

DIARY

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Taxation

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War Savings Bonds

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April 16, 1943
9:05 a.m.

FINANCING

Present: Mr. Bell
Mr. Robbins
Mr. Graves
Mr. Buffington
Mr. Houghteling
Mr. Peabody
Mrs. Klotz

H.M.JR: Mr Houghteling called up last night and said Labor wasn't happy, so I thought he might as well tell it to all of us, because I can't do it alone.

MR. HOUGHTELING: I am very glad to, because I am getting repercussions about the way the War Finance Committees have been treating the labor people in different parts of the country, and I think they are undoing a great deal of what we have built up the last year and a half.

Mr. Hyatt was called down to Richmond on Monday by State Administrator Nelson in connection with the fact that in the labor situation there, which is practically solidly AF of L because Virginia is - the shipbuilding in Virginia is entirely under the hands of the AF of L, and the camp construction, and all, is AF of L.

The committee from the citizens called in Mr. Hugh of CIO and told him he was a labor representative for Virginia, and gave him a few instructions on what he was to do.

They said that they were to forget about pay-roll savings and go to bat on selling bonds, and pick up pay-roll savings after the end of the drive.

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The whole thing was very much in confusion, and Mr. Nelson sent for Mr. Hyatt to try and straighten it out, because we have had a good deal of trouble with the labor situation in Virginia.

H.M.JR: Before you go on, I happened to call up three or four presidents of the Federal Reserve Banks at the time when we got that telegram from Atlanta, and the man at Richmond was one of the men I called myself to ask him to give labor a front-row seat and take care of them. Richmond was one of the places.

Who ought to follow through on this?

MR. ROBBINS: I think I should.

H.M.JR: I think you should. So, either make notes or - because this has got to be nailed.

MR. ROBBINS: I can't understand how they would have any misconception in their relationship.

H.M.JR: I want to say for Houghteling, that right from the beginning I said that he can always come in.

MR. HOUGHTELING: I thought we might get hold of this thing early in the drive, because it is not anything that can't be adjusted.

In Chicago they appointed Earl McMahon, the secretary of the Building Trades Council, as labor member of the committee, and that was a very good selection, but they didn't give him anything to do and they didn't call him to their meetings. When they had the dinner Monday night he got together a bunch of labor leaders and just asked if they could have a table or two tables where they could sit together. No, they couldn't - they couldn't even arrange to give them a separate table. They were just treated like stepchildren out there. I thought that was a situation that was pretty good, because they put Earl McMahon in.

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In Cleveland they sent a banker to talk to two thousand post office clerks and he quoted Eddie Kickenbacker all evening to them. Whether we agree with Eddie or not, that is not the way we sell bonds to labor. That came from a letter which one of the officials of the Post Office Clerks' union, who is an old friend of Gil Hyatt's wrote - a very distressed letter, and a really sincere letter, saying, "My gosh, how can we get up enthusiasm for this program if they are going to send out somebody who doesn't know any more about labor than to talk Eddie Kickenbacker to us?"

Now, we sent out - I got Mr. Murray and Mr. Green to send out letters to all of their unions. I have got a copy of Mr. Murray's letter here. It was a letter that I drafted asking them to make an extra effort.

H.M.JR: Is it a good letter? (Laughter)

MR. HOUGHTELING: It was a pretty good letter, yes. (Laughter) A little long, but it covers the subject.

(Copies of letters to unions attached.)

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

"To meet the challenge of this April campaign the workers of America must not only maintain but must increase their participation in the Pay Roll Savings Plan -- the highly effective system by which twenty-six million American citizens are today doing their part in financing the war. On top of this, it is desirable that all national unions, state and city councils, and local unions adopt special War--

H.M.JR: Look, it is a good letter. (Laughter)

MR. HOUGHTELING: My point is - I am just coming to it. I asked them to start special campaigns sponsored by national unions, State and city councils, and so forth.

I sent them out this promotion guidebook showing how they start those campaigns. We are sending out fifty thousand, thirty-five thousand to AF of L unions and the rest to CIO and railroad brotherhoods, and asking them to get in touch with their State administrators. There is a little list of the State administrators on page twenty-nine of the guidebook.

That program is going very well, and they have taken to it well; but it ought to be handled through the War Savings Staff. They have begun to know the State administrators, and they have very good relationships with them. As I understand it, this program is a combination of War Savings Staff and Victory Fund Committee.

H.M.JR: I hope it is.

MR. HOUGHTELING: And it seems to me that the labor end of it should be handled by the people that know the local problems, which are the State administrators, and not by some committee of bankers which sends them somebody who talks about Eddie Rickenbacker and things like that.

H.M.JR: What I think we ought to do is this. I think you ought to go in and have a talk with Robbins and Graves, and then I would be very glad, if you want me to, to cite these cases and send them out to the twelve presidents of the Federal Reserve Banks, or whatever you suggest. But the thing to do is to nail it today. Then we still have two weeks to go, but--

MR. ROBBINS: We can get right on this and fix it up.

H.M.JR: You see, I called three or four of them myself when we got those telegrams from Atlanta, then I had the labor press in, and I thought things were going all right.

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But I would cite them a case like the Eddie Rickenbacker case, and though it seems very small, the very fact that it seems so ridiculous, these fellows will say, "My gawd, how could Bill, over in the Fifth District, do such a thing as this?"

He won't if he is warned, but it is the risk we take. I knew I was taking that risk when I chose these presidents of the Federal Reserve Banks who are so - I mean, they just don't think in those terms.

MR. HOUGHTELING: We spent a year and a half educating administrators to recognize what you can and what you can't do with labor, and I hate to begin educating the presidents of the Federal Reserve Banks on the same subject, because it would take more than a year and a half. (Laughter)

(Mrs. Klotz entered the conference.)

H.M.JR: Well, you only have a day to do it in. Don't get discouraged.

MR. HOUGHTELING: What I am saying makes sense, doesn't it, Mr. Secretary?

H.M.JR: Sure, and I am sure everybody here will do it, and just as soon as this is over, I wish that - there is no use bothering Bell with it, but I wish you (Robbins) would get on it, will you?

MR. ROBBINS: Yes.

H.M.JR: And Harold. That kind of thing disturbs me, but it can be corrected - it must be corrected. You have to bring these fellows - you don't know, it may be the president of the Federal Reserve Bank; it even might be the State administrator. They have been known to slip once in a while, too. (Laughter) So you (Houghteling) stay until this little meeting is over.

Where are we on Red Oak Mills?

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MR. ROBBINS: Nothing new this morning.

(Memorandum handed to the Secretary by Mrs. Klotz.)

H.M.JR: The War Department has approved the selection of Red Oak, Iowa, as a setting for this special program. It is not able to suggest any more appropriate place.

MR. ROBBINS: It is eight to ten thousand population, I understand.

H.M.JR: Will you let me know later on?

MR. ROBBINS: Yes.

H.M.JR: One thing that disturbs me, I read in today's Times or Tribune, "New Jersey goes over the top."

MR. ROBBINS: That is a very important subject.

H.M.JR: And four hundred million dollars from one life insurance company. I think what is left, the residue that is left, is nil. I just wondered - it may be too late, but you fellows are smart - whether we could give them a quota in terms of number of people.

MR. ROBBINS: You changed the quota, I believe, in the December drive, did you not?

MR. BELL: No, we changed the goal, not the quota.

MR. ROBBINS: We have been talking ways and means to get the field organization to encourage them not to become optimistic or release publicity which would tend to dampen the enthusiasm of those who were soliciting the public.

MR. BELL: There is a good statement of Allan Sproul's in the Times this morning. I think something ought to be said tomorrow morning when you give out these figures.

MR. ROBBINS: Your comment yesterday to the press was fine.

H.M.JR: I said there was lots of hard work ahead of us.

MR. PEABODY: That is right, but of course these fellows will insist on giving it that headline treatment. The headline writer will always pick out the big numbers - the optimistic thing - and put it in the headline. If people read it all the way through they get the story, but they don't do it.

H.M.JR: I thought for tomorrow - who is working on this for me?

MR. BELL: Wanders.

H.M.JR: You tell him I would like to stress how disappointed I am in the amount of E, F and G Bonds.

MR. ROBBINS: That is fine.

H.M.JR: I just sent in to have those figures broken down because the combined, I think, is three hundred and some odd million.

MR. ROBBINS: Two and a half's are low, too - no, they are up.

H.M.JR: I am disappointed.

MR. PEABODY: That could be the important part of your statement, and that being somewhat pessimistic might catch the headlines.

H.M.JR: I think I would put in that I am disappointed. Do you all agree on that?

MR. ROBBINS: Very much so.

H.M.JR: And then how much did the public have - I sent my statement back - of the seven-eighths certificates?

MR. BUFFINGTON: A billion two.

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H.M.JR: Bell and I think when it reaches two billion dollars, the seven-eighths to the public, we will close it. I understand the quota is a billion eight to the public on the seven-eighths.

MR. BELL: That was my rough estimate.

H.M.JR: If it goes to two, my notion is to close it. I don't see why we have to give any notice, either.

MR. BELL: If you give notice, they will come in in an avalanche.

H.M.JR: But I wouldn't let that get out of the room.

MR. PEABODY: Does the seven-eighths issue to banks close?

H.M.JR: Wednesday night.

MR. PEABODY: Then we don't have to have any more figures on that oversubscription of ours.

MR. BELL: No.

MR. PEABODY: There is another tremendous figure there.

H.M.JR: Over nine billion.

MR. ROBBINS: That was never made public.

MR. BELL: But it will have to be made public Saturday morning when we make our allotments.

MR. PEABODY: It will?

MR. BELL: Yes, we have to give the percentage of allotments.

H.M.JR: Got to play down the good news and play up the bad. (Laughter)

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MR. PEABODY: We will tell Wanders, Mr. Secretary, to go to work on this and perhaps suggest the way this thing might be worded in order to get the "hard road ahead" angle into the top of the story, rather than the other one.

H.M.JR: Does anybody want to shoot anything at me?

MR. BUFFINGTON: I have got one question, if I may. We have tried to get ten or eleven different people to handle these different agencies here in Washington. We have been unable to do it - to get someone. Eddie Bartelt has been working with me and is sending out a letter to the alternates in this interdepartmental War Savings Bond committee.

We would like to supplement that with this letter to the heads of the agencies; that would require you to sign about thirty letters, urging them to select some person in each agency.

H.M.JR: Does that include Cabinet members?

MR. BUFFINGTON: Yes, the heads of all departments.

H.M.JR: But it might be an effective thing to get them to select - you know how I love to sign letters, but I will do it.

MR. ROBBINS: I think it is very good.

H.M.JR: Don't send all thirty at a time.

MR. BUFFINGTON: We are following that procedure that was outlined in submitting one letter first.

H.M.JR: Don't get them in here about six o'clock tonight.

Anything else?

Now, Bill, let me know what you - I would like to know what you decide to do on labor.

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MR. ROBBINS: All right.

MR. BELL: Couldn't he telephone two or three presidents that are involved in this particular thing and go right to the top on the telephone with them, and then later send a wire to all of them if that is what they decide to do?

H.M.JR: I am not going to tell them what to do. I want them to hit it and hit it hard, and hit it this morning. Get a little excited about it so they feel we are, and I am, because we just cannot let organized labor be pushed about.

I had to call up Mr. Murray and tell him how badly I felt about Monday night - being cut off the air. I will tell you the tactics I used. I called and said, "That was the lousiest, worst meeting that you ever-- Wasn't it terrible?" It left him nothing to say.

He said, "It was pretty bad, wasn't it?" That was his comment, you see.

I said, "Did you ever see anything handled worse than that one? It was pretty bad." So I attacked first and he was all right. (Laughter)

MR. HOUGHTELING: I had taken up a great deal of the slack in Mr. Murray.

H.M.JR: Allan Sproul promised me he would write a letter, too.

Did he tell you it has happened half a dozen times that Bill Green goes on first and gets the full time, then he gets cut off?

MR. HOUGHTELING: He told me. He says, "You can have Bill Green. Take him all over the country, but you can't have Phil Murray because he gets the short end of the thing." (Laughter)

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MR. BELL: Green didn't seem to be in any hurry to get through. I was sitting there holding my watch.

H.M.JR: It started wrong. There was no chair for Murray to sit in. That was the first thing that went wrong. (Laughter)

MR. HOUGHTELING: Murray sat up with you and Governor Dewey and got his picture in all the papers and Green was over the other side of the runway. That ought to have set--

MRS. KLOTZ: He didn't remember that. (Laughter)

H.M.JR: All right, and then you (Robbins) let me know. You let me know about Red Oak.

One other thing, if the Tribune man comes down who runs the Red Oak, I want to see him.

MR. PEABODY: Wanders was on that last night.

H.M.JR: I am going up on the Hill, and if I come back alive I will get in touch with you. (Laughter)

C
O
F
Y

CONGRESS OF INDUSTRIAL ORGANIZATIONS

718 Jackson Place, N.W., Washington, D.C.

April 5, 1943

TO ALL INTERNATIONAL UNIONS, INDUSTRIAL UNION COUNCILS,
LOCAL INDUSTRIAL UNIONS AND REGIONAL OFFICES.

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

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

To explain how such campaigns may be conducted the War Savings Staff is sending you under separate cover an illustrated Promotion Guidebook, "Selling More War Savings", in which such campaigns are described in detail. I request that you study this pamphlet, go over it with your fellow officers, decide on some one of the many suggestions and submit a plan to your members as early in April as possible.

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

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

Fraternally yours,

Philip Murray, President.

April 16, 1943
9:47 a.m.

HMJr: Hello.

Operator: Mr. McCloy.

HMJr: Thank you.

Operator: Go ahead.

HMJr: Hello.

John
McCloy: Hello. Could I come over and see you some
time today?

HMJr: Of course - now unless - I'm going to the
Senate at 10:30....

M: Right.

HMJr:and the House committee at 2:30.

M: Oh, you're - you're pretty busy, aren't you?

HMJr: So....

M: Well, I don't....

HMJr: I can do it tomorrow morning. I - I'm free
all day, unless it's a matter that won't
keep.

M: Oh, it'll keep all right.

HMJr: What?

M: It'll keep all right, I guess.

HMJr: Well, how about....

M: Okay.

HMJr: Wait a minute. Do you want to make an appoint-
ment for tomorrow?

M: Yes, yeah, I'd like to if you could.

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HMJr: How's ten o'clock?

M: Okay, fine.

HMJr: Good.

M: Fine. Thanks very much. I'll be over there then.

HMJr: Thank you.

M: Good.

April 16, 1943
9:53 a.m.

HMJr: I'm fine. Jerome, I read your letter to Arthur Hays Sulzberger.

Jerome
Frank: Yes.

HMJr: Have you got it in front of you?

F: No, I'll get it. Just a minute.

HMJr: Would you get it?

F: Hello, Henry.

HMJr: Jerome....

F: Well, my secretary is out for the minute....

HMJr: Well, let me....

F:and I haven't got a copy, but go ahead. I can....

HMJr: I - I think you must have made a mistake. I'm reading the fourth line from the bottom, you see?

F: What page?

HMJr: The first page.

F: First, yes.

HMJr: It says, "Mr. Paul has informed me that after advising Mr. Ruml that the Treasury was not itself in favor of Mr. Paul's plan...."

F: Oh, that meant Mr. Ruml's plan.

HMJr: Yes.

F: Yes, certainly.

HMJr: "...he recommended to Mr. Ruml that he himself present the plan to the Finance Committee."

F: Yes.

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HMJr: But that throws the whole thing....

F: Yes, exactly. I'll have - yes, I'm sorry.

HMJr: No, but I mean it looks as though Paul had a plan that....

F: Yes, yes, of course, I'll change it.

HMJr: Isn't....

F: I'll - I'll write him.

HMJr: Isn't that - isn't that an error? .

F: Obviously.

HMJr: Right. Has the letter gone?

F: Yes, but I'll write him a letter correcting it.

HMJr: Okay.

F: I do - was it all right otherwise?

HMJr: Well, I don't - they tell me here that - it was checked down here. I don't know.

F: Well, Randolph went over it and he had some of his fell.. - much of the data I got....

HMJr: Yes, yes.

F:from him - him and his boys.

HMJr: Yes, I think the simplest way is just to call Arthur up and tell him it was a mistake.

F: Well, I'll call him and I'll also drop him a note.

HMJr: Right.

F: All right. Thank you for calling.

HMJr: Thank you.

UNITED STATES CIRCUIT COURT OF APPEALS
NEW YORK CITY

CHAMBERS OF
JEROME N. FRANK
CIRCUIT JUDGE

April 16, 1943

Honorable Henry Morgenthau,
Treasury Department,
Washington, D. C.

Dear Mr. Morgenthau:

In the copy of Judge Frank's letter of April 13th to Mr. Arthur Hays Sulzberger, on page one, on the 4th line from the bottom, there is a typographical error: The words at the end of the line "Mr. Paul's plan" should be changed to read "Mr. Ruml's plan."

I have advised Mr. Sulzberger accordingly.

Sincerely,

H. Hudson

Secretary

4/16/43

Secretary's testimony before Senate
Committee. Reading copy not available
as he revised it for use before House
Committee which is filed 4/19/43

Statement of Secretary Morgenthau before the
Committee on Banking and Currency
of the Senate

Friday, April 16, 1943

Extension of the Stabilization Fund

On April 12, 1943, Senator Wagner introduced a bill (S.991) extending to June 30, 1945, the powers relating to the Stabilization Fund and the power to alter the gold content of the dollar, both of which under the present law will otherwise expire on June 30, 1943. I am appearing before you in support of this bill.

In my previous appearance before your committee to recommend the extension of these powers, I emphasized the emergency necessitating the continuance of these powers. It is hardly necessary to say that the emergency is greater now than it was when I appeared before your committee on June 13, 1941. The monetary situation throughout the world is potentially more unstable than it has ever been before. The powers extended under the proposed bill will help assure currency stability and help avoid competitive currency depreciation in the critical period following the war.

The spread of the war to this hemisphere and the presence of American forces in many countries abroad have heightened the importance of our currency relations with these countries. The gold, currency, and stabilization operations of the Stabilization Fund in the past two years have reflected these changes in the world situation.

While during most of the period since 1934 there was a heavy inflow of gold into the United States so that the Fund's purchases exceeded its sales of gold, during the last two fiscal years the Fund has sold more gold to foreign countries than it has purchased. In the fiscal year 1942 the Fund sold \$644 million of gold to foreign countries and purchased \$162 million of gold from foreign countries. So far in the fiscal year 1943 the Fund has sold \$401 million of gold to foreign countries and purchased only \$27 million from foreign countries. The Fund's sales of gold have been made to 21 different countries.

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As I have said to this committee before, I know of no better means of settling international balances than with gold. For this reason it has been, and is, the policy of the Treasury to facilitate the continued use of gold for the settlement of international balances. Our Stabilization Fund has definitely contributed to the implementing of this policy. Since I last appeared before this committee the Stabilization Fund has entered into three gold-purchase agreements with Russia and a gold-sale agreement with Cuba.

Under the gold-sale agreement with Cuba, which was signed on July 6, 1942, the Stabilization Fund has undertaken to sell gold to Cuba, payment to be made in United States dollars within 120 days from the date of such sale. Under this agreement Cuba has already acquired \$25 million in gold, all of which has been paid for. The agreement with Cuba was designed to facilitate the accumulation and the maintenance of a gold reserve against Cuban currency as provided by Cuban law.

During the past two years we have made and completed three gold purchase agreements with Russia. The agreements called for future delivery of gold purchased by the Stabilization Fund, with an advance on such gold prior to its delivery. The obligations of Russia under these agreements have been fully met. The dollars made available by these gold transactions were used by Russia to pay for purchases of goods and services in the United States in addition to the materials obtained under the terms of the Lend-Lease arrangement.

The series of stabilization agreements under which the Stabilization Fund cooperates with other countries to facilitate the maintenance of stability in the exchange rate of currencies of other countries with the dollar have been extended since July 1, 1941.

On November 19, 1941, a stabilization agreement was entered into with the Government of the Republic of Mexico and the Bank of Mexico for the purpose of stabilizing the United States dollar-Mexican peso rate of exchange. It is still necessary under this agreement for the Mexican Government to confirm its authority to guarantee the performance of all obligations undertaken by it and the Bank of Mexico.

On February 27, 1942, a stabilization agreement was signed with the Government of the Republic of Ecuador for the purpose of stabilizing the United States dollar-Ecuadoran sucre rate of

exchange. The agreement is now in force, although no stabilization operations have as yet been necessary under this agreement.

As a further link in the closer relations between the Governments of the United States and Iceland, a stabilization agreement was signed with the Government of Iceland and the National Bank of Iceland on May 5, 1942, for the purpose of stabilizing the United States dollar-Icelandic krona rate of exchange. This agreement is also now in force, although no stabilization operations have as yet been necessary under this agreement.

In the same period since July 1, 1941, we have renewed the stabilization agreements with China and Brazil.

We have two stabilization agreements with China. Under the first of these agreements, which was signed in 1937, the Stabilization Fund held nearly \$49 million of yuan on February 10, 1938. By October, 1942, China had completed the repurchasing of all the yuan. On December 31, 1942, this stabilization agreement was renewed. The Stabilization Fund does not at this time hold any yuan under this agreement.

The second agreement with China was signed on April 25, 1941. The first transaction under this agreement took place on December 10, 1942, when the Stabilization Fund acquired \$10 million of Chinese yuan. On June 30, 1942, this agreement was renewed for one year. No additional operations have been undertaken under this agreement, and the Stabilization Fund now holds \$10 million U. S. dollars in Chinese yuan under the repurchase provisions of this agreement.

The stabilization agreement with Brazil was signed in 1937. On November 5, 1941, we bought \$8 million in milreis from Brazil. As Brazil's foreign exchange position was strengthened these milreis were repurchased, and on February 25, 1942, the Stabilization Fund held no more milreis. Under another section of this same agreement we have sold \$74 million in gold to Brazil for dollars for the purpose of strengthening the monetary reserves of Brazil. The agreement with Brazil was renewed on July 15, 1942,

In September, 1942, we entered into an agreement with the Government of Liberia to facilitate the conversion of the currency system of that country from sterling to dollars. The Liberian Government had for a long time been eager to adopt the exclusive use of United States currency and coin, and the need for such a conversion became more urgent in 1942 as additional

- 4 -

British coin could not be secured and as American troops stationed in Liberia brought in United States currency and coin. The Stabilization Fund is facilitating the conversion of the Liberian currency system to dollars through an agreement to purchase with United States currency the British coin withdrawn from circulation. Arrangements have been made with the British Government to dispose of these British coins without cost to the Stabilization Fund.

Two proposed stabilization agreements are now pending. A draft of an agreement to facilitate the stabilization of the dollar-boliviano rate of exchange is now being considered by Bolivia. We are also engaged in discussions with Iran under which the Iranian Government would undertake to provide rials for the needs of our Army and other Government agencies in return for dollars paid to the Iranian account in this country. As part of this agreement, the Iranian Government undertakes not to change the dollar-rial rate of exchange without prior consultation.

In the more than nine years since the Stabilization Fund was created it has been operated with scrupulous care. Not only have we succeeded in keeping intact the resources that were entrusted by the Congress to the President and the Secretary of the Treasury, but in the course of performing our broader function of maintaining stability of exchange rates we have been able to accumulate a net profit which now exceeds \$30 million. I do not wish to emphasize the profitability of the operations of the Stabilization Fund. I prefer to stress the success of the Stabilization Fund in its fundamental purpose of bringing about a greater degree of stability in exchange relationships of other currencies with the dollar.

The pattern for international monetary cooperation that we have developed in the operation of our Stabilization Fund holds a real promise of achieving currency stability in the post-war period. We took an important step in the direction of international cooperation for currency stability through the Tri-partite Accord in 1936. Unfortunately, the functioning of the Tri-partite Accord was interrupted by the war. Nevertheless, we have continued to embody the principles of that Accord in our stabilization agreements with our neighbors in Latin America and with other friendly countries. These agreements provide for maintenance of exchange stability and for periodic consultation on financial and economic conditions that may affect the stability of exchange rates. Under provisions safeguarding our interests,

we have made available the resources of the Stabilization Fund for the purpose of maintaining stability of exchange rates. In the five years before the war and in the nearly four years since the outbreak of war, the operations of the Stabilization Fund have contributed to maintaining relatively stable exchange rates, despite the unprecedented conditions of political and economic disorder.

Power to Alter the Gold Content of the Dollar

The power to alter the gold content of the dollar was given to the President by Title III of the Agricultural Adjustment Act of May 12, 1933, and reaffirmed with its present limitation by the Gold Reserve Act of January 30, 1934. On January 31, 1934, the President fixed the dollar at its present gold content, which has remained unchanged for more than nine years.

This power was given to the President in the midst of a deep depression, unquestionably prolonged and intensified by the general depreciation of other currencies which destroyed the markets for American products abroad and brought ruinously low prices. The revaluation of the dollar was an unavoidable step in the restoration of foreign and domestic markets for the industrial and agricultural products of the American people.

This power given to the President to determine within limits the gold content of the dollar could not safely be terminated until a satisfactory means was available for assuring the stabilization of the appropriate exchange relation among currencies and avoiding competitive currency depreciation. The President recommended and the Congress enacted extensions of this power in 1937 and again in 1939 and 1941.

We are all agreed that no one can benefit from a competitive race in the depreciation of currencies. If such a development is to be avoided, we must frankly face the danger of competitive currency depreciation in the post-war period. It is not possible at this time to foresee the pattern of post-war monetary developments. But this we do know: that if we are to avoid competitive depreciation of currency after the war, it would be helpful to be armed with this power as a warning that we shall not permit the international economic position of this country to be undermined by competitive currency depreciation.

78TH CONGRESS
1ST SESSION

S. 991

IN THE SENATE OF THE UNITED STATES

APRIL 12, 1943

Mr. WAGNER introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That subsection (c) of section 10 of the Gold Reserve Act
4 of 1934, approved January 30, 1934, as amended, is further
5 amended to read as follows:

6 “(c) All the powers conferred by this section shall
7 expire June 30, 1945, unless the President shall sooner
8 declare the existing emergency ended and the operation of
9 the stabilization fund terminated.”

10 SEC. 2. The second sentence added to paragraph (b)

1 (2) of section 43, title III, of the Act approved May 12,
 2 1933, by section 12 of said Gold Reserve Act of 1934, as
 3 amended, is further amended to read as follows: "The powers
 4 of the President specified in this paragraph shall be deemed
 5 to be separate, distinct, and continuing powers, and may be
 6 exercised by him, from time to time, severally or together,
 7 whenever and as the expressed objects of this section in his
 8 judgment may require; except that such powers shall ex-
 9 pire June 30, 1945, unless the President shall sooner declare
 10 the existing emergency ended."

A BILL

[Faint, illegible text, likely bleed-through from the reverse side of the page]

April 16, 1943
2:50 p.m.

John
Sullivan: I'm in the Democratic cloak room with
Senator Wagner.

HMJr: Yeah.

S: The Republicans are agreeable to putting it
through this afternoon. It's a question of
getting enough Democratic votes.

HMJr: Yeah.

S: They've just about - pretty nearly got them
now.

HMJr: Yes.

S: I'm staying right with this.

HMJr: Right.

S: Barkley hasn't - can't leave the floor because
Chandler is making a speech.

HMJr: Yeah.

