Bonds protect your other property—your farm, your insurance, your bank deposits—by helping to prevent inflation.
5. War Bonds are an investment in American victory, an investment to guard your freedom, a protection for every fighting man.

**WE'VE GOT TO WIN! BUY BONDS  
...AND KEEP ON BUYING!**

PUBLISHED IN CO-OPERATION WITH THE DRUG, COSMETIC, AND ALLIED INDUSTRIES BY



## The Man you're going to Marry is asking your Help...right now!

**H**ELP HIM? Of course you're going to help him! After you're married—didn't you always say you'd give half your salary towards that house you planned together—those curtains and flowered rugs?

Of course you did! But you can't wait 'til you're married to start. The time to help him is now—right now!

How are you going to do it?—

You're going to make sacrifices—real ones—aren't you? You're going to give up many things you've dreamed of—that coat with the big fur collar—that cute little bell hat!

And with the money you save—you're going to buy *U. S. War Bonds!* Your bonds will help your sweetheart!

They'll help to put a machine gun in his hands—a gas mask in his pack.

They'll supply him with cool water when he's thirsty—with blankets when he's cold—with three solid meals every day.

They'll build the ships that will carry our marines to Tokyo and Yokohama—the tanks that will carry our flag to Berlin and Munich and Budapest.

And when the war is over and the vows are taken, those self-same bonds can be the first deposit in your joint account at the bank! So start buying them today. Invest in the safest corporation in the world—your United States of America!

### Here's what War Bonds do for You!

- 1** They are the safest place in all the world for your savings.
- 2** They are a written promise from the United States of America to pay you back every penny you put in.
- 3** They pay you back \$4 for every \$3 you put in, at the end of ten years. That is interest at the rate of 2.9%.
- 4** You may turn them in for redemption at any time after 60 days. The longer you hold them, the more they're worth.
- 5** They are never worth less than the money you invested in them. They can't go down in value. That's a promise from the financially-strongest institution in the world: The United States of America!

**SAVE YOUR MONEY THE SAFEST WAY—BUY U. S. WAR BONDS REGULARLY**

*Published in cooperation with the Drug, Cosmetic and Allied Industries by:*

Ad No. P-3B

Fedlar & Ryan

Regraded Unclassified



## Ever wonder what a soldier thinks about?

**I**F YOU'VE never tried to cram yourself into a fox-hole while all Hell breaks loose around you, and the bombs come raining down . . .

If you've never waited, your throat parched, your heart pounding, your very hands sweating, as the Captain's watch ticks off the last seconds before you attack, to stake your life against the Nazi or the Jap . . .

If you've never tried to keep your finger steady on the trigger of a machine gun, while your buddies drop on all sides of you . . .

Well, you just can't know what a soldier thinks about war, and life . . . and death. Let me tell you.

We don't want to die. We're young. We have our whole lives before us. But if we've got to choose between death and defeat—we'll say good-bye right now!

Once in a while we soldiers sit around and talk about things . . . back home. And we just can't help wondering why anybody's got to be asked to buy War Bonds, when the very lives of their brothers, their sons and their loved ones depend on the things those War Bonds buy.

Give us tank for tank, plane for plane, and gun for gun—and we'll beat the Japs and Nazis. And the more and faster we get them, the sooner we'll win—yes, and the fewer will be the white crosses on the battlefields.

Can you sit down and examine your conscience? Can you truthfully say you are buying *all* the War Bonds you can afford?

Would you buy more if the life of your own son depended on it? Would you step up your purchases to every dollar you could scrape together if the future of your country hung on your actions?

Multiply yourself by millions of other Americans, and you'll see that each man and woman must help decide the fate of *all* of us.

So sit down and do a little figuring, will you? Take another notch in your belt. Put every last dime and dollar you can possibly afford into War Bonds.

Then maybe they'll come back sooner, these boys of ours. More of them. Victorious. *Alive.*

### FACTS ABOUT WAR BONDS

1. War Bonds cost \$18.75 for which you receive \$25 in 10 years—or \$4 for every \$3.
2. War Bonds are the world's safest investment—guaranteed by the United States Government.
3. War Bonds can be made out in 1 name or 2, as co-owners.
4. War Bonds cannot go down in value. If they are lost, the Government will issue new ones.
5. War Bonds can be cashed in, in case of necessity, after 60 days.
6. War Bonds begin to accrue interest after one year.

*Keep on Buying War Bonds*

PUBLISHED IN COOPERATION WITH THE DRUG, COSMETIC AND ALLIED INDUSTRIES BY



**T**HERE'S no rule about the length of a war, and no telling how great the sacrifices needed to win it. All we know is that it *must be won*.

We hope and pray that the *next* generation will be spared—that our lads of fourteen and fifteen are destined for something else but the horrors of war and the fields of battle.

We hope that we, of this generation, may transmit to the next generation a world in which ruthless savagery and killing have ceased . . . a world in which they may live and work in peace.

America must not lose this war—*dare* not lose it! We must win as *quickly* and completely as possible. If we win in time, hundreds of thousands of lives will be saved, and the youths of today will build the greater America of tomorrow.

It takes *money* to provide our fighting men with

planes, tanks, guns and ships—tens of billions of dollars. It takes *War Bond* money—from you, and you, and you—regularly—every payday—10% of your income, at least—more, if you can.

Your Government will give you back \$4 in 10 years for every \$3 you invest now—\$25 for each \$18.75 Bond you buy. And your investment is backed and guaranteed by all the strength of the world's most powerful nation.

The better we arm our *men*, the more lives of our *boys* will be spared, and the sooner will their future be assured.

Knowing this to be true—knowing that War Bonds will help save our country—the lives of our fighting men—yes, even the lives of those who are mere boys now . . . Can you possibly *not* put every dollar you can scrape together into War Bonds?

#### FACTS ABOUT WAR BONDS

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*Keep on Buying War Bonds*

PUBLISHED IN COOPERATION WITH THE DRUG, COSMETIC AND ALLIED INDUSTRIES BY



## The Curious Belief of Captain Cahill

The weather-beaten granite headstone up on Prospect Hill says he was born back in 1858. But he looked far older than forty when I first met him . . . a lean, sailor-scarred man . . . two years after the Custer Massacre.

He was my mother's oldest brother and I but a child. But the memory of his curious belief lives with me still.

He ran away in '87, with nary a note or a word from him for twenty-one years. Then he walked in, on leave, a Civil War veteran and captain of cavalry, home from the Indian wars.

He spoke surprisingly seldom and then softly. And, curiously, he always sat in that corner of a room where his restless glance could command all doors and windows.

"Why? Because," he answered my mother's query, "sixteen years of warfare have taught me that, to survive, I must never turn my back on the front."

Today, how many of us share the belief of Captain Cahill . . . the conviction that, if we Americans are to survive, we must never turn our backs on the front

. . . the front where our boys battle for their existence and ours?

Today, how many of us realize the vital importance of really sacrificing to support that front?

How many of us are *doing* something about it by purchasing our full share of war bonds—every week, every pay day—and ALL we can possibly afford?

### FACTS ABOUT WAR BONDS

1. War Bonds cost \$16.75, for which you receive \$25 in 10 years—in \$4 for every \$3.
2. War Bonds are the world's safest investment—guaranteed by the United States Government.
3. War Bonds can be made out in 1 name—or in 2, as co-buyers.
4. War Bonds cannot go down in value: If they are lost, the Government will issue new ones.
5. War Bonds can be redeemed, in case of necessity, after 60 days.
6. War Bonds begin to build up interest after 12 months.

**Don't Turn Your Back on the Front . . . BUY BONDS**

PUBLISHED IN COOPERATION WITH THE DRUG, COSMETIC, AND ALLIED INDUSTRIES BY





## I was putting away Bob's civilian clothes

**O**F COURSE there was a catch in my throat as I folded Bob's suits, and his sweater, and put shoe trees into his black shoes, and wondered when he'd be wearing them again.

And the thought came . . . supposing he never wears them again . . .

It was then, I think, that my heart told me the same story that millions of mothers already know. And the ordinary things of life seemed so small, so petty, so inconsequential.

And I got thinking of the boys—boys like my Bob—fighting, suffering, dying for their Country.

I began examining *my own* conscience. No use trying to fool myself that I "gave" my son. It's not true. He went, like millions of others, to do his duty toward the country we all love; our America. And no heroics about it, either.

And I wondered what *we*, here at home, could do.

The least we can do, I thought, was to give these boys the guns, tanks,

planes and ships they *must* have to conquer . . . and live.

And suddenly my whole conception of War Bonds changed. I saw them not so much as a wonderful investment in money—not so much as personal security for our own financial future . . .

I saw War Bonds as an investment *in the lives of boys like my Bob*. I saw them as Faith in my country—Belief in everything decent and upright—yes, almost my Faith in the justice of God, Himself.

And then I decided. *Nothing else counts*. That's why my husband and I are going over financial matters again. We're going to see how much *more* than 10% of our earnings can go into War Bonds every payday.

And—yes, I patted Bob's old shoe, and even kissed the collar of his coat where it used to touch his neck . . .

"God willing, dear boy," I said, "you'll come back to us. And we'll be able to look you in the eye, confident that our duty will have been done by you, and every one of you!"

### FACTS ABOUT WAR BONDS

1. War Bonds cost \$18.75 for which you receive \$25 in 10 years—or \$4 for every \$3.
2. War Bonds are the world's safest investment—guaranteed by the United States Government.
3. War Bonds can be made out in 1 name or 2, as co-owners.
4. War Bonds cannot go down in value. If they are lost, the Government will issue new ones.
5. War Bonds can be cashed in, in case of necessity, after 60 days.
6. War Bonds begin to accrue interest after one year.

*Keep on Buying War Bonds*



## For the Man in your Heart who isn't in your Arms tonight!

Where is he tonight? It was Ireland, last time you heard. But that was three months ago—where is he tonight?

What can you do to bring him back? What can you do to speed his passage home? How can you help that far-off soldier you love—and miss—so much?

You can help him by putting every dime, every quarter, every dollar you can save into the War Bonds of the United States of America!

Give up buying foolish things, frivolous things, useless things—until the war is won! Yes, give up all the unnecessary things—and put the money you save into War Bonds!

Do you realize what your bonds will do? They'll help to put heavy tanks in

front of your soldier—and a protecting cloud of pursuit planes over his head.

They'll help to build the Liberty ships that will carry him boots and bacon and cigarettes—and bring his precious letters home to you.

They'll help to check Inflation—to keep prices lower on the things you buy now—so you can save more and more towards the things you and he will want to buy—when he comes home.

They'll help to bring Peace nearer—and make Victory more complete.

Yes, and the wisest, soundest, hardest-headed bankers in America have never in all their lives been able to discover a safer, more secure investment than U. S. War Bonds are for you!

### Here's what War Bonds do for you:

- 1 They provide the safest place in all the world for your savings.
- 2 They are a written promise from the United States of America to pay you back every penny you put in.
- 3 They pay you back \$4 for every \$3 you put in, at the end of ten years . . . accumulate interest at the rate of 2.9 per cent.
- 4 The longer you hold them, the more they're worth. But, remember, if you need the money, you may turn them in and get your cash back at any time after 60 days.
- 5 They are never worth less than the money you invested in them. They can't go down in value. That's a promise from the financially strongest institution in the world: the United States of America.

