

DIARY

Book 627

April 19 - 21, 1943

- B -

	Book	Page
Business Conditions		
Haas memorandum on situation, week ending April 17, 1943 - 4/19/43.....	627	73

- C -

Canada		
See Post-War Planning: International Stabilization Fund		
Cedar Rapids, Iowa		
See Financing, Government: War Savings Bonds (2nd War Loan Drive)		
Cone, Marvin		
See Financing, Government: War Savings Bonds (2nd War Loan Drive)		

- D -

Dakar		
See Foreign Funds Control		
Daniels, Jonathan		
See Financing, Government: War Savings Bonds (2nd War Loan Drive)		

- F -

Financing, Government		
"7/8% Certificate": Closing of subscriptions discussed by Treasury group - 4/19/43.....		51
a) Subscriptions again reviewed - 4/20/43.....		101
b) Press release - 4/21/43.....		227
War Savings Bonds:		
Special activities in the field - report, April 8, 1943..		164
2nd War Loan Drive:		
Cedar Rapids, Iowa:		
Discussion of participation by HMJr in "We the People" program on Easter Sunday discussed by Treasury group - 4/20/43.....		138,186
a) David Levy (of Young and Rubicam), Director of "We the People," --HMJr correspondence - 5/3/43: See Book 630, page 199		
Iowa Congressional delegation listed - 4/21/43..		159
a) Interviewed by Sullivan - 4/21/43.....		218
Daniels, Jonathan: Reaction to proposed speech reported by HMJr to Fred Smith - 4/21/43.....		196
a) Asked to take over speech - 4/21/43.....		203,206
Plans to date described by Gamble - 4/22/43:		
Book 628, page 1		
Press release on proposed trip - 4/22/43: Book 628, page 53		
Travel plans to Chicago and Cedar Rapids and then on to the West discussed with Treasury group - 4/23/43: Book 628, page 103		

Financing, Government (Continued)		
War Savings Bonds (Continued):		
2nd War Loan Drive (Continued):		
Cedar Rapids, Iowa (Continued):		
Women's (Iowa) participation - Harriet Elliott memorandum - 4/23/43: See Book 628, page 176		
Albee-Smith cartoon - 4/24/43: Book 628, page 214		
HMJr's schedule for Saturday and Sunday - 4/24/43: Book 628, page 215		
Easter Sunday services at Cos College - 4/25/43: Book 629, page 2		
Reading copy of speech at auditorium - 4/25/43: Book 629, page 4		
Reading copy for participation in "We the People" broadcast: Book 629, page 9		
Cone, Marvin (artist): HMJr to discuss with Forbes Watson upon return to Washington - 4/26/43: Book 629, page 34		
For further comments on speech, see Book 629: Speeches by HMJr		
New publicity desired by HMJr and discussed with Gaston, Robbins, and Peabody - 4/20/43.....	627	128
Fine Arts Commission		
Finley, David (National Gallery of Art): Suggested as successor to Edward Bruce by Sullivan - 4/20/43.....		175
Finley, David (National Gallery of Art)		
See Fine Arts Commission		
Foreign Funds Control		
France - Dakar: American Consul given report on "balance of BAO accounts with FABO from November 1, 1942, to March 31, 1943" - 4/21/43.....		257
Tabouis, Genevieve: Rumored investigation of her publication, "Pour la Victoire," discussed in Paul Watson memorandum - 4/21/43.....		242
France		
See Foreign Funds Control: Dakar		
- I -		
International Business Machines		
Watson claim for tax refund as reported by Drew Pearson discussed by HMJr and Paul - 4/19/43.....		111
Iowa, Cedar Rapids		
See Financing, Government: War Savings Bonds (2nd War Loan Drive)		
- L -		
Lend-Lease		
Report on allocations, obligations, and expenditures, as of March 31, 1943.....		176
Report on purchases for week ending April 17, 1943 - 4/20/43.....		180

- L - (Continued)

Lend-Lease (Continued)

	Book	Page
U. S. S. R.: War Production Board reports to FDR on production performance vs. materials and equipment commitments of 2nd Russian Protocol - 4/21/43.....	627	243
United Kingdom: Aircraft despatched, week ending April 13, 1943 - British Air Commission report - 4/19/43.....		89

- M -

Magill, Roswell Yale Law Journal review of new book, "Impact of Federal Taxes" - 4/21/43.....		233
Martin, Glenn L., Company Planes completed - report on - 4/19/43.....		91

- P -

Port of New York Authority See Revenue Revision		
Post-War Planning International Stabilization Fund: Canada: Delegation discusses United States plan with HMJr - 4/21/43.....		212

- R -

Revenue Revision McCormack (Congressman, Massachusetts) reports status of compromise plan to HMJr - 4/20/43.....		116
Cooper (Congressman, Tennessee) reports on changed attitude of McCormack, Doughton, etc. - 4/21/43.....		228
Port of New York Authority case starts in New York City - 4/21/43.....		238
Roosevelt, Franklin D. Salary check discussed in Treasury letter - 4/19/43..... a) FDR agrees - 4/26/43: See Book 629, page 48		88

- T -

Tabouis, Genevieve See Foreign Funds Control		
Taxation See Revenue Revision		

- U -

U. S. S. R. See Lend-Lease		
-------------------------------	--	--

	Book	Page
War Department		
Visitors decried in memorandum from Eisenhower's staff - 4/19/43.....	627	93
War Production Board		
See Lend-Lease: U.S.S.R.		
Watson, Thomas J.		
See International Business Machines		
"We the People"		
See Financing, Government: War Savings Bonds (Cedar Rapids, Iowa)		

April 19, 1943
9:20 a.m.

HMJr: Good morning. Bill, in order to save me a little time I think, just to keep everybody happy, at three o'clock we ought to have Stauffer here and Rogers of O.W.I.

William
Robbins: All right.

HMJr: I would explain this to them because what's-his-name is sort of bothered, but I only want them for about fifteen minutes to talk about the mechanics of the thing, you see?

R: Uh huh.

HMJr: And then after that I expect to sit down with Everett and Levy and Smith and go into the question of - oh, well, Smith's very anxious that I try to get myself over to them, you see?

R: Uh huh. Yes. Well, now the - the meeting that's set up for three will - will really have two parts to it, and one part I don't think you need to concern yourself with - about at all and that's - there'll be a lot of mechanical things that will....

HMJr: Well, why don't you have them meet in your office before three? Then I won't have to bother with it.

R: Well, I'm afraid I can't do that because they're coming from the City and I don't know how to - I - I doubt very much if I could get a hold of them. I think this was all planned last week.

HMJr: Then why - then let's put it....

R: But what we'll do is we'll meet and get together and come to your office at three.

HMJr: Yes.

R: Now who do you want to have there, aside from Stauffer and Rogers?

- 2 -

HMJr: Well, I - I've got....

R: You might have quite a delegation. That's what I'm afraid of.

HMJr: Oh. Well, I don't care - you mean they - they may have quite a delegation?

R: Well, yes, and - and the others that were - that we were planning to have....

HMJr: Well, we can split up. We'll see. I'll meet with them. I don't care. Stauffer and Rogers and then put Mr. Gaston down.

R: Yes, that's right.

HMJr: That's all. And Fred Smith from my side and yourself.

R: Uh huh, Smith, uh huh.

HMJr: Then we'll see.

R: Now you don't want to see Levy at that time?

HMJr: Oh, yes, I want - there's Everett and Levy too.

R: Yeah.

HMJr: Sure. And whoever they've got with them.

R: Uh huh.

HMJr: I'll see the whole gang.

R: All right. That's fine. Your office at three.

HMJr: Yeah, now just one second, and is Callahan in on this?

R: Yes. Callahan, of course, is going to be very vitally involved in what goes on out in Cedar Rapids.

HMJr: Well, then let's have him here too.

R: All right.

- 3 -

HMJr: Have him here too.

R: And I don't whether Mrs. - Miss Spriggs is or not. She certainly is involved in our radio work.

HMJr: Well, is - but Callahan's her boss.

R: Callahan's her boss, that's right.

HMJr: I think Callahan will be enough.

R: Uh huh. Well, now that makes -- just to check back with you -- then Stauffer, Rogers, Gaston, Smith, Everett, Levy, Callahan and myself.

HMJr: I mean Callahan can - I've worked with him. I've never worked directly with Mrs. what's-her-name.

R: Yes.

HMJr: Yeah.

R: Well, that - that's - I think that will just about do it, and that almost takes the crowd that was planned for three o'clock anyway.

HMJr: All right.

R: All right.

HMJr: Thank you.

April 19, 1943
9:25 a.m.

EXTENSION OF THE STABILIZATION
FUND AND DEVALUATION POWER

Present: Mr. Bell
Mr. Gaston
Mr. Sullivan
Mr. O'Connell
Mr. Bernstein
Mr. White
Mrs. Klotz
Miss Chauncey

H.M. JR: I am sorry that White isn't here because I don't agree with this setup that has been handed to me at all. I don't think I should go up there and make a plea for the right to devalue the gold. I think it is cock-eyed. (See copy of statement attached.)

MR. SULLIVAN: Saturday morning Bernstein, O'Connell, and I met on it, and I suggested exactly the same statement used in the Senate, cutting off any reference to the power to devalue, and they were unanimous that something should be said about it. I talked with Harry Saturday evening and he said that he met you in the corridor and that you cleared it.

H.M. JR: He showed me a statement. I didn't pay any attention to it. I said, "Harry, go in and see Mr. Gaston." That is what I told him.

MR. GASTON: That is right. He did.

- 2 -

H.M.JR: I said, "I can't - I am too tired." He met me in the hall. I said, "Just go in and see Mr. Gaston." It was just a split second we were together. But even if I did, I feel this way - in the first place, I wish you would make a note and look up what Senator George did say, because they keep quoting it.

MR. SULLIVAN: I have it in my office. It was quite a commitment.

H.M.JR: You said he was misquoted. That is what you told me.

MR. SULLIVAN: I told you he didn't say what was on the ticker.

H.M.JR: That is right.

MR. GASTON: What he said, as I recall it, was that, according to the ticker, he had assurances from the Treasury they would not ask for this. But what he says he said was, substantially, he did not believe the Treasury would ask.

(Mr. O'Connell entered the conference.)

MR. BELL: He didn't express it as an absolute opinion on the part of the Treasury, but said, "I don't believe the Treasury would ask for it."

MR. O'CONNELL: Was this in the Senate?

H.M.JR: Joe, you are coming in here moderately cold as far as - you haven't heard my remarks. Do you think I ought to go up before the House this morning and make a plea for the President's powers to devalue gold?

MR. O'CONNELL: No.

H.M.JR: Did anybody talk to you about this?

(Mr. Bernstein entered the conference.)

- 3 -

MR. O'CONNELL: I wrote something that I thought would be the thing for you to say.

MR. BERNSTEIN: It is being mimeographed.

H.M.JR: Where is the page that Mr. O'Connell sent?

MR. O'CONNELL: I gave it to Harry. They revised it to some extent.

MR. BERNSTEIN: I can get a copy immediately. I thought Mr. White cleared it with you.

H.M.JR: He didn't clear it with me. He did no such thing.

MR. BELL: One thing is certain, that if you make a plea for this in the House and get it through, it will never be settled in conference. It will have to go back to the Senate floor because Taft will insist on debating the thing. I just don't think you ought to do it.

MR. GASTON: Do you think he ought to abandon it in the House?

MR. BELL: Take the same position in the House as he did in the Senate.

MR. GASTON: That he took? This would be the same as in the Senate.

MR. BELL: He took a position there and they struck it out on the position he took that it wasn't important - it wasn't a matter of life and death. They struck it out. I don't think he ought to make a plea for it.

MR. GASTON: Here we have a bill with both powers in. What should he say, "Drop the power to devalue in view of the action taken in the Senate - drop it"?

MR. SULLIVAN: I was going to say there should be no reference to it in the formal statement. Then, in answer

- 4 -

to any questions they ask, say, "Yes, we wanted it. We thought that it would be a good thing to have. The Senate thought otherwise, and at this time we don't want to press for it."

H.M.JR: You see, this sort of conference should take place outside of my office, and not twenty minutes before I go up on the Hill, because there has been no meeting take place.

My feeling is simply this: "Gentlemen, I went up and made my statement before the Senate. The Senate didn't want to consider this thing. I told them it wasn't a matter of life and death. They passed the bill on Friday extending the Stabilization Fund, and I am here to plea" - or what is the word you used before a committee?

MR. BELL: Testify?

H.M.JR: "...testify on the Senate bill."

Let's be very honest. I went through the motions. I kept faith. All right, they don't want it. I think it would make them very angry over there - "Why does Morgenthau want to say it isn't a matter of life and death, then go right along and do the whole thing over again?"

MR. O'CONNELL: We wrote one page and if I had it - I could get it for you in a minute.

MR. BERNSTEIN: I will get it.

(Mr. Bernstein left the conference temporarily.)

MR. O'CONNELL: The statement I had was to the effect that the bill having been passed by the Senate without a section two, and in view of what you said about extending, you did not feel warranted in proposing to this committee that they pass a bill with section two in it, and that you were therefore proposing they pass a counterpart of section one of the Senate bill.

(Mr. White entered the conference.)

- 5 -

(Mr. Bernstein re-entered the conference.)

H.M.JR: Have you got your statement?

MR. O'CONNELL: This is the one they revised.

H.M.JR: Where is the one you say you wrote?

MR. O'CONNELL: The only change is the difference in the last sentence. Harry felt that was the thing to say, and I can tell you what I thought.

H.M.JR: There should have been a meeting like this amongst the people in the room here.

MR. WHITE: I thought we finished it Saturday night. Who is raising the difficulty?

H.M.JR: I am.

MR. WHITE: You wouldn't have been at the meeting if we had had it.

H.M.JR: No, but the people here don't agree with this statement.

I tell you, I am just going to make my own statement in my own way. I am not going to go up there and ask - I am going to simply ask, Harry, for the extension of the Stabilization Fund. I am simply going to say to them, "Gentlemen, I appeared before the Senate and I asked for it. I thought it would be useful. They differed with me; they passed the bill without it. Therefore, I am here in support of section one of this bill to extend the Stabilization Fund."

MR. WHITE: Are you going to make the early part of that prepared statement?

H.M.JR: Yes.

MR. WHITE: The reason we wanted to add that extra paragraph or two - and I thought we had agreed on all that -

- 6 -

was that the prepared statement would be published and anyone comparing the prepared statement you made before the Senate, and the absence of anything in the second statement, would find it very difficult to understand why, between two days, you recommended part one and not part two, and also, Somers, having submitted a bill with our approval, would receive no apparent support. So we thought that you would pay your respects to it in just that one sentence and that is all.

MR. GASTON: You could make that last sentence read, "In view of the discussions and the action taken in the Senate, I do not now ask for the enactment of section two."

MR. O'CONNELL: That is the extent to which Harry's draft of this page and mine differed. Isn't that true?

(The Secretary left the conference temporarily.)

MR. BELL: Do you want the Secretary's statement to the committee to carry that same thing?

MR. WHITE: What is the objection to that statement? All he makes there is one sentence.

MR. GASTON: He doesn't want to make any plea for section two in view of the action taken in the Senate. He wants to state flatly that he is willing to drop section two in view of what occurred in the Senate.

MR. WHITE: He is practically doing that.

MR. GASTON: I think it is a matter of one sentence, there.

(The Secretary re-entered the conference.)

(Miss Chauncey entered the conference.)

H.M.JR: Try your hand, Herbert. See what you can do.

- 7 -

MR. GASTON: I would simply take this last sentence, using the first part of it as it stands, "I believe that a two-year extension of the power to devalue the dollar would be helpful," then, "...but in view of the discussions in the Senate and the action taken there, I do not now request the enactment of section two."

H.M.JR: Instead of saying that, just say, "I therefore now appear in support of the Senate bill."

Why not make it positive?

MR. GASTON: Of course you are talking on a Somers' bill which includes both, which is before the committee.

H.M.JR: But there is a bill which is passed. "I therefore appear in support of the bill which has passed the Senate."

MR. BERNSTEIN: Make it positive - "I therefore ask only for the enactment of section one."

H.M.JR: The public doesn't know - say, "I therefore only ask for the extension of the Stabilization Fund."

MR. O'CONNELL: "In view of the action taken in the Senate, I do not now"--

H.M.JR: No, "I therefore only ask for the extension of the Stabilization Fund."

MR. GASTON: Yes.

MR. SULLIVAN: That avoids this "now" problem, because if you say, "I am not now asking for it," they will say, "After the bond drive is over, then he is coming back and ask."

H.M.JR: Read it.

- 8 -

MISS CHAUNCEY: "I believe that a two-year extension of the power to devalue the dollar would be helpful, but in view of the discussions in the Senate and the action taken there, I therefore"--

H.M.JR: Why say "discussions" - why not say, "...in view of the action"--

MISS CHAUNCEY: "...but in view of the action taken by the Senate"--

H.M.JR: "...last Friday"--

MISS CHAUNCEY: "...I therefore ask only for the extension of the Stabilization Fund."

MR. GASTON: "I ask for the enactment only of that portion of the bill before this committee which extends the Stabilization Fund."

H.M.JR: Now how is it?

MISS CHAUNCEY: "I ask only for the enactment of that portion of the bill before this committee which extends the Stabilization Fund."

MR. GASTON: Just say, "...that portion of the bill," without saying, "before this committee" - "...that portion of the bill which provides for the extension of the Stabilization Fund."

MR. BELL: There are two bills. One bill passed the Senate and will be referred to the committee today. The Senate bill will be referred to this committee today.

H.M.JR: Say, "I therefore only ask for the extension of the Stabilization Fund."

MR. BELL: That certainly covers it.

MISS CHAUNCEY: "I believe that a two-year extension of the power to devalue the dollar would be helpful, but

- 9 -

in view of the action taken by the Senate last Friday, I therefore only ask for the extension"--

MR. GASTON: You don't need the "therefore."

MISS CHAUNCEY: "I only ask for the extension of the Stabilization Fund."

H.M.JR: Wait a minute. Put in, "I am here before your committee only to ask for the extension of the Stabilization Fund." That is enough.

(Miss Chauncey left the conference.)

H.M.JR: Harry, I am glad you approve.

MR. WHITE: I prefer it the other way, but this is all right.

The bill as introduced by Congressman Somers, in addition to providing for a continuation of the stabilization fund, provides for an extension of the President's power to alter the gold content of the dollar. This power has been in existence since 1934, having been renewed for two-year periods in 1937, 1939 and 1941, and it afforded us a substantial defensive weapon against the possibility of competitive depreciation of currency by other countries.

The Bill as reported out by the Senate Committee continued the stabilization fund for two years but did not extend the devaluation power. As you know, the Senate passed the bill as reported.

I believe that a two-year extension of the power to devalue the dollar would be helpful, but I should regard it as unfortunate if Section II of the bill were to be the subject of an extended debate in the Congress during wartime.

April 19, 1943
12:47 p.m.

Chester
LaRoche: Hello, Mr. Secretary.

HMJr: How are you?

L: I'm not very well. Just the old cold, that's all.

HMJr: Oh, that's too bad. We're getting along pretty well down here.

L: Well, I want to congratulate you on the fine job you did at Carnegie Hall. I had the pleasure of using that box you so kindly sent me.

HMJr: Oh, did you?

L: I did indeed, and I was very proud of what you said and the way you said it.

HMJr: Good. Well....

L: It was very stirring.

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

L: How - how do you like Stauffer now that....

HMJr: Well, Stauffer - I - from what I've seen of him, I like him fine.

L: Yes. Well, he's thoroughly - he's a thoroughly fine person.

HMJr: I like him fine.

L: Good.

HMJr: And we're meeting at three o'clock this afternoon with the Gulf Oil people.

L: Oh, yes.

HMJr: Or I guess they're your people, aren't they?

L: Yeah, "We, the People," that's right.

- 2 -

HMJr: Now who is this Tom Everett?

L: Tom Everett?

HMJr: Yes.

L: Tom Everett is a writer.

HMJr: Yes.

L: He formerly worked and wrote for the "March of Time"....

HMJr: I see.

L:picture, and he also wrote the "March of Time" radio show, and he's a member of the radio department of Young & Rubicam.

HMJr: I see.

L: He's a....

HMJr: Well, then he must be good.

L: He's able but a peculiar personality.

HMJr: Oh.

L: He's a little bit difficult at times.

HMJr: I see. Now - well, I - I've got your man, Smith, down here. He can take care of him, I guess.

L: Yes, oh, yes. Smith will take care of him.

HMJr: Smith and Albee are the nicest fellows to work with that I've met in a long time.

L: Well, that's a good team.

HMJr: Oh, they're wonderful.

L: Yes, they're - Smith is a very fine citizen of this country, I believe.

HMJr: Yes, yeah. Now who is Dave Levy?

- 3 -

L: Dave Levy....

HMJr: Yes.

L:is a producer....

HMJr: I see.

L:and writer on the "March of Time," and has been with Young -- I - I bet your pardon, on "We, the People"....

HMJr: Yes.

L:and has been with us for about six or seven years.

HMJr: Now is he the pro... - is he the regular producer?

L: Yes, he is.

HMJr: Because they said one of the men they brought in extra. I didn't know which it was.

L: Yes.

HMJr: Is it Everett? Is Everett brought in specially on this?

L: Well, now, of course, I haven't been over there....

HMJr: Oh.

L:for the last week....

HMJr: I see.

L:so I don't know the details.

HMJr: Well, anyway....

L: But he's a regular member of the radio department and a good writer.

HMJr: I see. Well, they're coming in at three.

L: Yes.

- 4 -

HMJr: Now....

L: They're producers of the "We, the People" show.

HMJr: Good. Now Smith, he talked to you about this - the Treasury radio, and he said you - the Advertising Council has worked out a plan.

L: Yes.

HMJr: But that plan never got to me.

L: Well, I under.. - I didn't know that. I knew that we put them to work to analyze the shows....

HMJr: Oh.

L:and to make a report to you.

HMJr: Never got it.

L: All right, I'll check back on that.

HMJr: Will you?

L: I will indeed, sir.

HMJr: And see that it comes to me, because I - I'd like to study it.

L: Yup, I will.

HMJr: Because I think there's a chance there for improvement.

L: Yeah. Yes, I know I put a couple of our fellows to work at Young & Rubicam on it at one time.

HMJr: Well, I'd like to know what happened to it.

L:Robertson and we checked up with Billy Murray and I talked to quite a few people about it myself at the time, and then understood the report went down.

HMJr: No, if it did it never got to me.

- 5 -

L: By God, we'll look into that.

HMJr: Thank you.

L: Now one other thing.

HMJr: Sure.

L: Fred Smith told me your feeling about....

HMJr: Lemmon.

L:Guy Lemmon.

HMJr: Yes.

L: And Bill Robbins had originally spoken to me about him....

HMJr: Yeah.

L:and I answered him this way, I said, "Well, I understand how you feel and I share your feeling in some measure...."

HMJr: Yeah.

L: "....but we look to Harold Thomas as the Advertising Council Coordinator and the man who is to represent us with the Treasury and with the - with the Secretary."

HMJr: Yeah.

L: Well, he said if that's the way it is, that's all right. Well, now maybe Thomas isn't giving enough time to it, and maybe the presence of this man is - if it's irritating....

HMJr: Oh, no. No, no, he isn't....

L: Well, of course, with your - to - to you, apparently, and the others down there, he means the Advertising Council.

HMJr: Yes.

L: If he isn't satisfactory, then we've got to make it - we've got to make it right.

- 6 -

HMJr: Well, let - let me put it this way. Since - well, as far as I know in the last month, Thomas has been in here for just a couple of hours and that's all.

L: Yes.

HMJr: Now I don't know whether that's his fault or our fault.

L: Yes.

HMJr: But - not that we've been neglected, see?

L: Yes.

HMJr: Now I went into a meeting the other day with Lemmon....

L: Yes.

HMJr:and he just sits there as a bump on the log.

L: Yes. (Laughs)

HMJr: And as far as I know, he hasn't got an idea. Now that may be a gross injustice....

L: Yes.

HMJr:but....

L: Well, he does have them, yes. He has more merit than he seems to.

HMJr: Yes.

L: I know how you feel. It isn't....

HMJr: But I....

L: It isn't pleasant to do business with him.

HMJr: No, I wouldn't go that far.

L: No.

- 7 -

HMJr: But I - I - no, I wouldn't say that. He doesn't rub me the wrong way, but I just don't think he's brilliant.

L: Yes.

HMJr: And I don't know anybody else that thinks he's brilliant.

L: Yes. Well, you know - of course, Thomas has contributed his - his service is through us, you see?

HMJr: Yeah, I know.

L: You know. And you know in these things, Mr. Secretary, when all these fellows are volunteer, most of them get much better jobs than they had here in the Council, all the men I have here....

HMJr: Yes.

L:and - well, you have - you try to be a little bit charitable and not too hard-boiled about it, but still we - that's not a very good attitude, I realize, in the war. So we'll....

HMJr: Well....

L:we'll see what we can do about it. And please don't hesitate....

HMJr: No.

L:at any time when any of these things aren't just right, let's talk it over.

HMJr: There - there's no hurry, but I just felt this way - that the Council has done a swell job for us....

L: Yeah.

HMJr:and I just think with all those brilliant people around that you could get somebody with creative ability on a higher plane than what Lemmon's got.

- 8 -

L: Now I'm going - I'm going to make one other suggestion to you, like I did about the Stauffer suggestion.

HMJr: Yeah.

L: If you want immediate sound advertising advice in Washington....

HMJr: Yes.

L:on some perplexing problem like you might turn to - to Smith on public relations....

HMJr: Yeah.

L:if you'll call up or have somebody call up our Washington manager.

HMJr: Yes.

L: His name is Repplier....

HMJr: Yes.

L:and Repplier worked with me at Young & Rubicam for a number of years....

HMJr: Yeah.

L:and was one of our very best men and left, although he was not - couldn't be drafted because he's got a bad leg; he gave up a very substantial position; he made very large money; he's one of our best copymen; and he went down with McNutt and was head of his Information Service there....

HMJr: Yeah.

L: ...with Rubicam, and he's a thoroughly sound, able, wise-headed, competent man and a - one of the best advertising writers in the country.

HMJr: Now how do you spell his name?

L: R-e-p-p-l-i-e-r, Repplier.

- 9 -

HMJr: R-e-p....

L:p-l-i-e-r. .

HMJr:p-l-i-e-r.

L: Repplier, Ted Repplier.

HMJr: And he's with....

L: He's in the Washington office. He's our Washington manager. Just put him on there about a month ago.

HMJr: Oh.

L: And he is a crackerjack.

HMJr: Washington manager of what?

L: Of the Advertising Council.

HMJr: Oh, of the Advertising Council.

L: He's on the staff, yes.

HMJr: Oh - but does he give all his time to McNutt?

L: No, he - he's left the Government. He's working with us now.

HMJr: Oh - now let me get - all right - Ted Repplier, who is the Washington manager of the Advertising Council....

L: That's right.

HMJr: ...and he's available if I want to get some advice.

L: That is correct.

HMJr: And he's no longer with McNutt.

L: That is correct.

HMJr: Now I got it.

- 10 -

L: He was there six months. He knows Government and its ways. Now Stuart Peabody knows him and Robbins knows him. They have a high respect for him.

HMJr: Yes. Well, if we - well, let me try him out....

L: Yes, you - you - you call him up some time.

HMJr:and that - that might be the answer.

L: I think it is one of the answers. He's a peach.

HMJr: And you talk with Harold Thomas. Maybe he feels that we haven't asked him down here enough. I don't know.

L: I am going to do that. No, I simply think he feels that he was away from his business so long that he's got to devote some time to it. I know that. He's - any time you want him, he's on deck.

HMJr: Good.

L: But we're going to pull him in more, and I'm going to talk to him about Lemmon too.

HMJr: Good.

L: We may have something to report....

HMJr: I'll - I....

L:to you, and I'll check back with you on the radio.

HMJr: But I can get along all right with Lemmon but I just don't think he's brilliant.

L: I understand exactly how you feel.

HMJr: Right.

L: Righto.

HMJr: Thank you.

L: Goodbye.

April 19,
1943

Mr. John Sullivan

Secretary Morgenthau

If Congressman Smith of Ohio gets nasty this afternoon, and I'm sure he will, I would appreciate it if you would ask for a chance to defend my "reputation" and my "honor."

4/19/43

Secretary's reading copy of House
estimony

EXTENSION OF THE STABILIZATION FUND.

On April 13, 1943, Congressman Somers introduced a bill (H. R. 2489) 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 May 8, 1941.

~~-18-~~

The bill as reported out by the Senate Committee continued the Stabilization Fund for two years, but did not extend the devaluation power. As you know, the Senate passed the bill as reported.

I believe that a two-year extension of the power to devalue the dollar would be helpful, but in view of the action taken by the Senate last Friday, I am here before your Committee only to ask for the extension of the Stabilization Fund.

-2-

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.

-3-

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 dollars of gold to foreign countries and purchased 162 million dollars of gold from foreign countries. So far in the fiscal year 1943 the Fund has sold 401 million dollars of gold to foreign countries and purchased only 27 million dollars from foreign countries. The Fund's sales of gold have been made to 21 different countries.

-4-

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.

-5-

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 dollars 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.

-6-

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.

-7-

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-Ecuadorian sucre rate of exchange.

-8-

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.

-9-

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 dollars 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 dollars of Chinese yuan. On June 30, 1942, this agreement was renewed for one year.

-10-

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 dollars 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 dollars in gold to Brazil for dollars for the purpose of strengthening the monetary reserves of Brazil.

-11-

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 British coin could not be secured and as American troops stationed in Liberia brought in United States currency and coin.

-12-

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.

-13-

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.

-14-

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 dollars. 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.

-15-

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.

-16-

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.

78TH CONGRESS
1st Session

H. R. 2489

IN THE HOUSE OF REPRESENTATIVES

APRIL 13, 1943

Mr. SOMERS of New York introduced the following bill; which was referred to the Committee on Coinage, Weights, and Measures

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."

4/19/43

QUESTIONS THE SECRETARY HAD TO ANSWER
WHEN HE TESTIFIED BEFORE HOUSE COMMITTEE ON
COINAGE, WEIGHTS AND MEASURES, IN SUPPORT OF
BILL TO EXTEND THE STABILIZATION ACT

SAUL C. COHEN
CLERK

House of Representatives U. S.
Committee on Coinage, Weights, and Measures
Washington, D. C.

I have nothing in
mind at present
that would make me
recommend to the
Pres. that he change
the price of gold.

SAUL C. COHEN
CLERK

House of Representatives U. S.
Committee on Coinage, Weights, and Measures
Washington, D. C.

In regard to the
Thomas currency
~~The Treas. never asked~~
~~for this authority and~~
~~in view of~~ I can
not see any immediate
need for its use,
and if congress should
wish to cancel the

SAUL C. COHEN
CLERK

House of Representatives U. S.
Committee on Coinage, Weights, and Measures
Washington, D. C.

~~authority in a separate
bill I would have
no objection.~~

April 19, 1943
3:00 p.m.

FINANCING

Present: Mr. Gaston
Mr. Robbins
Mr. Graves
Mr. Levy
Mr. Everett
Mr. Rogers
Mr. Smith
Mr. Callahan
Mrs. Klotz

H.M.JR: Herbert, I haven't time to read this. It just came in this second - what the Army did on this.

MR. GASTON: I wasn't able to locate Connor.

H.M.JR: That is the stuff on Cedar Rapids. See if it is any good. (Material prepared by the War Department handed to Mr. Gaston.)

MR. ROBBINS: Unfortunately we have had but just a moment with these two gentlemen who walked in the office not more than three minutes ago. So I think in fairness to everybody we will have to recognize the fact that we are all a little bit unfamiliar with the many things that are involved here.

H.M.JR: Where is Callahan?

MR. GRAVES: He is in my office.

H.M.JR: I asked for him.

And Stauffer?

MR. ROBBINS: Stauffer is in New York.

- 2 -

H.M.JR: What I would like to do, gentlemen, is this: If you would tell us what help - or how you are going to lay out the mechanical end of the thing - then after that I thought I would excuse everybody except the writers and we would talk a little bit about what is going into the writing - ideas.

Who can talk about the mechanics?

MR. LEVY: You mean the mechanics of our program?

H.M.JR: Yes.

MR. LEVY: The way we discussed it up in New York was to have Milo Boulton, who is the regular host of "We the People"--

H.M.JR: Regular what?

MR. LEVY: He is the host - master of ceremonies. We would have him perhaps state the reason why we happen to be in Cedar Rapids, the purpose of the program, and then he would turn it over to you; and together, as I saw it, you would share the interviewing of various people, all of whom would be residents of Cedar Rapids.

H.M.JR: How do you set the thing up - I mean mechanically? That is what I want to know.

MR. EVERETT: I think probably the best way is to compile information on the people you want on the program first of all at Cedar Rapids. We have some people who have gone out there to find out the kind of people - the people with colorful stories, the kind of people you want represented on your program as representative of the viewpoint you are getting across.

That takes a little field staff research. They have to talk to the people and see what kind of personalities they have. That is what we have been planning to do. We have some people already out there.

(Mr. Callahan entered the conference.)

- 3 -

H.M.JR: But the hookup and all the rest of that you people--

MR. EVERETT: That is all set; the microphone is there, good acoustics, and good network. That is already set, because it is a regular show.

MR. ROGERS: Indoors?

MR. EVERETT: Yes, it would be indoors.

MR. LEVY: They are going to select the best spot to originate from and they will telephone us tomorrow.

MR. ROBBINS: Perhaps for the Secretary's benefit it might be helpful if he could get a picture of your actual setup, your double rostrum affair with the interviewer on one side and the person being interviewed on the other. The mechanical part is, I think--

H.M.JR: I was just curious, that was all.

MR. LEVY: Generally it would be what we call a lead, which is written, suggesting the type of story that the guest has got to tell - the guest who is going to be interviewed. On occasions that guest is interviewed by questions which Mr. Morgenthau will throw at the guest. In other cases the guest might go on and just deliver his little piece. Mr. Morgenthau would make some comment at the end of it, and we proceed to the next guest.

MR. ROBBINS: All worked from script?

MR. LEVY: Every single line will be written out.

H.M.JR: Putting an Argentinean on last night was marvelous. That was a wonderful scoop. I kept saying to myself, "What will the Argentinean Government do to this man at dawn tomorrow?" (Laughter)

MR. EVERETT: He spoke right out.

H.M.JR: I would like very much to have a copy of that.

- 4 -

MR. LEVY: I will see that you get one.

H.M.JR: I want to meet the gent.

MR. LEVY: He is in New York. We will see that he comes in.

H.M.JR: He was good. You had a real scoop there. For instance, I am just curious - I understand you men do the writing, don't you?

MR. LEVY: We have a staff of about five or six people who are reporters. They assemble the material. They write, and we edit it and coordinate the whole thing.

H.M.JR: What do you want from these men here, for instance, like Callahan who looks after our radio - what, if anything, is he going to do?

MR. LEVY: I would like to have him fill us in on any information that the Treasury wants to get over, how they want to get it over, and the policy that they want to enunciate.

H.M.JR: That will be Smith. Callahan just looks after the mechanical end.

MR. ROBBINS: I don't think there will be anything really involved in radio production that will involve your mechanics at all.

MR. LEVY: You don't have to worry about the production or the writing - the mechanical end of it - we will do all of that.

H.M.JR: Then it just gets down to the idea. Why not let's take the time we have got, unless you have something, Robbins - I am so pressed - and let me just sit with these two gentlemen and Smith and Gaston and see if we can come to a meeting of minds as to the spirit - why we want to do this.

- 5 -

MR. ROBBINS: I think that is fine, sir, and I think the way to get that started is to see - these gentlemen haven't heard Smith's story. Right?

MR. SMITH: That is right; at least I haven't told it.

MR. ROBBINS: Certainly nobody else has. It is distinctly and uniquely yours, so why don't you give them that story. I think that will generate the sort of discussion you want.

H.M.JR: But I mean, there are too many. Let's just leave it down to Smith and these two gentlemen and Gaston and myself. How is that?

MR. ROBBINS: That is perfect.

H.M.JR: And then how long are they going to be here?

MR. LEVY: We will be here all day.

H.M.JR: As soon as they are through here supposing I have them come back to your office?

MR. ROBBINS: All right.

April 19, 1943
4:52 p.m.

Operator: Go ahead.

HMJr: Hello.

Isadore
Lubin: Hello.

HMJr: Hello, Lew?

L: Yeah. You know that question you asked me
in the hall the other day?

HMJr: Yup.

L: The total figure is 1,743.

HMJr: 1,743.

L: Of which 975 are combats.

HMJr: I see.

L: That was for the end of last month.

HMJr: I see. Well, that's pretty high con....

L: Believe me, it's a - it's a big proportion
of the total.

HMJr: Too high.

L: Yup.

HMJr: Are you working on it?

L: Everything we can do.

HMJr: Okay.

L: All righty.

HMJr: Thank you.

April 19, 1948
5:35 p.m.

FINANCING

Present: Mr. Bell
Mr. Robbins
Mr. Buffington
Mr. Graves
Mr. Haas
Mr. Murphy
Mr. Lindow
Mr. Tickton
Mrs. Klotz

H.M. JR: Mr. Bell, the class is yours.

MR. BELL: All right.

I sent this telegram to the Federals this morning so they would have it on their desks shortly after nine o'clock:

"We have received subscriptions aggregating almost two billion dollars from non-banking sources to the seven-eighths certificate which, together with the amount allotted to banks, brings this issue, as of Saturday night, up to more than four billion dollars.

"In view of the small allotment made to banks, it is felt that many subscriptions hereafter entered would immediately go into banking system through one device or another.

"I should therefore like to have your advice as to closing this issue to non-bank investors by two o'clock today. If you are in favor of closing, should we do it without notice or should we give twenty-four hours advance notice?"

Seven of them are either in favor of closing it or have no objection.

- 2 -

Fleming of Cleveland, McLarin of Atlanta, and Paddock of Boston, all say that they are in favor of closing with twenty-four hours' notice.

Young recommends that it be closed as of Thursday night, so that the public would have three days' notice. He said, "I feel three days' notice instead of twenty-four hours would be a more favorable reaction, especially in view of the fact that the drive on the other issues will not close for several days."

Williams says he is in favor of closing it but - "I call your attention"--

H.M.JR: Excuse me. Williams is where?

MR. BELL: Philadelphia. "I call your attention to a possible confusion, if not injury, to other securities because all sales literature includes certificates to non-bank investors in the basket for the April drive. Suggest calling attention to tax savings notes as a substitute."