S: And I'll - I'll stay right here and - and
call you as soon as....

HMJr: Yes.

S:anything happens.

HMJr: It's very important.

S: Oh, I appreciate that, sir.

HMJr: I spoke to Wagner.

S: Yes, he told me you did.

HMJr: Yeah.

S: I'll - I'm at the Capitol, and the extension
is 944. That's the nearest phone to where I
am, and I'll be where I can....

- 2 -

HMJr: Well, I'll get you - I'll - let - let Colonel Halsey's office know where you are.

S: Well, I don't dare leave here right now, sir.

HMJr: Oh, all right.

S: All right.

HMJr: No - hello?

S: Yeah?

HMJr: And, Halsey's also going to talk to Barkley when he comes out.

S: Well, I'm waiting here on Barkley, you see, and I'm afraid to lose him.

HMJr: Well, they're going to have a vote, are they?

S: Well, we're hoping so. The Republicans are agreeable.

HMJr: Well, have - have they reported it out?

S: No, they - they're - Senator Wagner is trying to get enough Democrats to vote, so that they will have the majority of the left of the committee.

HMJr: You see I told Wagner what I wanted.

S: Yeah, I know - I know that.

HMJr: And, then he comes back at me and says that Barkley doesn't want it....

S: Well

HMJr: And this is what the President wanted, and I said, "The - the President will be satisfied".

S: Right. Well, I - I know about your conversation with him, and I'll tell you about the chairman when I come down.

HMJr: You - you mean the chairman, Wagner?

S: Yeah.

- 3 -

HMJr: Okay.

S: Right.

April 16, 1943
3:02 p.m.

Operator: Go ahead.

Colonel Halsey: Hello.

HMJr: Hello.

H: I just wanted you to know that while I hadn't - why you hadn't heard from that fellow is that his colleague is still going strong on this - Alaskan and South Amer.. - South Pacific business I was telling you about

HMJr: I see.

H: and he's still in there and he can't leave, but the minute he gets through, I'm going to have him call you.

HMJr: Right.

H: But I understand the thing's working out

HMJr: Yeah.

H: this is from another source - it's going to work out fairly well.

HMJr: John Sullivan just called me a few minutes ago - he's up there with Wagner, and he

H: Yeah.

HMJr: he thinks they can get it voted on

H: Well, that's - that's what - I just heard from one of the newspaper men.

HMJr: One of the newspaper men.

S: I haven't - I had Wagner here, but I had him on another matter. I've got him on two or three things today, but I think from what I learn - it's - it's working out. But you still want to talk to Barkley, don't you?

HMJr: I think it's....

- 2 -

S: Oh, you ought to do it, because he's the one -
he's the one that can give you the....

HMJr: Barkley?

H: Yes, he....

HMJr: I'd like to.

H: He can give the say on the "go-ahead", see?

HMJr: I'd like to, yes.

H: Yes, I'll get him as soon as I can.

HMJr: Thank you.

April 16, 1943
3:03 p.m.

Operator: Go ahead.

HMJr: Hello.

John
Sullivan: The chairman has just announced to the press
that he has reported the bill out.

HMJr: I can't hear you, John.

S: The chairman has just announced to the press

HMJr: Yeah.

S: that he has reported the bill out, and
that he's going to endeavor to get a vote
on the floor this afternoon.

HMJr: Good.

S: I'm staying right here.

HMJr: Good.

S: Right.

HMJr: I still don't know why he was so damn reluctant
to do it.

S: I'll - I'll - it's a long story. I'll tell you.

HMJr: It's a long story?

S: Yeah.

HMJr: All right.

S: No can do now.

HMJr: All right.

S: Right.

April 16, 1943
3:23 p.m.

Gen. Alexander
D. Surles:

Yes, sir.

HMJr:

General?

S:

Yes, Mr....

HMJr:

Morgenthau speaking.

S:

Right.

HMJr:

General, I don't know whether it's reached you but Mr. Gaston spoke to one of your assistants. We - I'm thinking of going out to Red Oak, Iowa....

S:

Yes.

HMJr:

....on the night of the 25th. Do you know anything about it?

S:

The only thing that I know is that I believe that that's where - where Eisenhower was born, isn't it?

HMJr:

No, we've switched. No, he - he - he was born, I think, at Abilene.

S:

That's right.

HMJr:

No, this is the place where they lost, I think, eighteen men at Kasserine Pass or some place.

S:

Yeah, out of one battalion.

HMJr:

Yes.

S:

Uh huh.

HMJr:

Now what I'd like is this - I mean if I'm going out there, I'd really like to know what happened out there.

S:

Yeah.

- 2 -

HMJr: And about what the outfit was, and I'll use as much - by now you know, I'll use as much as you want me to use and no more.

S: Well, I think you - I think we can get - I'll - I don't know just exactly what we know about it, but I'll give you everything that we have.

HMJr: Could - could you - I mean - I mean even as to the military operation, because it must be a month or two old now.

S: Oh, yes.

HMJr: And....

S: The only thing is - is even - I think maybe if - if we can - out of the Operations Division can give us enough so that you'll have a pretty clear picture to give to them.

HMJr: Well, that's the point. I - I don't want to go out there unless I know what I'm - what the background is.

S: Oh, surely.

HMJr: And then I'll - I'll use just as much as the Army wants me to use and no more.

S: Yeah.

HMJr: Now how - how long will it take you to get that together?

S: Well, it wouldn't take a great deal of time. How - when did you want it, Mr. Secretary?

HMJr: Oh, I'd like - I'd like to have it tomorrow, if possible.

S: I'll get somebody busy on it right away.

HMJr: Well, will you send an officer over here, say around - what - about eleven o'clock tomorrow?

S: I'll try and get it there by that time, I certainly will.

- 3 -

HMJr: And if - I'll put him down for eleven....

S: Good.

HMJr:and if he can't come that time, would you call my office?

S: I'll call your office. Unless I call you, why, he'll be there at that time.

HMJr: And you - and you'll let me know who it is?

S: Certainly, Mr. Secretary.

HMJr: Now - well, this - this will be - I - will this be what I call a "line officer"? I don't know what you call it in the Army.

S: It'll be an officer probably from the Operations Division.

HMJr: That's what I mean, not - not a newspaper man or something like....

S: No, no. No, it'll be a man from the tactical outfit.

HMJr: That's right.

S: That's right.

HMJr: And giving me the facts, so when I go there I'll be moderately intelligent.

S: Yes, indeed, sir, you'll be that.

HMJr: Thank you.

S: All right.

April 16, 1943
3:53 p.m.

HMJr: Hello.

John
Sullivan: Hello.

HMJr: Yes, John.

S: It looks more likely that we'll get a vote
this afternoon. The Chandler debate is
still going on. I just was with Les Biffle....

HMJr: What debate?

S: "Happy" Chandler.

HMJr: What's he debating about?

S: About diverting more military attention to the
South Pacific and away from Europe.

HMJr: Oh.

S: He's been going strong ever since I arrived
here. That's what is holding things up at
the moment.

HMJr: Oh.

S: I was with Les Biffle and Les got a telephone
call that the leadership, the Speaker and -
and McCormack, have sold a compromise tax plan
to the Ways and Means, and the Ways and Means
is meeting tonight and they're going to pass
it. Do you know about it?

HMJr: Well, I - just what I've seen on the ticker.

S: I see.

HMJr: Rayburn - I tried to get him. He's not in
town.

S: Well, they're - they're having a meeting of
Ways and Means tonight.

HMJr: Yes.

- 2 -

S: Right. I'll call you as soon as I get anything definite.

HMJr: Right.

S: Right.

HMJr: Thank you.

April 16, 1943
3:54 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: John?

John
Sullivan: Yes, sir.

HMJr: You know, I think if I sent word through Biffle to "Happy" Chandler that I want him to stop so we can get a vote on this thing on account of the War Bonds, he'd stop.

S: I don't know. They're in pretty hot and heavy now.

HMJr: Oh, I think he would.

S: Well, I'll - I'll talk with Les and see what he thinks, and if he....

HMJr: Talk to - who, to Biffle?

S: Yeah, and I'll be governed by his opinion.

HMJr: That's okay.

S: Right.

HMJr: Because I mean if - if - wouldn't he give us a chance, to stop long enough to get this thing through, you see?

S: Yeah.

HMJr: That - that it's - it's important on War Bonds.

S: Yeah, Chandler was supposed to have been through about a half an hour ago.

HMJr: Well, I think if he knew that and he knew that I was asking it personally, I think he'd do it.

S: All right. I'll see what Biffle says.

HMJr: Yeah.

S: Right.

April 16, 1943
3:56 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Meekins
(Doughton's
Secretary): Yes, sir, Mr. Secretary.

HMJr: Who is this, please?

M: This is Meekins, secretary to Mr. Doughton.

HMJr: All right. Meekins....

M: Yes, sir.

HMJr:I see by the ticker that there's been a meeting and so forth in the Speaker's office on the tax bill.

M: Yes, sir.

HMJr: Well, how much can you tell me?

M: I can't tell you, Mr. Secretary, because I haven't seen the Congressman to speak to him since early morning.

HMJr: Oh.

M: I can get him on the phone in just a minute.

HMJr: And have him call me at the Treasury?

M: I'll - I'll be glad to, Mr. Secretary.

HMJr: If you please.

M: All right, sir.

April 16, 1943
3:59 p.m.

Operator: Go ahead.

HMJr: Yeah. Hello.

Cong. Robert Doughton: Hello, Henry.

HMJr: Hello, Bob.

D: All right.

HMJr: I see by the ticker that you've had a meeting this morning on taxes?

D: Yes.

HMJr: Did you get anywhere?

D: Well, the meeting was called by the Speaker....

HMJr: Yeah.

D:and with the cooperation of the two leaders....

HMJr: Yeah.

D:majority and minority, we went over there - Mr. Cooper and Mr. Disney on the Democratic side and myself and Rees - Reed and Knutson and Woodruff were there; the Speaker and the two leaders were there, and we talked awhile this morning. Everybody seemed to be in rather a friendly, conciliatory mood.

HMJr: Good.

D: We recessed with the - adjourned with the understanding we could hold another meeting tonight....

HMJr: I see.

D:and give - in the meantime, we could confer with the - the members of our respective committees. I - Mr. Cooper and myself and Disney would confer with the other Democrats

(cont.)

- 2 -

D: (cont.) on our committee and the Republicans will do likewise, and so we met - the Democratic members of our committee met then at one o'clock....

HMJr: Yes.

D:and we talked over the matter, and we meet again this evening.

HMJr: You're going to....

D: The same - the same group that met this morning, outside of the Speaker and the two leaders, just the House members of the committee.

HMJr: You mean the Republicans also?

D: Yes.

HMJr: I see.

D: Talk over and see what we can do.

HMJr: I see.

D: Have you got any suggestions?

HMJr: No, I - you know how I feel.

D: I know how you feel. You'd like to - to see something done to get out a tax bill.

HMJr: What's that?

D: I say you'd like to get - see some action taken to get out a tax bill, I'm sure.

HMJr: Oh, yes. Take a look at this cartoon in the Washington Herald on me today.

D: How's that?

HMJr: Take a look at the Washington Herald and see what a filthy cartoon they have about me today.

D: I - I hadn't seen that.

- 3 -

HMJr: Isn't that nas....

D: Well, I - I think that's about the biggest honor could be paid you for them to shoot at you.

HMJr: Biggest what?

D: Honor.

HMJr: Well, I suppose so, but I could do without it.

D: Well, of course - dirty business, I guess. I hadn't seen it. I don't read the Herald very often. I read the Post usually in the morning.

HMJr: Yeah.

D: Yeah.

HMJr: Well, do you think....

D: Is it about taxes or about bonds or what?

HMJr: Oh, no, just about me and the tax bill.

D: Oh, well!

HMJr: I'm the fellow that's - why we're not having a tax bill.

D: Well, I've been acatchin' it, you know, more than anybody.

HMJr: Yeah. What have - what have you got in mind? What do you think you're going to do?

D: How's that?

HMJr: What kind of a bill do you think you're going to do?

D: Well, I just don't know until we see what we can do. I don't know whether we can reach a compromise - an agreement or not. We're going to try tonight, and if the group that meets tonight can agree, why then we're going to call - I'll call the committee

(cont.)

- 4 -

D: together and we'll make our recommendation
(cont.) and see what we can do. I just don't know
what we can agree on.

HMJr: I see.

D: There's been some talk of the first proposal
I made. You know what that was.

HMJr: Yeah.

D: And some other talk of no forgiveness at all
and amortizing it over ten years and so on.

HMJr: Yeah.

D: I just don't know. I think we've realized we
can't get the bill just as the committee had
it, and I think the Republicans realize that
it's not so wise for them to fight it along
for just unconditionally for the Ruml plan...

HMJr: Yeah.

D:and there we are.

HMJr: Well, it looks as though you're making progress
though.

D: Well, we're trying our best.

HMJr: Yeah.

D: And it looked like this morning, the - all that
were present - all that was present seemed to
be in a friendly mood and disposition to try
to work out something, and now whether or not
we can get a - get - reach an agreement, of
course, we can't tell. Jere's here. Would you
like to speak with him?

HMJr: Sure.

D: All right.

Cong. Jere
Cooper: Hello.

- 5 -

HMJr: Hello, Jere.

C: Oh, all right, Henry.

HMJr: It looks as though you're making progress, doesn't it?

C: Yes, we - we at least are trying.

HMJr: Well, it looks encouraging.

C: Well, yes, I would say on the whole it looks - it looks encouraging.

HMJr: We've got the Republicans kind of on the spot now, haven't we?

C: I think so. They - in that little conference we had this morning, they - they seemed to take a much more reasonable attitude towards some conciliation and some effort to get together.

HMJr: Well, they wouldn't be conciliatory if they thought they had us on the run, would they?

C: No, I don't think so.

HMJr: No. Well, I'd like to be kept posted.

C: Oh, yes, all right.

HMJr: Okay.

C: All right, fine.

HMJr: Thank you.

C: Goodbye.

April 16, 1943
4:05 p.m.

Operator: Operator.

HMJr: Let me just talk into this machine a minute.

Operator: All right.

HMJr: Whoever writes these up, please note what Mr. Sullivan said that everything was being settled. It isn't correct in view of Mr. Doughton's conversation with me. That's all.

April 16, 1943
4:28 p.m.

Operator: There you are.

HMJr: Hello.

John
Sullivan: Hello.

HMJr: Yes.

S: This had to come up by unanimous consent. Vandenberg objected and then they couldn't find him. We're looking all over up here for him and I have a call in at his office.

HMJr: You can't find Vandenberg?

S: No, and Wagner's looking for him and Biffle's looking for him, but they're - they're still in session and if we can find him before it ends, why, I think we have a chance of talking him out of his objection. I don't know what his objection is - I don't know....

HMJr: Well, how do they know he objected?

S: Because he told McNary.

HMJr: Told who?

S: McNary.

HMJr: Oh.

S: But we're - we're looking for him, and I just wanted to make sure you were going to be there for a little while, because if I can't sell him on the idea, then it might be well for you to talk to him.

HMJr: Right.

S: Right. I'll call you as soon as I find out.

HMJr: Thank you.

S: Right.

April 16, 1943
4:42 p.m.

John
Sullivan: Hello.

Operator: There you are.

HMJr: Yes.

S: The Senator has withdrawn his objection, and
there will be a vote in a few minutes.

HMJr: Oh, wonderful! Thank you.

S: Yes, sir.

Treasury Department
Division of Monetary Research

Date.....April 16, 1943.....19

To: Secretary Morgenthau
From: H. D. White

Senator Murdock telephoned saying that he didn't want to bother you directly but would appreciate it if I communicated his views to you.

He said he was much disturbed at the decision to separate the two proposals of the bill; that it was playing into the Republican's hands and that they would defeat the devaluation section. He felt that elimination of right to devalue would weaken our position on international monetary discussions. He thought it was not too late to push the thing through. He felt that it was given up much too easily.

He said that Senator Vandenberg prevented a vote on the committee's recommendation in this afternoon's session.

He said that he feels that this is something that the President ought to be informed about before it is too late.

MR. WHITE
Branch 2058 - Room 214½

H/16/43
5:02

April 16, 1943
5:15 p.m.

John
Sullivan: Hello.

HMJr: Hello, John.

S: It's on the floor now, and Vandenberg is trying to exact a promise from Wagner that devaluation won't be taken up at any other time in this session.

HMJr: It will not what?

S: That - that an effort will not later be made to take up the power to devalue.

HMJr: Yeah.

S: I'm afraid Vandenberg may come running out to me.

HMJr: Yeah. Well, I'll sit here.

S: Ah

HMJr: I'll sit here.

S: And, I'll have him call you then, will I?

HMJr: Yeah. I mean but don't leave me sitting here all night.

S: Oh, no.

HMJr: But I'll sit here until you tell me.

S: Well, what shall I tell him if he asks me that question?

HMJr: What's that?

S: What shall I tell Wagner if he asks me if we'll agree not to take up the power to devalue at a later date?

HMJr: I'll have to think about that a little bit, John.

S: Yeah. Well, it's right under the guns now, and that's why

- 2 -

HMJr: Well

S: I thought I better call you and warn you.

HMJr: Well, you warned me, and by the time you call me back I'll have an answer.

S: Right.

HMJr: Thank you.

April 16, 1943
5:20 p.m.

Operator: Go ahead.

HMJr: Hello.

John
Sullivan: Hello. Relax. It just passed.

HMJr: (Laughs) It passed?

S: Yeah.

HMJr: Without any

S: Yeah. I don't know. I wasn't on the floor.
I'm still out here in the cloak room.

HMJr: Well, come on down and tell me all about it.

S: Get me a broiled live lobster. I haven't had any
lunch yet.

HMJr: You haven't had any lunch?

S: No - no. I'm just kidding. I'm just kidding.
I'll be right down.

HMJr: Come on down.

S: Right.

April 16, 1943
5:50 p.m.

HMJr: I want to thank you, Colonel, for what you did to help me this afternoon.

Col. Edwin Halsey: Well, I'm glad it turned out that way.

HMJr: Well, that was wonderful and....

H: That's all right.

HMJr:if you would thank, if you see them....

H: Who?

HMJr: Anybody you think should be thanked. (Laughs)

H: Well, Senator Barkley?

HMJr: Barkley, yes.

H: Yeah, hold - hold on just a second.

HMJr: Yeah.

Senator Barkley: Hello.

HMJr: Alben?

B: Yeah.

HMJr: Well, again, my thanks. I....

B: Well, thank you, Henry. Of course, you know, I - I was tied up in the Senate....

HMJr: I know, I know.

B:when "Happy" Chandler was organizing a new Chief of Staff here....

HMJr: I see.

B:general staff to win the war....

HMJr: I see.

- 2 -

B:I had to sit in there and - and correct a lot of things.

HMJr: Yeah.

B: So I couldn't get outside to these conferences.

HMJr: I know.

B: I didn't know to - the extent to which it was agreed that this thing would - this devaluation wouldn't be brought up any more this session.

HMJr: Well, I didn't - I - they put the question to me....

B: Yeah.

HMJr:and I said I couldn't answer it, and while I was considering it they passed the bill, so I've made no promises.

B: Well, that's true, but if - all that Bob Wagner said that so far as he was concerned....

HMJr: Yeah.

B:that he couldn't bind anybody else, and Frank Maloney did a damn good thing. He said that while he was opposed to the whole devaluation, that he didn't think that any agreement made out in the cloak room could bind ninety-five Senators, but I think the general impression was that - that it would not be brought up any more at this session.

HMJr: I don't think it would. Now here's....

B: And I doubt very much if it will, but I didn't make any commitment at all....

HMJr: Well, here's....

B:so far as I was concerned.

HMJr: Well, that's good. Here's the point, Alben....

B: But....

- 3 -

HMJr:about a month ago I went to the President, see?

B: Yeah.

HMJr: And I said, "Now look, this is coming up. How do you feel about it?" see?

B: Yeah.

HMJr: So he said, "Well, Henry, try to get it. If it's going to be a big fight and you can't get it," he said, "it's not important."

B: Well, that's right. I - personally I feel that it would have been better to have kept that whip handle.

HMJr: Yes.

B: Just for....

HMJr: Oh, I do too but....

B:just for emergencies, if we had to use it.

HMJr: But you wouldn't want to take....

B: But I didn't want to precipitate a fight here, a bitter fight, and it might be we'd lose. The Republicans would vote solidly against it.

HMJr: Yeah, I think you would have lost.

B: We might have enough Democrats to go along, and it - it would look like an Administration defeat.

HMJr: Well, I....

B: And the way it worked out, it's all right.

HMJr: I'm delighted, and I don't think it was worth a major fight.

B: No, I don't either.

- 4 -

HMJr: You know, strictly between the two of us and only for the two of us, you know we have the power under Section 3 of the Gold - of the Gold Reserve Act, you know.

B: Yeah.

HMJr: Under that the President can pay any price for gold.

B: Well, of course, he can - he can regulate the whole thing by the price he fixes for gold.

HMJr: Under the Federal Reserve Act of '34.

B: Sure.

HMJr: So....

B: So that....

HMJr:the - the fight....

B:there wasn't any use. We didn't - we didn't bring that out and it wasn't....

HMJr: No.

B:mentioned and it wasn't necessary.

HMJr: The fight is meaningless as long as he has that power.

B: That's right, so I just kept still.

HMJr: Yeah. Well, I'm ever so much obliged.

B: And it slipped through without a - without the ? and I think it will help you in your bond situation....

HMJr: I know it....

B:and that's awfully important.

HMJr: I know it will.

B: Yeah.

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HMJr: And that....

B: At first I didn't think it made any difference one way or the other.

HMJr: Yeah.

B: Because I thought people would buy bonds regardless of that, the average fellow, but....

HMJr: Yeah.

B:that would be true so far as the "man on the street" is concerned, but when you get into these high financial circles where they've got big money, it would affect them.

HMJr: Now could I make one little suggestion?

B: Yes.

HMJr: I think if you could say something to the newspaper men tonight, I think it would be very helpful - on this thing.

B: Well, along what lines?

HMJr: Just the way we're talking.

B: Yeah. Well, I don't know whether I can get them together. I think they've all left here.

HMJr: Well, if they're still in the - if the....

B: If they're still around I'll do it, but if they've - if they're not here I'll do it tomorrow.

HMJr: Well....

B: That'll be a little late.

HMJr: That'd be a little late.

B: Yeah.

HMJr: But if they're around....

- 6 -

B: Well, I did - I did make a statement after we adjourned. They gathered around me in the....

HMJr: Oh.

B:Senate Chamber there and I said that - "This thing is not vital and rather than have any fight over it we thought that the bond issue and the whole Treasury situation was more important than a - than a moot question of - of devaluation."

HMJr: That's right, and....

B: But I didn't - I didn't say anything about the other law.

HMJr: No.

B: Because I didn't want....

HMJr: Oh, God, no!

B: No, I didn't say anything.

HMJr: And I'll tell - and Taft knows about the other law and so does Danaher and neither of them said a word.

B: Neither one of them said a word.

HMJr: No.

B: That's right. Well, of course, I think they figured that if they could get a pyrrhic victory here that they - they'd put another feather in their cap.

HMJr: But if they went after the other law, then we'd have to fight.

B: Oh, yes, sure. Well, I think it's all right.

HMJr: Thank you so much.

B: All right.

HMJr: Goodbye.



TREASURY DEPARTMENT

WASHINGTON

FOREIGN FUNDS CONTROL

April 16, 1943

MEMORANDUM FOR THE SECRETARY'S DIARY

Reverend Hugh O'Donnell, President of Notre Dame, called on Secretary Morgenthau today by appointment. Mr. Pehle was present during the interview.

Father O'Donnell read a confidential memorandum, a copy of which is attached hereto, which relates to certain funds held in The National City Bank of New York and the Guaranty Trust Company in the name of Father O'Donnell's sister, Mrs. Adolfo Graziani of Italy. Father O'Donnell admitted that the funds in such accounts belonged to his sister's husband, Adolfo Graziani. He said that Graziani was the representative in Italy of an American concern and that he also had offices in London and that he was said to be a member of an old banking family in Genoa, Italy. Father O'Donnell also indicated he had taken the matter up with Mr. Crowley, Alien Property Custodian, and that he had been advised by Mr. Crowley that he had no interest in the matter since it was not under his jurisdiction.

Secretary Morgenthau advised Father O'Donnell that we would look into the matter and get in touch with him shortly with respect thereto.

University of Notre Dame
Notre Dame, Indiana

Office of the President

CONFIDENTIAL MEMORANDUM

To the Hon. Henry Morgenthau, Jr., Secretary of the Treasury, Washington, D. C., regarding impounded holdings of Mrs. Adolfo G. Graziani, nee Mary Gertrude O'Donnell, respectfully submitted by her brother, the Rev. J. Hugh O'Donnell, C.S.C., president of the University of Notre Dame du Lac, Notre Dame, Indiana.

On April 15, 1939, there was mailed from London, England, to the Rev. Hugh O'Donnell, C.S.C., then vice president of the University of Notre Dame, a letter from his sister (Said letter attached is marked Exhibit A). A postscript under date of April 13th refers to a confidential envelope enclosed with this letter with instruction to retain it. A further postscript addressed to Father O'Donnell, written by Adolfo Graziani, states his desire to take every possible precaution to protect his wife's position. The postscript further states that all matters were arranged with his attorney in London, John Archibald, in case anything should happen. Duplicates of the arrangements were contained in the confidential envelope.

In a letter dated September 6, 1940, Father O'Donnell's sister requested that he open the confidential envelope. (See Exhibit B.)

Confidential envelope attached. (See Exhibit C.) This letter discloses that there had been placed to the account of Mary G. O'Donnell Graziani the following funds at NATIONAL CITY BANK OF NEW YORK and GUARANTY TRUST COMPANY OF NEW YORK.

NATIONAL CITY BANK OF NEW YORK

1. Monthly fixed deposit in pounds	
sterling totaling	L 17.766. 19.4
2. Monthly fixed deposit in pounds	
sterling totaling	L 5.504. 5.9
	L 23.271. 5.1

- 2 -

- | | |
|---|--------------|
| 3. A compound interest deposit account | \$ 13,328.25 |
| 4. A checking account at City Bank Branch | 47,267.93 |

GUARANTY TRUST COMPANY OF NEW YORK

- | | |
|---|--------------|
| 5. A compound interest deposit totaling | \$ 56,311.85 |
|---|--------------|

The fact that these funds were deposited, and in the name of Mary G. O'Donnell Graziani, was verified by the Comptroller of the University of Notre Dame, Mr. Frank W. Lloyd, by personal visits to the banks named. (See memorandum marked Exhibit D.)

Subsequent letters, particularly one dated June 17, 1941, (See Exhibit E attached.) indicates anxiety for the safety of Mary O'Donnell Graziani's holdings and request her brother to see to their safety. Further anxiety is expressed in the same letter by her husband, Adolfo, who refers to these holdings through the medium of the specific codes outlined in confidential letter, Exhibit C.

From this correspondence there seems to be overwhelming evidence that both Adolfo Graziani and his wife, Mary O'Donnell Graziani, sought ironclad protection of Mary's bank deposits in the United States. In view of war conditions it would have been unsafe to have executed a legal power of attorney to her brother, the Rev. J. Hugh O'Donnell, C.S.C., as mail from Italy was censored, and it was obvious that no evidence of these holdings could be disclosed to the Italian Government. It is further apparent that could such guardianship or power of attorney have been given without endangering the funds, it would have been done.