**SAVE YOUR MONEY THE SAFEST WAY—BUY U. S. WAR BONDS REGULARLY**

*Published in cooperation with the Drug, Cosmetic and Allied Industries by:*

Regraded Unclassified



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RECEIVED  
NAVY DEPARTMENT  
WASHINGTON  
APR 12 1943

NAVY DEPARTMENT  
WASHINGTON  
INDUSTRIAL INCENTIVE DIVISION  
2118 Massachusetts Avenue, N.W.

April 12, 1943

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

My dear Mr. Secretary:

At the request of the Under Secretary of Navy, we are writing to acquaint you with the facilities and activities of this Division.

The objective of the Division is to accelerate war material production for the Navy. The staff of the Division, both for Washington and the field, consists of thirty-five officers. It is the duty of our officers to work particularly with those plants that have problems affecting production, which can be helped by incentive activities by showing the unity between the production line and the war fronts. These include excessive absenteeism; decline in rate of production; excessive waste; breakage and work spoilage; and similar matters which relate to the output of war material by the particular shipyard or plant.

Enclosed is a copy of a recently issued bulletin describing the various services which we offer to plants producing for the Navy. Also enclosed are copies of our last two monthly reports (except for schedules) to the Under Secretary outlining the activities performed by this Division during the months of February and March of this year.

It is our pleasure to cooperate with the Treasury Department in connection with the War Savings program in many different ways. The most recent example of this occurred about a week ago when we secured the services of Lieutenant (jg) Ann Bernatitus, USN (who served as a Navy nurse on Bataan) and prepared the speech which she delivered at the Brooklyn Museum during the program dedicated to the heroes of Bataan. You will remember that Mrs. Morgenthau was one of the featured speakers on that occasion. This Division had previously arranged for Lt. Bernatitus to make a recording and appear in a motion picture short for your Department.

The Honorable, The Secretary of the Treasury

April 12, 1943

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As you know, Mr. and Mrs. T. F. Sullivan and their daughter, Genevieve, are now touring shipyards and plants producing for the Navy. Their tour is under the auspices of this Division. In the rallies at which they appear, it is the practice for Mrs. Sullivan to speak of the need for increased production for the Navy, while Mr. Sullivan speaks frequently of the patriotic duty to buy War Bonds and mentions particularly his own record of War Bond purchases through the Payroll Savings Plan. In this way the Sullivans are bringing an effective War Bond message to thousands of workers in shipyards and plants located in many parts of the country. The Sullivans have also made recordings for your Department.

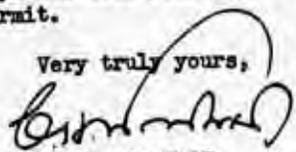
As you are undoubtedly aware, this Division cooperated to a considerable extent on the campaign to secure War Bond purchases in an amount sufficient to equal the cost of the new cruiser, the USS ATLANTA. Our Atlanta officer secured returned combat personnel and arranged for appearances of these men at War Bond rallies in many parts of Georgia during the campaign.

It was also the pleasure of this Division to cooperate with the Field Section and the Payroll Savings Section of the War Savings Staff in the special industry-wide War Bond drives which were conducted in the rubber and steel industries.

There are many other instances, too numerous to detail here, where the field officers of this Division have worked with the state offices of the War Savings Staff in securing heroes and enlisted personnel with combat experience for plant and community War Bond rallies.

We fully appreciate the importance of the War Savings program and look forward to continuing to cooperate with your Department in every way that our facilities will permit.

Very truly yours,



C. H. WOODWARD  
Rear Admiral, USN (Ret.)  
Chief of the Incentive Division

C  
D  
P  
Y

INCENTIVE DIVISION  
2118 Massachusetts Avenue, Northwest

March 30, 1943

From: The Chief of the Incentive Division  
To: The Under Secretary of Navy

Subject: Report of progress for the month of March

1. Forty-two "E" presentation awards were conducted by the Navy, as shown on schedule A. In addition, the Navy participated in 116 Army-sponsored ceremonies and arranged for the distribution of 49 one-star, 23 two-star and 10 three-star renewal pennants to the companies listed in schedule B.

2. In-plant incentive activities such as rallies, visits by combat personnel, etc. were conducted in 78 plants as listed in schedule C.

3. Mr. and Mrs. T. F. Sullivan (Parents of the five boys lost on the USS JUNEAU) visited 73 plants as listed in schedule D. Approximately 250,000 workers saw and heard them. Most commendatory reports on the Sullivans' appearances, with Lt. Taylor, have been received.

4. The 20-mm gun exhibit was displayed at 34 plants making component parts for this gun. These plants are listed in schedule E. Approximately 28,000 workers saw the exhibit and heard of the use of the gun in combat.

5. A tour of industrial plants was scheduled for Seaman 2c Basil D. Izzi, USN (rescued with 2 shipmates after 83 days on a life raft in the South Atlantic.) The proposed tour will take Izzi to major industrial cities. He will be sent particularly to plants with important orders for component parts for DE vessels.

6. Through cooperation with radio networks and sponsors and directors of radio programs, this Division arranged to have incentive messages or material included on 10 national radio programs as listed in schedule F.

7. Large blow-up photographs showing DE vessels ready for outfitting, were sent to 97 companies manufacturing component parts for these vessels. In conjunction with these photographs special telegrams over Admiral Cochrane's signature, were sent to the companies explaining the importance of the DE program as part of the anti-submarine campaign, and the critical need for components in order to complete the building of these ships as soon as possible.

8. A special DE article, for employee publications, was distributed to 407 contractors making equipment for these vessels.

9. Lists of important DE parts manufacturers, furnished by UnSecNav and Chief BuShips, were forwarded to Incentive Officers with instructions to immediately schedule incentive activities in those plants.

10. Thirty-two labor press releases were distributed to all labor press services. In addition, 247 official U. S. Navy photographs were distributed to the labor press services and to the most important labor newspapers. The War Production Board informed this Division that a WPB survey of seventy leading labor papers showed that during the last sixty days, releases prepared by this Division received a larger pick-up from the labor press than releases of any other Government agency.

11. Twelve special releases were distributed to a list of 115 leading trade publications. In addition, 25 official U. S. Navy photographs were distributed to trade publications.

12. 185 photographs, illustrating various types of naval equipment in action, were distributed to 55 groups of manufacturers.

13. Performance communiquees were sent to 67 companies, reporting to the employees the excellence, under combat conditions, of material they had made and urging increased production.

14. Articles and editorial features were prepared for the monthly cooperative release of the Army and Navy to 2500 employee publications. In addition, a number of special incentive stories were distributed to the above list of employee publications during the month.

15. Two new posters designed to combat absenteeism were distributed to 296 shipyards building naval vessels. In addition, a special selection of posters was mailed to 6,000 contractors in the New York district at the request of Admiral Brisner.

16. Arrangements were completed with the March of Time whereby that organization will furnish this Division, without cost, 80 prints of their latest film "One Day of War" (carrying an excellent incentive message) for distribution to plants producing for the Navy. In addition, the March of Time is furnishing this Division with 40 prints of their new film "Navy and the Nation" for similar showing in industrial plants.

17. In cooperation with the Office of War Information this Division prepared a 15 minute transcription of a dramatized incentive program featuring Corporal Barney Ross, USMCR, for distribution to 400 radio stations.

*C. H. Woodward*  
C. H. WOODWARD

INCENTIVE DIVISION  
2118 Massachusetts Avenue, N. W.

March 3, 1943

From: The Chief of the Incentive Division  
To: The Under Secretary of the Navy  
Subject: Report of Progress for the Month of February

The following is a report of progress for the month of February.

1. 44 "E" presentation awards were conducted by the Navy as shown on Schedule A attached and, in addition, the Navy participated in 64 Army ceremonies held during this period. There were also 51 one star, 59 two star, and 12 three star Navy renewals.
2. Stimulation efforts were conducted in cities and plants as listed on schedule B attached.
3. The campaign to combat "absenteeism" continues. This problem has now been brought out publicly and many agencies are working thereon.
4. Twenty press releases and three cartoons were released to the labor press and in addition Ass't. Sec'y. Bard addressed the meeting of the American Labor Press Association.
5. Arrangements have been made whereby many feature radio programs will include industrial incentive messages and combat moving pictures containing such messages are now being prepared to be shown only in plants. One of the stories developed by this Division to stimulate production was used by Mr. Ham Fisher in his cartoon "Joe Palooka."
6. Mr. and Mrs. T. F. Sullivan (parents of the 5 boys lost on the USS JUNEAU) are now in Oregon, having completed a very successful stimulation trip through several Eastern States.
7. The tour of the 20-mm gun exhibit continues very successfully.
8. Activities on the following special programs continue:
  - (a) Bureau of Ships—Absenteeism in shipyards.
  - (b) Bureau of Ships—General appeals to all contractors.
  - (c) Bureau of Ordnance—General appeals to all contractors.
  - (d) Bureau of Ordnance—Conversion to wartime needs.
  - (e) Bureau of Aeronautics—Stimulation efforts at Naval Air Stations.
  - (f) OPM & S&A—Conservation and salvage.
  - (g) Army and Navy Electronics Production Agency—General production program.

and in addition, a special program is being planned for the DE class of ship.

9. This Division is cooperating with the Production Information Committee which represents all the government agencies working on the problem of labor morale.

*C.H.W.*  
C. H. WOODWARD

INCENTIVE DIVISION  
Navy Department  
2118 Massachusetts Ave., N.W.  
Washington, D. C.

The Incentive Division of the Navy Department is concerned with the problem of stimulating the production of war materials for the Navy. A comprehensive program designed to bring home to employees in industry the fact that they represent an integral part of the war effort is being sponsored by the Division. Distribution of inspirational material, visits to the production front by Naval personnel who have returned from the fighting areas and, reports of how war materials are performing in combat action are included in this program.

Requests should be specific and describe, as clearly as possible, the type of service desired. Information as to the size of employee groups, where and when the material or services will be used and a description of local problems will enable the Incentive Division to fulfill requests more intelligently.

The specialized services of the Incentive Division are available to all plants producing for the Navy. Requests should be addressed to:

The Chief of the Incentive Division,  
Navy Department,  
2118 Massachusetts Avenue, N. W.,  
Washington, D. C.

PERFORMANCE PHOTOGRAPHS

The Incentive Division has available for distribution a wide variety of photographs showing Navy Products in action. Many of the photographs can be used effectively to show employees in industry that the products they make are on active duty with the Navy.

Certain equipment cannot be illustrated for reasons of security, but it is believed that photographs showing Navy products in action will serve a beneficial purpose when used in posters, plant displays, employee publications, and on bulletin boards.

Other photographs of a more general character showing the Navy and Marine Corps in action in the combat areas are available and will be furnished upon request.

Requests should contain a description of your products and, if possible, details as to their use by the Navy.

#### PRODUCTION COMMUNIQUE

The Incentive Division believes that outstanding industrial accomplishments are worthy of recognition and that messages of commendation addressed to employee groups making equipment for the Navy are a powerful incentive to more production. Special messages of citation, in the form of telegrams, messages, or letters from ranking officers and officials of the Navy Department will be sent when the facts merit such action.

From time to time, the Navy Department will report to employees on the performance of certain equipment under combat conditions. Messages of this kind may be requested but action thereon will depend necessarily upon information available for publication.

#### POSTERS

Colorful incentive posters suitable for plant display are available upon request. These posters are designed to appeal to men and women producing for the Navy. They combine dramatic illustrations with powerful appeals directed at absenteeism, lack of sense of participation in the war, inaccuracy and other factors delaying production. Requests should be specific as to the number of posters desired.