Peyton interposes no objection to the closing, but wants to have time far enough ahead so that all workers can be notified. Leedy is about the same. Those are the ones that are in favor.

Day of San Francisco says, "We recognize why the Treasury is considering closing subscriptions for seven-eighths certificates, but we nevertheless believe it would be a mistake to do so. The plan for offering a basket of securities has been widely advertised. A large sales force has been instructed, and we believe it would be poor tactics to change the program in the middle of the drive. It is our view that it would diminish enthusiasm of workers and bring about lack of confidence in Treasury's announced program in the future.

"If, however, Treasury concludes that subscriptions for certificates should be closed, we suggest that it be done without advance notice, but permitting us to take all subscriptions placed in the mail on day of closing, and all

subscriptions for which we have had evidence that subscription orders were received by Finance Committee representatives or banking institutions up to closing hour."

Sproul says, "Your wire today concerning closing seven-eighths percent certificate issue, there are several factors involved. They appear to me to be as follows:

"1. Allotment of recent bank issue of certificates was small chiefly because padding of subscriptions was very large. Small allotment, therefore, does not mean equally good deferred demand by banks. In addition, some of the certificates offered in exchange for maturing issue tomorrow will not be held and will increase supply in market.

"2. The amount of non-bank purchases is likely to taper off from here on, as many of the larger subscriptions to this issue, as for other issues, are now in.

"3. Examination of our subscription lists shows corporations, insurance companies, savings banks, trust funds, charitable organizations, sixty-five percent and dealers thirty percent. There has been some speculative buying, but by far majority of buying appears to have been non-speculative.

"As far as speculation is concerned, the two percent bond is more attractive speculation than the seven-eighths certificate. The amount of profit on the short holding of certificates is no more than two or three hundred a million.

"4. Corporate buying of certificates with idle money is probably responsible for a substantial amount of the sales; the certificates being taken in preference to Series C tax notes.

"In December in this district we sold five hundred and twenty-one million of tax notes, and thus far in April we have sold only a hundred and sixty-eight million.

- 4 -

"5. Certificates were included in April drive with our eyes open and think closing this issue in middle of drive would throw shadow on whole financing and confuse selling organization. Do not believe there is enough speculation in issue to warrant taking this risk.

"Only justification for closing would be maturity of unmanageable size, but we are not there yet, and even this could be handled in other ways at or before maturity."

The others are about the same but not as long.

Hitt of St. Louis says that he is against closing and he does not believe that purchases by banks from individuals and corporations are of any importance in this district. But if you do close he wants to give advance notice.

Leach is strong against it. "I feel very strongly it would be a serious mistake to close books on certificates because of disturbing effect it would have on present high morale of sales organization.

"Some cities and counties may be counting on legitimate subscriptions to this issue to make their quotas. While most subscriptions to certificates have probably been filed, there are usually cases in which delays are experienced because of inability to reach corporation officials promptly.

"You might consider drafting a telegram for Federal Reserve Banks to transmit to commercial banks stating that indirect purchases by banks are not desired, and leaving books open for subscriptions by types of non-bank investors for whom the issue is intended.

"I would not favor closing issue in any event without several days advance notice."

Gilbert's is a long wire but he says the same thing as Sproul did.

We reserve the right in the circular to close at any time.

- 5 -

H.M.JR: What are the figures tonight?

MR. BELL: I haven't had anything yet.

H.M.JR: Are you holding out on me? (Laughter)

MR. BELL: No, all reports are not in.

H.M.JR: When will they be?

MR. BELL: Any minute now.

H.M.JR: George, not too long - boil your wisdom down.
(Laughter)

MR. BELL: Give him your telegram, George. (Laughter)

MR. HAAS: The telegram has nine points in it. That is what I was afraid of.

H.M.JR: Which way?

MR. HAAS: I think it would be very unwise to do anything about it. My main reason is not the ones mentioned in the wire.

You put the certificate and the tax savings notes out to absorb corporate funds. The corporate funds are very large. Even our estimate, you see, for the first quarter, for those two issues, tax notes and the seven-eighths certificate, amounted to five billion dollars.

That didn't mean that there weren't even more funds than that available, because when they started they had yearly deposits.

What has happened is, you designed securities to absorb those funds and you are absorbing them. Sure, the figures are large, because the funds are large. So I don't see there is any problem there.

- 6 -

The real problem is on individual subscriptions. Cutting these off will not help that. It is a question of organization. I think the heavy subscriptions of banks was because of the speech you made and all the publicity.

H.M.JR: Thank you, sir. (Laughter)

MR. HAAS: They wanted to come in, and the heavy demand would be indicated by the rights value.

H.M.JR: Do you think that thing about going through the railroad station helped sell some securities? (Laughter)

MR. HAAS: I think it brought in a lot - all the banks. (Laughter)

H.M.JR: Page Fred Smith. (Laughter)

MR. HAAS: And right at the end that "tender dollar" one. (Laughter)

H.M.JR: You had better tell Smith and Albee; they will kiss you. (Laughter)

MR. HAAS: But the heavy demand for investment demand - speculative demand - would be indicated by the rights values, which haven't gone up very much. If you stop it and you have to explain it, any explanation you give may cast some reflection on the banks. It puts them in a class that you expect them to do something which is not according to Hoyle if you give the real explanation. I think that would be unwise. Now, the banks are making a big contribution to the whole effort.

Then, the other point is, what if some of them go to banks? What if they do? War financing is just beginning. You wouldn't have to put a bank issue out between now and August. That is the worst that can happen. A large certificate is not a problem. It can be rolled over. It can be split in two, as Sproul suggested.

You will have large--

- 7 -

H.M.JR: Cut the tail off by inches? (Laughter)

MR. HAAS: Yes, take it off by inches.

MR. BELL: By months. (Laughter)

MR. HAAS: Another point is that the drive details were announced, and I think it will be disturbing in August or September - whenever you have the next drive - if the people don't have confidence that those are going to be maintained. I think you can make a change, but you would have to, I think, have really very compelling reasons. I don't think this is one.

I think it does raise this question, that in the August drive we should go over it - explore the whole situation as to whether or not the drive should be confined to just individuals and have securities which are for sale only to individuals. That would be war bonds, two-and-a-half's, and maybe the tax notes.

The other point is, if you are going to exceed your quota - your announced quota - very much, it will have to be in these funds, so you are really cutting off your prospect of a glorious success.

H.M.JR: And lastly, you are against it? (Laughter)

MR. HAAS: Yes.

MR. BELL: I feel we would be making a mistake to close it.

H.M.JR: Are your trained seals all with you? (Laughter)

MR. HAAS: They are not trained. (Laughter) You can try them.

MR. MURPHY: We all arrived at the same conclusion independently and met together and gave each other additional reasons. (Laughter)

MR. TICKTON: I just showed Mr. Eccles the chart, as you suggested the other day, and he proceeded to go off

- 8 -

about the seven-eighths percent certificate, because it showed up on the chart. The only point he made - the only reason he thought it ought to be closed - at least that is what he said to me - is that he was afraid some of these were speculatively going in the banks. Of course, he pointed out that he had already picked up seven hundred million from insurance companies the first fifteen days of April - a lot of short-term securities from insurance companies. They sold them to the Fed. He is just mad about that, I suppose.

MR. BELL: They not only sold short-term securities, but they sold intermediates. That is what they have been doing since December.

MR. TICKTON: He was irritated about that. He didn't want any more coming to him.

MR. BELL: What he would like is the tax notes. He would like for these people to go into the tax notes.

H.M.JR: What is the difference?

MR. HAAS: That is his security.

MR. BELL: He gets the certificates, and we get the tax notes. We would like them to go to the certificates.

H.M.JR: Say that again, Dan.

MR. BELL: If you sell certificates to banks and individuals and they want to sell them, they go on the market and clog the market. Then the Federal gets them.

H.M.JR: That helps our excess reserves.

MR. BELL: That is right. If they buy tax notes and want their money, they come to the Treasury.

H.M.JR: Somebody was pretty smart about this, weren't they? (Laughter)

MR. BELL: I don't know about the smartness.

- 9 -

H.M.JR: Bill, what do you think?

MR. ROBBINS: My background is limited in matters of this kind.

H.M.JR: But from a salesman's angle?

MR. ROBBINS: You shouldn't change it. You have your die cast, your sales force out; you shouldn't change it.

MR. BUFFINGTON: As you know, this morning I told you I didn't think it would be serious to close it, but I had not been in the office long when four or five of these people called and raised the question: "Is there any chance of closing the two's or two-and-a-half's?" In other words, they regard it as a change in signals.

H.M.JR: That would be bad if they were going to do that.

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

April 19, 1943
5:51 p.m.

HMJr: Hello.

Edwin L.
Kilby: Yes, sir.

HMJr: Go ahead, Kilby, talk.

K: On the 7/8's non-banking, two billion fifty-four million.

HMJr: Well, that isn't up so much, is it?

K: No, it's only up about 75 over Saturday.

HMJr: Well, have you got my chart fixed up before I go home?

K: That's the one that Mr. Bell fixes, you mean?

HMJr: That's right. He fixes it. That's right.

K: No, sir. I haven't given him the figures yet.

HMJr: Have you got the rest of the figures?

K: Yes, sir. On the....

HMJr: Well, trot up to Bell's office - we're in my office with Bell, and get that chart and fix it up. His secretary knows where it is.

K: Fine. I'll do that right away.

HMJr: Trot upstairs, please.

K: Yes, sir.

- 10 -

H.M.JR: Well, gentlemen, I have a little rule which is a pretty good rule. When I know I am tired I don't make any decisions, and I know I am tired. I would like to meet with this same group tomorrow morning about nine-fifteen. My mind will be fresh; but it is tired now. I am not going to decide anything.

Should we have Eccles in?

MR. BELL: No. (Laughter) We know his views. I would like to get a telegram out to the Federal Reserve Banks before ten o'clock; and if he comes, we won't get it out before noon. (Laughter)

H.M.JR: Anyway, you fellows come back at nine-fifteen. It will soak tonight in my brain.

But one thing George said, or somebody said - if these fellows think we are going to close one after another, that is no good.

MR. BUFFINGTON: They just raised that point, "Does this bear on the time the other issues are going to be open?"

MR. BELL: It is apparently being discussed around the Street. Hap Young called me a while ago and said he had heard it discussed on Wall Street, that this seven-eighths might be closed.

H.M.JR: But, you see particularly what he (Tickton) said - I didn't know it - you (Bell) may have known it; but I didn't - that Eccles had to take seven hundred million of these. I didn't know that. That is the rub?

MR. TICKTON: That is what he said. That is what he said to me, that he had to take seven hundred million in order to get these insurance companies to buy these large amounts.

H.M.JR: That is good. They bought two-and-a-half's in place of it, didn't they?

- 11 -

MR. TICKTON: That is right, and a lot of two's.

H.M.JR: I think that is good.

MR. TICKTON: Insurance companies apparently bought a lot more two's than there was any indication they were interested in - just got rid of short stuff to buy them.

H.M.JR: Do you have anything, Harold?

MR. GRAVES: No. I think what George says makes a lot of sense.

H.M.JR: What I would like to do when we meet tomorrow is, I would like to meet in the chart room, and I would like to take a look at the chart. I think everybody is here that should be here.

MR. ROBBINS: Peabody will be in tomorrow.

H.M.JR: Let's meet in there at nine-fifteen tomorrow. You will have the telegram written beforehand, anyway.
(Laughter)

April 19, 1943.

My dear Mr. Leffingwell:

It gave me great pleasure to read your generous words about the Carnegie Hall meeting and my speech there.

You know that I have always greatly valued your opinion on all matters and benefited by your help and advice.

It was kind indeed of you to write to me, and I am not too modest to share the lift your letter gave me with Mrs. Morgenthau.

We both send our most cordial regards to Mrs. Leffingwell as well as to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. R. C. Leffingwell
23 Wall Street
New York, New York.

HEG/mah

W

23 Wall Street
New York

R. C. LEFFINGWELL

April 15, 1943

Dear Mr. Secretary:

You don't need to have me tell you that your coming to New York and your speech at Carnegie Hall were the greatest possible help. Still, I do tell you so. I know how modest you are and what an effort it was for you. I want you to know that I, who am not without experience in these matters, and my wife, who is a keen observer, were there and listened to you, and were enthusiastic about your speech and the meeting in general. Everybody must have had his favorite spots, but I got my own particular thrill out of that passage in your speech which begins: "By what right do the Germans and the Japanese blight our lives?" And goes on "Who do they think they are?"

I enclose a clipping torn out of the World Telegram the following evening of what they call "Highlights" of your speech. I thought it was a good and effective selection.

Well, anyway, I just want you to know that I am enthusiastic and pleased as Punch, and my wife is too.

If you should be willing I wish you would tell Mrs. Morgenthau, or let her see this letter. You perhaps are too modest to tell her, but I know how one's wife cares about her husband's efforts and I should like Mrs. Morgenthau to know that yours was a worth-while effort and a true success.

Faithfully yours

The Honorable
The Secretary of the Treasury
Washington, D. C.
Enclosure

Never Again for Axis, Morgenthau Promises

Highlights of Mr. Morgenthau's speech last night at the Carnegie Hall rally launching the Second War Loan drive to raise \$13,000,000,000:

"By what right do the Germans, the Japanese, blight our lives, shatter our homes, whirl away our boys to drown 5000 miles from home in a scum of oil at sea, or bleed and cough their lives out in a muddy, filthy ditch? Who do they think they are?—We know only too well who they think they are! They're the supermen, the Master Races, put here on earth to enslave the rest of us and crack the whip over our bare backs while we do their dirty chores—they and their 'great' armies; their great armies of sneaks and bullies that jump on weak, helpless nations when they aren't looking.

"The Japs, with their dreams of empire, built on lies and treachery.

"The Germans, who twice within the memory of living men have tried, with their Kaisers and their Pushers, to conquer the rest of our world.

"We say: 'Never again!' We of the United Nations will show them—who we are. We'll show them some really great armies—Chinese and Russian, British and American."

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

"We will need to borrow—about 70 billion dollars for the year. . . . We will get it from people who will scrimp and save if need be to buy these bonds. We will get it especially from those upon whom we must depend most heavily—the men and women who are making good money in shipyards and plane factories and tank production; the gallant women who used to call themselves housewives but who are working today at lathes and drill-presses in the great war plants. These are the Americans who, all together, buy bonds in amounts that a millionaire, or even all of the millionaires combined, could never hope to equal."

"When you pay \$18.75 for a bond, 18 dollars go immediately into guns and planes and equipment. The 75 cents goes for the

regular expenditures of the government."

"The need is real, urgent pressing."

"This is a people's war—so all the people ought to have a part in financing it."

"They are asked to give their lives.

"You are only asked to lend your money.

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

April 19, 1943.

Dear Roy:

I am happy to know that you liked my Carnegie Hall speech and hope it inspired you to go out and sell some bonds for us.

It is interesting to know that John O'Brien gave a good report of my press conferences. The boys treat me, on the whole, very well.

You asked about my father. He continues to be in good health.

Of course I still remember the 1928 campaign very vividly. It is a pleasure to be reminded of it and to hear from you again.

Sincerely,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Mr. Roy C. Elmendorf
Manager, Publicity Bureau
Commerce and Industry Association of New York
233 Broadway
New York, New York.

File in Diary
(Initialed copy to Gaston)

April 19, 1943.

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Manager, Publicity Bureau
Commerce and Industry Association of New York
233 Broadway
New York, New York.

File in Diary
(Initialed copy to Gaston)

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 F. VOORHEES, VICE-PRESIDENT
 HOLDEN, VICE-PRESIDENT

JEREMIAH D. MAGUIRE, VICE-PRESIDENT
 SAMUEL D. LEIDESDORF, TREASURER
 THOMAS JEFFERSON NILEY, SECRETARY

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April 14, 1943

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

Dear Henry:

I listened to your eloquent radio bond appeal Monday night and your voice and delivery were superb, as well as your text. It was the first time I had heard you broadcast.

I was still a newspaper reporter a year or so ago and was at your father's home when the press and photographers were present for the initial purchase of some issue of bonds or stamps. He appeared in fine health and I hope he is the same.

Saw John O'Brien when he was in New York recently and he says you handle your press interviews very well. Remember the 1928 campaign?

Regards to the President when you next see him.

Most sincerely,

Roy C. Elmendorf
 Roy C. Elmendorf
 Manager, Publicity Bureau.

RCE:DM



AMERICAN FEDERATION OF LABOR

65
4/21/43

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808 A. F. of L. Bldg., Washington, D. C.

Washington, D. C.

April 19, 1943

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

Dear Mr. Secretary:

In your letter dated April 15th you translated my feelings into words. I esteemed it a privilege and a genuine pleasure to participate with you in the launching of the Treasury's 2nd War Loan Campaign in New York on April 12th.

I have enjoyed working with you both personally and officially. You have reflected your fine attitude in all our conferences and in the fine relationship which we have established. May I assure you with all the sincerity at my command that you can rely upon my full and complete cooperation and the assistance of the American Federation of Labor in all your work.

Sincerely yours,

President
American Federation of Labor

hfc

To:

69

The Secretary

John Fehle has just brought this in for you. George Cullen of the Associated Press has orders to ask about the story.

4/19
3:27pm

MR. Schwarz

Statement for the Secretary on
Nick Gregory's Article in the New York Herald Tribune

The article in the Herald Tribune falls into about the same category as the statements that have heretofore appeared in Time and in articles by Drew Pearson and Johannes Steel. In each article there are certain grains of truth. Much of the material, however, is founded on conjecture.

Some of these conjectures may ultimately be discovered to have validity while others are clearly false.

On the general question hinted at by these various articles, I can say that the Department has been studying this general question of alleged financial manipulations for some time. The problem is so complicated that no one at this time is in a position to state the real facts and all press statements on this subject must be essentially conjecture. The Treasury did not give out Gregory's story.

If you receive a question with respect to the following possible implication in the Herald Tribune article you may wish to make the following denial:

Any implication in the Herald Tribune article that Treasury has sent its representatives into the field "ostensibly"

- 2 -

to work on general financial and monetary matters but that actually such men have been conducting certain investigations without the full knowledge of the other interested Government agencies, is completely false.

APR 19 1943

10, 1943

72

U.S. Investigates French Profits In Revaluing of Franc in Africa

Vichy Officials Said to Have Reaped Harvest on Advance Tip of Upward Exchange Revision After Invasion; Seizure of Funds Likely

By Nicholas P. Gregory

WASHINGTON, April 18.—The Treasury Department foreign funds control division is investigating reported foreign exchange profits reaped by some Vichyites and other wealthy French North African officials through an advance tip that the franc would be revalued upward from 75 to 50 to the dollar, it was learned today.

The investigation may lead to tighter control over the finances of many officials, found suddenly to have acquired extraordinarily large sums of francs in anticipation of a profit by converting into dollars.

Soon after the invasion of North Africa by the Americans, the franc was revalued at 50 to the dollar, thereby automatically raising it to 3 cents. Conversion of francs into dollars began.

The groundwork for punishment of these exchange speculators exists and may be put into operation after the investigation is completed. For example, General

Dwight E. Eisenhower, commander in chief of the Allied armies in North Africa, may permit conversion of francs based on holdings as of a certain date, perhaps prior to the invasion.

These officials, it is learned, acquired large sums of francs after the invasion and after they had received exclusive information of the proposed upward revaluation. The Treasury may also use the threat of the seizure of dollar assets some of these officials have cached in the United States or refuse to honor credits deposited to their accounts.

Bernard Bernstein, former head of the Treasury Foreign Funds Control Division, was suddenly commissioned prior to the invasion a lieutenant colonel and was sent to North Africa ostensibly to straighten out the chaotic monetary condition of the colonies.

Last January he returned to the United States and conferred with his former colleagues in the Treasury. Little is known of these con-

(Continued on page 23, column 6)

U.S. Is Studying Profiteering on Franc in Africa

(Continued from page one)

ferences. However, Colonel Bernstein asked for other Treasury employees to be sent to Africa to assist in the work.

On the basis of Colonel Bernstein's disclosures, Henry Morgenthau Jr., Secretary of the Treasury, asked for an inquiry into the financial transactions of many French officials. The investigation is now under way and may result in drastic action to eliminate these reported large profits made by some officials there.

The administration of North Africa is in the hands of the War and State Departments, Treasury, Lend-Lease and Board of Economic Warfare officials are also stationed there, but policy is dictated by the Army and the State Department.

The colonial French franc was revalued upward to raise the purchasing power of the native population and the French colonials. By one stroke the United States expected to bring some relief to the hard-pressed population which had been robbed by the Italian and German so-called armistice commissions.

The Treasury printed special American currency for circulation in North Africa. These dollars are marked with a gold seal as contrasted with the customary blue seal. This special currency was prepared as a precaution against Nazi seizure and possible use in other parts of Europe.

The franc at the time of the invasion had a nominal value of slightly more than one cent. It had been declining since the German invasion of France. The French government has in the United States about \$1,400,000,000 in gold, exchange and other assets.

Although most of the resources of the Bank of France were sent out of the country, the Germans were able to seize considerable resources, as for example, about \$250,000,000 of Belgian gold which was entrusted to the Bank of France. The position of the French currency has deteriorated since June, 1940, the Nazis draining the

Bank of France at an alarming rate. Its foreign exchange holdings have declined to 27,000,000 francs, the bank reported, while occupation costs have risen to 180,999,000,000 francs. Note circulation has grown from 151,322,000,000 in December, 1939, to 323,494,000,000 francs. These statistics are said to be inaccurate and collusively "doctored" to present a better monetary picture than is the case.

In other words, the government of Marshal Henri Petain has paid a sum to the German occupying army in excess of the amount of money in circulation before the fall of France and more than half of the inflated francs now in circulation.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE April 19, 1943

TO Secretary Morgenthau
 FROM Mr. Harbo
 Subject: The Business Situation,
 Week ending April 17, 1943.

Summary

Wage control: Evidence of labor discontent over the new wage control program developed last week as AFL and CIO members of the WLB criticized the program as unsound. Workers involved in the test case in which the WLB put its new policy into effect went on strike in protest, although they later voted to return to work.

Price control: The general trend of administrative measures since the President's "hold-the-line" order has been to tighten price control. A ceiling on live hogs has been threatened unless prices decline. Impending dollar-and-pennies ceilings on beef, veal, lamb and mutton, which would increase prices somewhat, have been postponed for further study. A scheduled advance in retail milk prices in the Washington, Baltimore and Philadelphia areas will be avoided by a subsidy program.

Commodity prices: The BLS index of 28 basic commodity prices was virtually unchanged last week, as rising corn prices and declining hog prices largely offset one another. The general price level continues to move slowly higher, with the BLS all-commodity index in the week ended April 10 rising 0.1 percent, largely because of upward adjustments of OPA ceiling prices.

Freight rate cut: The recent rescinding of last year's railroad freight rate increases will cut the nation's railroad freight bill by about \$300 millions a year, and thus contribute to the program for stabilizing living costs.

Crop prospects: Crop prospects would seem less favorable than average, according to the Department of Agriculture, were it not for generally favorable moisture conditions. A winter wheat crop of 559 million bushels was forecast by the Department of Agriculture in its April crop report, which would be 145 million bushels less than last year's large crop. Heavy froees in recent months have caused severe damage to some early vegetables and fruits.

- 2 -

Progress of wage and price control program

As the initial psychological effect of the President's hold-the-line order on wages and prices wears off, the administrative agencies charged with making the order effective face a formidable task. Early last week the WLB, in settling a test case, stated that it proposes to carry out strictly the spirit as well as the literal meaning of the President's order. Consequently, it ruled out wage demands inconsistent with an application of the "Little Steel" formula. Although the Board's decision in the matter was announced as a unanimous one, the AFL members of the Board later issued a statement indicating that they had no alternative under the terms of the President's order, which, in fact, they believed to be unsound and unworkable. Furthermore the workers involved in the test case (Universal Atlas Cement Company) went on strike in protest against the decision, although they later voted to return to work. The CIO members of the WLB also criticized the new wage policy, stating that it would neither secure stabilization nor promote production. With the crucial wage demands of the soft coal miners still hanging fire, the wage control program appears to face a real test.

In the field of price control, the avowed intention is to widen the scope of specific dollars-and-cents price ceilings, but in view of the great practical difficulties involved, further progress in this direction has as yet been relatively limited. An important step taken to solve the livestock feed problem has involved raising the price ceiling on corn by 5 cents a bushel. A price ceiling on live hogs well under recent market levels was also threatened unless prices come down. This development caused a drop in hog prices last week, which was the dominant factor in a moderate decline in Moody's index of spot commodity prices. (See Chart 1.) The Dow-Jones futures index, however, was relatively steady following the previous week's decline. Near the end of the week the futures markets were disturbed by reports that the OPA was about to impose a ceiling on raw cotton prices.

Railroad freight rate cut to aid price control program

The reinvigorated price control program had hardly gotten under way when it received a windfall last week in a cut in railroad freight rates. In ordering the cut, the Interstate Commerce Commission indicated that it had reached its decision prior to the promulgation of the President's anti-inflation order. The cut, effective May 15, suspends until January 1, 1944, the freight rate increases authorized in March of last year. As a result, it is estimated that the nation's railroad freight bill will be reduced by about \$300 millions per year, and the OPA

- 3 -

is reported to have studies under way to determine how the benefits will be apportioned among producers, distributors and consumers. Although the rate cut is not absolutely uniform for all types of goods, on the average the reduction will be about 4½ percent.

President's order halts price increases

The influence of the President's hold-the-line order was apparent last week in several measures taken by the OPA and the War Food Administration to prevent increases in retail prices. Dollars-and-cents ceilings on beef, veal, lamb and mutton, which were scheduled to become effective April 15, were postponed until May 17 in order that further study be made. According to estimates of the Bureau of Labor Statistics, an increase of 4 to 5 percent in current meat prices would have been authorized under the originally proposed ceilings. The OPA stated that the ceilings would undergo a full examination, to insure that they are in accord with the directive requiring a tight "holding of the line" on cost-of-living items.

Retail milk prices (originally scheduled to be increased) are to be stabilized at present levels in the Washington, Baltimore, and Philadelphia areas through a Government-sponsored milk purchase and resale arrangement, the War Food Administration has announced. The Commodity Credit Corporation will purchase fluid milk from producers at the previously authorized prices, and will resell it at lower prices to enable distributors to maintain present price levels. Before the President's order was issued, producers' prices had been increased in order to eliminate regional inequalities, and it was the intention then to adjust retail prices upward in line with producer prices.

Davis acts to solve feed-supply and hog-price problems

Taking steps to increase livestock feed supplies, Food Administrator Davis announced last week a 5-cent increase in the ceiling price on corn, designed to encourage heavier marketing of farm-held corn. Plans were also reported under consideration for importing feed wheat and perhaps other grains from Canada and Australia. If these measures are not sufficient to obtain an adequate feed supply, outstanding Government loans on corn may be called.

The Food Administrator also warned that the price of live hogs must be reduced from recent levels near \$16 a hundredweight to the \$14.25 to \$14.50 required to equal the ceiling prices on pork. To offer farmers some assurance of continued profitable feeding operations, however, the support price on live hogs was raised from \$15.25 to \$13.75. This warning has been followed by some decline in hog prices, but present levels of \$15.10 to \$18.25

- 4 -

are still substantially above the equivalent ceiling levels on pork. Members of the livestock and meat industry have been invited to a meeting in Washington this week to help work out details of a hog price ceiling, to be imposed if market prices do not decline sufficiently.

Commodity prices irregular

Wholesale prices of basic commodities moved irregularly last week, largely as a result of actions taken by the War Food Administrator, and the BLS index of 28 basic commodities was fractionally higher. (See Chart 2.) Corn prices rose 5.2 percent, due to an advance in the ceiling price, but this increase was offset by a decline in hog prices of 3.5 percent following the Food Administrator's warning that ceilings may be imposed on live hogs. The price of steers was off moderately. Wheat, flaxseed, and cotton prices, however, rose slightly after their sharp decline of the preceding week, when the President's anti-inflation order depressed the markets.

The BLS all-commodity index advanced very slightly (0.1 percent) in the week ending April 10. An increase in food prices, primarily attributable to CPA adjustments in ceiling prices, was responsible for the rise in the index, since prices of farm products averaged lower and industrial commodity prices remained steady.

Stock market activity declines

After experiencing two unexpected jolts, in the President's anti-inflation order and the cut in railroad freight rates, trading in the stock market quieted down considerably last week. Resistance to a further decline in prices developed early in the week, and at the close on Saturday the Dow-Jones averages of industrial, railroad and utility stocks were all moderately higher than at the end of the previous week. (See Chart 3.)

The sharp decline in stock prices which followed the recent Executive Order tightening wage and price controls undoubtedly has made for a somewhat more cautious attitude in the stock market. In this connection it is of interest that even before the recent break in prices, short selling was increasing. New York Stock Exchange data reveal that at the end of March the short interest had risen to the highest point since July 1938 and stood at 775,000 shares as compared with 664,000 shares a month earlier.

- 5 -

Significance of cut in railroad freight rates

Although the recent decision of the Interstate Commerce Commission to rescind last year's freight rate increases apparently caught financial circles by surprise, and resulted in a flurry of selling of railroad stocks, the decline in prices was short-lived. This relatively strong market action in the face of adverse news has been due in part to the fact that only a portion of the loss in freight revenue will be reflected back to net income available for dividends on railroad stocks.

Despite the fact that most railroads are now operating in excess profits tax brackets, net railway operating income (after taxes) of Class I railroads in the first 2 months of this year was 61 percent higher than in the corresponding period last year, and very much higher than the pre-war average. (See Chart 4.) The expansion in earnings has been so great that the majority in the recent ICC decision felt that last year's rate increase was no longer justified.

Crop prospects uncertain

Farm production in 1943, including livestock, would exceed last year's record output under favorable weather conditions, the Secretary of Agriculture told the Senate Agricultural Committee last week at a hearing on the Pace Bill. Crop prospects, however, were lowered and farm work delayed by the stormy weather of March. In its April crop report the Department of Agriculture stated that "the combined effect of all weather conditions affecting this year's crop would now seem rather less favorable than average if it were not that there is a fair reserve of sub-soil moisture under most of the Great Plains Area and irrigation prospects are good to excellent in most sections west of the Rockies." The latest information available, the Weather Bureau's report for the week ending April 13, indicates that recent more favorable weather has brought considerable improvement in the agricultural situation in most of the important growing sections. Damage has been caused, however, by low temperatures in the Northeast and the extreme Southwest.

A winter wheat crop of 559 million bushels is forecast by the Department of Agriculture as of April 1. This is 145 million bushels less than last year's large crop (due partly to a 2 percent reduction in acreage), and is 66 million bushels less than the December estimate. The reduction since December reflects the widespread damage from severely low and variable winter temperatures, limited surface moisture in some areas, and the late start of spring growth.

- 6 -

Although pasture conditions throughout the country are not quite as good as this time last year, pastures appear to have come through the winter in much better condition than average. Moisture conditions are satisfactory except in the southwest, and spring pasture prospects are good in most sections of the country.

The condition of early potatoes on April 1 in the South and in California averaged somewhat better than on the corresponding date last year, and above the 10-year (1932-41) average. The recently-harvested Florida crop was very light, however, as a result of heavy damage from freezes in February and early March. Undoubtedly the poor Florida crop has accentuated the current potato shortage in many sections of the country, which appears to have been caused primarily by the heavy Army demand and by large purchases for seed use.

A reduction of 11 percent is expected in the commercial spring vegetable crop compared with that of 1942. Frosts in January, February, and early March caused severe damage to peas, snap beans, cabbage, lima beans, and tomatoes.

The peach crop in the 10 southern states has been particularly affected by cold weather during the budding season, and the condition of the crop on April 1 (not counting the effect of last week's cold wave) was only 48 percent, as compared with 77 percent on April 1 last season, and the 1932-41 April average of 55 percent. On the seaboard, 75 percent of the peach, plum, and cherry crops are lost, according to the Maryland University Extension Service.

Milk may be rationed

Milk rationing may be established in some parts of the country this year, Dr. T. G. Stitts, Chief of the Dairy and Poultry Division of the Food Distribution Administration told the American Dairy Association last week. Although an adequate supply is in sight for this summer, he indicated that "there is a definite possibility of a shortage of fluid milk supplies in many areas in the fall or some time after July 1" when milk production normally falls off.

In March milk production made about the usual seasonal advance and attained record high levels for that month. (See Chart 5, upper section.) It exceeded the March 1942 production by about 1 percent, whereas this year's announced goal is 2 percent above last year's production.

Cold storage holdings of creamery butter as of March 1 were very low (See Chart 5, lower section) and are largely held

- 7 -

by the Army or earmarked for war purposes. Under the present rationing program, however, aided by the seasonal increase in butter production in the coming months, stocks should be sufficient to maintain consumption at approximately a constant level throughout the remainder of the year, according to the Department of Agriculture.

Farm employment continues low

The number employed on farms showed nearly the usual increase from January 1 to April 1, the Department of Agriculture announced last week. Nevertheless, farm employment on April 1 was at a new low for that month, as has been true each month this year, and was 2 percent less than on the corresponding date in 1942. The number of family workers, which comprise approximately 80 percent of the labor force, was practically unchanged from last year, but the number of hired workers decreased 7 percent. Although Selective Service regulations regarding the deferment of agricultural workers were reported to have caused some reversal of the migration from the farm recently, these rulings had not appreciably affected trends in farm employment by the first of April.

The fact that family worker employment continues at relatively high levels, despite record losses in farm population in 1942, is evidence of a much fuller utilization of services of persons not ordinarily a part of the farm labor force. All persons are considered employed on farms by the Department of Agriculture if they were engaged in farm work 2 or more days during the week of inquiry. Consequently, any change in the quality of the labor due to the replacement of experienced full-time hands by women, children and older people working 2 or 3 days a week is not reflected in the employment figures. It is possible that the composition of the labor force may have changed materially since last year, and the amount of effective farm labor may be considerably less than the employment figures would indicate.

Farm wage rates have continued to increase, unrestrained by the controls on industrial salaries and wages. The general index of farm wage rates (seasonally adjusted) increased 5 percent from January 1 to April 1, and now stands at 244 percent of the 1910-14 average. The index is 35 percent higher than last year, and approximates the all-time high of 1920.

Farm mortgage debt reduced

An indication that farmers are using part of their swollen incomes to reduce their mortgage debts is seen in a

- 8 -

continued decrease in the total outstanding farm mortgage debt during the past few years. In the year ending January 1, the farm mortgage debt outstanding was reduced more than 3 percent, according to a confidential preliminary estimate of the Department of Agriculture. It is now 3 percent lower than the pre-war level of January 1, 1939. This reduction has occurred at a time when farm real estate inventories of the principal lending agencies have been decreasing. Moreover, forced sales and related defaults have continued to decline, with a corresponding decrease in their importance as a factor in debt reduction.

The trend of the farm mortgage debt outstanding during this war has been in complete contrast to that in the last war. Whereas in World War I the farm mortgage debt increased at an accelerating rate throughout the war, reflecting the heavy speculative buying of farm real estate in that period, in the present period it has decreased steadily.

The following table shows a comparison of changes in the total farm mortgage debt outstanding in the two war periods, based on data as of January 1 of each year:

	Year	1914	1915	1916	1917	1918
World War I (1914 = 100)	Index	100	106	112	124	139
	Index	100	98	97	95	92e
Present war (1939 = 100)	Year	1939	1940	1941	1942	1943

Pre-Easter buying boosts department store sales

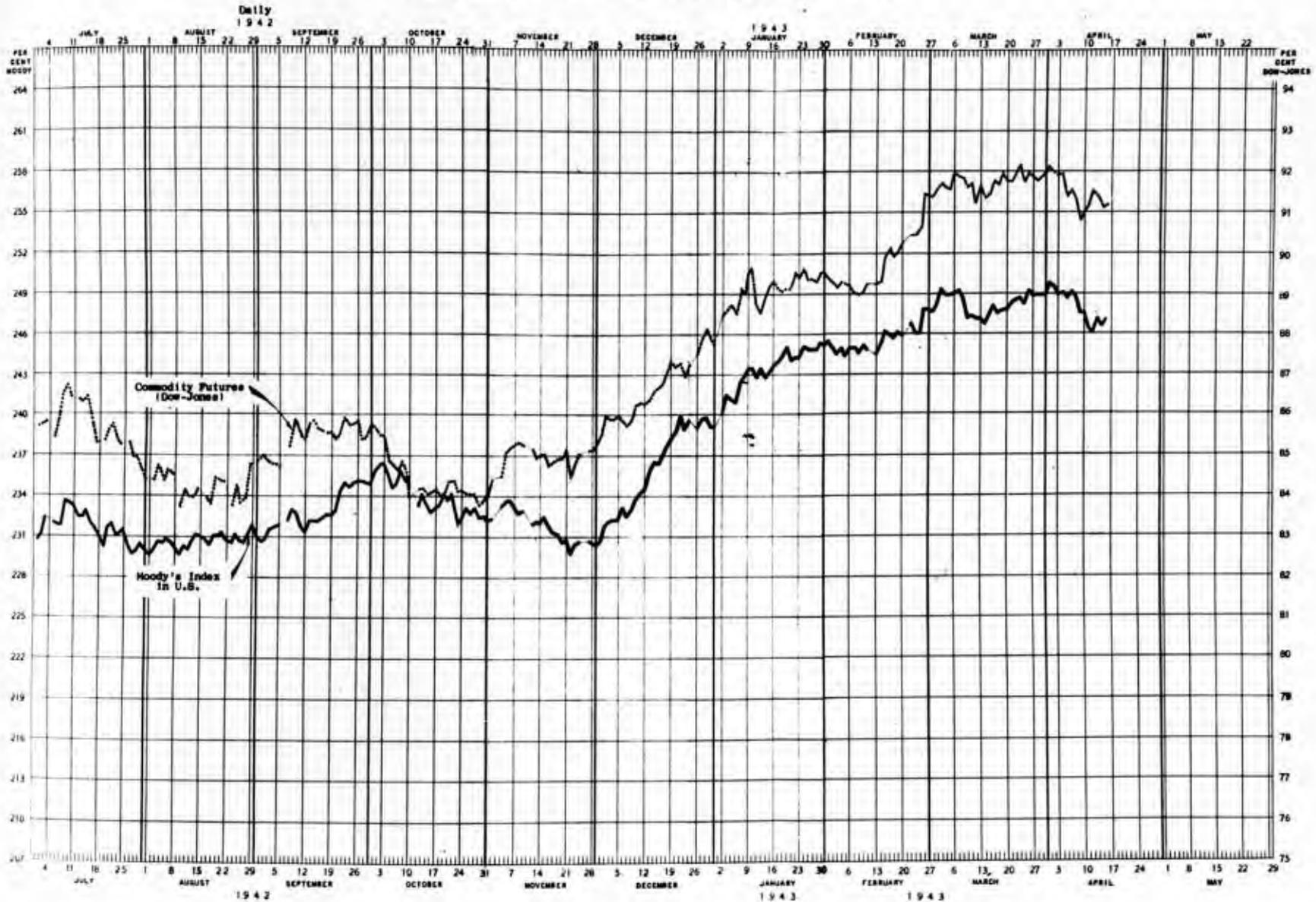
Following the panicky buying wave of February, department store sales were relatively steady at lower levels throughout March. However, stimulated by pre-Easter buying, sales in the week ended April 10 rose 10 percent above the previous week and attained the highest point since the second week in February, when the wave of scare buying was at its peak. Recent weekly sales comparisons with year-earlier levels are of little significance, since Easter occurred 3 weeks earlier in 1942. Thus in the week ended April 10, sales ran 25 percent above the corresponding week last year but this was due largely to the usual post-Easter drop in sales in 1942. (See Chart 6.)