Under present conditions the banks have been obliged to impound the funds pending disposition by authoritative agencies of the United States Government.

In view of the overwhelming evidence of intent on the part of the Grazianis, which is herewith submitted, Father O'Donnell respectfully requests, if it is consonant

- 3 -

with accepted procedures of the Secretary of the Treasury, that Mr. Morgenthau authorize the two aforementioned banks to release these funds from their present impounded position, and further authorize a transfer of the funds to Father O'Donnell's name as trustee or guardian for Mary O'Donnell Graziani. The banks could be named joint trustee. By legal agreement, the joint trustees would hold all funds intact, without right to disburse, except upon direct instruction of Mary O'Donnell Graziani. If necessary, the joint trustees could furnish appropriate corporate fidelity bond guaranteeing faithful performance of the trust so established.

Respectfully submitted,

/s/ J. Hugh O'Donnell, C.S.C.

(Rev.) J. Hugh O'Donnell, C.S.C.
President

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 16, 1943

Mr. William Robbins
Mr. Fred Smith
TO Mr. James Rogers, Jr.

FROM Mr. Stuart Peabody

Subject: Meeting Monday, April 19th, at 3:00 p.m.
in Secretary's office.

This meeting is for the purpose of working out production details for the "We The People" broadcast in Red Oak, Iowa. It will be attended in addition to the above by Messrs. Dave Levy, producer of the show, and Tom Everitt, special writer.

They will explain to the Secretary the regular routine which has made this show a success and will work with him and Mr. Smith on the part the Secretary will be called upon to take. It will probably be agreed that there will be no occasion in this show for a speech by the Secretary, but Mr. Smith will be available to work with the producers on the Secretary's material.

When the routine has been decided upon and the assignments made, Messrs. Levy and Everitt will go to Red Oak and arrange all the details so that when the Secretary arrives everything will be ready for the rehearsal and the performance. I must stand by in New York to carry through the part of this promotion which Mr. Smith is furnishing for the Allied Newspaper Council. They are having their only meeting in New York on that day, and if they are to do a job for us it will have to be handled with them at that time. If it proves to be unnecessary for me to attend that meeting, I will fly to Washington Monday morning to attend the Secretary's meeting.

April 16, 1943.

Dear Mr. Peyton:

It was very kind of you to write me as you did on April 12, speaking of the addresses which Mr. Robbins and I made on Saturday. I am glad to know that you found these radio talks had had excellent effect, and that you are optimistic as to the result of the local campaign.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. N. Peyton,
President, Federal Reserve Bank
of Minneapolis,
Minneapolis, Minnesota.

File in Diary

GEF/dbs

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FEDERAL RESERVE BANK
OF MINNEAPOLIS

OFFICE OF
THE PRESIDENT

April 12, 1943

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

Dear Secretary Morgenthau:

In a group of 1000 Minneapolis businessmen who had volunteered to solicit the larger subscriptions here, I listened to you and Mr. Robbins Saturday. The effect of both your talks was excellent. I am writing you this because I am sure you will know I am sincere in telling you this radio broadcast will have a beneficial effect on the drive here.

Regards,

J. A. Peyton
PRESIDENT

JNP:B

April 16, 1943

Dear Mr. Hall:

I know how much hard work you put into Monday night's meeting at Carnegie Hall.

We at the Treasury are grateful to you, not only for the good job you did, but for helping us get our program throughout the country away to a good start.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Perry Hall,
Federal Reserve Bank of New York,
Federal Reserve Bank Building,
New York, New York.

April 16, 1943.

Dear Mrs. Reid:

Since I know that you permitted Mr. Wendere to come to us at some sacrifice to yourself, I want to tell you how unusually helpful he has been, and how much we owe to you, as well as to him, because of your willingness to arrange for his services to the Treasury. We feel that the Second War Loan drive is off to a splendid start, and I would feel very remiss if I did not thank you for the part you played in this way.

With cordial regards,

Sincerely,

(Signed) Henry Morgenthau, Jr.

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

GEF/dbs

April 16, 1943.

Dear Mr. Smith:

The quartette which sang so delightfully on Monday night at Carnegie Hall added immensely to the program, and I not only enjoyed the fine performance given by your boys, but have also heard many compliments upon it since coming back to Washington.

I want to send you my congratulations on this unique feature of the program. We at the Treasury are deeply grateful for the help you have given us in connection with the launching of the Second War loan.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Homer Smith,
c/o Chief Specialist George Feley,
United States Coast Guard,
42 Broadway,
New York, New York.

GEF/dbs

April 16, 1943.

Dear Mr. Parkinson:

Now that the long-anticipated Carnegie Hall program has been successfully carried out, I want to thank you particularly for the splendid work you did in helping to launch the Second War Loan by that Monday night event. I personally feel that your stirring address was a fitting climax to an inspiring evening, and since returning here I have heard many fine comments showing that others thought as I did.

Thank you again for all that you did to make the occasion a memorable one.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Thomas I. Parkinson,
President, Equitable Life Insurance
Company,
New York, New York.

GEF/dbs

April 16, 1943.

Dear Mr. Mains:

It seemed to me that the decorations of the stage and the auditorium of Carnegie Hall last Monday night were excellent, and I want to thank you for doing such a fine job in connection with the launching of our Second War Loan campaign. After the program was over, I made a special point of going out front so that I could see the stage as the audience had seen it, and it was indeed impressive.

Thank you for your cooperation, and that of all those who worked with you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Bruno Mains,
Radio City Music Hall,
Radio City,
New York, New York.

GEF/dbs

April 16, 1943.

Dear Mr. Wetzel:

I understand that you were most helpful in connection with the staging of the Carnegie Hall program last Monday night, and I want to thank you very warmly for the part you played in making a success of this great undertaking. It was in every way an impressive affair, and I have heard many enthusiastic comments on each feature of the program.

Thank you again for your help.

Sincerely,

(Signed) H. Wroessman, Jr.

Mr. Frank E. Wetzel,
39 East Thirty-eighth Street,
New York, New York.

GEF/dba

APR 16 1943

My dear Helen Jepson:

I wish to compliment you on the very fine performance you gave last evening in Carnegie Hall.

At a time when the stirring words of our national anthem hold an especial significance to the millions in this country, I am sure that all of those who heard your voice Monday night were truly thrilled.

I want to thank you too for all the good work which you have been doing for the Treasury in its War Bond campaign.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Miss Helen Jppson
240 Central Park, South
New York, New York

TG:vm

April 16, 1943.

Dear Mr. Crowley:

I understand that you were most helpful in connection with the staging of the Carnegie Hall program last Monday night, and I want to thank you very warmly for the part you played in making a success of this great undertaking. It was in every way an impressive affair, and I have heard many enthusiastic comments on each feature of the program.

Thank you again for your help.

Sincerely,

(Signed) H. Morgenthau, Jr

Mr. Jerry Crowley,
200 Cabrial Boulevard,
New York, New York.

GEF/dbs

April 16, 1943.

Dear Mr. Cecil:

I understand that you were particularly helpful in connection with the staging of the Carnegie Hall program last Monday night, and I want to thank you for playing such an important part in the successful launching of the Second War Loan campaign.

I have heard many enthusiastic comments from those who were present and those who heard the program over the radio, and feel most appreciative of the hearty cooperation given by those who had a part in this impressive event.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. James Cecil,
247 Park Avenue,
New York, New York.

GEF/dbs

April 16, 1943.

Dear Lieutenant Berlinut:

Certainly one of the high lights of the Carnegie Hall program Monday night was the performance of the Air Force Band under your splendid direction. I want to send you my warm congratulations and ask you to express to each member of your fine musical organization my compliments upon their performance, and my heartfelt thanks for their help.

Since returning to Washington I have heard many enthusiastic comments about the Band, and I heartily concur in all the praise given by those who heard the music.

Sincerely,

(Signed) H. Morgenthau, Jr.

First Lieutenant E. B. Berlinut,
Basic Training Center Number 7,
AAFTTC,
Atlantic City, New Jersey.

GEF/dbs

April 16, 1943.

Dear Miss Carroll:

I want you to know how much I enjoyed the part you played in the program that was staged at Carnegie Hall this past Monday.

The interviews were extremely impressive, and I have heard many speak of this contribution to the campaign. We have so much appreciated the fine work you have done for the Treasury in connection with War Bond matters in the past, and I send you my hearty thanks for your share in the program which launched the Second War Loan drive.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Miss Madeline Carroll,
Room 1902,
501 Madison Avenue,
New York, New York.

GEF/dbs

April 16, 1943.

Dear Allen:

Now that I am back in Washington I want to thank you for your cooperation in staging and carrying out the program held at Carnegie Hall this past Monday. I much appreciated your hard work and attention to detail, and felt that the event was a splendid start for the campaign now going on throughout the country. I send my warm congratulations to you and all those who helped you in connection with this War Loan gathering.

With cordial personal regards,

Sincerely,

Mr. Allen Sproul,
President, Federal Reserve Bank
of New York,
Federal Reserve Bank Building,
New York, New York.

GEF/dba

April 16, 1943.

Dear Mr. Byssell:

Those of the Treasury staff who had charge of the Second War Loan program at Carnegie Hall last Monday have told me of the fine cooperation you gave in connection with the plans for this occasion.

I want to thank you very warmly for the help that you and your staff extended to those who were charged with the responsibility of staging this impressive event. Will you be so good as to pass on my thanks to those who worked with you on that occasion?

Sincerely,
(Signed) H. Morgenthau, Jr.

Mr. G. S. Byssell,
Radio City Music Hall,
Radio City,
New York, New York.

GEF/dbs

April 16, 1943.

Dear Major Massey:

I know that the part you played on the program at Carnegie Hall last Monday was not the first example of your cooperation with the Treasury, but it was certainly one of the most impressive. All those who heard you read the letter written by one of our War heroes to his son will remember it as an outstanding feature of that particular program. I want to thank you for being there, and for your contribution to the occasion, and hope that we may look forward to having you with us again in connection with our War Bond drives.

With cordial regards and best wishes,

Sincerely,

(Signed) H. Morgenthau, Jr.

Major Raymond Massey,
National Defense Headquarters,
Bate Building,
Ottawa, Canada.

GEF/dbs

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John Hancock
Mutual
Life Insurance Company

HOME OFFICE
BOSTON, MASSACHUSETTS

J. H. WOOD
2ND VICE PRESIDENT

April 16, 1943

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

(Morgenthau Report)

Dear Sir:

It was very pleasing to me to receive your letter of March 24 in reference to my part in the preparation of the report analyzing the Treasury's sales problems.

I know you must feel highly pleased at the success of the second War Loan during these first few days of the drive.

Sincerely yours,

JHW:FC

Harry Wood
Second Vice President

C

O

P

Y

WASHINGTON, D. C., APRIL 16, 1943

Expenses of Loans, War Finance Comm.

To Presidents, Federal Reserve Banks:

OUR ATTENTION HAS BEEN CALLED TO SEVERAL UNFORTUNATE INCIDENTS IN THE SECOND WAR LOAN INVOLVING REPRESENTATIVES OF LABOR. THESE INCIDENTS, WHILE INSIGNIFICANT IN THEMSELVES, PROMPT US TO SUGGEST THAT YOU IMMEDIATELY REVIEW ACTIVITIES THROUGHOUT YOUR DISTRICT AS RELATED TO THE PARTICIPATION OF ORGANIZED LABOR IN THE DRIVE.

YOU WILL FIND IT ADVISABLE TO RELY LARGELY UPON THE ADVICE OF THE WAR SAVINGS STAFF MEMBERSHIP OF YOUR COMMITTEES WHO HAVE LONGER EXPERIENCE AND CLOSER RELATIONSHIP WITH LABOR'S PARTICIPATION IN THE DISTRIBUTION OF TREASURY SECURITIES.

WILL APPRECIATE BRIEF REPORT AFTER YOU HAVE TAKEN APPROPRIATE ACTION.

WILLIAM M. ROBBINS
NATIONAL DIRECTOR OF SALES

WMR:RFP

CC: Messrs. Buffington & Graves

UNITED STATES TREASURY WAR FINANCE COMMITTEE

WASHINGTON, D. C.

BULLETIN
April 16, 1943

PRESIDENTS, FEDERAL RESERVE BANKS:

Following the December 1942 Victory Loan drive, the Treasury was provided with reports compiled by the Victory Fund Committees on the results of that drive in the respective Federal Reserve districts. The reports were found to contain not only useful information regarding organization and operations, but also valuable recommendations based upon the experience gained from the drive.

In connection with the Second War Loan drive this month, we would like to obtain at its conclusion a fairly comprehensive report from each of the twelve District War Finance Committees. We feel that the value of such reports will be enhanced if there can be more uniform coverage with respect to particular fields of information. This does not mean, however, that the reports should be limited to such fields of information as we recognize that conditions and problems may vary greatly as between districts and we are anxious to have whatever information the District Committees believe should be brought out to afford an adequate picture of the campaign and to serve as material for future guidance.

The purpose of this bulletin is twofold: first, to let you know in advance that we would like to have a rather complete report covering the Second War Loan drive in each Federal Reserve district; and second, to indicate selected subject matter concerning which information is desired from all the Districts. Under our topical outline attached, you will find provision made for suggestions and recommendations. Please feel free to expand this or other sections of the report to record with us frank opinions and suggestions for the future.

No special information concerning an accounting for expense will be required in the final report on the drive called for in this bulletin. This is because the expense reports requested in our letter of March 17 and bulletin of March 20 provide sufficient advance information on this subject.

William M. Robbins
National Director of Sales

Attachment

WFC-16

TOPICAL OUTLINE

Whenever a particular subject or topic lends itself to a geographical arrangement or classification of information, e.g., by regions, areas, states, etc., presentation should be made in that manner.

I. SUMMARY OF RECOMMENDATIONS

In order that the Secretary and his immediate staff concerned with the drive may benefit to the greatest possible extent from the sales experience of the April drive, we would like to have the report prefaced with a summary that will cover the important "high spots" and give a condensed version of the entire report for quick consumption. This summary will include your comments, favorable or unfavorable, as well as public reaction to the campaign, together with specific suggestions and recommendations which might be helpful for the next campaign.

II. ORGANIZATION

It would be interesting to have reasonably complete information about the way the drive was organized and the manner and extent in which the work of the Victory Fund Organization and War Savings Staff was integrated locally in connection with the drive.

III. SALES PROGRAM

How planned and how carried out. It would be interesting to know:

Approximate number of executives and directive personnel employed, broken down as between War Savings and Victory Fund Committee

Approximate number of volunteer workers participating in the drive

Estimate of total number of prospects in your territory

Other subjects suggested for comment might include:

Recruiting and training of workers

Experience with and effectiveness of salesmen enlisted from fields other than the banking and securities industry

- 2 -

Meetings and rallies

Number and effectiveness of luncheon and dinner meetings

Incentives and awards

Method of handling special names of institutional and large buyers

The role of banks, securities dealers, civic organizations, etc., in the sales program

IV. PUBLICITY

We would like to know how the publicity phase of the drive was organized and carried out and its effectiveness particularly in relation to national policies adopted and unified direction from Washington. Other subjects suggested for comment might include:

Local press cooperation

Speakers

Special events

Radio

V. ADVERTISING

We would like to have the same general comment as in the case of publicity.

Local sponsored advertising

Special newspaper cooperation

Local advertising money obtained

Posters, billboards, radio, etc.

- 3 -

VI. DESCRIPTIVE LITERATURE (Sales manuals, descriptive circulars, promotional literature, etc.)

In connection with the above, we would be interested in your comments as to its effectiveness both in training volunteer workers and with prospective investors. Give information about any especially effective items of promotion material (including specimens) and also approximately how many pieces of literature were mailed out direct and for general distribution, such as:

Sales manuals

Descriptive circulars

Summary of United States Government securities folder, etc.

VII. DISTRIBUTION OF SALES

In view of the emphasis in this drive to reach the greatest number of individuals possible, we will be interested in the number of individual sales made, by issues and by types of investors. Some of this information will be submitted pursuant to existing instructions of the Under Secretary of the Treasury, and we should have in this report any additional information on these subjects which you have available. In other words, duplication is unnecessary. What percentage of your prospects were sold, and was any attempt made to relate the number of calls to sales made?

Other subjects suggested for comment might include:

Work with issuing agents

Special activities (payroll savings, women's activities, farm activities, etc.)

Prospect lists

VIII. QUOTAS

What was the general experience with the quota established for your district? How did you establish local quotas and what was your experience with them? You might want to comment on:

Intra-district quotas

Solicitation of corporate branches

Savings Bank and Savings Account problems

- 4-

IX. FORMS, RECORDS, AND REPORTS

In addition to any narrative information regarding order blanks, and other forms and records used, we would like to have each district furnish with the report specimen copies of all forms used.

District sales reporting system

Order blanks and other forms and records

NOTE: We would like to have in the reports something on each of the above major subjects, but the topics listed under each subject are simply suggestive of the sort of material which might be developed and by no means are they intended to be all inclusive or to be followed literally.

April 16, 1943

SECRETARY SAW THIS TODAY.

4/16/43

Celebrate
**SCHICKLGRUBER'S
BIRTHDAY**

With the Old Guard of
Cleveland Graphite Bronze Co.

TUESDAY, APRIL 20



Give me your order NOW
for an Extra WAR BOND
to celebrate this event

BUY A BOMB FOR BABY!

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 16, 1943

TO Secretary Morgenthau

FROM Stuart Peabody

S. P.
Amc

We talked further to Dr. Lickert about the possibility of making a spot check while the drive is on. Dr. Lickert did not feel that his technique and organization could do a very effective job on this type of work but proposes to make a survey immediately after the drive to determine which of our appeals have registered.

We are working with Dr. Lickert to set this up.

MEMORANDUM

TO: Secretary Morgenthau

April 16, 1943.

FROM: Mr. Surrey *MS*

SUBJECT: Pay-as-you-go

According to the ticker, Chairman Doughton has stated he hoped the House would receive a new pay-as-you-go bill from his Committee on Tuesday. The ranking Republican and Democratic Members of the Ways and Means Committee are meeting tonight on this matter.

I understand that they are attempting to work out a compromise which will involve both withholding and pay-as-you-go. So far as I can ascertain there is no single compromise proposal but various alternatives are being explored ranging from postponement of the entire 1942 tax, partial forgiveness and partial postponement and some approach along the Robertson plan. The information with respect to the matters under consideration was given to me in strict confidence.

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MEMORANDUM FOR THE SECRETARY.

April 16, 1943.

Mail Report

The Second War Loan drive swept taxes and other Treasury matters into the background during the current week. Not more than 150 pieces of mail, all told, dealt with taxation, and these have much less bitterness than was shown in last week's letters. Abusive, unsigned communications almost disappeared from the mail, except for a few disparaging comments which still echoed the Fulton Lewis, Jr. broadcast.

Only 40 writers urged the adoption of a pay-as-you-go system. Against the 10 of these who championed the Ruml Plan, were another 10 who said there must be no forgiveness of taxes. The Victory Tax drew a dozen unfavorable comments, about half from CIO members. There were the customary protests from white-collar workers. Several letters discussed at length defects of the Tax Anticipation Notes, and offered suggestions for increased flexibility in their use.

About 20 letters praised very warmly the sincerity and effectiveness of the Secretary's speech on Monday night. Since gleaning the attached excerpts two more antagonistic comments, both anonymous, have been received. Throughout the week, telegrams have reported that various community quotas have been met or exceeded, and innumerable newspaper clippings have been sent in to show Bond advertising. The proposed Bankhead Bill, providing Federal appropriation for paid advertising, was endorsed by several small newspapers.

For several weeks, Father Divine and his followers have been disturbed by the refusal of New York authorities to issue Bonds in the new names of his converts. Several communications have asked Treasury intervention in this situation.

Grasping at the opportunity to criticize, two individuals forwarded clippings concerning the estate

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Memorandum for the Secretary.

April 16, 1948.

of a deceased Judge who, though worth almost \$30,000, had left only one Government Bond, an \$18.75 one. Again there were a great number of questions as to Bond mechanics and many suggestions for new types or new sales technique. Fewer Bonds were submitted for redemption, with Patchogue, New York, and Wurtland, Kentucky, still leading in the number turned in. Fifty of the 60 individual complaints about delays came from the War Department personnel. There were also a number of complaints about delays in sending checks for Bonds mailed to the Treasury to be cashed.

In the general mail there were 21 suggestions for names for the proposed new currency. In all, 45 letters dealt with the International Stabilization Fund, the ratio being 4 to 1 in its favor. However, many of those proposed extensive amendments to the plan as it now stands. All correspondence concerning the report of the Committee on Intergovernmental Fiscal Relations strongly commended the report. There were a number of requests for copies.

Gabriel E. Forbush

Favorable Comments on Speech

J. N. Peyton, President, Federal Reserve Bank of Minneapolis. In a group of 1,000 Minneapolis businessmen who had volunteered to solicit the larger subscriptions here, I listened to you and Mr. Robbins Saturday. The effect of both your talks was excellent. I am writing you this because I am sure you will know I am sincere in telling you this radio broadcast will have a beneficial effect on the drive here.

H. P. Hughes, Annapolis, Md. We heard your talk over the radio on War Bonds and thought it was fine. * * *

Wm. H. Rankin, Advertising, New York City. * * * Secretary Morgenthau, Jr., made a grand address last night at Carnegie. I marvel at his growth and breadth of appeal. He has "it".

Leon Schwarz, The American Legion, Mobile, Ala. Your speech made last night in Carnegie Hall came in clear and good away down here in the deep South - and it was a splendid utterance. Congratulations and commendation. "Keep on keeping on."

* * * * *

The following is the only unfavorable comment received:

C. B. Phelps, Ilion, N. Y. In your War Bond drive speech you spoke of rotten blood-stained Germany, but not a word about rotten blood-stained Washington. Why?????

General Comments

Senator H. C. Lodge, Jr., sends copy of letter from Richard J. Welch, Hyde Park, Mass., the original of which Mr. Welch addressed to "Salary Stabilization Division, U. S. Treasury Department". On January 29, 1943, the Boston Cutting Die Company, South Boston, Mass., had me file a request for a salary adjustment with the Salary Stabilization Division, Boston Office. Not having received any information from the Treasury Department, I filed the form exactly the same as I had done for Wage Adjustments with the War Labor Board. We have filed several forms for hourly workers and have received a prompt response. The Treasury Department returned my form and sent along a single set of forms for filing, although they said that the form would have to be copied by myself in quadruplicate or quintuplicate, and returned to them. I copied the forms, although the questions were about as stupid as any form that the Government has devised to date. They wanted to know what I earned four years ago, not considering the difference of position or living conditions, * * * nor is the Treasury Department interested in the fact that novices from high school, boys and girls, come into our shop and earn more than myself for less hours. The Treasury doesn't care that I could go into a shop any day and earn more money as a laborer, but I have a stupid sense of loyalty that restrains me, as I believe I am more valuable in my present position. * * * I work from 8 to 6 p.m. each day, including Saturday, and then go home and work till midnight to get caught up on my books, as well as fill out hundreds of Government forms. * * * For over three months, your Mr. Carolyn has given this matter of a five-dollar raise his careful consideration. He can come in at 9, go home at 5, and at noon on Saturday, war or no war. * * * In 5 or 6 calls I have received the same memorized answer from him. "Everything is being taken up in chronological order and your application will be considered in due course". If he pulled this stunt on a Union request, the Union would

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be out on strike long before this. * * * After the tossing around that we have received from Mr. Carolyn, I don't care one way or the other what the final action is. It will probably be negative now, but at least, some one else may benefit, if the Boston Office is prodded into action. * * *

R. L. Heflin, Sherman, Tex. I sincerely commend the sound and constructive movement towards the stabilization of a world medium of exchange and trust that this entering wedge will drive through to the development of an International Credit Bank to finance world commerce and world economical reconstruction. * * *

R. A. Filske, Controller, Ninth War Realty Company, Philadelphia, Pa. Due to our inability to get action, we regret the necessity of inviting the following information to your attention, for we are sure it is not the policy of your office, or the U. S. Government, to execute contracts and subsequently violate the conditions thereof. Under date of December 31, 1941, we rented to you space on the 13th floor of the building known as the Gimbel Building * * * for the period of December 31, 1941, to June 30, 1943, at a rental of twelve hundred dollars per annum, payable one hundred dollars at the end of each month, and signed for the U. S. of America by H. J. Anslinger, Commissioner of Narcotics. * * * We enclose copies of two letters, one written by Mr. Anslinger to our Agent, dated February 23, 1943, and another by T. B. Thompson, Captain, U. S. Navy (Retired), to you dated August 1, 1942, which indicates that payment of the rent was to be assumed by the Navy instead of Bureau of Narcotics with the result that neither Department pays, which to us seems an unwarranted imposition. * * * It should not concern us through which branch of the Treasury Department payment is made, so long as the indebtedness is paid. We have sent to both the Navy and Narcotic Bureau numerous authenticated vouchers as directed by each, with no result. The rent due at the end of March, 1943, is for fifteen months at \$100, or \$1,500. * * *

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Hubert J.L.M.A. Penn, Jr., San Francisco, Calif., sends copy of letter he has addressed to Bayuk Cigars, Inc., Philadelphia, Pa. Your Phillies Cigars are excellent. My forefather, William Penn, should have been proud to have good firms and good products in his State. But this fellow, Cal Tinny, on your radio program, is at times not so hot. Criticisms are good, and at times a part of the system that made this country great, but I do not believe this fellow is big enough to constantly heckle and criticize other people. What got me badly today in his broadcast was the opening phrase, where he picks on Mr. Morgenthau. Now of all things...who is this fellow, Cal Tinny, in discussing finances? But we all do know who Mr. Morgenthau is....a very able, honest financier, respected as such the world over. * * *

Mr. Morgenthau of course has known all this for years, not only about Holland's role in world financing, but also the role of various other countries. Because Mr. Morgenthau KNOWS things, he is able to make proposals that would help the world back on its feet, and also would be helpful to our own land over here. It is men like Mr. Morgenthau that will help to create a lasting peace and world order. It is men like Cal Tinny who take a one-sided view that can very much hurt our cause and our interests here. Now let us hope Mr. Tinny can take this criticism on himself. I have, of course, nothing against him, but whenever someone tries to pick on Mr. Morgenthau, I speak up.....I do not know the gentleman, but I am convinced he is one of the best in the President's Cabinet.

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Favorable Comments on Bonds

L. C. Rosenkrans, Resident Vice President, Fidelity and Deposit Company of Maryland, Washington, D.C. It is not uncommon, I presume, for you to receive adverse criticism concerning members of your Department, and that is one of the reasons I should like to comment favorably on the splendid cooperation this Company secures at the hands of Mr. Harry Schwalm in charge of the Section of Surety Bonds. He has been very prompt, courteous, and cooperative in all the dealings we have had with him.

Joseph Fiorello, Chief Steward, S.S. SANTA ELENA, Grace Line, N.Y.C. I am Chief Steward onboard a troop transport carrying several thousands of officers and enlisted men each trip. Countless times I have been asked if War Bonds were sold onboard. Most of our boys have a pocket full of money when they leave and want to send a Bond to someone they have back home. Unable to do this, they gamble all night long, with the result that at the end of the voyage, all the loose money onboard is concentrated in the hands of a few lucky ones. The same applies to Officers. In addition, I think the sale of the regular crew would be very good. It would make me very proud and happy to supplement my share in the War effort. Also the singular honor of being the first official issuing agent. I do not know what security could be offered for the Bonds, except that I have been a bonded employee of the Grace Line for a number of years. I am sure they would vouch for my honesty. Won't you please arrange for me somehow to secure Bonds from a New York Bank or other agency? * * * Hoping you will act favorably and quickly in this matter, as our time in port is sometimes very limited.