- 3 -

MATERIAL FOR EMPLOYEE PUBLICATIONS

There are no regular direct releases of Navy material to editors of employee publications. The Incentive Division contributes to several labor press services and to newsheets such as the Army-Navy Employee Publication Release and will supply special Navy material to editors upon request.

SPEAKERS

Experienced Incentive Division staff speakers are available for a limited number of engagements at community, labor and plant rallies organized for the purpose of stimulating war production. These speakers not only report upon Navy activities in the combat areas but make every effort to bring home to employee groups the fact that their work is an important part of the entire war effort.

Whenever possible, talks are supplemented by eye witness accounts of the war by Naval personnel recently returned from sea duty.

EXHIBITS

Arrangements are being completed to display finished Navy products in settings approximating their use in combat. Colorful exhibits created by the Incentive Division and accompanied by trained Naval personnel will visit various plants in an effort to show the employees how their jobs contribute to a particular finished product and the war effort in general.

PLANT VISITS

The Incentive Division will, upon request, conduct either formal or informal plant visits to industrial plants. The personnel for such visits will be chosen from men of the Navy, Coast Guard or Marine Corps. Every effort will be made to provide men who have had experience in the combat areas with the particular product manufactured by the plant visited.

MOTION PICTURES

Authentic battle scenes filmed by the Navy are available in documentary motion pictures, such as "The Battle of Midway." Plans are under way for the release of other stirring sound films showing the Navy in action. Employees will be able to see and hear the actual performance of the war materials they build.

RECORDINGS

Recordings suitable for use in industrial plants will shortly be available. Every effort is being made to provide distinctive material that will have a special interest to the producers of material which is used by the Navy.

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

278<sup>4</sup>  
Copy to  
Bartelt  
4/13/43

April 12, 1943

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

Dear Henry:

Thank you for the copy of the report prepared by  
Mr. Bartelt of your office on the military dependency payment  
procedure.

This report emphasized that the most trouble came  
from errors in the filing of applications for benefits. I have  
arranged to expedite the issuance of adequate instructions and  
regulations on this point, and to have the War Department under-  
take a campaign to educate dependents through the press.

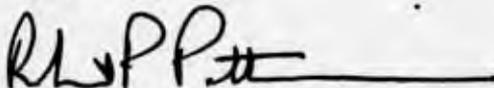
We are giving further consideration to the suggestion  
that some payments be effective on the fifteenth of the month.

A tie-in with the Veterans Administration on insurance  
allotments is being studied.

On the subject of erroneous payments a number of adminis-  
trative steps have been taken which should decrease cases of this  
kind.

I hope that when the points outlined above have been  
completed, the majority of our troubles will be corrected. If you  
have any further suggestions, we should like to receive them.

Sincerely yours,



ROBERT P. PATTERSON  
Under Secretary of War

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

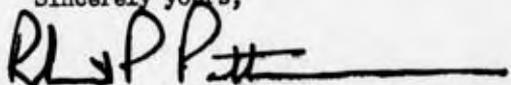
April 12, 1943.

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

Dear Henry:

Thank you for sending me Mr. Bartelt's report on the Army War Bond Office in Chicago. I have asked General Carter to send direct to Mr. Bartelt the letters of complaint which he requested.

Sincerely yours,



Robert P. Patterson  
Under Secretary of War.

*9/10 to Mr Bartelt 4/12.*

April 12,  
1943

Norman Thompson

Secretary Morgenthau

*Esther S.*

I would like the personnel record of Mrs. Moreland,  
the telephone operator. She was at my position on the  
board Sunday, and her intelligence seems way above average.

*Went's  
memo  
of 4/12.*

*note to WNT 4/13  
to speak to Deery*



## TREASURY DEPARTMENT

WASHINGTON

April 12, 1943

Dear Mr. President:

Subject to your approval, I propose to offer for cash subscription, under authority of the Second Liberty Bond Act, as amended, an issue of 2-1/2 percent Treasury Bonds of 1964-69 and an issue of 2 percent Treasury Bonds of 1950-52 in amounts which will not be specifically limited. At the same time, I propose to offer for cash subscription 7/8 percent Treasury Certificates of Indebtedness maturing April 1, 1944, also in an amount which will not be specifically limited.

I propose that all three issues be dated April 15, 1943, and that the subscription books be opened on April 12, and remain open for several weeks. It is my intention during the period to sell \$2,000,000,000, or thereabouts, of the 2 percent bonds and the same amount of the certificates of indebtedness to commercial banks which accept demand deposits. All subscriptions from others than commercial banks for any of the new issues will be allotted in full regardless of amount.

The 2-1/2 percent bonds may not be held by commercial banks during the next ten years, and in general their terms and conditions will be similar to the 2-1/2 percent Treasury Bonds of 1962-67 and 1963-68 issued last year.

These issues, together with the United States Savings Bonds, Treasury Tax Savings Notes and additional amounts of Treasury bills sold in April, will constitute the Treasury's Second War Loan Drive, with an objective of \$13,000,000,000. In addition to these securities, and outside of the Second War Loan campaign, I propose to offer on April 20 a one-year 7/8 percent Treasury Certificate of Indebtedness, to be dated May 1, only in exchange for the Treasury Certificates of Indebtedness and Commodity Credit Corporation notes which mature on that day.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issues will meet with your approval.

Faithfully yours,

*Henry M. Perdue*  
Secretary of the Treasury.

FOR THE PRESIDENT,

The White House.

APPROVED:

*Franklin D. Roosevelt*



## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE April 12, 1943

TO Secretary Morgenthau  
FROM Mr. Haas *HA*  
Subject: The Business Situation,  
Week ending April 10, 1943.

Summary

Inflation control: Prospects for effective control of the rising cost of living are improved as a result of last week's Executive Order strengthening the position of the Economic Stabilization Director, and of the WLB, OPA and other agencies charged with coping with demands for higher wages and prices. The President's expressed determination to hold the line on prices and wages already appears to have had a strong psychological effect.

Commodity prices: Basic commodity prices moved moderately lower last week, partly due to the bearish effects of the President's anti-inflation order. The BLS index of 28 basic commodities declined 0.3 percent during the week.

Stock prices: The long rise in stock prices was brought to an abrupt halt last week by a sharp decline which followed the anti-inflation order. Industrial stock prices on Friday suffered the widest decline since the Dunkerque break of May 1940, and at Saturday's close industrial and railroad stock prices were about 3 percent lower than a week earlier. Despite last week's decline, the possibility exists of a later renewed advance in stock prices which might become an inflationary influence with adverse consequences, thus necessitating the consideration of possible regulatory measures.

Farm real estate: Increased agricultural incomes and pressure of surplus investment funds have been responsible for a marked upturn recently in prices of farm lands. The value of farm real estate has increased 18 percent from the pre-war level of March 1, 1939.

Manpower shortages: Production goals of shipbuilders and other war industries are being menaced by a shortage of manpower. This is partly due to the recent increasing migration of workers from war industries to farms, as a result of changes in regulations which grant farm workers virtual assurance of deferment from military service.

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- 2 -

Anti-inflation program bolstered

Inflationary sentiment and pressure for higher wage rates and farm prices received a sharp set-back last week as a result of the Executive Order designed to head off further price and wage increases. In addition to considerably strengthening the position of the Economic Stabilization Director, as well as that of the various regulatory agencies such as OPA, WLB, etc., the determination expressed by the President to "hold the line" on prices and wages already has had a notable psychological effect. Evidence of this effect was seen in the declines in the stock and commodity markets which followed the order.

Since the War Labor Board is now specifically directed to authorize no further wage or salary increases beyond the limits envisaged in the "Little Steel" formula, except to correct sub-standard wages, the pressure on this agency for wage increases should relax. This development in turn should facilitate the avowed intention of the OPA to widen the list of cost-of-living commodities under dollar and cents ceilings. These are expected to include many items heretofore exempt, such as wheat, cotton, fresh fish, and fresh fruits. In addition, rollbacks in some commodity prices are expected to result from the order. As further aids in the reinvigorated program to hold down living costs, it is intended to stop the shifting of jobs for higher pay, and regulatory bodies are called upon to disapprove increases in the rates of common carriers and other public utilities or even to effect rate reductions.

Coal miners' demands to test wage order

In view of the fact that last week's Executive Order requires wage increases to be held within the limits of the "Little Steel" formula, unless necessary to correct sub-standard wages, an early test of the order appears practically certain to arise in the pending demands of the United Mine Workers for a 2-dollar-a-day wage increase. Negotiations between the mine owners and the Union have been deadlocked, and following the issuance of the President's order last week John L. Lewis stated that it left "the mine workers still hungry and resentful in having their demands for bread made a political pawn". He also claimed that coal miners wages are still sub-standard.

Whatever the outcome of the forthcoming tests of the wage ceilings, the contention continues to be made that the real crux of the problem of inflation control lies in the excess purchasing

- 3 -

power in the hands of consumers under current war-time conditions. This viewpoint was reiterated last week by Chester Davis in his first press interview as Food Administrator. He stated that \$35 billions in surplus purchasing power would have to be siphoned off by the Government to make inflation control effective. To accomplish this purpose he advocated higher Federal taxes and sharply increased sales of war bonds to the consuming public. He also indicated his belief that higher taxes would have to be collected at the time income is earned.

#### Use of subsidies encouraged

If prices are to be maintained or reduced in order to stabilize the cost of living, which is the apparent intent of the new Executive Order, an impetus will be given to the use of subsidies. In his Executive Order the President implied a desire that subsidies be used where necessary to increase and maintain production. This tendency was further manifest by the Price Administrator's testimony on the Pace Bill before the Senate Agricultural Committee, in which he advocated incentive payments to farmers as preferable to increasing prices of agricultural products. The Administrator mentioned that OPA had the authority to use subsidies, but that funds were lacking. Strong opposition to subsidies, however, was expressed by the Committee.

Because Congress failed to appropriate funds for the \$100 million incentive payment program, the Food Administrator announced last week that the Government would guarantee farmers higher prices for five vital war crops -- dry beans, peas, peanuts, soybeans, and flaxseed. The new support prices for dry beans, peas, and soybeans are higher than OPA ceiling prices, hence ceilings must be raised or the Government must, in effect, subsidize these products by paying producers the higher prices and then selling to processors within present ceilings. In view of the President's Executive Order, the latter course seems more likely.

#### Commodity prices decline

The President's order on prices and wages last week caused a liquidating movement in major commodities, and both future and spot prices were off moderately. (See Chart 1.) Traders took to the sidelines to await details of ceilings on grains and cotton, which they believed would result from the order. Earlier in the week the Farm Bloc's failure to muster sufficient votes to override the President's veto of the Bankhead-Steagall bill had a depressing influence on commodity prices.

- 4 -

A decrease of 0.3 percent was registered in the BLS index of 25 basic commodities last week. (See Chart 2.) Wheat prices, with a drop of 2.6 percent, led the decline in which all of the uncontrolled commodities participated, and the index of seven uncontrolled commodities fell 1.0 percent. Hogs, cotton, and flaxseed were off noticeably. The only change in the controlled commodities was a small decline in wool top prices.

In the week ending April 3, the BLS all-commodity index rose slightly to 103.4, which is 5.6 percent higher than the corresponding week a year ago and 37.9 percent above the pre-war level of August 1939. Increases in prices of farm products and foods, particularly fruits and vegetables and cattle, were largely responsible for the rise in the index.