Preliminary reports indicate that pre-Easter buying of apparel stepped up last week, and Dun and Bradstreet estimate that nation-wide retail volume ran from 14 to 19 percent above the same

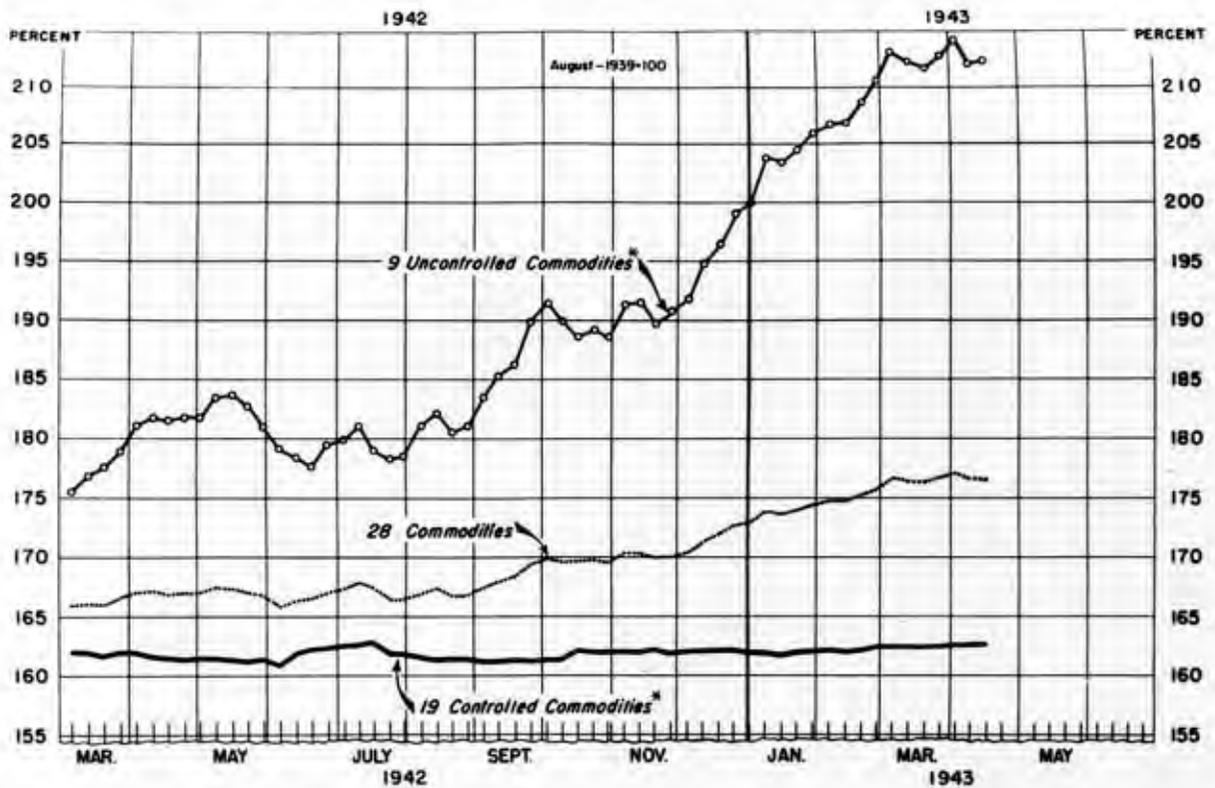
- 9 -

period last year, when the post-Easter slump in sales was still making itself felt. The same source reports that luxury accessories and precious jewelry have been selling well, with the latter making the best sales showing in years.

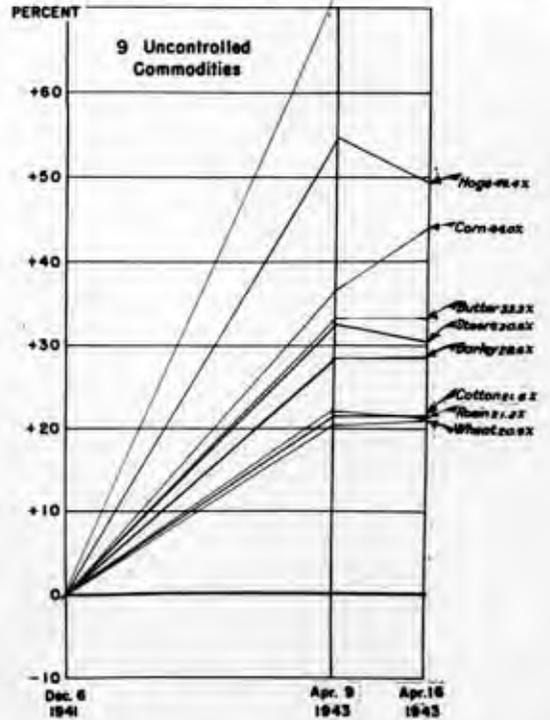
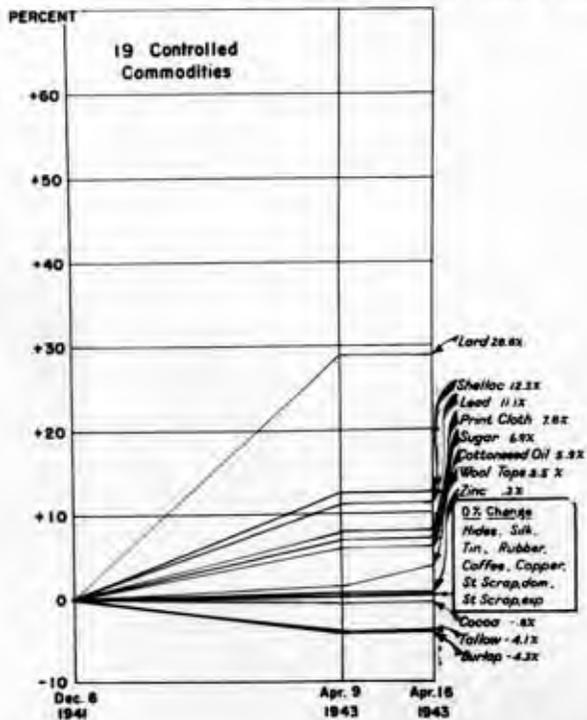
COMMODITY PRICE INDEXES IN U.S.



MOVEMENT OF BASIC COMMODITY PRICES



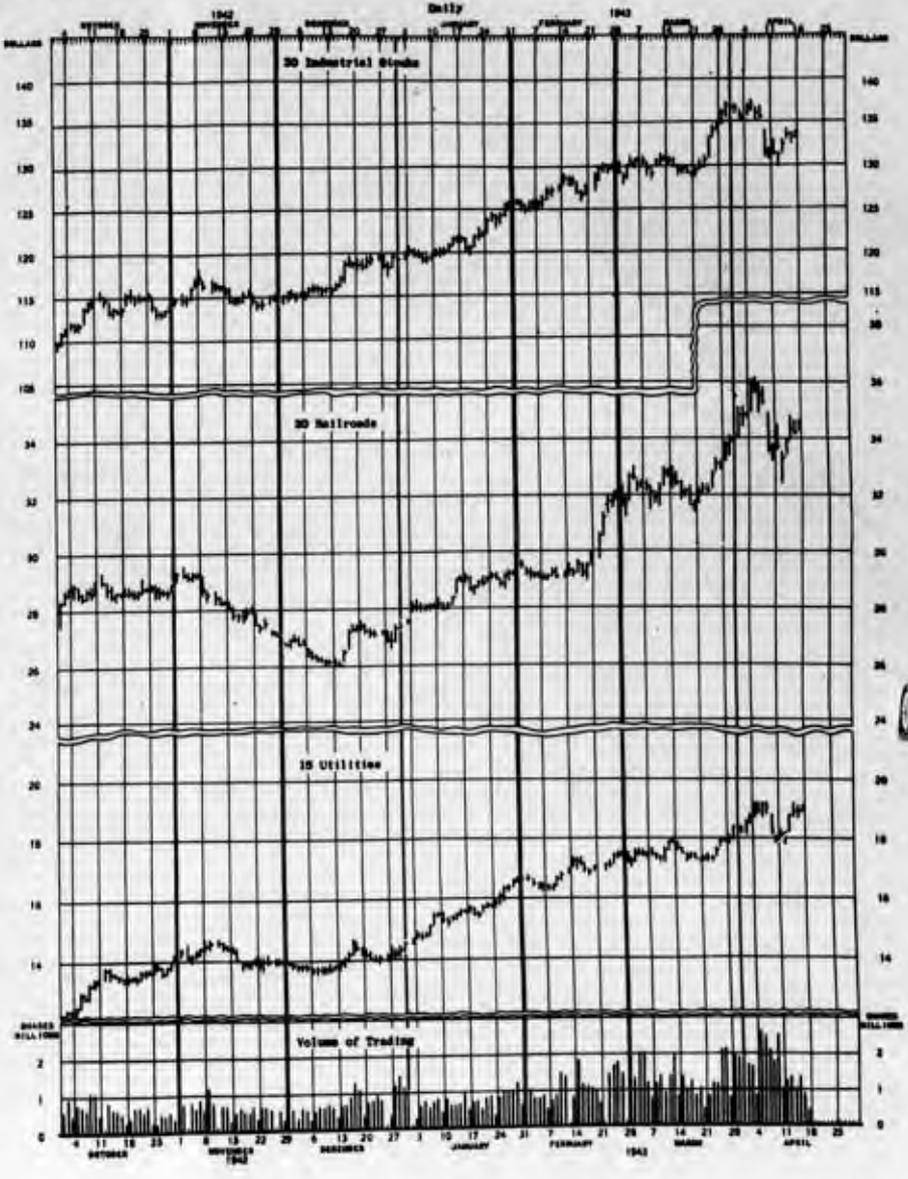
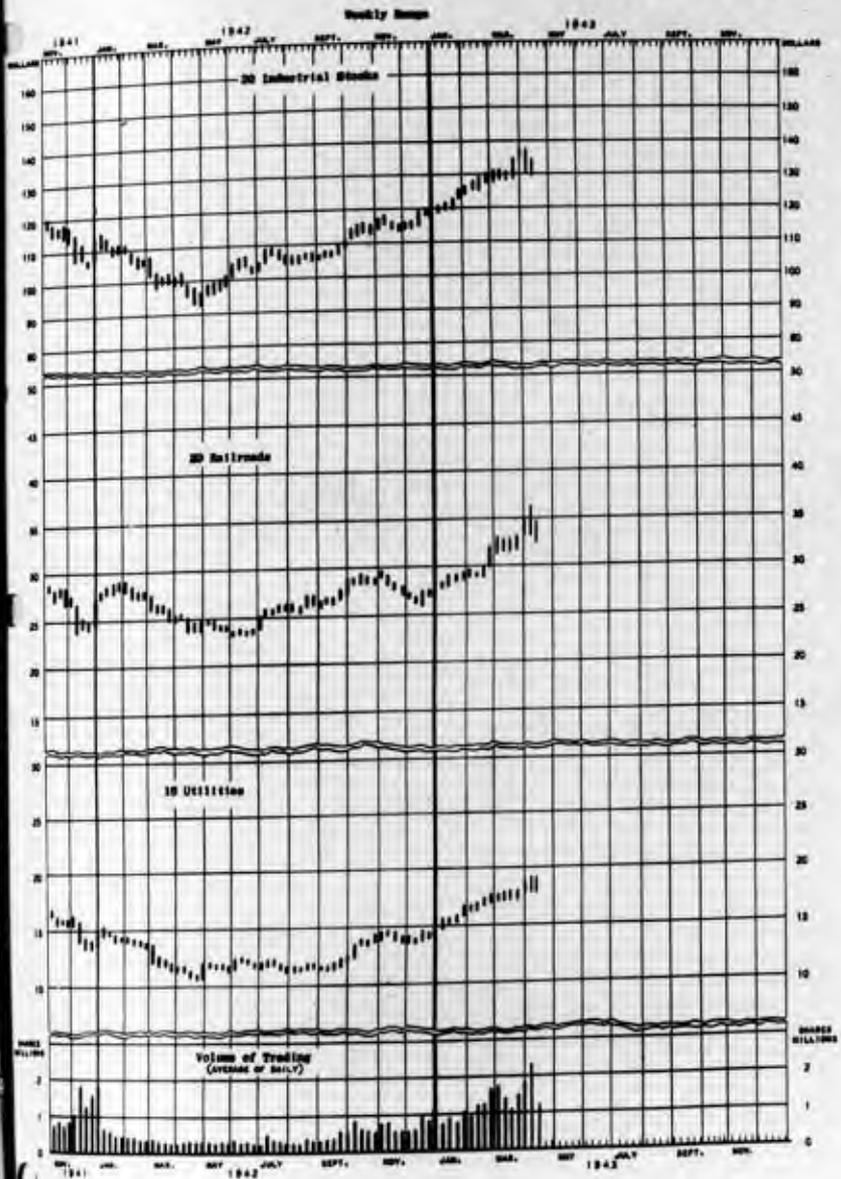
PERCENTAGE CHANGE DEC. 6, 1941 TO APR. 9 AND APR. 16, 1943



*20 Controlled and 8 Uncontrolled previous to June 26

STOCK PRICES, DOW-JONES AVERAGES

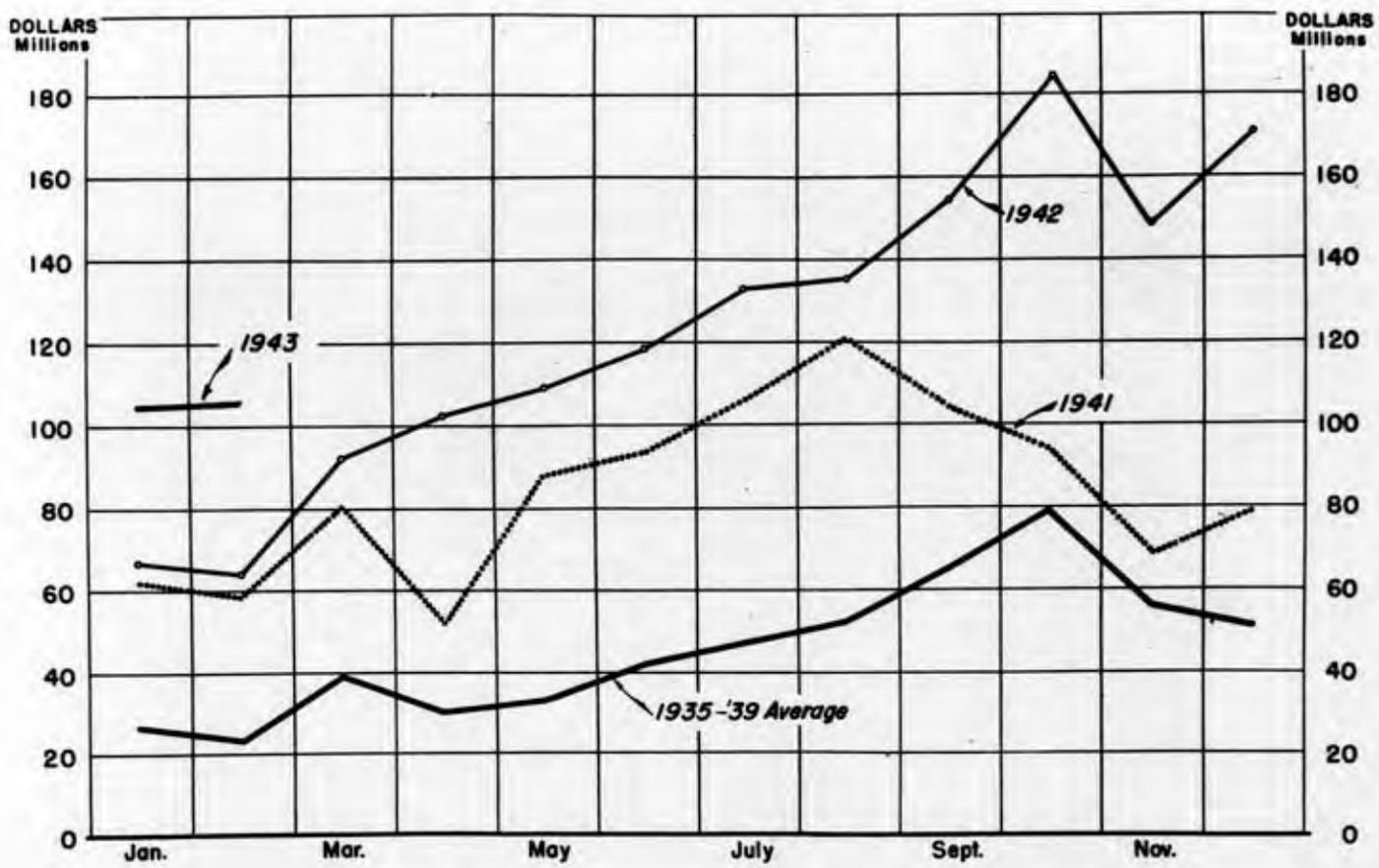
Chart 3



U.S. GOVERNMENT PRINTING OFFICE: 1942

RAILROAD EARNINGS

Net Railway Operating Income, Class I Railroads



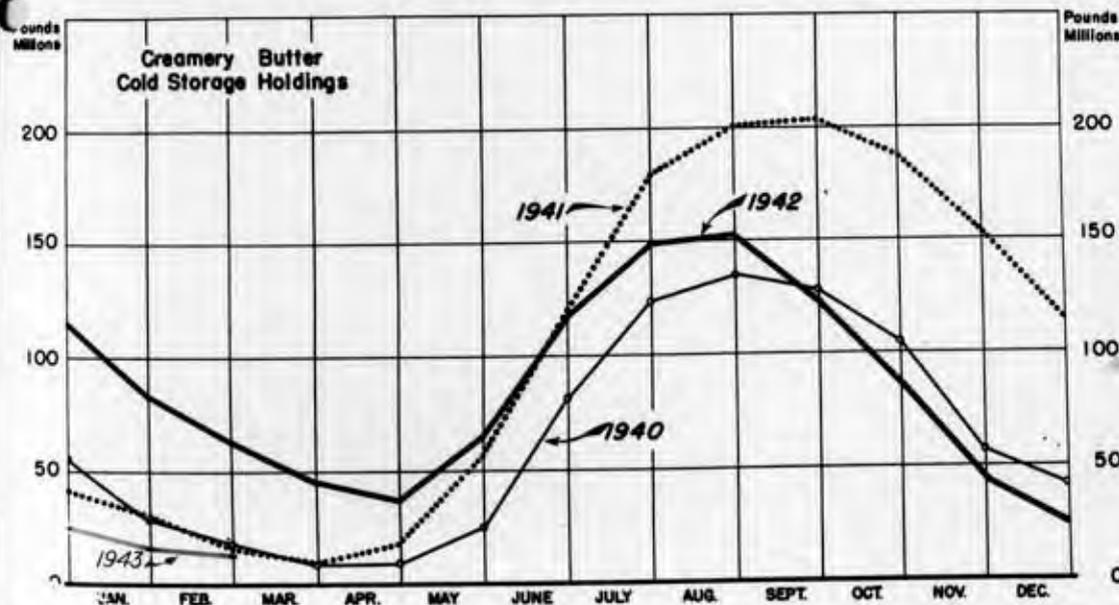
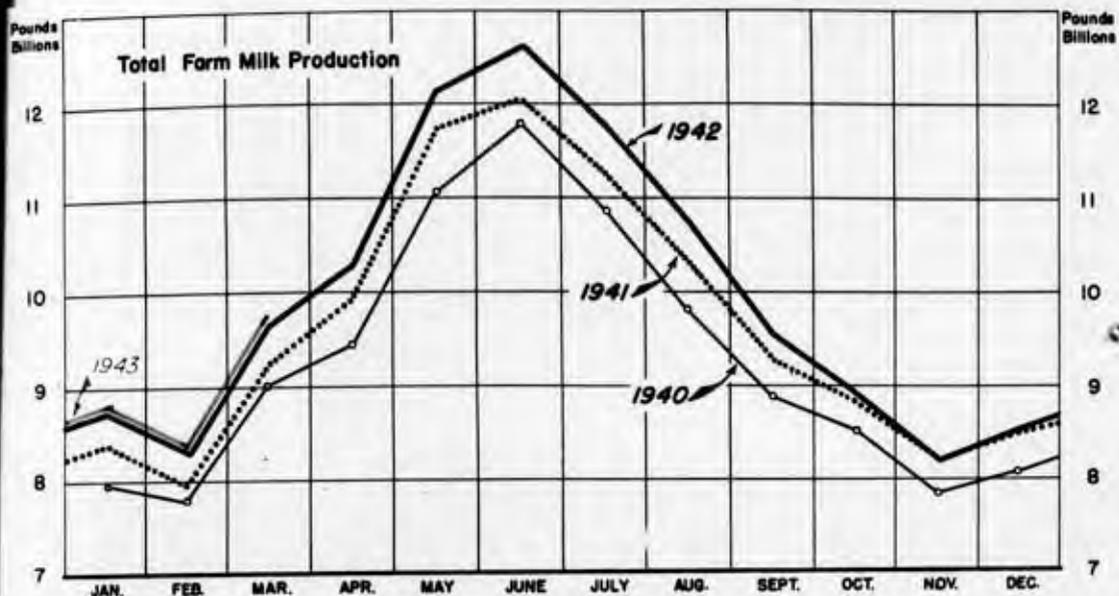
Office of the Secretary of the Treasury
Division of Research and Statistics

* Earnings after taxes, but before interest and other fixed charges.

C-483

Chart 4
87
Regraded Unclassified

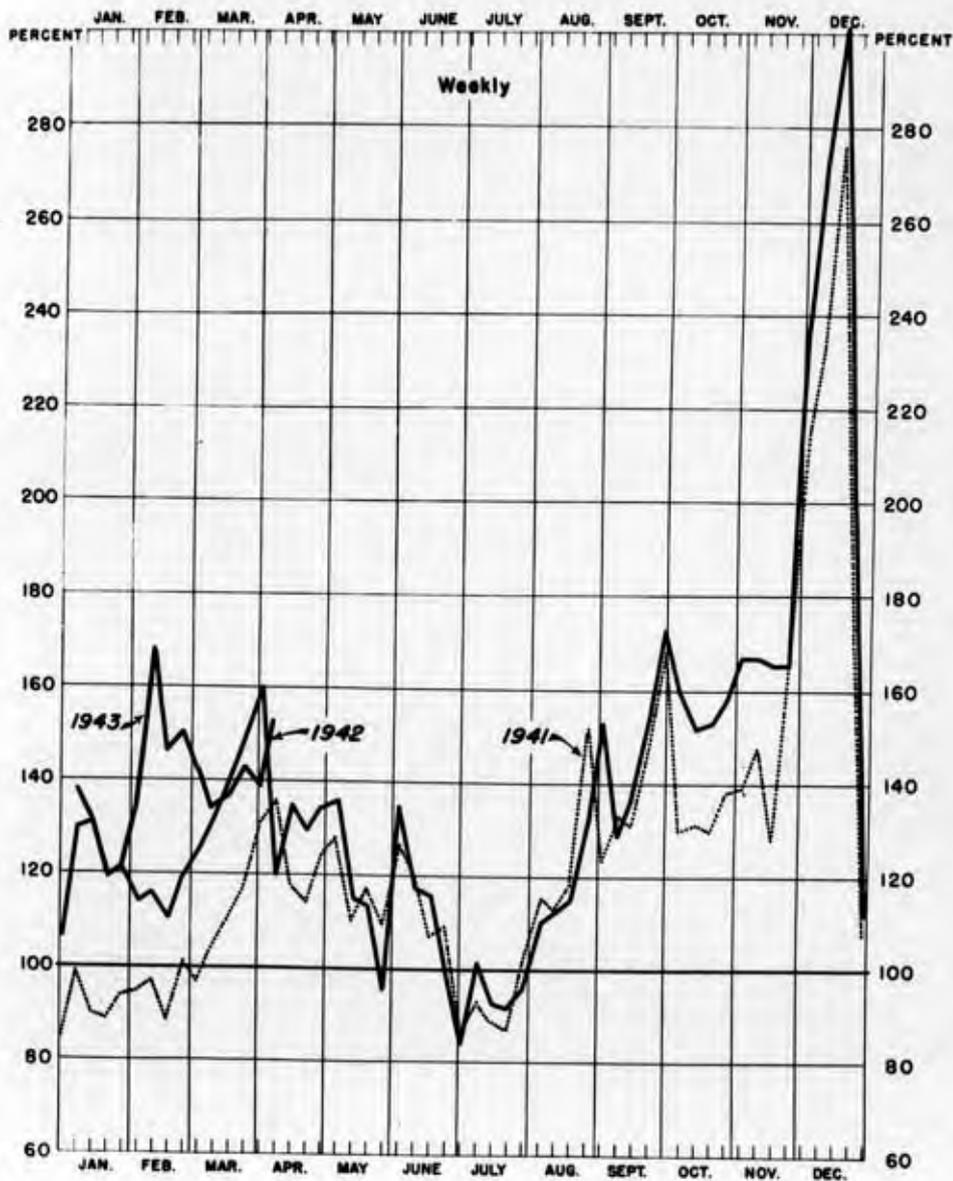
MILK PRODUCTION AND BUTTER STOCKS



Source: U.S. Dept. of Agriculture

DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted



APR 19 1943

My dear Mr. President:

In compliance with procedure bearing your approval as of February 1, 1943, there has been paid to you at the end of each month on account of salary as President \$5,322.60. The balance of \$927.40 has been disposed of as follows: \$650.00 deposited in the Treasury as "Miscellaneous receipts, return of part of compensation of the President to conform with regulations issued by the Economic Stabilization Director pursuant to section 7, Title II of Executive Order 9250," and \$277.40 deposited in a special account by the Treasurer of the United States for subsequent payment to the Collector of Internal Revenue.

In view of the Public Debt Act of 1943, it is believed that you may desire that this procedure be changed to the extent that there will be paid you each month on account of salary as President the sum of \$5,940.10. This amount represents the difference between your gross salary of \$6,250 and the Victory tax deduction of \$309.90, the latter amount being 5% of the difference between \$6,250 and the allowable deduction of \$52.

If this procedure is satisfactory, a check will be drawn each month in your favor for \$5,940.50; the sum of \$309.90 will be held in a special account by the Treasurer of the United States for subsequent payment to the Collector of Internal Revenue.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,
The White House.

Copy in Diary

Copies to Thompson

By Bundy 5:22 4/19/43

BG:mle
4/16/43



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statement No. 81 - Aircraft Despatched
- for week ended April 13, 1943.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

April 19, 1943.

SECRETSTATEMENT NO. 81Aircraft Despatched from the United StatesWeek ended April 13th, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Catalina IV	U.K.	U.K.		3	
Liberator GR V	Bahamas	Nassau		1	
Liberator GR V	U.K.	U.K.		2	
<u>CURTISS</u>					
Seamew I	Canada	Canada			11
Seamew I (A)	Canada	Canada			6
Seamew	U.K.	U.K.	19		
<u>BEECHCRAFT</u>					
Beechcraft	M.E.	M.E.		12	
<u>DOUGLAS</u>					
Boston III A	U.K.	U.K.		1	
Dakota I	M.E.	M.E.		1	
Dakota I	U.K.	U.K.		1	
Dakota III	M.E.	M.E.		1	
<u>FAIRCHILD</u>					
Cornell PT26	U.K.	U.K.		2	
<u>LOCKHEED</u>					
Hudson III	Canada enroute	Canada enroute			1
Hudson VI	Canada enroute	Canada enroute			1
<u>GLENN MARTIN</u>					
Baltimore III A	M.E.	M.E.		3	
Baltimore IV	M.E.	M.E.		21	
<u>STINSON</u>					
Reliant I	Trinidad	Trinidad			10
<u>VEGA</u>					
Ventura GR V	U.K.	U.K.			1
<u>VULTEE</u>					
Vengeance	Australia	Melbourne		27	
			Total	60	17

(A) Exported week ended April 6th.

British Air Commission, Movements Division

April 17, 1943.

April 19, 1943

Dear Mr. Lovett:

This is to acknowledge receipt of your letter of April 15th and to thank you for furnishing me with the information concerning the number of completed planes on hand at the Glenn L. Martin Company.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Robert A. Lovett,
Assistant Secretary of War for Air.

File in Diary

CONFIDENTIAL

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY FOR AIR
WASHINGTON, D. C.

Issue 92
[Handwritten signature]

April 15, 1943

The Honorable

The Secretary of the Treasury

My dear Mr. Secretary:

Your inquiry as to the number of airplanes which have been completed but are still at the plant of the Glean L. Martin Company in Baltimore has been investigated and it is found that the following number of completed airplanes were at the Martin plant on April 6th:

25 B-26 Series Airplanes
8 A-30A Airplanes
16 PBM-3C Airplanes (Navy)

In addition to the above airplanes which have been accepted as completed, the Navy informs this office that there are approximately 70 PBM-3C airplanes at the Martin plant which have been completed but not accepted, pending certain additional work which has been found necessary. It is anticipated that this pool will be reduced at a rate of approximately 30 per month.

It is felt that the above total of 49 completed and accepted airplanes at the Martin plant is not inordinately high, and the present number of completed airplanes on hand is the smallest level at which this pool has been in recent months.

Sincerely yours,

[Handwritten signature of Robert A. Lovett]

ROBERT A. LOVETT

Assistant Secretary of War for Air

CONFIDENTIAL

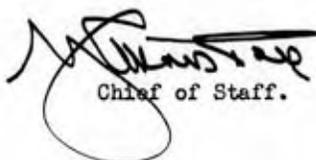
WAR DEPARTMENT
THE CHIEF OF STAFF
WASHINGTON

April 19, 1943.

My dear Mr. Secretary:

I am sending you a copy of this
note for your information.

Faithfully yours,



Chief of Staff.

Incl.

The Honorable,
The Secretary of the Treasury,
Washington, D.C.

SECRET

94

Regraded Unclassified

MEMORANDUM FOR ADMIRAL LEAHY:

April 19, 1943.

The following message arrived yesterday from General Smith, Eisenhower's Chief of Staff, addressed to General Handy of the Operations Division in the War Department:

From 8th Army (Montgomery): 'Work of myself and my staff is being seriously inconvenienced by flood of visitors who come to my Headquarters and to my Army Corps and divisional generals are complaining bitterly. Very grateful if you will stop all visitors so that we can get on with the fighting. Have myself refused to see any visitors.'

From the Commander of the French and American Army Corps (16th Army Group): 'Please take every possible step within your power to head off visitors not only to 8th Army but to all other operational headquarters.'

General Smith further states:

'We are in a very embarrassing position in connection with the above as nine-tenths of all official visitors are American. I am sending this to you personally in the hope that you can do something to help us out.'

We have a Mexican group just about to depart. A Chinese group is being turned over to General Eisenhower from Cairo. The Minister of War and General Montalvo are being invited from Brazil for diplomatic reasons, and so forth.

I am sending this note to you to solicit your help whenever opportunity presents.

(Sgd) G. C. MARSHALL

Chief of Staff.

Copy for the Secretary of the Treasury

SECRET



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

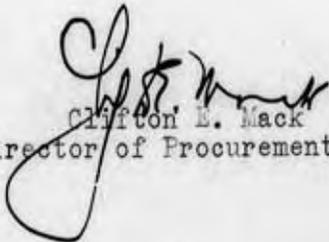
April 19, 1943

SECRET

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of April 12, 1943, the purchases against the African Program from April 12, 1943, to April 18, 1943, totaled \$663,212.03, or a total of purchases for the program thus far of \$22,856,893.71.

Attached is report giving status of shipping against these purchases.


Clifton E. Mack
Director of Procurement



SHIPPING REPORT AS OF APRIL 17, 1943

SECRET

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Aluminum sulphate				14.5
Asbestos sheet packing		2		
Bone glue			33	
Books & booklets	2			
Brass rods	23	5.55	45.35	44.1
Babbitt metal	53.5			
Brick	109	20	40	
Calcium carbide		247		95
Cement, rubber			19.5	20
Chemicals	163.5	258.2	172.8	171
Coal cutters	12			
Corrugated boards			32.5	46
Clothing	2213.75	35.25	178	8.8
Copper sulphate	5697.75			
Cotton thread	69.25	21.5		
Cordage & twine	225	5	40	
Drugs	6.5			
Envelopes			9	
Files, steel	15	15		
Fullers earth	72			
Gelatin	1			
Glass, window				100.4
Glass, lamp chimneys			17	
Glycerine	12.75			
Horse shoes & nails	40	78	46.25	56.35
Hosiery	26	3.5	8.5	
Light bulbs			7.2	
Lithopone				10.2
Lumnite		30		
Mach. finished book paper	2			
Matches	389.75			74.75

SECRET

<u>Commodity</u>	<u>Tonnage Shipping to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Newsprint	892	78	214.2	
Nipples, bottles, eye cups			9	
Paper bags			67.2	72.8
Phonograph records			1000 Each	
Piece goods, textiles	7735.5	1207.6	3162.5	646.85
Pig tin	20	44		
Powdered milk	119.5			
Printers ink	.1			
Raw sugar	1545			
Refined sugar	4196.5			
Sheet copper		2.8	30.2	34
Shoe tacks	4	9.5		
Spare parts for autos, tractors, & harvesters	232.25	40	181.25	17.35
Spark plugs	2	2.5		
Storage batteries	47	4.8	6.95	
Steel, pipe, bars, angles	27.5	62.5	103	1786.9
Shoes, boots & soling	247.25	46.75	126.3	18.08
Sulphur commercial flour				320
Tires, tubes & tape	175.75			103.05
Tools		1.5	8.5	218
Tooth brushes			.75	
Tea	171.5			
Wire nails	100		22	
Wire rope	71.25	17.75		
X-Ray films		1		
Paint pigments	15.5		1.5	39.2
Tin plate	845			
Copper tubing-				48.3
Paper, tarred, mimeo, wrapping, blue print		5	90.8	439.8
<u>Totals</u>	<u>25,581.35</u>	<u>2244.7</u>	<u>4673.25</u>	<u>4385</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

April 19, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - From secret sessions held Saturday and Sunday of a special committee formed of Ways and Means Committee members drift reports that the major issue between the Democratic and Republican representatives is still how much forgiveness should be granted in the drafting of pay-as-you-go income tax legislation. Republican members are said to be insisting upon a minimum of 50% cancellation and to be seeking 75%, but Democrats on the Committee have reportedly refused to accede to either. The group, however, will not issue any statement on their progress until after they have conferred again today with Speaker Rayburn, "the great compromiser," House Majority Leader McCormack, and House Minority Leader Martin. But despite differences still to be ironed out, both sides appeared hopeful that some bill could be reported to the House this week.
2. Post-War Monetary Plan - The revival of the Republican Study Committee on the Extraordinary Powers of the President, headed by Representative Jesse P. Wolcott, was announced by House Republican Leader Martin on Saturday. The purpose of the Committee, according to Martin, is to analyze "the whole question of monetary stabilization as it may affect the various countries of the world, their relations with the United States and with each other," a problem which he said was of "vital importance to the post-war world."
3. Agriculture Appropriation Bill - The House, which was expected to conclude debate on this measure Saturday, postponed further discussion until today when it became obvious that no decision could be reached then in the fight over the liquidation of the Farm Security Administration and the Federal Crop Insurance Corporation. However, an amendment prohibiting the use of any of the measure's funds for incentive payments to farmers was approved Saturday. The House had already limited to \$300,000,000 soil conservation payments which the Department of Agriculture had estimated as requiring \$400,000,000.

4. McKellar Bill - Senator McKellar said he would seek passage today of his bill requiring Senate confirmation of Federal employees receiving salaries of more than \$4,500 annually. A Senate Judiciary Committee amendment would also require approval of more than 27,000 employees already working in 65 government agencies.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

SECRETARY OF THE TREASURY
APPROVED
16 11 31
TREASURY DEPARTMENT
APR 19 11 31 AM '43

~~BRITISH MOST SECRET~~
~~U.S. SECRET~~

OPTEL No. 127

Information received up to 7 a.m., 19th April, 1943.

1. NAVAL

The three Littorio Class Battleships which left SPEZIA on 16th returned by the following afternoon.

2. MILITARY

TUNISIA. On 16th/17th a British Battalion made a successful attack North of MEDJEZ EL BAB but was withdrawn later without enemy interference. The 17th was a quiet day in all sectors. In the North, U.S. Infantry carried out considerable patrolling North and South of the Coast Road and were in contact with the enemy.

3. AIR OPERATIONS

WESTERN FRONT. 17th/18th. 30 aircraft of Army cooperation command effectively attacked 4 transformer substations between LE MANS and CHARTRES, scoring direct hits on 3 of them. 18th. 15 escorted Coastal Command Beaufighters, 9 with torpedoes and 6 with bombs attacked a convoy of 14 ships off TEXEL. An 8,000 ton ship was torpedoed twice and left listing and on fire, two other ships of 4,000 and 1,500 tons respectively were hit and 2 mine-sweepers were left on fire. All aircraft returned safely. Escorted Venturas bombed shipping at DIEPPE. Typhoon Bombers attacked airfields at POIX and COURTRAI. At the latter 14 hits were made on the main hangars and buildings. 18th/19th. Aircraft despatched--SPEZIA 178, 2 missing, Seaming 18; Intruders 20; Anti-shipping 7; Leaflets 3. At SPEZIA weather was good and early reports indicate a concentrated attack on the dock yard. A smoke screen hid the battleships but towards the end of the attack they were seen leaving the harbour at high speed.