Mrs. Elisabeth Kraimer, Brooklyn, N.Y. Enclosed you will find a Money Order for \$100. Please send me a War Bond. I will always remember the World War of 1914. I was stranded in Europe. You came to me and said, "Don't worry, I will do all I can for you". Now I am glad it is my chance to say, "Don't worry, Uncle Sam, I will do all I can for you".

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Joseph C. Latham, Owner, Publisher, The Canistee Times, Canistee, N.Y. * * * I am sending you one of this week's issue with some of your Bond sale matter marked, which I commend very highly because it is far above the average of all such matter we receive. Yours has a story and tells it in an effective way and we can use "as is", instead of having to cut down ten words where one word would do in most of the publicity that comes out of Washington. The obvious result of that is that it doesn't get in at all because country editors work 14 to 18 hours every day, Sundays and all, and just cannot re-edit it. Again, let me say, your publicity is most excellent.

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Unfavorable Comments on Bonds

Letter addressed to the President by William H. Henderson, Malden, Mass., and forwarded to the Treasury by the White House. As one good Democrat would do for another, would you kindly have one of your secretaries contact the Chief of Finance of the Defense Bond Division, and have him forward me, at once, my Defense Savings Bonds, Series E, in the amount of \$150.00? These Bonds were purchased by me in 1942, while employed by the U. S. District Engineers Office, Boston, Mass., as an inspector. I wrote him March 10 and 23, and again April 3, but no Bonds to date, and letters were ignored. I was unable to pay my Federal income taxes due to nonreceipt of Bonds, and this morning I received a telegram from the Northwest Division Engineer, Edmonton, Alberta, Canada, asking me if I was available for employment as inspector at the Whitehorse Yukon District. I'm available and want the position, but I need some of this Bond money to enable me to eat enroute to the job. Thanking you, and wishing you continued success and good health.

Albert G. Mayer, General Manager, The Ohio Calcium Co., Ironton, Ohio. We have been endeavoring to cooperate with you in the Payroll Savings Plan with a fair degree of success. Under the original enrollment plan, it was possible for our employees to purchase Bonds and designate either a co-owner or a beneficiary. The bank with which we carry our Payroll Account, The Citizens National Bank of Ironton, Ohio, now advises us that it is no longer possible to have a co-owner or beneficiary on these payroll Bonds. We have not been advised of any change in your regulations and would appreciate learning the correct status of this plan. * * *

George E. Goldthwaite, Hine, Goldthwaite and Mylott, Public Utility Consultants, N.Y.C. Your announcement of a new appeal for purchase of Government paper was laid on my desk a few days after the collapse in Congress of an effort to put through a new tax bill. For this

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reason it made a disagreeable impression, and the coincidence was anything but helpful to your plea. I am sure that a majority of the people feel, as I do, that the Treasury has had a deplorable part in the past delay and present failure to accomplish a program of increased taxes. * * * The present emergency is a serious one, and I think it would be appropriate for the Treasury to make frantic appeals that Congress immediately resume action in the hope of effecting a withholding tax by July 1. Despite my own annoyance, I am still putting all my savings into Government paper. However, I fear that many others will hesitate, for perfectly understandable reasons, to respond favorably to your latest appeal.

Philip Lifschitz, President, Watertown Undergarment Corporation, Watertown, Conn. Our plant has approximately four hundred employees. In pursuance of the request of the Government, we interested many of our employees in purchasing Government Bonds on a monthly plan, and these Bonds have been secured through the medium of a local bank. We have now been notified that the banking clearing house association of the city of Waterbury will charge ten-cents for the inscription upon each Bond that our employees may purchase through us. It cannot be expected that the employees will pay this ten-cents per month and besides, it may act as a deterrent towards the continuation of the plan. At present, we render all the bookkeeping service and make all the collections at our own expense, and we are very happy to be of assistance in this regard, but it will not become incumbent upon us to pay this service charge to the local bank if we are to encourage our employees to make these periodical purchases. * * *

Mrs. Arthur L. Deiss, Philadelphia, Pa. As the Second Bond Drive opens, I feel your attention should be drawn to a feeling of dissatisfaction on the part of men employed in the various Philadelphia and nearby defense

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and vital industries. They cannot get their Bonds on which installments have been completed. They have waited months, and after inquiry can get absolutely no satisfactory explanation, except that it is the fault of Washington in not sending them through. * * * I have repeatedly heard the grumblings of men travelling from Cramps Ship Yard in Philadelphia on the crowded elevated cars and surface trolleys, all talking along the same line, and loudly stating they do not intend to support the new drive. * * * I have a nephew who was inducted into the Army a little over five weeks ago, formerly employed as a repairman at the Philadelphia Signal Corps Depot, who inquired about the Bonds on which pay deductions had been made for a very long time. * * * Yet to this day, his family can get no information. There are no markings on pay envelope to show the number of deductions, and the Signal Office Payroll Department will give no information. This boy's support was needed by his widowed mother, who has had to seek employment. Can't something be done to get these paid-up Bonds of the first series into the hands of these former War industry workers? * * *

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Unfavorable Comments on Taxation

Dexter B. Johnson, Chairman, Woburn Victory Fund Committee, (Vice President, Woburn National Bank), Woburn, Mass. I should like to call to your attention an apparent defect in the Tax Anticipation Notes which is hindering their ready sale. * * * Most people who have purchased these Notes here are the type of people who have checking accounts, and who pay their Federal taxes with their personal checks by mail. Such a person who has purchased a Tax Anticipation Note, and who has recently mailed his first quarterly payment by turning in his Note with a check supplementing the balance due, has no receipt to show that part of the tax represented by the note. It is true that he could take down the number of the Note, but on the other hand, this does not satisfy him or me either, from a personal viewpoint, in that there is nothing to show that the local Collector's Office ever received the note, or if they did receive it, that credit has been given on the person's tax liability represented by the note. Several people to whom Tax Anticipation Notes were sold during 1942 have realized this difficulty and are not now purchasing them for this very reason. It would seem to me that these Notes ought to be supplied with a detachable coupon which could be receipted by the Collector and stapled to the check, which in most cases would accompany a Tax Note, and be returned in the usual channels that the check is returned, thereby placing a receipt in the hands of the taxpayer showing that the Note was received and credited. * * *

Frank A. Schilling, Builder, Los Angeles, Calif.
I understand that you made the remark that you are pleased that YOU had prevented the Ruml Plan from passing the Lower House. Just to ask a simple question -- who is supreme in these United States, you or the American people, and why do you persist in going against the will of the people? I am demanding that some sort of pay-as-you-go plan be put in effect to take care of

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our income taxes. * * * The people are NOT asking to be relieved of any taxes -- we are willing to do our share and have done it in spite of scoldings by bureaucrats in Washington to the contrary. We are only asking that you gentlemen in Washington do your share efficiently. I have written my Congressman to pass a pay-as-you-go bill, even to pass it over a veto. It is not what you and the New Dealers want, but what the people want that is going to count before this is over. We have a War to win, in spite of petty political bickerings of politicians, and the arbitrary rulings of autocratic bureaucrats.

Congressman James C. Auchincloss, (New Jersey).
I quote herewith from a letter I have received from Mr. S. M. Christie, of the Christie Press, New Brunswick, N.J., under date of April 8. " * * * Like a lot of other struggling publishers and printers, we succeeded in getting behind with some of our bills, including the Social Security tax, which of course as you know, has to be paid even if the payee is losing money. I have been paying recent tax obligations, and have been making small payments on the past due tax obligation. This morning one of the Revenue Officers, who personally is a very decent fellow, came in and told me that he had been instructed, if we did not make a substantial payment on our old obligation in the near future, they would levy against everything that we have. Now of course that would mean that we would be put out of business, and some of the persons who work for me, who have never worked for anyone else, would be thrown out of jobs. As you doubtless know, the Government has put in big printing plants all over the country. Here at the Raritan Arsenal they have put in offset presses which could turn out more printing than is done in the whole of this county. Much of that purchase of printing equipment was unnecessary as there is similar printing equipment idle all over the country. * * * We hear a lot of talk about what is going to be done for the small businessman. I have not yet seen anything suggested that could be done for such small businessmen as us, since we, of course, cannot do war work unless

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it is war printing, and the Government has unfortunately overequipped itself in that respect. I observed that some Representatives spoke about the Government giving some profitable business to the small weekly newspapers. That, I think, would only be a measure of justice, since all the Government Departments send us every day, week by week, unlimited quantities of material which they want us and expect us to print for nothing. After all, that all does cost some money, and since our opportunities to do profitable business have been greatly limited by war conditions, it does seem only fair that we should in some way be reimbursed for a lot of things we are now asked and expected to do for nothing." * * *

Mrs. Winifred Starosselsky, Estate Wintberg, St. Thomas, Virgin Islands. Last summer, on advice of my bankers in Peoria, Ill., I purchased \$1,000 worth of U. S. Treasury Notes, Tax Series A-1945. On attempting to pay my income tax in the Virgin Islands with these Bonds, I was advised by the Commissioner of Finance - who also acts as Collector of Internal Revenue - that these Bonds were not acceptable in payment of taxes, as the taxes are not covered into the Federal Treasury, but rather are paid into the Municipal Treasury, under the Organic Act of 1936. This seems to me to be an erroneous interpretation, as the taxes are obviously due to the United States, and not to any treasury. And, inasmuch as I have \$1,000 worth of these Bonds, I would appreciate your interpretation of the matter, and also advice as to whether I could pay my income tax in Baltimore, or Peoria, Illinois, while a resident of the Virgin Islands. * * *

William R. Mathews, The Arizona Daily Star, Tucson, Arizona. As one who opposed the Ruml Plan of taxation, but who sees the drastic need of raising considerably more revenue, I am writing this letter, instead of bawling you out in my editorial column, I am also writing. When as fair-minded observer as Raymond Clapper deplores the lack of leadership in your Department, I think the time has come when some of us other

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commentators need to give you a friendly jolt. I cannot emphasize too strongly how necessary it is that your Department should take the lead, and that for once it seek to raise revenue instead of punish. * * * How the switch is to be made from the present basis to an installment basis, I am not expert enough to say. I do not believe in forgiving taxes to anybody, but I do think that the experts in your Department could work out a transition plan that would be fair and just, and above everything else, would raise revenue. * * * As a heavy taxpayer, I am willing to pay still heavier taxes; indeed, I am willing to give up everything I own if by so doing, I can bequeath to my children the penniless but free life I inherited. Get busy. Time is not on our side or your side either.

Fred J. Elliott, Treasurer, Orizaba Mining Company, Phoenix, Ariz. Your Department gave me some hope when you waived notarizing of individual tax returns, but I just groaned when I received the V-I return form. You reverted and the form is cluttered up with Notary requirement. Back in the Dark Ages when neither the subscriber nor the subscribing witness could do more than affix an "x", it became necessary to distinguish such symbols from a cattle brand, hence resort was had to some sort of device where there was a rake-off, and the Notary Public with his pompous seal and ribbon came into the picture and nursed the signatures into the records. * * * Very frequently the officers of a corporation, especially the small companies where the officers get no salaries are living in different states. The president seldom knows what the score is, and he relies on some one else to keep the books -- but the form must be sent to him for acknowledgment, and often in advance, and he must go before a Notary, etc. If we average one acknowledgment per capita per annum with a loss of 15 minutes per person, it only amounts to a total loss of about five million three hundred thousand man days a year. Besides that, if we do not have an office Notary, we either have to pay out money or mooch. Some days I have paid as much as \$3.00 --

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and some days I mooch. Such silly requirements lead to stomach ulcers, grouches, and neurotic conditions such as I am evidencing in writing this protest. Please ease up on the headlocks.

Joel E. Fisher, N.Y.C. * * * If the holder tendered his entire lot of U. S. Treasury Tax Anticipation Notes with the idea of paying up his tax in full on March 15, he is not given credit for as much interest as he would receive if he pays it quarterly, in Bonds. That only makes more bookkeeping for the Treasury - and nuisance for the taxpayer. Why cannot the Treasury offer a taxpayer credit for interest on the Bonds he owns, up to the quarterly dates on which he can pay his tax, if he offers to pay his entire tax at one time? And when a taxpayer does go to pay his tax with Anticipation Notes, why cannot you make it pleasant for him -- just as a store makes it pleasant for a customer who has a credit balance on its books? (Outlines difficulties in paying March 15 installment at the Brooklyn, N.Y., office.) * * Given a little more congeniality, more would buy Tax Notes in advance. And when it comes to selling Government War Bonds, could not the Treasury have gotten the cooperation of whatever alphabetical department ran over to the ICC to get the railroad rates reduced? Yesterday the ICC reduced railroad rates by 7% as a result of that request. Today railroad securities -- and the rest of the market too -- goes off substantially, and no patriotism on earth can prevent a would-be subscriber to the new War Bonds from cutting his subscription -- a subscription into which he was going to put proceeds of some securities he had planned to sell!

ASSISTANT SECRETARY OF THE TREASURY

April 16, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

The committee appointed by the President to investigate deferment policies in Federal Departments and agencies and to report a plan of procedure was headed by Paul Bellamy, Editor of the Cleveland Plain Dealer. The President accepted the committee's report and adopted the plan it recommended, which involved the creation of an over-all committee and separate subordinate committees in each of the departments and agencies. The Chairman of the general governmental committee is Barnett, Personnel Director of the Federal Security Agency. This committee has not yet issued its regulations. The Treasury committee consists of myself as Chairman, Norman Thompson and Ted Wilson.

April 16, 1943.

Dear Harold:

Thank you for your note of April 15 which enclosed a copy of your statement in connection with deferments for Federal civil employees, particularly those of the Interior Department. I shall read this with interest and appreciate your sending it to me.

Sincerely,

(Signed) Henry

Honorable Harold L. Ickes,
Secretary of the Interior,
Washington, D. C.

GEF/dbs

File in Diary



THE SECRETARY OF THE INTERIOR
WASHINGTON

April 15, 1943.

My dear Henry:

There is so much confused thinking and so much politics in connection with deferments for Federal civil employees that my thought is that the Administration ought to meet the issue vigorously. In short, we should attack instead of defending. I appeared yesterday before the so-called Costello committee and I thought that you might be interested in looking at the enclosed mimeographed draft of my formal statement.

Sincerely yours,

Harold Z. Parks

Secretary of the Interior.

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

Enc.

STATEMENT BY HON. HAROLD L. ICKES, SECRETARY OF THE INTERIOR,
BEFORE THE HOUSE MILITARY AFFAIRS COMMITTEE, ON MILITARY
STATUS OF INTERIOR DEPARTMENT EMPLOYEES, APRIL 14, 1943.

You see before you today the head of an old-line Department who now believes that he has erred in his administration of deferment policy.

Looking backward and considering the narrow confines within which I am permitted to determine policy, I must confess to you that I have been far too liberal in granting permission to Department of the Interior employees to enlist in the armed services and far too straight-laced with respect to asking for deferments from military service. In both respects, with the wisdom of hindsight, I have concluded that I have not served the national interest as wisely as I should have.

And so I welcome this opportunity to discuss with you this matter that has troubled me greatly. I seek your counsel on this tremendously important question. Thirty-three percent of the males of the Department of the Interior between the ages of 18 and 37, many of them married, are already in the armed services. Less than three percent of the Interior employees have been deferred. If this trend continues, we will fail to do that part of our war job which the Congress and the President have laid upon our shoulders. There will result a serious dislocation in that part of the Government for which I am responsible and my Department can be justly charged by the armed forces with having permitted a breach in the home front.

Before we go further into the statistics, I want to put the picture of the Department of the Interior, as it reveals itself to me, into its proper frame.

Ours is an old-line Department. It has carried on multiple functions in both peace and war times, and has a distinct place in both. But never before, as I have studied and read its history, has it been mobilized, as it is now mobilized, for

this total war. Never before have our natural resources, such as my Department deals with, been so important as in this war of resources. In the Department we saw this war coming and tried to get ready for it. In many ways we were doing well long before Pearl Harbor. We were right as to the demands upon our resources that we saw accumulating. We made the correct analysis of the demands that we saw piling up for electrical energy for this war. We were right in our forecast as to the need for petroleum and its products. We sized up correctly the need for metals, for certain foods and for many other essential ingredients of victory. We were not wrong on the night of Pearl Harbor, Sunday, December 7, 1941, when the Department issued a general order to all of its personnel everywhere that "our immediate and primary function is the full mobilization of the Nation's natural resources for war." We were criticized, but it was our job and we stuck to it. As to the natural resources necessary to winning this war, we have never been on the "too little, too late" side.

But we were wrong in our early concept of the drains that would be made on our manpower. We did not fully recognize this as a problem affecting our Department. Way back before Pearl Harbor, on October 5, 1940, when the first stirrings of movement into the armed forces were registered, a memorandum went out to all of our bureaus saying, "It is the Department's policy not to ask exemption for employees affected, unless there are outstanding service reasons". It added that our policy would be that "deferment will not be requested for officers and employees of this Department on behalf of their activity being 'necessary to the maintenance of the national health, safety or interest,' except where the work which the individual is performing is believed to be more useful to the National Defense program" to the armed forces.

This position was more severe than the general regulations of that period required. This policy has been strictly adhered to. It has also been interpreted and administered most conservatively and faithfully. However, we were to find that we had underestimated the manpower deficiency with which we would be confronted as the war unfolded, we did not foresee that we would voluntarily cut our budget \$10,000,000 for the fiscal year of 1943 and reduce it for the fiscal year of 1944 by all of 76% below the figure of two years earlier.

Because of the nature of the work of the Department of the Interior, which your Appropriations Committee last year reported as "more closely related to the defense effort than any other department, other than the War and Navy Departments," our staff has many technicians and scientists. These public servants, particularly in such bureaus as the Geological Survey, the Bureau of Mines, the Bureau of Reclamation, the Bituminous Coal Division and the Bonneville Power Administration, are people of unique and specialized abilities fitted into tasks which are unique and specialized. It is difficult, and in many instances impossible, to replace them. But despite this situation, we have so far clung consistently to the department policy originally announced in October of 1940 and possibly -- even probably -- this has not been wise from the point of view of winning the war as quickly as possible and of winning the peace.

Now we are reaching the end of our rope as to manpower. We have an administrative headache which may become acute. Some of our bureaus are seriously hampered in the discharge of their mandatory war functions, because of substantial untrained personnel that have been thrown into unaccustomed jobs. In others of our bureaus this pain in the head has already become chronic. Unfortunately, it is the technical bureaus on which the greatest load falls in the form of demands

from the Army and Navy that have had the greatest loss of personnel to the Army and the Navy. The armed services not only call upon these technicians to work for them in the bureaus of the Department of the Interior in their hour of need, the services also take from them the personnel without which the work cannot be done quickly and efficiently and puts them in uniform to do work that others could do equally well. This process, and I am guilty of condoning it, must not be accelerated. Government, in time of war, is the most important business of this Nation and it has leaned so far backward on deferments that it has impaired its ability to do, effectively and efficiently, technical and organizational jobs, lacking the doing of which neither the war nor the peace can be won.

As the result of our policy 4,788 of Interior Department employees, as of February 28, were on military furlough -- that is, in the United States Army or the United States Navy, including the Marine Corps. Of the 706 who have been deferred, 619 were in the Bureau of Mines and the Geological Survey, which are trying desperately to discharge the multiplying war tasks that have been and are being thrown upon them. I here offer for the Committee's information a detailed breakdown by field and central office, by sex, by age group, and by bureau, of the military status of all permanent personnel of the Department of the Interior. (Pass in Exhibit A attached.)

I have had a study of these statistics made, comparing the Interior Department record with the over-all record of 72 United States Government Agencies, which, according to the Bellamy report, made "a splendid showing in the large percentage of voluntary enlistments by Federal employees." I note from this report that thirty-three percent of Interior male employees between the ages of 18 and 37, were in the armed forces as compared to 26 percent from the Government as a

whole. It should also be considered that a higher percentage of Interior employees had entered the armed services by voluntary enlistment than from Government generally. Also a much higher percent from Interior had gone into the armed forces as commissioned officers. Approximately 29 percent of Interior employees became officers as compared with 19 percent from the Government as such.

I wish that I could be proud of this record, but candidly I cannot. I have reached the conclusion that the Government as a whole has handled the manpower problem more wisely than has the Department of the Interior. Fewer Interior employees in uniforms would be in the public interest. The length and final outcome of the war depends upon our ability to supply the armed forces with what they need to wage war. It does not make sense to permit the draining away of trained personnel needed for vital services behind the line service. I cannot overlook the results of this stampede of Interior employees. It has impaired the ability of my Department to discharge absolutely vital war functions. We have made extraordinary efforts to repair this situation. I would like to give you a few examples of what we are now doing as to manpower so that you can see that we are in effect searching from the cradle to the grave for the people that we require to serve our battle lines.

One of the heaviest demands that we must meet is from the Army and Navy for maps and topographic work. We have not been able to provide maps as fast as I would like or as rapidly as the Army and Navy reaches for them. This task requires skilled technicians, many of whom have gone into the armed forces. We are unable to get the additional topographers that we need. The Geological Survey was the pioneer in photo-grammetric mapping and there is no reserve of men skilled in this art to which we can turn to replace our lost staff. But they are not all

that we are unable to get. We are also at a loss for rodmen and chain men for field parties required for topographical work.

Normally, to do the nimble rough work of scrambling over the landscape that is required in this operation, we hire rodmen about 18 years old. This is economical for the Government because we did not pay much. Now, of course, we cannot get any 18- or 19-year-olds because of the draft. We are proposing to cut the age of rodmen down to 16 years, but that will not solve our problem either. Yesterday it was reported to me that the Geological Survey has a topographic party operating near Media, Pennsylvania, with three rodmen hired locally. These youngsters are 61, 67 and 71 years old, respectively. Their average age is 66. That is unprecedented. To meet the war demands, the Geological Survey is already recalling men to service who are 72 and 73 years old, and holding other men in service long past the legal retirement age.

Recently in the Department of the Interior, we hired a 72-year-old man as a stenographer and put him to work. We have crippled geologists in wheel chairs, but who can and do make their contribution to the war. We have hired over a thousand more women than we had at the start of the war and put many of them in positions theretofore held by men. We have women engineers -- and we're going to have more if we can get them. As the heart-breaking stream of crippled men comes back from the battle fronts, we intend to do our best to find them positions for which they will be qualified and in which they will be useful in the Department. I have asked the Secretary of the Navy and the Secretary of War to make recommendations from this group. We are doing our absolute best to clear manpower for the war.

My Department holds a world monopoly in the production of helium. It was over five years ago now that I personally raised an international issue by

refusing to sell helium to Hitler so that he wouldn't have it if war came. He hasn't got it. But that's only half of the story. All of the helium that there is, is produced by Bureau of Mines employees. There is a terrific demand for it from the Navy for use in anti-submarine blimps and from the Army for barrage balloons as well as for many other purposes — a demand that is multiplying rapidly and is not yet satisfied despite our tremendous expansion in helium production. Men working in our helium plants should be deferred because they are making the most valuable contribution that those skilled and trained men can make to victory. However, we have obtained no blanket deferment for them. Our duty does not end with depriving Hitler of helium. We still must see that our soldiers and sailors get what Hitler cannot give to his men.

Geological Survey topographers are still being drafted and being permitted to enlist. Again I am not without guilt. Many wanted to go and I did not stop them. I should have. Now we find ourselves with a force of 250 men trying to do a job for which the Army says — and I agree with it — 500 to 600 are needed, which raises a question as to the wisdom of the armed forces in taking trained men without whom vital war materials cannot be supplied to the armed forces.

No deferments have been asked for employees in many of our agencies. Nobody has been deferred in the Division of Territories and Island Possessions. Nobody has been deferred in the Grazing Service. The only persons deferred in the General Land Office have been two in Alaska where an extraordinary condition exists. Nobody has been deferred in the Park Service, in the Bituminous Coal Division, or the Solid Fuels Coordinator's Office. The only blanket deferment of a whole class of personnel in an Interior agency covers Alaska Railroad workers. The Army insisted that this railroad be not handicapped by letting its people into

the Army. As a matter of fact the Army sent a Staff Officer to confer with me recently about the ways and means of finding more trained men for this railroad which is devoting itself almost exclusively to the service of the Army.

I am not here to criticize any agency of Government for this personnel mess. I cannot disclaim responsibility for the situation with respect to the Department of the Interior, even although at all times my powers as to deferment matters have been strictly limited by the law and by procedural regulations. This country did not go to war on a prearranged plan. In our inexperience we have made many mistakes as have other countries. In England they made a bad one when they drafted coal miners and then had to release them back to the mines. This was costly both as to time and effort. I had hoped that we wouldn't repeat that mistake in the United States, but we did and we have already had to release some miners from the Army for necessary mining operations for which I have some responsibility as Coordinator of Solid Fuels. How we are going to fuel this war next year and produce the necessary 600,000,000 tons of bituminous coal needed to do the job with present labor shortages is a matter of concern to me.

We have made many mistakes in taking people from private industry for military service, and we have also made mistakes letting certain civil Federal personnel go into military service. It is not criticism of the Army or the Navy, considering the terrific tasks with which they are confronted, to say that there has been some waste of manpower. Nor do I intend to criticize the Manpower Commission that is doing an unprecedented job in unprecedented times. But there has been waste in letting people go into the services from my Department, for which perhaps I have been principally to blame. I will give you some examples.

Ben Glaha, a veteran of the last war, now 44 years old, was a valuable employee of the Department of the Interior, who had worked in the Bureau of Reclamation for 17 years. He was a junior engineer who became an outstanding photographer. His pictorial record of Boulder Dam and similar great structures has been reproduced around the world. His photographs of construction have been used by Congress. As evidence in law suits they have saved the Government millions of dollars. He has been of great help to this Government. After Pearl Harbor he sought to enlist in the United States Navy, but was rejected. Later he was drafted without objection by the Department. A few months ago he was sent to a photographers' school of the Army as a student, having been denied combat duty because of age and health. Questions on photography would arise, to answer which the honest and industrious instructor would have had to look up the answer in a book. But Ben Glaha has written books on photography. He is wasted manpower and wasted special ability that my Department has lost.

Stephen M. Shelton is a metallurgist with years of experience. Recently he was Director of the Eastern Region of the Bureau of Mines in charge of aluminum research. This country must find new sources of aluminum for this war because our overseas sources are being cut off, and our Bureau of Mines is on the job. Shelton was bossing the job. The Department had also selected him as its best qualified man to represent the Bureau of Mines on the War Production Board on the tremendously important question of how we can get all of the metals that we need to win the war. He could make no greater war contribution than he was making. But he wanted to go into the Army and I permitted myself to be persuaded to grant him permission to accept a commission as a noncombatant captain. It is impossible to recruit metallurgists now, let alone outstanding men familiar with our work.

Shelton was sent to an indoctrination school, where he is wasted manpower and wasted specialized ability that my Department sorely needs.