#### Stock prices decline sharply

The long expected reaction in stock prices was finally touched off last week by the President's anti-inflation order. In the early part of the week stocks were strong and active, and new highs for the move were reached in both prices and volume of trading. However, by mid-week prices were showing a tendency to ease and a sharp break occurred on Friday as the over-night announcement of the President's order caught the market by surprise and in a vulnerable position. On the second highest trading volume of the year, prices, as measured by the Dow-Jones industrial average, suffered the widest decline since the Dunkerque break of May 21, 1940, and the gains of more than 2 weeks were erased in one session. Prices steadied on Saturday but at the close of the week industrial and railroad stocks were about 3 percent lower than a week earlier, while utility stocks showed a somewhat greater decline. (See Chart 3.)

Although a reaction in prices was over-due in view of the protracted rise of recent months, the selling which developed on the prospects of stronger inflation control appears to confirm the belief that recent buying of stocks has been in part to hedge against inflation. In contrast with the wide moves which have occurred in U. S. stock prices this year, stock prices in London have been moving in a narrow range since the middle of January. On the other hand, despite last week's decline, industrial stock prices at New York were still about 8 percent higher than in mid-January. (See Chart 4.)

- 5 -

Inflationary implications of the rise in stock prices

The recent increasing volume of trading in the stock market, associated with a rise in prices which (previous to last week's decline) had carried average quotations back to the 1939 pre-war levels, raises the question whether a speculative situation harmful to the war effort may not be developing.

It has been suspected for some time that the large and growing volume of idle cash in the hands of the public would eventually, in some degree, find an outlet in speculative ventures. The greatest beneficiaries of the war program, however, have not been the stock-buying class, but largely the wage earning and farming groups, hence a diversion of war earnings into the stock market has been slow to develop. Nevertheless, stock prices have been rising gradually but persistently since the summer of last year, and brokers report that a significant volume of buying has been coming from typical war centers.

The unusual amount of buying of very low-priced stocks in the last several months, and the fact that practically all of the buying so far has been for cash, are perhaps further indications that surplus funds of people unfamiliar with stock-trading have been coming into the market. Professional traders, on the other hand, have apparently maintained a bearish attitude toward the market, as indicated by financial news comments and by the outstanding short position, which at the end of February was the largest since May 1939.

While the strong stand against inflation taken by the President last week may halt the rise in stock prices for a time, the possibility exists of a later renewed advance to new high levels which might become an inflationary influence. A rapid rise in stock prices would have several adverse consequences: Primarily, it would interfere with the bond sales program by attracting surplus funds from various classes of investors. It would also advertise the fact that inflation is getting under way, and thus lead to speculative buying of commodities, to unrest among labor groups, and to demands for higher farm prices. Finally, it might accentuate the difficulties of readjustment after the war.

Among the methods being considered by the SEC to halt a stock market boom, according to a press report early in February, the following may be mentioned as of some interest:

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(1) The prohibition of margin trading, to encompass security loans by banks as well as by security brokers.

(2) A requirement that buyers not only pay for purchases in cash, but also buy a proportionate amount of blocked Government bonds, which would tie up buying power.

(3) A required minimum holding period on new purchases.

(4) A special tax on capital gains from purchases made after a given date.

(5) Inducements to encourage selling of stocks, as by imposing a special tax on realized appreciation on existing holdings after a given date, by higher corporate taxes, or by limitations on corporate dividend payments.

#### Stock market controls in Germany

England has apparently not as yet become seriously concerned over stock market speculation, although there was some fear in the latter half of 1942 that the market might get out of hand. (Refer to Chart 4.) In Germany, however, drastic measures have been taken to curb inflation in stock prices. Data from the Statist (London) indicate that average quotations for 25 German industrial stocks had risen 61 percent in the period between August 1939 and June 1941. Industry was conspicuous among buyers, partly for investment of idle funds, but banking circles and individuals also showed increasing interest in the market.

Measures to check rising stock prices in Germany took various forms. Early in 1941 a previously-abolished speculation tax was reintroduced, amounting to a capital gains tax on securities held less than one year, with an exemption limit of 1,000 marks. This had some effect in stabilizing prices for a time. In the same year, restrictions were imposed on dividends by a progressively increasing tax on dividends above specified rates.

These measures failed to halt the rise, however, since investors had become less concerned about income from their investment than about safeguarding their capital against inflation. The next action was to permit companies to increase their outstanding stock by issuing bonus shares up to the amount of disclosed reserves. While this increased the supply of shares and tended to reduce the market quotations, it naturally had little effect on the demand for stocks. Later decrees (1) required all stock transactions to be made through the stock exchanges; and (2) prohibited the buying of stocks on credit, and prohibited banks from lending money for such purpose.

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Despite these and other regulations, stock prices continued to rise, and black markets sprang up with quotations higher than those officially listed. In the spring of 1942 a quotation-stop was introduced, aimed at preventing share prices from rising too rapidly, but the net effect was to choke off trading on the exchanges to a point where official quotations became meaningless and black markets flourished. In the second quarter of 1942 a new decree required all shares in certain categories to be first offered to the Reichsbank, which would pay for them in blocked Treasury bonds at the lower price levels of December 31, 1941.

More recently the hours of trading on the stock exchanges have been restricted to one hour a day, three days a week, and trading in shares with variable quotations has been discontinued. (Statist, February 27, 1943).

#### Rise in farm real estate values

Increased agricultural incomes, together with the pressure of surplus investment funds, have recently brought a marked upturn in prices of farm lands, according to confidential March 1 data of the Department of Agriculture. The Department's index of estimated value per acre of farm real estate has risen 6 percent in the 4 months from November 1 to March 1. This increase represents more than one-third of the total increase in the index from the pre-war level of March 1, 1939.

Although in the present war the rise in the value of farm real estate has been appreciably less than during the first World War, it has followed about the same pattern. During the past year, in fact, farm real estate values have increased at almost the same rate as in the corresponding period of the first World War. The following table shows a comparison of the changes in farm real estate values in the two war periods, based on data as of March 1 each year:

World War I (1914 = 100)	Year	1914	1915	1916	1917	1918
	Index	100	100	105	114	125
Present War (1939 = 100)	Index	100	100	101	108	118
	Year	1939	1940	1941	1942	1943

Investors have comprised a larger proportion of all buyers of farm property during the past year, thus suggesting the possibility that some purchases are being made as inflation hedges. Nevertheless, farmers still constitute about 60 percent of all buyers. Increased income taxes and fear of labor and machinery shortages are reported as tending to modify the demand for land.

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Rise in Canadian living costs

The Canadian index of living costs (1935-39=100) on March 1 stood at 117.2, an increase of 0.3 percent over February. (See Chart 5.) This gain was caused by higher food prices, while the other components of the index remained unchanged. The food index rose about 1 percent, the principal factor being a seasonally higher price of beef, permitted under Canadian regulations. Higher price for potatoes and oranges were contributing factors.

It should be noted that the previous decline of 5.5 points in the food index from December 1 to January 1 was due principally to Government subsidies on milk, coffee, tea, and oranges. However, the Canadian Government recently issued an order changing the pricing method for oranges. Under previous regulations the price was computed on the basis of cost plus mark-up, with a provision that the final price be no higher than a certain base price, the difference being made up by a Government subsidy and the cancellation of the import duty and tax. The present regulations allow a specified limited mark-up but do not hold prices to a base-period ceiling. This partly cancels the effect of the Government subsidy on oranges.

The latest official United States figures (shown on Chart 5) are for February. However, estimates published last week by the National Industrial Conference Board show a 2.5 percent rise in food prices in March, which was largely responsible for a gain of 1.0 percent in the combined index of living costs. The Conference Board figures show an increase of 7.0 percent in living costs since a year ago, and an increase of 15.8 percent in food prices.

Black markets hinder war effort

Black market operations are seriously hindering the war effort and constitute the greatest threat to military and civilian programs, the OWI declared in a special statement last week. Illegal trade in meats "has been so great that even buyers for the Army have had difficulties, though they have secured adequate meat supplies for America's fighting men here and abroad at ceiling prices". Difficulties in obtaining supplies of poultry due to black market activities have prevented dressing plants on the Eastern Shore from filling Army and Navy orders, according to press reports, and a majority of plants have been forced to cut production to one-third of normal wartime capacity.

One indication of the growing importance of black market activities in beef is seen in the unusually large number of hides

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that has been reaching the market from uninspected slaughter in recent months, while the supply of hides from inspected slaughter has fallen sharply. Confidential figures from the Tanners' Council for February reveal that 45 percent more hides were received from uninspected sources than during the corresponding month of 1942; whereas 4 percent fewer hides were received from inspected slaughter. (See Chart 6.)

Several measures have been taken recently by OPA and the Department of Agriculture which should help to combat the black market in meats. Since April 1 every person killing livestock for sale is required to be licensed, and all meat processed must bear his license number. OPA is replacing individual store ceilings on meats with specific retail ceilings, which will be the same for all stores of a given type in a given area. Specific retail ceilings on pork are already in effect, and beef, veal, lamb, and mutton are to be placed under such ceilings by an order issued last week, effective April 15. Because it will be easier for the consumer to know the ceiling prices, retailers of meat will have more difficulty obtaining black market prices.

To supplement these measures, OPA is attempting a vigorous prosecution of black market operators. Seven corporations were indicted last week for alleged operation of a nation-wide black market in meats. In the first two months of this year court action was instituted against more than 1,000 individuals for price violations. Fines and jail sentences have been imposed and there have been no acquittals.

#### Manpower shortage cutting production

Despite the fact that merchant ship deliveries in March reached a new record high of 146 vessels, the Maritime Commission last week indicated that the manpower shortage was becoming so serious as to threaten the attainment of this year's shipbuilding goal. During the first quarter of the year a deficit of 70,000 workers was reported for the industry, while replacements necessitated by the heavy labor turnover amounted to more than 200,000 workers. Similarly the manpower shortage is one of the factors said to be threatening achievement of this year's lumber production goal of 32 billion feet.

An increasingly important factor in the manpower shortage confronting war industries has been a growing migration of workers from war industries to farms, reversing the previous trend. This movement is reported to have stepped up considerably recently, since under existing draft regulations farm workers are virtually assured of deferment from military service, in contrast to the uncertainty confronting many workers in war industries. The War Department has expressed concern over the shift of workers from war industries to farms, and committees from the WMC and the War Department are slated to meet this week to consider the problem.