TUNISIA. 16th. Escorted U.S. medium and light bombers attacked GUDNA Landing Ground. 16th/17th. 22 Wellingtons attacked the West Landing Ground at STE. MARIE DU ZIT. One aircraft missing.

SICILY. 16th. 26 escorted U.S. Fortresses attacked PALERMO. One escorted Lightning missing. 17th. Escorted Spitfires bombed SYRACUSE and BISCARI Airfield. 17th/18th. Six Liberators attacked CATANIA Harbour. 18th. Escorted Spitfires bombed RAGUSA.

BURMA. 16th. U.S. Kittyhawks bombed and destroyed a bridge and badly damaged another on the railway between KATHA and MYITKYINA.

4. Last night one bomb was dropped on DEPTFORD and another near CANTERBURY causing slight damage but no casualties. Houses in three LONDON Boroughs were damaged by A.A. Shells.

April 20, 1943
9:15 a.m.

FINANCING

Present: Mr. Bell
Mr. Robbins
Mr. Buffington
Mr. Graves
Mr. Haas
Mr. Murphy
Mr. Lindow
Mr. Tickton
Mr. Peabody

H.M.JR: What is the situation, Tickton?

MR. TICKTON: It is pretty much as it was yesterday. All the corporation goals are within shooting distance with the exception of San Francisco. New York is way over its quota. They take care of some of that by insurance company and mutual savings bank subscriptions.

Philadelphia and Dallas are doing best on individual goals. I was told by Dave Kennedy, however, that part of Philadelphia's was due to some cream skimming they didn't know about in December. They just found it out and picked it up for April.

One point that shows up on this particular chart in terms of the subscriptions by other corporations, which are the ones concerned with the seven-eighths percent certificate, the amount subscribed for the seven-eighths certificate there, about thirteen hundred millions, does not stand out so strongly when compared with what happened in December.

In December for the whole month the total subscriptions by investors other than banks and dealers - I am taking the dealers out because most of those went to

- 2 -

banks - was a billion two. To date the total subscriptions to the seven-eighths by non-banks, non-dealers, is a billion six.

Well, in view of the large accumulation of funds that have gone on, in view of the fact that so far, at least, the tax notes have gone - less tax notes have gone to corporations and individuals, the figures do not seem so extraordinarily large. There are likely to be some more tax notes sold between now and the end of the month, but the figures do not seem at all out of proportion when compared to December and the great intensification of the drive since December.

MR. BELL: That line (indicating on chart) was way out further than that.

MR. TICKTON: Altogether it came to a billion two. After all, it would be reasonable for tax notes to come in strong toward the end of the month. On the other hand, there was a great deal more intense canvass of corporations this time, so that fact a billion six were picked up on certificates is not extraordinary, in view of the fact you got so much in December.

H.M. JR: How about this by Federal Reserve districts?

MR. TICKTON: As I said, the corporation goals by Federal Reserve districts will be met within another day or two. The subscriptions I haven't gotten. This chart is as of Saturday. There was a couple of hundred million yesterday, and that will bring most of these corporations up to a hundred percent - everything except San Francisco.

San Francisco, on the basis of present operations, hasn't got a chance of making the goal, at least for a few days, which everybody will clear the next day or two.

Among individuals, New York, Philadelphia, Atlanta, and Dallas are beyond fifty percent. St. Louis is just about fifty percent.

- 3 -

Boston, Cleveland, and San Francisco have not shown up very satisfactorily.

Part of the Boston and Cleveland situation may be due to the fact they may be counting more heavily on E bonds, which have not been reflected in the figures. On the other hand, San Francisco has not been reflected on either the two and a half's or the two's or the certificates, or anything. They just haven't come through in proportion to the other Federal Reserve districts.

MR. ROBBINS: I think we have our money in Boston. In Cleveland they have a fine coverage.

MR. TICKTON: They show up very quickly when the canvass comes in.

MR. ROBBINS: They are doing a bang-up job on coverage, probably as fine a one as has been done in the country.

H.M.JR: I had a little talk last night with Sproul, and there is no doubt on this in his mind, the way things stand.

MR. BELL: You mean as to the--

H.M.JR: The seven-eighths. I will tell you how I feel, after sleeping on this thing. I think I would kind of like to just sit a day or two and watch this seven-eighths. I don't see any sweating.

MR. ROBBINS: Mr. Morgenthau, have we really any information now that wasn't pretty apparent at the time the decision was made, when the campaign started?

MR. BELL: You have got the actual facts, but it was discussed at the time the original decision was made and there was a great deal of thought that this would happen. But now you have got the actual results, that is the only difference.

- 4 -

H.M.JR: I didn't think it would go quite so heavy.

MR. BELL: No. We thought there would be a trend towards the certificate from the corporations.

H.M.JR: You had it down for a billion eight?

MR. BELL: A billion seven hundred fifty.

MR. HAAS: We had more than that, I think. We had one, nine; and before that we had two, three.

H.M.JR: What do you think, Henry?

MR. MURPHY: I feel very strongly it should not be discontinued, Mr. Secretary. It seems to me that the essential issues which are being discussed now were discussed when the decision was first made.

Mr. Eccles was opposed to it on the ground that you really didn't get anywhere when you sold them. He said you would sell a lot of them but that you would have a refunding problem at the end of the year.

The argument on the other side is just the same as it was then, that the corporation funds need a short-term instrument to absorb them; that if you push a long-term security into them the only effect would be to push it onto the market instead of sending it back to you.

I don't see that anything has changed since. We started with ten billion, cut it down to eight so that we might make it nicely; but in order to make the ten-billion goal, according to our original figures, we would have to sell a total of four billion in tax notes and seven-eighths combined to non-banking investors. We have little to go on as to saying how much they will take in each. We ought to let the customer decide what he wants; and in order to allow him to decide we have to give him some leeway.

- 5 -

H.M.JR: Have you anything?

MR. LINDOW: I feel the same way, Mr. Secretary. I think it would look bad if we made a change now.

MR. TICKTON: The only point Eccles was pushing was that the banks would have to take some of these. According to Mr. Sproul's telegram, he didn't think there was much speculation going on, which means that close to the situation he doesn't think that they are buying these for turnover purposes. He probably finds them buying them to absorb these funds, which he is probably well aware of.

We don't feel that if the Fed has to take a few of these it hurts very much, and it probably will be just as well to let the corporations get all they can get. Of course I think it would be terrible to let anybody have an alibi for not doing his job at this particular stage of the game.

We are going to have drives from time to time, and alibis are things that permit people to crawl out and come back again and say, "We were entitled to another chance." We can't afford too many chances.

H.M.JR: George, have you any second thoughts?

MR. HAAS: No. I agree with Henry.

H.M.JR: I think, Bell, let's let this thing roll a couple of days.

MR. BELL: Should we tell them anything?

H.M.JR: Who?

MR. BELL: The Federal Reserve Banks.

H.M.JR: I would tell them we don't do anything this week.

- 6 -

MR. BELL: I wonder if that is going to--

MR. ROBBINS: ... build up in their minds a very strong thought that we probably will do something next week.

Are we in position, with the knowledge at this moment, to tell them we have considered the situation and decided we wouldn't change unless something unusual happened or there were very substantial developments. I think they will be happier if they are relatively secure in the knowledge we give them.

MR. BELL: I think so.

MR. ROBBINS: I think they will be more productive.

H.M.JR: I don't want to go that far. If a billion dollars came in this week I would want another look at it.

MR. BELL: If you get a billion dollars this week and then you follow the suggestions of the Federals, you would give twenty-four hours' notice, which means it would be Tuesday before you closed, and that would be almost the end of the week.

H.M.JR: Do we have to say anything at all? Supposing we didn't say anything?

MR. BELL: Well, the suggestion from the Federals - almost every one of them, I think, except one, wanted twenty-four hours' notice, and some of them wanted three days.

H.M.JR: I didn't make myself plain. Supposing we here in the Treasury just kept our mouths shut and said nothing.

MR. BELL: As far as the Federals are concerned?

H.M.JR: Yes.

- 7 -

MR. BELL: Well, not much would happen, but, on the other hand, we have raised the question and they are wondering what we are going to do.

H.M.JR: How would it be to say that before doing anything we will consult with them again.

MR. ROBBINS: That would be all right. That would make them feel secure.

H.M.JR: Say that before doing anything we will consult with them again.

MR. BELL: "We have decided not to take any action at this time. Before doing anything we will again consult you." That is all right.

H.M.JR: I think Eccles ought to have a copy of our telegram and the answers.

MR. BELL: All right.

H.M.JR: Plus the last one.

What are you going to do about the Pacific Coast?

MR. ROBBINS: I had a wire go out last night asking Mr. Day to get whatever information he can and call me between twelve and one, Washington time. In other words, rather than call him on the phone and get him cold, I sent him a wire that I wanted to talk to him today.

I have done the same thing with Kansas City.

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

MR. ROBBINS: I will let you know after I have had the conversation. I presume that having given him overnight and several hours yesterday afternoon to accumulate information he ought to have a pretty good report for us this morning.

- 8 -

H.M.JR: Anybody have anything? I have nothing else.

All right.

April 20, 1943
10:02 a.m.

Operator: Go ahead.

HMJr: Hello.

John McCloy: Bob Patterson called me up yesterday and asked me to take on a job of selling war bonds to what he called the higher echelons of the War Department. He said that you wrote him a letter....

HMJr: Well, I wrote a letter....

M:about somebody doing it.

HMJr: No, I wrote a letter to Mr. Stimson.

M: Oh, is that it?

HMJr: Yeah.

M: Well, maybe it got to him.

HMJr: Yes.

M: But they - they - Stimson is away, and they apparently want me to do it.

HMJr: Oh.

M: If you - I suppose it's - I haven't seen any letter or anything on it; I'm sorry to bother you about it.

HMJr: That's all....

M: Do you have any idea how far down we should go or - and where can I get the data on denominations and prices so I can....

HMJr: Well, I'll tell you what I could do.

M: Yes.

HMJr: Let me just think who'd be the best man. Let me send Harold Graves over to see you. How'd that be?

- 2 -

M: Fine. That would be wonderful. That's just what I'm getting at.

HMJr: When would you like to see him?

M: Oh, I'll see him any time you send him.

HMJr: Well, he - he'll come any time - you set the time and he'll....

M: Well, wait a second. Suppose he comes right over?

HMJr: I'll have him come right away.

M: Good. Fine. I'm ever so much obliged.

HMJr: Not at all.

M: Thanks.

HMJr: Thanks for taking it on.

M: Okay.

April 20, 1943
10:23 a.m.

HMJr: Hello.

Randolph Paul: Hello.

HMJr: Randolph?

P: Yeah.

HMJr: I've been studying this Drew Pearson-Watson matter....

P: Yeah.

HMJr:and in the file here which they've given me it said that you made an inquiry late in March about it.

P: Yeah. That's right. I'll tell you what I did.

HMJr: Yes.

P: I wanted to know about it because Pearson told me he was going to blast that story so I asked what the truth was.

HMJr: I see.

P: Pearson got the story from Watson's secretary.

HMJr: You know that as a fact?

P: Oh, well, he told me.

HMJr: Oh, he did tell you?

P: Yeah, and he - he talked with me about it and I told him I couldn't make any statement, and then I checked it in our own files thinking that if there was something - something untrue about it I'd - I'd - might be able to squash it.

HMJr: Yes.

P: But I found that it was perfectly true, and - and the - the - Drew's - Drew has every item and he told me he got them from this secretary who, incidentally, has made a claim with us.

- 2 -

HMJr: Yes.

P: We gave Drew no information. It was - as a matter of fact, it wasn't necessary.

HMJr: I see.

P: And....

HMJr: That's all I wanted to know.

P: Yeah, well, it - that's the - Drew told me that. He told me every detail. He had everything absolutely right, and he told me he got it from this man.

HMJr: Well, I'm sending word to Watson verbally that we here absolutely had nothing to do with it.

P: We had absolutely nothing to do with it.

HMJr: No.

P: The only thing I did when Drew told me he knew about it was to see if there was something about it we might be able to persuade him not to publish it if it weren't true.

HMJr: Because the I.B.M. turn themselves inside out to help us on War Bonds.

P: I see. Well, it's a pretty - it's a pretty bad, nasty story on Watson.

HMJr: I think - on Watson's, yes, I agree with you.

P: Have you seen the file?

HMJr: No.

P: Well, all his corres.. - I went into it....

HMJr: Oh.

P:and I was kind of interested. He'd been corresponding with the Duke of Windsor and - and all kinds of stuff like that. He got an Order of Merit from Hitler.

- 3 -

HMJr: Yeah.

P: He was playing around there, and I have a notion -- I haven't looked into this; this is something Pearson hasn't - a point he hasn't made....

HMJr: Yes.

P:I have a notion that he probably deducted his expense - a lot of those expenses for being over and playing around with Hitler.

HMJr: Really?

P: Well, I - I imagine that's true, in addition to the fact that he tried to finagle the days he was out of this country.

HMJr: Well, I think where the man showed very bad judgment was he paid his tax and then, as I gathered, two days before the time expires he - he files a refund.

P: Yeah.

HMJr: And then, on the other hand, he comes out with a public announcement of how he's taking less salary and all that.

P: That's right. Well, what I told Wenchel to do was to - was to see that the Bureau denied his claim as promptly as possible....

HMJr: Yeah.

P:his claim of refund, so that the time would start in which he could bring his suit, and let him bring his suit now, and he'll never have the nerve to do it.

HMJr: Yeah. Well, I - I can't understand these men - I mean, in the first place, a man like Watson getting \$700,000 a year....

P: Yeah.

HMJr:then he tries to beat the Government on his tax....

- 4 -

P: Yeah.

HMJr:and then he pays it, and then he goes to work and files a refund which, if it goes before the Tax Appeal Board, that's all public, isn't it?

P: No - well, it's a suit. Yeah, that's the point - the reason why he paid it because he didn't dare bring a suit at this time during the war.

HMJr: But now what will....

P: Now by filing a refund claim he has two years in which to bring his suit, two years from the time that the claim is denied.

HMJr: Yes.

P: He can't go before the Board any more.

HMJr: Oh.

P: The Board doesn't have jurisdiction.

HMJr: Oh, he....

P: But if he had filed appeal before the Board, it would have become public property.

HMJr: And now....

P: So to avoid that, he files a refund claim, which is confidential, extending his time to bring his suit.

HMJr: Yeah.

P: And he thinks, of course, that he can bring the suit after this present war situation is clearer.

HMJr: I see. I see. And he has two years in which to do it.

P: Two years from the time that the claim is denied.

HMJr: Oh.

- 5 -

P: So that's why I told them to deny the claim promptly so as to start his time running.

HMJr: Can you understand these big rich people?

P: No, I don't know.

HMJr: Like....

P: They - they have marvelous powers of rationalization.

HMJr: Yes. I can't understand it.

P: I've represented a lot of them.

HMJr: Right. Okay.

P: Okay.

April 20, 1943
10:31 a.m.

Operator: Go ahead.

HMJr: Hello.

Cong. John McCormack: Hello. How are you, Henry?

HMJr: I'm alive.

M: Well, that's good. That's a little better than I am.

HMJr: What's the matter, John?

M: Oh, just busy, that's all. (Laughs) That's - I was just entering into the spirit of your saying "I'm alive" - see?

HMJr: I see.

M: That's all, so forget it. You know what the story is, don't you?

HMJr: No.

M: Well, those boys met - after the memorable meeting in your office....

HMJr: Yeah.

M:Sam and I and Joe had a meeting and then we called them fellows in, three on each side, and then by unanimous consent they agreed that they'd exclude the Ruml plan as a basis of compromise and the - the withholding tax alone, don't you see?

HMJr: Yeah.

M: That - you know that - that simmers it down to something in between. Well, there were meetings several times and the Democrats, of course, stick to the 1941 rates, don't you see?

HMJr: Yeah.

- 2 -

M: The Republicans come in with a more or less modified Ruml plan, and they finally submitted their last plan.

HMJr: Yes.

M: Now here's their last plan. They'll take the Forand-Robertson bill, see....

HMJr: Yeah.

M:but their last plan is even - say, cut nearly a billion and a half down below that.

HMJr: I see.

M: They'll abate three-quarters of the 1942 liability insofar....

HMJr: Wait a minute. What's that? I - what did you say? I'm trying to make notes.

M: Yeah.

HMJr: I mean I'm doing it and I can't - my - I can't take short.. - what is that, the last thing you say?

M: Abate three-quarters....

HMJr: They take what?

M: Abate three-quarters....

HMJr: Yeah.

M:of the 1940 liability.

HMJr: 1940 lia....19....

M: 1942.

HMJr: '42 liability.

M: Yes.

HMJr: Yeah.

- 3 -

M: Insofar....

HMJr: Yes.

M:as attributable to earned income.

HMJr: I see.

M: The first \$5,000 will be presumed to be earned....

HMJr: Yes.

M:whether or not.

HMJr: Yes.

M: And the maximum earned income allowance to be \$20,000.

HMJr: Yes.

M: In other words, that's three-quarters of the first \$20,000. Then one-half above that.

HMJr: Yeah.

M: Now abate one-half of the 1942 liability insofar as unearned investment income. That's within the first \$5,000 to be - presumed to be earned, don't you see?

HMJr: Yeah.

M: So - then the unabated 1942 liability attributable to earned income to be spread over two years.

HMJr: Yeah.

M: Unabated 1942 liability attributable to unearned income to be spread over a longer period according to the size of income so as to avoid too great a burden in any one year. Collection of portion of '42 liability in addition to current taxes in '43 to be in lieu of any rate changes in income tax for '43. Appropriate discount would be allowed for prepayment of the first '42 liability.

HMJr: Yes.

- 4 -

M: In other words, it's three-quarters of the first \$20,000 of unearned income - of earned income.

HMJr: Yes.

M: And above that one-half.

HMJr: Yes.

M: It's one-half of the unearned income except the \$5,000 - the first \$5,000 presumed to be earned.

HMJr: Yes.

M: Now they'd cut that twenty to fifteen, I know that.

HMJr: Yeah.

M: Now I think they might cut that three-quarters. In other words, it's 50-50 except that three-quarters, don't you see?

HMJr: I see.

M: Now - then later - they hollered back and forth and it looked as though - we had a two-and-a-half or three-hour conference last night, and it looked as though nothing could develop, so finally they agreed that they would - on a \$5 billion dollar abatement, above \$5 billion.

HMJr: Yeah.

M: Then they would try and work out something to approximate that.

HMJr: Yeah.

M: Now that's the story. And, of course, the difficulty is in the method of working it out.

HMJr: Well, now where do you stand, John, as of this morning?

M: Well, of course, I'm - I'm - I'm standing on the sidelines trying to - I'm - I - I'm standing on the sidelines trying to bring out

(cont.)

- 5 -

M: something. I think it's vitally important
(cont.) from our angle because those fellows will file
a discharge petition....

HMJr: Yeah.

M:and I wouldn't be a bit surprised the next
time that - in a head-on collision if the Ruml
plan or the withholding are the only two things
the House votes on, they're liable to vote the
Ruml plan.

HMJr: Doesn't sound too good, does it?

M: Well, we've got - confidentially, we've got to
do some work on our side. Now - now they - they -
the final agreement was they'd try and work out a
\$5 billion dollar - round-up for \$5 billion
dollar forgiveness....

HMJr: Yeah.

M:which is damn low from - when we stop to
consider that the Robertson-Forand plan involves
about \$7 billion eight.

HMJr: Yeah.

M: And, as a matter of fact, the damn Republicans
are willing to vote for the Robertson plan.

HMJr: Yeah.

M: And - and the question - the difference between
them is on the method of - that forgiveness
will be evidenced.

HMJr: Yeah.

M: The Democrats are against -- and I think
there's something to it....

HMJr: We were cut off for a minute there.

Operator: Yes, sir.

HMJr: We were cut off there.

Operator: Well, I'm sorry, sir.

- 6 -

HMJr: Hello.

M: Yes.

HMJr: Are you still there?

M: Yes, I - can you hear me?

HMJr: I can hear you now. I guess we were cut off.

M: The - the Republicans are for this sort of a horizontal cut, you know....

HMJr: Yes.

M:while the Democrats want to abate less in the higher brackets.

HMJr: Yes.

M: Now it's vitally important we get this withholding tax into operation.

HMJr: Yeah.

M: You - that's my viewpoint.

HMJr: Yeah.

M: Do you agree with that?

HMJr: Oh, I - I think that that's important, yes. There's no question about it.

M: Now there's the situation. Now if you can - I'm just giving you the general picture and - and if you can step into the picture there in any way - as a matter of fact, the Republicans would go down to \$10,000 - three-quarters of the first \$10,000, but some of them advanced the idea that was a Congressman's salary and so forth, the limit, don't you see?

HMJr: Well, let me ask you a question, John. Are - are you in a - if I could get hold of Paul, could you see him if he came right up?

M: Yes.

- 7 -

HMJr: Could you?

M: Yeah.

HMJr: I think that that would be good ball.

M: Yeah.

HMJr: And I'll call him, and if he's in I'll send him right up to you. If you don't hear from me, he'll be right on the way up.

M: Yeah, all right, Henry.

HMJr: That - and then - I think that that would be the best thing.

M: They're going to meet again today, and, of course, you could do more good with them fellows, I think, because - I don't know just how it will work out, but it's - it seems to me as though there's a little stubbornness on our side.

HMJr: Yeah. Well, I'll - if you don't hear from me, Paul will be up there in fifteen or twenty minutes.

M: Of course, you still know I'm like a skunk in a log-pile. In some directions (laughs) it doesn't bother me a hell of a lot.

HMJr: How do you mean?

M: Well....

HMJr: I don't get your New England simile.

M: Well, of course, they didn't like that statement I issued.

HMJr: Which one?

M: The one when I said there ought to be some kind of a compromise.

HMJr: Well, that - that was pre our - before our meeting here, wasn't it?

- 8 -

M: Yeah.

HMJr: But you haven't issued any statements since?

M: Oh, no, no, no! But still there's hangovers.

HMJr: Oh, my.

M: Well, you know, the - anything I say is viewed with suspicion. (laughs) And I don't blame them a damn bit. (laughs)

HMJr: I see.

M: I wouldn't blame them a damn bit.

HMJr: Well, we got to - we got to keep us - us Democrats together.

M: Well, of course, I'm just - well, the hell with it. I'm just giving you the story, and then you can do your own evaluation and interpretation.

HMJr: Well, they took the devaluation powers away from me.

M: Well, you can do - still interpret.

HMJr: All right.

M: And you can evaluate this particular thing.

HMJr: Oh, yes.

M: And whether or not you can get them together and impress upon them the importance of something being done soon, because one thing is certain they'll file a - they'll file a discharge petition. It'll be only a matter of time when they get it.

HMJr: Yeah.

M: Once they file a discharge petition, why, hell, we're on the receiving....

HMJr: Well, they don't - the impression I get from the Chairman is that he thinks it'll look bad if I came up there.

- 9 -

M: Oh, I didn't say anything about your coming up. I - if you were to call them down and sort of go over it and ask them just what the situation is.

HMJr: Yes. Well, supposing - as I say, I - I'll - I know Paul's in his office and I'll get hold of him....

M: Yeah, all right.

HMJr: ...and he'll have a talk with you and maybe when he's through you - you may want to take him over to see the Speaker.

M: Well, all right. I'll be here.

HMJr: See?

M: All right. All right, Henry.

April 20, 1943
11:10 a.m.

Operator: Yes, sir.

HMJr: I thought he was on the wire.

Operator: No, he's coming to the phone. It was his secretary only.

HMJr: You call me.

Operator: Yes.

HMJr: Hello.

Operator: Mr. Sproul. Go ahead.

HMJr: Hello.

Allen
Sproul: Good morning.

HMJr: Hello, Allen.

S: I have checked up on that figure you mentioned last night.

HMJr: Yeah.

S: The only thing I can find it would refer to would be our - increase in our total System holdings from the beginning of the year up to last Wednesday was \$715 million.

HMJr: Oh, my.

S: But that was - had very little to do with certificates.

HMJr: Yeah.

S: It was most - it was practically all in connection with putting reserve funds into the market as they were needed, and it was largely in bills.

HMJr: Yeah.

- 2 -

S: The - and to show you how that fluctuates, since last Wednesday up through last night our holdings were down \$400 million so that the increase since the first of the year is now only \$317 million. In other words, the banks came into funds as the result of the operations of the Wagner-Steagall bill on Reserve requirements....

HMJr: Oh.

S:and have taken back bills they sold to us.

HMJr: Well....

S: So....

HMJr: Marriner must be under a misapprehension.

S: Well, they must have been talking about that total figure, and it really has very little to do with certificates.

HMJr: He said it was all certificates.

S: Our certificate holdings - since the first of the year the System holdings are down \$37 million dollars.

HMJr: Well, why can't I - you say that I got this from a conversation he had from Tickton and I was checking up with you, and I suggested that you call him.

S: Yeah.

HMJr: Is that all right?

S: Yeah.

HMJr: What?

S: Sure.

HMJr: Because....

S: Because....

- 3 -

HMJr:he - he - he definitely told Tickton that they had to buy \$700 million dollars worth of certificates.

S: Well, that - that just isn't so. We bought \$715 million dollars in all up to last Wednesday, but....

HMJr: Well....

S:it wasn't certificates.

HMJr: Well, for your information we're going to sit tight for the time being and make no changes.

S: Well, I think that's the thing to do.

HMJr: We'll just sit tight. We - we'll see what happens.

S: Right. All right.

HMJr: Thank you.

S: Thank you.

April 20, 1948
11:30 a.m.

WAR BONDS

Present: Mr. Gaston
Mr. Robbins
Mr. Peabody

H.M.JR: What I wanted to say was this. I have before me this last report of Waldman's.

MR. GASTON: I read it very carefully last night.

MR. ROBBINS: It is in my desk. I have not read it yet.

H.M.JR: You saw the Norfolk and Baltimore one. I have got - thanks to the help of people like Smith, Albee, Gaston, and other people - I think we are on the ball, so to speak, as to what is most necessary in the way of publicity. At least, that is the way I feel. At least I am satisfied.

MR. ROBBINS: We haven't seen what Smith has done for you for this broadcast yet.

MR. PEABODY: I have seen it.

H.M.JR: Mr. Gaston has.

MR. GASTON: I gave Mr. Peabody a copy.

H.M.JR: Did you like it?

MR. PEABODY: I liked it very much except for some spots, Mr. Secretary, which, frankly, I don't like at all.

H.M.JR: Would you take it up with Gaston?

- 2 -

MR. PEABODY: I have already talked with him about it and I have already taken a little start at - it is all - I am afraid in spots it is exaggerated. I am scared to death of it, Mr. Secretary.

H.M.JR: You talk to Gaston about it.

MR. ROBBINS: I want very much to go over that.

H.M.JR: I have a definite idea. Now, I have talked about this thing for at least six months, and that is this question of the "Star Parade" and the couple of radio shows that we do. I have listened to a couple this morning, and they are definitely not in tune with what I am trying to do. They are behind the times. Something is supposed to take place in North Africa and it sounds just as insincere as anything could be.

I am not going to wear myself out trying to wear down Bill Murray. I want a change. I want to get--

MR. ROBBINS: You want a new producer.

H.M.JR: I want a new producer - and new control from here as to the ideas. So if I say to somebody here, "This is what I like," the thing will be carried out in the spirit in which I like it - taking it for granted that everybody else is in tune. I mean, like the Carnegie Hall speech - I think everybody had a chance to see it, and everybody was consulted.

This fellow, you just can't do anything with him. He is not a producer - never was. He is an agency where one can secure talent.

MR. PEABODY: That is right.

H.M.JR: He never did produce a show until he put his hand at this thing. But it is a place where you go to secure talent. Isn't that right?

MR. PEABODY: Yes, he is a talent agency.

- 3 -

H.M.JR: There are producers we can get who would be in sympathy with what I am doing. It always happens - the same thing happened when I decided to bring you (Robbins) in. I get so far and then I quit arguing. I mean, I can't break people down - I don't want to break them down. Life is too short. I get to a certain point and I want a change. So after lots of work I got you (Robbins) and I got you (Peabody).

I just can't go up against this constant arguing all the time, and this is a thing that has been going on for at least six months. I want somebody who has made a success of shows; who can give us enough time to do this kind of thing; who will do it as far as the ideology is concerned. Nobody wants to suggest a technique, because nobody around here has a technique, but as far as the ideology is concerned, this is what I want.

We don't have to go to Africa or Guadalcanal to get examples. We can get examples in the Pittsburgh coal mines; we can get them in Norfolk - in Baltimore. There is plenty of work to do at home to build up the morale of the people without trying to run this fake show in Africa. They had it realistic, but somebody sits here and says, "I think this is what I would do if I were in a tank in Africa." It just rings untrue.

MR. GASTON: Are you going to call up Prentiss Brown personally about that and get him to read that stuff?

H.M.JR: I haven't got that far. I was going to send it to Jimmy Byrnes just to show him. I was going to give it to Jimmy Byrnes.

MR. GASTON: There are two things. There are ceilings and then there are prices in general.

H.M.JR: I thought Jimmy Byrnes had the over-all. I will walk across the street and give it to him. One way or the other, he is going to get it.

- 4 -

MR. GASTON: They have to move in on those company stores - there are no two ways about it.

H.M.JR: I thought I would take five minutes. My five minutes are up, but I would like to move on this front.

MR. ROBBINS: To help us in our thinking, what actions have you taken in an attempt - generally, not specifically - how have you tried to correct it?

H.M.JR: Oh, different times I have had Murray here in the office myself - months ago, when I stopped this "Over Here" show. He said his personal reputation was at stake. He was trying to get a rating. He had one kind of rating; and if I would let him run three weeks more, he would raise it. Instead of the rating going up, it went down. After all, he had done it; I didn't want to do anything to hurt the man, so I let him go on for three weeks more at five or six thousand dollars a week, but I stopped that.

The whole thing up there with Rainey doing a show once in a while - he is no producer. I don't know what he is. But I want to clean this thing up. Welch is good on music, but even in his wildest dreams he never should be supervising drama.

MR. PEABODY: That doesn't seem to me to make any sense.

H.M.JR: Mrs. Morgenthau knows what I want. She has her own ideas. I don't want Mrs. Morgenthau in the picture - simply on the ideas from this end, just on the ideology, and not alone but to bolster her with other best - oh, a man like William Allen White's son - that kind of person - who is fresh and has been there and made a success, and so forth and so on. I mean, somebody that will correspond to Smith, but not Smith - but I mean somebody like him in the radio field. We are stale; we are behind.

What Murray is doing, he is just taking the shows and re-hashing them. I mean - granted that Bacher couldn't work with him - maybe he was extravagant, but at least the man had ideas. He takes Bacher's shows and reworks them.

- 5 -

MR. PEABODY: Did we have Bacher?

H.M.JR: Yes. He and Murray had a row - they couldn't get along. Get Bacher's book; he published a book on the Treasury's "Star Parade."

MR. PEABODY: I am frankly not very familiar with the radio setup.

H.M.JR: I would like, if you would, when you had an hour or two - I wish you would get your teeth into this thing.

MR. PEABODY: All right, sir.

H.M.JR: As I say, I just can't wear these people down any more. I am not getting what I want. The "Star Parade" goes out - they are played on eight or nine hundred stations; they represent the Treasury and they don't represent what we have been talking about in this room here, and you can't - Murray is a very successful theatrical agent. He has made a great success of his business, but I don't think anybody - you, in your own business, would ever hire him to produce a show for you.

MR. PEABODY : I think that is right. There must have been some expediency in there with regard to talent.

H.M.JR: I think what happened was this. We first had Howard Dietz, and Dietz used Murray to get his talent. Then Dietz kind of got tied up with the Hill down here - MGM was in trouble. Somebody had to step in and they kind of let Murray step in. Murray is ambitious and has been given a lot of publicity, and he gradually inched his way in until he is the producer. I have just reached the point where I can't any more try to wear anybody down--

MR. ROBBINS: All right. Let's have a good look at it.

H.M.JR: As I say, Mrs. Morgenthau doesn't know I am having this talk, but on the question of ideas - what kind of ideas - she knows.

- 6 -

We can get two or three other people who know, then get the best producer we can get who can do this. I mean, you could do lots worse than - who is the producer for Gracie Fields?

MR. PEABODY: Don would know that. It is Ruthrauffe and Ryan.

H.M. JR: You could do lots worse than that. The United Nations stuff on that is wonderful. I want a fresh deal.

MR. ROBBINS: This comes at a time, almost - whether or not all these other things weren't happening, when a fresh deal isn't a bad plan, anyway.

H.M. JR: What Mr. Rainey does in New York, because we pay six thousand dollars a year to him - gawd only knows. I don't know.

MR. PEABODY: I don't, either.

H.M. JR: But these things - it is like this thing that happened with Lucy Monroe. I worked and worked and worked and tried to get Lucy Monroe to stop making use of the Treasury. You have most likely heard this story.

Lucy Monroe, the Star Spangled Banner girl, just rode us. She was paid by the head of the patriotic department of RCA, and I tried and tried and tried - they sent her to towns with the regular circus staff of RCA, and everything else - every Victor store in town - and she would get up on the stand as a Treasury representative and sing the Star Spangled Banner and then all the stores would cash in on it. It was so crude and I couldn't stop it. Nobody - I mean she had connections which I actually don't understand political, business and everything else. You just couldn't get rid of that girl. There was this man who not only looked after Lucy Monroe on radio, but the Democratic party - he did both. You never knew whether you were talking to the Democratic party, Lucy Monroe, or RCA. (Laughter)

- 7 -

One day I just said, "No more Lucy Monroe. I just won't have her having exclusive contract to sing all Treasury Star Spangled Banner." I have arrived at this point today. No more Murray except for talent. I want somebody fresh. I mean, I don't know who puts on the Army show. They tell me it is very good.

MR. ROBBINS: That is a very good show.

MR. PEABODY: It is done by a man named Silva.

MR. ROBBINS: I don't think he could be expanded to take care--

H.M.JR: No, but I say, Bill, there are lots of people around who aren't as busy, who aren't as opinionated, and who aren't so forth and so on.

MR. PEABODY: Get a man like Stauffer.

H.M.JR: It has just got in my crop.

MR. ROBBINS: Don is exceptional.

H.M.JR: In the Treasury here I want just a couple of people - a few people to say, "This is the direction we are going." If Smith stays here and has the time, he would be fine. I mean somebody like that, you see.

MR. PEABODY: For, again, ideology?

H.MJR: Just for the ideology. Simply to say, "This is what we want." See what I mean?

MR. GASTON: Yes, we should go down and listen to some of that current product.

MR. PEABODY: I just haven't heard any of them for a long while.

MR. ROBBINS: I have heard them over the air. I heard that - I heard one Saturday night that was a news summary of what was going on in the bond campaign.

- 8 -

H.M.JR: The music - I mean, I have talked enough, haven't I?

MR. PEABODY: Yes, sir.

H.M.JR: And don't let it drag too long.

MR. ROBBINS: All right.

H.M.JR: I mean, don't let it go on indefinitely.

MR. PEABODY: No, because we will have to be making some new stuff pretty soon.

MR. ROBBINS: Yes.

H.M.JR: Will you think about it?

MR. GASTON: Yes.

H.M.JR: I mean, you can't again use the man who was a correspondent in Berlin two years ago to advise you, but you can use - and right now I think that the domestic front means - needs as much bolstering as anything. I don't think you have to talk - I mean, I think our own front - the more I read this stuff, the more worried I am.

MR. ROBBINS: I haven't read that. I read the other two.

H.M.JR: This is the worst yet.

MR. GASTON: Didn't you think the spirit of those men was pretty fine?

H.M.JR: I think the spirit of the miners is amazing. I tell you, I don't know any white-collar worker who would be as good. And what these fellows know, that is what surprises me - their knowledge. I mean the amount of increases in price levels, and everything else - it is amazing. There

- 9 -

isn't any group of white-collar workers who take what these fellows take. But after reading that, I called up Jimmy Byrnes, and I have got to see him.

MR. ROBBINS: I must read it.

H.M. JR: Stuart, can I look to you on this?

MR. PEABODY: I will get going on it this afternoon.

April 20, 1943
12:22 p.m.

HMJr: Yes, John.

John
Sullivan: I have Mr. O'Connell and Mr. Bernstein with
me. I've just had a call from Somers.
They went into Executive Session this morn-
ing....

HMJr: Yes.

S:and I think it would be helpful if we
could see you for a moment.

HMJr: Well, how long would it be, John?

S: I should think about three minutes.

HMJr: All right.

S: Thank you. We'll be right in.

April 20, 1943
2:30 p.m.

FINANCING AND WAR BONDS

Present: Mr. Gaston
Mr. Graves
Mr. Robbins
Mr. Peabody
Lt. Comdr. Stephens

H.M.JR: What is this group?

MR. GASTON: In regard to Cedar Rapids. Mr. Clark, the administrator out there, is disturbed, as we all are somewhat, about the idea of your going out there and making your sole appearance on Sunday evening - Easter Sunday - to what need be a very limited audience in which you will be speaking not to Cedar Rapids--

MR. GRAVES: It was our own concern here, Herbert. Mr. Clark will be in Cedar Rapids tomorrow, and Ted Gamble will be there; and it is a question of what latitudes you want to give Ted as to making arrangements for a local celebration.

Sunday is Easter Sunday, and it occurred to us here that since you are to be there Saturday they might want to have some sort of a mass meeting or rally on Saturday, which would feature mainly local speakers, at which you might appear and make a five or ten minute talk. Otherwise, if we are to tell them that they are limited to what they may arrange for Sunday--

H.M.JR: Where did Herbert get the idea?

MR. GRAVES: I probably mislead him.

MR. GASTON: What you told me, Harold, was that you were afraid of a bad reaction there in Cedar Rapids.

- 2 -

MR. GRAVES: That is right. It is just simply to be a studio broadcast of your "We the People" program without any local participation, and it would be possible, Ted said, to arrange something Sunday afternoon. All that is going to be awkward due to the fact that it is Easter Sunday.

H.M.JR: I was the first person to raise this question of Easter. I asked all these people about it. Remember? I went around and raised the question. Nobody saw any objection.

MR. GASTON: As far as the broadcast is concerned.

H.M.JR: I raised it with you, didn't I?

MR. PEABODY: Yes, sir. I remember I said at the time that I - and I still believe that as far as the radio performance is concerned it doesn't make any difference. That show will go on. This involves another matter. It involves a reason and a motive for going to Cedar Rapids in the first place. You could go out there and get submerged in this radio job, which has great significance, but not necessarily in Cedar Rapids.

H.M.JR: Let me tell you something, young fellow. (Laughter) Somebody told me there was a good newspaper editor in that town who was interested in our coming out there.