There are other cases where I have intervened. One key man in my department, married, and of outstanding ability and long government experience, has a brother who was wounded in our African advance and a brother-in-law who is a prisoner in Hitler's clutches. This splendid civil servant wants to chuck all of his specialized training, forget about all of the unthinking criticism that such men may become the targets of in this town today, and get in the fight personally as a private in the Army. That is his desire and probably it would be to his self-interest. He objected violently when I held him in his job. It was only because the Federal service of itself is a badge of honor and is evidence of loyalty to this Government and this Nation that such men can be held to posts in which they can contribute their greatest service. If we permit such sacrifices by such men -- sacrifices frequently made involuntarily and despite their own self-interest -- loyal, war-useful and patriotic citizens face the alternative of being smeared unjustly or the Government faces the loss of services and skills that it needs badly in order to win the war in the quickest time and at the least cost of treasure and blood. What sense is there in a policy that would require a man to shoulder a musket when he can make a contribution toward the greater efficiency of all muskets.

Department heads such as myself ought not to be required to carry alone the burden of seeing to it that our manpower is put to its most effective use in the waging of the war. We need the help of the Congress. We cannot do it without that help. We do not have the power. I might prevail temporarily in such a case as I have cited or in an isolated case. But a Federal civil servant can always

resign and then go into the Army. Many have done so without asking the consent of the head of his department.

These commonplaces could be multiplied a hundred or a thousand times. The Interior staff of technicians has been raided by every agency of Government and lured by higher wages into many new emergency units other than the Army and Navy. We have been liberal in letting them go. Our geologists and prospectors and mining engineers are scattered over five continents and seven seas. News of casualties is already coming back. Major Richard Gady, of the United States Army, a geologist recruited from the Geological Survey to look for water for our expeditionary troops in Africa, died overseas on duty the other day. He did a good job and a necessary one for the Army. We are willing to have our experts detailed to duties that require their expert services. Major Gady would have been a casualty of a different sort if he had been given a desk job in, as an example, the Commissary.

I have not as yet formally announced any change in our strict non-deferment policy or in the Department's liberality in permitting employees to enlist or accept commissions in the armed services. Our present policy is set forth in the memorandum of November 30, 1942, over my signature to the heads of all bureaus and offices in the Department of the Interior which is incorporated in the regulations of the Department of the Interior Committee on Deferment. My order appointing that committee and its regulations are offered for your record. (Pass in Exhibit B attached.)

I have no fear of draft dodgers in the Interior Department or in the Federal Government as I know it. Employees of Interior have been going into the armed services too rapidly for the public good -- not too slowly. I want to tell you about one more case to show why I feel as I do.

There has been considerable talk about this town on the subject of highly trained lawyers and draft deferments. I have had some experience in such matters. I too, had a highly trained lawyer who was the general counsel of one of my important agencies -- Mr. Allen Hart, now a buck private in the United States Army. Mr. Hart, a brilliant young man of means, who had been on the Yale Law School faculty, had served with distinction in the Department of Justice as an Assistant Attorney General in the medical trust suits. He entered the Interior Department as an attorney for the Bonneville Power Administration with headquarters at Portland, Oregon. His zeal and wisdom in handling legal matters and his broad grasp won for him promotions until he became general counsel of the Bonneville Power Administration, responsible for important matters essential to getting vital electric power to the war industries of the Northwest, such as shipyards, aluminum plants and airplane factories so that munitions would pour out of those plants. He did a first-class job. Then his number came up.

I was asked by Mr. Hart's immediate superiors in the Bonneville Power Administration to request his deferment. I was willing. But Mr. Hart pleaded with me not to ask his deferment and I was weak enough to accede to his pleas. Mr. Hart is a tall, thin young man, and he was afraid that he might not get by the Army doctors. The doctors did turn him down the first time. Then he drank cream for six weeks and managed to put on just enough poundage to make the minimum weight, thus winning induction into the Army. In this instance a very expensive education and specialized knowledge are not being utilized at their highest point. They are not being availed of as we must use them if we are not to waste talent that we can use for the greater service of the Nation. My hat is off to Mr. Hart for his patriotism but I do not relish the system, the result of which is failure to employ Mr. Hart's particular abilities.

While I have no fear of draft dodgers in the Department of the Interior, I have an apprehension of indulgence in thoughtless criticism which will involve us deeper in the error which has already resulted in a waste of manpower. Administration officials, as in my own case, are powerless to prevent a man from being drafted should we refuse to release his services to accept a commission or specialized job in the Army which he may prefer, if only to avoid cruel criticism that he does not merit. How can I keep faith with myself or do my duty by my staff if I persuade a man to forego his chance to get overseas with gold braid on his sleeves or official insignia on his shoulder, and then, the next day he is drafted. It isn't so much the Department head who needs the protection of a better manpower policy as it is the man whose services to his country would be greater than if he donned the uniform. It is he whom we must protect from being calumniated by unthinking critics who cry "slacker" when they don't know what they are talking about.

It is tough on an older man, such as myself, to be expected to prevent younger men from doing what I would like to do. But it is an impossible situation if any public act is permitted to attach a stigma to the occasional young man who must be kept out of the uniform that he craves to wear in order to do more valuable work in the service of his Nation, by applying his unique ability behind the lines.

I have given this matter much thought and study, realizing that it would be of growing importance as our manpower difficulties multiplied -- which they inevitably have -- and will continue to do. I am glad that the Congress is taking the interest that it is in this important matter by appointing this representative committee to make a study. I hope that you will go into all phases of the subject

in order to protect the essential interests of the Government as between the pressures resulting from the war.

When England had been in the war about as long as we have now been, and encountered this same problem, a Parliamentary group somewhat similar to yours, entitled the Committee on the Calling up of Civil Servants, made a parallel study in England. One of its conclusions, not quite two years ago, was phrased as follows:

"We wish to express the opinion that men of low medical category unsuitable for combatant duties should not in general be taken from more important work in the civil service for less important non-combatant work in the armed forces, and that men of whatever medical category should not be taken from work in the civil service for which they have technical or other special qualifications to do similar work of smaller importance with the forces."

I have reached the same conclusion. Accordingly, I must say to you today that I do not feel that the policies of the Department of the Interior in refusing to request deferments and in failing to deny permission to its civil servants to accept commissions in the armed forces has either been a wise one or in the national interest. This is not the course by which I feel that we can wisely conserve and utilize limited manpower and attain final victory and lasting peace.

Exhibit A

INFORMATION ON MILITARY STATUS OF INTERIOR DEPARTMENT PERSONNEL
(AS OF FEBRUARY 28, 1943)

(Including Washington and Field)

	Total Permanent Personnel	Male Employees	Female Employees	Males Deferred 18-38 Employees	Cases Pending	Military Furlough
Office of Secretary	496	240	256	100	-	69
Office of Solicitor	99	62	37	23	2	4
Div. of Terr. & I. P.	1,112	925	187	69*	-**	87
Grazing Service	414	281	133	137	-	124
General Land Office	680	431	249	103	2	78
Indian Office	8,495	4,930	3,565	1,765	2	750
Indian Arts and Crafts	8	2	6	1	-	-
Geological Survey	2,484	1,959	525	1,457	346	240
Bureau of Mines	2,828	1,841	987	990	273	156
National Capital Parks	477	449	28	133	7	80
National Park Service	1,525	1,267	258	486	-	548
Bureau of Reclamation	6,703	6,222	481	2,681	36	1,407
Fish & Wildlife Service (incl. Fishery Coord.)	1,783	1,408	375	574	17	225
Bituminous Coal Division	1,242	515	727	232	-	133
Solid Fuels Coordination	28	14	14	2	-	2
Bonneville Power Adminis.	2,767	2,318	449	965	21	885
TOTAL	31,141	22,864	8,277	9,718	706	4,788

* There is no breakdown of age groups for the 653 male employees of the Alaska Railroad available.

** One employee of the Alaska Road Commission (over 38 years old) has been deferred until April. The total male employees of the Alaska Railroad is 653. Blanket deferment was ordered by the President for any employee necessary.

*** Total approved by President. Number of actual deferments not available.

Exhibit B

14686

UNITED STATES
DEPARTMENT OF THE INTERIOR
Washington

March 12, 1943.

ORDER NO. 1796

In accordance with the provisions of the Executive Order of March 8, 1943, controlling requests for the selective service deferment of Federal employees, there is hereby designated a Committee on Deferment of Government Employees with the following membership:

Oscar L. Chapman, Assistant Secretary, Chairman

Dr. R. R. Sayers, Director, Bureau of Mines

Mrs. J. Atwood Maulding, Director of Personnel

This Committee is authorized and directed to determine the essentiality to the war effort of positions and of the services of employees of the Department; to submit requests to local selective service boards for the occupational deferment of such employees; to make requests for occupational reclassification; to maintain records; and to perform such related duties as are outlined and contemplated by the above-mentioned Executive order.

Harold G. Cohen

Secretary of the Interior.

UNITED STATES
DEPARTMENT OF THE INTERIOR
Office of the Secretary
Washington

April 10, 1943

MEMORANDUM for Bureaus and Offices.

CONTROLLING GOVERNMENT REQUESTS FOR THE SELECTIVE SERVICE DEFERMENT OF EMPLOYEES
OF THE DEPARTMENT OF THE INTERIOR

Executive Order No. 9309 dated March 6, copy attached, lays down the broad general principles on Government deferment matters. The Committee on Deferment of Government Employees in this memorandum will attempt to amplify and outline the policies and procedures of the Department within the framework of the Executive Order.

I. LIMITATIONS OF RIGHT TO REQUEST OCCUPATIONAL DEFERMENT:

The policy shall be as stated in Executive Order No. 9309 and in Secretary Ickes' memorandum to Heads of Bureaus and Offices of November 30, 1942, from which the following is quoted:

"Deferments should be requested only in cases where the head of the bureau is convinced that the employee is essential and by reason of his unique experience is irreplaceable. The number of such cases should be held to the minimum and they will be scrutinized here before being forwarded."

II. ESTABLISHMENT OF COMMITTEES:

1. The Chairman of the War Manpower Commission has designated and appointed a Review Committee as follows:

Robert M. Barnett, War Manpower Commission, Chairman
Colonel Edward A. Fitzpatrick, Selective Service System
Kenneth C. Vipond, Civil Service Commission

This Committee has been approved by the President.

2. The Secretary of the Interior by Departmental Order No. 1796 designated the following Committee on Deferment of Government Employees for this Department:

Oscar L. Chapman, Assistant Secretary, Chairman
Dr. R. R. Sayers, Director, Bureau of Mines
Mrs. J. Atwood Maulding, Director of Personnel

3. At the present time, the designation of Regional Committees is not contemplated except at the Bonneville Power Administration, Portland, Oregon.

III. DESIGNATION OF KEY POSITIONS:

The Chairman of the War Manpower Commission has ordered that pending the approval of a designation of "Key Positions," the Agency Committee should use the key list established and used under War Manpower Directive XI, unless such list is, as to the employee involved, obsolete or clearly in conflict with the general purpose and policy of Executive Order No. 9309. In submitting recommendations for deferment, the bureaus and offices shall indicate whether the position is on the key list previously approved by the War Manpower Commission for the Department and whether it conforms to the standards and criteria prescribed in Paragraph 2 and 2a, b, c, and d of the executive order. This key list will soon be superseded by a new list which the bureaus and offices are now compiling for approval by the Review Committee.

IV. REQUESTS FOR DEFERMENT:

3. The bureaus and offices should at once fill out Selective Service form No. 42 or 42-A to cover all employees not now deferred and for whom deferment is deemed essential and in conformity with the policies outlined, and forward them to the Department Committee for review. The form should indicate that the position is on the key list, if that is the case; if not, a detailed explanatory memorandum should show the reason for submitting the request. If form 42 is used, it should contain a statement as to the steps that have been taken to replace the employee or to train for replacement. The length of time the employee has occupied the position should be noted. The form together with any related papers should be furnished in quadruplicate, the original for the use of the local board, one copy for the Department Committee, one copy for the Review Committee, and one for the bureau. A supply of the forms may be obtained from the Publications Section.

When the request for deferment is approved by the Committee, which will be evidenced by authorization signed by the Chairman, the original and two copies will be returned to the bureau for forwarding to the appropriate supervising official to be held until such time as the employee is notified of his reclassification to I-A by the local board. The supervising official immediately shall make the necessary certificate on the form, submitting the original to the local board and returning one copy BY AIR MAIL direct to the Chairman, Committee on Deferment of Government Employees, Department of the Interior, Washington, D. C. From this copy the Committee will make a record of the request on the local board and forward the copy to the Review Committee of the War Manpower Commission. If the request for deferment is approved by the local board, the supervising officer immediately shall advise the Committee by memorandum (Department form No. 1-1028 - manifold copy No. 1-1028-A - copies attached), furnishing a copy under separate cover to the head of the bureau or office.

Cases in the Washington area will be handled in the same manner with the exception that the use of air mail in transmitting copies will not be necessary.

16527-1

Renewals of deferment will be treated in the same manner as original requests. These will be carefully examined by the Department Committee with particular reference to the efforts made to secure a replacement either by recruitment or training within the previous six months period.

4. If a Government request for deferment is denied by the local Selective Service Board, the supervising official is authorized and shall immediately "By direction of the Committee on Deferment of Government Employees, Department of the Interior," prepare and file an appeal with the local board on Selective Service form No. 40, sending two copies of the appeal immediately BY AIR MAIL to the Department Committee in Washington. The field official shall at the same time send a copy under separate cover to the head of his bureau. When final decision has been made in the case, the supervising officer immediately shall advise the Committee by memorandum (Department form No. 1-1028), furnishing a copy under separate cover to the head of the bureau or office.

5. Bureaus and offices may submit to the Department Committee recommendations concerning any manufacturing, servicing, operating, or transporting activities with respect to which deferment problems can be best met through the use of manning tables and replacement schedules.

V. VOLUNTARY ENTRANCE INTO THE ARMED FORCES:

1. Release shall not be denied any employee eligible for military service for whom deferment would not be requested. Letters of release shall be prepared for the signature of the Chairman, Committee on Deferment of Government Employees, Department of the Interior.

2. In presenting to the Department Committee requests for release from employees for whom deferment has been or would be requested, the bureau or office should make a recommendation and accompany it by such information as may be available as to (a) whether he is likely to be assigned to active combat service; (b) the type of work to which the employee would be assigned, so far as he has been advised, in the military position for which he seeks release; (c) whether a replacement is now available; or (d) if the situation has changed since he may have been recommended for deferment. This will aid the Committee in making a determination as to whether the employee's skill or ability will probable be utilized equally or more effectively in the armed forces.

3. Concerning those employees outside of the military age group, and concerning female employees and others who would not be subject to induction, the same policies and procedures as are outlined in 1 and 2 above will govern.

4. An employee whose release has been denied by the Department Deferment Committee may appeal direct by letter to the Review Committee of the War Manpower Commission within ten days.

16527-1

VI. DEPENDENCY - OCCUPATIONAL RECLASSIFICATION:

A new definition of class III-A is being announced within a few days; therefore, no statement as to departmental policy on Selective Service reclassification of class III-A to class III-B is included in this memorandum.

VII. GENERAL PROVISIONS:

1. In order that the statistics concerning deferments may be kept current, the bureaus and offices shall continue to furnish completed questionnaires similar to those prepared for the sub-committee of the House Committee on Military Affairs for all employees deferred since February 28, 1943. The furnishing of these questionnaires may be discontinued so far as the Department is concerned when the procedure in this memorandum calling for copies of occupational deferment forms 42 and 42-A is inaugurated.

2. Bureaus and offices shall issue instructions at once to insure that their employees will report immediately to the bureau official charged with handling deferment requests and related matters any change in their selective service status or the receipt of notice to report for induction.

3. The bureaus and offices shall plan and carry out an orderly program of replacement and training occasioned by the entry or prospective entry of employees into the armed forces. The Committee will scrutinize very carefully each case which does not show that every effort has been made to train someone for the job or that definite plans have been made for someone to take over at the expiration of the six months deferment period. The facilities of the Division of Personnel Supervision and Management including its Employment and Training Sections are available for assistance in these programs when desired.

Oscar L. Chapman
Chairman, Committee on Deferment
of Government Employees,
Department of the Interior.

Enclosure.

APR 16 1943

My dear Mr. Secretary:

There is transmitted herewith a copy of a memorandum, dated March 16, 1943, signed by Herbert H. Lehman, Director, Foreign Relief and Rehabilitation Operations, Department of State, which relates to intra-blockade shipments of food and other supplies to occupied areas. The Department of State has requested the views of this Department with respect to the proposal outlined therein.

In view of the important military considerations involved in any such proposal, I would appreciate receiving the views of the War Department with respect to this matter.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of War.

Enclosure

File in Diary

Copy and copy of memo to Paul's
office 4/19/43

JWPehle:mgt 4/16/43

Delivered by Simmons 5:58 4/16/43

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.

- 3 -

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

- 4 -

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

OPR:LOsborne:VIC

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE APR 16 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. Neither the War Department nor the Board of Economic Warfare was represented, but BEW has since been consulted by State.

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 grounds 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 extensive campaigns to raise funds for shipments of supplies within the

- 3 -

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.

Since any decision with respect to this matter involves primarily military considerations, it is recommended

- 4 -

that State be advised that we are not prepared to comment on the proposal until we have obtained the views of the War Department. There is attached hereto a proposed letter to the Secretary of War.

Randolph S. Paul
RSP
HSP

Approved:

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

April 15, 1943

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

I am enclosing our compilation for the week ended April 7, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

April 16, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended April 7, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Enit. (E. M. B.)

inc:4/17/43

ANALYSIS OF RECEIPTS AND PAYMENTS ACCOUNTS
(In Billions of Dollars)

Week Ended April 7, 1941

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE			
	DEBITS				CREDITS					Total Debits (e)	Total Credits (e)	Net Debit (-) or Credit (+) in \$ Funds (d)	
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)				Net Incur. (+) or Debit. (-) in \$ Funds (d)
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	22.0	3.9	436.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	792.4	- 13.2	58.9	8.8	- 30.3
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	77.4	1,276.8	+125.9	18.5	4.4	- 14.1
1941													
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	+ 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.3
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.8	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
WEEK ENDED:													
Mar. 17	8.1	3.6	-	4.5	12.6	-	-	-	12.6	+ 4.5	-	-	-
24	16.2	8.0	-	9.7	31.7	-	-	5.0	26.7	+ 19.5	-	-	-
31	8.7	3.1	-	5.6	12.0	-	-	-	12.0	+ 3.3	-	-	-
Apr. 7	14.3	3.2	-	9.0	30.8(j)	-	-	-	30.8(j)	+ 18.5	-	-	-

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

See attached sheet for footnotes.

England (through June 19, 1940) \$27.6 million
England (June 20, 1940 to March 12, 1941) \$54.9 million
England (since March 12, 1941) 23.3 million

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes \$6.0 million deposited by British Ministry of Supply, \$4.8 million transferred from accounts in United States of British authorized Banks, and \$1.8 million received by order of the State Department.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended April 7, 1943

Monthly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds ^(a)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds ^(a)
First year of war War period through December, 1940	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war**	460.4	-	460.4	462.0	246.2	3.4	123.9	82.5	+ 1.6	72.2	16.7	55.5	51.2	62.9	18.3	+ 9.0
Third year of war*** 1942	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30 1943	48.2	-	48.2	43.9	2.9	-	-	43.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Apr. 7	30.1	-	30.1	101.8	-	87.7	-	63.8	+ 65.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Apr. 8 - Apr. 14	30.2	-	30.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.2	-	6.2	- 0.4
WEEK ENDED:																
Apr. 17	17.1	-	17.1	9.5	-	-	-	9.5	- 7.6	1.3	-	1.3	3.5	-	3.5	+ 2.0
24	2.3	-	2.3	11.5	-	-	-	11.5	+ 8.2	5.1	5.0	0.1	0.3	-	0.3	- 4.8
31	1.0	-	1.0	11.4	-	-	-	11.4	- 1.0	-	-	-	0.4	-	0.4	+ 0.4
Apr. 7	9.7	-	9.7	19.1(b)	-	-	-	19.1(a)	+ 2.4	1.8	-	1.2	15.3(d)	-	15.3(d)	+ 14.1

Weekly Average of Total Debits Since Outbreak of War
Through April 7, 1943 \$ million

- *For monthly breakdown see tabulations prior to April 23, 1941.
- **For monthly breakdown see tabulations prior to October 8, 1941.
- ***For monthly breakdown see tabulations prior to October 11, 1942.

- (a) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (b) Do not reflect transactions in Treasury Bills.
- (c) Includes \$ 1.5 million deposited Water Supplies, Ltd.
- (d) Includes 15.0 million held for credit of U. S. Army.

APR 16 1943

His Excellency:

We have been considering in recent months the problems relating to fiscal and monetary matters in countries liberated from Axis domination with the help of American Armed Forces.

In this connection, the Treasury would appreciate receiving any relevant material and recent information regarding fiscal and monetary problems in your country, including a memorandum setting forth your views on the appropriate provisional dollar exchange rates that might be set for koruna currency.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

His Excellency, Ladislav Petráš,
The Minister of Finance,
Republic of Czecho-Slovakia,
Pursercroft, Brown Street,
London, England

Del. to Legations by Simmons 4:03 4/16
Copy and list in Diary
Copies to White's office

WTS:MEP/uek
4/13/43

Same letter sent to:

His Excellency, Ladislav Feierabend,
The Minister of Finance,
Republic of Czecho-Slovakia,
Fursecroft, Brown Street,
London, England

His Excellency, Juraj Sutej,
The Minister of Finance,
Kingdom of Yugo-Slavia,
Kingston House,
Princes Gate, SW 7,
London, England

His Excellency, J. Van den Broek,
The Minister of Finance,
Kingdom of the Netherlands,
Stratton House,
London, England

His Excellency, Henryk Strasburger,
The Minister of Finance,
Republic of Poland,
London, England

His Excellency, Kyriacos Varvaressos,
The Minister of Finance,
Kingdom of Greece,
Royal Greek Government,
London, England

His Excellency, Pierre Dupong,
The Minister of Finance,
Grand Duchy of Luxemburg,
809 Sun Life Building,
Montreal, Canada

(over)

His Excellency, Camille Gut
The Minister of Finance,
Kingdom of Belgium,
c/o Belgian Embassy,
London, England.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: April 16, 1943, 2 p.m.

NO.: 549

Reference is made to the Embassy's no. 527, sent at 9 a.m., April 11, 1943.

In a communication over Mr. Kung's signature the Ministry of Finance has notified the Stabilization Board of a proposal by the Ministry to grant a 50-cent exchange allowance on the dollar to foreign diplomatic and consular establishments in China. There is no use of the word "subsidy". As far as procedure and eventual accounting are concerned the communication is somewhat lacking in precision. It requests the Board's attendance to the matter.

Our member of the Stabilization Board, Mr. Adler, will make a full report for the information of the Treasury and State Departments after the Board has met.

VINCENT

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

April 16, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Food Conference - In both Houses of Congress steps are being taken to secure Congressional representation at the International Food Conference to be held next month at Hot Springs. Congressmen from both Houses claimed it as their right since they would be called upon to draft legislation growing out of any agreements made at the conference. Consequently the Senate Agriculture Committee unanimously directed Chairman Smith to make a written request to the State Department for Committee representation. Representative Clifford Hope also introduced a resolution in the House providing that a five-man subcommittee of the House Agriculture Committee be present at the international food meeting. Hope condemned, too, what he called the "air of secrecy and mystery surrounding the conference." Representative A. Leonard Allen, agreeing with Hope, asked for Congressional representation at the refugee conference in Bermuda as well. Similarly, Representative J. William Ditter, Chairman of the Republican National Congressional Committee, said yesterday that banning of the press from the International Food Conference "imposed personally by the President" has "impaired his political ambitions." Ditter also claimed that "the anger of the people at the refusal of the New Deal to provide sensible taxation through pay-as-you-earn is another impairment."
2. Foreign Policy - A bitter verbal battle between Francis B. Sayre, Special Assistant to the Secretary of State, and Representative Bertrand W. Gearhart highlighted yesterday's hearings on the Reciprocal Trades Act in the House Ways and Means Committee. Gearhart reiterated his contention that the State Department had used Trade Agreement authority as a political instrument to encircle Germany with trade concessions granted to countries around her but not to the Nazis, and that such "trade encirclement" was a contributing factor to the cause of the present war. When asked for his opinion on the remark, Sayre observed it sounded

"pro-German" to him. Gearhart immediately flared up with denials and, calling Sayre "too contemptible for me to speak to further," huffily took his seat. Such personal vituperation in consideration of a policy which it feels will assure foreign nations of our good intentions in post-war cooperation, are exactly what the Administration is reportedly seeking to avoid. Meanwhile, the Senate Foreign Relations Committee considering post-war policy heard Senators Ball, Burton, Hatch and Hill testify in favor of their resolution. Although the meeting was held behind closed doors, general consensus of opinion is that the Committee will probably draft its own resolution.

3. Manpower - In its report on draft deferments, the House Military Costello Subcommittee yesterday charged the Federal Government, and industry to some extent, with "hit-or-miss" hiring of draft eligible men. It also claimed that "great numbers of government clerks" have been deferred "because of recently acquired titles and duties which served to impress draft boards with their essentiality." Meanwhile, Chairman Land of the Maritime Commission, whose agency has only recently come in for Congressional criticism, told the Senate Military Affairs Committee that a labor draft, such as provided for in the Austin-Wadsworth Bill, will be necessary "eventually, why not now?"

NOT TO BE RE-TRANSMITTED

COPY NO. 13

SECRETARIAT OF THE TREASURY
OFFICE OF THE SECRETARY
TREASURY DEPARTMENT
14 APR 17 PM 12 41

BRITISH MOST SECRET

U.S. SECRET

OPTEL No. 124.

Information received up to 7 A.M., 16th April, 1943.

1. NAVAL

Home Waters. 15th one of H.M. Trawlers was torpedoed and sunk by E-boats off HARWICH. Casualties heavy.

2. MILITARY

TUNISIA. First Army. 14th. 3 hill features 8 miles north-west of MEDJES EL BAB were secured during further progress in area north of BEJAMADJES AL BAB road. A local British attack north of SIDI NSIF was unsuccessful. United States forces have arrived in north of First Army Sector. On the extreme right of First Army, French forces continue to move forward and captured high ground north-east of DJEBEL CHIRICH (15 miles west of DJEBIBINA), during 13th they captured 450 prisoners.

8th Army. Our patrols continue to maintain contact with enemy just south of ENFIDAVILLE, and on the left they are operating in area of DJEBIBINA. The forward move of the main body continues and part of our armoured forces are concentrated in area south of KAIROUAN.

Commando Raid. 12th/13th. A Commando Raid was carried out on the north Tunisian coast. Task completed without casualties. L. of C. 11th/12th. A small detachment enemy parachutists landed south of ALGIERS and all 11 were captured. 12th/13th. A section of BONE-SOUK AHRAS railway (east of DOUVIER) was slightly damaged by a similar detachment. 3 enemy parachutists captured.

3. AIR OPERATIONS

WESTERN FRONT. 14th/15th. 860 tons of bombs dropped on STUTTGART.

15th. 12 escorted Venturas (B.34) attacked and possibly hit 2 ships at CHERBOURG. Fighter-bombers and fighters attacked airfields near HAVRE and also damaged 3 trawlers off DUTCH coast. Spitfires and United States Thunderbolts (P.47) carried out sweeps over northern FRANCE. A Hampton torpedoed a 6,000 ton ship off BARKUM. Enemy casualties, 2 - nil - 1. Ours, 4 missing. 15th/16th. Aircraft were despatched: sea mining 23, leaflets 5, Intruders 14.