# COMMODITY PRICE INDEXES IN U.S.

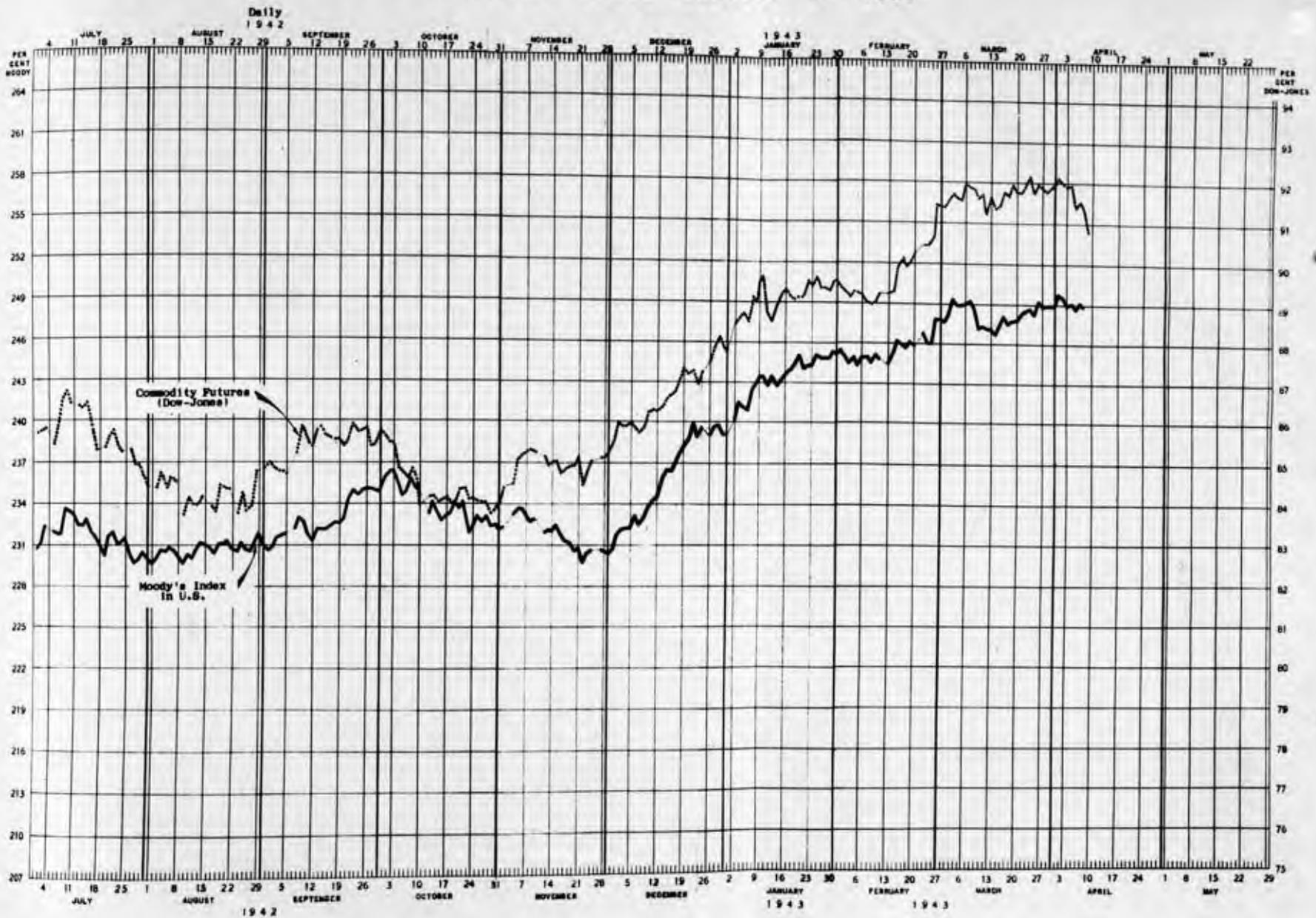
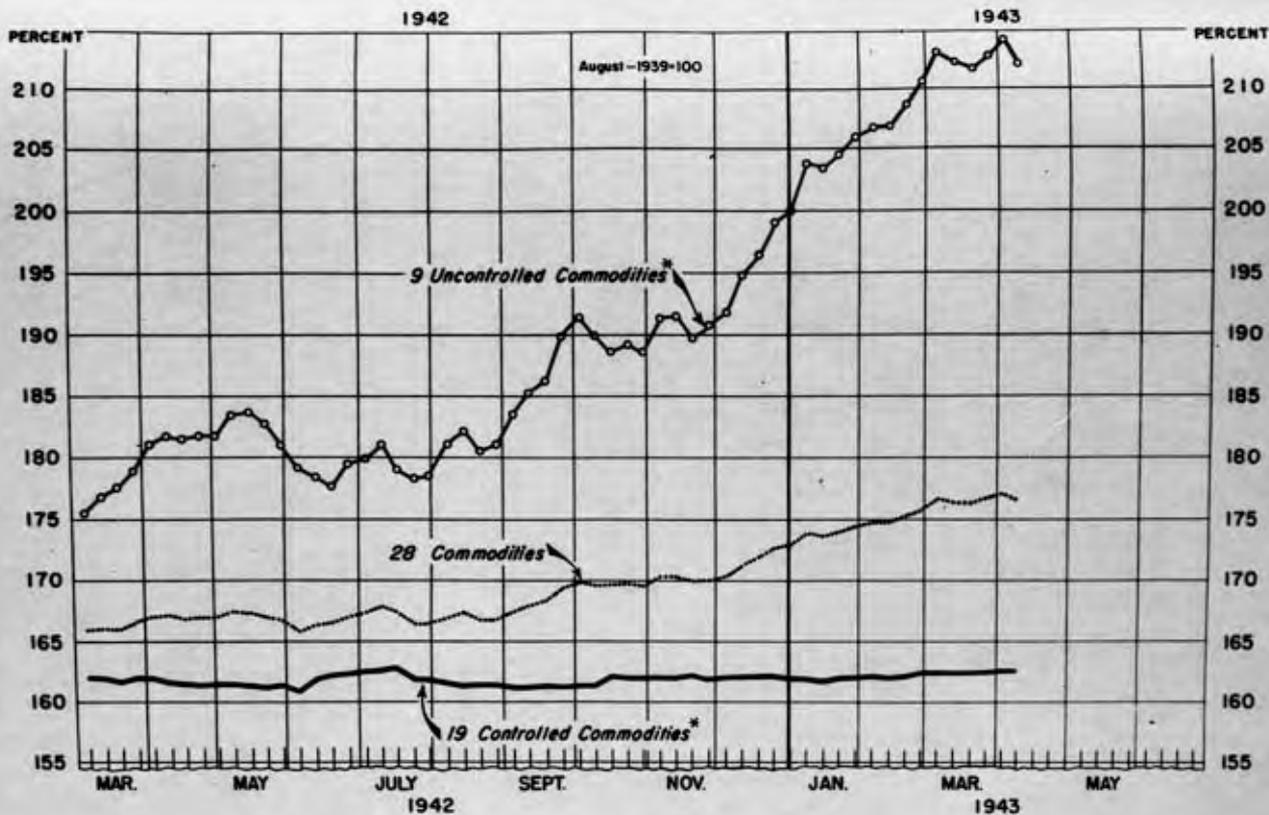


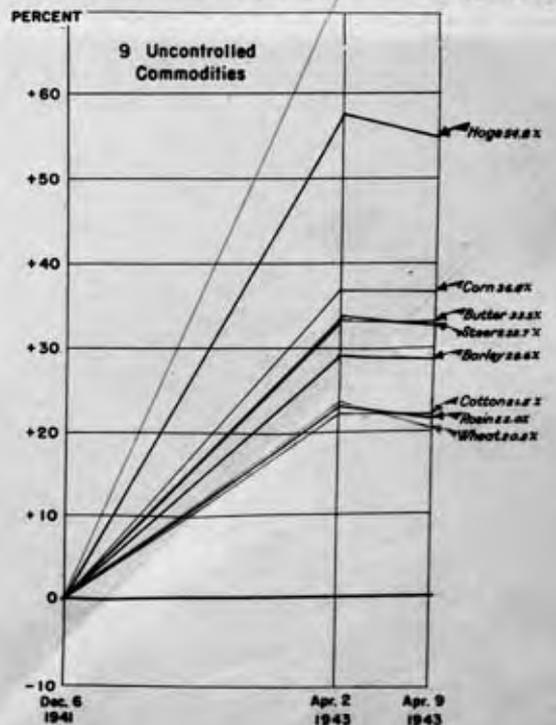
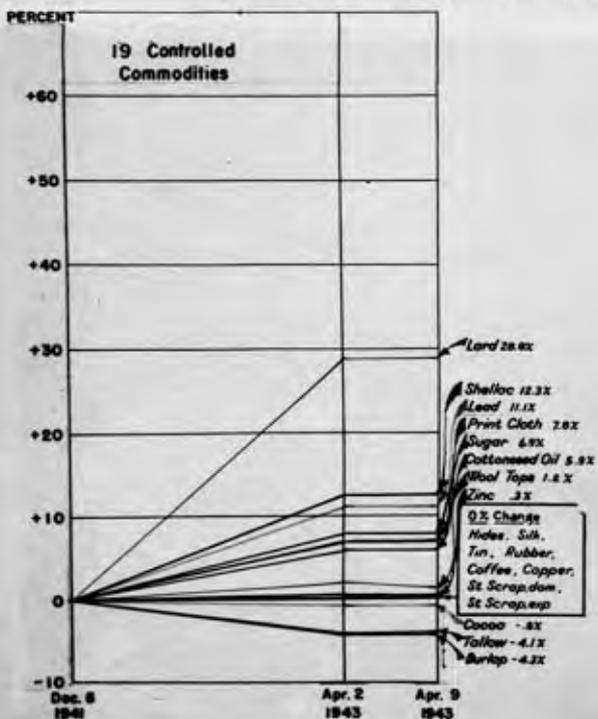
Chart 1

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# MOVEMENT OF BASIC COMMODITY PRICES