MR. GRAVES: That I don't know.

MR. ROBBINS: That must have been in the Cowles conversation, because he, of course, knows them.

MR. GASTON: It was mentioned yesterday - I forget by whom.

H.M.JR: I will make this thing very simple. I told Robbins that I am the easiest man in the world to handle. (Laughter) I refer him to Peabody for a reference. (Laughter) I should have gotten one in writing after the White House - I don't know whether he will give it to me now. (Laughter)

- 3 -

MR. ROBBINS: You made a great record that day.

H.M.JR: I will try to live up to it. Would you suggest waiting until Ted gets there? When does he get there?

MR. GRAVES: He gets there tomorrow.

H.M.JR: Let Ted look over the ground. I certainly would consult the newspaper editors, because they might write the kind of thing which I got when I arrived in Winston-Salem, on first blush, and then they turned it around the next morning and it was all right. They said I was coming down there to build my fences with Mr. Doughton on the Hill. Of course, that is just what I didn't want. The next day everything was lovely.

I am perfectly willing to go to a rally Saturday afternoon or Saturday night if that is what Ted wants.

MR. GASTON: I don't know if that is what he wanted. We wanted to know, if they had a rally on Saturday, at which you would give a short speech of seven or ten minutes, if that was all right.

H.M.JR: Sure.

MR. GRAVES: I promised Ted that this afternoon. I wanted to know that much.

H.M.JR: Where is Ted?

MR. GRAVES: Portland. He is leaving there at two o'clock.

H.M.JR: That is all right. You won't have to worry much about writing it. I may give an impromptu one.

MR. GASTON: That is fine. I talked to Fred Smith on the phone and asked him to jot down some ideas in case you wanted a prepared manuscript. He said he and

- 4 -

Albee would do it, so you will be fortified both ways.

H.M.JR: That will be safe. That is all right.

Now, Robbins, I think, threw out an idea yesterday, the possibility of getting a combined church meeting on Sunday.

MR. GRAVES: That is a possibility. You could hardly appear, but you could be present. You could scarcely make a talk at a church meeting.

H.M.JR: Why not?

MR. GRAVES: What we had been talking about was some joint service - semi-religious service.

H.M.JR: I have talked in churches before.

MR. ROBBINS: It seemed to be the only appropriate thing that the community might spontaneously want to do on Easter Sunday. If they did--

H.M.JR: I don't know. I think it would be better to have a rally Saturday night.

MR. GRAVES: You have answered our question.

MR. GASTON: It gives a chance for a strictly War-Bond meeting.

MR. ROBBINS: When do you plan to leave here?

H.M.JR: A little bit depends on the weather, see; but we can do the trip in five hours, non-stop. My troubles are on the field - let me get Stephens in here. We might as well settle that right now. The trouble is - I don't know whether he knows. He may; he is good.

MR. ROBBINS: You would plan, as you think now, to spend the night right there in Cedar Rapids?

H.M.JR: That is it.

- 5 -

(Lt. Comdr. Stephens entered the conference.)

H.M.JR: Steve, do you know yet what the sunset is at Cedar Rapids on Friday or Saturday?

LT. COMDR. STEPHENS: Yes, sir.

H.M.JR: See what a man he is; he can tell you when the sun sets and rises any place in the world. (Laughter)

LT. COMDR. STEPHENS: Seven fifty-five central time, eight fifty-five our time.

H.M.JR: Do you mind if I call it nine o'clock? (Laughter)

LT. COMDR. STEPHENS: We will call it nine.

H.M.JR: That would mean nine o'clock, wouldn't it? And five from nine leaves four. Leaving an hour's leeway, if we left here at three o'clock--

LT. COMDR. STEPHENS: He says three o'clock. Later on in the week if the weather looks good it can be boosted to three-thirty or quarter of four.

H.M.JR: Normally three.

LT. COMDR. STEPHENS: Three o'clock - that will allow for a gas stop in Chicago, if necessary.

MR. GASTON: Do they have a good enough field there at Cedar Rapids?

LT. COMDR. STEPHENS: A little depends on the weather. If it is very rainy, for example, it is apt to be soggy.

H.M.JR: I wonder if we couldn't get - is there an Army field near there where they could get a man and could put him there, who could tell us - there is no Coast Guard--

LT. COMDR. STEPHENS: You mean to make inquiries on the field?

- 6 -

H.M.JR: No, a man on the ground who would know.

LT. COMDR. STEPHENS: Both of these are municipal fields.

H.M.JR: Got anybody in Chicago - it is only two hundred miles - who could be there just for that one day?

LT. COMDR. STEPHENS: You mean one of our own people - a Treasury man?

H.M.JR: I mean Coast Guard.

LT. COMDR. STEPHENS: We can get somebody.

H.M.JR: Have somebody there who could phone in the condition of the field - somebody who walked over it - somebody we had confidence in.

LT. COMDR. STEPHENS: We won't have an aviator, but somebody that is at least sensible to talk to Sinton on the phone and give him an accurate description of the conditions there.

H.M.JR: That is what I mean.

LT. COMDR. STEPHENS: Do you want to have that set up so he is there Saturday morning?

H.M.JR: No, have him there Friday morning.

LT. COMDR. STEPHENS: Just in case you decide to go Friday?

H.M.JR: What I was planning to do was to leave here Friday afternoon.

MR. ROBBINS: Leave the office about two-thirty.

H.M.JR: Leave the office at two-thirty, stop off in Chicago, have a bite of supper while he gasses up, and then go on and get there Friday night. I might just as well take it easy. I want to be in good physical shape

- 7 -

to do this thing. I will need a little rest. We will get there and spend two nights there. If I am going to do this, I am going to do it right. There is no use getting there exhausted. It would mean leaving here at two-thirty, have supper at the Chicago airport, and then we could go on.

When he got to Chicago he could contact this man at the airport and find out. Don't you think it would be worthwhile?

LT. COMDR. STEPHENS: Yes, sir, that sounds very, very worthwhile.

H.M.JR: Is there any other place where there is a concrete runway near Cedar Rapids?

LT. COMDR. STEPHENS: Iowa City, which is twenty-five miles away.

H.M.JR: I thought that wasn't much better.

LT. COMDR. STEPHENS: That is all right. That is on the airlines. Temporarily it is suspended, but it is the regular municipal airport with a paved runway. That was the idea in having Iowa City as an alternate. In case Cedar Rapids was wet and soggy, you could go into Iowa City.

H.M.JR: I think it is an advantage, landing at Cedar Rapids. I would have a Coast Guard man there with instructions. They may even have somebody there. We can tell him what he wants to know. Have him there from Friday morning on.

LT. COMDR. STEPHENS: I will investigate. It may be we have someone closer than Chicago - someone at the recruiting office - somebody who is sensible enough to handle the situation.

H.M.JR: Get some old-timer. It is a question of walking over the field.

- 8 -

LT. COMDR. STEPHENS: I will do that.

(Lt. Comdr. Stephens left the conference.)

H.M.JR: Does that answer that?

MR. GASTON: We are all set.

MR. ROBBINS: That answers both the questions we had in mind, when you go, and what latitude Ted can have.

H.M.JR: It is very hard to get there by train. I would have to leave here Friday night by train. I made reservations for Friday night. If you leave here Friday night, you don't get there until late Saturday.

MR. GASTON: If you leave here Friday night, you won't get into Chicago until--

H.M.JR: You have to take another train, and you don't get there until late.

MR. PEABODY: In all of these negotiations, let's keep away from Sunday afternoon, because I feel quite sure they will want to rehearse Sunday afternoon, Mr. Secretary. I think we ought to avoid any church thing that might develop for Sunday afternoon.

H.M.JR: I think Saturday - whoever talks to Gamble--

MR. GRAVES: I will talk to him.

H.M.JR: If he can do something like we did in Virginia--

MR. GRAVES: Roanoke.

H.M.JR: That was as near perfect - Harold, if you are doing the contact, for heaven's sake find out who this Congressman is from that District. The last time we didn't know it, but we got a good break. It happened to be Woodrum, who is one of the powerful men on the Committee on Appropriations. When he heard I was coming - we hadn't told him

- 9 -

anything - he just made it a meeting to glorify himself. (Laughter) We had better look at it. I think somebody ought to go up on the Hill and speak to the two Senators and Congressmen and tell them what it is all about, today. They will get wires, and they will be sore and say, "Why in the hell didn't Morgenthau tell me what he was going out there for?" But if they know and they have been consulted, it will be all right. I slipped; I should have done that yesterday.

MR. GASTON: It will be all right to do it today.

H.M.JR: Who can go up on the Hill to see the two United States Senators and the Congressmen from the district? Don't all speak at once. (Laughter)

MR. ROBBINS: Any of us can, actually, but I wonder if the easiest and simplest thing on that isn't for them to have a brief telephone conversation with you.

H.M.JR: No. If Ted were here--

MR. GASTON: Maybe we can borrow John Sullivan to go up.

H.M.JR: The Committee this afternoon is at the baseball game, so nothing is happening. (Laughter) So John is available. So the Committee on Coinage, Weights, and Measures adjourned.

John would be good. Somebody will have to tell him what it is all about.

MR. GASTON: I will.

H.M.JR: The other thing - when I had these three gentlemen in this morning on the "Star Parade" I asked for you (Graves), and you were at the War Department. Have they had a chance to tell you what it is?

- 10 -

MR. GRAVES: No.

H.M.JR: I don't know how the lines of authority flow. I don't know whether they flow through--

MR. GRAVES: On "Star Parade"?

H.M.JR: Yes. How do they flow?

MR. GRAVES: Mr. Welch is in editorial charge of "Star Parade." He has been reporting to me.

H.M.JR: Have you done anything?

MR. ROBBINS: No, we haven't talked at all.

H.M.JR: Let me take a minute to repeat it. What I said was this - and very quietly - as you know, for maybe six months I have been dissatisfied with the "Star Parade" and the radio - it must go back at least six months when we had Murray down here - and I still don't like it. I don't think that - I compared it to Lucy Monroe. I finally had to say that I didn't want her. I made your life miserable. Finally I said, "Harold, will you take an order?"

MR. GRAVES: I remember. Then we got shed of her.

H.M.JR: I can't wear down Murray, and I don't want to be worn down myself. In talking with these people this morning - the thing that I am not satisfied with is the ideology of the thing. Murray is too far away. He is too difficult.

As everybody knows, he is not a producer. He is a getter of talent. I don't think he ever produced a show before. He says he has, but if you get a - I don't think any agency or advertiser would hire him to produce a show. They would use him to get talent. I have been fussing about it for months. I don't know how many of you have heard the "Treasury Star Parade."

MR. GRAVES: I have.

- 11 -

H.M.JR: Do you like their programs?

MR. GRAVES: Some of them.

H.M.JR: Anyway, what I was suggesting was that I would like a new deal on that end. I would like a new producer.

MR. GRAVES: You mean to change from Bill Murray?

H.M.JR: Yes. And the only thing I want on the Washington end is, I want a small group who would - the ideology - I like that word - who would set the pace, because I feel he is too far removed.

What we did at Carnegie Hall - what we are proposing to do here is so far different from what he is doing, and you can't tell him. You can't tell Bill Murray anything. I suggested - I am making it very plain - as to setting the spirit, two of the people I wanted here were Gaston and Mrs. Morgenthau. Neither of them pretends to know anything about the technique, and I am sure they don't want to have anything to do with it, but I would like them. They can add whomever they want to set the tone. Somebody will have to work out where Welch fits in.

I originally brought Welch down here to do music, and now I find Welch is doing drama. I don't think Welch is any more fitted to pass on drama than I am, and I am not fitted at all. They give me a play script to read, and it doesn't make head or tail to me. They might just as well give me shorthand notes. Maybe you people can read them; I can't.

MR. GASTON: I have never seen any. (Laughter)

H.M.JR: Well, I can't.

MR. GRAVES: Of course Welch and Mrs. Morgenthau - all they have been attempting to do is to see that propriety is observed in their scripts, and no more. They

- 12 -

have not been attempting to pass on the excellency of these scripts from a literary point of view.

H.M.JR: Well, I am not satisfied. I would like to have Welch continue passing on the music. He made a mistake when he took on trying to pass on the drama.

MR. GRAVES: I asked him, with Mrs. Morgenthau, to take responsibility for all of "Star Parade" and "Song Parade" in respect to script as well as in respect to music, with the thought that Odegard would also be available for Mrs. Morgenthau and Welch to take their scripts to in the event they were uncertain. That is what has been taking place.

H.M.JR: The Washington arrangement is not satisfactory, and Murray as a producer isn't satisfactory to me. That is what I told these people this morning. Now it is a question of somebody handling the Murray end.

MR. GRAVES: I think that will be easy as far as shifting from Murray is concerned. The danger there, I believe, will be that if we are not careful we will have a hiatus in this series which would be very bad, because now more than eight hundred stations are using this program, and we would have a recess.

H.M.JR: You don't have to have a recess; get your producer first. Line up your producer. My heavens, they come in here every day. Yesterday the producer of "We the People" was in here. All of these people have--

MR. GRAVES: Well, the arrangement could be easy enough if we were willing to pay commercial prices for these things, but we don't pay commercial prices. It is a question of getting someone who is willing to come in and do this on a cooperative basis with no charge to us except out-of-pocket costs. You can't always put your hands on people like that, but I think we can in this case.

H.M.JR: Look, all I am asking for - I want Robbins - let's decide how this is going to be done.

- 13 -

MR. ROBBINS: We will have to be sure we have one person.

H.M.JR: Now possibly you fellows want to hear a couple of these records to satisfy yourselves.

But I mean, there won't be any difficulty on the Washington end. As I say, it will have to be changed. If Gaston will be willing to assume the chairmanship of that thing, at least until it gets going, it will be very pleasing to me.

MR. ROBBINS: There is really more than one way to attack this.

H.M.JR: Excuse me. Gaston is with me now all day when necessary on what I am doing. It is up to me to set the tone. Is that right? I just feel the "Star Parade" and those people are just six months behind. All these people do here - they don't create anything. They send the plays down from New York; they are read; they say, "We like them," or, "We don't like them." They can't say to Murray, "We would like you to do this kind of thing," because he won't take the suggestions. He gets quite nasty about it.

MR. ROBBINS: That is the present situation, that you would like to have a setup under which we can impose some suggestions?

H.M.JR: I wouldn't use the word "impose" - originate. That Mr. X, the producer, would come down here once a week and would sit down with you people, just the way - I mean, I don't know how you do it, but if you are doing a show for Borden's you must have a - once a week you must send for these people and tell them what Borden's wants.

MR. PEABODY: Yes, you have to set a policy on any radio show.

H.M.JR: You have them come in and say "This is what Borden's wants to get over."

- 14 -

MR. ROBBINS: What we call copy policy - we try to get your central theme, your central style, and your central tone. But on the other hand, the question that worries me a little bit there is that - and I don't know because I haven't worked with it - Murray may not be a producer, but apparently some of these shows have been pretty satisfactory for some time.

Now, Murray might be molded into a new copy policy if it is a new copy policy we want, thinking of what Harold has just said about the problem that is involved in getting another worker to take over for a fee.

H.M.JR: Well look, I don't - I think almost any producer in the United States would give us his time on the same basis as Murray does to have his name on a Treasury record as the producer going out over eight or nine hundred stations three times a week. I mean it. For him it is a great honor to be on this thing. Look what it does for the man.

MR. ROBBINS: I agree to all that. The point that I am laboring with here a little bit is whether we are interested in who does it or what happens as far as the show is concerned.

H.M.JR: What I am interested in is what happens, but I have had enough experience with Mr. Murray to know that you can't mold him.

Am I overstating it? Please speak up, Harold.

MR. GRAVES: I think you are overstating it. I believe that Mr. Murray will be susceptible to any suggestions that we may make. It may be that we have not been as aggressive in making suggestions as we should have been. I know I have never made any myself, and I would be inclined to doubt whether any more than the most general instructions have ever been given to Murray. I would, myself, favor attempting to make a better arrangement with Murray. I think it is the safest thing that we can do.

- 15 -

H.M.JR: It is silly to keep comparing it with the Lucy Monroe thing, but I think the suggestion is just the same. Let's be very frank. You bring Murray down here and say "Now look, Murray"--using the commercial thing - what did you call it?

MR. ROBBINS: Copy policy.

H.M.JR: "We want you to come down here once a week, at which time copy policy will be laid down." Certainly Peabody would sit in, and you (Robbins) if you wished to. "At that time, once a week, we will tell you which way the Treasury is going and what we want. Then we want you to go out and do it."

MR. GRAVES: I think that is practical.

H.M.JR: Just one second. Now, I think if you want to be fair to the man, all right, but I think it is hopeless. But if you want to try it--

MR. GRAVES: I think we should try it.

H.M.JR: What?

MR. GRAVES: Those things are done, and should be done a long way ahead. It isn't a matter of our talking to him today about the transcriptions that we are to have this coming week; those things should be done a month ahead.

MR. ROBBINS: Sure, and we work on the whole session in a swing.

MR. GRAVES: Perhaps it wouldn't be necessary to have weekly meetings with Murray, but have them from time to time.

H.M.JR: I think you will find Murray works right up against the gun.

MR. GRAVES: We tried to change that. We were in a jam, as you know, because you spoke to me about it, with

- 16 -

Murray, who complained because of our rejection of too many of his scripts. We suspended our production of dramatic transcriptions with Murray and confined ourselves to musical things in order that we could get a month ahead on these scripts so that it wouldn't be a matter of getting a script down here at four o'clock this afternoon that we had to approve by nine o'clock tomorrow morning.

MR. GASTON: What is the other one called?

MR. GRAVES: "Song Parade," which, I take it, is not involved here.

H.M.JR: Everything that goes on the air - I mean, it is silly to let a man like Murray, who has no more idea of what I am thinking than Mayor LaGuardia up in New York - that he out of his brain should decide what is good for the Treasury. Why should he know?

MR. PEABODY: He can't. I think, as Mr. Graves said, it is a question of getting it to Murray or whoever does it. We have got to furnish the motivation, the theme.

MR. GRAVES: We have been taking too negative an attitude, whereas we should have taken a rather positive one. I think that would not be prevented by Mr. Murray.

H.M.JR: Well, I am willing if Herbert is willing - can you take this on, Herbert, to get the thing started?

MR. GASTON: Sure.

H.M.JR: Am I asking you to do too much? Would you say so?

MR. GASTON: I can take it.

H.M.JR: I mean, just get the thing in the swing.

MR. GASTON: Yes.

H.M.JR: Supposing you try it. Will you have a talk with Elinor about this thing? The idea is that Murray

- 17 -

would come down here. You people would have a meeting in advance - I take it - at least know what is in your minds, and then say, "All right, now what we feel is - here is the situation in Pittsburgh, and this is the kind of thing we have to overcome or the shortwave from Germany is emphasizing the fact that we are going to repudiate our bonds. We have to meet this kind of thing. We want to bring the war home to the people. We are not interested in fake drama of what somebody in New York thinks is happening inside of a tank in North Africa." If you want to write such a story, let's get a man that comes down. All you have to do is call up General Surles and he will send somebody over to tell you the honest-to-gosh story the way he did this Connor who just was back.

MR. ROBBINS: I think that we would do well to explore this thing from the point of view of changing the direction of what we have before we get too serious about changing the equipment that we have to work with.

H.M.JR: All right. Let's try it this way. I am glad I brought it up again. Let's try it this way, and then if Murray is not amenable---

MR. ROBBINS: Sure, when we find he either won't or can't - you apparently know or have a pretty good hunch he won't.

H.M.JR: I have a very strong hunch that he won't.

MR. ROBBINS: If he won't or can't then we have a problem of one kind. If he will, or if our working with him might bring him to that point of view, then I think we have quite a different problem.

MR. PEABODY: Mr. Secretary, there is one thing. On this Murray business - this morning you said Murray wasn't a producer. As far as I know he is or isn't. I don't know, but his company does do a great deal of production. I think the setup is an agency - not Young and Rubicam, which has its complete staff, but there are hundreds of

- 18 -

agencies throughout the country that can't maintain a radio department, and people like William Morris Agency and Lyons and Lyons will do a complete job for those agencies and the clients of those agencies. So the William Morris Agency does a great deal of producing.

H.M.JR: He claims he originated, created, and produced the "Henry Aldrich Family."

MR. ROBBINS: That is a William Morris Agency job.

MR. GRAVES: The actual producer of our show, as I understand it, is a man named Hayworth, who works under Murray.

H.M.JR: I am quoting Murray.

MR. ROBBINS: It is one of Murray's shows, but operates completely under the arrangement with the Morris agency - it is the Morris Agency.

H.M.JR: I am satisfied. The man might say, "Why didn't you tell me you wanted that?" Now he has been with us two years. Bring him down and if Herbert will take that thing on, O.K. You would want to be in on it.

MR. PEABODY: By all means.

MR. GASTON: He might get his script writer down. Murray is probably not writing them.

H.M.JR: It is all very mysterious. They keep very mysterious. It is like all these mysterious things. If you take a can opener, you can find out.

MR. PEABODY: They have some pretty good script writers.

MR. ROBBINS: Yes, wonderful script writers.

H.M.JR: Could you take this and just decide if you want to go any further with it? This was an editorial

- 19 -

that appeared in the "Philadelphia Record" about using threats to sell war bonds. I wrote a letter to Mr. Stimson, which was answered by Mr. Patterson, white-washing this fellow; but my own hunch is that - I think that Patterson's letter should go to the "Philadelphia Record," but we can't do it without Patterson's permission.

There is Patterson's letter. ("Philadelphia Record" article dated April 15 and letter from Mr. Patterson dated April 19 handed to Mr. Peabody by the Secretary.)

They wrote this thing, that the head of the Philadelphia arsenal said that he included in the rating of the men whether they didn't or did buy bonds. I sent the editorial to Mr. Stimson, and he had Patterson answer it. They sent a man up to Philadelphia especially, and this letter came in in which he says it is not so. That is the kind of thing I want to watch.

If after you have read it you think that we should ask Mr. Patterson if he is willing that we release the thing and make Dave Stern of the "Philadelphia Record" run it--

MR. ROBBINS: You are dealing there, Mr. Secretary, with a problem that strikes me as being an over-all Treasury public relations problem, and I wonder if you want Stuart to handle that or whether that should be your regular public relations setup here as contrasted to the campaign.

H.M.JR: No, let him handle it.

MR. GASTON: I would be inclined to give a satisfactory answer to Dave Stern and not worry very much about whether Dave Stern published it.

H.M.JR: Dave Stern hasn't written me. This just came in with my clippings. Nobody brought it to me. Here were twenty clippings. I picked it out of my clippings. I got excited and sent it over to Mr. Stimson and asked for an investigation. This word came back that - I think a kind of a weak explanation, but I think it might be better if Mr. Patterson would correspond with them, or something, but I don't want to let it go by without correcting the "Philadelphia Record." I will let him handle it.

- 20 -

MR. PEABODY: If I can't handle it, I will say so.
I will read it.

MR. GASTON: What I was thinking of was that I wouldn't
like to emphasize too strongly the idea that you don't need
to buy war bonds.

We Don't Need Threats To Sell War Bonds

Response of the American people to the Second War Loan of \$13,000,000,000 is highly encouraging.

Housewives, businessmen, newsboys, labor unions, bankers are gladly teaming up to lend their money to Uncle Sam. In Philadelphia, one fifth of the city's quota in the three-week drive was subscribed the first two days.

This overwhelming response is in vivid contrast to the sour note struck at the Frankford Arsenal.

Colonel J. B. Rose, Arsenal commander, has issued an order saying that the record of employes' bond subscriptions "will be considered in connection with promotions, or with reparations when these are necessary for any reason."

This in a plant where 14,000 out of 18,000 employes have been regular subscribers.

This in a plant where employes, along with some 25,000 other Army civilian workers in this area, are still awaiting the delivery of bonds purchased through payroll deductions as long ago as last June!

Colonel Rose is acting like a machine politician making city workers at election time, by saying: "Make a voluntary contribution or lose your job."

Whether the colonel is acting on orders of higher-ups, we don't know. But he or his superior miss the point of the war bond drive.

The American people are being asked to lend their money freely and voluntarily to their Government. As officials of the campaign point out, bond purchases are on a *voluntary basis*.

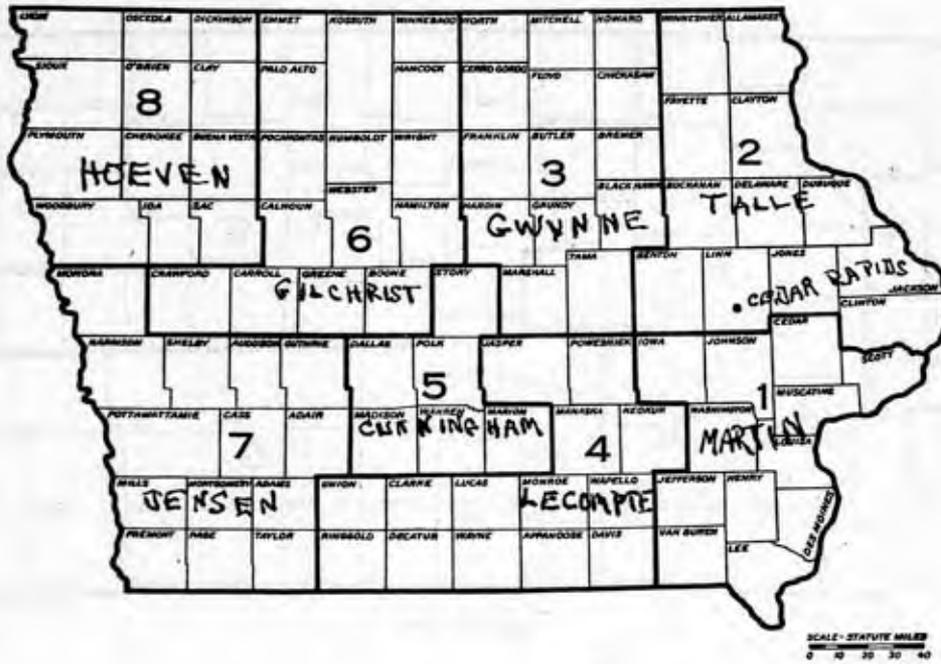
We don't know just why 4000 employes at the Arsenal fail to subscribe regularly. We do know that there are thousands of men and women in this country who are now working at their first full-time jobs since the depression, and are just catching up on back debts. Thousands of others are meeting sudden financial emergencies—sickness, death, loss of their homes.

The idea behind the voluntary pledges—as Waverley Root explains in his column today—is that each individual can best decide how much he can spare in addition to taxes.

We don't want a big stick waved over Americans in this voluntary campaign. Such blackjacking hurts the campaign and insults the patriotism of our people.

We are buying bonds to help our Government. We are buying bonds as the soundest investment offered today. We are buying bonds to help win the war. That's all the motive we need.

159
4/20/42



I O W A
(8 districts)

Maps of Congressional Districts

IOWA DELEGATIONSenators

Guy M. Gillette (D)
George A. Wilson (R)

Room numbers

121 Senate Office Bldg.
362 Senate Office Bldg.

Representatives

Thomas E. Martin (R)
Henry O. Talle (R)
John W. Gwynne (R)
Karl M. LeCompte (R)
Paul Cunningham (R)
Fred C. Gilchrist (R)
Ben F. Jensen (R)
Charles B. Hoeven (R)

1033 New House Office Bldg.
1420 New House Office Bldg.
1441 New House Office Bldg.
1709 New House Office Bldg.
120 Old House Office Bldg.
1705 New House Office Bldg.
124 Old House Office Bldg.
138 Old House Office Bldg.

April 20, 1943

Dear Fred:

I am sending you herewith a clipping from this morning's Times-Herald, and I have marked the paragraph where they compare my trip with that of Postmaster Frank C. Walker. It seems pretty far fetched to me. However, it is a straw in the wind but, considering the source, it doesn't worry me a particle.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Fred Smith,
6 Lynn Road,
Port Washington,
Long Island, New York.

File in Diary

Morgenthau Disappointed In Bond Sales

By PHILIP WARDEN

Secretary of the Treasury Henry Morgenthau Jr. yesterday expressed keen disappointment at the public response so far to the Government's second war loan drive.

He revealed that the announced goal of \$13,000,000,000 is almost sure to be attained but gave most of the credit for the success of the drive so far to the banks, insurance companies, building and loan associations and other large investors.

"Of course, we're glad to have the money but I would feel better if Series E, F, and G would begin to get a little bigger—very much bigger," Morgenthau said. "I would like to have more people, many more people, subscribe."

Nearly 16 Billion

Through last Saturday night, Secretary Morgenthau said, bank-you-go tax plan into operation by July 1, if Congress adopts one within the next week or two. He said the Treasury would require about 60 days to do its work.

He said the Treasury is assured of obtaining an additional \$2,500,000,000 from the banks when it offers its 2 per cent bonds at the end of the drive. Included in this two and one-half billion total is \$400,000,000 in new money that will be obtained from the weekly bill offering.

Appeals to Public

"We are now assured of obtaining \$12,500,000,000. Whatever we

expect to go over the goal must come from nonbanking sources. We have not got our nonbanking quota yet—nothing like it," he commented.

Morgenthau revealed that he, like Postmaster General Frank C. Walker, who recently completed a trip to the hinterlands in interest of the fourth-term drive, is going out into the Midwest "to get better acquainted with the people."

Morgenthau said that he will go to Cedar Rapids, Iowa, Sunday night to take part in the radio broadcast, "We the People." He will act as master of ceremonies on the broadcast, he indicated.

"Heart of America"

He said that he intended to "spend a couple of days" there getting acquainted with the people and "talking to them about the war."

"This trip gives me an opportunity to go to the heart of America," he said.

Morgenthau said that he was "satisfied" with the Senate's action in taking away the dollar devaluation powers from the President. Asked if he thought it might be important for the President to have the power to devalue the dollar after the war in connection with currency stabilization or other war created situations, he answered in the affirmative, saying "It might be."

Morgenthau told reporters that the Treasury could "put a pay-as-you-go tax plan into operation by July 1, if Congress adopts one within the next week or two. He said the Treasury would require about 60 days to do its work.

"If pushed, we could do it in less time," he asserted. "There is nothing sacred about putting a pay-as-you-go plan into operation by July 1, however. Just because the Government's fiscal year starts on that date is no reason that a pay-as-you-go tax plan should start at that time. It could do it by August 1 just as well," he said.

"It is much more important to get the legislation on the books than it is to have the plan in operation by a certain date," he declared.

April 20, 1948

Harold Graves
Secretary Morgenthau

I wonder why I have not been receiving copies of the report entitled, "For the weekly report to the Secretary - report of the Office of the Field Director - Special Activities in the Field." Would you please see that I receive these copies regularly in the future?

Coming in - 4/23/48

FOR THE WEEKLY REPORT TO THE SECRETARY
 April 8, 1943

Confidential

REPORT OF THE OFFICE OF THE FIELD DIRECTOR

SPECIAL ACTIVITIES IN THE FIELD

*** New York Fur and Leather Workers Union, CIO, and the April Drive:- The Labor Division of the New York WSS reports that the International Fur and Leather Workers Union, CIO, is cooperating with 26 Employers' Associations in the Fur Industry in greater New York in a drive to sell \$5,000,000 in extra Bonds during April. The Union officials pledged at a meeting on April 1 that they would have every employed member purchase at least one extra Bond during this month. This, of course, will be supplementary to the regular Payroll Savings Plan which has been very successful in this industry.

** Rallies Planned in April:- In Des Moines, Iowa, at the start of the Second War Loan Drive, April 12, an all-day street celebration will take place. In Milwaukee, Wisconsin, a rally of 8,000 people is in the process of organization. A similar rally of 6,000 people is in preparation in Piqua, Ohio. Jersey City, New Jersey, has sent a request for Assistant Secretary John L. Sullivan to open their city activities while Camden, N. J., is laying extensive plans to attain \$26,000,000 for a great fleet of war planes for General MacArthur's forces. The Credit Union League of Chicago, Illinois, will celebrate attaining their \$2,000,000 goal with a dinner to which Stanley Johnson has been invited as the principal speaker.

*** Baseball and the April War Loan Effort:- The New York Kings County WSS has enlisted the Brooklyn Dodgers Baseball team as War Bond salesmen in the Second War Loan Drive. Pairs of baseball players in their uniforms will visit large firms in Brooklyn to accelerate Payroll Savings and sell additional War Bonds during April. Each player on the team has given a personal pledge to sell at least \$500,000 in War Bonds during this month.

Augmenting this individual effort, a monster War Bond Rally will be staged at ~~Ebbets~~ Field on Easter morning, April 25, when the Dodgers will play the Philadelphia "Phillies." President Manager Branch Rickey, former Manager of the St. Louis "Cardinals" and also former Missouri State Chairman of the WSS, will attend for the first time in his life a Sunday game on this Easter occasion.

** Madame Chiang Kai-shek:- At a meeting in San Francisco, March 28, Madame Chiang Kai-shek championed the purchase of War Bonds by persons of Chinese origin by saying, "The United States of America has been helping China's war effort by sending to her planes and war materials. Therefore, I say that in buying more American War Bonds you are also helping China to win the war." The address broadcast, delivered in Mandarin, was heard by 10,000 Chinese and Chinese-Americans. It was also heard in China by short-wave radio.

-2-

Confidential

Report
Office of the Field Director

April 8, 1943

*** New York Retailers' April Cooperation:- All large advertisers in New York City and contiguous towns have pledged themselves to enter into a concerted plan by which there will appear in the 8 metropolitan newspapers and the Brooklyn Eagle on April 12, with no merchandise advertised at all, all this space which they are taking on a percentage of their usual monthly space basis, War Finance Committee advertisements. A synchronized display program is also being worked out among the larger retailers whereby it is hoped that every prominent window in the leading shopping areas will, on April 12, be devoted to a single display theme supporting the Second War Loan Drive. The Retail Committee of Greater New York met last Friday, April 2, and received final instructions for reaching every concern on every Chairman's list for the Second War Loan Campaign. This includes the Payroll allotment stimulus and corporate fund and executive accelerated sales.

** State Bond Promotion Days:- While preparation for the April 12 War Loan Drive has slowed down the designation of "State" Bond days, a few additional Administrators have sent in the following suggestions: Hawaii plans to observe December 7 and also have a special Bond promotion on May 1, "Lei Day"; Kansas proposes to honor General Dwight D. Eisenhower on his birthday, if the fact that he was born in Texas does not bar that date; New Hampshire suggests Daniel Webster Day; Nebraska requests information as to the exact date on which Lieutenant J. C. Fremont, in a report on his expedition into that country, first mentions the state name (June 22, 1842). South Dakota is considering tying in War Bond sales with a celebration at Mt. Rushmore; Utah likes the idea of utilizing their annual week-long celebration "Covered Wagon Days" at Salt Lake City and "Pioneer Days" at Ogden with mammoth parades, rodeos, rallies, etc.

*** Norfolk, Va., to Buy Cruiser:- Norfolk, according to the April 2 Ledger-Dispatch, has accepted \$13,000,000 as its share of Virginia's \$75,000,000 Second War Loan quota for April. The article further states that such is the patriotism of the citizens in Norfolk that they plan, during the month, to raise an additional sum of \$37,000,000 in War Loan securities to purchase a light cruiser that will bear the city's name. Believing that an early start on their two April campaigns will mean ultimate success, April 1 saw a million dollars in War Loan securities bought by the Atlantic Life Insurance Company of Richmond that was credited to the New Norfolk Cruiser fund.

THE EDUCATION SECTION OF FIELD DIVISION

** Photographic News Posters No. 5 and No. 6 have been prepared and distributed to junior and senior high schools. These are part of the monthly series prepared for the War Savings Staff by the F. W. Woolworth Company. (See copies attached under Education Exhibit Nos. 1 & 2)

-3-

Confidential

Report
Office of the Field Director

April 8, 1943

THE EDUCATION SECTION OF FIELD DIVISION (Cont.)

** Four Freedoms Essay Project:- In connection with the Four Freedoms Exhibit being sponsored by the War Savings Staff and the Curtis Publishing Company in 40 cities throughout the country, the Education Section has made plans for a school and college essay writing project. In each city the display will be held in some large department store which will also sponsor the essay project. Students may select any topic which is related to an interpretation of the Four Freedoms theme, such as "War Savings and the Four Freedoms" and "Bonds Buy Freedom." Essays which are rated "Superior" or "Excellent" by local groups will be submitted to a national panel of judges who will select the most outstanding essays for publication and special awards by the Curtis Publishing Company. One of the requirements for every essay will be: "Evidence of an understanding of the Four Freedoms and the citizen's duty to maintain these."

** Scholastic Art Exhibit to Include Schools-at-War Scrapbooks:- A number of the outstanding Schools-at-War Scrapbooks will be displayed in May at the Library of Congress with selected parts of the national Scholastic Art Exhibit. The annual exhibit being held in the Pittsburgh Gallery next week will include state art winners selected from state exhibits. With one section devoted to "Art in the War Effort," many outstanding posters, cartoons, and illustrations are related to the War Savings Program. In Ohio the winning state poster used the slogan "Buy War Bonds T.N.T. - Today Not Tomorrow." Both state and national exhibits are sponsored by the Scholastic Publishing Company.

** Missouri Sets School War Savings Quotas:- Reports in Missouri indicated average monthly student sales of \$1.25 per pupil. It was decided to set a goal at least 10% higher than the previous attainment, or \$1.50 per pupil. In a school with 200 students this meant \$300 per month, or \$1,500 the five remaining months of school. Using the equipment chart, each school quota was worked out in terms of the actual military equipment which might be bought. Schools were notified of these quotas in terms of dollars and of fighting equipment. The response has been enthusiastic with many schools replying that they could and would surpass their goal within the near future.

** Children's War Savings Play:- "Mistress Junior Minute Man" was the title of the children's War Savings play written and produced by Mrs. Rose Robinson Cohen, director of Children's Dramatic Studio of Washington, D. C. The author has offered to give the script to the Education Section of the War Savings Staff for distribution to schools and children's groups.

** Field Visits to Colleges and Universities:- A representative of the Education Section conferred with administrative, faculty,

-4-

Confidential

Report
Office of the Field Director

April 8, 1943

THE EDUCATION SECTION OF FIELD DIVISION (Cont.)

alumni, and student groups at the following colleges and universities: Iowa State College, Omaha Municipal University, Creighton University, University of Nebraska, Nebraska Wesleyan University, Mountain Plains Speech Conference, Denver University, University of Colorado, Utah State Agricultural College, University of Utah, University of Wyoming, Colorado College of Education, Hastings College, Kansas State College, University of Kansas, University of Missouri, Washington University, University of Illinois, and University of Chicago.