TUNISIA. 13th. 36 United States Mitchells (B. 25) bombed OUDNA Airfield. 13th/14th. Allied medium and light bombers dropped 133 tons of bombs on landing grounds in KORBA and ST. MARIE DU ZIT areas. 14th. 25 United States Fortresses (B. 17) bombed EL AOUINA Airfield.

SICILY. 13th. Airfields at CASTEL VETRANO and MILO bombed by 51 escorted United States Fortresses.

SARDINIA. 13th. Cruiser GORIZIA hit during attack by 3 United States Lightnings (P. 38), each carrying a 1,000 lb. bomb. A further ship in PORTO TORRES was also hit. 14th. CAGLIARI-ELMAS and MONSERATTO airfields bombed by 50 escorted United States Fortresses.

(Classification)

..... ENCLOSURE
 COPY No.
 (For Record Section only)

MILITARY INTELLIGENCE DIVISION W. D. G. S.

MILITARY ATTACHE REPORT

FINLAND

FINANCIAL POLICY

(Country reported on)

8000

Subject I. G. No.
 Helsinki (Chief descriptive title) 729 April 15, 1943.
 From M. A. Report No. Date

Source and degree of reliability:
 "Ousi Suomi", Helsinki, April 14, 1943.
 B-2

SUMMARY.—Here enter careful summary of report, containing substance succinctly stated; include important facts, names, places, dates, etc.

1. In a lecture, Dr. K.O. Lohj of the Statistical Section of the Bank of Finland, pointed out that adjustment of State economy to war exigencies was slow and that the Winter War was almost entirely financed by borrowing from the Bank of Finland; loans from private banks were insufficient.

2. In the spring of 1941, a policy of issuing bonds was initiated which yielded about 10 billions, mostly absorbed by commercial banks, but no reduction of the public purchasing power was achieved.

3. A new borrowing policy was inaugurated in the autumn of 1942 by discontinuing the issue of short-term notes in favor of Treasury Bills, by continuing the floating of medium-term bonds and by proposing a compulsory loan.

4. Desirability of reducing the huge accounts current in private banks in favor of deposits which would facilitate investment in long-term Government securities; suggestion of turning part of the deposits into "frozen" accounts.

5. Recently adopted reduction of interest rate on Government loans should have been undertaken earlier; comparatively high interest failed to attract the public, but did attract the banks which preferred investment in short-term notes to discounting Treasury Bills yielding lower interest. Importance of avoiding borrowing from the Bank of Finland, which increases note circulation; this, in turn, increases commodity prices while commodities are not available in proportion to purchasing power.

Distribution by originator

Routing space below for use in M. I. D. The section indicating the distribution will place a check mark in the lower part of the recipients' box in case one copy only is to go to him, or will indicate the number of copies in case more than one should be sent. The message center of the Intelligence Branch will draw a circle around the box of the recipient to which the particular copy is to go.

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				X										
Ab	BE	CE	EE	EE	WE	FE	LA	SL	Cont.	Dissen.	Field Pers.	ASW	USW	ASWA
			2											
CHIEFS OF ARMS AND SERVICES														
Inf.	Gen.	FA	CAG	AC	AAF	Sig.	Armd.	Ord.	QM	CWS	Med.	Engr.	Fin.	

Attached at CG Phil. CG Pan. OG Haw.

Enclosures:

(Classification)

April 17, 1943
9:06 a.m.

HMJr: Hello.

Operator: Congressman Doughton.

HMJr: Hello.

Robert Doughton: All right.

HMJr: Good morning, Bob.

D: All right, Henry. How are you?

HMJr: I'm fine.

D: If I was you, I'd pay no attention to such cartoons - cartoons as that in the paper yesterday. That just honors you.

HMJr: Yeah.

D: That's the dirtiest paper living, anyhow.

HMJr: I thought it was a nasty thing.

D: Oh, that's just - well, it's no worse than the editorials about me though. Last night they had a mean one.

HMJr: Did they?

D: And they had another this morning. This - this staff correspondent here referred to me, and says "the diehards" - the "Doughton diehards" and all that rotten stuff, you know....

HMJr: Yeah.

D:but I don't - I just don't pay any attention to it.

HMJr: Yeah. I suppose you're right.

D: Yeah.

HMJr: I suppose you're right.

D: That - that's just what they'd like to think - like to know that it was worrying you or me.

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HMJr: Yeah. Well, I don't tell anybody.

D: No.

HMJr: Except my friends.

D: Well, you saw an account in the Post this morning about our meeting last night.

HMJr: Yeah, but I wondered what the truth was.

D: Well, it's a - that's about as near as you'd expect to get from a paper. I was wondering - I was going to call you and ask you - Paul's not here you see.

HMJr: No.

D: If you'd like to come down, Disney, and Jere and myself will talk with you, or if you want to send Shurley down - ain't that his name?

HMJr: Yeah - almost - yeah.

D: Yeah.

HMJr: Surrey.

D: He was down - Surrey - he was down the other day inquiring about it. I was

HMJr: Well

D: I was going to call and let you know, anyhow.

HMJr: Well, what

D: We have another meeting - the Democratic members today, and then we're meeting with the Republican members this afternoon.

HMJr: Well, what have you got in mind for me?

D: Well, just to go over these different proposals - that's all.

HMJr: Well, when would you like to do that?

D: How's that?

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HMJr: When would you like to do that?

D: Well, this morning if you could - Jere won't get in before eleven or eleven-thirty.

HMJr: I....

D: They don't - they don't come in as early as I do. I could phone back and let you know if you'd be there.

HMJr: Well, I'll be there. The only thing is I - I have a meeting with somebody from the Army from eleven until eleven-thirty, but....

D: Well, Surrey could come down and report back to you. We could give him all the data we have, if you'd rather.

HMJr: Well, I'd be available after eleven-thirty.

D: Well, you see eleven-thirty - but you wouldn't - could you be down here at eleven-thirty?

HMJr: Well, I - I....

D: Or would it be a little later?

HMJr: I could be there at eleven forty-five.

D: Eleven forty-five. Well, suppose you - I'll call you back. I think that will suit me exactly if you come here to my office.

HMJr: Yeah.

D: The new House Office Building, right on the first floor.

HMJr: I know. I could be there at eleven forty-five.

D: At eleven forty-five, yes.

HMJr: Yeah.

D: Well, I'll call back and let you know if it suits the boys.

HMJr: Will you? And you could get - Jere could get up a little earlier once.

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D: Well, I don't know about that. You see he's a much older man than I am.

HMJr: (Laughs)

D: You've got to be - have - show the proper consideration. (Laughs)

HMJr: Well

D: I been - I been in my office since seven o'clock.

HMJr: Ah - you

D: And we stayed here last night until nearly ten, but I feel fine as I ever did in my life.

HMJr: Well, I'll - I'll keep myself ready, but you'll - you'll confirm this.

D: Yes, I will. I'll call you back.

HMJr: Thank you.

D: Thank you. Good-bye.

HMJr: Good-bye.

April 17, 1943
9:40 a.m.

TAXES

Present: Mr. Surrey

MR. SURREY: According to the information I have, which I got late last night, this is a fairly accurate story of what went on last night. The committee clerk called me and said that Mr. Doughton wanted me down in his office at ten-thirty this morning, I gather, merely to get information from them and bring the information back.

Now, the thing that I would like to call to your attention in this story is this: The compromise plan which they are apparently considering is in part a satisfactory one, one which Mr. Doughton originally suggested, and one which you talked over with the leaders.

H.M.JR: Which is that?

MR. SURREY: That is to compute the 1942 tax at the 1941 rates and exemptions, which has in it that amount of forgiveness - about four billion dollars - and spread the balance over a number of years. The number of years which they apparently are thinking about is three years.

However, Congressman Dewey, Republican, made a suggestion as part of the plan that income tax rates be frozen for the next three years over which these payments for 1942 will be deferred. I would think that that would be undesirable at this time.

In the first place I don't think they will ever live up to it, and therefore it is both dishonest and immoral, and has a bad effect. You can't live up to it and get sixteen billion dollars; or if you do live up to it and say we will get just this amount from taxes and the balance from the sales tax, or the balance -

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it really forces a sales tax, I think, without any question - or the balance from compulsory savings, the Congress is being dishonest. To bind yourself to a freeze in wartime is just ridiculous, I think.

Now, that is the dangerous element of the compromise. They could say, of course, with all fairness, that any increases in taxes must necessarily take account of the additional burden that will result from the spreading of this unforgiven liability over three years, but I don't see how they can do anything more than that.

H.M.JR: What is the idea of doing this '41-'42 business?

MR. SURREY: In the first place, it gives you an amount of forgiveness, four billion dollars, making the doubling up that much easier, making the deferment - the number of years over which you have to defer - that much less.

It is emotionally and psychologically justifiable, if you have to justify forgiveness, by saying that we are merely going back to a rate schedule which the Congress had once adopted, the '41 rate schedule - it is a fair rate schedule, because we once had it in effect. That rate schedule was changed late in 1942 - in October of 1942 - so late in the year that most people did not anticipate those increases with respect to their 1942 incomes, and therefore, it is fair in a sense to say that we will leave the old rates.

H.M.JR: The '41?

MR. SURREY: The '41 rates on '42 incomes, because we could have said in October 1942 when we adopted the new rates that they should only apply against 1943 because the increase came so late in the year.

It has an emotional and psychological appeal which helps the Democrats who have opposed forgiveness by saying that this isn't really forgiveness; it is the

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substitution of an earlier rate schedule, which perhaps should have been allowed to stand for the full year, anyway, since the change came very late in the year. Aside from that it does distribute the forgiveness in an equitable and progressive fashion.

H.M.JR: Then what about - what do you spread over three years?

MR. SURREY: You spread over three years the balance of the 1942 tax.

H.M.JR: Which is payable in '43?

MR. SURREY: Yes. In other words, I think they would say that the payments in 1943 that have been made so far and which will be made in the balance of '43 will be credited against the 1943 tax on 1943 income so you will be current on 1943. You will have left hanging over the unforgiven part of 1942 liability, representing the difference between the four billion on the over-all picture forgiven and the ten billion we should have collected. That will be spread over three years.

H.M.JR: How are we going to get the extra sixteen billion that the President wants?

MR. SURREY: That is not stated here. If you freeze income tax rates under this proposal you will have to get it from a sales tax and some forced savings, if you get it at all.

The reason I say this forces a sales tax is this, that in the lower brackets, around about fifteen hundred dollars for a married person, the use of 1941 rates and exemptions relieves them of their entire 1942 tax. Those people will have no increased liability for the next three years. There is no reason why they shouldn't have some increases. They will say, "That is where the sales tax will come in." I don't know whether that was done consciously on their part or whether they just had the idea that if we are going to increase the burden in the

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next three years by doubling up we should tell the people that that will be the only increase, and therefore get over the mental hurdle there always is in a doubling up of taxes. I think that is what was behind it.

As I say, it seems to me a very inadvisable thing for Congress to agree to, because I don't think they could ever stand by that agreement. You just get the country more confused, and in a sense it is a dishonest proposition.

H.M.JR: I would be against freezing.

MR. SURREY: I think it would make your work just that much more difficult.

H.M.JR: I called him, you see, and he said they thought they could get them together by ten forty-five. I think you might just as well go up on the Hill anyway. He said he didn't think he could get Cooper there until that time.

MR. SURREY: I understand I am just to go up there and get information and carry it back.

H.M.JR: But he said something about you, and the implication was when I was there that you would be there with me.

MR. SURREY: I will stay up.

H.M.JR: Be in Mr. Doughton's office. O.K.

The Washington Post

APR 17 1943

House Chiefs Of 2 Parties Pursue Tax Compromise

**Doughton-Dewey
Suggestion Placed
High on List of
Pay-as-Go Schemes**

By Edward Ryan
Post Staff Writer

House tax leaders of both parties buried the hatchet yesterday and worked into the night in an effort to find a compromise tax forgiveness and pay-as-you-earn plan that could be put through the lower chamber and sent to the Senate before Easter, possibly by Wednesday.

Apparently high on the list of "dark horse" plans that might be offered to the House was one jointly authored by Ways and Means Chairman Doughton (Democrat) of North Carolina and a committee member, Representative Dewey (Republican) of Illinois and endorsed earlier in principle by rank and file members of both parties.

The plan's provisions:

First, inaugurating of pay-as-you-earn taxation with a clear-cut promise from Congress that for the next three years Federal income tax rates for individuals would be frozen at their present levels.

Second, it would treat taxes paid this year as settlement of liability on this year's income and start collections July 1 by withholding at the source on salaries and wages.

On Lower 1941 Rates

Third, the individual would

be called upon to measure his tax on 1942 income by the old lower rates and more favorable exemptions of 1941, and pay that amount over the next three years during the period of the rate freeze, in addition to paying current taxes at 1942 rates.

The compromise feature of freezing rates was suggested by Representative Dewey as an addition to the partial abatement proposal of taxing 1942 income at 1941 rates offered by Chairman Doughton shortly after pay-as-you-go hearings started in early February.

It was discussed, along with a variety of other compromise proposals, in an extraordinary night session, attended by Doughton, Dewey, and five ranking Ways and Means members. The same group will confer again today, and possibly tomorrow, in an effort to agree on pay-as-you-earn legislation. If an agreement is found, the plan will go to the full Ways and Means Committee and then to the House. Senate leaders have made clear any tax plan would get quick attention there.

Reopening of the drive for tax legislation came with a rush late in the third week of a deadlock that had already led Republican leaders of both Senate and House to block proposals for an Easter adjournment and two-week vacation.

Rayburn Takes Lead

Speaker Rayburn (Democrat) of Texas took the lead in reopening compromise negotiations and in the morning he conferred in his office with House Republican Leader Martin and House Democratic Leader McCormack, both of Massachusetts, and Chairman Doughton.

Martin had consistently demanded another chance for a House vote on the Ruml plan to abate one year of taxes for all individuals in starting pay-as-you-go. This plan, modified and contained in the bill by Representative Carlson (Republican) of Kansas was defeated late last month by 215 to 188 House votes. Doughton had suggested agreement to pass a no-forgiveness bill containing the

the withholding collection feature, but Martin protested.

At the end of the conference, Rayburn said:

"We're going to try to forget the Ruml plan, and all other plans, and try to work out something that will be acceptable to all concerned.

Martin said:

"We had a little conference to see if it was possible to reach a compromise."

Doughton observed:

"The Ruml plan couldn't pass, and neither could the committee (no abatement) plan. We'll probably get something different than anything we've had."

Later, Ways and Means Democrats met, Ways and Means Republicans met, and at 7 p. m. they met together. With Doughton and Dewey were Representatives Cooper of Tennessee and Disney of Oklahoma (Democrats) and Knutson of Minnesota, Woodruff of Michigan and Reed of New York (Republicans).

Very Conciliatory

Nearly two hours later, Doughton came out to report that the evening session had been "very friendly and conciliatory" and also that "we made progress." Asked about the Doughton-Dewey compromise plan, the chairman observed, "It's not dead yet."

Knutson said that the compromise had been received "favorably."

Very Much Alive

Members also said that the compromise of Representatives Robertson of Virginia and Forand of Rhode Island, Democratic members of the Ways and Means Committee, was "very much alive" in the conference. This would abate the combined normal and first bracket surtax of 19 per cent for all individuals, and collect higher liabilities on the present system.

Other ideas receiving renewed attention were said to include a Ruml plan with a "ceiling" on the amount of forgiveness, and a proposal to assess the income tax payable this year on the sum of this year's income and the tax on last year's income. The second plan, like the Ruml plan, would by-pass collection of the tax on income of 1942, but would boost the "take" from 1943 income.

April 17, 1943
10:20 a.m.

FINANCING

Present: Mr. Bell
Mr. Gaston
Mr. Robbins
Mr. Schwarz
Mr. Wanders
Mr. Smith
Mr. Shaeffer
Mr. Tickton
Mrs. Klotz

H.M.JR: Where is the statement, Wanders?

MR. WANDERS: I have it. Shall I read it?

H.M.JR: Yes, read it.

MR. WANDERS: "Secretary Morgenthau announced today that the half way mark has been passed in the \$13,000,000,000 Second War Loan Drive, and that total subscriptions to the close of business last Friday amounted to \$9,000,000,000, or about 70 percent of the minimum goal. He also urged continued efforts to increase the total subscriptions far beyond the \$13,000,000,000 minimum.

"It is particularly important, the Secretary pointed out, that the people generally subscribe to the securities offered in order to assure the most vigorous prosecution of this 'people's war against the malign forces of the Axis.' Every regular purchaser of savings bonds should buy an extra bond or two this month--"

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H.M.JR: May I stop you? You know me well enough now. You are off on an entirely wrong track, if you don't mind my saying so.

Have you had the advantage I have had to see the charts in there with Tickton?

MR. WANDERS: No.

H.M.JR: Then it is not your fault. If you would take a little time and go in there and see those things and see how few individual subscriptions we have and get that complete distortion of the thing, you see - I would like to place the emphasis and come right out and say, "It is lovely; we have subscriptions from the corporations and from the banks, but we just haven't got them from the individuals. Now it is very nice," and so forth, and give them the facts. This is not - we are not getting the thing from the people, and I am very disappointed. When you see the figures you will be, too.

That is the way I feel, but you didn't get the feel of the thing because when you go in there it is very shocking.

I also believe - I want Robbins to say what he thinks - in giving the people the facts. Supposing I keep saying, "I don't get through--" - all right, I have got to say it sooner or later that they haven't come through. I think the only way to get them to come through is to tell them the story. If you are in disagreement--

MR. ROBBINS: No, I am not. My only thought was that George bears down very heavily on that as the article progresses.

H.M.JR: No, he has an optimistic gleam, and I feel very pessimistic about this drive.

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MR. WANDERS: On the basis of the lack of wide-spread participation. The only thought I had was that there are, after all, twenty-six million people who are buying these things and we want them to buy another one or another two. That is what I said in here. I went on for the rest of it and quoted you for the next paragraphs, pointing out the necessity for that increased participation.

H.M.JR: Maybe you want to do the end first.

MR. ROBBINS: He may have it twisted. He hits an optimistic note first.

H.M.JR: It is unfortunate - we always learn--

(Mr. Shaeffer entered the conference.)

H.M.JR: These other people can stew a minute downstairs.

MR. ROBBINS: Sure. I have sent them upstairs anyway to do their work up there first.

H.M.JR: This is important, and I don't want to be fighting time.

MR. ROBBINS: We don't need to at all, because they have nothing to do but stand by for your convenience.

H.M.JR: Do you want me to go down?

MR. ROBBINS: No, they have other things that they can do. I have sent them upstairs to do those other things; when we are finished and you are ready, we will go down there.

H.M.JR: If I am not ready they can go down.

MR. ROBBINS: If they want to they can; if not, they can wait.

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(Mr. Schwarz entered the conference.)

H.M.JR: This thing is--

MR. BELL: I think that could be corrected in the first paragraph. "While we have done this, we haven't reached--"

H.M.JR: Wait until Mr. Gaston comes. You have the story?

MR. TICKTON: Yes.

H.M.JR: This is an important job, because what I started to say was, when we do the next one we have to tell these insurance people to hold up their subscriptions until the end. It distorts the whole thing.

(Mr. Gaston entered the conference.)

MR. ROBBINS: It does. There are several broad implications about this big-money business.

H.M.JR: Herbert, will you listen with the rest of us? I want Tickton to give you it on the individual subscriptions.

MR. TICKTON: On individual subscriptions, as of the night before last, close, total subscriptions were seven hundred three million. That consists of two hundred ninety-one million of E bonds; sixty-five of F and G; thirty-five of tax notes; a hundred and fifty-two of two and a half's; eighty-five of two's; and seventy-five of certificates. It was seven hundred three million out of a total, as of that close, of four point four billion of total subscriptions from non-banking investors.

Insurance companies and mutual savings banks had subscribed just about two billion dollars as of the close of the 15th. There may be another hundred or two hundred million to come from insurance companies, but

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apparently all of the New York subscriptions reported in the newspapers have already come into the figures so there is nothing much more to come from the insurance companies.

Corporations other than banks and insurance companies have subscribed sixteen hundred sixty millions. Of that amount two hundred fifty-six millions were in the two and a half's, and about the same amount in the two's. Eight hundred five million were in the certificates, and three hundred million, or thereabouts, were in the tax notes.

That four point four billions was - from non-banking investors the four-point four billions against an eight-billion-dollar goal represented fifty-four percent of the goal over-all. However, from corporations it was seventy-three percent, and from individuals only twenty-eight percent.

Now the point I made to the Secretary this morning, which is one thing that is very important in the individual-partnership subscriptions, is that the reliance upon the E bonds means that you don't have very much evidence the first week--

H.M.JR: Excuse me. I want you to emphasize that. Get from now on what he is saying.

MR. TICKTON: You don't have any evidence in the first week of the drive of the excess subscriptions to E bonds due to the drive, because it takes a week or ten days from the time the bonds are purchased to the time the money actually comes in. If you buy a bond over here at Garfinckel's - Garfinckel's probably reports to the Riggs bank once every three days, let's say. Riggs reports to Richmond once every three days. If there should happen to be a Saturday and Sunday in between, it would very well be that we at the Treasury wouldn't get the subscription in ten days from the date of the bond purchase until the money showed up.

H.M.JR: And then it doesn't show up.

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MR. TICKTON: That is something different. But if the drive runs to the 30th of April, actually the E bond drive portion doesn't run from the 12th to the 30th, but runs from the 18th or 19th or 20th to the 30th. E bonds are running a little below last month. That may be due to the closing up of all other - or a great many other promotional activities during the first ten days of April and the last few days of March so they wouldn't interfere with the drive, but it is just a couple of million dollars a day below.

In order for E bonds to go to nine hundred or a billion dollars for the month of April, you have to average fifty or sixty million dollars a day starting next Tuesday. Well, that can very well be averaged, but that compares with twenty-five million dollars a day for March, which, with the exception of December and January which had limit buying in them, represented the top month we ever had.

You have to double your March sales of E bonds for the last ten days of the month, at least for the reports, just to make from nine hundred to a billion dollars. If you get from nine hundred to a billion dollars in E bonds, in order to make your two and a half billion dollar individual goal you have to sell a billion two-and-a-half's to individuals. The last time you only sold a couple of hundred million of two-and-a-half's to individuals, and so far to date you have sold a hundred fifty-two of two-and-a-half's to individuals. That probably will come up normally, but it still isn't going to be easy. Two and a half billion dollars is a tough goal to be made from individuals.

MR. BELL: You got thirty percent of it.

MR. TICKTON: Yes, you have got thirty percent of it.

MR. BELL: Which is not so bad from a percentage angle.

H.M.JR: But the thing that bothers me--

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MR. TICKTON: That is right; it is hard going.

H.M.JR: If George Wanders had known this I don't think he would have started with an optimistic lead.

MR. WANDERS: I did know it, but I can't blink the fact that you got nine billion dollars in. You can't blink it either. That is what is going to get the headlines. Then I wrote a long piece explaining in just those terms what is necessary.

H.M.JR: I could get nine billion dollars, I mean, entirely from the banks, and it would be a lot of money.

MR. WANDERS: I know what you can do.

H.M.JR: Let me hear the rest.

MR. BELL: George thinks that even if you put the lead-off at the end it is going to be the headline in the paper. The thing to do is to hit the headline with the rest of this story.

H.M.JR: Give Mr. Gaston the benefit of the first paragraph.

MR. GASTON: I read it.

H.M.JR: Did you approve this?

MR. GASTON: I didn't know as many of the facts as I know now. I have some little question still about whether we want to have this optimistic assurance on this.

H.M.JR: This is important. Give me the rest of it.

MR. WANDERS: Let me read the quote I put in.

H.M.JR: You gave me one paragraph.

(Press release read by Mr. Wanders, copy attached.)

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H.M.JR: Now look, let me just get these - supposing I don't do this statement - you are going to get it in the Sunday papers. It has to be ready by when?

MR. SCHWARZ: Two or three o'clock is a good time, four o'clock even.

H.M.JR: Do we need a statement for the Sunday papers?

MR. SCHWARZ: I think they are looking for one.

MR. ROBBINS: I think we do, sir.

MR. GASTON: I raise the question of whether it wouldn't be better to tell the full facts instead of just a bare figure indicating that you have got almost three-quarters - about seventy percent - of your quota - total quota, which looks damned encouraging, and yet the facts are not so encouraging. I wonder what would be the objection to simply telling where this money comes from.

H.M.JR: Well, if you don't mind, I would like to get Smith and Albee down here to help us on this thing, because it is part of - I mean, if they are going to advise me personally on my public relations - and this is to go out - I don't want to be saying something Sunday - one thing this Sunday and the next Sunday something else. They can stop, can't they?

MR. ROBBINS: Sure, they are completely at your disposal.

H.M.JR: Where are they?

MR. ROBBINS: I don't know exactly.

H.M.JR: If I am going to have something, when would you want it?

MR. SCHWARZ: I think before four o'clock.

H.M.JR: You won't make the bulldog edition.

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MR. SCHWARZ: Two or three would be much better.

H.M.JR: They still won't make the bulldog edition.

MR. SCHWARZ: Yes.

H.M.JR: If I am going to do it, I will have to do it between now and eleven anyway. It is the only time I have. I will let you know.

(Mr. Schwarz and Mr. Shaeffer left the conference.)

MR. ROBBINS: My thought with reference to this was that it had in it the note that you wanted to strike and still preserve the dignity that must be used in a Cabinet officer's statement.

Now, a straight out-and-out shout of the facts will, I think - if it can be handled well, it would be fine, and maybe we can do it.

H.M.JR: I don't see why we can't. I don't see why we can't show those charts and build the story around those charts. That is what has got me. To simply say, "This is the situation of last night" - it is no good.

MR. ROBBINS: The great trouble there is we have to be careful because there may be literally ten or fifteen million people who already have bought one or more extra bonds who will read this statement; and if we build into it a note that the average citizen isn't coming through, they are apt to feel, "Well, that just doesn't fit me."

H.M.JR: If they get mad about it, all right; but supposing they write in and say, "Well, I have done it."

MR. ROBBINS: Then there is the other impact of this. The statement that you will put out is for the dual purpose of talking to the public and talking to our workers.

Now, if we could talk to our workers alone, we can lay this on the line pretty hard. You have got to sort of walk the tight rope between thousands of workers and millions of public.

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H.M.JR: This thing is much too long. It doesn't fit what I want to say at all. I mean, I am either going to say something that I feel or I would rather say nothing. If we can't do it by two o'clock, then I would rather take time and have something after we get through Saturday's figures and do it for Monday afternoon.

Just give out the allotment this morning. They won't be able to do it to suit me between now and two o'clock, because I have to see this Army officer at eleven, and I have to be up with Doughton at quarter of twelve. I won't be able to see them, and this is too important. I would much rather say nothing if it doesn't - I mean, it has got to suit me first. Then it has got to suit everybody else besides. That is fair, isn't it?

MR. ROBBINS: I think if it will suit you it will be all right, because the thing you are groping for is just what we want to do. I think we are unanimous on that.

(Mr. Smith entered the conference.)

H.M.JR: Let's just do this a minute; let's just adjourn into the chart room a minute.