PERCENTAGE CHANGE DEC. 6, 1941 TO APR. 2 AND APR. 9, 1943



\*29 Controlled and 8 Uncontrolled previous to June 26

STOCK PRICES, DOW-JONES AVERAGES

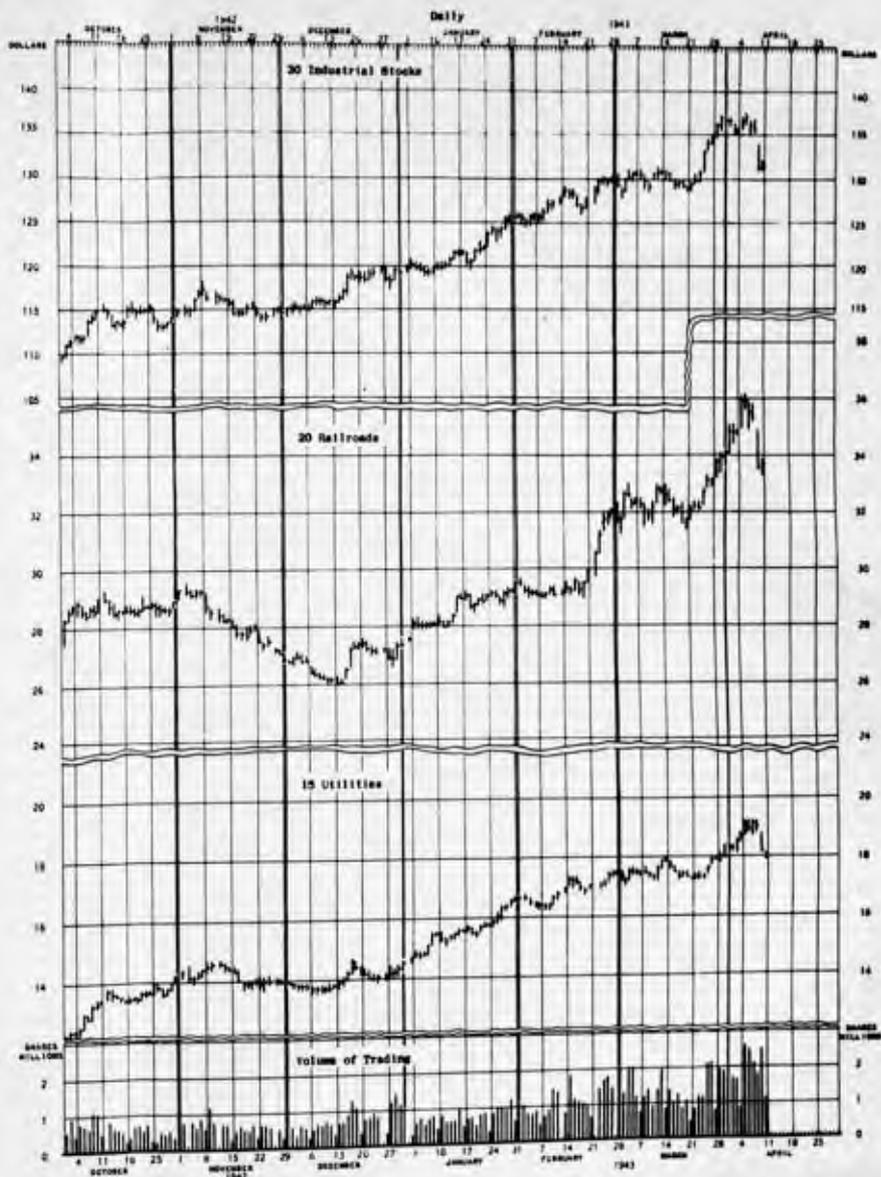
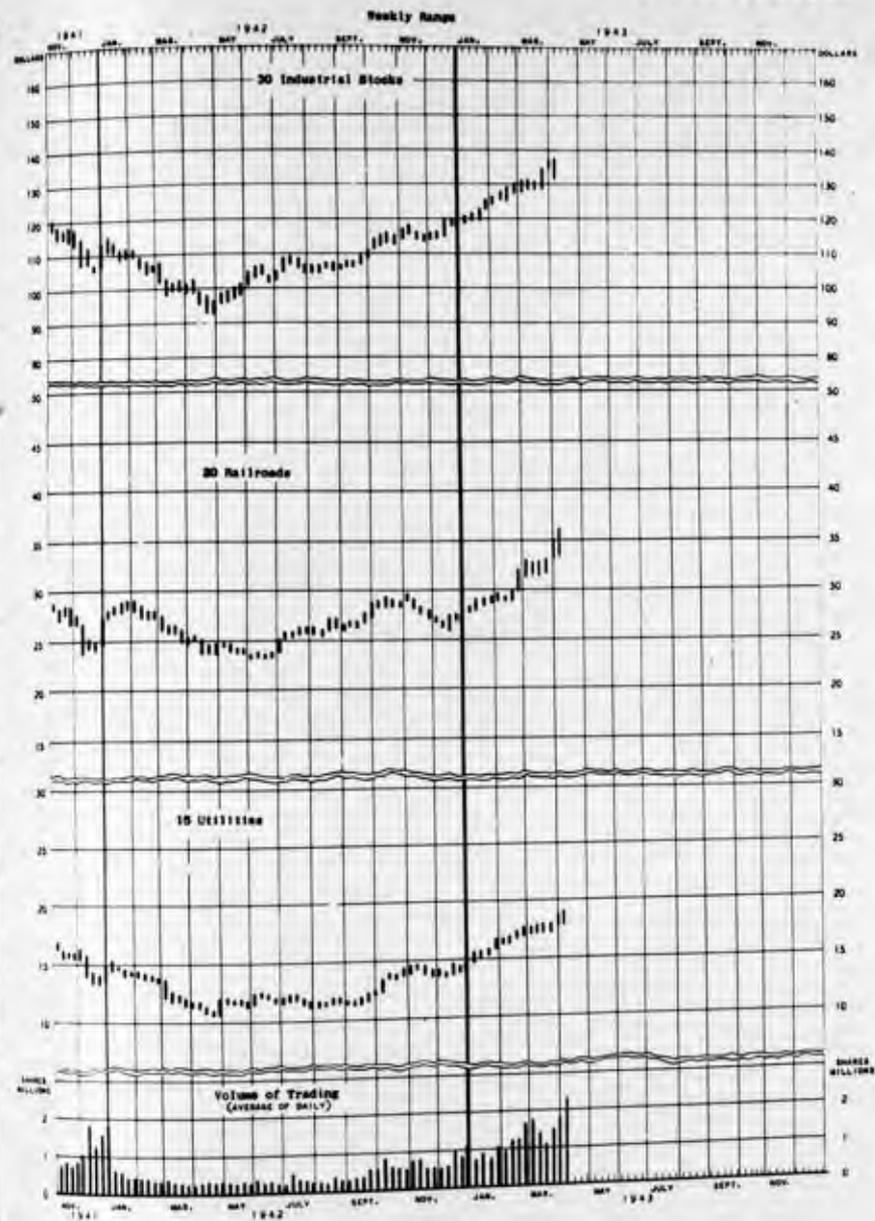


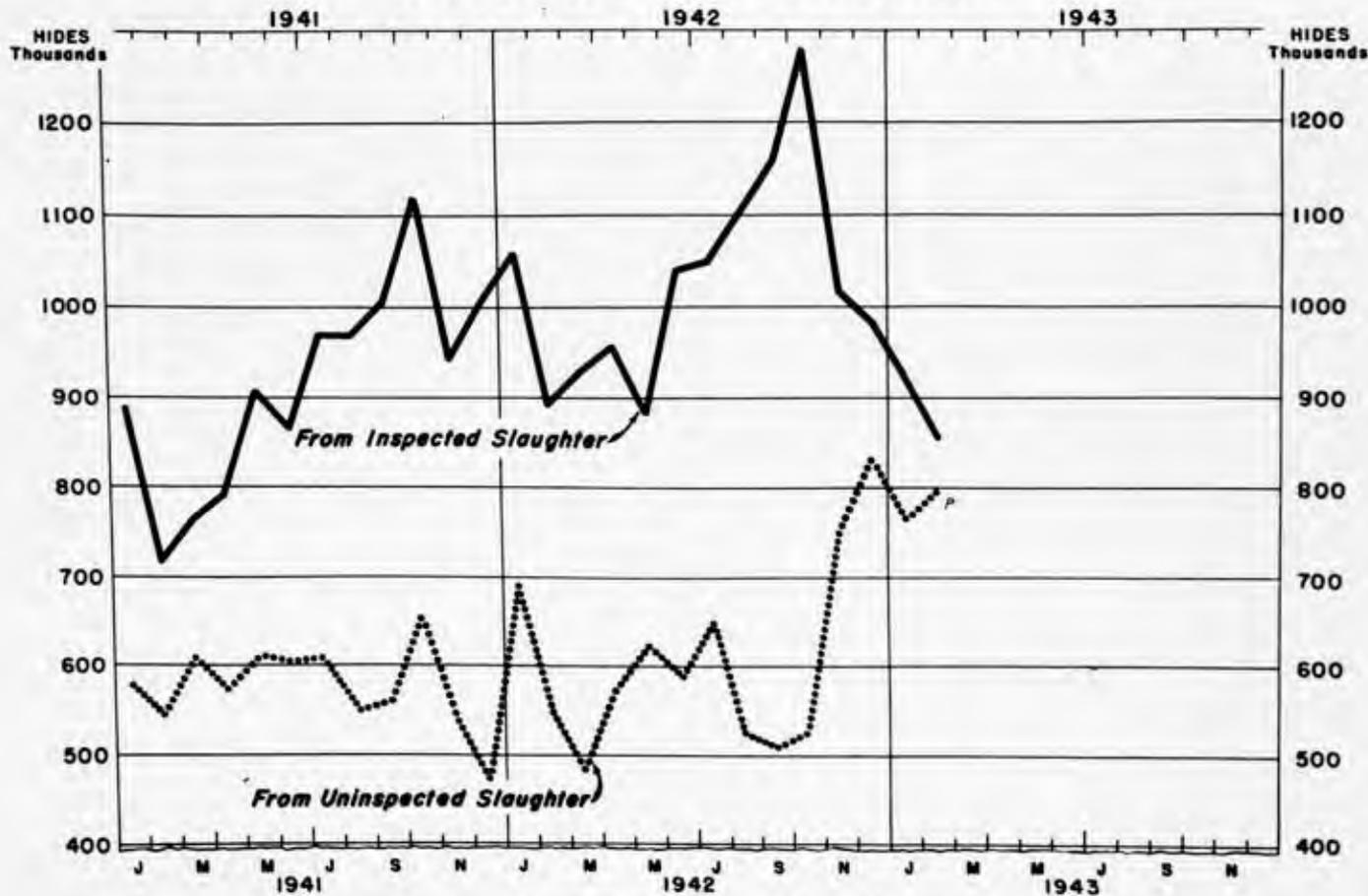
Chart 3

Gift of the Secretary of the Treasury  
Bureau of Economic Warfare





# MOVEMENT INTO SIGHT OF CATTLE HIDES FROM INSPECTED AND UNINSPECTED SLAUGHTER



Source: Department of Agriculture and Tanners' Council

Office of the Secretary of the Treasury  
Division of Records and Statistics

Chart 5  
CONFIDENTIAL

C-476

Regraded Unclassified

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APR 12 1943

Honorable Clarence Cannon,  
Chairman, Committee on Appropriations,  
House of Representatives.

Dear Mr. Cannon:

I am enclosing a copy of a letter which Under Secretary Bell has sent to Congressman Ludlow, Chairman of the Treasury Subcommittee, concerning the 1944 appropriation for the Foreign Funds Control.

I know that you realize the importance of providing the funds necessary for carrying out this vital program of economic and financial warfare. I shall be very grateful if you will endeavor to sustain this appropriation in the amount of \$3,800,000.

With best wishes, I remain

Very truly yours,

(Signed) H. Mergenthaler, Jr.

Secretary of the Treasury.

Enclosure

Mailed by Schoeneman

Copy in Diary

APR 12 1943

Honorable Louis L. Ludlow,  
Chairman,  
Treasury Subcommittee on Appropriations,  
House of Representatives.

Dear Mr. Ludlow:

I note from the conference report that the Conference Committee is in disagreement with respect to the 1944 appropriation for Foreign Funds Control.

As approved by the Bureau of the Budget, this estimate was in the amount of \$4,350,000. As you know, it was reduced by the House Committee to \$4,100,000, and subsequently further reduced to \$3,100,000 on the floor of the House, upon the motion of Congressman Taber. After hearings before the Senate Committee, the appropriation was approved by the Senate in the amount of \$3,800,000.

As you will recall, Foreign Funds Control's activities will require the expenditure of \$6,000,000 during the present fiscal year. A reduction to \$3,800,000 would, of course, necessitate substantial curtailment. Any reduction beyond that figure, however, would seriously cripple the Treasury Department's program of economic and financial warfare. Representatives of the Department have appeared before the Appropriations Committees of both the House and the Senate and, I believe, have fully satisfied these Committees as to the necessity, in the war effort, of the funds requested.

The Treasury Department's economic and financial warfare programs, which this appropriation supports, are essential to victory. They stop the enemy from getting and using funds for military operations, sabotage, espionage, and propaganda all over the world. Billions of dollars are at stake in this financial warfare. For that reason any further reduction in the Government's programs for want of a minimum appropriation would be false economy. Accordingly, it is urged that every possible effort be made on the floor of the House to sustain this appropriation at \$3,800,000.

I shall deeply appreciate any assistance that you may be able to render to this end.