** One-Room School Buys Two Jeeps:- Kansas is proud of the War Savings record of the one-room school of District 99 in Barton County. The ten pupils of this school are native-born Americans whose parents are immigrant Bohemians and Czechs. It was one of the first Kansas schools to fly the student Minute Man flag. When the jeep campaign was announced this little group held an auction and sold War Savings Stamps and Bonds amounting to \$1,300. They have promised to "buy" two jeeps by Minute Man Day, April 19.

** La Escuela Superior de San Felipe:- San Felipe, small border town of Texas, contributed its share to the Texas Victory Concert series through its War Savings sales of \$2,027.45 at one high school concert. The printed program shows that this high school of only 160 students is welding Mexican and American interests through music and War Savings. The entire program is printed in Spanish with War Savings speeches given in Spanish as well.

THE WOMEN'S SECTION OF FIELD DIVISION

NATIONAL WOMEN'S ORGANIZATIONS:

** Press Release for Women's College Newspapers:- A press release and other supplementary material for use during the Second War Loan Drive is being prepared and will be sent to the editors of women's college newspapers.

** "Cry Uncle," New Play for Women's Colleges:- A short, poppy play, with three characters and set in a typical woman's college, has been prepared and will be sent to women's colleges.

* Representative of Women's Section Attends War Bond Meeting:- Mrs. Angolsman represented the Women's Section, in the absence of Mrs. Morgenthau from the city, at the War Bond play and meeting at the Arts Club of Washington on Sunday, April 4th.

* Magazine Contributions:- An article was prepared and sent to the Woman's Relief Corps, Auxiliary to the Grand Army of the Republic.

-5-

Confidential

Report
Office of the Field Director

April 8, 1943

THE WOMEN'S SECTION OF FIELD DIVISION (Cont.)

MATERIALS:

** "Outfit the Outfit" Campaign Launched by Commanding Officers of WAACS, WAVES, SPARS AND Women Marines:- Three news-reel companies (one talking) took pictures of the Commanding Officers of the WAACS, WAVES, SPARS and Women Marines as they bought Bonds from Mrs. Borgeithau and Miss Elliott to outfit a serviceman from their outfits. These news-reels will be released and shown on the screens of movie houses throughout the country at the end of the week. UP, AP and INS took pictures and released stories on the same promotion.

** Women's Publicity Kit Distributed to Editors:- Women's publicity kit, containing a covering letter, general "Outfit the Outfit" story, 8 statements from presidents of national women's organizations, 8 illustrated boxes, and fillers, went out to 1,500 women's page editors.

** Cooperation with Other Units, Second War Loan Drive:-
1. Prepared single sheet explanation of "Outfit the Outfit" campaign for inclusion in 350,000 copies of "Big Guns" going to all retailers in the country. 2. Prepared copy for "Selling More War Savings," a Promotion Guidebook, gotten out by the Special Activities Section. (30,000 copies to be distributed.)

** Cartoon on "Outfit the Outfit":- Arrangements have been made through the Press Department to have OTI prepare a cartoon on "Outfit the Outfit" and release it through their regular mat service.

** Women's Letter No. 17:- A Women's Letter, giving press and radio suggestions for publicizing "Outfit the Outfit," has been prepared and sent to state women leaders.

THE PAYROLL SECTION OF FIELD DIVISION

I. National 10% Club Weekly Additions:- The following companies are some of the largest companies that have been reported as having achieved the goal of 10% during the past week:

1. The Ingalls Iron Works, Birmingham, Ala., 809 employees with 11.5% of gross payroll.
2. The Warman Steel Casting Co., Los Angeles, Calif., has 800 employees investing 10% of their gross pay in War Bonds.
3. The Reid-Murdock & Co., Chicago, Ill., has 1,297 employees with 10% of gross pay invested in War Bonds.
4. The Fairfield Mfg. Co., Lafayette, Ind., has 501 employees investing 10%.

-6-

Confidential

Report
Office of the Field Director

April 8, 1943

THE PAYROLL SECTION OF FIELD DIVISION (Cont.)

5. The Ainsworth Mfg. Corp., Detroit, Mich., is reported having 932 employees with 10% of gross pay being invested in War Bonds.
6. The Federal Mogul Corp., Detroit, Mich., employs 501 workers have 10.8% invested in War Bonds.
7. The Philadelphia Bethlehem & New England R. R., Bethlehem, Pa., have 825 employees investing 10.3% of gross pay in War Bonds.
8. The Studebaker Corp., Aviation Div., Chicago, Ill., employs 4,807 workers who are investing 11.1% of gross pay in War Bonds.
9. The Sherwin-Williams Defense Corp., Marion, Ill., having 4,020 employees, invests 10% of its gross pay in War Bonds.

II. National Weekly Payroll Highlight:- The Chicago Bridge and Iron Company, already flying the Treasury Flag at two of their plants, report that their employees on their project at Provo, Utah, are investing the surprising total of 27% of their gross pay in War Bonds through the Payroll Savings Plan.

***III. National Payroll Savings Statistics:- Analysis of Exposure to Payroll Savings Plans, March 27, 1943. (See attached under Payroll Savings Exhibit #1)

IV. *** Pittsburgh Reports Outstanding Regional Payroll Savings Drive:- The Pittsburgh office has just concluded a most successful regional drive to increase participation in Payroll Savings Plans.

Novillo, Island, which is located in the Ohio River about six miles from Pittsburgh, the largest fresh water island in the country, is a beehive of war activity with shipyards, steel, chemicals, and coal plants.

A series of twenty-five meetings were arranged at which four war heroes were used. The heroes told their heart-gripping stories but did not emphasize Bond purchases. The "sales talk" was given by a speaker of local prominence who followed the heroes on the platform.

From preliminary reports received so far this promotion was one of the most successful undertaken by the Pittsburgh CES office.

THE RETAIL SECTION OF FIELD DIVISION

I. Retail Highlights:

1. ** Peoples Drug Stores' Remarkable February War Securities Sale:- The entire chain of over-the-counter sales of Peoples Drug Stores for the month of February of War Bonds and Stamps amounted to

-7-

Confidential

Report
Office of the Field Director

April 8, 1943

THE RETAIL SECTION OF FIELD DIVISION (Cont.)

\$24,783.15

2. ** A & P Employees' February Payroll Savings Record:- During the month of February, 36,665 A & P employees subscribed to War Bonds through the Payroll Savings Plan to the amount of \$339,326.

3. *** A Gulfport, Miss., Retailer's Patriotic Support:- George E. Northrop Company of Gulfport, Mississippi, report that from the beginning of August, through February, War Savings Bonds and Stamps, equal to 65% of their sales of merchandise, was sold to the public at cost price. During those seven months \$30,000 in War Bonds and Tax Certificates was purchased by the firm; the employees purchased an amount in War Savings Bonds equal to more than 19% of the payroll, or \$3,450.25; \$92,764.25 in Bonds and Stamps were sold to the public, making a total, all told, of \$126,214.50. Merchandise sales during that period amounted to \$141,436.51. They have been running ads two or three times a week for the last four or five months, giving little incidents relative to the war effort and tying it up with War Bonds and Stamps, as per clippings attached.

4. *** Baltimore, Md., Retailer Extols Maryland's Bond Purchase Record:- The attached ad from Hochschild, Kohn & Company of Baltimore, Maryland, shows that the state of Maryland has bought over \$200,000,000 worth of War Bonds, and what that amount has purchased in ships, tanks, bombers, planes, and other equipment necessary for the winning of the War.

5. *** New York Retailers' February Bond Sales Triple 1942 Record:- February sales on War Bonds and Stamps in 153 retail stores in New York totaled \$1,773,550.40. These sales almost tripled the February, 1942, figures, when \$662,011 worth of Bonds and Stamps were sold.

6. ** Baltimore's Fashion Show:- A fashion show, under the auspices of the Women's Division of the War Savings Staff of Maryland, in which some 80 stores participated, was held in Baltimore. The fashion show also netted \$262,000 worth of War Bonds and Stamps. This amount will be used to purchase a heavy bomber.

II. *** Retailers and Second War Loan Drive:- The National Retail cooperation with the oncoming Second War Loan Drive may be measured in the report of planned special activities attached.

THE AGRICULTURAL SECTION OF FIELD DIVISION

*** \$2 Million Steer:- A Shorthorn steer was recently auctioned for a total of \$2,334,867.50 in War Bonds during the Oklahoma 4-H and FFA Livestock Show in Oklahoma City. This is believed to be a record

-0-

Confidential

Report
Office of the Field Director

April 8, 1943

THE AGRICULTURAL SECTION OF FIELD DIVISION (Cont.)

sale of War Bonds as a result of a single sale of one animal. Humpty Dumpty Stores, which had purchased the steer from an Oklahoma stockman, donated the calf to the Oklahoma War Savings Staff for the War Bond auction. Each purchaser of a War Bond, regardless of the denomination, was given a chance to win the steer at a drawing held at the close of the auction. Members of the American Women's Volunteer Service of Oklahoma City cooperated in securing pledges during the auction. The Oklahoma War Savings Staff plans to use this type of sure-fire activity to secure the wholehearted support from the farm population in that state during the April Second War Loan campaign.

*** Additional Farm Radio Support Enlisted For April Drive:- "On The Farm Front," a farm radio feature conducted by the United Press, has promised to help launch the Second War Loan Drive Monday by sending an announcement to all of the more than 500 radiostations on its wire service. Lee Hannify, "On The Farm Front" editor, will also support the drive during April by furnishing farm radio directors human interest Bond-buying stories for their local programs.

** Prepare Statements For Wallace, Davis, Wickard:- The Agricultural Section, in collaboration with the Press Section, prepared statements in support of the April Second War Loan Drive to be released to the press quoting Vice-President Henry A. Wallace, Food Administrator Chester C. Davis, and Secretary of Agriculture Claude R. Wickard.

* It's "Victory Chicks" Now:- War Savings Committees in Virginia are promoting "Victory Chick" clubs throughout the state to boost the sale of War Bonds. The goal is 100,000 members in "Victory Chick" clubs. Farm people are urged to join a club or organize one in their own community both to help provide food and finances for the war effort and at the same time to build up reserves for their own future needs. Members are encouraged to invest at least 10 per cent of the proceeds from their poultry in War Bonds and Stamps.

THE MOTION PICTURES AND SPECIAL EVENTS SECTION
OF FIELD DIVISION

*** "Truth or Consequences":- The War Bond admission broadcast of the nation's top radio program "Truth or Consequences" broadcast from Cincinnati, Ohio, on April 3 resulted in the sale of over seven and one half million dollars (\$7,500,000) in War Bonds.

The War Bond admission broadcast of the same radio show broadcast from Toledo, Ohio, on March 27 resulted in the sale of one million three hundred thousand dollars (\$1,300,000) in War Bonds.

*** "Buy a Bomber" Campaign:- To date the following planes have been purchased through our "Buy a Bomber" campaign

Report
Office of the Field Director

-9-

Confidential
April 8, 1943

THE MOTION PICTURES AND SPECIAL EVENTS SECTION
OF FIELD DIVISION (Cont.)

132 Heavy Bombers	@ 3300,000	\$39,600,000
13 Consolidated Liberators	@ 250,000	3,250,000
55 Medium Bombers	@ 175,000	9,625,000
93 Pursuit Ships	@ 75,000	6,975,000
GRAND TOTAL TO DATE		\$59,550,000

*** Circus Cooperation:- The opening night performance of Ringling Brothers Barnum & Bailey Circus from Madison Square Garden in New York City on April 9 has been sold out. The admission to this performance is through the purchase of War Bonds only. Over two million dollars (\$2,000,000) in War Bonds were sold for this performance.

Also all of the \$25, \$50, and \$100 War Bond seats for all subsequent performances have been sold out.

** Two-Man Jap Sub:- The Two-Man Jap Sub which is touring the nation in the interest of War Bonds visited the following cities and towns during the past week: Ashland, Fredericksburg, and Alexandria in Virginia; Washington, D. C.; Annapolis and Baltimore in Maryland.

*** Results of Jap Sub's Recent Visit in North Carolina:- \$688,422 worth of War Savings Securities were sold.

* RECENT MEMORANDA SENT TO THE FIELD

1. Field Memo #585 - Transmitted to the Field sample copy of March issue of "Campus Clip Sheet" for Women's Colleges, together with form letters to college War Savings Committees.
2. Field Memo #586 - Transmitted copy of Navy Department instruction concerning handling of requests for use of Navy personnel and material in War Bond promotional activities.
3. Field Memo #587 - Transmitted copy of letter, signed by Secretary Morgenthau and Frank E. Tripp of Allied Newspaper Council, mailed April 2 to about 10,200 daily and weekly newspapers, concerning press support to the Second War Loan.
4. Field Memo #588 - Request for information from State Administrators on number of Minute Man flags being displayed in each state by manufacturing concerns, retailers, and all other eligible establishments.

4-20-43

TO:

The Secretary

The Columbia network has made available time for a 15-minute war bond speech tomorrow (Wednesday) evening, 6:15-6:30.

Robbins is preparing to make the speech but suggests it might be better to have a high-ranking official, such as a cabinet member, Justice Byrne or General Marshall, though it's very late to make such a request.

Do you think we should try it, or let Robbins go ahead?

FROM: MR. GASTON

W.S.
(over)

TREASURY BILLS

	<u>Apr. 21</u>	<u>Apr. 14</u>	<u>Apr. 7</u>	<u>Mar. 31</u>
Amount offered	\$900 M	\$800 M	\$800 M	\$800 M
Bids tendered	1,622 ✓	1,360	1,104	1,101
Low rate .....	.257%	.297%	.297%	.297%
High rate .....	.376	.376	.376	.376
Average rate .....	.371 ✓	.373	.374	.374
Amount in New York	\$394 M	\$432 M	\$541 M	\$503 M
Amount in Chicago	96	125	106	74
Amount in San Francisco	105	31	42	58
Amount in balance of country ..	305	212	111	165

done

April 20, 1943

4-20-43

TO:

Successor to Ned
Bruce on Fine Arts
Commission should
be Director Finlay
of National Art
Gallery.

Forbes
Watson

From MR. SULLIVAN

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

April 20, 1943

MEMORANDUM

To: The Honorable Henry Morgenthau
From: E. R. Stettinius, Jr.
Subject: Executive Reports

Transmitted herewith, for your information, are copies of the Executive Reports on lend-lease operations, as of March 31, 1943.

Attachments

CONFIDENTIAL
Executive Report No.1

Office of Lend-Lease Administration

**STATEMENT OF ALLOCATIONS, OBLIGATIONS AND EXPENDITURES
OF FUNDS APPROPRIATED TO THE PRESIDENT**

Monthly Report as of March 31, 1943
(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to March 31, 1943		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	\$2,026,400	\$1,780,081	\$1,590,413	\$1,020,618
Aircraft and Aero. Material	2,732,125	2,729,222	2,582,634	1,737,629
Tanks and Other Vehicles	854,281	756,211	640,298	489,701
Vessels and Other Watercraft	2,417,544	2,238,241	1,819,122	1,213,347
Misc. Military Equipment	360,776	360,776	326,558	192,280
Production Facilities	1,110,414	1,109,914	1,039,023	798,726
Agric. and Indust. Commodities	7,384,558	7,260,122	5,326,066	3,609,641
Servicing, Repair of Ships, etc.	531,470	510,824	383,396	344,564
Services and Expenses	959,432	459,606	246,465	196,976
Administrative Expenses	20,000	19,056	17,572	17,319
Total	\$18,397,000	\$17,224,053	\$13,971,547	\$9,620,801

Procuring Agency	Cumulative to March 31, 1943		
	Allocations	Obligations	Expenditures
War Department	\$5,927,520	\$5,469,765	\$3,973,386
Navy Department	3,114,894	2,345,745	1,364,110
Maritime Commission and War Shipping Admin.	1,903,335	1,538,850	1,355,746
Treasury Department	2,918,407	2,185,793	1,377,864
Department of Agriculture	3,341,287	2,415,697	1,535,292
Other	18,610	15,697	14,403
Total	\$17,224,053	\$13,971,547	\$9,620,801

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 AND 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

Office of Lend-Lease Administration
STATEMENT OF LEND-LEASE AID
Monthly Report as of March 31, 1943
(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	March 31, 1943	Feb. 28, 1943	March	February
Goods Transferred	\$8,494,135	\$7,830,860	\$663,275	\$655,803
Servicing, Repair of Ships, etc.	262,135	311,914	- 49,779	20,205
Rental of Ships, Ferrying of Aircraft, etc.	929,782	879,890	49,892	10,096
Production Facilities in U. S.	572,896	552,050	20,846	7,492
Miscellaneous Expenses	60,570	57,079	3,491	3,543
Total Services	\$1,825,383	\$1,800,933	\$ 24,450	\$ 41,336
Total Goods and Services	\$10,319,518	\$9,631,793	\$687,725	\$697,139

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the Army and Navy.

Type of Aid	Cumulative to March 31, 1943				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	\$6,500,677	\$131,346	\$1,716,978	\$145,134	\$ 8,494,135
Servicing, Repair of Ships, etc.	205,535	1,384	35,093	20,123	262,135
Rental of Ships, Ferrying of Aircraft, etc.	680,649	13,128	141,780	94,225	929,782
Production Facilities in U. S.	-	-	-	-	572,896
Miscellaneous Expenses	40,964	768	1,516	17,322	60,570
Total Goods and Services	-	-	-	-	\$10,319,518

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CONFIDENTIAL
Executive Report No. 3

Office of Lend-Lease Administration
DETAIL OF ARTICLES TRANSFERRED
Monthly Report as of March 31, 1943
(Thousands of Dollars)

	Cumulative to March 31, 1943				
	Br. Empire	China	Russia	Other	Total
Ordnance (Excl. Ammunition)	\$ 344,361	\$ 15,534	\$ 49,201	\$ 40,944	\$ 450,040
Ammunition and Components	701,314	22,194	204,787	15,447	943,742
Aircraft	620,583	38,438	367,743	24,994	1,051,758
Aircraft Engines, Parts, etc.	338,353	3,479	10,559	1,595	353,986
Combat Vehicles	499,417	922	216,036	15,001	731,376
Non-Combat Vehicles	226,643	25,445	206,748	8,832	467,668
Watercraft and Parts	614,842	447	62,472	9,094	686,855
Miscellaneous Manufactures (Textile, Leather, etc.)	172,610	6,898	85,993	5,088	270,589
Agric. Products (Foodstuffs)	1,108,502	-	158,456	2,033	1,268,991
Agric. Products (Excl. Food)	283,854	41	1,697	518	286,110
Machinery	263,565	3,902	102,403	785	370,665
Metals	442,156	8,285	156,032	957	607,430
Petroleum Products	391,727	2,317	19,250	18	413,312
All Other	492,750	3,444	75,601	19,828	591,623
Total	\$6,500,677	\$131,346	\$1,716,978	\$145,134	\$8,494,135

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OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

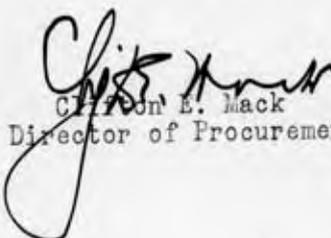
SECRET

April 20, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended April 17, 1943.

The hearing before the Appropriations Committee is scheduled for April 27, at which time we will present estimates for \$2,477,149,386.00 predicated upon expected Lend-Lease requirements to be handled by the Procurement Division for the participating countries from May 1, 1943, to June 30, 1944.


Clayton E. Mack
Director of Procurement



SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF APRIL 17, 1943
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$2931.3 (2925.6)	\$1545.7 (1545.7)	\$1067.1 (1066.6)	\$103.4 (103.4)	\$6.1 (6.1)	\$209.0 (203.8)
Purchase Authoriza- tions (Requisitions)	\$2426.9 (2390.1)	\$1392.1 (1371.5)	\$ 927.8 (917.1)	\$ 42.0 (41.8)	- -	\$ 65.0 (59.7)
Requisitions Cleared for Purchase	\$2317.6 (2282.6)	\$1328.6 (1305.8)	\$ 887.2 (880.5)	\$ 41.5 (41.7)	- -	\$ 60.3 (54.6)
Obligations (Purchases)	\$2254.5 (2223.2)	\$1307.1 (1290.2)	\$849.5 (838.7)	\$ 41.5 (41.2)	\$4.8 (4.8)	\$ 51.6 (48.3)
Deliveries to Foreign Governments at U. S. Ports*	\$ 997.0 (983.6)	\$ 739.8 (731.1)	\$228.8 (224.1)	\$ 17.5 (17.5)	- -	\$ 10.9 (10.9)

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

Note: Figures in parentheses are those shown on report of April 10, 1943.

SECRET

EXPLANATION OF DIFFERENCE

The decrease of China requisitions cleared is caused by War Production Board cancellation of clearances on requisitions aggregating \$200,000.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 20, 1943

TO Secretary Morgenthau

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - The special six-member Ways and Means Subcommittee attempting to find a suitable compromise pay-as-you-go tax bill will meet again today with Speaker Rayburn, House Majority Leader McCormack, and House Minority Leader Martin. Previous meetings, which started last Friday, have apparently been unable to reconcile widely divergent points of view on tax abatement. Ways and Means Chairman Doughton, announcing last night that no final agreement had been reached, said, "We are nevertheless making every effort and every concession to get a tax bill." Even more hopeful was Representative Harold Knutson, who after yesterday's 4 o'clock meeting observed, "By and large we are getting closer to final agreement and I have every confidence that a unanimous report will be submitted by the bipartisan committee to the full Ways and Means group not later than Thursday." Earlier in the day, however, it was rumored that agreement between these tax leaders had virtually bogged down in Republican demands for even greater than 50% cancellation and insistence of Democratic supporters of the Forand-Robertson Plan that, if their leaders capitulated to any forgiveness, they would expect an opportunity to vote on their proposal. Meanwhile Senate Democratic Leader Barkley said that, although members of that body could go home for Easter holidays, they would be expected to return immediately if a tax bill passes the House.
2. Agriculture Appropriation Bill - The House is expected to climax today five days of bitter debate on a measure granting 715 million dollars to the Department of Agriculture. Yesterday the House defeated an attempt to restore funds for the crop insurance program, abolished so far as they were concerned the Farm Security Administration, and refused to provide for the reestablishment of the Regional Agricultural Credit Corporation.

OWI - Director Davis yesterday accepted the "invitation" of the Senate Judiciary Committee to conduct his regular Wednesday afternoon press conference tomorrow at the Capitol before the Committee and members of the press. After the open conference, the Committee is expected to meet with Davis behind closed doors to obtain an overall picture of OWI activities. Senator O'Mahoney, author of the resolution to investigate the policies and operations of this agency, said, "We will attempt to find out what is being said on these shortwave broadcasts and whether any commitments are being made for this country."

SECRET
NO TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 129

Information received up to 7 A.M., 20th April, 1943.

1. NAVAL

3 Motor torpedo boats torpedoed 1 small ship and probably another off the hook of HOLLAND this morning. One of H.M. Subs was sunk, probably by U Boat, south of FREETOWN on the 18th. There were no survivors.

2. MILITARY

TUNISIA. 1st Army. Except for some increased machine gun fire and shelling and the capture of a hill in the central sector there has been little activity.

BURMA. On the ARAKAN Front the general situation is unchanged. The villages of HPARABYIN, west of MAYU River, and AUNGTHA and ZEDIDAUNG, east of the MAYU River, have been occupied by the Japanese. These places are south of the positions taken up by our forces covering MAUNGDAW and BUTHIDAUNG.

3. AIR OPERATIONS

WESTERN FRONT. 18th/19th. SPEZIA. 416 tons were dropped. Photographs by a Mosquito yesterday indicate considerable additional damage in the town and docks. The 3 battleships were present. 19th. Mosquitos attacked industrial and railway objectives at AACHEN and in the low countries. Typhoon bombers attacked a power station in Northern FRANCE. 19th/20th. 22 aircraft of Fighter Command were sent on offensive patrols over Northern FRANCE, low countries and North West GERMANY, and 7 more on anti-shipping patrols.

TUNISIA. 16th/17th. Wellingtons dropped 20 tons on BIZERTA. A 6,000 ton tanker was torpedoed in the SICILIAN channel by a naval albacore. 17th. U.S. Fortresses dropped 43 tons on FERRYVILLE, hitting barracks and workshops. 18th. U.S. Warhawks and Spitfires met at least 100 JU 52's heavily escorted by Fighters flying northeast in the CAPE BON Area. At least 51 JU 52's and 18 Fighters were destroyed and a further 12 JU 52's and 8 Fighters damaged. 9 Warhawks and 1 Spitfire missing.

SICILY. 17th. Escorted U.S. Fortresses dropped 116 tons on PALERMO. 4 ships and a power station were hit. Enemy casualties 13,3,4. 1 Fortress and 1 Lightning missing. U.S. Liberators dropped 30 tons on CATANIA, scoring a direct hit on a ship which was set on fire. 18th/19th. Wellingtons attacked shipping off MARETTIMO, severely damaging a 2,500 ton ship.

April 21, 1943
9:15 a.m.

FINANCING

Present: Mr. Bell
Mr. Gaston
Mr. Robbins
Mr. Buffington
Mr. Graves
Mr. Peabody
Miss Elliott

(Telegram addressed to Mr. Gaston from Mr. Fred Smith handed to the Secretary by Mr. Gaston.)

H.M.JR: What does it mean?

MR. GASTON: He simply means the emphasis in the rally to be held Saturday, if we hold one, should be on an all-out effort in the war, rather than simply on the selling of War Bonds.

H.M.JR: How did he hear about it?

MR. GASTON: I talked to him on the telephone yesterday.

H.M.JR: I just wanted to check if there was anything--

MR. BELL: I haven't anything.

I might just bring to your attention this, that all of the - this is something you ought to have a meeting on right after this drive is over - all of the Community Chests of the country are planning their campaign next fall, and Charlie Taft called me yesterday and said that he understood that there was some chance of our having a drive in October.

- 2 -

He says that October has been set aside, of course, by the President as a month for the Community Chest funds - from October 1 to November 15. He said that we ought to get together before they lay too many plans. I think he is right on that.

Norman Davis also called me about the Red Cross next spring. I told him that was a little far off for us to do any planning, but they try to lay their plans anywhere from eight to ten months in advance. That is something we have to keep in mind.

H.M.JR: I don't know - we can't tell until this drive is over, and how much money we get, when the next one will come.

MR. BELL: No, we can't. There is a lot of thought - if we get as much money as we think we might in this drive, let's have some interim bank financing and go over to October to really plan for the next one. But we do go right into that month.

H.M.JR: I didn't like the letter that Charlie Taft wrote us at all. You (Bell) answered it.

In the middle of our drive he writes that just by accident he heard about the War Bond drive. (Laughter)

MR. BUFFINGTON: Some accident. (Laughter)

MR. GASTON: He must have read a paper. (Laughter)

H.M.JR: Or listened to the radio. (Laughter)

MR. BELL: I have another letter here from the acting chairman of the War Relief Control Board which calls your attention to that.

H.M.JR: Tell him to keep his shirt on and get in touch with us the first week of May. Tell him to keep his shirt on - just like that.

- 3 -

MR. BELL: I told him we would sit down with him and talk with him about it.

That is all.

H.M.JR: Harold, is everything all right with you?

MR. GRAVES: Yes, sir.

MR. PEABODY: Have you given any thought, Mr. Secretary, to who you would like to have go out to Cedar Rapids with you? Smith is going - Gamble will be there--

H.M.JR: And Albee; he knows about it.

MR. PEABODY: I haven't met him. I know, of course, who he is. Both of them will be out there.

H.M.JR: And Robbins and Gaston. Any more candidates?

MR. PEABODY: No. As the advertising specialist, I don't know what Robbins is going to do out there. (Laughter)

MR. ROBBINS : I think perhaps it would be better if Stuart went than if I were to go, sir, because--

H.M.JR: That is the first good laugh I have had this week. And that is your pal. (Laughter)

MR. ROBBINS: That is my pal. (Laughter)

I would feel better, so far as helping you with the job on hand, if Stuart were in the spot you planned for me, because I know that he has got this whole promotional concept much more clearly in his mind.

H.M.JR: I don't know how big families all of you people have, but we always find - if I want to say something to one of my children that I don't want to say to them alone, I use the breakfast table or dinner table to get it across,

- 4 -

so I take it that Stuart Peabody waited for a big meeting to get this across to Robbins. (Laughter)

MR. ROBBINS: He has a big idea and I am going to agree with him. (Laughter)

H.M.JR: He uses this later breakfast table to get it across. (Laughter)

MR. ROBBINS: That is all right.

H.M.JR: What do you think? I know what you (Peabody) think. (Laughter)

MR. ROBBINS: Quite sincerely, I think that Stuart has a very definite part in what you are going to do in Cedar Rapids, which is much more intimately involved with his part of the work than mine is. I would retire in his favor.

H.M.JR: What would you like to do?

MR. ROBBINS: Well, I will stay here and perhaps even go home and see my family over the week end.

H.M.JR: I was all set for the pleasure of your company.

MR. ROBBINS: I know that, sir, and I was anticipating that, too, but there is another production man we ran into, too.

H.M.JR: This wasn't a dress rehearsal, was it? It didn't sound like one. (Laughter)

MR. PEABODY: No, no rehearsal on it. I thought perhaps I could keep some people out of your hair out there, starting with Robbins. (Laughter)

MR. ROBBINS: Now, that was not rehearsed; that is the part that wasn't rehearsed. (Laughter)

- 5 -

H.M.JR: What is this? Is the Treasury getting into his veins, or spring? (Laughter)

MR. BUFFINGTON: I can see how he arrived at "Elsie the Cow" now. (Laughter)

H.M.JR: I still say I would be very glad to have Mr. Robbins. Seriously, what do you think?

MR. ROBBINS: Quite seriously, I think that the success of our trip to Cedar Rapids is the success of this broadcast and I believe you need the best talent we have on advice and counsel on the broadcasting situation. That is what we are going out there for, to talk to the people of the country effectively. Stuart's background--

H.M.JR: Then Stuart takes your seat in the plane?

MR. ROBBINS: I think that is the sensible, right decision.

H.M.JR: I wish you (Peabody) would make a note. Smith and Albee could either meet us at Chicago or here, but if they are going to be here, you had better tell them, just to be on the safe side, that they would have to be here about - well, I think you had better have them come here. If the weather is bad you don't know how they will go.

MR. GASTON: They had better take the night train Thursday night and be here Friday morning.

MR. ROBBINS: Be ready to go at any time after nine a.m.

H.M.JR: He may phone me and say, "Now, Mr. Morgenthau, if you could get off at eleven o'clock" - the way he did that day when I went to New York - "but if you don't leave at eleven, we can't." So I think they had better be here Friday morning.

MR. PEABODY: All right, sir, I will see that they are.

- 6 -

H.M.JR: That was very funny.

What else? Any other funny stories? (Laughter)

MR. PEABODY: No, sir. This Philadelphia Record matter, Mr. Secretary, I don't see what we can do about that. I think there was something going on there, without any doubt, at that arsenal, but Patterson has come back with a denial - a very weak one.

H.M.JR: I am glad to hear you say that. I thought it was a complete whitewash.

MR. PEABODY: That is perfectly obvious, and his use of the word "intentionally" all the way through - it is obviously a whitewash. Inasmuch as the War Department has not expressed very much indignation, or at least not asked for any denial of the thing, I think the thing to do would be to let it rest.

H.M.JR: It is the first time Bob Patterson has ever done a wishy-washy thing with me. He is one of the hardest hitting fellows in this town. I think we had better let it go. It is the first time he has ever done that.

MR. BELL: About the issuing of bonds at the arsenal?

H.M.JR: The man came out in the editorial and said he would rate the people according to how they bought bonds.

MR. BELL: There has been some difficulty at the arsenal, too, about issuing bonds.

H.M.JR: Why don't we send a pay-roll savings man up there ourselves to the Frankford Arsenal?

MR. ROBBINS: I haven't read the correspondence.

H.M.JR: Supposing, if it is agreeable to the people, that Harold sends a pay-roll savings man up there to spend a day or two, ourselves. Patterson sent somebody; let's us send somebody. That is the first time Patterson has been wishy-washy.

- 7 -

MR. PEABODY: Definitely.

MR. ROBBINS: The only thing I have to report is that I have spent thirty-five or forty minutes this morning with Myers of Agriculture. I had met him before. We ran into each other out on the West Coast. It was very constructive and interesting and mutually educational.

H.M.JR: He is a good man.

MR. ROBBINS: Yes, fine.

H.M.JR: Did you finish with him, or did I pull you out?

MR. ROBBINS: I think we covered all the things that were current at the moment. We didn't have any specific problem.

H.M.JR: He was my deputy at Farm Credit and succeeded me as head of Farm Credit.

MR. ROBBINS: The other item to report is, if you try to look for me the next couple of hours, you will have difficulty finding me. I have to get this script into shape for tonight's broadcast.

H.M.JR: I won't look for you. One thing I was very curious about is your conversation with Day in California.

MR. ROBBINS: While you are still here I would like to slip in and get my notes, because I made the percentage figure calculation.

H.M.JR: Just give me the impression.

MR. ROBBINS: The net is that northern California is extremely doubtful. Southern California is going to make the grade, probably with difficulty.

- 8 -

Outstanding of all the performances is the State of Washington where they have seventy-nine percent of their budget in. I found later, in checking with George and comparing notes back, that somehow or other I didn't get a very clear idea of what important factors were contributing to the success in Washington. I have gone back at him for a little more information on that. I would say, by and large, they are probably not going to make their total quota in the Twelfth District. This is non-banking, exclusively, I am speaking of. In the interior parts it is going to be very close to a hundred percent - most of the interior States are going to be very close to a hundred percent of the allocated budgets.

Organizationwise, things vary from excellent in southern California, to somewhat tempestuous up in parts of the northwestern area. But there is nothing very bad.

Sammons was worried about his area, which is Portland, is it not?

MR. GRAVES: I don't know who Sammons is.

MR. BUFFINGTON: He is a Victory Fund man.

MR. ROBBINS: On the other hand, Mr. Day said that worry was not well founded. He thought they would finally squeak by and just get the budget.

MR. GRAVES: Gamble was very optimistic about Oregon.

H.M.JR: If you are going along, you (Peabody) will have to do a little satchel-carrying, figuratively speaking. Somebody speak to Gamble today, if they would, and tell him I want a room and a parlor for myself and they may not have it, so they can take a bed out of one room. You know what the hotel is.

(Lt. Comdr. Stephens entered the conference.)

MR. GRAVES: The Roosevelt.

H.M.JR: If they could get in touch with Mr. Gamble, I want, Friday afternoon, one of those telephones put in - the direct kind that I always have - a long-distance phone.

- 9 -

LT. COMDR. STEPHENS: Right to the central office?

H.M.JR: They could contact Mr. Gamble at the Hotel Roosevelt, Cedar Rapids. I would like it in Friday afternoon.

LT. COMDR. STEPHENS: Right, sir.

(Lt. Comdr. Stephens left the conference.)

MR. ROBBINS: The other point, the situation, generally speaking, is better in Kansas City, and especially in metropolitan areas. Almost every important metropolitan area in the Kansas City market, of which there are only about six, already has pledges for their total allocation - non-banking stuff. There is no outstanding problem in the Kansas City area. I have the percentage performance on all those localities.

H.M.JR: I wish you gentlemen would think out the possibility of our getting out a telegram or letter or something which would be on the desks of all the people next Monday if the situation still calls for asking them to concentrate on the E Bonds for the last week. I mean, if the situation continues the way it is. You people might be working on something for me to look at, say, Friday morning, which, if the figures don't get any better by Saturday morning, ought to be on the desks of the twelve presidents of the Federal Reserve Banks.

MISS ELLIOTT: Mr. Secretary, in connection with that, I think there are some places where they set the quota for women too low. For example, ten percent in Indiana. I have heard from Indiana that they can do more than that and they are going on regardless of that quota on E Bonds.

MR. BELL: Indiana has made its quota, by the way.

MISS ELLIOTT: They are going right ahead. They said, "We have made our quota, but we are going on."

- 10 -

H.M.JR: That is good.

Anything else?

MR. ROBBINS: No.

MR. BUFFINGTON: I have nothing.

MISS ELLIOTT: Nothing.

H.M.JR: Herbert?

MR. GASTON: No.

April 21, 1943
10:16 a.m.

HMJr: Hello.

Operator: Mr. Fred Smith.

HMJr: Hello.

Operator: Here you are.

HMJr: Hello.

Fred Smith: Hello.

HMJr: How are you?

S: I'm all right. I wish I were there.

HMJr: What's that?

S: I'm all right, but I wish I were there.

HMJr: (Laughs) Can you hear me?

S: Yeah.

HMJr: Fred, there's been - yesterday there were three people in the shop here that didn't like our speech at all.

S: Yeah.

HMJr: And that was - one was Robbins, two was Peabody, and, to my amazement, three was Harold Graves.

S: Yeah.

HMJr: So to reassure myself this morning I had Jonathan Daniels, who is one of the six assistants to the President, over here.

S: Yeah.

HMJr: You may know about him and know his book.

S: Yeah.

- 2 -

HMJr: Do you know - you know who he is?

S: Yeah.

HMJr: Well, he went over it and he's crazy about it....

S: Yeah.

HMJr:and said it's just the thing that should be said.

S: Yeah.

HMJr: He made a couple of suggestions. He thought when we come to saying "spending unlimited money," we should also say "Through spending money we can also shorten the war...."

S: Yeah.

HMJr: "....as well as win it."

S: I think that's good.

HMJr: Which I think is good.

S: Yup.

HMJr: And a little bit on the introductions - he....

S: Yeah.

HMJr: Now I want to - I know I'll get a straight answer from you. He's got a real feel for this stuff. He says that he - he can't understand why there's so few gold stars in the windows.....

S: Yeah.

HMJr:when there are plenty - there should be plenty, and - do you think if I asked him to go along, which I haven't, there'd be too many cooks?

S: No.

- 3 -

HMJr: What?

S: Not - not if he's - not if he's with us on -
on what we're trying to do.

HMJr: He is.

S: I mean - I mean, actually, you know and I know
that the other fellows aren't, see? They're -
they're trying to "expert" the thing.

HMJr: That's right.

S: And we're trying to keep it simple....

HMJr: Yeah.

S:and we are operating on simply the basis
that - that until somebody catches fire, nobody
catches fire.

HMJr: Well, he's with us 100%.

S: Well, then I don't see any reason why he - why
he shouldn't go along.

HMJr: He's worried about negotiated peace.