(The Secretary not present at the following, held in chart room.)

MR. BELL: While the figures look excellent on their face, they do not tell the whole story. "We are not getting enough money from the individual investor" right in the first paragraph and then go on.

MR. GASTON: Why not tell the whole story?

MR. TICKTON: The story is something like this: The eight-billion-dollar goal for non-banking investors has been approached by about half - four and a half billions. Insurance companies and mutual savings banks have already taken their share, approximately two billions.

There may be another hundred million worth of subscriptions coming from them, but they have taken their two billions.

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Corporations other than banks and insurance companies have taken about a billion and three-quarters out of their share, which is three and a half billions. They are coming along fast and they are taking more of some of the securities than we expected them to, and can be expected to come through with theirs and probably over-subscribe.

Individuals, however, have subscribed seven hundred million out of a total of two and a half billion. Individuals are subscribing largely in E bonds; but because of the mechanics of the issuance of E bonds - because there are fifty or sixty thousand issuing agents, and because of the large number of A bonds that it takes to represent something in the neighborhood of a hundred million dollars - that is, if ten million people bought one E bond of the twenty-five dollar denomination, that would be one hundred and eighty-seven million dollars, which is a small portion of this drive, and yet it is a large number of bonds that would have to be issued.

MR. GASTON: Isn't the net of it, Sid, that the drive hasn't shown any effect yet in increasing the--

MR. TICKTON: There is nothing to indicate that there has been any increase in E bonds yet, but starting next week we will get some of this money that was sold this week.

In order to reach, say, a billion dollars of A bonds in this calendar month - during the balance of this drive - we would have to issue E bonds at a rate more than double what has ever been issued before. In other words, the money would have to come into the Treasury at a rate of between fifty and sixty million dollars a day, which is double the normal rate of twenty or twenty-five million dollars. So in order to get two and a half billion dollars from individuals, we have a relatively tough job ahead.

The money from the corporations comes in early, because for the most of them April 15 is a day the securities are dated and they are interested in buying them as of that day or within the next day or two. But the individual job has only been done about twenty-eight percent, as against the corporation job having been done about seventy percent.

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By the close today that seventy may be up to ninety, but the individuals only in the neighborhood of thirty or thirty-five. But the picture is not optimistic because of the individuals - because of the plain mechanics. It will take time to get that money in.

If you want to get that money in by the first of May you have to do an awful lot of moving. You may have to sell a billion dollars of two-and-a-half-percent bonds to individuals. That compares with a couple of hundred million that were sold in the December drive. There isn't any reason to say they can't be sold, but in December it was strictly a cream-skimming proposition. You have to have some evidence that a very substantial grass-roots job is being done on two-and-a-half's before you can be sure that you will sell a billion dollars of two-and-a-half's between now and the end of the month.

MR. GASTON: We expected the sales to individuals to be relatively slow, didn't we? But they are probably slower than we anticipated. Isn't that true?

MR. TICKTON: What we would have to have would be some very distinct evidence that there was a large volume of two-and-a-half's being sold to individuals at the moment. We don't have it. I don't know whether we have any evidence.

MR. ROBBINS: Of course the more successful you are in selling the E bonds, the slower will be the process of clearance.

MR. TICKTON: The more successful in selling E bonds the slower until next Tuesday or Wednesday, but in order to - that is, if you tried to sell - if you hoped to sell, say, a billion and a half of E bonds in this period, your mechanics would be tied up to the extent that you wouldn't get it until, say, the 25th or 26th. It wouldn't show up. But in order to sell a billion and a half of E bonds, that would mean twenty million people would have to buy another hundred-dollar bond this month. That is a lot of people, particularly since the total number of hundred-dollar

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bonds - the total number of hundred-dollar bonds we sold last month was in the neighborhood of two million, less than two million - a million and three-quarters. So we would have to have twenty million people buying a hundred-dollar bond in order to get a billion and a half of E bonds this month. It isn't likely - that is, you are running into the limit when - your limit sales are going to prevent you from getting E bonds to give you a billion and a half in this particular month, because of the relative mechanics.

But the Secretary's point which he made before this meeting when he saw this this morning was that he hadn't realized how hard this individual goal was going to be and he didn't feel optimistic because of the fact that it is difficult.

MR. BELL: Of course they don't have to buy E bonds to make the goal. They can buy two-and-a-half's, and many will. So the average brings twenty million down to maybe ten million.

MR. TICKTON: Those are the points I made. There is quite a variation in the subscriptions by Federal Reserve Districts. San Francisco and Boston are way down on individuals.

MR. BELL: Frankly, I am not so discouraged.

MR. GASTON: I don't think the picture is too bad.

(The Secretary entered the chart room.)

H.M.JR: This Army officer has been sent over here to tell us about Red Oak. Then I have to go on the Hill.

What is your answer?

MR. SMITH: I am just hearing now.

H.M.JR: You say you have heard plenty?

MR. SMITH: Yes.

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H.M.JR: My own feeling is, I doubt whether you can do something that is going to satisfy me by two o'clock. Are you going to stay here Sunday?

MR. SMITH: Yes.

H.M.JR: Why not let's take our time and try to get something out by Monday.

MR. ROBBINS: On that I hope we can have a substantial statement, not in terms of length, but a forceful statement for you for the Sunday press. I think we can make the front page of every important Sunday paper in the country, and I think we can--

H.M.JR: Then give them something for Sunday morning. The bulldog edition is made up by noon.

MR. GASTON: That doesn't amount to a great deal.

H.M.JR: I think you will get a better play Monday.

MR. GASTON: If you get a release by four o'clock this afternoon, you will get plenty of coverage in the Sunday papers.

MR. ROBBINS: I think we can have something by four o'clock this afternoon that you will like.

H.M.JR: Well, try it.

MR. WANDERS: The Sunday paper is the most widely read of all the papers.

H.M.JR: You try it. I want you (Smith) in there with me from eleven to eleven-thirty, and then at eleven-thirty you will be free to turn in on this thing.

What I would say, if I had the time to sit down, would be to say, "In the number of dollars, fine; it shows the country is ready and wants the thing," and so forth. "But what we want is not the number of dollars; we want the number of people to show their interest in the war. Come on, people; let's get in on this thing!"

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The reason I am not satisfied is on account of this stuff here (indicating charts); there is something wrong.

With all due respect to Tickton who, while he is a statistician, is still an optimist. (Laughter) Whenever we have this drive he always says, "Ten days late" - if it isn't coming now it is not going to come in ten days from now. I have seen too many of these things. If it comes, it is there; the bulge is there, and it comes.

We still have time - one-third of the time is passed, and we still have two weeks. I am going to say something. I want to address it - if it is a people's war, where the hell are the people? The fact that they are on pay-roll allotment - all that doesn't mean anything.

The fellow at Norfolk who is playing a game of pool for fifty dollars - we haven't reached him.

MR. GASTON: Does that mean giving the figure, in your conception of it?

H.M.JR: What you said here, Herbert - give them the facts. Give them this - I would give them this (indicating charts). I would give them the facts. When we are through and they want to jump on us and say we haven't made good, they are right. Next time we will try to do better. I am not scared of it.

MR. ROBBINS: No, and, after all, these are the people's facts. That part of it I agree to very heartily.

H.M.JR: If I might also say, in my statement - I think I would limit it to three hundred words, and then they will carry it. You must have a thousand words there.

MR. WANDERS: About six hundred.

H.M.JR: I would cut it in half.

RELEASE SUNDAY

Secretary Morgenthau announced today that the half-way mark has been passed in the \$13,000,000,000 Second War Loan Drive, and that total subscriptions to the close of business last Friday amounted to \$9,000,000,000, or about 70 percent of the minimum goal. He also urged continued efforts to increase the total subscriptions far beyond the \$13,000,000,000 minimum.

It is particularly important, the Secretary pointed out, that the people generally subscribe to the securities offered in order to assure the most vigorous prosecution of this "people's war against the malign forces of the Axis." Every regular purchaser of savings bonds should buy an extra bond or two this month, and every holder of idle funds should invest his or her money in one or more of the securities in the Treasury basket, the Secretary said. Not only is this necessary for winning the military war, but also for restraints upon inflation, he added.

"I am delighted by the patriotic response of those investors who already have contributed to the current drive," Mr. Morgenthau said. "I must point out, however, that there are many others who have not yet done their part in assuring the full success of this drive. All of us, whether or not we have purchased securities, must examine our consciences and study our personal finances, with a view to fullest possible participation in the effort. Anything short of this will hardly seem fair or admirable to our men at

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the fronts, who are giving their lives while we at home only lend our money.

"This is a People's war--a war against the malign forces of the Axis, which must be stamped out if peace and sanity are to be restored to the world. There is no room for smugness or complacency in the struggle and no stopping at any half-way mark. Our drive for \$13,000,000,000 must be regarded in the same light.

"Reports reaching the Treasury show that some counties and towns already have completed or are approaching the quotas of subscriptions set for them. This is laudable and suggests that State areas and perhaps entire Federal Reserve Districts may be able to attain their quotas for non-banking subscriptions long before the drive ends.

"But I should like to point out, with all possible emphasis, that quotas for districts, regions, states or communities are only the bare requirements of the moment, and that the needs of our armed forces for this year alone represent a multiple of the quotas. The effort during the drive must not flag because a quota has been met or even exceeded. A victory on this home front is like a victory in the military war-- it is only part of the grand campaign which leads to ultimate triumph over the forces of evil and darkness. No soldier can relax his vigilance after a single battle is won. No investor can fold his arms after a quota is met.

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"This drive will be truly successful only if the goal is far exceeded and if many millions, rather than many thousands, of buyers take part. I do not wish to minimize the results so far achieved. But I must emphasize that the flashing rapidity with which the total mounts in the early days of the campaign is illusory. Enormous investment institutions, like the insurance companies and savings banks, come forward promptly and subscribe in huge amounts. Such subscriptions, however large and important, are relatively few in number.

"It is the great and growing number of smaller investors, individual, corporate and institutional, who must come forward and support with their fighting dollars the men at the real fronts. Too much borrowing from commercial banks might bring on inflation, and such borrowing in this drive is strictly limited to \$5,000,000,000. A minimum of \$8,000,000,000 of borrowing is to be done this month from non-banking sources, and everyone with current income or idle funds must contribute to that total and enlarge it. Every one of us, regardless of pursuit or position, is vitally concerned in this.

"To those who already have done their utmost - and there are many of them - I wish to express my thanks. The army of volunteers in this campaign, the many who are contributing time, effort and money in support of the drive, are especially worthy and deserve commendation. Much more remains to be done, and to the degree that it is done overwhelmingly, it will stimulate an overwhelming victory."

April 17, 1943
11:07 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Cong. Robert Doughton: You, Henry?

HMJr: Yes, Bob.

D: About the conference this morning....

HMJr: Yeah.

D: Mr. Surrey's here and, as I told you, Mr. Disney and Mr. Cooper, and we've just talked it over....

HMJr: Yeah.

D:and we think it might be best to leave any conference between you and me or you and the - our friends here....

HMJr: Yeah.

D:a little later.

HMJr: All right.

D: In other words, if you'd come down this morning they'd say that you were thrusting yourself into it and trying to dictate what was being done.

HMJr: Yeah.

D: And the Republicans are looking for every conceivable excuse under heaven.

HMJr: Yeah.

D: You understand that, don't you?

HMJr: I understand.

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D: And Surrey will apprise you - acquaint you with just exactly all we know about it as he comes back, and then after he talks with you, why you or he, either one, call me again.

HMJr: Okay.

D: And if I - if I think it will be helpful at all or you think it is, why, we can get together a little later in the day.

HMJr: Okay.

D: All right, thank you.

HMJr: Thank you.

April 17, 1943
11:10 a.m.

FINANCING

Present: Mr. Gaston
Mr. Robbins
Mr. Smith
Mr. Albee
Colonel Connor

COL. CONNOR: We have very limited information on this matter that you are interested in. I want to show you this (indicating map). This gives a little outline of the situation of this unit of the 168th, which is the regiment you are interested in.

H.M.JR: We are going to Red Oak, Iowa. And it is the 168th?

COL. CONNOR: Yes, sir.

H.M.JR: Was this a National Guard unit?

COL. CONNOR: Yes, sir, an Infantry regiment. The main division is back up in here in this area (indicating), but this had been detached at Ksaira as a part of a combat force. When Rommel broke out he came this way and circled both of these elements (indicating).

I have here a little summary of all the information we have on it (indicating Summary No. 1, copy attached.)

There was tank action all through this area (indicating). This unit was cut off, and as the fighting drifted over to Sbeitla, the Kasserine Pass, they were isolated there.

H.M.JR: Is this known as the "Battle of the Kasserine Pass"?

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COL. CONNOR: No, sir, this is the Faid breakthrough.

H.M.JR: What was the date?

COL. CONNOR: Here are the dates. "On Feb 13 disposition of the American force in the Faid Pass Sector was substantially as shown on the attached map. On the morning of Feb 14 the enemy advanced west of Faid in a 2-pronged tank movement along the Faid-Tebessa road. This movement involved 1 Group of approximately 50 tanks and a 2nd force of approximately 20 tanks. A chronological account of the action on the morning of Feb 14 follows."

Here is a little summary I have drawn up. (Copy of Summary No. 2 attached.)

I have talked to General Ward, who was over there, and to his aide. I tried to get General Stark, who is at Birmingham, but he has left there and will be in here about noon. I may be able to get a little more information.

Now, I was over there just after this happened for a few days, but I didn't have any personal knowledge of it and I wasn't able to get out in that country at the time, of course.

But about all that is known of that unit that you are interested in is that it was surrounded and isolated. It apparently was not involved in action in the armored combat. And finally General Fredendall sent word by radio to break out. They acknowledged receipt of that radio message, and that was the last heard of them except for a few stragglers of the reconnaissance unit that was attached to that regiment coming in later. It is presumed they were all captured. In fact, we know a lot of them were because we received their names.

H.M.JR: Was this an Infantry regiment?

COL. CONNOR: Yes.

H.M.JR: And you think the whole group was captured?

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COL. CONNOR: It was an Infantry group, the first battalion. There are three battalions to a regiment.

MR. GASTON: Do you have any idea how extensive their losses were before being captured?

COL. CONNOR: I don't know that they had any, because it was an armored engagement, circling around on the plains, and they were holding this mountain. We don't know that they were attacked at all until they were ordered to break out.

H.M.JR: What does that mean, to break out?

COL. CONNOR: To try to break through the enemy lines and come back to the Kasserine Pass where our own forces were.

MR. GASTON: If they tried that they must have suffered heavy losses - probably.

COL. CONNOR: If there was much of a fight. Of course there is little water in that area. It is semi-desert country, and they may have had to surrender due to lack of provisions rather than in an actual combat.

H.M.JR: Coming from this town of Red Oak there were supposed to have been eighteen.

MR. ROBBINS: Yes, and thirty-nine from Montgomery County.

MR. SMITH: Wasn't that later corrected? They weren't strictly casualties. They had gotten telegrams that they were missing in action. I thought one of the later stories said that the word began to filter in from the Red Cross that some of the people were captured.

COL. CONNOR: I think they were listed as missing in action. Of course we carry everything as missing in action until we get the information through the Swiss or the Red Cross that they are actually in prison camps in Italy.

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H.M.JR: Do we know how many men came from Red Oak, either casualties or missing?

COL. CONNOR: I would have to look that up. I don't think we would have that information yet, sir.

H.M.JR: Could I have everything that you have got?

COL. CONNOR: I will have the personnel section make you up a list of any casualties they know of from that area.

H.M.JR: I would like that very much.

COL. CONNOR: From Red Oak?

H.M.JR: Red Oak, Iowa.

COL. CONNOR: I don't handle that, but there is the personnel section that should have all the information that is available on it so far.

H.M.JR: You know what we are trying to do?

COL. CONNOR: Yes, sir.

MR. ROBBINS: This is Company M, which was the local State Guard Unit - National Guard Unit - and they referred to it in the article that we had. The Tribune sent a reporter out to write it up, and they referred to it in their article as Company M.

H.M.JR: I would like to get all the information I can on the boys listed from Red Oak who were in this outfit and what has happened to them.

COL. CONNOR: All right, sir, I will check that.

H.M.JR: I would like that by Monday morning.

MR. GASTON: And the county, too.

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MR. ROBBINS: Montgomery County.

H.M.JR: Red Oak and Montgomery County, so that when we go there we ought to at least know as much as the people locally know; and we ought to have it correct.

COL. CONNOR: You see, our reports that we get on any of these actions come in with more or less the larger units, and they don't go down to giving details of small units. So we have no record here of the details, not in the Operations Division. That will have to be determined later from the histories of the different units.

H.M.JR: Well now, this thing (indicating Summary No. 1) - is this public property or is this confidential?

COL. CONNOR: Well, that is confidential.

H.M.JR: I mean, I can't use any of that on the broadcast?

COL. CONNOR: Yes. The reporters have reported most of that already, that Rommel's tanks broke through that pass and circled these hills. There is nothing there that would be of any danger to us.

H.M.JR: I mean, I want official confirmation I can use that.

COL. CONNOR: Yes, you can use that.

H.M.JR: Now, what about this (indicating Summary No. 2)?

COL. CONNOR: Everything in there you can use.

H.M.JR: Supposing you (Albee) take a look at these and see if they are too military for you. (Summaries handed to Mr. Albee) See if you can understand them. If you can't, now is the time to ask the colonel.

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MR. SMITH: It would be interesting to have that map.

COL. CONNOR: We made that up to give you a picture of the geography.

H.M.JR: Unless I hear to the contrary, what you have given me this morning I can use publicly, is that right?

COL. CONNOR: Yes, sir.

H.M.JR: I think it is very important to know about the men from the town and the county.

They work Sundays, don't they, in the War Department, so I could have it by Monday morning?

COL. CONNOR: Yes, I will get them on it as soon as I get back.

MR. ALBEE: It is perfectly clear.

H.M.JR: Is that all right?

MR. ALBEE: Yes.

H.M.JR: You hang on to those, please (indicating summaries and map).

Smith and Albee, what else do you need from the colonel - basic information - to write this stuff?

MR. ROBBINS: It would be interesting if we could find out about whether the original unit that came from that part of the world has received citations or whether any of the individuals have received citations. Would that information be available?

COL. CONNOR: I think so.

MR. ROBBINS: We are not only interested in the casualties. We will talk about casualties, yes, but we

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are interested in triumphs as well, and there must have been some of those.

COL. CONNOR: I don't think that any of those units have received any citations. I am sure they haven't because this was the first action that that unit was in. That was the 34th Division, and I don't think it had been in the front at all before this. It has just lately come up from Oran.

MR. ALBEE: How new were they? They were green men. How green were they?

COL. CONNOR: The 34th made the landing at Oran - the 34th Division, which included this unit - immediately after November 7. But they had not come up to Tunis - I would have to look that up to know just when the division arrived in Tunis.

MR. ALBEE: I just needed a rough figure - boys who had been in action only a few weeks is quite enough for my purposes.

MR. SMITH: Could we find out whether any of those stragglers from the reconnaissance were people from out there? That would make an interesting story, if one of them had been. Would you have any record of that?

COL. CONNOR: I doubt if that information would be available because they wouldn't report men who got back. They would only report the casualties.

MR. ALBEE: Would a man who straggled back report to his C.O. on what the action looked like from his personal point of view? Would there be any record of that available?

COL. CONNOR: There would be in Tunis. General Patton has seen all these people. But, as I say, our reports that come back here give too general a picture for us to get anything like that.

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When I was over there I could have gotten the details of it, but I was interested in the future and not so much in the past. (Laughter)

H.M.JR: Could you get off a cable and get some human interest story?

COL. CONNOR: We couldn't get it by Monday.

H.M.JR: No, but even later. Who would it go to, General Patton?

COL. CONNOR: Yes.

MR. GASTON: Ask the press associations to get some stuff.

H.M.JR: I would like you to make the effort to get a cable off, and ask them to answer you as promptly as possible - have they got anything good, a human interest story that they could tell me about this particular outfit. That would be something fresh which hasn't been used.

COL. CONNOR: I will do that.

MR. ROBBINS: I think, Mr. Secretary, if Smith could take a minute here and give the colonel just a little of the feel of what we are trying to do--

H.M.JR: Do that.

MR. SMITH: We are going out to this little town, and we are going to try to use those people out there who feel very deeply about the war as samples of people who feel very deeply about the war and spread that through all the country. We have the editors organized to pick up the kind of material that we send out, and they are on their own just to look at that and get sparks of genius and go out and do the same things.

So we want to build the whole connection between this little town and the war just as tightly as we can.

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We want to bring the war and war bonds together closer than they have ever been brought before in any of these bond drives or any of the stuff that has gone on.

We keep talking about bonds and the war generally, and inflation, and everything else, but in this particular thing the war bond has to be a symbol of everything that has happened in Red Oak, Iowa, you see. That is the function of this whole operation.

So we want to have all the information - the Secretary should have all the information he can possibly have.

If while you are cabling over there maybe the captain of that regiment, or whatever he is captain of - the man that is closest to these men might be available to make some sort of a statement that could be passed to these people which would get them very excited and get them interested.

Mechanically one of the things that we have got to do is get the people in Red Oak so excited about this thing and to feel so strongly about it that that will spill over into the reporters that are there and they will pass it on. So any kind of personal information or explanation of what happened would be very helpful.

I think we might even take this map and maybe build in pictures of the tanks coming in and everything, and blow the thing up, and put it in the auditorium behind you where you are speaking, so they can all see it.

COL. CONNOR: I could have blown that up for you, but I was rushed.

MR. SMITH: Would it be permissible from a military standpoint to draw pictures of General Rommel's tanks?

H.M.JR: Can't you do that for us?

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COL. CONNOR: I could give you a lot more than this. I have been trying this morning to get in touch with General Ward and several other people who were there, and as a result I rushed getting it out. But I can make that a good deal more comprehensive - that is, as to the general picture. I can't give you much more about that one unit because, as I say, they know very little about it. They broke radio contact, and we know nothing more. But I can give you more of the picture of the general action.

MR. SMITH: That is right, and the location of that particular group in the general action.

I will tell you, the thing I keep thinking of here is the picture in the Daily News when somebody gets murdered, with all the details, this and that and the other. Give the place where the stragglers got through, and so on, so that in just one glance at the thing you get the whole complete picture. That would be very eloquent.

MR. ALBEE: Could we have some general reconnaissance of that area? It is the most damnable area to operate in I have ever seen - the canyons. We could give some conception of how tough that is, to get around there.

COL. CONNOR: I have been down through there. It is almost like Arizona.

MR. ALBEE: I know the country. I have been there. It is miserable.

H.M. JR: But you get the idea, and could you come back Monday?

COL. CONNOR: What time on Monday?

MR. ROBBINS: We have an organization meeting on this whole plan Monday at three. That is set up with the producers of the show and some others.

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H.M.JR: Why wouldn't that be as good a time as any?

MR. ROBBINS: We will have everybody who is involved in on Monday at three.

H.M.JR: They might as well get it first-hand.

MR. ROBBINS: Any time between three and five that group will probably be digging into all that information - those two hours and probably a great many more. We could interrupt whatever they are doing if you arrive any time after three.

H.M.JR: Let's say three o'clock. I wish you would get off some cables and tell them to step on it on the other side, because this is good for the Army, you know. It isn't just selling bonds. I am going to great effort on this. I want it good.

COL. CONNOR: I will get everything that we can possibly assemble.

The breakthrough by enemy tanks on Faid-Sbeitla Road was coordinated with another breakthrough consisting of approximately 12 enemy tanks, as noted above, moving from Maknassy west through the hills to the Gafsa-Sbeitla road thence north along the road toward Dj. el Hafey.

The 168th Inf less the 1st Bn at Dj Ksaira were under command of Col. Drake. The 1st Bn of the 1st Arm'd Infantry, initially located at Dj Lessouda, was under command of Lt. Col. John K. Waters. This Bn assisted in the counterattack that was launched by Combat Command "A". This force then withdrew along with other elements of the 2nd Corps.

The force under Col. Drake was trapped by the action. Orders were issued to this force by radio to attempt to break through which was done without success. This force was therefore either killed or captured except for a few stragglers that were able to make their way through the battle zone, mostly members of the reconnaissance unit with the 168th. Radio contact was lost just after order to break out was issued so few details are known.

On Feb 13 disposition of the American force in the Faid Pass Sector was substantially as shown on the attached map.

On the morning of Feb 14 the enemy advanced west of Faid in a 2-pronged tank movement along the Faid-Tebessa road. This movement involved 1 Group of approximately 50 tanks and a 2nd force of approximately 20 tanks. A chronological account of the action on the morning of Feb 14 follows:

ENEMY ADVANCE WEST FROM FAID AND AT

0715 REPORTED IN AREA OF ROAD JUNCTION 5 MILES NORTHEAST OF SIDI BOU ZID WITH 20 TANKS. AT THE SAME TIME SIDI BOU ZID WAS DIVE-BOMBED BY 11 STUKAS.

0930 COMBAT COMMAND "A" STRONGLY COUNTERATTACKED SOUTH OF DJEBEL LESSOUDA AND LATER WAS FORCED TO WITHDRAW SOUTHWEST HAVING SUFFERED HEAVY TANK CASUALTIES.

1030 ENEMY INFANTRY REPORTED MOVING WEST FROM FAID.

1120 50 ENEMY TANKS WITH INFANTRY AND ARTILLERY REPORTED NORTHWEST OF DJEBEL LESSOUDA ADVANCING SOUTHWEST TOWARD FAID - SBEITLA ROAD.

1140 30 ENEMY TANKS REPORTED ADVANCING NORTH FROM AREA 20 MILES SOUTH OF SBEITLA.

HEAVY ARMORED BATTLE TOOK PLACE THROUGHOUT ENTIRE MORNING IN SIDI BOU ZID AREA.

1300 FORCE(re 1140)AT OUED EL FEKKA. EARLY AFTERNOON 2 GROUPS OF ABOUT 6 TANKS EACH REPORTED FARTHER SOUTH. ONE GROUP ADVANCED TOWARD DJEBEL EL HAFEY AND THE OTHER GROUP MINED ROAD IN AREA 25 MILES SOUTH OF SBEITLA.

1430 20 ENEMY TANKS REPORTED 15 MILES EAST OF SBEITLA ADVANCING WESTWARD.

1800 ABOVE FORCE REPORTED IN AREA 6 MILES WEST OF DJEBEL LESSOUDA.

April 17, 1943
12:23 p.m.

HMJr: Hello, Rudolph.

Rudolph
Forster: Yes, sir!

HMJr: A friend of yours by the name of Norman
Thompson and Mr. Gaston and I are sitting
here....

F: Yeah.

HMJr:and the question comes up about continued
deferment for the White House police. Hello?

F: Yeah.

HMJr: And I'm not going to do it any more.

F: I wouldn't. I haven't deferred anybody.

HMJr: Yeah, well....

F: I don't care who the devil it is, nobody around
here.

HMJr: But you know the White House police are - have
been deferred?

F: They have?

HMJr: Did you know that?

F: No, I didn't.

HMJr: Yeah. Now here - here's the thing. If we get
short of men, what I propose to do is -- you
know these little - the men on the grounds,
you see?

F: Yeah.

HMJr: And if we get short, it's just to move some of
these military police in there to take their
place.

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F: Yeah.