Very truly yours,

*W. D. N. Bell*

Under Secretary of the Treasury.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE 9/12/41

TO The Secretary

JLS

FROM Mr. Sullivan

Following is a short statement showing the general nature of the so-called "EPF" contracts entered into by the War and Navy Departments; a similar statement with respect to emergency facilities financed by the Defense Plant Corporation; and a paragraph on renegotiation, with particular reference to the treatment of amortization and war losses.

EMERGENCY PLANT FACILITIES CONTRACTS  
BY WAR AND NAVY DEPARTMENTS.

The facilities constructed under these contracts consist of buildings or machinery, or both, and are usually located on land owned by the contractor. The Government pays the cost of the facilities, but title thereto is in the contractor. Upon termination of the contract, the contractor may retain the facilities by paying the original cost less depreciation, obsolescence and loss of useful value. If the contractor does not elect to retain the facilities they are to be transferred to the Government, and, if the contractor desires, they must be removed from the contractor's premises (which provision gives the contractor the right to demand the demolition of the buildings). The Government is prohibited from using the facilities for any business or commercial purposes, except when used for defense or pursuant to an Act of Congress or an order of the President, and in any event it cannot sell or lease the facilities without first giving the contractor an opportunity to purchase or lease them. Amounts received by the contractor in reimbursement of the cost of the facilities are treated as taxable income for income tax purposes, and the contractor is allowed the 5-year amortization deductions. Some

The Secretary,

2.

modifications of the contracts have been made with a view to excluding the reimbursements from taxable income, but such exclusion has not been allowed except where the Government is given complete beneficial and equitable ownership of the facilities, it being recognized, however, that the contractor may properly be given an option for a specified period to purchase the facilities, and that the facilities may be subject to restrictions prohibiting the Government from selling them to the contractor's competitors or using them for storing explosives or other extra-hazardous materials.

#### DEFENSE PLANT CORPORATION FACILITIES

This agency takes title to the facilities which it provides for defense purposes. The facilities are leased to the operator for a period of 5 or 7 years, subject to earlier termination when no longer needed for defense purposes. In the case of buildings, title to the underlying land is usually required to be unqualifiedly transferred to the Defense Plant Corporation. Upon termination of the lease, if the operator has not violated the terms of the lease, he has a 90-day option to acquire all the facilities but not a part thereof, at cost less rentals paid or less depreciation, subject to a specified minimum option price. If this option is not exercised, the facilities remain the property of Defense Plant Corporation, without any restrictions as to the use of the facilities. For tax purposes the operator does not include in income any amounts paid by Defense Plant Corporation for the facilities and is not permitted amortization in respect of the facilities. The operator is however permitted to deduct the rentals

The Secretary,

3.

paid, but if a closing agreement is entered into in respect of such deduction he is required to agree that if he acquires the facilities he will include in taxable income the excess of their value over the option price.

#### RENEGOTIATION

In the formulation of general principles to be applied to the renegotiation of Government contracts, some difficulty was encountered in reaching unanimity in the treatment of amortization (the allowance of 20 per cent a year in depreciating emergency plant facilities financed by the contractor). The War and Navy Departments, and to a lesser extent the Maritime Commission, originally took the position that the full 20 per cent a year allowed for tax purposes should be included as a cost for purposes of renegotiation. The Treasury Department felt that only normal depreciation should be recognized as a cost, and that any amount in excess of normal depreciation should be treated as a profit (which it is) and not a cost, with recognition that the dollar amount represented by the difference between normal depreciation and 20 per cent may not be realized as an actual profit in all cases, since the ultimate realization of this profit will depend upon the usefulness of the facilities in the post-war period. After extensive debate the other agencies involved in renegotiation acquiesced in the Treasury view and now only normal depreciation is included as a cost for purposes of renegotiation.

Another problem that aroused some controversy was the manner of treatment of war losses. Although the Navy was at first of a mind to allow war losses as a cost of the performance of Government contracts in some cases, the Treasury view that the rule should be otherwise prevailed and at the present time the policy of all renegotiating agencies is not to allow war losses as a cost chargeable to Government contracts.



OFFICE OF THE DIRECTOR

SECRET

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

April 12, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of April 5, 1943, the purchases against the African Program from April 5, 1943, to April 11, 1943, totaled \$515,320.25, or a total of purchases for the program thus far of \$22,193,681.68.

Attached is report giving status of shipping against these purchases.

*Cliff Mack*  
Clifford E. Mack  
Director of Procurement



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>
Aluminum sulphate	-	-	-	14.5
Asbestos sheet packing	-	2	-	-
Bone glue	-	-	33	-
Books & booklets	2	-	-	-
Brass rods	-	22.25	2.75	93
Babbitt metal	53.5	-	792.	-
Brick	109	20	40	-
Calcium carbide	-	247	-	95
Cement rubber	-	-	19.5	20
Chemicals	163.5	240	191	133
Coal cutters	12	-	-	-
Clothing	2013.75	235.25	171	9.25
Copper sulphate	5292.75	918.75	-	-
Cotton thread	29.25	61.5	-	-
Cordage & twine	225	5	40	-
Drugs	6	-	-	-
Files, steel	15	15	-	-
Fullers earth	-	72.5	-	-
Gelatin	1	-	-	-
Glass lamp chimneys	-	-	17	-
Glycerine	12.75	-	-	-
Horse shoes & nails	23	98	46.25	10.75
Hosiery	22.5	6	8.5	-
Light bulbs	-	-	-	6.5
Lumite	-	30	-	-
Mach. finished book paper	2	-	-	-
Matches	389.75	-	-	74.75
Newsprint	892	78	-	188
Nipples, bottles, eye cups	-	-	9	-
Paper bags	-	-	-	115

**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>
Phonograph records	-	-	1000 Each	-
Piece goods, textiles	5940.50	2334	3048.5	1228
Pig tin	20	44	-	-
Powdered milk	119.5	-	-	-
Printers ink	.1	-	-	-
Raw sugar	1545	-	-	-
Refined sugar	4196.5	-	-	-
Sheet copper	-	-	33	34
Shoe tacks	4	9.5	-	-
Silver solder	145	-	-	57
Spare parts for autos, tractors & harvesters	219.50	27.25	212.25	49.75
Spark plugs	2	-	2.5	-
Storage batteries	47	-	11.75	-
Steel	27.5	62.50	-	1014
Shoes, boots & soling	211.25	82.75	99	27.25
Sulphur commercial flour	-	-	-	320
Tires, tubes, & tape	175.75	-	-	35.75
Tools	-	.5	-	100
Tooth brushes	-	-	75	-
Tea	171.5	-	-	-
Wire nails	100	-	22	-
Wire rope	71.25	17.75	-	-
X-Ray films	-	1	-	-
Paint pigments	8.7	-	-	-
Tinplate	845	-	-	-
Corrugated boards	-	-	-	78.5
Paper, tarred, mimeo. wrapping, blue print	-	-	-	448
<b>Totals</b>	<b>23,114.80</b>	<b>4,630.50</b>	<b>4,874.00</b>	<b>4,152.00</b>

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**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. 80 - Aircraft Despatched  
- for week ended April 6, 1943.

The Honourable Henry Morgenthau, Jr.  
Secretary of the Treasury  
WASHINGTON, D. C.

April 12, 1943.

STATEMENT NO. 80Aircraft Despatched from the United StatesWeek ended April 6th. 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>CONSOLIDATED</u>					
Coronado	U.K.	U.K.		1	
Liberator III	Canada	Canada			1
Liberator GR V	U.K.	U.K.		4	
<u>CURTISS</u>					
Seamew	Canada	Canada			5
Kittyhawk	Middle East	Port Sudan	11		
<u>DOUGLAS</u>					
Dakota I	U.K.	U.K.		1	
Dakota I	India	India		1	
Dakota III	India	India		9	
Dakota III	Middle East	Middle East		4	
<u>FAIRCHILD</u>					
Jornell PT 26	Canada	Canada			4
Cornell PT 26	Middle East	Middle East	6		
<u>LOCKHEED</u>					
Lodestar II	Fighting French	en route		1	
Ventura	U.K.	U.K.		1	
<u>GLENN MARTIN</u>					
Baltimore III A	Middle East	Middle East		5	
Baltimore IV	Middle East	Middle East		12	
<u>NORTH AMERICA</u>					
Harvard	S'Rhodesia	S'Rhodesia	10		
Harvard	India	Bombay	8		
<u>STINSON</u>					
Reliant	Trinidad	Trinidad		3	
<u>VULTEE</u>					
Vengeance	India	Bombay	16		
Total			51	42	10

Note\*  
Statement No. 76, week ended March 9, Dakota 1 - 7 were reported as being en route to Middle East. Six were delivered to M.E. and one through error was delivered to U.K. where it is expected to remain.

Movements Division,  
British Air Commission.

April 10, 1943.

**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 weekly Statement No. 98 covering  
Aircraft Flight Delivery as at April 6, 1943.

The Honourable Henry Morgenthau, Jr.  
Secretary of the Treasury  
WASHINGTON, D. C.

April 12, 1943.

REF. NO. D-52  
 SUMMARY REPORT NO. 98

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT  
 (Covering Movements through April 6, 1943)

SECRET  
 MOST SECRET

April 7, 1943

(1) RTTU (RAC)	(2) LBR. (RAC)	(3) RND. (RAC)	(4) VINT. (RAC)	(5) FL. BOAT (RAC-1/2)	(6) BOAT VANT. (L/2)	(7) RND. (L/2)	(8) BOAT. (L/2)	(9) RALK. (L/2)	(10) RTTU, P (A.R-1/2)	(11) RND (A.R.)	(12) RND, S (A.R.)	(13) RND, A (A.R.)	(14) TRAMP. (L/2)	(15) TOTAL
UNITED KINGDOM	20	96	432	140	270	293	129		63	114	93	4	8	1,468
MIDDLE EAST		5				94						48	31	278
SOUTH AFRICA				127										127
FRONTIER						87								87
AUSTRALIA					27									27
SINGAPORE					9									9
INDIA														9
OTW'S IN CANADA			45	58		165							3	3
RCAP					16			1						18
HARRAN										1				1
FERRY SERVICE		7									9	37		46
ASCA											5			12
En route Overseas				5		7	8	221					22	243
Canton, Coosa, etc.						6	7	31				1	8	60
Knox or Bermuda (en route)				3	4			83		2	1			26
Special duty (Com. or Born.)		2	1	15	4	12		83					17	107
Neutral		2	1	6	4	1	39	2		7	7	1	3	36
CRASHED AFTER EXPORT			17	19	8	31	14	7	1	3	1	6		83
En route export						1		44		1		1	7	54
At installation center				2	49	4	4	3				4	1	70
En route installation center				2										2
At modification center										24	14			48
En route Modification center											1			1
Special duty in U. S.		1						3						4
Under repair		1	2											3
At starting point (Lang Beach, etc)						2				1		2		5
CRASHED IN U. S.		1	2	5		24	1	8			1		20	32
DIVERTED TO U. S.		90	20	204	10					2	2	7		32
TOTAL	20	165	520	648	388*	1	745	299	434	64	279	161	71	3,722

\* Including one transferred to U. S. after delivery to U. K.

PLANNING AND AIRFRAME SUPPLY  
 BRITISH AIR COMMISSION  
 WASHINGTON, D. C.