S: Yeah.

HMJr: And what - that - that the country isn't ready
for it.

S: Yeah.

HMJr: And he said something which I didn't get him to -
that through the Middle West there's some sort
of hidden thing going on amongst the women....

S: Yeah.

HMJr:to slow down the war.

S: I think that's true.

HMJr: Now he - he - but he's right on the ball. At
least, I think he's good because he agrees with
us.

- 4 -

S: Yeah. Well, we need people - I mean that's kind of - in a way, that's a silly thing to say, but on the other hand we're doing kind of a - a ticklish job here that "ain't been done"....

HMJr: Yeah.

S:and these fellows - these other fellows that are up there are not going to want to do it any different from the way it's been done. You know that.

HMJr: Yes. Well, that's what I - then I thought, quite frankly, it didn't do any harm to have a fellow who signs himself "Executive Assistant to the President."

S: I think if - if he - if he is with us in principle on this thing, let's pick him up and take him along. Now the only problem that we will have is - is the slight problem with Albee, which is very easy to take care of, because he's always a problem, you know. (Laughs)

HMJr: Well, he hasn't been with me.

S: No, what I - what I mean is that - that - well, we - we wrestle with these things for a full day before you ever see them....

HMJr: Yes.

S:and he beefs but he loves it, so it really doesn't matter. I mean if - if he beefs to you about it, don't worry about it.

HMJr: Yes.

S: Because it really doesn't mean anything.

HMJr: It doesn't?

S: He's happy with it.

HMJr: Well, I - I - I don't want to upset Albee because he's too good.

- 5 -

S: That's all right. He won't. Don't worry. He's....

HMJr: He won't?

S:with us until the end.

HMJr: Yeah.

S: I can tell you that.

HMJr: You do?

S: Oh, sure.

HMJr: Well, my - my hunch, and I play my hunches, is that if Daniels is willing to go, I think he'd be a distinct contribution.

S: Yeah. All right. Well, let's - let's take him along then. Let's keep it reasonably small so we don't get all thinned out, but if....

HMJr: Well, we've had....

S:got that.....

HMJr:we've had one switch.

S:and if he liked that thing....

HMJr: Robbins is....

S:it's going to be a help.

HMJr: Robbins is not going.

S: Well, I think that's true. I could have told you that.

HMJr: What's-his-name - Peabody is going in his place.

S: Oh, oh, I see, you mean along to - to....

HMJr: Yeah, Peabody has switched for Robbins.

S: Uh huh, all right.

HMJr: Which I think is - is good.

- 6 -

S: Yeah, I think that's all right.

HMJr: See?

S: Yeah.

HMJr: Because Robbins is all - he - he's still worried about this thing.

S: That's right.

HMJr: And we've been having Sullivan call on the Congressmen and the - and the Senators from Iowa, and they're tickled pink that we're talking to them and so forth and so on.

S: Good.

HMJr: We haven't - he hasn't seen all of them yet, but he's calling on the whole delegation and so far only the finest reactions, so there'll be no attack on The Hill against us.

S: Good.

HMJr: You see?

S: Good.

HMJr: Well, I think I'm going to play my hunch.

S: Well, I - you've done pretty well so far, haven't you?

HMJr: Yeah.

S: All right. Well, then keep it up.

HMJr: Now I think you and Albee better be here Friday morning.

S: Oh, we'll be there. We're coming down Thursday night.

HMJr: Okay.

S: All right.

HMJr: Thank you.

S: All right. So long.

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THE HON HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY

CLEARED YOUR SUGGESTION FOR NEW COHORT WITH ALBEE AND HE LOVES
IT THIS IS SHARE THE LUNCH WEEK BEST REGARDS

FRED SMITH

4/21/43- 1206P
Shows Smith that
Lunch cannot come.
Ho Met

April 21, 1943
10:23 a.m.

HMJr: Hello.

Operator: Mr. Jonathan Daniels is in the Treasury in Miss Elliott's office.

HMJr: Is he?

Operator: Yes.

HMJr: Well, let me talk to him there.

Operator: All right. I'll get him. Secretary Morgenthau.

Jonathan Daniels: Hello.

HMJr: Hello. Yes, Daniels.

D: Hello.

HMJr: Daniels....

D: Yes, sir.

HMJr:how would you like to go out there with us?

D: Well, Mr. Secretary, I'd love to go but I'm afraid I'd better work on this job I'm doing for the Boss.

HMJr: You'll only be gone two days.

D: Could I let you know a little later, sir?

HMJr: Sure. We'd be leaving - if - if the weather's all right, we plan to leave here around 2:00 or 2:30 Friday afternoon.

D: All right, sir. If I can let you know this afternoon, I'd - I would like to very much. I'd love to go.

HMJr: I think it would be very helpful.

D: Well, all right, sir. But I can let you know a little - this afternoon?

- 2 -

HMJr: That'd be fair enough.

D: Fine. Thank you, sir.

HMJr: Hello?

D: Yes, sir.

HMJr: I - I - I just wanted to say this for whatever it's worth. A couple of weeks ago when I saw your appointment I - I did speak to Steve Early....

D: Uh huh.

HMJr:and said if I ever needed any help, was it all right? And....

D: Well....

HMJr:he said, "Yes."

D: Well, sir, I....

HMJr: I don't know who's your boss over there, but....

D: Well, all my bosses are out of town, but I'll be delighted to do anything anytime I can help you.

HMJr: Well, this is - I - we're all a little skittish - I mean we know what we want, but this is so new and so different, as far as I can tell, as to any speech that's been made, you see?

D: Yes, sir.

HMJr: I think I'm right on that, am I not?

D: I think so. I think it's a - it's a government departure, yes.

HMJr: Yes, it's a government departure....

D: Yes, sir.

- 3 -

HMJr:and, therefore - I mean - well, I - I don't, for instance, want to do anything offensive, say, to the South.

D: Yes, sir.

HMJr: Or something that I might not - I might do unconsciously.

D: Now you....

HMJr: Now O.W.I. is all right on this. This is - so I don't have to worry about them.

D: Yes, sir.

HMJr: But it's just a question of niceties that - and what the people are going to say out there.

D: Well, I should like very much to go, sir, and I'll - I'll plan to go and let you know this afternoon, if I may.

HMJr: And so we've got to write this script and put it into the mouths of those people out there.

D: Yes, sir.

HMJr: And it is a new departure.

D: Well, I should like very much to go, and I'll - may I call you about 2:30?

HMJr: Be wonderful.

D: And when are you planning to leave, sir?

HMJr: We'd leave, weather depending, around 2:00-2:30 Friday afternoon.

D: Fine.

HMJr: Yeah.

D: All right, I'll call you right after lunch.

HMJr: Thank you.

D: Goodbye.

April 21, 1943
11:55 a.m.

HMJr: Hello.

Operator: Mr. Daniels' extension is busy. I'm holding it for you.

11:58 a.m.

HMJr: Yes.

Jonathan
Daniels:

I'm very much disappointed, but I went by the White House, and, as you know, Marvin and Early and Watson and everybody's away and they haven't got anybody to throw the smaller problems to but me....

HMJr: Oh.

D:and I don't think I'd better try to get out of town until somebody gets back.

HMJr: Well, I'm sorry. I'm disappointed.

D: I am too, and I'm grateful for your wanting me to go with you, sir.

HMJr: Well, maybe we can do it some other time.

D: I hope so.

HMJr: Thank you.

D: Thank you, sir.

April 21, 1943
1:13 p.m.

HMJr: Hello.

Operator: There you are.

HMJr: Hello.

John
Sullivan: Hello, Mr. Secretary.

HMJr: Yeah.

S: I merely wanted to report that it passed
unanimously....

HMJr: Good.

S:that Mr. Reed, speaking for the Republicans,
paid you a very fine tribute. He said that
the committee unanimously had confidence in
the way you had handled it and would handle
it....

HMJr: Good.

S:and it was just because of the vicissitudes
of political tenure that they wanted to put
this amendment in there.

HMJr: Yeah.

S: I think later in the afternoon you might want
to call Mr. Reed, as well as Mr. Somers. I've
already talked with Senator Wagner. When
the Senate -- which is not in session today --
meets tomorrow, he will move to have the
Senate concur in the House amendment.

HMJr: You'd better dictate me a little memo and give
it to Stephens. Otherwise I may forget about
it.

S: All right. I'm - will it be all right after
lunch?

HMJr: After lunch.

- 2 -

S: Yes.

HMJr: Has it passed the House?

S: Oh, yes, unanimously!

HMJr: Oh, I didn't - I thought you just meant the committee.

S: No, I'm talking....

HMJr: Oh, the House.

S: I'm talking about the speeches on the floor of the House....

HMJr: Oh, my gosh!

S:where - where Reed was so very, very complimentary.

HMJr: Oh, for heaven's sakes!

S: Yeah. I will have the Record for you tomorrow, of course, but that's why I think it would be nice for you to call Reed this afternoon.

HMJr: Well, Sullivan better go out and get something to eat and celebrate on that.

S: Yeah, Morgenthau better too.

HMJr: Okay. (Laughs) Thank you.

S: (Laughs) Right.

MEMORANDUM

April 21, 1943.

TO: The Secretary
FROM: Mr. Sullivan

ALS

This morning the Coinage, Weights, and Measures Committee met in Executive Session and unanimously reported out the Stabilization Fund legislation with the amendment which we accepted yesterday. I have talked with Chairman Somers and with Mr. Andresen and they both report to me they expect this Bill to pass by unanimous consent early in the Session today.

I talked with Chairman Somers about bad publicity yesterday, and I think he will attempt to improve upon it in his speech on the Floor this noon.

File

210

Mr. Sullivan advised
to draw up letter
to both Somers and
Reed for Secty's
signature.

4/2/43

From: Lieut. Stephens



1525

MEMORANDUM

April 21, 1943.

TO: The Secretary

FROM: Mr. Sullivan

JLS

The Bill to extend the Stabilization Fund for two years passed the House unanimously at 12:40.

In the course of the debate, both Congressman Somers and Congressman Reed of Illinois, ranking Republican Member of the Committee, paid compliments to the manner in which you had administered the Fund. In explaining the amendment, Congressman Reed went out of his way to tell the House that the amendment was in no way occasioned by any distrust of you. He said that in all the years you had handled this Bill you had kept your word. However, because of the uncertainty of tenure of political office, he felt the Congress should adopt this amendment. It is my recollection that he further stated that the Committee unanimously expressed its confidence in you.

I think that it would be well for you to call both Chairman Somers and Congressman Reed.

I have called Senator Wagner who will ask the Senate to concur in the House amendment when the Senate convenes tomorrow.

Memorandum of a Conversation in Secretary Morgenthau's
Office, April 21, 1943, 3:20 P.M.

Present: Secretary Morgenthau
Mr. Mackintosh of the Canadian Ministry of Finance
Mr. L. Rasminsky of the Foreign Exchange Control Board
Mr. John Deutch of the Department of External Affairs
Mr. A. W. F. Plumptre
Mr. E. M. Bernstein

Secretary Morgenthau welcomed the Canadian delegation.

Mr. Mackintosh told the Secretary that he brought the personal regards of the Canadian Minister of Finance and an oral message from him on the Secretary's preliminary draft proposal on international monetary cooperation. Mr. Mackintosh said that the Minister of Finance had read with great interest the Secretary's proposal and that he was extremely hopeful that the Secretary's proposal could become the basis for maintaining currency stability through international cooperation.

Secretary Morgenthau expressed his satisfaction that the Finance Minister had found his proposal a promising basis for discussion. He told the Canadian representatives that the American technicians were ready to begin technical conversations. The Secretary said that he would be glad to be informed from time to time of the progress made, and that he hoped to see the Canadian representatives again.

Secretary Morgenthau offered the Canadian representatives the facilities of the Treasury for their work and requested that suitable office space be provided. The Secretary then suggested that it would be desirable for the Canadian representatives to see the members of the press. He said that Mr. White and Mr. Schwarz would be glad to aid in arranging such a conference. The Secretary felt that frankness with the press would be very helpful.

The Secretary expressed the hope that the forthcoming discussions would be fruitful in developing an acceptable basis for international monetary cooperation. The Canadian representatives observed, as they left, that because of the timely discussions, the United Nations may be fully prepared for effective cooperation on international monetary questions when the war ends.

E. M. B.
E. M. Bernstein

MEMORANDUM

April 21, 1943.

TO: The Secretary

JLS

FROM: Mr. Sullivan

Yesterday I called on Senator Wilson who regrets that he will not be able to join you at Cedar Rapids this weekend but was very appreciative of the invitation.

This morning I reached Senator Gillette who is planning to leave here Friday morning and is being driven out home by car. He says that he will be unable to reach Cedar Rapids by Saturday night but if he were there he would be glad to join you. I do not know whether he would wish to fly out with you but I think he would be grateful for the invitation.

Congressman Martin's secretary told me he was planning to visit his daughter here in the East this weekend. Although I called at the office, Mr. Martin was out and I did not see him.

Congressman Talle, in whose district Cedar Rapids is located, is anxious to go out and to join you in the War Bonds rally Saturday evening. He will not know until sometime tomorrow whether he can make it.

Congressman Gwynne is not going out.

I was unable to see Congressman LeCompte but his secretary advises me that he will be obliged to be in town this weekend.

Congressman Cunningham does not expect to get out of town this week.

Congressman Gilchrist is going to Iowa but is attending the fiftieth anniversary of his law school class at Iowa City Saturday evening.

Congressman Jensen is obliged to stay here because of committee assignments.

Congressman Hoeven hopes to go to Iowa tomorrow but feels he should

- 2 -

spend his time in his own district in the northwest corner of the state where they have had a serious flood.

I will advise you tomorrow as soon as I hear from Congressman Talle.

42



TREASURY DEPARTMENT
WASHINGTON

April 21, 1948

MEMORANDUM FOR THE SECRETARY:

The report referred to in your memorandum, attached, is an informal report supplied by Mr. Coyne, Field Director, providing material relating to field activities to be incorporated in the report which Mr. Sloan gives me each week covering all the activities of the War Savings Staff.

Formerly I gave you this weekly report, but some weeks ago you asked me to discontinue it. My suggestion would be that you let me resume sending you this weekly report.

Of course, if you prefer, I will be glad to send you Mr. Coyne's section only, as you ask in your memorandum.

GRAVES.
SG



TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE April 20, 1948

TO Harold Graves
FROM Secretary Morgenthau

I wonder why I have not been receiving copies of the report entitled, "For the weekly report to the Secretary - report of the Office of the Field Director - Special Activities in the Field." Would you please see that I receive these copies regularly in the future?

April 21,
1943

Daniel Bell
Secretary Morgenthau

In this most recent report of Emerson Waldman on his trip to Pittsburgh, he keeps repeating that there's such a delay in the delivery of bonds. I wish that somebody would either phone or telegraph to Pittsburgh today and get me a report on this situation, and let me know what can be done about it promptly. I would like a report on it by Friday morning, if possible. Please mention this to Robbins.

*Bell took information
in to Secy. 4/21/43-*

May 1, 1943

○pies of this went to the following today:

Mr. Bell
Mr. Robbins
Mr. Graves
Mr. Gamble
Mr. Buffington
Mr. Peabody

NEW YORK
Herald Tribune

April 21, 1943

Dear Mr. Secretary:

In the midst of your crowded hours I can only marvel at your taking the time for a letter about Mr. Wanders. His absence was not easy to arrange but we are, of course, anxious to do everything we can in connection with speeding up the war effort whenever it is within our power.

Certainly you must feel very happy over the way the second loan is going and I think you are fortunate in having people like Mr. Sproul and Mr. Perry Hall heading up the New York responsibility.

Some day I may ask a favor of you for the sake of the nation!!

Sincerely yours,

John Royce Reid

The Hon. Henry Morgenthau Jr.

May 1, 1943

Copies of this went to the following today:

Mr. Bell
Mr. Robbins
Mr. Graves
Mr. Gamble
Mr. Buffington
Mr. Peabody

President's Office
American Telephone and Telegraph Company
195 Broadway
New York

April 21, 1943.

THE HONORABLE HENRY MORGENTHAU, JR.,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary,

The Bell System was glad to give its radio hour on April 12 to the Treasury for the sake of the war effort and we were not clamorous for credit for so doing. It was particularly generous of you, therefore, on your own motion to mention the fact in the body of your speech. And may I add that it seemed to me a very good speech.

Sincerely yours,

Walter S. Gifford

Expenses of Loans
War Finance Committee

April 21, 1943

Mr. Frank Tripp
Allied Newspaper Council
Waldorf Astoria Hotel
New York, New York

May I ask you to express to newspaper publishers our sincere ^{thanks} gratification and appreciation for the truly remarkable contribution they are making to the Second War Loan. We feel quite certain that never before has any cause received such complete and effective support from the newspapers of the country, and we are grateful for it

H. Morganthau, Jr.
Secretary of the Treasury

SP:ik

initialed D. J. Bell

APR 21 1943

Dear Mr. Casey:

I received your letter of April 16, 1943, with which you enclosed copy of a wire dated April 14 from Mr. Leo B. Bozell of Omaha, Nebraska, regarding the Second War Fund Drive.

I appreciate your thoughtfulness in forwarding a copy of Mr. Bozell's wire to me and enclose herewith, for your information, a copy of my reply.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Eugene Casey,
Special Executive Assistant
to the President,
The White House,
Washington, D. C.

NLEdelin

File in Diary

(Initialed copy of letter
and telegram to Bell)

C
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TELEGRAM

D. W. Bell
Under Secretary
Exp. Loans

April 20, 1943

Mr. Leo B. Bozell,
Bozell, Jacobs Advertising Company,
Omaha, Nebraska.

Your wire April fourteenth to Eugene Casey,
White House, referred to me. We agree that too
much optimism might interfere with complete success
of campaign. While figures on early sales look
good on their face we feel that individual subscriptions
have not up to this time come up to expectations. I
have tried to stress this in all Treasury publicity.
Thanks for wiring.

H. Morgenthau, Jr.
Secretary of the Treasury

DWBell:nle

225

21713

THE WHITE HOUSE
WASHINGTON

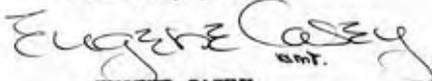
April 16, 1943

Dear Mr. Secretary:

The attached telegram is from our very good friend Leo B. Bozell, head of the Bozell, Jacobs Advertising firm of Omaha, Minneapolis, and New York.

It contains a great deal of food for thought, and I am passing it along to you for whatever consideration you might think it merits.

Sincerely yours,



EUGENE CASEY
Special Executive Assistant
to the President

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

Enc. 1.

THE WHITE HOUSE
Washington

226

APR 15 7:28 AM 1943

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W WUX OMAHA NEBR APR 14 1943

EUGENE CASEY

WHITE HOUSE

WHILE EARLY BOND SALES IN SECOND WAR LOAN CAMPAIGN CERTAINLY JUSTIFY ENTHUSIASTIC OPTIMISM WE IN THIS PART OF THE COUNTRY BELIEVE TREASURY SHOULD CONSIDER POSSIBILITY THAT TOO MUCH OPTIMISM MIGHT NOT BE GOOD FOR THE CAMPAIGN BECAUSE SMALLER SUBSCRIBERS MIGHT ARRIVE AT CONCLUSION THE EXTRA PURCHASES PLANNED BY THEM ARE NOT NECESSARY. WE IN NEBRASKA WHERE CAMPAIGN IS HEADED BY W D CLARK PRESIDENT OF OMAHA NATIONAL BANK AND A DIRECTOR OF THE UNION PACIFIC RAILROAD ARE DELIBERATELY HOLDING BACK THOUGH GIVING GOOD PUBLICITY TO INDIVIDUAL COMMUNITIES CITIES AND COUNTIES. I TALKED WITH MERRILL CRUMP IN KANSAS CITY, DIRECTOR OF PUBLICITY FOR 10TH FEDERAL RESERVE DISTRICT CAMPAIGN AND HE SAYS 10TH DISTRICT OFFICE WITH FULL APPROVAL OF H G LEEDY, 10TH DISTRICT CHAIRMAN, IS FOLLOWING SIMILAR CONSERVATIVE POLICY POINTING OUT THE LAST HALF OF CAMPAIGN WILL BE TOUGH. WE CERTAINLY DONT SUGGEST CRYING OR DEFEATISM. WE DO BELIEVE HOWEVER THAT TOO MUCH OPTIMISM COULD BRING ABOUT SOMEWHAT OF A LETDOWN BY WORKER AND BUYERS.

LEO B BOZELL.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, April 21, 1943.

Press Service
No. 36-30

Secretary of the Treasury Morgenthau announced today that the subscription books for the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series C-1944, open to the holders of Treasury Certificates of Indebtedness of Series C-1943 and Commodity Credit Corporation Notes of Series F, maturing May 1, 1943, will close at the close of business tomorrow, April 22.

Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight, Thursday, April 22, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and their division among the several Federal Reserve Districts will be made later.

-oOo-

TREASURY DEPARTMENT

228

INTER OFFICE COMMUNICATION

DATE

April 21, 1943

TO Secretary Morgenthau
FROM Randolph Paul

Just before I came to your office yesterday around 10:30, Jere Cooper called me and expressed great concern that McCormack and even Chairman Doughton were going to yield and agree to the 50 percent second Doughton plan which was being insisted on by the Republicans, or at least some variation of that plan. You then called me to your office and I listened to the latter part of a conversation you had with Congressman McCormack, as a result of which you suggested to McCormack that I go to his office and discuss the situation with him. I went about ten or fifteen minutes after leaving your office.

I had a somewhat unsatisfactory conference with Mr. McCormack, although I may have accomplished something in stiffening him with respect to the 50 percent flat compromise plan. I objected to this plan on the ground that it would foul the administration nest and make it impossible for the President to deal effectively with the situation by way of veto or otherwise. I told McCormack about the plan I had submitted Monday to Congressmen Doughton, Cooper and Disney, which involved the 50 percent reduction of the normal tax and the first 6 brackets of surtax, with a reduction of 19 percentage points above this level. McCormack said this plan had been submitted to the meeting on Monday afternoon by Mr. Stam. I had submitted it to Doughton, Cooper and Disney on Monday morning.

At McCormack's suggestion, I went from his office to see Sam Rayburn, with whom I had a somewhat more satisfactory conference. This conference was attended by Ramspeck as well as Rayburn. Rayburn agreed with me that there should be no 50 percent settlement for the reasons I gave him. He told me how the conference had practically broken up the day before, but had continued at his insistence as peacemaker. He said that the conference was going on at 1 o'clock yesterday afternoon but would not accomplish much then, but might accomplish something when it began at 7 o'clock last evening.

- 2 -

Following my conference with Mr. Rayburn, I went to see Cooper to reassure him and stiffen his resistance to the 50 percent plan. In this conference I told him that the Doughton No. 1 plan would be satisfactory to the Treasury; also the modified Robertson 13 percent plan; also the plan I had submitted on Monday involving a splitting of the normal tax and the first 6 brackets of surtax. Cooper said he would stick out for one of these plans.

Again in the afternoon Cooper called me and told me that he and Doughton and Disney had agreed to stand or fall by the Doughton No. 1 plan. They had decided that if they could not get the Republicans to agree in the evening conference to this plan, they would report a bill containing the plan out of Committee, even though this involved the risk of amendment because they could not get a rule. It therefore involved the risk of another vote on the Ruml plan. I told Cooper to go ahead, as I would rather lose on a 100 percent Ruml plan and charge it to the Republicans than agree on a 50 percent Ruml plan.

Last evening about 10 o'clock Cooper called me at my home and told me the result of the conference, which was as I reported to you on the telephone this morning. The Republicans finally agreed to the Doughton No. 1 plan after a two and one-half hour session, which Cooper said was rather a pleasant session. Cooper said that he argued very strenuously for that plan, and Woodruff finally broke. Then the Chairman took Knutson aside and apparently converted him, Cooper thinks, with a very strong insistence on his plan. Cooper said Reed was the most recalcitrant, but finally said he would go along with the other Republicans.

The above information was conveyed to me very confidentially by Mr. Cooper, and no statement to the Press was to be made until after the conference at 11 o'clock this morning with Rayburn and McCormack, at which the agreement would be reported.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

APR 21 1943

TO Secretary Morgenthau
FROM Randolph Paul

I am attaching hereto a memorandum from
Mr. Blough's office with respect to the recent
British Budget. You will note that the British
have not solved the pay-as-you-go problem.

AS1

Attachment

April 19, 1943

MEMORANDUM FOR THE SECRETARY

The British Budget for 1943-44 1/

The Chancellor presented the 1943-44 British Budget to the House of Commons on April 13, 1943. The Budget calls for \$23.0 billion of expenditure, \$11.6 billion to be financed by "domestic current revenue," i.e., taxes, customs, and forced loans. This represents a \$2.0 billion increase in expenditures and a \$0.8 billion increase in current revenues over 1942-43. Approximately half of the increase in current revenue will be provided by tax rate increases. Only indirect taxes are increased.

Indirect taxes. To increase current revenues and to discourage consumption of certain nonessential items, indirect taxes are increased as follows:

The purchase tax on luxuries (the tax is limited to such goods as silk fabrics, fur coats, china, cameras, jewelry, and cosmetics) is increased from 66-2/3 percent to 100 percent. This increase will raise \$16 million. Customs and excises on liquor and tobacco are being increased by the following amounts: beer, 1-2/3 cents per pint; whisky, 46-2/3 cents "per bottle"; light wines, 60 cents per gallon; heavy wines, \$1.20 per gallon; cigarettes, 6-2/3 cents per pack of 20; pipe tobacco, about 8 cents per ounce. These increases will raise \$410 million. The entertainment tax on theatre and cinema seats will be increased by an amount not yet announced. Telegraph and telephone charges will be increased to discourage the use of these facilities.

Tax reliefs. No further increases are proposed in income and excess profits tax rates. In fact, several "concessions," or tax reliefs, are provided: Exemptions for dependents and housekeepers are liberalized. Existing reliefs for "wastage" under excess profits taxes are extended to sand and gravel companies. Certain metal mining and oil producing concerns which have accelerated production are given special reliefs. The Budget Speech

1/ Based on cable from Cassidy and press reports. A copy of the Budget Speech is expected within a few days.

- 2 -

also gives special attention to the question of "terminal losses," i.e., the losses involved in reconversion at the end of the war. The purchase tax on "utility cloth" (the standard textile now used in England for clothing) is abolished.

Pay-as-you-go. With regard to the pay-as-you-go issue, the Chancellor stated that no satisfactory plan for deduction of current income taxes at source has yet been developed. He expressed concern over the difficulties that may arise under the present system when incomes decline at the end of the war.

The cost of living. The Chancellor noted the fact that the cost of living has been largely stabilized. The cost-of-living index has risen only 28 percent since September, 1939, in contrast with a 90-percent rise after three and a half years of the First World War. Price subsidies, estimated to cost \$720 million in the fiscal year 1943-44, are playing an important role in the stabilization program.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

233

DATE

APR 21 1943

TO Secretary Morgenthau
FROM Randolph Paul

The March 1943 Yale Law Journal contains a review of Roswell Magill's latest book. I thought you would be interested in the attached copy of the review. I am not usually very fond of what Fred Rodell writes, but he does show in this review very clearly how Ros has shifted to the right from Under Secretary of the Treasury to a member of the New York Bar.

RP

Attachment

allocations are utterly arbitrary in the worst sense of the word and hence that they should never be attempted.

Reading between the lines, I surmise that Barnes would go a long way, at least, toward conceding the arbitrary nature of any joint-cost allocation. But the soundness of such a viewpoint is not obvious on its face; and a detailed discussion in the light of modern economic analysis would be a welcome addition to an advanced treatise on public utility economics.

In concluding this review, let me note that the very excellence of the book is what warrants the detailed criticisms that I have attempted here. The treatise is likely to have such deserved influence on the future literature, that a reviewer is justified in searching for limitations as well as in calling attention to its many virtues.

JAMES C. BONBRIGHT †

THE IMPACT OF FEDERAL TAXES. By Roswell Magill. New York: Columbia University Press, 1943. Pp. ix, 218. \$3.00.

In *Fortune* magazine for January, 1938, there appeared an article entitled "The Federal Tax System." The article was not really about the federal tax system at all although it did include a little-finger-nail sketch of that system; it was a modulated howl against the substantial taxation of American business. "How heavy a tax burden can U. S. business bear? And for how long? . . . there is a limit beyond which free business enterprise cannot pay taxes and be free; beyond which the capitalist economy must fail." It happens that this article, although unsigned, was the work of two men. The voice was Archibald MacLeish's voice, but the hands were the hands of MacLeish's friend who was then, briefly, Under Secretary of the United States Treasury. The hands were the hands of Roswell Magill.

Five years have passed, and a book has just been published entitled *The Impact of Federal Taxes*. This time both the voice and the hands are those of one who is billed on the book's jacket, not as Professor of Law at Columbia University, not as practising tax attorney in New York City, but as Former Under Secretary of the Treasury. "A badly designed tax system . . . can be a serious brake on incentive. Ours . . . is beginning to function as a brake today," says page viii; "our corporation taxes are exceptionally heavy," says page 18; "the method of taxing corporate income is grossly unfair," says page 19; "will there still be venture capital available for our enterprise system?" asks page 120; "American corporations seem to be caught in the greatest financial pincer-movement in their history," says page 121. Etc. Mr. Magill's melody lingers on.

It lingers on despite the fact that there is more to Mr. Magill's little book than his old theme song. What the book amounts to is a roughly revised

† Professor of Finance, Columbia University.

reprint of half a dozen of the author's old articles and speeches, larded out with enough new stuff to stretch the whole to a little more than 200 small pages. As a result, the book is a book in form only. There is no cohesion, no continuity from chapter to chapter except the annoying continuity of frequent repetition. Thus, the *Horst* case, the *Hallock* case and the *Clifford* case, although all important cases, are scarcely so important as to warrant detailed and almost identical discussion two times apiece—discussion so identical that, for example, a relevant quotation from an earlier opinion appears both on page 104 and on page 181. And although Mr. Justice Stone's quoted "philosophy" in the *Horst* decision makes good reading on page 53, "the kernel of Mr. Justice Stone's philosophy" as quoted on page 185 has a too familiar ring: In fact, the only possible excuse for Mr. Magill's sixth chapter, a slightly warmed-over second serving of what has come before, is to add thirty pages to his book. It adds nothing else.

Nor should the unwary layman be taken in by Mr. Magill's protestation in his preface that his book is going to deal with "federal taxation in its broader and more fundamental aspects"; that it "is not designed to compete with treatises which interpret the law"; and again, in his first chapter, that "it will be a pleasure to leave the exposition of these matters [technical legal stuff] to the encyclopedic textbooks and tax services." Chapter II has 89 footnotes, all strictly legal; Chapter III has 150. Chapter VII is a tacked-on procedural discussion of federal tax administration, of no conceivable interest to anyone but a tax attorney. On page 87 appears the not atypical sentence: "In general, a payment by a corporation to its officers or employees has been treated as compensation, not as a gift, but payments by a successor corporation to employees of the predecessor or by stockholders, who had just sold their stock, to the corporate administrative staff have been regarded as gifts,"—with three footnotes. Here indeed are the broader and more fundamental aspects of federal taxation.

Actually Mr. Magill would have done better to stick to his legal knitting throughout, instead of branching off, as he does for about one-half the book, on broader and more fundamental excursions. Far and away the best of his work is embodied in the two chapters—one called *The Income Tax on the Family* and the other *Gift and Death Taxes*—which, as the author frankly concedes, are rehashes of old law review articles. In these Mr. Magill is competent, thoroughly informed, and sound if not imaginative in his suggestion of minor reforms. Yet even here he betrays a slant which is something less than objective—which savors more of *Fortune* magazine than of a Former Under Secretary of the Treasury. Thus, having earlier dismissed the results of taxing state and municipal bond interest (which he approves) as "inconsiderable"—not only from the standpoint of extra revenue but of "increased tax equity"—he devotes page after page to the problems of the poor millionaire who is anxious to leave his fortune to his family instead of to the government. Again, after earlier pointing out that, by taking full advantage of the gift and estate tax exemptions, a man can easily turn over \$100,000 to his family completely free of federal taxes—and commenting that these two federal taxes along with the income tax make it almost impossible today to build

up and transfer more than "a moderate estate"—Mr. Magill makes his point crystal clear on page 91 by labeling as "moderate" a *net* estate of half a million dollars.

It is in the field of corporate taxation, however, that Mr. Magill really lets go. "The two major corporation taxes—the normal tax and surtax on corporate net income and the excess-profits tax—are fundamentally defective, and the defects are emphasized by high rates." Here, on page 143, is the old familiar tune, and Mr. Magill rings all the changes. He repeats, not once but three times, the Union League refrain about stocks being owned by the poor as well as the rich so that big corporate taxes really soak the poor. "A recent study of dividend distributions in 1940 indicates that 47 per cent of the total payment was received by nonprofit institutions like hospitals, schools, and churches, by persons with small incomes who did not file returns, or by persons with net incomes of less than \$5,000," says Mr. Magill on page 149—without bothering to indicate that 53 per cent of the dividends, then, must have gone to profit institutions and persons with incomes over \$5,000. Those persons, according to Mr. Magill's own figures on page 198, add up to less than 1 per cent of the population, as contrasted to the more than 99 per cent who receive a part of 47 per cent of corporate dividends. More significantly, Mr. Magill nowhere states that about 20,000 persons, one-seventieth of 1 per cent of the population, regularly collect more than one-third of all corporate dividends which are *paid to individuals*; that ownership of corporate stock, when it spreads wide, spreads paper-thin; and that, in consequence, a corporate tax is essentially, although by no means exclusively, a tax on the rich.

Mr. Magill's chief indignation about the corporate income tax boils up from the fact that the same income is taxed again, without credits or deductions, when it is paid out to individuals as dividends. "The result," he says on page 27, "is a tremendous double-tax burden on corporate income, greatly in excess of the taxes on any other form of income. This discrimination against corporate income is perhaps the most serious offense against fairness in the present tax law." Mr. Magill's point, not a new one, is a valid one. But it is not nearly so valid as he would have it appear. And therein lies the essence of my major quarrel with Mr. Magill.

Now Mr. Magill is a tax attorney, and he is no fool. He must know that corporate income is not always taxed twice. He must know that it is not taxed twice when it is retained and reinvested by the corporation instead of being distributed as dividends. He must know, further, that this very fact creates what is probably the biggest loophole in the income tax law—whereby wealthy men who control large corporations, but not so closely as to come under the penalty provisions of the "personal holding company" tax, escape the high brackets of the individual income tax by simply reinvesting and reinvesting their earnings without declaring dividends. He must know that this practice holds a double advantage in that the tremendous increase in the value of such investments, if they are held until death, is never taxed as capital gain to anyone. He must know that the sole purpose of the undistributed-profit tax of a few years ago was to put an end to this little game by forcing the declaration of dividends—and that the undistributed-profit tax was wil-

fully misrepresented to death, largely at the instigation of the wealthy men whose game it had spoiled. He must know that, in the absence of an undistributed-profit tax, almost the only way to hit these hoarded profits is with a high corporate income tax, *per se*. He says none of these things, and, although they are by no means a complete answer to what he does say, I am afraid that, in omitting them, Mr. Magill is himself guilty of a "serious offense against fairness."

Similarly, his diatribes against the "confiscatory" excess-profits tax bear all the earmarks of special pleading. Meticulous to pounce on every minor defect of the law which in any way works hardships on corporations, Mr. Magill has not a single harsh, or even mildly critical, word to say about the law's most glaring flaw. This flaw happens to operate in favor of corporations—and it has already cost the federal treasury literally billions of dollars. It is the alternative base, whereby every corporation, of its own sweet will, is permitted to choose whether to compute its normal profits (and hence its taxable excess profits) from past earnings or from its invested capital. Mr. Magill may—and obviously does—approve, in all honesty, of this boon to corporate wealth. But in the light of his references to the British income tax law when he likes the way it works, I do not see how he can, with any honesty, keep from his readers the fact that Great Britain's excess-profits tax contains no alternative base whatever. Nor do I see how he can say, on page 190, that our 90 per cent excess-profit tax rates "have already reached a peak" without at least a passing mention of the British rate of 100 per cent.

Although it is the striking omission of relevant material tending to counter his own conclusions which will most deeply disturb any informed reader who does not share Mr. Magill's prejudices, perhaps the best comment on his persistent and tender solicitude for corporate wealth lies in a little table of facts published by the *New York Herald Tribune* some weeks ago. The table shows that total corporate profits for 1942, after payment of all taxes, were 23 per cent higher than in the boom year of 1940, and 300 per cent higher than in 1938—the year when Mr. Magill expressed indirectly in *Fortune* magazine his concern about the impact of federal taxes on the future of American business. And if—in the face of facts like these—the same man is still concerned about the same thing today, it is not too surprising. For it seems to me that the author of *The Impact of Federal Taxes* was not really Former Under Secretary Magill of the United States Treasury and was not really Professor Magill of Columbia University. It was Roswell Magill, Esq., of the New York Bar.

FRED RODELL †

† Professor of Law, Yale Law School.

April 21, 1943

MEMORANDUM FOR THE SECRETARY

Trial of tax-exempt interest case

Trial of the tax-exempt interest case (identified as the Shamberg case) started Monday, April 19, in New York before the Tax Court, Judge Opper sitting. The trial will probably last at least three weeks.

Economic testimony is expected to be of vital importance in the case. Responsibility for the economic testimony was accepted by the Division of Tax Research at the request of the Bureau of Internal Revenue. Mr. Seltzer has been in charge of this economic testimony and will himself testify. Some of the other Government witnesses are Professor Haig and Professor Bonbright of Columbia University.

The Port of New York Authority is handling the case for the taxpayer, with Julius Henry Cohen as chief counsel. His witnesses are testifying before the Government witnesses. The testimony of the first two days attempted to prove that elimination of tax exemption would have serious financial effects on the State and local governments.

If the Government wins this case, its power to tax the interest on all State and local securities, including outstanding as well as future issues, will be largely, perhaps entirely, established. If the Government loses the case, the result may prevent (depending on the grounds of the decision) the Federal Government from taxing interest on State and local securities, including both outstanding and future issues.

In the light of the importance of the case and of our part in it, I hope to spend as much time as possible at the trial. Moreover, it is highly desirable that Henry Murphy be available to testify at some time during the latter part of the trial. He is in position to support certain aspects of the case much better than anyone else.

Roy Blough

APR 21 1943

Dear Bob:

I want to tell you how grateful I am to you for your helpfulness to me last Friday. With so much talk of an Easter recess in the air, I was afraid that the Stabilization Fund legislation might get caught behind tax legislation in the House and the matter left hanging for the rest of the Second War Loan campaign.