HMJr: Now I know the President didn't want anybody inside but - my God, you go through the Left Wing there and there's three or four young, non-commissioned Marine officers sitting around on their....

F: Uh huh.

HMJr:not doing anything.

F: Uh huh.

HMJr: And I don't think he'll ever know it.

F: No, I don't either, and I think you are exactly right. I don't believe in deferring.

HMJr: Well, if you think I'm right I think we'll just go ahead and not bother the President, you see?

F: That's all right. You're boss of the force anyhow.

HMJr: Well, it's a little bit different but....

F: Uh huh.

HMJr:but we've taken care of the Secret Service detail....

F: Yeah.

HMJr:that looks after him personally. You know about that?

F: Yeah.

HMJr: But I don't see why we should defer these White House police.

F: I don't either.

HMJr: Well, all - well, I think we'll go ahead and if we're short, we'll put a few of the soldiers in these sentry boxes.

- 3 -

F: Uh huh.

HMJr: But - but inside the House we'll keep them
police or Treasury guards.

F: Uh huh.

HMJr: How's that?

F: That's right.

HMJr: Okay.

F: Fine.

HMJr: Thank you.

F: Goodbye.

April 17, 1943
12:35 p.m.

Stanley
Surrey: Mr. Disney, Mr. Cooper, and Mr. Doughton were
there.

HMJr: Yeah.

S: And Mr. Stamm's Joint Committee Staff.

HMJr: Yeah.

S: And they were talking over the matter gener-
ally and asked me what I thought about the
compromise suggested in the pulp. I said
that the first part of the compromise is all
right but to freeze was very bad. I believe
that they agreed with - with me on that.

HMJr: Yeah.

S: The - they didn't think it desirable for you
to come up....

HMJr: No, they told me that.

S: Well, the reason was that this is so political
and the Republicans are looking for every out.

HMJr: That's - they're right.

S: Yes.

HMJr: They're right.

S: Now they're meeting with the Democrats now,
and then the Republicans and Democrats are
going to meet this afternoon.

HMJr: Yeah.

S: But there's no indication yet of any compro-
mise. Mr. Doughton is willing to - he wants
to try to get a bill out.

HMJr: Yeah.

S: He's willing to go to some forgiveness and
Mr. Cooper is, but not much beyond the for-
giveness based upon '41 rates and exemptions.

- 2 -

HMJr: Yeah.

S: Mr. Disney is still against any forgiveness and wants to spread the 1942 tax over ten years.

HMJr: Yeah.

S: The Republicans apparently, they think, are not seriously talking compromise yet. They're just flirting and trying to put the Democrats in a vulnerable position.

HMJr: I see.

S: And if there's anything that you wanted to get across to Mr. Doughton....

HMJr: No, the only thing that I wanted, I didn't want to freeze the tax structure. I'm absolutely opposed to that.

S: Well, I - I explained that to the group as a whole, and then I went in and explained it more specifically to Mr. Cooper.

HMJr: No, I'll - I'm - I'm - my feelings aren't hurt, but I think I'll - I'll keep in touch now when they - when they need me, they'll holler.

S: All right, and I'm going to be in touch with Mr. Doughton, and I can pass it along to you.

HMJr: All right, I'll be back late - I'll be back three or four o'clock this afternoon.

S: I spoke to Mr. Paul....

HMJr: Yes.

S:and he said he's coming back Monday morning.

HMJr: Here?

S: Here.

HMJr: Yeah.

- 3 -

S: And he had the same viewpoint about being set against any freeze whatsoever.

HMJr: What's he doing in Chicago?

S: I - I don't know that.

HMJr: Uh huh.

S: But he'll be back here Monday morning.

HMJr: He isn't speaking out there, is he?

S: No. No, he isn't speaking. He has - he had no speech scheduled.

HMJr: I see. Okay.

S: All right, sir.

April 17, 1943
4:02 p.m.

Stanley
Surrey: Mr. Secretary?

HMJr: Go ahead, Surrey.

S: Mr. Doughton called Mr. Cann in the Bureau.

HMJr: Called who?

S: Mr. Cann - Norman Cann.

HMJr: Yeah.

S: On the administrative feasibility of this '42 - '41 compromise.

HMJr: Yeah.

S: The Republicans had apparently questioned the administrative feasibility.

HMJr: Yeah.

S: I spoke to Mr. Sullivan and to Mr. Cann and told them that in my opinion we have to say that these things are administratively feasible.

HMJr: Yes.

S: Which we have said all along.

HMJr: Yes.

S: Mr. Cann says that the job can be done. It's a question of time, however, and the time is running short.

HMJr: Yeah.

S: If - if you understand that from the time viewpoint they may run into severe difficulties and troubles - if you understand that, why, he's quite willing then to go ahead and tell....

HMJr: Well, I'll tell you what you do. Go up to Sullivan's office for me and get Sullivan and Norman Cann and you, and I'll see you just as soon as you can get over here.

- 2 -

S: Well, Mr. Sullivan isn't in this afternoon. But I can get Mr. Cann over here.

HMJr: Okay. I'll see you and - I'm doing everybody's work. All right.

S: All right. I'll have Mr. Cann right over.

HMJr: All right.

April 17, 1943
4:48 p.m.

Operator: Go ahead.

Daniel
Bell: Hello.

HMJr: Bell?

B: Yes, sir.

HMJr: This press release which we were all fussing about, you know....

B: Yes.

HMJr:for tomorrow morning.

B: Yeah.

HMJr: Does that go to the twelve presidents of the Federal Reserve Banks?

B: It will, yes.

HMJr: Now....

B: It hasn't gone yet....

HMJr: Well....

B:but it will.

HMJr: It will?

B: Yes, sir.

HMJr: Do you want to see me before I go home?
I'll see you anyway.

B: All right. I have a letter here to the President you ought to sign. It doesn't necessarily have to go out but you might as well.

HMJr: Well....

B: I haven't any figures yet but I may have them before you go home.

- 2 -

HMJr: Five or ten minutes.

B: All right. Goodbye.

MEMORANDUM FOR SECRETARY MORGENTHAU'S DIARY

Subject: Conference with Mr. Cann on pay-as-you-go.
Present: Secretary Morgenthau, Mr. Cann, Mr. Surrey.
Time: April 17, 1943, 5:00 p.m.

Congressman Doughton had called Mr. Cann to ascertain whether the Bureau of Internal Revenue could administer a pay-as-you-go plan which would involve recomputation of the 1942 tax on the basis of 1941 rates and exemptions, with payment of the unforgiven balance over 3 years starting in 1943.

Mr. Cann stated to the Secretary that this plan-- and the other plans under consideration--could be administered by the Bureau, but that time difficulties were present with respect to all the plans. Mr. Cann mentioned the amount of work that would have to be done by September 15, pointing out that the tax liability of 30 million taxpayers with respect to 1942 would have to be recomputed. He stated that he thought the bill might not be passed before June 1 and said this would increase the time difficulties but that he didn't want to let the Secretary down on the matter.

The Secretary stated that Mr. Cann could not let him down, that the Secretary would take the responsibility for the statement that if the bill passed June 1 the plan could be administered and told Mr. Cann that the Bureau would just have to do it even if everybody had to work overtime every night, because the public would demand that the work be done and the plan administered. Mr. Cann stated that in that event he would like to tell Chairman Doughton that assistance from Civil Service and additional help and machines would be necessary. The Secretary stated that Mr. Cann should request from Congress whatever help and money were needed and to request the Congress to place a directive in the record to the effect that such help should be obtained.

Mr. Surrey suggested that it might be inadvisable to use the date June 1 as it might be possible to get a bill before that time. The Secretary said we should use the date of May 15 as the latest date with a hope that we might get the bill earlier.

Attached hereto is a summary of the telephone conversation between Chairman Doughton and Mr. Cann pursuant to this conference.

Attachment.

April 17, 1943.

Mr. Cann called Chairman Doughton at 5:15 p.m. pursuant to Chairman Doughton's previous call. The conversation was approximately as follows:

Chairman Doughton: I would like to know whether the plan to compute 1942 taxes at 1941 rates and exemptions is difficult to administer?

Mr. Cann: The Bureau of Internal Revenue can administer that plan. I would like to qualify this to this extent--that the Congress should indicate that the Bureau should get the necessary money and equipment and right-of-way in the Bureau of Printing and Engraving for this work and that the bill would have to go into effect May 15 at the latest. We can not stand much further delay on this or any plan if it is to be effective for the coming fiscal year, July 1.

Chairman Doughton: I can see that. How much expense will there be?

Mr. Cann: That is hard to estimate.

Chairman Doughton: Do you mean the expense on the 1942-1941 plan will be very great?

Mr. Cann: The increased expense applies to all of the plans--I won't say that the expense on the 1942-1941 plan will be materially greater than on any other plan.

Chairman Doughton: Thank you for your information.

April 17, 1943

Dear Ferdie:

Very glad to hear from you
and to learn the wide extent to which
O.W.I. used my Carnegie Hall speech
in overseas broadcast.

I am never busy when you want
to see me. Just call me on the phone.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Ferdinand Kuhn,
Office of War Information,
Washington, D. C.

By messenger 5:05 4/17/43

File in Diary

Hand
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OFFICE OF WAR INFORMATION

WASHINGTON

April 17, 1943

Dear Mr. Secretary:

I think you will be interested to know how widely your Carnegie Hall speech was used as propaganda around the world.

From New York the short wave played it heavily for 24 hours in English, French, German, Italian, Spanish, Portuguese, Czech, Bulgarian, Greek, Hungarian, Polish, and Rumanian.

From London and from Algiers it was rebroadcast by medium wave in French, German and Danish. The B.B.C. transmitters made effective use of it, and also the local transmitters in North Africa. In addition, the full text of the speech was cabled to London and was made available to the British press through the Ministry of Information. High lights of the speech were also cabled to Casablanca, Algiers, Berna, and Stockholm.

In other words, the Nazis and their victims in occupied countries got a good dose of "the thunder clouds of the greatest attack in history" and also heard plenty about the War Loan drive that will speed the day when the Axis will be struck right down to its "rotten, blood-stained foundations." In every way the speech was magnificent propaganda for the United States and the United Nations.

I am coming over to see you one of these days, if I may, although I know that you haven't much time for chatting as long as the War Loan drive is on. Any time you would like a Treasury alumnus as a walking companion along the river, just give me three rings on the phone, and I'll meet you any afternoon.

With best regards to you and Mrs. Morgenthau,

Sincerely,

Frank Kuhn



The Honorable,
The Secretary of the Treasury,
Washington, D. C.

April 17, 1943

My dear Mr. Stauffer:

Thanks for your note of the
15th. It was most encouraging.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Donald D. Stauffer,
Office of War Information,
Washington, D. C.

File in Diary

By messenger-505 4/17/43

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
OFFICE MEMORANDUM

TO: Secretary Morgenthau

FROM: Donald D. Stauffer, Chief *DS*
Domestic Radio Bureau

SUBJECT:

DATE: 4/15/43

Thought you might be interested in some West Coast reactions:

"MR. DONALD D. STAUFFER
OFFICE OF WAR INFORMATION

"REACTION ON MORGENTHAU SPEECH MAGNIFICENT HERE.
CONSENSUS IS MOST IMPRESSIVE DELIVERY HE HAS YET
SHOWN.

"NAT WOLFF, DEPUTY CHIEF
DOMESTIC RADIO BUREAU
OFFICE OF WAR INFORMATION"



APR 17 1943

My dear Frank:

As you know, the Treasury launched last Monday, April 12, the Second War Loan campaign to raise \$13,000,000,000. We hope to exceed by a wide margin the \$8,000,000,000 goal set for nonbanking purchasers.

I am informed that the Acting Chairman of the President's Interdepartmental War Savings Bond Committee has already written to your alternate, Captain G. A. Hubank, outlining the part which Government employees should take in this campaign.

The purpose of this letter is to ask that you give this matter your personal attention and designate someone in your Department, preferably the best salesman that you have, to contact your higher officials. We believe that many officials are able to and will buy bonds of the Second War Loan if properly approached.

Such purchases should, of course, be included in your report to the Interdepartmental War Savings Bond Committee so that your Department will receive proper credit in the Committee's report.

We wish to leave no stone unturned in our effort to get every individual in the nation to put every possible dollar in the Second War Loan. I will appreciate very much your cooperation.

Sincerely,

(Signed) Henry

Honorable Frank Knox,
Secretary of the Navy,
Washington, D. C.

Copy in Diary (and
list)

File to Thompson

Some Letter sent to following:

Honorable Frank Knox,
Secretary of the Navy,
Washington, D. C.

Honorable Jesse Jones,
Secretary of Commerce,
Washington, D. C.

Honorable Claude R. Wickard,
Secretary of Agriculture,
Washington, D. C.

Honorable Harold L. Ickes,
Secretary of the Interior,
Washington, D. C.

Honorable Cordell Hull,
Secretary of State,
Washington, D. C.

Honorable Frances Perkins,
Secretary of Labor,
Washington, D. C.

Honorable Francis Biddle,
Attorney General of the United States,
Washington, D. C.

Honorable Henry L. Stimson,
Secretary of War,
Washington, D. C.

Honorable Frank C. Walker,
Postmaster General of the United States,
Washington, D. C.

Honorable Henry A. Wallace,
Chairman, Board of Economic Warfare,
Washington, D. C.

Honorable Wayne Coy,
Liaison Officer,
Office for Emergency Management,
Washington, D. C.

Honorable Paul V. McNutt,
Chairman, War Manpower Commission,
Washington, D. C.

Honorable Elmer Davis,
Director, Office of War Information,
Washington, D. C.

Honorable Donald M. Nelson,
Chairman, War Produc. Board,
Washington, D. C.

Honorable Byron Price,
Director, Office of Censor.
Washington, D. C.

Honorable Prentiss M. Brown,
Administrator, Office of
Price Administration,
Washington, D. C.

Hon. Harry B. Mitchell, Pres.
U. S. Civil Service Commiss.
Washington, D. C.

Hon. James Lawrence Fly,
Chairman, Federal Communica-
tions Commission,
Washington, D. C.

Hon. Leo T. Crowley, Chairman,
Federal Deposit Insurance
Corporation,
Washington, D. C.

Hon. Joseph B. Eastman
Director, Office of Defense
Transportation,
Washington, D. C.

Hon. David E. Lillienthal,
Chairman, Tennessee Valley
Authority,
Washington, D. C.

Hon. Ganson Purcell, Chairman,
Securities and Exchange Com.
Washington, D. C.

Hon. Charles B. Henderson
Chairman, Reconstruction
Finance Corporation,
Washington, D. C.

Hon. John B. Blandford, Jr.,
Administrator, National
Housing Agency,
Washington, D. C.

(see other side)

Sent Special Delivery, Air Mail at 7:30 p.m. on 4-17-43 to:
Mr. Stuart Peabody
The Borden Company
350 Madison Avenue
New York, New York

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April 17, 1943

Allied Newspaper Council
c/o American Newspaper
Publishers Association
Waldorf-Astoria Hotel
New York, New York

Gentlemen:

When, a month ago, you met with me in Washington, I told you of the necessity of "all-out" support, both in advertising and in an editorial way, of the newspapers of the United States. Your organization asked Mr. Frank E. Tripp to serve as chairman of your Council and went quickly into action on the Second War Loan.

Thousands of pages of newspaper advertisements have since been carried in weekly and daily newspapers; and news stories, editorials and editorial support of various kinds have appeared throughout the land. Your effort to date has been truly magnificent. I congratulate you.

I know that if I again call upon you now for an additional job you will be as sympathetic with my request as you were before.

I feel that we have a problem of the utmost importance, and one which simply cannot be solved without your help.

The promotion now in operation, we feel sure, is going to sell bonds. But we are concerned by the fact that not enough people appreciate the relationship between War Bonds and this dangerous, costly war.

You are in close touch with the people, so you must know even better than we that, in the minds of many, there is room for more understanding and conviction about the meaning and urgency of this conflict. Too many people believe that we will win it quickly and easily. The expected victory in Tunisia will make this problem still more acute.

For this reason we want to try, during the last week of the present drive (beginning Sunday, April 25th), to "personalize" the war, and we are asking newspaper editors, through your Committee, to take the leadership in this extremely important task.

- 2 -

This must be a local job. We in Washington can point out to mass audiences the relationship of the war to bonds, but bringing it all into focus on the individuals in your town is something only you can do. One way you can do this, perhaps, is to present to their neighbors those persons in your city who are buying bonds out of a deep conviction of the war's significance.

Beyond such a suggestion, however, we cannot presume to tell you how to do it. We can only pose the problem and assure you that we have confidence in the ingenuity and influence of the local editor if he really puts himself into the job.

Bear in mind that we are not asking you to develop more "promotional" publicity than you have already planned. Instead, turn your minds to dramatizing and personalizing the war for the individual, so that when he buys a bond he will realize how much more it is than "a good sound investment."

If this effort doesn't sell a single extra bond, we still will have developed a better public understanding of the things a bond symbolizes. We will have ended the current drive on a high plane and laid a sound foundation for the next drive. And we will, I am confident, pave the way for other Government war projects which need the active support and interest of the people.

To catch the tone of this new project, you might watch (and have your news services keep you informed about) the keynote demonstration to take place in Cedar Rapids, Iowa, on Sunday, April 25th. This is a typical town with typical war dislocations and one of the highest records of bond sales. We hope in this town to demonstrate that the butcher and baker, the defense worker and farmer are buying bonds to the very limit because they know that a bond is as vital a part of the war as a tank or machine gun.

I plan to go to Cedar Rapids to discuss the meaning of the war with these people who feel so deeply about it.

Ample material will be developed out of the event to supply newspapers with the kind of publicity they can broaden and amplify. As you can see, we do not ask you to follow any formula we may appear to be laying down. We have no formula. We leave it to your own initiative.

We would greatly appreciate your mobilizing your editors behind this effort with the broad request that they simply "run with the ball."

- 3 -

At the end of the week we can tally up results and effects, and out of this might well develop a more elaborate plan for use later. Such a plan, if we can work it out and put it into practice together, may prove to be one of the major contributions to the difficult home front task which you have so generously volunteered to share with us.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

P.S. There are two specific considerations worth mentioning -- things that should be borne in mind in connection with the main theme.

1. It is essential that we build in the minds of the people the terrible urgency of the war finance problem. In many places men and women are making more money than ever before. As a result they feel that, "with all that money around," the Government can't need money very badly. The Government does need money badly! It needs the money to buy the very goods which are creating the higher wages and salaries. And it is important that this money come from the people through the sale of bonds.
2. It is important that people know 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 \$15.75 for a bond, \$15.00 go immediately into guns and planes and equipment. The 75 cents goes for the regular expenditures of the Government, many of which are directly related to the war.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE April 17, 1945

TO: Secretary Morgenthau

FROM: Mr. Waldman

PITTSBURGH

Several facts stand out as a result of my trip to Pittsburgh and conversations with steel workers and coal miners in that area:

1) The cost of living has risen tremendously. Steel and coal workers say that "higher prices" is the only reason they want a raise; that they would just as soon not have a raise, if prices were set back to a reasonable level. (In the Cloverdale coal area outside of Pittsburgh, the miners say that prices have risen 124% since January 1941. Steel workers in Duquesne say that their cost of living has risen one-third since September 1942.)

2) Both steel and coal workers think that the payroll savings plan is a good plan, and the best way to buy War Bonds. However, as in every area I've visited, the men were outspoken on the subject of the long wait for their Bonds, when they bought these Bonds through payroll savings. They said that, if they got their Bonds more promptly through payroll savings, more men would buy more Bonds this way. The men voiced the suspicion that the management purposely delayed purchasing their Bonds for them in order to have the use of their money.

3) Both steel and coal workers voiced an eagerness to do everything possible to help win the war. In almost every case the men put this before "savings" as their reason for buying War Bonds.

4) Heads of the local War Savings Staff -- long-time businessmen in and residents of Pittsburgh -- said that they get every possible cooperation in War Bond drives from the local unions but that this is not true of management. As a matter of fact, said they, some of the heads of local industry would rather hurt the Administration and President Roosevelt than help to win the war. Said they, too; management and business (mainly through the medium of "company stores") are gouging and always have gouged the steel worker and miner. "All we ask of management now is that it allow the unions to put on the Bond drives," said one War Savings Staff official.

THE CASTLE SHANNON COAL COMPANY AT CLOVEDALE, PENNSYLVANIA.

I spoke with eleven or twelve men as they came up out of the mines or prepared to go down into the mine shaft. All the men were willing to talk and talked intelligently, in spite of the fact that some of them used broken English. On the other hand, some of them not only were intelligent but used perfect English. I quote eight of these men:

"A" said: "What about this Government ceiling on wages when there's no Government ceiling on profits!" The words

"ceiling on wages" churned up greater discussion and comment than any other subject. "And," this man continued, "the ceiling on prices is a joke... Our fight for a wage increase is just to allow us to keep pace with the cost of living. If they'd keep the cost of living down and prices where they belong we wouldn't be fighting for a wage boost."

"B" said: "The Government waited until prices had gone sky high before it put a ceiling on wages. If wages and prices had been frozen equitably it would have been fair. We haven't got a raise here in two years... If this situation of 'no raise' continues I'm afraid that we'll have to cut down our Bond buying."

"C" said: "Yeah ... about that 'ceiling price' business. They're supposed to have a ceiling price on stuff at the stores (company stores). But no ceiling price is posted. All they have are signs saying 'ceiling price' ... and we get stuck for what they want to charge us..."

"D" said: "There isn't a man here who is reluctant to buy Bonds. But some of us just can't do any more. Prices have gone up about 124% since January 1941. After the company gets through deducting rent, Victory tax, debts, etc., from a man's pay some of the men only have \$2 coming to them for two weeks work." There was general agreement on this statement.

"E" said: "Sometimes you have to wait as long as sixty days before you get your Bond through the payroll savings plan. The men don't like this. Many of them feel

that the company is using their money for itself. For this reason many of the men would rather buy their Bonds where they can get their Bonds quickly... Except for this, I think the payroll savings plan is the best way to buy Bonds ... the best way to save."

"P" said: "Almost all of the young men are in uniform... almost all of us have sons and nephews in service... That's the way it should be. The idea is to get this war over with quicker..."

"Q" said: "The members of our union are buying Bonds through the payroll plan with 8% of gross pay... We passed a motion that every union member must buy Bonds through the payroll savings plan. But, of course, there are some exceptions ... men who just can't afford to buy Bonds."

"R" said: "I'm buying Bonds to help win the war, get it over with sooner and save money."

The Cloverdale coal miners all brought up the point of "double working" -- or two men working at each coal producing section within the mine. The miners said that "double working" produced no more coal; that one man could produce as much as two on the "double working" system. The miners said that the only reason the management held to the "double working" system was to keep them from making more money. The miners felt that not only would they make more money working singly but that this would release a great number of miners to other war industry.

UNITED STATES STEEL AND GOVERNMENT MILL WORKERS, DUQUESNE (CIC)

I spoke with these men following a meeting of the local union with its grievance committee. I listened to the discussion during this union meeting: Main subject discussed was inequality of pay at various plants for identical work done. And one man voiced this thought, which brought acclaim from the others: "I know how much the company is getting a ton for steel. The company is making plenty of profits. I don't see why we don't get our fair share...!"

Main subject the steel workers brought up in discussions with me was the wage ceiling. They seemed to feel that it was a slap at labor by the Administration. (I got this same reaction from the coal miners at Cloverdale.)

"A" said: "I can't understand why our President did this to us... The steel workers are so worked up about the wage situation that they'd walk out in a minute except for their patriotism and their wanting to do everything possible to help win the war... The union is telling them to stay in at any cost and help fight the war..."

"B" said: "Prices were never frozen but wages were frozen... The War Bond drive coming up will fail unless this is changed... Yeah, prices still are going up... The people around here feel that ceiling prices are a joke... Lots of times the ceiling prices are higher than the stores have been charging ... so they just go ahead and up their prices to the ceiling prices..."

"C" said: "We got a raise September 15, but the Victory Tax took that away. And, since September 15, the cost of living has gone up 33%. Meat's gone up from 29 to 69 cents a pound. Butter has gone up from 29 to 62 cents a pound. Milk has gone up from 11 to 16 cents a quart. Canned milk has gone up 7 to 10 cents a can. Fish has tripled in price... When you get through there's not a helluva lot left for War Bonds...!"

"D" said: "It's war. We got to sacrifice. It's going to hurt... but it's got to be done. It hurts more to sacrifice on the home front than it does to be shot on the battle front...; you don't feel it as much when you get shot as when you sacrifice. But it's got to be done...!" (There was general agreement with this statement but, also, scattered comments asking for "equality of sacrifice." Many of these men had sons or brothers in uniform, and mentioned this.)

"E" said: "The management says that it's the War Labor Board's fault that it can't grant any raises.

"F" said: "It isn't fair and something ought to be done about inequality of wages for the same work done. At one mill around here they pay 86 cents an hour for work for which a man at another mill gets \$1.15 an hour. The Government Mill is the lowest paying mill around here."

"G" said: "We've got to win the war at any cost but, in order for us to live, buy Bonds and pay taxes we must get better wages or else roll the prices back...!"

"H" said: "I'm buying Bonds to the limit now. I think most of the men are.... It's all draining out (money) and nothing's coming in."

"I" said: "No steel worker is holding back on buying Bonds. The only reason we don't buy more is that we can't..."

"J" said: "How about this payroll savings plan operation. Why is it you got to wait so long for your Bonds...?" At this point the others joined in with their comments on how long they waited for their Bonds. Six or eight weeks seemed the average wait for a Bond. Several of the men said their idea was that the company had held out on buying the Bonds for them so as to get the use of their money. One of the men commented: "I get my Bonds at the bank and get them when I buy them."

"K" said: "When are we going to get a 'pay-as-you-go' income tax? And I don't mean that Ruml Plan. I don't think it's fair or right to forgive a year's taxes. What I want is 'pay-as-you-go' for 1943 and then, after the war, pay off the rest of the 1942 taxes." (about half of the men agreed with him.)

"L" said... and about half of the men agreed with him. "I don't like this pay-as-you-go income tax idea. The way I figure it ... it's unfair to the guy with a big family. If they take 20% from a man's pay for income tax it's going to hurt the guy with eight kids a lot more than it will the man with just one or two kids. I'd rather pay my income tax in a lump..."

All of the men commented on the "savings" feature of War Bonds... said "it's the only money I ever saved..."

FORBES ROAD MINE, GREENSBURG, (ULWU)

I caught these men as they were coming off their shift in the mine. In spite of the fact that it was raining and snowing these men were interested enough in talking with me to stand out in that weather as long as I wished. First point brought up was higher prices and wages.

"A" said: "If prices were put back to the 1941 level we'd be satisfied with our pay..."

"B" said: "I wish they'd started this Bond business ten years ago. I'd have some money saved up now. I hope they keep this Bond business going after the war is over..." (There was unanimous agreement with this statement.)

"C" said: "I've got two brothers in the Army and I'm buying Bonds to help them ... to help win the war.. of course, Bonds are a fine form of savings, too... Even if these savings don't benefit our generation they'll benefit the next..." (There was a chorus of assent to this remark.)

"D" said, bringing up the subject of the wage ceiling: "Those guys in Washington are looking after the big fellows -- the management -- but they don't think much about the workman..." (General agreement).

"E" said: (This man was a Negro, of whom there were several in this shift.) "What's all this waiting for Bonds when you buy them through payroll savings...?"