Regraded Unclassified

## EXPLANATION OF COLUMN CONTENTS OF REPORT REF. NO. 123

Space limitations have necessitated a slight re-organization of the contents of the various columns on the weekly table. Aircraft included in each column is as follows:

- (1) 20 BOKING FORTRESS I OFF BAG CONTRACT A-5077 (Complete)
- (2) 165 CONSOLIDATED LIBERATOR TYPES OFF BAG CONTRACTS (Complete)
  - 6 B24's off A-5068
  - 20 Liberator I off F-677
  - 139 Liberator II off F-677
- (3) 520 LOCKHEED HUDSONS OFF BAG CONTRACTS (Complete)
  - 225 Hudson V (Long Range) off A-1749
  - 50 Hudson III (Long Range) off A-67
  - 245 Hudson III (Long Range) off A-68 (excluding 30 exported by sea) (No Short Range Hudsons are included)
- (4) 663 VEGA VENTURAS OFF BAG CONTRACTS
  - 375 Off A-1748 (Complete)
  - 288 off A-344 (Including 10 Short Range exported by sea, 2 to come: 1 Long Range; 1 Short Range)
- (5) 368 CONSOLIDATED FLYING BOATS OFF BAG CONTRACTS AND LEASE-LEASE REQUISITIONS
  - 7 Catalina II (PBY5) off A-2587 (Complete)
  - 40 Catalina I (28-282) off F-210 (Complete)
  - 59 Catalina I (28-282) off A-37 (Complete)
  - 18 Catalina I (28-282) off AHS-58 (Complete)
  - 29 Catalina IIA (28-280) off CAN-78 (Complete, but emitting 7 delivered to Canada)
  - 12 Catalina III (PBY3A) off BSC 10772 (Complete)
  - 102 Catalina IB (PBY3B) off BSC 148 (Complete)
  - 75 Catalina IB (PBY3B) off BSC 7952 (Complete)
  - 45 Catalina IV (PBY5) off BSC H-8 (Incomplete)
  - 1 Seawind (PB2X-3B) off BSC 152 (Incomplete)
- (6) 1 VEGA VENTURA GR V OFF BSC 142 (Incomplete; other requisitions to be added)
- (7) 745 LOCKHEED HUDSONS OFF LEASE LEASE REQUISITIONS
  - 149 Hudson III (A29) off L/L Contract DA-AG-5 (Complete; sea shipments not included)
  - 209 Hudson III (A29) off L/L Contract DA-AG-151 (Complete; sea shipments not included)
  - 95 Hudson VI (A28A) off L/L Contract DA-AG-471 (Complete; sea shipments not included)
  - 352 Hudson VI (A28A) off L/L Contract DA-AG-908 (Incomplete)
- (8) 199 DOUGLAS BOSTON IIIA OFF L/L CONTRACT DA-AG-934 (Incomplete)
- (9) 424 MARTIN BALTIMORES OFF L/L CONTRACT DA-AG-19 (Incomplete)
  - 280 Baltimore IIIA (1 to come)
  - 144 Baltimore IV (Incomplete)
- (10) 64 BOKING FORTRESSES OFF LEASE LEASE REQUISITIONS (Complete on basis of present understanding)
  - 45 Fortress IIA (B17E) off BSC 149 (Army Release)
  - 6 Fortress II (B17F) off DA-AG-16
  - 13 Fortress II (B17F) off BSC-149 (Army Release)
- (11) 179 CONSOLIDATED LIBERATORS (B24B) OFF BSC 141 (ARMY RELEASE)
  - 86 Liberator III
  - 93 Liberator GR V
- (12) 162 NORTH AMERICA MITCHELLS OFF BSC 1617 (ARMY RELEASE)
  - 23 Mitchell I (B25B) (Complete)
  - 139 Mitchell II (B25C) (Incomplete; and other Marks expected to follow)
- (13) 71 MARTIN MARAUDER I (B26A) OFF BSC 150 (Complete on basis of present understanding)
- (14) 122 TRANSPORTS OFF LEASE-LEASE REQUISITIONS
  - 1 Douglas Dakota I (C-47) off DA-AG-167 (Complete)
  - 20 Douglas Dakota I (C-47) off AG-20669, BSC 2849 (Complete)
  - 30 Douglas Dakota I (C-47) off DA-AG-1043 (Complete)
  - 9 Douglas Dakota II (C-53) off BSC-1050 (Complete)
  - 40 Douglas Dakota III (C-47A) off AG-206691, BSC-2849 (Incomplete)
  - 7 Lockheed Lodestar IA (C-59) off DA-AG-53 (Complete)
  - 15 Lockheed Lodestar II (C-60) off DA-AG-53 (Complete)

## Congress of the United States

### House of Representatives

Washington, D. C.

April 12, 1943.

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

My dear Mr. Secretary:

It was exceedingly gracious of you to take note of my little squib in the Record, re the so-called "secret plan."

I had **two** objectives in that statement: The first was that I wanted to spike Mr. Smith's insinuations. The second that his complete lack of courtesy to a committee that had invited our committee to be its guests, embarrassed me.

Unfortunately, under the one minute rule, I did not have the opportunity to make this clear.

As to your conduct of the Treasury Department, I want to reiterate what I have said on numerous occasions and which I will shortly say in the House, that I consider you the greatest secretary of the Treasury since Hamilton who has had to deal with -- as Hamilton did -- a deficit.

This "greatest Secretary of the Treasury since Hamilton" has been applied to Mellon. Nuts, is my answer. Mellon had to deal with a surplus only. From the day you assumed your duties a deficit has been your problem.

Your masterly handling of that difficult problem, in my view, makes you the greatest Secretary of the Treasury since Hamilton.

I'm going to have more to say about your stabilization plan later.

Being a bit interested in the subject of international trade; being the co-author, with my wife, of "The Foreign Trade of the United States" (Scribner, 1920), I feel that what you are trying to do is of vital importance to America, and to the world.

-2-

I am your friend and your supporter.  
Count on me.

Cordially yours,

*Thomas F. Ford*

Thomas F. Ford, M. C.

APR 12 1943

My dear Mr. President:

This is to acknowledge your letter of April 7, 1943, concerning the preliminary draft proposal for an international stabilization fund of the United Nations and their associates.

I offer my sincere regret that through an oversight, a letter was not sent to the Minister of Finance of the Commonwealth of the Philippines, requesting his views on the preliminary draft proposal. I assure you, we welcome the opportunity to have the preliminary draft proposal considered by the Minister of Finance of your Government, and we look forward to discussing with the technical experts of your Government the feasibility of international monetary cooperation along the lines suggested therein, or along any other lines your Government may wish to suggest.

I am sending our preliminary draft proposal to the Minister of Finance of the Commonwealth of the Philippines for his examination and consideration.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The President of the Philippines.

Photo file in Diary

File to White's office

EMM/jm  
4/10/43

Office of the President  
of the Philippines

The Shoreham Hotel  
Washington, D.C.  
April 7, 1943

My dear Mr. Secretary:

I have seen in the newspapers that the Treasury has submitted to the United Nations and their associates, a proposal for an international fund to stabilize currencies, and has invited 37 nations to send representatives here to discuss this proposal. The Philippines, as you must know, is a full-fledged member of the United Nations, and I assume there has been an oversight on the part of the Treasury not to have sent to the Philippine Government-in-exile in Washington either the proposal or the invitation.

While at present our currency system still remains under the ultimate control of the Government of the United States pending the establishment of the Philippine Republic, it is evident that after the war when the Philippine Republic shall be established, the said Republic will have full control on matters affecting its currency. Since it is our policy to cooperate with the other members of the United Nations, especially with the United States, in the solution of post-war problems, I feel that the Philippines should have its representatives in the conference that will be held for the purpose of discussing the proposal of the Treasury.

I would very much appreciate it, therefore, if you should invite the Commonwealth of the Philippines to take part in that conference.

Very sincerely yours,

  
MANUEL L. QUEZON

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

BRITISH MOST SECRET  
U.S. SECRET

OPINION No. 119

Information received up to 7 A.M., 12th April, 1943.

1. NAVAL

On the 1st one of U.S. Submarines on patrol off North SPAIN torpedoed a merchant ship and 2 or possibly 3 destroyers. Subsequent reconnaissance showed that all these ships had reached BORDEAUX but that the merchant ship was badly damaged. The escorted blockade runner which was bombed on the 10th has reached a Biscay port. One of H.M. Destroyers damaged in collision on 10th while escorting outward bound convoy, was torpedoed and sunk yesterday morning 450 miles south of GREENLAND. 3 survivors rescued. Following attacks reported by H.M. Submarines in MEDITERRANEAN: One sank a 2,000 ton southbound ship off southern ITALY on 28th March and a motor fishing vessel south east of NAPLES on 1st. A Dutch Submarine sank a 4,500 ton ship off CAGLIARI on 29th March. One of H.M. Submarines on patrol in AEGEAN between 21st and 31st March sank 4 caiques and shelled a resin refinery on the ATHOS Peninsula. The refinery was put out of action and eight caiques in KANNAVITSA BAY were destroyed. One of H.M. Submarines sank a 4,000 ton ship off Eastern TUNISIA. A 12,800 ton merchant ship from United Kingdom to AUSTRALIA with aircraft presumed sunk by U-boat southeast of BERMUDA on the 2nd.

2. MILITARY

TUNISIA. To midnight 10th. 8th Army. Advance continued all along the front by armoured car patrols which on coast road reached MELLIOUENCHE 35 miles north of SFAX. Our light armoured forces patrolled on a line west from EL DJEM.

2nd U.S. Corps. U.S. Infantry are clearing battlefield in the GAFSA area and U.S. armoured forces have moved north to make contact with our troops south east of FONDOUK. No opposition has been met except mines in the FAID area and the roads north and east of FAID are now open.

1st Army. British armoured units continued their advance on KAIROUAN and by night fall a tan. battle was going on south of the town. Our forces have moved through the FONDOUK GAP to 8 miles south west of KAIROUAN and U.S., British and French forces have occupied the high ground south east and north of FONDOUK and north of PICHON. Several hundred prisoners were taken on this front on 9th and 10th. Astride the MATEUR-BJEM road our forces secured positions 12 to 15 miles northeast of (?DJEJA), some prisoners were taken but opposition was slight.

3. AIR OPERATIONS

WESTERN FRONT. 10th/11th. FRANKFURT. Now reported 18 bombers missing. 1,022 tons of bombs dropped in vicinity of objective but bombing appears to have been spread over a wide area. 11th. Mosquitos attacked the diesel works at HENGLO and railway work shops at MALINES, 2 are missing. Typhoons attacked railway and other objectives in Northern FRANCE. 11th/12th. Aircraft despatched - sea mining 46, 2 missing, Intruders 5. About 20 enemy aircraft laid mines in the THAMES Estuary, 1 was destroyed by Naval A.A., another was shot down by an Intruder aircraft over FRANCE.

TUNISIA. On 9th/10th and 10th enemy troops and M.T. in the ENFIDAVILLE area were heavily attacked by Wellingtons and U.S. Marauders. On the 10th a total of 18 U.S. Mitchells and 52 U.S. Lightnings on offensive sweeps in the SICILIAN CHANNEL destroyed 53 enemy aircraft including 40 transport aircraft and damaged 10 others for the loss of one Lightning.

10th/11th. Naval Albacores attacked 3 enemy ships northeast of SFAX sinking one and setting fire to another.

SARDINIA. 10th. U.S. Fortresses dropped 224 tons on LA MADDALENA Harbour scoring direct hits on the 8 inch cruisers GORIZIA and TRIESTE, the Munition Depot and the U-boat base, several ships were set on fire.