It now appears that, as a result of your good work and the speed with which this legislation passed the Senate, we will be able to get action in the House this week.

Sincerely yours,

(Signed) Henry

Honorable Robert F. Wagner,
United States Senate,
Washington, D. C.

File in Diary

By Bundy 3:46 4/21/43

(Initialed copy to Sullivan)

JLS:eh

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 20,
1943

John Sullivan

DM Secretary Morgenthau

Please write a nice letter for me to Senator Wagner thanking him for getting the bill through. I'd like to sign it today.

TREASURY DEPARTMENT

241

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

April 21, 1943

As a result of a conference I had with Congressman Anderson of New Mexico at my home a week ago last Sunday, I am now advised that he has withdrawn his objections to the Foreign Funds appropriation, which did much to cut the appropriation by \$750,000 on the floor of the House. He has also attempted to persuade Congressman Taber to withdraw his objections, and thinks he can do so. Therefore, when the appropriation comes to the floor of the House on the basis of the Senate appropriation (the conferees not having been able to agree), the appropriation should go through as the Senate Appropriations Committee fixed it.



copy to Mr Thompson 4/21/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

APR 21 1943

TO Secretary Morgenthau

FROM Randolph Paul

For your information:

Genevieve Tabouis called on Monday, April 19, and saw Pehle. She wanted to discuss the Foreign Funds investigation of her publication "Pour la Victoire". She explained that she had been following the State Department line in the editorial policy of her publication, but that she was reluctant to indicate who the persons were who had been donating money to continue the publication. She said that Justice had already made an investigation of the paper and was being kept advised of all its activities.

It was explained to Madame Tabouis that the Foreign Funds Control investigation did not concern itself with the editorial policy of "Pour la Victoire", but was solely concerned with whether blocked funds were being used to finance the publication. It was indicated that we would go over the material which Justice had with respect to the case and if we needed further information would request it in writing.

We have received unsubstantiated reports to the effect that some of the collaborationist interests in North Africa may be financing "Pour la Victoire". We will keep you advised as to any significant developments in the matter.



April 31, 1943.

Dear Mr. Poyser:

On behalf of the Secretary I am acknowledging your letter of April 16, which transmitted Mr. Donald M. Nelson's April report to the President on production performance against materials and equipment commitments of the Second Russian Protocol. Mr. Morgenthau was very glad to get this current information and has asked me to thank you for sending it to him.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. E. A. Poyser,
Director, Foreign Division,
War Production Board,
Washington, D. C.

GHF/dbs

File in Diary

WAR PRODUCTION BOARD

WASHINGTON, D. C.

April 16, 1943

IN REPLY REFER TO:

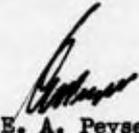
Mr. Henry Morgenthau
Room 280, Treasury Department
Washington, D. C.

My dear Mr. Morgenthau:

I am transmitting for your information a copy of Mr. Donald M. Nelson's April report to the President on production performance against materials and equipment commitments of the Second Russian Protocol.

I would appreciate any comments you may wish to make in regard to either the report itself or the performance record to date.

Sincerely yours,



E. A. Peyser
Director, Foreign Division



SECRET

WAR PRODUCTION BOARD

WASHINGTON, D. C.

April 15, 1943

IN REPLY REFER TO

My dear Mr. President:

The accompanying tabulation shows the progress made during March, and during the nine months ending March 31, toward fulfillment of Second Protocol materials and equipment production programs for the Union of Soviet Socialist Republics.

As can be seen from the comments included in the tabulation, it has been found necessary to modify seriously production schedules in the case of a number of materials items because of the growth of excessive seaboard stocks.

Until February, only the carbon steel program was affected in this way. Now, however, such critical items as alloy steel, copper base alloys, pure copper products, chemicals, ferro-silicon, and ferrochrome have accumulated in such quantities as to make it seem unwise to continue production at the rate called for by the Protocol. Authorization for tapering off production has, therefore, been given in many instances.

This naturally is affecting percentage performance against Protocol commitments for these items. In the case of other items, it now appears virtually certain that with the possible exception of power cable, steel alloy tubes, one or two carbon steel specialties, small cutting tools, contained rubber, and a few miscellaneous quartermaster items, all commitments will be met or considerably exceeded by June 30.

Particularly noteworthy is the present status of industrial equipment. For the first time, deliveries in this category are ahead of minimum Protocol requirements. A further acceleration of deliveries during the next three months will probably result in a total of more than \$200,000,000 worth of industrial equipment being made available in the Second Protocol period.

This does not mean, however, that the industrial equipment situation is no longer causing concern. There still remains the problem of rounding off programs (e.g. a complete mill) through



- 2 -

securing completion of essential "bottleneck" components, the lack of which in many cases is delaying shipment and utilization of large volumes of equipment.

Respectfully yours,

/s/

Donald M. Nelson

The President
The White House
Washington, D. C.

Attachment

STATUS OF
MATERIALS AND EQUIPMENT
PRODUCTION PROGRAMS
UNDER THE
SECOND RUSSIAN PROTOCOL
AS OF APRIL 1, 1943

STATUS OF MATERIALS AND EQUIPMENT PROD. PROG. UNDER THE SECOND RUSSIAN PROTOCOL, AS OF APRIL 1, 1945

(MARCH DELIVERY DATA SUBJECT TO REVISION)

SECRET

Pro- tocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 2/	Percent of 2nd Prot. Program Completed as of Apr. 1 3/	Ratio of Actual De- liveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Apr. 1 to Satisfy 2nd Protocol Prod. Program	Comments
NON-FERROUS METALS									
3	Aluminum Ingots	S.T.	27,180	2,296	17,596	65	87	9,588	Aluminum shipments totaling 22,400 S.T. have been scheduled for the five months period February 1, 1944 - June 30, 1945. This means that the Second Protocol commitment will be exceeded by 11,140 S.T.
3A	Duraluminum	S.T.	9,510	2,154	16,794	177	236	(7,284 Excess)	
	Total Aluminum	S.T.	(36,690)	(4,480)	(34,390)	94	125	(2,300)	
4	Nickel (Metal and Contained)	S.T.	7,800	775	7,257	93	124	543	The Second Protocol nickel commitment, which has been fixed at 7,400 S.T., is scheduled to be exceeded by approximately 1,000 S.T. The delivery figures given are based upon (1) deliveries of nickel metal, July 1, 1942 - March 31, 1944; (2) nickel delivered to mills in the U.S. for fabrication on U.S.S.R. account in steel, pure nickel wire, nichrome wire, cupro-nickel, etc., July 1, 1942 - December 31, 1942; and (3) nickel contained in steel, pure nickel wire, nichrome wire, cupro-nickel, etc., delivered to Soviet representatives in the U.S.A., January 1, 1944 - March 31, 1944.
5	Molybdenum	S.T.	4,000	182	3,307	83	111	693	The full Protocol commitment is scheduled for completion before the end of May.
6	Copper (Metal and Contained)	S.T.	(134,400)	(10,845)	(97,446)	(73)	(97)	(36,954)	The production program shown is for copper to be shipped as such and copper to be shipped as contained metal in products other than military products. The delivery figures include copper in (1) refinery shams; (2) pure copper products; (3) copper base alloys; (4) wire and cable; and (5) manufactures other than military manufactures. It is anticipated that full Protocol copper requirements will be met by June 30 despite reallocation to the Army and Navy of 12,500 S.T. of brass mill capacity originally reserved for the U.S.S.R. in April and May.
7	Rolled Copper (Copper base alloys only)	S.T.	109,411	9,154	89,447	82	109	19,964	Because accumulated stocks of copper base alloys being held on U.S.S.R. account have reached a total of more than 18,000 S.T., 12,500 S.T. of brass mill capacity which had been reserved for the U.S.S.R. in April and May has been reallocated to the U.S. Army and Navy. Nevertheless it is anticipated that the full Protocol commitment for copper base alloys will be met.
8	Magnesium	S.T.	0	600	600	-	-	(600 Excess)	To meet pressing Soviet needs, shipments of 2,016 S.T. of magnesium metal have been scheduled for the last six months of the Second Protocol period.

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SECRET

Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 2/	Percent of 2nd Prot. Program Completed as of Apr. 1 (Prot. Sched. 1/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. 100)	Balance to be Produced as of Apr. 1 to Satisfy 2nd Protocol Prot. Program	Comments
NON-FERROUS METALS (continued)									
9	Zinc	S.T.	29,000	3,500	27,618	95	127	1,482	Shipments of zinc metal continue to exceed Protocol requirements by 1,000 S.T. per month. At the end of the Protocol period, 9,118 S.T. in excess of the full commitment will have been made available. In addition, approximately 40,000 S.T. of zinc will have been furnished to U.S. mills for the production of items containing zinc on U.S.S.R. account.
11	Copper Goods and Tubes	S.T.	15,148	527	14,111	94	125	965	Stocks of wire copper products being held on U.S.S.R. account now total approximately 8,000 S.T. (i.e. more than one half the Second Protocol commitment). A tapering off of production has, therefore, been authorized. Despite this, however, it appears that the year's commitment will be exceeded.
30	Nickel-Chrome Wire	S.T.	538	98	383	71	95	155	The full commitment is scheduled to be met by June 1.
49	Mercury	S.T.	300	0	896	299	399	(406 Excess)	Shipments already made are said by Soviet representatives to be ample to meet U.S.S.R. import requirements to June, 1948.
89	Lead	S.T.	8	0	8	100	133	0	Regular lead and tin requirements of the U.S.S.R. are satisfied by the U.K. Shipments from the U.S. have been in response to spot requests.
90	Tin	S.T.	2	0	2	100	133	0	
91	Foil								Commitments and deliveries shown were made in response to spot requests. There are no regular Soviet requirements on the U.S.
A	Aluminum	S.T.	95	0	93	98	131	2	
B	Tin	S.T.	52	0	52	100	133	0	
C	Nickel	S.T.	1	0	2	200	267	(1 Excess)	
92	Babbitt Metal	S.T.	4	37	41	1,025	1,467	(37 Excess)	An additional 40 S.T. is being supplied as a part of the Arctic Program.
93	Cadmium	S.T.	100	12.5	16.5	100	216	(69.5 Excess)	Despite the completion of Protocol requirements in October 1947, deliveries are continuing at the rate of 12.5 S.T. per month.
94	Cobalt	S.T.	144	0	151	105	140	(7 Excess)	An additional 14 S.T. is scheduled for delivery in April.
Total Non-Ferrous Metals Excluding Item 6 (Copper)		S.T.	203,293	19,365.5	174,592.5	88	117	24,700.5	

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Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 2/	Percent of 2nd Prot. Program Completed as of Apr. 1 3/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Apr. 1 to Satisfy 2nd Protocol Prod. Program	Comments
FERRO-ALLOYS									
12	Ferrosilicon	S.T.	9,408	89	4,442	47	61	4,966	Stocks of ferrosilicon being held on U.S.S.R. account total approximately 3,674 S.T. and none is currently being exported. Allocations have therefore been completely augmented.
13	Ferrochrome	S.T.	5,376	0	2,573	48	64	2,803	Stocks of ferrochrome total approximately 2,100 S.T. and none is currently being exported. Allocations have therefore been completely augmented.
85	Ferrophosphorus	S.T.	4	0	4	100	133	0	} Commitments and deliveries shown were in response to spot requests. There are no regular Soviet requirements on the U.S.
86	Ferrovandium	S.T.	2	0	2	100	133	0	
87	Ferrotungsten	S.T.	2	0	2	100	133	0	
	Total Ferro-Alloys	S.T.	14,792	89	7,023	47	61	7,769	
HIGH PRIORITY ALLOY STEEL									
16	Polished Drill Rods								
B	High Speed	S.T.	60	8	60	100	133	0	} (2 Excess)
C	Other Alloy	S.T.	45	11	47	104	139	0	
17	High Speed Tool Steel	S.T.	3,400	461	2,427	71	95	671	
18	Tool Steel								
B	Alloy X12	S.T.	700	135	467	67	89	211	} Stocks of alloy items included in this category being held on U.S.S.R. account have become relatively very large, i.e. approximately 60,000 S.T., more than one half of the total which has been made available since July 1, 1949. Nevertheless, production has not been curtailed. Full Protocol commitments are scheduled to be met in all cases except certain alloy tube items.
C	Alloy X12W	S.T.	650	23	515	79	105	135	
D	Alloy-Other	S.T.	6,700	449	4,482	67	89	2,218	
19	Cold Finished Bars								
B	Electric Furnace or O.H. Alloy	S.T.	10,635	2,186	6,905	65	87	3,730	
20	Hot Rolled Alloy Bars & Billet	S.T.	95,000	7,154	73,940	77	104	21,060	
23	Stainless Steel								
A	Sheets	S.T.	2,200	113	495	23	31	1,705	}
B	Strip	S.T.	350	0	287	82	109	63	
C	Hot Rolled Bars	S.T.	800	0	329	41	45	471	
25	Steel Wire								
A	Ball Wire (Alloy)	S.T.	1,344	121	542	40	53	802	}
B	Alloy ASTM 23P	S.T.	2,400	178	1,332	56	74	1,068	
C	Alloy 4140	S.T.	1,200	94	569	47	63	631	
27	Steel Alloy Tubes								
A	Stainless 15-5	S.T.	2,200	130	436	24	32	1,664	} (4th Excess)
B	4-6% Chrome	S.T.	15,500	1,921	5,674	37	49	9,826	
C	Carbon .3% Moly. Pipe Sizes	S.T.	600	0	0	0	0	600	
D	Carbon .3% Moly. Cold Drawn	S.T.	2,700	0	0	0	0	2,700	
E	Carbon .3% Moly. Hot Finished	S.T.	3,000	876	3,414	114	149	0	
F	H.R. Ball Bearing Tubes	S.T.	5,400	0	71	1	1	5,329	

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- 4 -

Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 2/	Percent of 2nd Prot. Program Completed as of Apr. 1 3/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Apr. 1 to Satisfy 2nd Protocol Prod. Program	Comments
HIGH PRIORITY ALLOY STEEL (continued)									
28	Stainless Wire	S.T.	2,000	87	1,797	90	120	203	} See preceding page for comments.
29B	Other Alloy Wire	S.T.	2,600	709	2,163	83	111	477	
	Total High Priority Alloy Steel	S.T.	159,484	14,656	106,072	67	89	57,412	
OTHER ALLOY STEEL									
14	Armor Plate	S.T.	13,440	0	289	6	8	12,691	The U.S.S.R. has cancelled the Protocol commitment for armor plate.
21	Cr-Si-Mn Billets	S.T.	95,000	527	59,494	63	84	35,406	} Stocks being held on U.S.S.R. account exceed 30,000 S.T. No further production during the Second Protocol period is scheduled.
	Total Other Alloy Steel	S.T.	108,440	527	60,243	66	75	48,197	
HIGH PRIORITY CARBON STEEL									
10	Bimetal (Copper Clad Strip)	S.T.	20,000	2,019	16,100	81	108	3,000	} With the possible exception of bullet core steel, commitments for all items included in this category are scheduled for completion before June 30.
16	Polished Drill Rods								
A	Plain Carbon	S.T.	125	7	97	78	104	28	
18	Tool Steel								
A	Plain Carbon	S.T.	3,400	156	2,464	75	100	876	
19	Cold Finished Bars								
D	B.O.H. Bullet Core	S.T.	10,000	848	1,166	14	44	6,674	
F	S.A.H. 1015-1050 and Other Plain Carbon	S.T.	20,000	2,267	6,253	31	41	13,747	
25	Steel Wire								
D	Music Wire	S.T.	12,000	1,003	7,000	58	77	5,000	
E	Spring Wire	S.T.	12,000	576	7,500	66	88	4,000	
G	Card Wire	S.T.	350	2	238	68	91	112	
K	Square Wire	S.T.	270	74	116	43	57	184	
L	Timed Wire	S.T.	700	35	370	53	71	330	
M	Misc. Wire Products	S.T.	300	1	213	71	95	87	
26	Wire Rope								
A	Aircraft	S.T.	3,000	159	1,846	62	83	1,154	
B	Other Wire Rope	S.T.	20,000	1,681	15,440	77	103	4,570	
33A	Hot Rolled Sheets	S.T.	20,000	3,947	26,748	134	179	(6,748 Excess)	
	Total High Priority Carbon Steel	S.T.	122,145	12,775	88,260	72	96	33,885	

SECRET

Regraded Unclassified

Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 2/	Percent of 2nd Prot. Program Completed as of Apr. 1 1/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Apr. 1 to Satisfy 2nd Protocol Prof. Program	Comments
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OTHER CARBON STEEL

19	Cold Finished Bars								
A	Bessemer 3/8"-2"	S.T.	60,000	0	25,350	42	56	34,650	
22	Cold Rolled Sheets	S.T.	75,000	0	11,417	15	20	63,583	
A	Cold Rolled Strip	S.T.	60,000	2,356	26,811	45	60	33,189	
24	Timplate	S.T.	67,200	0	34,608	52	69	32,592	
25	Steel Wire								
F	Rope Wire	S.T.	20,000	21	14,008	70	93	5,992	
H	Electric Welding Wire	S.T.	4,000	0	1,175	29	39	2,825	
I	Galvanized Tel. & Tel. Wire	S.T.	20,000	277	13,626	68	91	6,374	
J	Low Carbon	S.T.	8,000	0	5,877	73	97	2,123	
31A	Barbed Wire	S.T.	40,000	78	22,857	57	76	17,143	
B	Staples	S.T.	2,600	0	1,700	65	91	800	
32	Pipe and Tubing								
A	Welding Press and Mechanical	S.T.	6,000	100	4,107	68	91	1,893	
B	Seamless Press and Mechanical	S.T.	12,000	151	2,104	18	24	9,896	
C	Cold Drawn Press and Mechanical	S.T.	6,000	181	3,061	51	68	2,939	
D	H.F. Press and Mechanical	S.T.	24,000	0	14,571	61	81	9,429	
E	Electric Weld Casing	S.T.	15,000	0	0	0	0	15,000	
F	Electric Weld Line Pipe	S.T.	35,000	0	788	2	3	34,212	
G	Seamless Casing	S.T.	15,000	0	12,364	82	109	2,636	
H	Seamless Line Pipe	S.T.	40,000	0	12,100	30	40	27,900	
I	Seamless Drill Pipe	S.T.	15,000	0	2,718	18	20	12,282	
J	Seamless Oil Well Tubing	S.T.	15,000	0	0	0	0	15,000	
K	Tool Joints	S.T.	3,000	0	1,341	45	60	1,659	
33	Hot Rolled								
B	Galvanized Roofing Sheets	S.T.	5,000	0	2,650	53	71	2,350	
C	Plates	S.T.	75,000	1,245	28,352	38	51	46,648	
D	H.R. Bars and Bar Mill Shapes	S.T.	6,500	0	3,086	47	61	3,414	
E	Structural Shapes	S.T.	13,000	199	3,852	30	40	9,148	
F	Strip	S.T.	11,000	4,290	14,680	133	177	(3,690 Excess)	
G	Turns Plate and Long Yarns	S.T.	4,000	162	3,955	99	132	35	
34A	Bolts, Nuts, Rivets, Chains & Screws	S.T.	6,000	296	2,439	41	55	3,561	
B	Nails	S.T.	7,000	0	2,367	34	45	4,633	
	Total Other Carbon Steel	S.T.	670,300	9,356	271,000	41	55	399,300	

RAILROAD MATERIALS

101	Rails	S.T.	175,000	0	59,767	34	45	115,233	
101A	Accessories	S.T.	80,000	0	15,467	19	25	64,533	
102	Mounted Sets of Wheels and Axles	S.T.	36,000	1,477	18,340	51	68	17,660	
103	Car Axles	S.T.	60,000	194	33,155	55	73	26,845	
104	Locomotive Car Wheel Tires	S.T.	13,500	314	8,759	64	87	4,741	

Stocks of items included in this category being held on U.S.S.R. account total more than 400,000 S.T. Production continues, therefore, to be limited to a few specialty items.

Stocks of railroad materials being held on U.S.S.R. account total more than 100,000 S.T. Production continues, therefore, to be limited to a few specialty items.

SECRET

- 6 -

Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 2/	Percent of 2nd Prot. Program Completed as of Apr. 1 1/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Apr. 1 to Satisfy 2nd Protocol Prod. Program	Comments
RAILROAD MATERIALS (continued)									
105	Roller Tread Car Wheels	S.T.	18,000	0	7,738	43	57	10,262	See preceding page for comments.
107	Steel Locomotive Axles	S.T.	255	0	251	99	100	0	
106	Electric Locomotive Axles	S.T.	300	0	299	74	99	78	
	Total Railroad Materials	S.T.	383,055	1,985	143,701	38	61	240,354	
CHEMICALS									
36	Phenol	S.T.	12,000	1,626	10,365	86	115	1,635	1,000 S.T. of Ethylene Glycol, shipped in March, are included with Item 61A, "Other Chemicals".
38	Ethylene Glycol	S.T.	2,400	0	2,400	100	100	0	
39	Sodium Bromide	S.T.	1,800	26	1,654	92	123	146	
40	Phosphorus	S.T.	2,400	250	2,111	88	117	289	
41	Dibutyl Phthalate	S.T.	3,600	89	2,829	79	105	771	
42	Dimethylaniline	S.T.	3,000	160	2,838	95	127	162	
43	Dibenzylamine	S.T.	1,800	125	1,675	76	101	425	
44	Colloxylin	S.T.	4,800	311	3,604	75	100	1,197	
45	Methanol	S.T.	12,000	1,000	9,084	76	101	2,916	
46	Urotroline	S.T.	4,600	378	5,158	112	149	(654 Excess)	
48	Ammonia Chloride	S.T.	4,800	100	4,003	83	111	797	
50	Potassium Nitrate	S.T.	3,600	88	3,600	100	100	0	
51	Ammonium Cyanide	S.T.	3	4	3	100	100	0	
52	Centralite	S.T.	600	77	486	81	105	114	
53	Resarin (Resorcinol)	S.T.	120	10	100	83	111	20	
54	Barium Peroxide	S.T.	300	25	225	75	100	75	
55	Strontium (S. Oxalate)	S.T.	96	16	88	92	123	8	
56	Rodalite (Rhodamine B)	S.T.	6	1	5	83	111	1	
57	Torium (T. Nitrate)	S.T.	3	0	3	100	100	0	
58	Cerium	S.T.	18	1	16	89	119	0	

See preceding page for comments.

1,000 S.T. of Ethylene Glycol, shipped in March, are included with Item 61A, "Other Chemicals".

Accumulated stocks of chemicals being held on U.S.S.R. account total approximately 75,000 S.T., i.e. more than three-fourths of the entire quantity made available since July 1, 1949. Diversion of certain items to domestic consumers and tapering off of allocations to the U.S.S.R. during the remainder of the Second Protocol period are, therefore, being arranged.

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Pro- tocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 3/	Percent of 2nd Prot. Program Completed as of Apr. 1 4/	Ratio of Actual De- liveries to Prot. Sched. (Prot. Sched. = 100) 5/	Balance to be Produced as of Apr. 1 to Satisfy 2nd Protocol Prot. Program 6/	Comments
<u>CHEMICALS (continued)</u>									
59	Cresol	S.T.	-	-	-	-	-	-	Soviet Cresol requirements are being satisfied by the U.S.
60	Potassium Sulphate	S.T.	1,800	150	1,641	80	109	319	
61	Anthracene	S.T.	0	0	9	-	-	(0 Excess)	
61A	Other Chemicals	S.T.	60,000	4,285	44,517	76	99	15,485	
	Total Chemicals	S.T.	119,746	5,675.4	46,167	80	107	23,701	See preceding page for comments.
<u>INDUSTRIAL EQUIPMENT</u>									
15	Hard Alloys and Small Cutting Tools	\$	22,404,000	1,339,179	11,716,411	61	91	8,687,589	Deliveries are considered unsatisfactory.
62	Machine Tools	\$	150,000,000	N.A.	132,781,485	89	119	17,218,515	Because of the difficulty of translating delivery data for the wide variety of items included in this group into terms of dollar value, the made available figure is an estimate. The U.S.S.R. is now in process of rechecking the dollar value of industrial equipment deliveries on the basis of actual contracts and an exact figure will be given in the next report. The figure shown is sufficiently firm, however, to make it seem certain that the Protocol commitment will be considerably exceeded by June 30.
63	Electric Furnaces								
64	Forging Presses and Hammers								
65	Various Industrial Equipment								
67	Abrasives	\$	4,000,000	628,220	1,142,892	86	114	567,108	Deliveries are ahead of Protocol requirements.
	Total Industrial Equipment	\$	176,404,000	N.A.	149,940,788	85	113	26,173,212	
<u>MARINE AND SUBMARINE CABLE</u>									
1	Marine Cable	Km.	1,421	7	754	53	71	667	March deliveries of Marine and Submarine Cable were far off mill schedule because of interference of U.S. Service orders.
2	Submarine Cable	Km.	740	0	148	21	47	442	
	Total Marine and Submarine Cable	Km.	2,201	7	1,092	50	67	1,109	
<u>POWER AND OTHER CABLE</u>									
74	Electric Power Cable	S.T.	52,666	850	1,779	3	4	50,887	March deliveries were far off mill schedule. The reasons for delays are currently being investigated.
74A	Misc. Copper Cable and Wire	S.T.	52,386	2,611	21,329	41	55	31,057	
	Total Power and Other Cable	S.T.	105,052	3,461	23,108	22	29	81,944	

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Pro- tocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 2/	Percent of 2nd Prot. Program Completed as of Apr. 1 3/	Ratio of Actual De- liveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Apr. 1 to Satisfy 2nd Protocol Prod. Program	Comments
<u>CLOTHING</u>									
71	Shoe Leather	S.F.	18,670	1,205	5,791	31	41	12,879	
72	Army Boots	Pcs.	2,400,000	220,712	2,020,416	84	112	379,584	
73	Army Cloth	Yds.	18,000,000	2,551,105	11,480,012	64	85	6,519,988	Deliveries are ahead of Protocol requirements. In addition to the Army Cloth shown, a large number of woolen blankets and considerable quantities of various cotton materials are being supplied.
<u>MISCELLANEOUS MATERIALS ITEMS</u>									
37	Petroleum Products	S.T.	240,000	11,474	161,195	67	89	78,805	Delivery figures are actual export figures. Shipping conditions, rather than production conditions, have governed performance.
75	Webbing	Yds.	36,000,000	2,325,180	23,672,138	66	88	12,327,860	Webbing deliveries have been slightly behind Protocol requirements because of limited manufacturing facilities. A recently arranged conversion of run mills is currently bringing about an acceleration, however.
76	Tarpaulin	Yds.	8,000,000	371,767	5,825,847	73	97	2,174,153	Deliveries have been approximately according to Protocol requirements.
80	Sheet Fiber	S.T.	4,361	432	1,273	29	39	3,088	More than 90% of the Sheet Fiber commitment was not requisitioned until the last of August, 1947. The requisition involved was held in the O.L.L.A. for approximately two months before being cleared for allocation and procurement. As a result contracts were placed only in December and January. Deliveries consequently have been considerably behind Protocol requirements. In addition, present schedules do not call for completion of orders until August, 1947. Soviet representatives have stated that they understand the circumstances responsible for the delay and do not anticipate full satisfaction of the Protocol commitment until after the end of the Second Protocol period.
83	Condenser Paper	S.T.	240	0	92	38	51	148	Deliveries against all requisitions submitted to date have been completed. The Soviet Government Purchasing Commission has not requisitioned 128 S.T. of the 240 S.T. allotted the U.S.S.R. in the Second Protocol.
83A	Cigarette Paper	S.T.	908	0	747	82	109	161	Deliveries are considerably ahead of schedule.
83B	Parchment Paper	S.T.	2,090	207	2,305	110	147	(215 Excess)	The entire Protocol commitment has been satisfied. Additional requisitions are being accepted to meet the needs of the Soviet fishing industry.

SECRET

Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Mar. 1 - Mar. 31 2/	Made Available in U.S.A. July 1 - Mar. 31 2/	Percent of 2nd Prot. Program Completed as of Apr. 1 1/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance in the Protocol as of Apr. 1 to Satisfy 2nd Protocol Prot. Program	Comments
MISCELLANEOUS EQUIPMENT ITEMS									
68	Graphite Electrodes	S.T.	5,860	565	4,790	81	108	1,120	Protocol requirements are scheduled to be satisfied before June 30. In addition, the supply of 6 1/2 S.T. of carbon electrodes during the remainder of the Second Protocol period has been authorized.
69	Bearings	Ka.	-	307,770	2,479,699	-	-	-	A large number of orders for bearings have been accepted despite the fact that there is no firm Protocol commitment. Deliveries against these have been slow to date because of the tightness of bearing steel, the large domestic aircraft, tank, and machine tool requirements, and the unusual nature of many Russian bearing specifications. A recent thorough survey of outstanding orders indicated that an improvement could be expected. The steel allotment had been increased, and several plants had completed the retooling necessary to handle Russian orders. March deliveries, while falling somewhat short of expectations, were or less maintained an acceleration which began in January.
70	Balls and Rollers	Ka.	28,000,000	6,712,800	59,399,241	212	281	11,399,241	Deliveries have exceeded Protocol requirements. However, restrictions have been contemplated without regard to strict Protocol limitations. Deliveries which were formerly held schedule on several important orders were greatly accelerated in February.
78	Tires, Tubes, Other Rubber Products (Rubber Content)	S.T.	40,320	3,677	14,130	36	48	25,000	Delivery figures are for rubber content of tires and tubes produced by the Treasury Department only.
79	High Pressure Hose	S.T.	648	6	171	26	39	477	Deliveries of both high pressure hose and shock absorber cord represent a relatively large percentage of our total production.
81	Shock Absorber Cord	S.T.	64	0	39	61	81	25	
72	Metallic Cloth and Screen	\$	1,000,000	129,777	976,223	98	131	24,755	The production program shown is a translation calculated by the Soviet Government Purchasing Commission of the Protocol commitment into dollar value. Deliveries have been satisfactory.

- 1/ Second Protocol production programs have been adjusted (a) to take account of the modification of steel requirements under the 2nd Protocol worked out by the Steel Division, W.P.A., and representatives of Government Purchasing Commission of the Soviet Union, and approved by the Requirements Committee, W.P.A., in Program Determination No. 250; (b) to take account of the used in connection with the items in question.
- 2/ Made available data in the case of all items except steel, railway materials, "other chemicals", machine tools, electric furnaces, forging presses and hammers, various industrial equipment, tires, tubes and other rubber products, electric power cable, miscellaneous copper cable and wire, terminal, shock absorber cord, sheet fiber and metallic cloth and screen include stocks which were on hand as of June 30, 1947, and which were available for shipment against 2nd Protocol commitments. Stocks of steel items which were on hand as of June 30, were taken into account in the adjustment of steel requirements under 2nd Protocol commitments mentioned in Note 1 above.
- 3/ The 2nd Protocol calls for deliveries in "Equal Monthly Installments." Thus three-fourths of each commitment should have been delivered by Mar. 31, if Protocol schedules were to be maintained.

Treasury Department
Division of Monetary Research

257

Date April 21 1943

To: Mrs. Klotz

Attached are one telegram and one air-gram in response to the confidential message to the Secretary from Dakar.

The replies have been cleared with Foreign Funds Control and the General Counsel's office, as well as with the people of Monetary Research.

E. M. Bernstein

MR. WHITE
Branch 2058 - Room 214½

April 21, 1943

Mr. Lantry

Mr. White

Please send the following cable to the American Consul at Dakar
for Summ:

"From Secretary of the Treasury to Summ

Reference is made to your MO of April 16, 1943.

The figures you requested are being sent to you by airgram."

WJ/S

April 21, 1943

Mr. Liversay

Mr. White

Please send the following airgram to the American Consul at Dakar for Saxon:

"From Secretary of the Treasury to Saxon

Reference is made to your 200 of April 16, 1943.

Balance of BAO accounts with FABC at beginning of period specified in your cable \$1,129,790.53 and at end of period \$969,877.03. Detailed statement of transactions during period being prepared and will be sent to you by airgram when ready."

EMG:cmw
4/22/43



DEPARTMENT OF STATE
WASHINGTON

Reply refer to
WA 102.1/8133

4666146
260
April 20, 1943

2:30
CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a paraphrase of a telegram from the American Consul at Dakar, French West Africa, communicating a strictly confidential message from "Saxon" for the Secretary of the Treasury.

Enclosure:

Paraphrase of telegram
no. 200 of April 16, 1943,
from Consul at Dakar.



J.B.P.

Paraphrase of a telegram from the American Consul at Dakar communicating a strictly confidential message which it is stated is cable no. 13 from "Saxon" for the Secretary of the Treasury.

I have been requested by LaSalle Sere to furnish if possible the account of BAO with FABC to the end of March of this year beginning November 1, 1942. (1)

It is desired that no, repeat no, indication be made to FABC that these figures are to be sent here or are intended for LaSalle Sere. (2)

Please use airgram in sending figures. (3)

Airgram follows containing explanation. (4)

This message has been repeated to Bernstein through Murphy.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

April 21, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Stabilization Fund - The House Coinage Committee yesterday delayed final action on the bill to extend the \$2,000,000,000 Stabilization Fund for two years, after Committee members found themselves unable to agree on various restricting amendments. Following a conference with Treasury officials, Chairman Andrew L. Somers said the Treasury had approved one amendment preventing use of the fund as a contribution to an international bank. He predicted that the bill with this amendment would be unanimously approved by the Committee when it reconsiders the measure today. All of the amendments offered, he added, comprise a "straw in the wind indicating that Americans will not accept an international bank." The bill is expected to reach the floor of the House either today or tomorrow.
2. Tax: Pay-As-You-Go - The special compromise tax committee of six Ways and Means Committee members is expected to put the finishing touches on a pay-as-you-go tax bill in an eleven o'clock conference this morning with Speaker Rayburn, House Majority Leader McCormack, and Republican Leader Martin. Virtual agreement between the tax leaders was reportedly reached in a two-hour session last night. Although details of the new compromise plan have not been made public, it is rumored that Democratic and Republican tax leaders finally resolved their differences in what is called the first Doughton Plan providing for the levying of 1942 taxes on the less severe 1941 rates.
3. Agriculture Appropriation Bill - The House finally passed the highly controversial Agriculture Appropriation Bill with provisions depriving the FSA of any funds, discontinuing the crop insurance program, and providing that none of the \$715,099,662 appropriation be used for incentive payments to farmers to encourage greater production of certain war crops. Senator Chavez, however, said he expects the

Senate Agriculture Committee to reinstate the Farm Security Administration allotment.

4. Civilian Supply - Despite very definite opposition from WPB Chairman Nelson, the Senate Banking and Currency Committee yesterday unanimously approved the Maloney Bill to establish an independent Office of Civilian Supply. Senator Maloney said his measure probably will be formally reported to the Senate Thursday and called up for discussion next Monday. This new agency would strip the WPB, the Department of Agriculture, and the OPA of their present powers to determine how much material or services should be allocated for civilian needs, and to decide the need for rationing goods and services. These powers, however, would all be subject to the approval or veto of OES Director Byrnes.
5. War Profits - Climaxing Congressional questioning of high profits being made by war brokers, defined as any agents soliciting or procuring war contracts or subcontracts, the House yesterday passed and sent to the Senate a measure to curb this profiteering by bringing war brokers under the terms of the Renegotiation Act. Only agents whose gross annual income from such contracts is under \$25,000 are exempted.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 130

RECEIVED
OFFICE OF THE
SECRETARY OF THE
TREASURY DEPARTMENT
APR 22 PM 12 44

Information received up to 7 A.M., 21st April, 1943.

1. NAVAL

One of H.M. Submarines sank a 1,500 ton east-bound ship and a 5,000 ton tanker west-bound off SICILY on 16th/17th. 2 motor torpedo boats attacked a convoy of 2 ships escorted by 4 destroyers off BIZERTA. One 4,000 ton ship was hit and set on fire. The KERKENNA Islands have been occupied by a landing party. An east-bound convoy was attacked by U-boat 40 miles west of CRAN yesterday during a fog and 2 or 3 ships torpedoed; 520 survivors and 80 cot cases are reported picked up.

2. MILITARY

TUNISIA, 8th Army. No details yet of attack launched. 19th/20th. 1st Army. On 18th/19th British Forces occupied a village 3 miles north of MEDJEZ EL BAB without opposition while French Forces repulsed an enemy counter attack against a hill south of DJEBEL MANSOUR.

3. AIR OPERATIONS

WESTERN FRONT. 20th. A total of 33 escorted Venturas attacked coke ovens at ZEEBRUGGE, the railway centre at BOULOGNE and shipping at CHERBOURG. No enemy fighters were met. 8 escorted Typhoon bombers attacked TRICQUEVILLE airfield; 2 F.W. 190's were destroyed. One JU 88 crossed the east coast and was destroyed by Spitfires. 20th/21st. Bomber command sent out 457 aircraft; STETTIN - 339 heavy (21 missing), ROSTOCK - 86 heavy (9 missing), BERLIN - 11 Mosquitos (1 missing), Seaming - 18, Leaflets, LILLE area, - 3. Preliminary reports: STETTIN - Weather conditions excellent, probably good attack. ROSTOCK - Good clear weather but smoke screen operating. Fighter command sent 52 aircraft to north-west GERMANY and occupied territory to attack shipping, aircraft and transport. All returned safely. Several trains were attacked and an E-boat probably sunk. 2 enemy aircraft flew over LONDON, some bombs were dropped at 3 outer suburbs, wounding 16 people. 14 more were injured by A.A. Shells.

TUNISIA, 17th/18th. TUNIS docks attacked by 19 Wellingtons. A total of 48 medium bombers attacked LA MARSA airfield on 17th/18th and 18th/19th. During latter night 44 tons were dropped on 2 more enemy landing grounds. On 19th, 3 other enemy landing grounds were bombed by a total of 98 medium and fighter bombers and TUNIS docks were attacked by 21 U.S. Fortresses. On the 18th, 30 enemy aircraft attacked our landing grounds at SOUK EL KHEMIS. Fighters and fighter bombers carried out many offensive sweeps attacking tanks, M.T. and enemy aircraft. Enemy casualties 33,10,22, including 12 JU 52's, ours 18 aircraft missing.

SICILY AND SARDINIA. 18th. 29 U.S. Fortresses bombed the railway centre and 49 the airfield at PALERMO. 26 U.S. Mitchells bombed 2 airfields in SARDINIA.

BURMA. 19th. A total of 34 Blenheims attacked transport targets in the MYING, YAN, MAYU and AKYAB Areas.